

FACE 2122: THERMOSEAL OIL, INC., FOR
EQUIPMENT IN THE GUERRERO UNIT AREA,
GARZA COUNTY, NEW MEXICO

Case Number

6102

Application

Transcripts.

Small Exhibits

FT



United States Department of the Interior

GEOLOGICAL SURVEY

NOV - 6 1978

P. O. Box 26124

CONSERVATION COMM.
Santa Fe

Albuquerque, New Mexico 87125

NOV 01 1978

Transocean Oil, Inc.
1700 First City East Building
1111 Fannin
Houston, Texas 77002

no. 6102

Gentlemen:

The Quamdo Unit Agreement, Catron County, New Mexico, was approved January 6, 1978, by the Area Oil and Gas Supervisor, effective as of the date of approval. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing no more than six months time between the completion of one well and the commencement of the next well until a well capable of producing unitized substances in paying quantities is completed.

Our records show that the initial test well was plugged and abandoned as a dry hole on February 5, 1978, and the second test well was due to be commenced on August 5, 1978. Inasmuch as the second test well was not commenced, the Quamdo unit agreement is considered to be terminated automatically as of August 5, 1978, pursuant to Section 9 of the unit agreement.

Sincerely yours,

(ORIG. SGD.) GENE F. DANIEL

ACTING Oil and Gas Supervisor, S300A

cc:
SLM, Santa Fe
Com. Pub. Lands, Santa Fe
NWDCD, Santa Fe

This Copy for

Unit Name Quemido Unit (Exploratory)
 Operator Transocean Oil, Inc.
 County Catrina County, New Mexico

Dee

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	SEGREGATION	TERM
APPROVED	OCC ORDER NO. R-1606	1-6-78	33,844.04	5,002.75	15,681.77	3,159.52	5 yrs.
Commissioner	Commission	12-20-77					

UNIT AREA

TOWNSHIP 2 NORTH, RANGE 15 WEST, NMPN
 Sections 17 thru 21: All
 Sections 28 thru 32: All

TOWNSHIP 2 NORTH, RANGE 16 WEST, NMPN
 Sections 7 thru 10: All
 Sections 13 thru 36: All

TOWNSHIP 2 NORTH, RANGE 17 WEST, NMPN
 Section 13: All
 Sections 21 thru 29: All
 Sections 32 thru 36: All

TERMINATED
 8-5-78
 CH

Unit Name Quemado Unit (Exploratory)
 Operator Transocean Oil, Inc.
 County Cation County, New Mexico

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	DATE	ACRES	ACREAGE		LESSEE
									RATIFIED	NOT RATIFIED	
19	LG-2102	C.S.	32	2N	16W	N/2, SW/4, NW/4SE/4	10-25-77	520.00			Transocean Oil, Inc.
20	LG-2103	C.S.	16	2N	16W	All	10-25-77	1,280.00			Transocean Oil, Inc.
			36	2N	16W	All					
21	LG-2106	C.S.	13	N	17W	SE/4SW/4	10-25-77	40.00			Transocean Oil, Inc.
22	LG-2108	C.S.	32	2N	17W	All	10-25-77	1,280.00			Transocean Oil, Inc.
			36	2N	17W	All					
23	LG-2880	C.S.	13	2N	17W	N/2SW/4, SW/4SW/4	10-25-77	120.00			Transocean Oil, Inc.
24	LG-4241	C.S.	19	2N	15W	Lots 1, 2, 3, 4, E/2W/2	10-25-77	481.89			Transocean Oil, Inc.
			30	2N	15W	Lot 4, W/2NE/4, NE/4SW/4					
25	LG-4242	C.S.	31	2N	15W	Lots 1, 2, 3, 4, E/2, E/2W/2	10-25-77	1,280.86			Transocean Oil, Inc.

TERMINATED
 9/11/88 8-5-78

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
14 December, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Transocean Oil, Inc.,) CASE
for a unit agreement, Catron County,) 6102
New Mexico.)

BEFORE: Richard L. Stamets

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: William F. Carr, Esq.
CATRON, CATRON, & SAWTELL
Old Santa Fe Trail
Santa Fe, New Mexico

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

I N D E X

JOE STANLEY

Direct Examination by Mr. Carr

4

E X H I B I T S

Applicant Exhibit One, One-A and
One-B, Unit Agreement and Exhibits thereto

9

Applicant Exhibit Two, Letter

9

Applicant Exhibit Three, Letters

9

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General Court Reporting Service
621 Calle Mejia, No. 172, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: Call Case Number 6102.

2 MS. TESCHENDORF: Case 6102. Application of
3 Transocean Oil, Inc., for a unit agreement, Catron County,
4 New Mexico.

5 MR. STAMETS: Call for appearances.

6 MR. CARR: William F. Carr, Catron, Catron, and
7 Sawtell, appearing for the applicant, Transocean Oil Com-
8 pany. We have one witness.

9 MR. STAMETS: Will you stand and be sworn,
10 please?

11 (Witness sworn.)

12 MR. CARR: Mr. Examiner, on January 19 Trans-
13 ocean appeared before this Commission requesting approval
14 of certain unit agreements, one of which was the French
15 Unit. The geological testimony presented at that time
16 would be fully applicable to the area involved today, inas-
17 much as the Quemado Unit, which is before you today, over-
18 lies the French Unit, which was previously approved pursuant
19 to the January hearing, so for that reason, we would re-
20 quest that the record of Case Number 5838 be incorporated
21 into the record of this case.

22 MR. STAMETS: The record in Case Number 5838
23 will be incorporated in the record of Case 6102.
24
25

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

JOE STANLEY

being called as a witness on behalf of Transocean Oil Company, and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A My name is Joe Stanley. I live at 3411 Village Oaks Drive, Kingwood, Texas.

Q Mr. Stanley, by whom are you employed?

A I'm an independent petroleum land consultant and I'm representing Transocean Oil, Inc., of Houston, Texas, at this hearing.

Q Have you previously testified before this commission and had your credentials accepted and made a matter of record?

A No, I have not.

Q Would you briefly summarize for the Examiner your educational background and work experience?

A I graduated from the University of Texas in 1962 with a degree in petroleum land management. For the next fifteen I was employed by Shell Oil Company in various

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Phone (505) 982-9212

1 degrees of land responsibility, and the last nine months
2 have been self employed as an independent land consultant.

3 Q And are you familiar with the application in-
4 volved in this case?

5 A Yes, I am.

6 MR. CARR: Are Mr. Stanley's credentials ac-
7 ceptable?

8 MR. STAMETS: Yes. He's considered a qualified
9 land man.

10 Q (Mr. Carr continuing.) Mr. Stanley, what is
11 Transocean seeking to accomplish with its application?

12 A To form a Federal exploratory unit.

13 Q Have you prepared, or has there been prepared
14 under your direction and supervision, certain exhibits for
15 introduction in this case?

16 A Yes, we have.

17 Q I hand you what has been marked for identifi-
18 cation as Applicant's Exhibit Number One, and ask you to
19 identify it for the Examiner.

20 A It's a form of Federal Unit Agreement.

21 Q Okay. Now, I will hand you what has been
22 marked as Exhibit One-A and ask that you identify this for
23 the Examiner, explain to the Examiner what it is and what
24 it shows.

25 A This is a land map attached to the Unit Agree-

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Phone (505) 982-9212

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1 ment as Exhibit A. The map identifies the various tracts
2 of land, being Federal acreage shown in white, State land
3 shown in blue, patented or fee land shown in green.

4 The map also shows the area outlined as the
5 proposed Quemado Unit and it also shows the acreage and
6 percentages of each of these types of land.

7 Q Would you read into the record what percentages
8 of ownership are?

9 A The total unit area proposed is 33,844.04
10 acres of which 25,681.77, or 75.88 percent, is Federal
11 acreage. 5,002.75, or 14.78 percent, is State land. And
12 3,159.52, or 9.34 percent of the unit is patented land.

13 Q Now I'll hand you what has been marked for
14 identification as Exhibit 1-B and ask that you identify
15 this for the Examiner.

16 A This exhibit is Exhibit B of the proposed Unit
17 Agreement, which is a tabulation of the leases, showing
18 descriptions, number of acres, royalty owner, lessee of
19 record, overriding royalty owners, and the percentage there-
20 of, and the working interest percentages.

21 Q Mr. Stanley, has the Quemado Unit been desig-
22 nated by the USGS as a logical unit area?

23 A Yes, it has.

24 Q And is Exhibit Two their letter approving or
25 so designating this unit?

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 Phone (505) 982-9212

- 1 A Yes, it is.
- 2 Q Has the form of this agreement been approved
- 3 by the State Land Office?
- 4 A Yes, it has.
- 5 Q Their letters of approval are marked Exhibit
- 6 Three, is that correct?
- 7 A That's correct.
- 8 Q What is the present status of commitment of
- 9 acreage to the Quemado Unit?
- 10 A At the present time all of the working interest
- 11 owners are committed; all of the overriding royalty interest
- 12 owners are committed; and once we have obtained Federal
- 13 and State approval, we will have approximately ninety-two
- 14 percent of the royalty interests committed.
- 15 Q And this is sufficient acreage to afford ef-
- 16 fective control of unit operation?
- 17 A Yes, it is.
- 18 Q In this agreement is Transocean designated
- 19 Unit Operator?
- 20 A Yes.
- 21 Q When do you hope to drill a test well on this
- 22 unit?
- 23 A As soon as possible.
- 24 Q And where will the test well be drilled?
- 25 A Section 26 of Township 2 North, Range 16 West.

1 Q And to what depth do you intend to drill this
2 well?

3 A Depth sufficient to test the Yeso formation
4 or 5000 feet, whichever is less.

5 Q And do you intend -- what formation do you
6 intend to unitize?

7 A All depths down to the greatest depth drilled.

8 Q In your opinion will approval of the proposed
9 unit promote prevention of waste, and protection of cor-
10 relative rights?

11 A Yes.

12 Q Were Exhibits One, One-A, One-B, Two, and
13 Three either prepared by you or under your direction and
14 supervision, or have you reviewed them and can testify from
15 your own knowledge that they are accurate and correct?

16 A They were prepared under my supervision and
17 I can testify that they are accurate and correct.

18 Q Do you have anything further to add to your
19 testimony?

20 A No.

21 MR. CARR: At this time, Mr. Examiner, we
22 would offer Applicant's Exhibits One, One-A, One-B, Two
23 and Three.

24 MR. STAMETS: These exhibits will be admitted.

25 MR. CARR: Mr. Examiner, I would also like to

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1 call to the Commission's attention that Transocean will be
2 prepared to flood this well in approximately a week and we
3 would therefore request that the order be expedited.

4 I have nothing further.

5 MR. STAMETS: Are there any questions of the
6 witness? Ms. Teschendorf?

7 MS. TESCHENDORF: Again on this Unit Agreement
8 on page twelve I notice that the Unit Agreement seems to
9 take for granted that the Conservation Commission as to
10 wells drilled on privately owned lands, Land Commissioner
11 as to wells on State, and USGS as to wells on Federal.

12 And yet under the plan of development you only
13 have to submit to the USGS and Land Commissioner for ap-
14 proval of development, and I would like the Oil Commission
15 included in that paragraph also.

16 MR. CARR: We can amend it to that extent.

17 MR. STAMETS: Is that all? Mr. Carr, I will
18 admit your exhibits.

19 MR. CARR: Thank you, Mr. Examiner.

20 MR. STAMETS: Anything further in this case?

21 The witness is excused.

22 We'll take the case under advisement.

23 (Hearing concluded.)
24
25

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General Court Reporting Service
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Phone (505) 982-9212

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
Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
815 Calle Mella, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6102
heard by me on 12-17 1977.
Richard K. [Signature] Examiner
New Mexico Oil Conservation Commission

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
14 December, 1977

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BEFORE: Richard L. Stamets

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General Court Reporting Service
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I N D E XJOE STANLEY

Direct Examination by Mr. Carr

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1125 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
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125 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
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sid morish reporting service

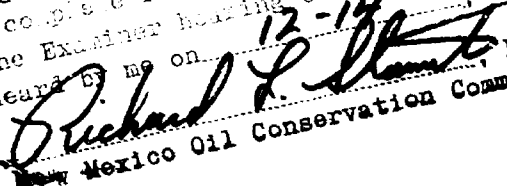
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

REPORTER'S CERTIFICATE

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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.

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

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6102
heard by me on 12-14-77, 1977.

Richard L. Hunt, Examiner
New Mexico Oil Conservation Commission



United States Department of the Interior

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

JAN 06 1978

JAN 11 1978

TransOcean Oil, Inc.
Attention: Mr. J. B. Stanley
1700 First City East Building
1111 Fannin
Houston, Texas 77002

No. 16102

Gentlemen:

Four approved copies of the Quemado unit agreement, Catron County, New Mexico, are returned herewith. Such agreement has been assigned No. 14-08-0001-16072 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,

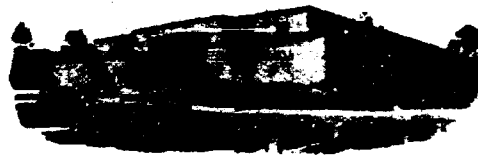
(ORIG. SGD.) JAMES W. SUTHERLAND

Area Oil and Gas Supervisor

Enclosures

cc:
NMOCC, Santa Fe (1tr. only) *11111 This copy for*

State of New Mexico



RECEIVED
JAN 6 - 1978

Oil Conservation Commission

Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

January 6, 1978

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

TransOcean Oil, Inc.
1700 First City East Building
1111 Fennia, Houston, Texas 77002

No. 6102

Re: Quamdo Unit Agreement
Catron County, New Mexico

ATTENTION: Mr. Joe Stanley

Gentlemen:

The Commissioner of Public Lands has this date given final approval to the Quamdo Unit, Catron County, New Mexico. Our approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval.

Your filing fee in the amount of Five Hundred and Thirty (\$530.00) Dollars has been received.

Please advise this office when the USGS gives their approval so that we may ascertain the effective date and finish processing same.

We have changed the Exhibit "B" to show TransOcean Oil, Inc. as the only Lessee of Record on our State leases.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

RE:
RAY D. CHAM, Director
Oil and Gas Division

PHL/EDG/s
encls.
cc:

OCC-Santa Fe, New Mexico ✓
USGS-Bowling, New Mexico
USGS-Albuquerque, New Mexico

Unit Name Quezada Unit (Exploratory)
Operator TransOcean Oil, Inc.
County Catron County, New Mexico

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	AMT. PAID	REMARKS
APPROVED	OCC ORDER NO. 8-5606	1-6-78	33,374.04	5,362.75	25,362.75	2,158.52	
Commissioner	Commission	12-20-77					

UNIT AREA

TOWNSHIP 2 NORTH, RANGE 15 WEST, NMPM
Sections 17 thru 21: All
Sections 28 thru 32: All

TOWNSHIP 2 NORTH, RANGE 16 WEST, NMPM
Sections 7 thru 10: All
Sections 13 thru 36: All

TOWNSHIP 2 NORTH, RANGE 17 WEST, NMPM
Section 13: All
Sections 21 thru 29: All
Sections 32 thru 36: All

Unit Name Quemado Unit (Exploratory)
 Operator TransOcean Oil, Inc.
 County Calron County, New Mexico

STATE TRACT NO.	LEASE NO.	INST- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	LESSEE
							DATE	ACRES		
19	LG-2102	C.B.	32	2N	16W	N/2, SW/4, NW/4SE/4	10-25-77	520.00		TransOcean Oil, Inc.
20	LG-2103	C.B.	16	2N	16W	All	10-25-77	1,280.00		TransOcean Oil, Inc.
21	LG-2106	C.B.	13	2N	17W	SE/4SW/4	10-25-77	40.00		TransOcean Oil, Inc.
22	LG-2108	C.B.	32	2N	17W	All	10-25-77	1,280.00		TransOcean Oil, Inc.
23	LG-2880	C.B.	13	2N	17W	N/2SW/4, SW/4SW/4	10-25-77	120.00		TransOcean Oil, Inc.
24	LG-4241	C.B.	19	2N	15W	Lots 1, 2, 3, 4, E/2W/2	10-25-77	481.89		TransOcean Oil, Inc.
25	LG-4242	C.B.	31	2N	15W	Lot 4, W/2NE/4, NE/4SW/4	10-25-77	1,280.86		TransOcean Oil, Inc.



TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING
1111 FANNIN • HOUSTON, TEXAS 77002
713 - 654-2100

January 16, 1978

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

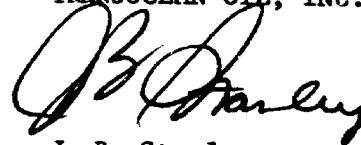
Re: Quemado Unit Agreement
Catron County, New Mexico

Gentlemen:

Pursuant to item (3) of your Order No. R-5606 approving the captioned, attached is an original executed copy of the captioned unit agreement along with a "Certificate of Approval" from the State Land Office and a "Certification-Determination" from the United States Geological Survey. The U.S.G.S. has assigned this agreement Contract Number 14-08-0001-16072.

Very truly yours,

TRANSOCEAN OIL, INC.


J. B. Stanley

JBS:smw

Encl.

Stamets
Case 6102



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO


QUEMADO UNIT
CATRON COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated October 25, 1977, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

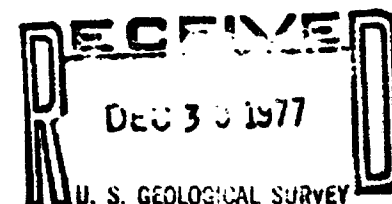
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 6th. day of January, 19 78.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

CERTIFICATION--DETERMINATION



Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Quemado Unit Area, State of New Mexico.

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

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

Dated JAN 06 1978.


Oil and Gas Supervisor, United States Geological Survey

Contract Number 14-08-0001-16072

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
QUEMADO UNIT AREA
COUNTY OF CATRON
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 25th day of October, 1977
by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

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

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

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

1 effective control of operations therein; and 1

2 WHEREAS, it is the purpose of the parties hereto to conserve natural 2
3 resources, prevent waste, and secure other benefits obtainable through 3
4 development and operation of the area subject to this agreement under the 4
5 terms, conditions, and limitations herein set forth; 5

6 NOW, THEREFORE, in consideration of the premises and the promises 6
7 herein contained, the parties hereto commit to this agreement their 7
8 respective interests in the below-defined unit area, and agree severally 8
9 among themselves as follows: 9

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 10
11 February 25, 1920, as amended, supra, and all valid pertinent regulations, 11
12 including operating and unit plan regulations, heretofore issued thereunder 12
13 or valid, pertinent, and reasonable regulations hereafter issued thereunder 13
14 are accepted and made a part of this agreement as to Federal lands, pro- 14
15 vided such regulations are not inconsistent with the terms of this agree- 15
16 ment; and as to State of New Mexico lands, the oil and gas operating 16
17 regulations in effect as of the effective date hereof governing drilling 17
18 and producing operations, not inconsistent with the terms hereof or the 18
19 laws of the State of New Mexico are hereby accepted and made a part of this 19
20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked 21
22 Exhibit A is hereby designated and recognized as constituting the unit 22
23 area, containing 33,844.04 acres, more or less. 23

24 Exhibit A shows, in addition to the boundary of the unit area, the 24
25 boundaries and identity of tracts and leases in said area to the extent 25
26 known to the Unit Operator. Exhibit B attached hereto is a schedule 26
27 showing to the extent known to the Unit Operator the acreage, percentage, 27
28 and kind of ownership of oil and gas interests in all land in the unit 28
29 area. However, nothing herein or in said schedule or map shall be con- 29
30 strued as a representation by any party hereto as to the ownership of any 30
31 interest other than such interest or interests as are shown in said map or 31
32 schedule as owned by such party. Exhibits A and B shall be revised by the 32
33 Unit Operator whenever changes in the unit area render such revision 33
34 necessary, or when requested by the Oil and Gas Supervisor, hereinafter 34
35 referred to as "Supervisor", or when requested by the Commissioner of 35

1 Public Lands of the State of New Mexico, hereinafter referred to as "Land 1
2 Commissioner", and not less than five (5) copies of the revised exhibits 2
3 shall be filed with the Supervisor, and two (2) copies thereof shall be 3
4 filed with the Land Commissioner and one (1) copy with The New Mexico Oil 4
5 Conservation Commission, hereinafter referred to as "Conservation 5
6 Commission." 6

7 The above-described unit area shall when practicable be expanded to 7
8 include therein any additional lands or shall be contracted to exclude lands 8
9 whenever such expansion or contraction is deemed to be necessary or advis- 9
10 able to conform with the purposes of this agreement. Such expansion or 10
11 contraction shall be effected in the following manner: 11

12 (a) Unit Operator, on its own motion or on demand of the Director of 12
13 the Geological Survey, hereinafter referred to as "Director," after pre- 13
14 liminary concurrence by the Director, or on demand of the Land Commissioner 14
15 but only after preliminary concurrence by the Director and the Land 15
16 Commissioner, shall prepare a notice of proposed expansion or contraction 16
17 describing the contemplated changes in the boundaries of the unit area, 17
18 the reasons therefor, and the proposed effective date thereof, preferably 18
19 the first day of a month subsequent to the date of notice. 19

20 (b) Said notice shall be delivered to the Supervisor, the Land 20
21 Commissioner and the Conservation Commission, and copies thereof mailed 21
22 to the last known address of each working interest owner, lessee, and 22
23 lessor whose interests are affected, advising that thirty (30) days will 23
24 be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the thirty (30) day period provided in the 25
26 preceding item (b) hereof, Unit Operator shall file with the Supervisor, 26
27 Land Commissioner and Conservation Commission evidence of mailing of the 27
28 notice of expansion or contraction and a copy of any objections thereto 28
29 which have been filed with the Unit Operator, together with an application 29
30 in sufficient number, for approval of such expansion or contraction and 30
31 with appropriate joinders. 31

32 (d) After due consideration of all pertinent information, the expan- 32
33 sion or contraction shall, upon approval of the Supervisor, the Land 33
34 Commissioner and Conservation Commission, become effective as of the date 34
35 prescribed in the notice thereof. 35

1 (e) All legal subdivisions of lands (i.e., 40 acres by Government 1
2 survey or its nearest lot or tract equivalent; in instances of irregular 2
3 surveys unusually large lots or tracts shall be considered in multiples of 3
4 forty (40) acres or the nearest aliquot equivalent thereof), no parts of 4
5 which are entitled to be in a participating area on or before the fifth 5
6 anniversary of the effective date of the first initial participating area 6
7 established under this unit agreement, shall be eliminated automatically 7
8 from this agreement, effective as of said fifth anniversary, and such lands 8
9 shall no longer be a part of the unit area and shall no longer be subject to 9
10 this agreement, unless diligent drilling operations are in progress on uni- 10
11 tized lands not entitled to participation on said fifth anniversary, in 11
12 which event all such lands shall remain subject hereto for so long as such 12
13 drilling operations are continued diligently with not more than ninety (90) 13
14 days' time elapsing between the completion of one such well and the commence-14
15 ment of the next such well. All legal subdivisions of lands not entitled to 15
16 be in a participating area within ten (10) years after the effective date of 16
17 the first initial participating area approved under this agreement shall be 17
18 automatically eliminated from this agreement as of said tenth anniversary. 18
19 All lands proved productive by diligent drilling operations after the 19
20 aforesaid five-year period shall become participating in the same manner 20
21 as during said five-year period. However, when such diligent drilling 21
22 operations cease, all nonparticipating lands shall be automatically 22
23 eliminated effective as of the ninety-first (91st) day thereafter. The 23
24 Unit Operator shall within ninety (90) days after the effective date of any 24
25 elimination hereunder, describe the area so eliminated to the satisfaction 25
26 of the Supervisor and the Land Commissioner and promptly notify all parties 26
27 in interest. 27

28 If conditions warrant extension of the ten-year period specified in 28
29 this subsection 2(e), a single extension of not to exceed two (2) years 29
30 may be accomplished by consent of the owners of ninety (90) percent of the 30
31 working interests in the current nonparticipating unitized lands and the 31
32 owners of sixty (60) percent of the basic royalty interests (exclusive of 32
33 the basic royalty interests of the United States) in nonparticipating 33
34 unitized lands with approval of the Director and the Land Commissioner, 34
35 provided such extension application is submitted to the Director and the 35

1 Land Commissioner not later than sixty (60) days prior to the expiration of 1
2 said ten-year period. 2

3 Any expansion of the unit area pursuant to this section which embraces 3
4 lands theretofore eliminated pursuant to this subsection 2(e) shall not be 4
5 considered automatic commitment or recommitment of such lands. 5

6 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 6
7 agreement shall constitute land referred to herein as "unitized land" or 7
8 "land subject to this agreement." All oil and gas in any and all formations 8
9 of the unitized land are unitized under the terms of this agreement and 9
10 herein are called "unitized substances." 10

11 4. UNIT OPERATOR. TransOcean Oil, Inc. is hereby designated as Unit 11
12 Operator and by signature hereto as Unit Operator agrees and consents to 12
13 accept the duties and obligations of Unit Operator for the discovery, 13
14 development, and production of unitized substances as herein provided. 14
15 Whenever reference is made herein to the Unit Operator, such reference 15
16 means the Unit Operator acting in that capacity and not as an owner of 16
17 interest in unitized substances, and the term "working interest owner" when 17
18 used herein shall include or refer to Unit Operator as the owner of a 18
19 working interest when such an interest is owned by it. 19

20 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have 20
21 the right to resign at any time prior to the establishment of a partici- 21
22 pating area or areas hereunder, but such resignation shall not become 22
23 effective so as to release Unit Operator from the duties and obligations of 23
24 Unit Operator and terminate Unit Operator's rights as such for a period of 24
25 six (6) months after notice of intention to resign has been served by 25
26 Unit Operator on all working interest owners, the Supervisor, the Land 26
27 Commissioner and Conservation Commission, and until all wells then drilled 27
28 hereunder are placed in a satisfactory condition for suspension or aban- 28
29 donment whichever is required by the Supervisor as to Federal lands and by 29
30 the Conservation Commission as to State lands unless a new Unit Operator 30
31 shall have been selected and approved and shall have taken over and assumed 31
32 the duties and obligations of Unit Operator prior to the expiration of said 32
33 period. 33

34 Unit Operator shall have the right to resign in like manner and subject 34
35 to like limitations as above provided at any time a participating area 35

1 established hereunder is in existence, but, in all instances of resignation 1
2 or removal, until a successor Unit Operator is selected and approved as 2
3 hereinafter provided, the working interest owners shall be jointly responsi- 3
4 ble for performance of the duties of Unit Operator, and shall not later than 4
5 thirty (30) days before such resignation or removal becomes effective appoint 5
6 a common agent to represent them in any action to be taken hereunder. 6

7 The resignation of Unit Operator shall not release Unit Operator from 7
8 any liability for any default by it hereunder occurring prior to the effec- 8
9 tive date of its resignation. 9

10 The Unit Operator may, upon default or failure in the performance of 10
11 its duties or obligations hereunder, be subject to removal by the same 11
12 percentage vote of the owners of working interests as herein provided for 12
13 the selection of a new Unit Operator. Such removal shall be effective 13
14 upon notice thereof to the Supervisor and the Land Commissioner. 14

15 The resignation or removal of Unit Operator under this agreement 15
16 shall not terminate its right, title, or interest as the owner of a working 16
17 interest or other interest in unitized substances, but upon the resignation 17
18 or removal of Unit Operator becoming effective, such Unit Operator shall 18
19 deliver possession of all wells, equipment, materials, and appurtenances 19
20 used in conducting the unit operations to the new duly qualified successor 20
21 Unit Operator or to the common agent, if no such new Unit Operator is 21
22 elected, to be used for the purpose of conducting unit operations hereunder. 22
23 Nothing herein shall be construed as authorizing removal of any material, 23
24 equipment and appurtenances needed for the preservation of any wells. 24

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender 25
26 his or its resignation as Unit Operator or shall be removed as hereinabove 26
27 provided, or a change of Unit Operator is negotiated by working interest 27
28 owners, the owners of the working interests in the participating area or 28
29 areas according to their respective acreage interests in such participating 29
30 area or areas, or, until a participating area shall have been established, 30
31 the owners of the working interests according to their respective acreage 31
32 interests in all unitized land, shall by majority vote select a successor 32
33 Unit Operator: Provided, That, if a majority but less than seventy-five 33
34 (75) percent of the working interests qualified to vote are owned by one 34
35 party to this agreement, a concurring vote of one or more additional 35

1 working interest owners shall be required to select a new operator. Such 1
2 selection shall not become effective until: 2
3 (a) A Unit Operator so selected shall accept in writing the duties and 3
4 responsibilities of Unit Operator, and 4
5 (b) The selection shall have been approved by the Supervisor. 5
6 If no successor Unit Operator is selected and qualified as herein 6
7 provided, the Director and the Land Commissioner, at their election may 7
8 declare this unit agreement terminated. 8
9 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 9
10 Operator is not the sole owner of working interests, costs and expenses 10
11 incurred by Unit Operator in conducting unit operations hereunder shall be 11
12 paid and apportioned among and borne by the owners of working interests, all 12
13 in accordance with the agreement or agreements entered into by and between 13
14 the Unit Operator and the owners of working interests, whether one or more, 14
15 separately or collectively. Any agreement or agreements entered into 15
16 between the working interest owners and the Unit Operator as provided in 16
17 this section, whether one or more, are herein referred to as the "unit 17
18 operating agreement." Such unit operating agreement shall also provide the 18
19 manner in which the working interest owners shall be entitled to receive 19
20 their respective proportionate and allocated share of the benefits accruing 20
21 hereto in conformity with their underlying operating agreements, leases or 21
22 other independent contracts, and such other rights and obligations as 22
23 between Unit Operator and the working interest owners as may be agreed upon 23
24 by Unit Operator and the working interest owners; however, no such unit 24
25 operating agreement shall be deemed either to modify any of the terms and 25
26 conditions of this unit agreement or to relieve the Unit Operator of any 26
27 right or obligation established under this unit agreement, and in case of 27
28 any inconsistency or conflict between this unit agreement and the unit 28
29 operating agreement, this unit agreement shall govern. Three (3) true 29
30 copies of any unit operating agreement executed pursuant to this section 30
31 should be filed with the Supervisor and one (1) true copy with the Land 31
32 Commissioner, prior to approval of this unit agreement. 32
33 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 33
34 specifically provided herein, the exclusive right, privilege, and duty of 34
35 exercising any and all rights of the parties hereto which are necessary or 35

1 convenient for prospecting for, producing, storing, allocating, and distri- 1
2 buting the unitized substances are hereby delegated to and shall be 2
3 exercised by the Unit Operator as herein provided. Acceptable evidence of 3
4 title to said rights shall be deposited with said Unit Operator and, 4
5 together with this agreement, shall constitute and define the rights, privi- 5
6 leges, and obligations of Unit Operator. Nothing herein, however, shall be 6
7 construed to transfer title to any land or to any lease or operating 7
8 agreement, it being understood that under this agreement the Unit Operator, 8
9 in its capacity as Unit Operator, shall exercise the rights of possession 9
10 and use vested in the parties hereto only for the purposes herein specified. 10
11 9. DRILLING TO DISCOVERY. Within six (6) months after the effective 11
12 date hereof, the Unit Operator shall begin to drill an adequate test well 12
13 at a location approved by the Supervisor if on Federal land, or by the 13
14 Land Commissioner if on State Land, or by the Conservation Commission if on 14
15 privately owned land, unless on such effective date a well is being drilled 15
16 conformably with the terms hereof, and thereafter continue such drilling 16
17 diligently until the Yaso formation has been tested 17
18 or until at a lesser depth unitized substances shall be discovered which 18
19 can be produced in paying quantities (to wit: quantities sufficient to 19
20 repay the costs of drilling, completing, and producing operations, with a 20
21 reasonable profit) or the Unit Operator shall at any time establish to the 21
22 satisfaction of the Supervisor if on Federal land, of the Land Commissioner 22
23 if on State land, or of the Conservation Commission if on privately owned 23
24 land, that further drilling of said well would be unwarranted or impracti- 24
25 cable, provided however, that Unit Operator shall not in any event be 25
26 required to drill said well to a depth in excess of 5,000 feet. Until the 26
27 discovery of a deposit of unitized substances capable of being produced in 27
28 paying quantities, the Unit Operator shall continue drilling one well at a 28
29 time, allowing not more than six (6) months between the completion of one 29
30 well and the beginning of the next well, until a well capable of producing 30
31 unitized substances in paying quantities is completed to the satisfaction 31
32 of said Supervisor if on Federal land, of the Land Commissioner if on State 32
33 Land, or of the Conservation Commission if on privately owned land, or until 33
34 it is reasonably proved that the unitized land is incapable of producing 34
35 unitized substances in paying quantities in the formations drilled here- 35

1 under. Nothing in this section shall be deemed to limit the right of the 1
2 Unit Operator to resign as provided in Section 5, hereof, or as requiring 2
3 Unit Operator to commence or continue any drilling during the period pending 3
4 such resignation becoming effective in order to comply with the requirements 4
5 of this section. The Supervisor may modify the drilling requirements of 5
6 this section by granting reasonable extensions of time when, in his opinion 6
7 such action is warranted. 7

8 Upon failure to commence any well provided for in this section within 8
9 the time allowed, including any extension of time granted by the Supervisor, 9
10 this agreement will automatically terminate; upon failure to continue 10
11 drilling diligently any well commenced hereunder, the Supervisor and the 11
12 Land Commissioner may, after fifteen (15) days notice to the Unit Operator, 12
13 declare this unit agreement terminated. 13

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months 14
15 after completion of a well capable of producing unitized substances in 15
16 paying quantities, the Unit Operator shall submit for the approval of the 16
17 Supervisor and the Land Commissioner an acceptable plan of development and 17
18 operation for the unitized land which, when approved by the Supervisor and 18
19 the Land Commissioner, shall constitute the further drilling and operating 19
20 obligations of the Unit Operator under this agreement for the period 20
21 specified therein. Thereafter, from time to time before the expiration of 21
22 any existing plan, the Unit Operator shall submit for the approval of the 22
23 Supervisor and the Land Commissioner a plan for an additional specified 23
24 period for the development and operation of the unitized land. 24

25 Any plan submitted pursuant to this section shall provide for the 25
26 exploration of the unitized area and for the diligent drilling necessary 26
27 for determination of the area or areas thereof capable of producing 27
28 unitized substances in paying quantities in each and every productive 28
29 formation and shall be as complete and adequate as the Supervisor and the 29
30 Land Commissioner may determine to be necessary for timely development and 30
31 proper conservation of the oil and gas resources of the unitized area and 31
32 shall: 32

33 (a) Specify the number and locations of any wells to be drilled 33
34 and the proposed order and time for such drilling; and 34

35 (b) To the extent practicable specify the operating practices regarded 35

1 as necessary and advisable for proper conservation of natural resources. 1
2 Separate plans may be submitted for separate productive zones, subject to 2
3 the approval of the Supervisor and the Land Commissioner. 3

4 Plans shall be modified or supplemented when necessary to meet changed 4
5 conditions or to protect the interests of all parties to this agreement. 5
6 Reasonable diligence shall be exercised in complying with the obligations of 6
7 the approved plan of development. The Supervisor and the Land Commissioner 7
8 are authorized to grant a reasonable extension of the six-month period 8
9 herein prescribed for submission of an initial plan of development where 9
10 such action is justified because of unusual conditions or circumstances. 10
11 After completion hereunder of a well capable of producing any unitized sub- 11
12 stance in paying quantities, no further wells, except such as may be 12
13 necessary to afford protection against operations not under this agreement 13
14 and such as may be specifically approved by the Supervisor and the Land 14
15 Commissioner, shall be drilled except in accordance with a plan of develop- 15
16 ment approved as herein provided. 16

17 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable 17
18 of producing unitized substances in paying quantities or as soon thereafter 18
19 as required by the Supervisor and the Land Commissioner, the Unit Operator 19
20 shall submit for approval by the Supervisor and the Land Commissioner a 20
21 schedule, based on subdivisions of the public-land survey or aliquot parts 21
22 thereof, of all land then regarded as reasonably proved to be productive 22
23 in paying quantities; all lands in said schedule on approval of the 23
24 Supervisor and the Land Commissioner to constitute a participating area, 24
25 effective as of the date of completion of such well or the effective date of 25
26 this unit agreement, whichever is later. The acreages of both Federal and 26
27 non-Federal lands shall be based upon appropriate computations from the 27
28 courses and distances shown on the last approved public-land survey as of 28
29 the effective date of each initial participating area. Said schedule shall 29
30 also set forth the percentage of unitized substances to be allocated as 30
31 herein provided to each tract in the participating area so established, 31
32 and shall govern the allocation of production commencing with the effective 32
33 date of the participating area. A separate participating area shall be 33
34 established for each separate pool or deposit of unitized substances or for 34
35 any group thereof which is produced as a single pool or zone, and any two 35

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

22 It is the intent of this section that a participating area shall 22
23 represent the area known or reasonably estimated to be productive in paying 23
24 quantities; but, regardless of any revision of the participating area, 24
25 nothing herein contained shall be construed as requiring any retroactive 25
26 adjustment for production obtained prior to the effective date of the 26
27 revision of the participating area. 27

28 In the absence of agreement at any time between the Unit Operator and 28
29 the Supervisor and the Land Commissioner as to the proper definition or 29
30 redefinition of a participating area, or until a participating area has, 30
31 or areas have, been established as provided herein, the portion of all 31
32 payments affected thereby shall be impounded in a manner mutually accept- 32
33 able to the owners of working interests and the Supervisor and the Land 33
34 Commissioner. Royalties due the United States and the State of New Mexico 34
35 shall be determined by the Supervisor and the Land Commissioner, respec- 35

1 tively, and the amount thereof shall be deposited, as directed by the 1
2 Supervisor and the Land Commissioner, to be held as unearned monies until 2
3 a participating area is finally approved and then applied as earned or 3
4 returned in accordance with a determination of the sums due as Federal 4
5 royalty and State of New Mexico royalty, respectively, on the basis of such 5
6 approved participating area. 6

7 Whenever it is determined, subject to the approval of the Supervisor, 7
8 as to wells drilled on Federal land and the Land Commissioner as to wells 8
9 drilled on State land and of the Conservation Commission as to wells drilled 9
10 on privately owned land, that a well drilled under this agreement is not 10
11 capable of production in paying quantities and inclusion of the land on 11
12 which it is situated in a participating area is unwarranted, production 12
13 from such well shall, for the purposes of settlement among all parties 13
14 other than working interest owners, be allocated to the land on which the 14
15 well is located unless such land is already within the participating area 15
16 established for the pool or deposit from which such production is obtained. 16
17 Settlement for working interest benefits from such a well shall be made as 17
18 provided in the unit operating agreement. 18

19 12. ALLOCATION OF PRODUCTION. All unitized substances produced from 19
20 each participating area established under this agreement, except any part 20
21 thereof used in conformity with good operating practices within the unitized 21
22 area for drilling, operating, camp and other production or development 22
23 purposes, for repressuring or recycling in accordance with a plan of devel- 23
24 opment approved by the Supervisor, the Land Commissioner and the 24
25 Conservation Commission, or unavoidably lost, shall be deemed to be pro- 25
26 duced equally on an acreage basis from the several tracts of unitized land 26
27 of the participating area established for such production and, for the 27
28 purpose of determining any benefits accruing under this agreement, each 28
29 such tract of unitized land shall have allocated to it such percentage of 29
30 said production as the number of acres of such tract included in said 30
31 participating area bears to the total acres of unitized land in said 31
32 participating area, except that allocation of production hereunder for 32
33 purposes other than for settlement of the royalty, overriding royalty, or 33
34 payment out of production obligations of the respective working interest 34
35 owners, shall be on the basis prescribed in the unit operating agreement 35

1 whether in conformity with the basis of allocation herein set forth or 1
2 otherwise. It is hereby agreed that production of unitized substances from 2
3 a participating area shall be allocated as provided herein regardless of 3
4 whether any wells are drilled on any particular part or tract of said part- 4
5 icipating area. If any gas produced from one participating area is used for 5
6 repressuring or recycling purposes in another participating area, the first 6
7 gas withdrawn from such last-mentioned participating area for sale during 7
8 the life of this agreement shall be considered to be the gas so transferred 8
9 until an amount equal to that transferred shall be so produced for sale and 9
10 such gas shall be allocated to the participating area from which initially 10
11 produced as such area was last defined at the time of such final production. 11

12 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 12
13 Any party hereto owning or controlling the working interest in any unitized 13
14 land having thereon a regular well location may with the approval of the 14
15 Supervisor as to Federal land, the Land Commissioner as to State land, and 15
16 the Conservation Commission as to privately owned land, at such party's sole 16
17 risk, costs, and expense, drill a well to test any formation for which a 17
18 participating area has not been established or to test any formation for 18
19 which a participating area has been established if such location is not 19
20 within said participating area, unless within ninety (90) days of receipt 20
21 of notice from said party of his intention to drill the well the Unit 21
22 Operator elects and commences to drill such a well in like manner as other 22
23 wells are drilled by the Unit Operator under this agreement. 23

24 If any well drilled as aforesaid by a working interest owner results 24
25 in production such that the land upon which it is situated may properly be 25
26 included in a participating area, such participating area shall be estab- 26
27 lished or enlarged as provided in this agreement and the well shall there- 27
28 after be operated by the Unit Operator in accordance with the terms of this 28
29 agreement and the unit operating agreement. 29

30 If any well drilled as aforesaid by a working interest owner obtains 30
31 production in quantities insufficient to justify the inclusion of the land 31
32 upon which such well is situated in a participating area, such well may be 32
33 operated and produced by the party drilling the same subject to the 33
34 conservation requirements of this agreement. The royalties in amount or 34
35 value of production from any such well shall be paid as specified in the 35

1 underlying lease and agreements affected. 1

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

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

31 Royalty due the United States shall be computed as provided in the 31
32 operating regulations and paid in value or delivered in kind as to all 32
33 unitized substances on the basis of the amounts thereof allocated to 33
34 unitized Federal land as provided herein at the rates specified in the 34
35 respective Federal leases, or at such lower rate or rates as may be 35

1 authorized by law or regulation; provided, that for leases on which the 1
2 royalty rate depends on the daily average production per well, said average 2
3 production shall be determined in accordance with the operating regulations 3
4 as though each participating area were a single consolidated lease. 4

5 Royalty due the State of New Mexico shall be computed and paid on the 5
6 basis of the amounts allocated to unitized State land as provided herein at 6
7 the rate specified in the State oil and gas lease. 7

8 Royalty due on account of privately owned lands shall be computed and 8
9 paid on the basis of all unitized substances allocated to such lands. 9

10 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 10
11 committed hereto shall be paid by working interest owners responsible there- 11
12 for under existing contracts, laws, and regulations, provided that nothing 12
13 herein contained shall operate to relieve the lessees of any land from their 13
14 respective lease obligations for the payment of any rental or minimum 14
15 royalty due under their leases. Rental or minimum royalty for lands of the 15
16 United States subject to this agreement shall be paid at the rate specified 16
17 in the respective leases from the United States unless such rental or mini- 17
18 mum royalty is waived, suspended, or reduced by law or by approval of the 18
19 Secretary or his duly authorized representative. 19

20 Rentals on State of New Mexico lands subject to this agreement shall 20
21 be paid at the rates specified in the respective leases. 21

22 With respect to any lease on non-Federal land containing provisions 22
23 which would terminate such lease unless drilling operations are commenced 23
24 upon the land covered thereby within the time therein specified or rentals 24
25 paid for the privilege of deferring such drilling operations, the rentals 25
26 required thereby shall, notwithstanding any other provisions of this agree- 26
27 ment, be deemed to accrue and become payable during the term thereof as 27
28 extended by this agreement and until the required drilling operations are 28
29 commenced upon the land covered thereby or until some portion of such land is 29
30 included within a participating area. 30

31 16. CONSERVATION. Operations hereunder and production of unitized 31
32 substances shall be conducted to provide for the most economical and effi- 32
33 cient recovery of said substances without waste, as defined by or pursuant 33
34 to State or Federal law or regulation. 34

35 17. DRAINAGE. The Unit Operator shall take such measures as the 35

1 Supervisor and Land Commissioner deem appropriate and adequate to prevent 1
2 drainage of unitized substances from unitized land by wells on land not 2
3 subject to this agreement. 3

4 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, condi- 4
5 tions, and provisions of all leases, subleases, and other contracts relating 5
6 to exploration, drilling, development, or operation for oil or gas on lands 6
7 committed to this agreement are hereby expressly modified and amended to the 7
8 extent necessary to make the same conform to the provisions hereof, but 8
9 otherwise to remain in full force and effect; and the parties hereto hereby 9
10 consent that the Secretary as to Federal leases, and the Land Commissioner 10
11 as to State leases, shall and each by his approval hereof, or by the approval 11
12 hereof by his duly authorized representative, does hereby establish, alter, 12
13 change or revoke the drilling, producing, rental, minimum royalty, and 13
14 royalty requirements of Federal and State leases committed hereto and the 14
15 regulations in respect thereto to conform said requirements to the provi- 15
16 sions of this agreement, and, without limiting the generality of the fore- 16
17 going, all leases, subleases, and contracts are particularly modified in 17
18 accordance with the following: 18

19 (a) The development and operation of lands subject to this agreement 19
20 under the terms hereof shall be deemed full performance of all obligations 20
21 for development and operation with respect to each and every separately 21
22 owned tract subject to this agreement, regardless of whether there is any 22
23 development of any particular tract of the unit area. 23

24 (b) Drilling and producing operations performed hereunder upon any 24
25 tract of unitized lands will be accepted and deemed to be performed upon 25
26 and for the benefit of each and every tract of unitized land, and no lease 26
27 shall be deemed to expire by reason of failure to drill or produce wells 27
28 situated on the land therein embraced. 28

29 (c) Suspension of drilling or producing operations on all unitized 29
30 lands pursuant to direction or consent of the Secretary and the Land 30
31 Commissioner of their duly authorized representatives shall be deemed to 31
32 constitute such suspension pursuant to such direction or consent as to each 32
33 and every tract of unitized land. A suspension of drilling or producing 33
34 operations limited to specified lands shall be applicable only to such lands. 34

35 (d) Each lease, sublease or contract relating to the exploration, 35

1 drilling, development or operation for oil or gas of lands other than those 1
2 of the United States committed to this agreement, which, by its terms might 2
3 expire prior to the termination of this agreement, is hereby extended beyond 3
4 any such terms so provided therein so that it shall be continued in full 4
5 force and effect for and during the term of this agreement. 5

6 (e) Any Federal lease for a fixed term of twenty (20) years or any 6
7 renewal thereof or any part of such lease which is made subject to this 7
8 agreement shall continue in force beyond the term provided therein until the 8
9 termination hereof. Any other Federal lease committed hereto shall continue 9
10 in force beyond the term so provided therein or by law as to the land com- 10
11 mitted so long as such lease remains subject hereto, provided that production 11
12 is had in paying quantities under this unit agreement prior to the expira- 12
13 tion date of the term of such lease, or in the event actual drilling 13
14 operations are commenced on unitized land, in accordance with the provisions 14
15 of this agreement, prior to the end of the primary term of such lease and 15
16 are being diligently prosecuted at that time, such lease shall be extended 16
17 for two (2) years and so long thereafter as oil or gas is produced in paying 17
18 quantities in accordance with the provisions of the Mineral Leasing Act 18
19 Revisions of 1960. 19

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

27 (g) The segregation of any Federal lease committed to this agreement 27
28 is governed by the following provision in the fourth paragraph of Sec. 17(j) 28
29 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 29
30 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed 30
31 to any such (unit) plan embracing lands that are in part within and in part 31
32 outside of the area covered by any such plan shall be segregated into sep- 32
33 arate leases as to the lands committed and the lands not committed as of the 33
34 effective date of unitization: Provided, however, That any such lease as to 34
35 the nonunitized portion shall continue in force and effect for the term 35

1 thereof but for not less than two (2) years from the date of such segre- 1
2 gation and so long thereafter as oil or gas is produced in paying quantities. 2

3 Any lease embracing lands of the State of New Mexico which is made 3
4 subject to this agreement, shall continue in force beyond the term provided 4
5 therein as to lands committed hereto with the termination hereof. 5

6 (h) Any lease, other than a Federal lease, having only a portion of 6
7 its lands committed hereto shall be segregated as to the portion committed 7
8 and the portion not committed, and the provisions of such lease shall apply 8
9 separately to such segregated portions commencing as of the effective date 9
10 hereof. In the event any such lease provides for a lump-sum rental payment, 10
11 such payment shall be prorated between the portions so segregated in pro- 11
12 portion to the acreage of the respective tracts. 12

13 (i) Any lease embracing lands of the State of New Mexico having only 13
14 a portion of its land committed hereto, shall be segregated as to the 14
15 portion committed and the portion not committed, and the provisions of such 15
16 lease shall apply separately to such segregated portions commencing as of 16
17 the effective date hereof; provided, however, notwithstanding any of the 17
18 provisions of this agreement to the contract any lease embracing lands of 18
19 the State of New Mexico having only a portion of its lands committed hereto 19
20 shall continue in full force and effect beyond the term provided therein as 20
21 to all lands embraced in such lease, if oil or gas is discovered and is 21
22 capable of being produced in paying quantities from some part of the lands 22
23 embraced in such lease at the expiration of the secondary term of such lease; 23
24 or if, at the expiration of the secondary term, the lessee or the Unit 24
25 Operator is then engaged in bona fide drilling or reworking operations on 25
26 some part of the lands embraced in such lease, the same, as to all lands 26
27 embraced therein, shall remain in full force and effect so long as such 27
28 operations are being diligently prosecuted, and if they result in the pro- 28
29 duction of oil or gas, said lease shall continue in full force and effect as 29
30 to all of the lands embraced therein, so long thereafter as oil or gas in 30
31 paying quantities is being produced from any portion of said lands. 31

32 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 32
33 to be covenants running with the land with respect to the interest of the 33
34 parties hereto and their successors in interest until this agreement 34
35 terminates, and any grant, transfer, or conveyance, of interest in land or 35

1 leases subject hereto shall be and hereby is conditioned upon the assumption 1
2 of all privileges and obligations hereunder by the grantee, transferee, or 2
3 other successor in interest. No assignment or transfer of any working 3
4 interest, royalty, or other interest subject hereto shall be binding upon Unit 4
5 Operator until the first day of the calendar month after Unit Operator is 5
6 furnished with the original, photostatic, or certified copy of the instrument 6
7 of transfer. 7

8 20. EFFECTIVE DATE AND TERM. This agreement shall become effective 8
9 upon approval by the Secretary and the Land Commissioner or their duly 9
10 authorized representatives and shall terminate five (5) years from said 10
11 effective date unless, 11

12 (a) Such date of expiration is extended by the Director and the 12
13 Land Commissioner, or 13

14 (b) It is reasonably determined prior to the expiration of the fixed 14
15 term or any extension thereof that the unitized land is incapable of pro- 15
16 duction of unitized substances in paying quantities in the formations tested 16
17 hereunder and after notice of intention to terminate the agreement on such 17
18 ground is given by the Unit Operator to all parties in interest at their 18
19 last known addresses, the agreement is terminated with the approval of the 19
20 Supervisor and Land Commissioner, or 20

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

30 (d) It is terminated as heretofore provided in this agreement. 30
31 This agreement may be terminated at any time by not less than seventy-five 31
32 (75) per centum, on an acreage basis, of the working interest owners 32
33 signatory hereto, with the approval of the Supervisor and Land Commissioner; 33
34 notice of any such approval to be given by the Unit Operator to all parties 34
35 hereto. 35

1 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 1
2 hereby vested with authority to alter or modify from time to time in his 2
3 discretion the quantity and rate of production under this agreement when such 3
4 quantity and rate is not fixed pursuant to Federal or State law or does not 4
5 conform to any state-wide voluntary conservation or allocation program, which 5
6 is established, recognized, and generally adhered to by the majority of 6
7 operators in such State, such authority being hereby limited to alteration or 7
8 modification in the public interest, the purpose thereof and the public 8
9 interest to be served thereby to be stated in the order of alteration or mod- 9
10 ification. Without regard to the foregoing, the Director is also hereby 10
11 vested with authority to alter or modify from time to time in his discretion 11
12 the rate of prospecting and development and the quantity and rate of pro- 12
13 duction under this agreement when such alteration or modification is in the 13
14 interest of attaining the conservation objectives stated in this agreement 14
15 and is not in violation of any applicable Federal or State law. 15

16 Powers in this section vested in the Director shall only be exercised 16
17 after notice to Unit Operator and opportunity for hearing to be held not less 17
18 than fifteen (15) days from notice. 18

19 Provided, further, That no such alteration or modification shall be 19
20 effective as to any land of the State of New Mexico, as to the rate of 20
21 prospecting and developing in the absence of the specific written approval 21
22 thereof by the Commissioner and as to any lands of the State of New Mexico 22
23 or privately owned lands subject to this agreement as to the quantity and 23
24 rate of production in the absence of specific written approval thereof by 24
25 the Commission. 25

26 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the 26
27 working interest owners nor any of them shall be subject to any forfeiture, 27
28 termination or expiration of any rights hereunder or under any leases or 28
29 contracts subject hereto, or to any penalty or liability on account of delay 29
30 or failure in whole or in part to comply with any applicable provision 30
31 thereof to the extent that the Unit Operator, working interest owners or any 31
32 of them are hindered, delayed or prevented from complying therewith by 32
33 reason of failure of the Unit Operator to obtain in the exercise of due 33
34 diligence, the concurrence of proper representatives of the United States 34
35 and proper representatives of the State of New Mexico in and about any 35

1 matters or thing concerning which it is required herein that such con- 1
2 currence be obtained. The parties hereto, including the Conservation 2
3 Commission, agree that all powers and authority vested in the Conservation 3
4 Commission in and by any provisions of this by it pursuant to the provisions 4
5 of the laws of the State of New Mexico and subject in any case to appeal or 5
6 judicial review as may now or hereafter be provided by the laws of the State 6
7 of New Mexico. 7

8 23. APPEARANCES. Unit Operator shall, after notice to other parties 8
9 affected, have the right to appear for and on behalf of any and all interests 9
10 affected hereby before the Department of the Interior, the Commissioner 10
11 of Public Lands of the State of New Mexico and the New Mexico Oil 11
12 Conservation Commission and to appeal from orders issued under the regu- 12
13 lations of said Department, the Conservation Commission or Land 13
14 Commissioner or to apply for relief from any of said regulations or in any 14
15 proceedings relative to operations before the Department of the Interior, 15
16 the Land Commissioner, or Conservation Commission or any other legally 16
17 constituted authority; provided, however, that any other interested party 17
18 shall also have the right at his own expense to be heard in any such pro- 18
19 ceeding. 19

20 24. NOTICES. All notices, demands or statements required hereunder 20
21 to be given or rendered to the parties hereto shall be deemed fully given 21
22 if given in writing and personally delivered to the party or sent by post- 22
23 paid registered or certified mail, addressed to such party or parties at 23
24 their respective addresses set forth in connection with the signatures 24
25 hereto or to the ratification or consent hereof or to such other address as 25
26 any such party may have furnished in writing to party sending the notice, 26
27 demand or statement. 27

28 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 28
29 shall be construed as a waiver by any party hereto of the right to assert 29
30 any legal or constitutional right or defense as to the validity or invalid- 30
31 ity of any law of the State wherein said unitized lands are located, or of 31
32 the United States, or regulations issued thereunder in any way affecting 32
33 such party, or as a waiver by any such party of any right beyond his or its 33
34 authority to waive. 34

35 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 35

1 the Unit Operator to commence or continue drilling or to operate on or 1
2 produce unitized substances from any of the lands covered by this agreement 2
3 shall be suspended while the Unit Operator, despite the exercise of due care 3
4 and diligence, is prevented from complying with such obligations, in whole 4
5 or in part, by strikes, acts of God, Federal, State, or municipal law or 5
6 agencies, unavoidable accidents, uncontrollable delays in transportation, 6
7 inability to obtain necessary materials in open market, or other matters 7
8 beyond the reasonable control of the Unit Operator whether similar to matters 8
9 herein enumerated or not. No unit obligation which is suspended under this 9
10 section shall become due less than thirty (30) days after it has been 10
11 determined that the suspension is no longer applicable. Determination of 11
12 creditable "Unavoidable Delay" time shall be made by the Unit Operator 12
13 subject to approval of the Supervisor and the Land Commissioner. 13

14 27. NONDISCRIMINATION. In connection with the performance of work 14
15 under this agreement, the operator agrees to comply with all the provisions 15
16 of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319) 16
17 as amended, which are hereby incorporated by reference in this agreement. 17

18 28. LOSS OF TITLE. In the event title to any tract of unitized land 18
19 shall fail and the true owner cannot be induced to join in this unit 19
20 agreement, such tract shall be automatically regarded as not committed here-20
21 to and there shall be such readjustment of future costs and benefits as may 21
22 be required on account of the loss of such title. In the event of a dispute 22
23 as to title as to any royalty, working interest, or other interests subject 23
24 thereto, payment or delivery on account thereof may be withheld without 24
25 liability for interest until the dispute is finally settled; provided, that, 25
26 as to Federal and State land or leases, no payments of funds due the 26
27 United States or the State of New Mexico should be withheld, but such funds 27
28 of the United States shall be deposited as directed by the Supervisor and 28
29 such funds of the State of New Mexico shall be deposited as directed by the 29
30 Land Commissioner to be held as unearned money pending final settlement of 30
31 the title dispute, and then applied as earned or returned in accordance 31
32 with such final settlement. 32

33 Unit Operator as such is relieved from any responsibility for any 33
34 defect or failure of any title hereunder. 34

35 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub- 35

1 stantial interest in a tract within the unit area fails or refuses to sub- 1
2 scribe or consent to this agreement, the owner of the working interest in 2
3 that tract may withdraw said tract from this agreement by written notice 3
4 delivered to the Supervisor and the Land Commissioner, and the Unit Operator 4
5 prior to the approval of this agreement by the Supervisor. Any oil or gas 5
6 interests in lands within the unit area not committed hereto prior to sub- 6
7 mission of this agreement for final approval may thereafter be committed 7
8 hereto by the owner or owners thereof subscribing or consenting to this 8
9 agreement, and, if the interest is a working interest, by the owner of such 9
10 interest also subscribing to the unit operating agreement. After operations 10
11 are commenced hereunder, the right of subsequent joinder, as provided in 11
12 this section, by a working interest owner is subject to such requirements 12
13 or approvals, if any, pertaining to such joinder, as may be provided for in 13
14 the unit operating agreement. After final approval hereof, joinder by a 14
15 non-working interest owner must be consented to in writing by the working 15
16 interest owner committed hereto and responsible for the payment of any 16
17 benefits that may accrue hereunder in behalf of such non-working interest. 17
18 A non-working interest may not be committed to this unit agreement unless 18
19 the corresponding working interest is committed hereto. Joinder to the 19
20 unit agreement by a working-interest owner, at any time, must be accom- 20
21 panied by appropriate joinder to the unit operating agreement, if more than 21
22 one committed working-interest owner is involved, in order for the interest 22
23 to be regarded as committed to this unit agreement. Except as may otherwise 23
24 herein be provided, subsequent joinders to this agreement shall be effective 24
25 as of the first day of the month following the filing with the Supervisor, 25
26 the Land Commissioner and the Conservation Commission of duly executed 26
27 counterparts of all or any papers necessary to establish effective commit- 27
28 ment of any tract to this agreement unless objection to such joinder is 28
29 duly made within sixty (60) days by the Supervisor or Land Commissioner, 29
30 provided, that as to State lands, all subsequent joinders must be approved 30
31 by the Land Commissioner. 31

32 30. COUNTERPARTS. This agreement may be executed in any number of 32
33 counterparts no one of which needs to be executed by all parties or may be 33
34 ratified or consented to by separate instrument in writing specifically 34
35 referring hereto and shall be binding upon all those parties who have 35

1 executed such a counterpart, ratification, or consent hereto with the same 1
2 force and effect as if all such parties had signed the same document and 2
3 regardless of whether or not it is executed by all other parties owning or 3
4 claiming an interest in the lands within the above-described unit area. 4

5 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 5
6 by any working interest owner of the right to surrender vested in such party 6
7 by any lease, sublease, or operating agreement as to all or any part of the 7
8 lands covered thereby, provided that each party who will or might acquire 8
9 such working interest by such surrender or by forfeiture as hereafter set 9
10 forth, is bound by the terms of this agreement. 10

11 If as a result of any such surrender the working interest rights as to 11
12 such lands become vested in any party other than the fee owner of the 12
13 unitized substances, said party may forfeit such rights and further benefits 13
14 from operation hereunder as to said land to the party next in the chain of 14
15 title who shall be and become the owner of such working interest. 15

16 If as the result of any such surrender or forfeiture working interest 16
17 rights become vested in the fee owner of the unitized substances, such 17
18 owner may: 18

19 (1) Accept those working interest rights subject to this agreement 19
20 and the unit operating agreement; or 20

21 (2) Lease the portion of such land as is included in a participating 21
22 area established hereunder subject to this agreement and the unit operating 22
23 agreement; or 23

24 (3) Provide for the independent operation of any part of such land 24
25 that is not then included within a participating area established here- 25
26 under. 26

27 If the fee owner of the unitized substance does not accept the 27
28 working interest rights subject to this agreement and the unit operating 28
29 agreement or lease such lands as above provided within six (6) months after 29
30 the surrendered or forfeited working interest rights become vested in the 30
31 fee owner, the benefits and obligations of operations accruing to such 31
32 lands under this agreement and the unit operating agreement shall be shared 32
33 by the remaining owners of unitized working interests in accordance with 33
34 their respective working interest ownerships, and such owners of working 34
35 interests shall compensate the fee owner of unitized substances in such 35

1 lands by paying sums equal to the rentals, minimum royalties, and royalties 1
2 applicable to such lands under the lease in effect when the lands were 2
3 unitized. 3

4 An appropriate accounting and settlement shall be made for all benefits 4
5 accruing to or payments and expenditures made or incurred on behalf of such 5
6 surrendered or forfeited working interest subsequent to the date of sur- 6
7 render or forfeiture, and payment of any monies found to be owing by such an 7
8 accounting shall be made as between the parties within thirty (30) days. 8
9 In the event no unit operating agreement is in existence and a mutually 9
10 acceptable agreement between the proper parties thereto cannot be consum- 10
11 mated, the Supervisor may prescribe such reasonable and equitable agreement 11
12 as he deems warranted under the circumstances. 12

13 The exercise of any right vested in a working interest owner to 13
14 reassign such working interest to the party from whom obtained shall be 14
15 subject to the same conditions as set forth in this section in regard to 15
16 the exercise of a right to surrender. 16

17 32. TAXES. The working interest owners shall render and pay for 17
18 their account and the account of the royalty owners all valid taxes on or 18
19 measured by the unitized substances in and under or that may be produced, 19
20 gathered and sold from the land subject to this contract after the 20
21 effective date of this agreement, or upon the proceeds or net proceeds 21
22 derived therefrom. The working interest owners on each tract shall and may 22
23 charge the proper proportion of said taxes to the royalty owners having 23
24 interests in said tract, and may currently retain and deduct sufficient 24
25 of the unitized substances or derivative products, or net proceeds thereof 25
26 from the allocated share of each royalty owner to secure reimbursement for 26
27 the taxes so paid. No such taxes shall be charged to the United States or 27
28 to the State of New Mexico or to any lessor who has a contract with his 28
29 lessee which requires the lessee to pay such taxes. 29

30 33. NO PARTNERSHIP. It is expressly agreed that the relation of 30
31 the parties hereto is that of independent contractors and nothing in this 31
32 agreement contained, expressed or implied, nor any operations conducted 32
33 hereunder, shall create or be deemed to have created a partnership or 33
34 association between the parties hereto or any of them. 34

1 IN WITNESS WHEREOF, the parties hereto have caused this agreement to 1
2 be executed and have set opposite their respective names the date of 2
3 execution. 3
4

5 UNIT OPERATOR AND 5
6 WORKING INTEREST OWNER 6

7 TRANSOCEAN OIL, INC. 7

8 Date October 31, 1977 8

By *C. R. Church* 8

9 Attorney-in-Fact 9
10 1700 First City East Building 10
11 Houston, Texas 77002 11
12

13 STATE OF TEXAS) 13
14) SS 14
15 COUNTY OF HARRIS) 15

16 On this 31st day of October, 1977, before me personally 16
17 appeared C. R. Church, to me known to be the person who executed the 17
18 foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged 18
19 that he executed the same as the free act and deed of TRANSOCEAN OIL, INC. 19

20 GIVEN under my hand and seal this 31st day of October, 20
21 A.D., 1977. 21

22 *Pat Melder* 22
23 Notary Public 23

24 My commission expires: 24

25 11/17/78 25
26 26
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31 31
32 32
33 33
34 34
35 35



TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING

1111 FANNIN - HOUSTON, TEXAS 77002

713 - 654-2100

REGISTRATION: CO. 1002
State of Texas

December 23, 1977

Director
United States Geological Survey
Washington, D.C. 20025

Attention: Area Oil and Gas Supervisor
United States Geological Survey
Drawer 1857
Roswell, New Mexico 88201

6102

Re: Application for final approval
Proposed Unit Agreement
Quemado Unit Area
Catron County, New Mexico

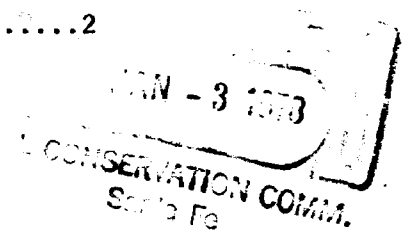
Dear Sir:

TransOcean Oil, Inc., requests final approval of the executed Quemado Unit Agreement attached hereto. Seven (7) copies are submitted for approval; three (3) numbered 1-3 for use by the Geological Survey, and four (4) extra copies that we request be approved and returned to us for further handling. Also submitted are three executed copies of the ratifications and joinders and three copies of an executed joint operating agreement covering this area.

We request that the Unit be approved to all depths.

All parties owning a working interest, royalty interest or overriding royalty interest within the unit area have been sent certified letters asking that they join the unit, and to date, the various interest have executed Consent, Ratification and Joinder in the Quemado Unit Agreement as follows:

1. Working Interest Owners: 100% joined
2. Royalty Interest Owners: 87.34% unsigned,
12.66% joined as follows:
 - a. Tract 26: 50% joined
 - b. Tract 30: 50% joined
 - c. Tract 34: 100% joined



3. Overriding Royalty Owners: 100% joined
4. Unleased Interest Owners: Tract 36

The State of New Mexico Land Office and the State of New Mexico Oil Conservation Commission have approved the Unit. A copy of the State Land Office approval is attached and the Oil Conservation Commission approval letter will be forwarded as soon as it is received.

Very truly yours,

TRANSOCEAN OIL, INC.

A handwritten signature in cursive script, appearing to read "J. B. Stanley".

J. B. Stanley

JBS:pm
Enclosures

cc: New Mexico State Land Office
P. O. Box 1148
Santa Fe, New Mexico 87501
Attention: Mr. Ray D. Graham

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

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. 6102
Order No. R-5606

APPLICATION OF TRANSOCEAN OIL, INC.,
FOR APPROVAL OF THE QUEMADO UNIT
AGREEMENT, CATRON COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 20th day of December, 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, Transocean Oil, Inc., seeks approval of the Quemado Unit Agreement covering 33,844.04 acres, more or less, of State, Federal, and Fee lands described as follows:

CATRON COUNTY, NEW MEXICO
TOWNSHIP 2 NORTH, RANGE 15 WEST, NMPM
Sections 17 thru 21: All
Sections 28 thru 32: All

TOWNSHIP 2 NORTH, RANGE 16 WEST, NMPM
Sections 7 thru 10: All
Sections 13 thru 36: All

TOWNSHIP 2 NORTH, RANGE 17 WEST, NMPM
Section 13: All
Sections 21 thru 29: All
Sections 32 thru 36: 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.

Case No. 6102
Order No. R-5606

(4) That all plans of development and operation should be submitted to the Secretary-Director of the Oil Conservation Commission for approval, as well as to the Oil and Gas Supervisor of the United States Geological Survey.

IT IS THEREFORE ORDERED:

(1) That the Quemado 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.

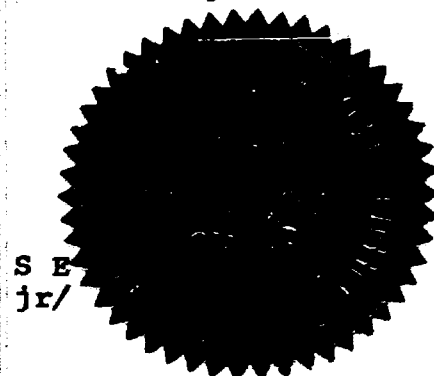
(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file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

(4) That all plans of development and operation shall be submitted to the Secretary-Director of the Oil Conservation Commission for approval as well as to the Oil and Gas Supervisor of the United States Geological Survey.

(5) 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.

(6) 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.



S E
jr/

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD Member

Joe D. Ramey
JOE D. RAMEY Member & Secretary

State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

December 12, 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin-Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. J. B. Stanley

Gentlemen:

We have reviewed the unexecuted copy of unit agreement, which you submitted with your letter of December 7, 1977, for the proposed Quemado Unit, Catron County, New Mexico. The form of agreement meets the requirements of the Commissioner of Public Lands, therefore, your agreement has been approved as to form and content.

Our letter of November 1, 1977, stated the requirements by this office for final approval of the unit.

Very truly yours,

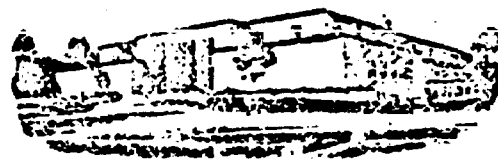
PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RDG/s



State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

November 1, 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. C. R. Church

Gentlemen:

The Commissioner of Public Lands has this date designated the Quemado Unit Area as a logical unit area. We concur with the USGS that the unit agreement submitted for the area designated should provide for a well to test the Yezo Formation or to a depth of 5,000 feet.

Please submit a copy of the form of unit agreement you will use, containing all the requirements of the Commissioner of Public Lands. When we receive the form of agreement we will then give you approval as to form and content.

On your Exhibit "B", Tract 24, your description is shown as W/2NE/4 of Section 30 and should read the S/2NE/4, under Fee Tract No. 31 you show the E/2NE/4 and should read N/2NE/4 of Section 30.

When filing your unit for final approval, the following are required by this office.

1. Application for final approval stating Tracts committed and Tracts not committed.
2. Two executed copies of Unit Agreement- one must be an original.
3. One executed copy of Operating Agreement.
4. Two sets of Exhibits "A" and "B".
5. Two copies of all ratifications from Lessees of Record and Working Interest Owners.
6. Order of the New Mexico Oil Conservation Commission.

TransOcean Oil, Inc.
November 1, 1977
Page 2.

7. The filing fee in the amount of (\$530.00) Dollars.

If we may be of further assistance to you, please advise.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RD3/s

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION

OF THE
QUEMADO UNIT AREA
COUNTY OF CATRON
STATE OF NEW MEXICO
NO. _____

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Applicants EXHIBIT NO. 1
CASE NO. 6102
Submitted by *Trans Ocean*
Hearing Date 12/14/77

THIS AGREEMENT, entered into as of the 25th day of October, 1977
by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

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

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

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

1 effective control of operations therein; and 1

2 WHEREAS, it is the purpose of the parties hereto to conserve natural 2

3 resources, prevent waste, and secure other benefits obtainable through 3

4 development and operation of the area subject to this agreement under the 4

5 terms, conditions, and limitations herein set forth; 5

6 NOW, THEREFORE, in consideration of the premises and the promises 6

7 herein contained, the parties hereto commit to this agreement their 7

8 respective interests in the below-defined unit area, and agree severally 8

9 among themselves as follows: 9

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 10

11 February 25, 1920, as amended, supra, and all valid pertinent regulations, 11

12 including operating and unit plan regulations, heretofore issued thereunder 12

13 or valid, pertinent, and reasonable regulations hereafter issued thereunder 13

14 are accepted and made a part of this agreement as to Federal lands, pro- 14

15 vided such regulations are not inconsistent with the terms of this agree- 15

16 ment; and as to State of New Mexico lands, the oil and gas operating 16

17 regulations in effect as of the effective date hereof governing drilling 17

18 and producing operations, not inconsistent with the terms hereof or the 18

19 laws of the State of New Mexico are hereby accepted and made a part of this 19

20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked 21

22 Exhibit A is hereby designated and recognized as constituting the unit 22

23 area, containing 33,844.04 acres, more or less. 23

24 Exhibit A shows, in addition to the boundary of the unit area, the 24

25 boundaries and identity of tracts and leases in said area to the extent 25

26 known to the Unit Operator. Exhibit B attached hereto is a schedule 26

27 showing to the extent known to the Unit Operator the acreage, percentage, 27

28 and kind of ownership of oil and gas interests in all land in the unit 28

29 area. However, nothing herein or in said schedule or map shall be con- 29

30 strued as a representation by any party hereto as to the ownership of any 30

31 interest other than such interest or interests as are shown in said map or 31

32 schedule as owned by such party. Exhibits A and B shall be revised by the 32

33 Unit Operator whenever changes in the unit area render such revision 33

34 necessary, or when requested by the Oil and Gas Supervisor, hereinafter 34

35 referred to as "Supervisor", or when requested by the Commissioner of 35

1 Public Lands of the State of New Mexico, hereinafter referred to as "Land 1
2 Commissioner", and not less than five (5) copies of the revised exhibits 2
3 shall be filed with the Supervisor, and two (2) copies thereof shall be 3
4 filed with the Land Commissioner and one (1) copy with The New Mexico Oil 4
5 Conservation Commission, hereinafter referred to as "Conservation 5
6 Commission." 6

7 The above-described unit area shall when practicable be expanded to 7
8 include therein any additional lands or shall be contracted to exclude lands 8
9 whenever such expansion or contraction is deemed to be necessary or advis- 9
10 able to conform with the purposes of this agreement. Such expansion or 10
11 contraction shall be effected in the following manner: 11

12 (a) Unit Operator, on its own motion or on demand of the Director of 12
13 the Geological Survey, hereinafter referred to as "Director," after pre- 13
14 liminary concurrence by the Director, or on demand of the Land Commissioner 14
15 but only after preliminary concurrence by the Director and the Land 15
16 Commissioner, shall prepare a notice of proposed expansion or contraction 16
17 describing the contemplated changes in the boundaries of the unit area, 17
18 the reasons therefor, and the proposed effective date thereof, preferably 18
19 the first day of a month subsequent to the date of notice. 19

20 (b) Said notice shall be delivered to the Supervisor, the Land 20
21 Commissioner and the Conservation Commission, and copies thereof mailed 21
22 to the last known address of each working interest owner, lessee, and 22
23 lessor whose interests are affected, advising that thirty (30) days will 23
24 be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the thirty (30) day period provided in the 25
26 preceding item (b) hereof, Unit Operator shall file with the Supervisor, 26
27 Land Commissioner and Conservation Commission evidence of mailing of the 27
28 notice of expansion or contraction and a copy of any objections thereto 28
29 which have been filed with the Unit Operator, together with an application 29
30 in sufficient number, for approval of such expansion or contraction and 30
31 with appropriate joinders. 31

32 (d) After due consideration of all pertinent information, the expan- 32
33 sion or contraction shall, upon approval of the Supervisor, the Land 33
34 Commissioner and Conservation Commission, become effective as of the date 34
35 prescribed in the notice thereof. 35

1 (e) All legal subdivisions of lands (i.e., 40 acres by Government 1
2 survey or its nearest lot or tract equivalent; in instances of irregular 2
3 surveys unusually large lots or tracts shall be considered in multiples of 3
4 forty (40) acres or the nearest aliquot equivalent thereof), no parts of 4
5 which are entitled to be in a participating area on or before the fifth 5
6 anniversary of the effective date of the first initial participating area 6
7 established under this unit agreement, shall be eliminated automatically 7
8 from this agreement, effective as of said fifth anniversary, and such lands 8
9 shall no longer be a part of the unit area and shall no longer be subject to 9
10 this agreement, unless diligent drilling operations are in progress on uni- 10
11 tized lands not entitled to participation on said fifth anniversary, in 11
12 which event all such lands shall remain subject hereto for so long as such 12
13 drilling operations are continued diligently with not more than ninety (90) 13
14 days' time elapsing between the completion of one such well and the commence-14
15 ment of the next such well. All legal subdivisions of lands not entitled to 15
16 be in a participating area within ten (10) years after the effective date of 16
17 the first initial participating area approved under this agreement shall be 17
18 automatically eliminated from this agreement as of said tenth anniversary. 18
19 All lands proved productive by diligent drilling operations after the 19
20 aforesaid five-year period shall become participating in the same manner 20
21 as during said five-year period. However, when such diligent drilling 21
22 operations cease, all nonparticipating lands shall be automatically 22
23 eliminated effective as of the ninety-first (91st) day thereafter. The 23
24 Unit Operator shall within ninety (90) days after the effective date of any 24
25 elimination hereunder, describe the area so eliminated to the satisfaction 25
26 of the Supervisor and the Land Commissioner and promptly notify all parties 26
27 in interest. 27

28 If conditions warrant extension of the ten-year period specified in 28
29 this subsection 2(e), a single extension of not to exceed two (2) years 29
30 may be accomplished by consent of the owners of ninety (90) percent of the 30
31 working interests in the current nonparticipating unitized lands and the 31
32 owners of sixty (60) percent of the basic royalty interests (exclusive of 32
33 the basic royalty interests of the United States) in nonparticipating 33
34 unitized lands with approval of the Director and the Land Commissioner, 34
35 provided such extension application is submitted to the Director and the 35

1 Land Commissioner not later than sixty (60) days prior to the expiration of 1
2 said ten-year period. 2

3 Any expansion of the unit area pursuant to this section which embraces 3
4 lands theretofore eliminated pursuant to this subsection 2(e) shall not be 4
5 considered automatic commitment or recommitment of such lands. 5

6 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 6
7 agreement shall constitute land referred to herein as "unitized land" or 7
8 "land subject to this agreement." All oil and gas in any and all formations 8
9 of the unitized land are unitized under the terms of this agreement and 9
10 herein are called "unitized substances." 10

11 4. UNIT OPERATOR. TransOcean Oil, Inc. is hereby designated as Unit 11
12 Operator and by signature hereto as Unit Operator agrees and consents to 12
13 accept the duties and obligations of Unit Operator for the discovery, 13
14 development, and production of unitized substances as herein provided. 14
15 Whenever reference is made herein to the Unit Operator, such reference 15
16 means the Unit Operator acting in that capacity and not as an owner of 16
17 interest in unitized substances, and the term "working interest owner" when 17
18 used herein shall include or refer to Unit Operator as the owner of a 18
19 working interest when such an interest is owned by it. 19

20 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have 20
21 the right to resign at any time prior to the establishment of a partici- 21
22 pating area or areas hereunder, but such resignation shall not become 22
23 effective so as to release Unit Operator from the duties and obligations of 23
24 Unit Operator and terminate Unit Operator's rights as such for a period of 24
25 six (6) months after notice of intention to resign has been served by 25
26 Unit Operator on all working interest owners, the Supervisor, the Land 26
27 Commissioner and Conservation Commission, and until all wells then drilled 27
28 hereunder are placed in a satisfactory condition for suspension or aban- 28
29 donment whichever is required by the Supervisor as to Federal lands and by 29
30 the Conservation Commission as to State lands unless a new Unit Operator 30
31 shall have been selected and approved and shall have taken over and assumed 31
32 the duties and obligations of Unit Operator prior to the expiration of said 32
33 period. 33

34 Unit Operator shall have the right to resign in like manner and subject 34
35 to like limitations as above provided at any time a participating area 35

1 established hereunder is in existence, but, in all instances of resignation 1
2 or removal, until a successor Unit Operator is selected and approved as 2
3 hereinafter provided, the working interest owners shall be jointly responsi- 3
4 ble for performance of the duties of Unit Operator, and shall not later than 4
5 thirty (30) days before such resignation or removal becomes effective appoint 5
6 a common agent to represent them in any action to be taken hereunder. 6

7 The resignation of Unit Operator shall not release Unit Operator from 7
8 any liability for any default by it hereunder occurring prior to the effec- 8
9 tive date of its resignation. 9

10 The Unit Operator may, upon default or failure in the performance of 10
11 its duties or obligations hereunder, be subject to removal by the same 11
12 percentage vote of the owners of working interests as herein provided for 12
13 the selection of a new Unit Operator. Such removal shall be effective 13
14 upon notice thereof to the Supervisor and the Land Commissioner. 14

15 The resignation or removal of Unit Operator under this agreement 15
16 shall not terminate its right, title, or interest as the owner of a working 16
17 interest or other interest in unitized substances, but upon the resignation 17
18 or removal of Unit Operator becoming effective, such Unit Operator shall 18
19 deliver possession of all wells, equipment, materials, and appurtenances 19
20 used in conducting the unit operations to the new duly qualified successor 20
21 Unit Operator or to the common agent, if no such new Unit Operator is 21
22 elected, to be used for the purpose of conducting unit operations hereunder. 22
23 Nothing herein shall be construed as authorizing removal of any material, 23
24 equipment and appurtenances needed for the preservation of any wells. 24

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender 25
26 his or its resignation as Unit Operator or shall be removed as hereinabove 26
27 provided, or a change of Unit Operator is negotiated by working interest 27
28 owners, the owners of the working interests in the participating area or 28
29 areas according to their respective acreage interests in such participating 29
30 area or areas, or, until a participating area shall have been established, 30
31 the owners of the working interests according to their respective acreage 31
32 interests in all unitized land, shall by majority vote select a successor 32
33 Unit Operator: Provided, That, if a majority but less than seventy-five 33
34 (75) percent of the working interests qualified to vote are owned by one 34
35 party to this agreement, a concurring vote of one or more additional 35

1 working interest owners shall be required to select a new operator. Such 1
2 selection shall not become effective until: 2

3 (a) A Unit Operator so selected shall accept in writing the duties and 3
4 responsibilities of Unit Operator, and 4

5 (b) The selection shall have been approved by the Supervisor. 5

6 If no successor Unit Operator is selected and qualified as herein 6
7 provided, the Director and the Land Commissioner, at their election may 7
8 declare this unit agreement terminated. 8

9 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 9
10 Operator is not the sole owner of working interests, costs and expenses 10
11 incurred by Unit Operator in conducting unit operations hereunder shall be 11
12 paid and apportioned among and borne by the owners of working interests, all 12
13 in accordance with the agreement or agreements entered into by and between 13
14 the Unit Operator and the owners of working interests, whether one or more, 14
15 separately or collectively. Any agreement or agreements entered into 15
16 between the working interest owners and the Unit Operator as provided in 16
17 this section, whether one or more, are herein referred to as the "unit 17
18 operating agreement." Such unit operating agreement shall also provide the 18
19 manner in which the working interest owners shall be entitled to receive 19
20 their respective proportionate and allocated share of the benefits accruing 20
21 hereto in conformity with their underlying operating agreements, leases or 21
22 other independent contracts, and such other rights and obligations as 22
23 between Unit Operator and the working interest owners as may be agreed upon 23
24 by Unit Operator and the working interest owners; however, no such unit 24
25 operating agreement shall be deemed either to modify any of the terms and 25
26 conditions of this unit agreement or to relieve the Unit Operator of any 26
27 right or obligation established under this unit agreement, and in case of 27
28 any inconsistency or conflict between this unit agreement and the unit 28
29 operating agreement, this unit agreement shall govern. Three (3) true 29
30 copies of any unit operating agreement executed pursuant to this section 30
31 should be filed with the Supervisor and one (1) true copy with the Land 31
32 Commissioner, prior to approval of this unit agreement. 32

33 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 33
34 specifically provided herein, the exclusive right, privilege, and duty of 34
35 exercising any and all rights of the parties hereto which are necessary or 35

1 convenient for prospecting for, producing, storing, allocating, and distri- 1
2 buting the unitized substances are hereby delegated to and shall be 2
3 exercised by the Unit Operator as herein provided. Acceptable evidence of 3
4 title to said rights shall be deposited with said Unit Operator and, 4
5 together with this agreement, shall constitute and define the rights, privi- 5
6 leges, and obligations of Unit Operator. Nothing herein, however, shall be 6
7 construed to transfer title to any land or to any lease or operating 7
8 agreement, it being understood that under this agreement the Unit Operator, 8
9 in its capacity as Unit Operator, shall exercise the rights of possession 9
10 and use vested in the parties hereto only for the purposes herein specified. 10
11 9. DRILLING TO DISCOVERY. Within six (6) months after the effective 11
12 date hereof, the Unit Operator shall begin to drill an adequate test well 12
13 at a location approved by the Supervisor if on Federal land, or by the 13
14 Land Commissioner if on State Land, or by the Conservation Commission if on 14
15 privately owned land, unless on such effective date a well is being drilled 15
16 conformably with the terms hereof, and thereafter continue such drilling 16
17 diligently until the Yezo formation has been tested 17
18 or until at a lesser depth unitized substances shall be discovered which 18
19 can be produced in paying quantities (to wit: quantities sufficient to 19
20 repay the costs of drilling, completing, and producing operations, with a 20
21 reasonable profit) or the Unit Operator shall at any time establish to the 21
22 satisfaction of the Supervisor if on Federal land, of the Land Commissioner 22
23 if on State land, or of the Conservation Commission if on privately owned 23
24 land, that further drilling of said well would be unwarranted or impracti- 24
25 cable, provided however, that Unit Operator shall not in any event be 25
26 required to drill said well to a depth in excess of 5,000 feet. Until the 26
27 discovery of a deposit of unitized substances capable of being produced in 27
28 paying quantities, the Unit Operator shall continue drilling one well at a 28
29 time, allowing not more than six (6) months between the completion of one 29
30 well and the beginning of the next well, until a well capable of producing 30
31 unitized substances in paying quantities is completed to the satisfaction 31
32 of said Supervisor if on Federal land, of the Land Commissioner if on State 32
33 Land, or of the Conservation Commission if on privately owned land, or until 33
34 it is reasonably proved that the unitized land is incapable of producing 34
35 unitized substances in paying quantities in the formations drilled here- 35

1 under. Nothing in this section shall be deemed to limit the right of the 1
2 Unit Operator to resign as provided in Section 5, hereof, or as requiring 2
3 Unit Operator to commence or continue any drilling during the period pending 3
4 such resignation becoming effective in order to comply with the requirements 4
5 of this section. The Supervisor may modify the drilling requirements of 5
6 this section by granting reasonable extensions of time when, in his opinion 6
7 such action is warranted. 7

8 Upon failure to commence any well provided for in this section within 8
9 the time allowed, including any extension of time granted by the Supervisor, 9
10 this agreement will automatically terminate; upon failure to continue 10
11 drilling diligently any well commenced hereunder, the Supervisor and the 11
12 Land Commissioner may, after fifteen (15) days notice to the Unit Operator, 12
13 declare this unit agreement terminated. 13

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months 14
15 after completion of a well capable of producing unitized substances in 15
16 paying quantities, the Unit Operator shall submit for the approval of the 16
17 Supervisor and the Land Commissioner an acceptable plan of development and 17
18 operation for the unitized land which, when approved by the Supervisor and 18
19 the Land Commissioner, shall constitute the further drilling and operating 19
20 obligations of the Unit Operator under this agreement for the period 20
21 specified therein. Thereafter, from time to time before the expiration of 21
22 any existing plan, the Unit Operator shall submit for the approval of the 22
23 Supervisor and the Land Commissioner a plan for an additional specified 23
24 period for the development and operation of the unitized land. 24

25 Any plan submitted pursuant to this section shall provide for the 25
26 exploration of the unitized area and for the diligent drilling necessary 26
27 for determination of the area or areas thereof capable of producing 27
28 unitized substances in paying quantities in each and every productive 28
29 formation and shall be as complete and adequate as the Supervisor and the 29
30 Land Commissioner may determine to be necessary for timely development and 30
31 proper conservation of the oil and gas resources of the unitized area and 31
32 shall: 32

33 (a) Specify the number and locations of any wells to be drilled 33
34 and the proposed order and time for such drilling; and 34

35 (b) To the extent practicable specify the operating practices regarded 35

1 as necessary and advisable for proper conservation of natural resources. 1
2 Separate plans may be submitted for separate productive zones, subject to 2
3 the approval of the Supervisor and the Land Commissioner. 3

4 Plans shall be modified or supplemented when necessary to meet changed 4
5 conditions or to protect the interests of all parties to this agreement. 5

6 Reasonable diligence shall be exercised in complying with the obligations of 6
7 the approved plan of development. The Supervisor and the Land Commissioner 7
8 are authorized to grant a reasonable extension of the six-month period 8
9 herein prescribed for submission of an initial plan of development where 9
10 such action is justified because of unusual conditions or circumstances. 10

11 After completion hereunder of a well capable of producing any unitized sub- 11
12 stance in paying quantities, no further wells, except such as may be 12
13 necessary to afford protection against operations not under this agreement 13
14 and such as may be specifically approved by the Supervisor and the Land 14
15 Commissioner, shall be drilled except in accordance with a plan of develop- 15
16 ment approved as herein provided. 16

17 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable 17
18 of producing unitized substances in paying quantities or as soon thereafter 18
19 as required by the Supervisor and the Land Commissioner, the Unit Operator 19
20 shall submit for approval by the Supervisor and the Land Commissioner a 20
21 schedule, based on subdivisions of the public-land survey or aliquot parts 21
22 thereof, of all land then regarded as reasonably proved to be productive 22
23 in paying quantities; all lands in said schedule on approval of the 23
24 Supervisor and the Land Commissioner to constitute a participating area, 24
25 effective as of the date of completion of such well or the effective date of 25
26 this unit agreement, whichever is later. The acreages of both Federal and 26
27 non-Federal lands shall be based upon appropriate computations from the 27
28 courses and distances shown on the last approved public-land survey as of 28
29 the effective date of each initial participating area. Said schedule shall 29
30 also set forth the percentage of unitized substances to be allocated as 30
31 herein provided to each tract in the participating area so established, 31
32 and shall govern the allocation of production commencing with the effective 32
33 date of the participating area. A separate participating area shall be 33
34 established for each separate pool or deposit of unitized substances or for 34
35 any group thereof which is produced as a single pool or zone, and any two 35

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

22 It is the intent of this section that a participating area shall 22
23 represent the area known or reasonably estimated to be productive in paying 23
24 quantities; but, regardless of any revision of the participating area, 24
25 nothing herein contained shall be construed as requiring any retroactive 25
26 adjustment for production obtained prior to the effective date of the 26
27 revision of the participating area. 27

28 In the absence of agreement at any time between the Unit Operator and 28
29 the Supervisor and the Land Commissioner as to the proper definition or 29
30 redefinition of a participating area, or until a participating area has, 30
31 or areas have, been established as provided herein, the portion of all 31
32 payments affected thereby shall be impounded in a manner mutually accept- 32
33 able to the owners of working interests and the Supervisor and the Land 33
34 Commissioner. Royalties due the United States and the State of New Mexico 34
35 shall be determined by the Supervisor and the Land Commissioner, respec- 35

1 tively, and the amount thereof shall be deposited, as directed by the 1
2 Supervisor and the Land Commissioner, to be held as unearned monies until 2
3 a participating area is finally approved and then applied as earned or 3
4 returned in accordance with a determination of the sums due as Federal 4
5 royalty and State of New Mexico royalty, respectively, on the basis of such 5
6 approved participating area. 6

7 Whenever it is determined, subject to the approval of the Supervisor, 7
8 as to wells drilled on Federal land and the Land Commissioner as to wells 8
9 drilled on State land and of the Conservation Commission as to wells drilled 9
10 on privately owned land, that a well drilled under this agreement is not 10
11 capable of production in paying quantities and inclusion of the land on 11
12 which it is situated in a participating area is unwarranted, production 12
13 from such well shall, for the purposes of settlement among all parties 13
14 other than working interest owners, be allocated to the land on which the 14
15 well is located unless such land is already within the participating area 15
16 established for the pool or deposit from which such production is obtained. 16
17 Settlement for working interest benefits from such a well shall be made as 17
18 provided in the unit operating agreement. 18

19 12. ALLOCATION OF PRODUCTION. All unitized substances produced from 19
20 each participating area established under this agreement, except any part 20
21 thereof used in conformity with good operating practices within the unitized 21
22 area for drilling, operating, camp and other production or development 22
23 purposes, for repressuring or recycling in accordance with a plan of devel- 23
24 opment approved by the Supervisor, the Land Commissioner and the 24
25 Conservation Commission, or unavoidably lost, shall be deemed to be pro- 25
26 duced equally on an acreage basis from the several tracts of unitized land 26
27 of the participating area established for such production and, for the 27
28 purpose of determining any benefits accruing under this agreement, each 28
29 such tract of unitized land shall have allocated to it such percentage of 29
30 said production as the number of acres of such tract included in said 30
31 participating area bears to the total acres of unitized land in said 31
32 participating area, except that allocation of production hereunder for 32
33 purposes other than for settlement of the royalty, overriding royalty, or 33
34 payment out of production obligations of the respective working interest 34
35 owners, shall be on the basis prescribed in the unit operating agreement 35

1 whether in conformity with the basis of allocation herein set forth or 1
2 otherwise. It is hereby agreed that production of unitized substances from 2
3 a participating area shall be allocated as provided herein regardless of 3
4 whether any wells are drilled on any particular part or tract of said part- 4
5 icipating area. If any gas produced from one participating area is used for 5
6 repressuring or recycling purposes in another participating area, the first 6
7 gas withdrawn from such last-mentioned participating area for sale during 7
8 the life of this agreement shall be considered to be the gas so transferred 8
9 until an amount equal to that transferred shall be so produced for sale and 9
10 such gas shall be allocated to the participating area from which initially 10
11 produced as such area was last defined at the time of such final production. 11

12 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 12
13 Any party hereto owning or controlling the working interest in any unitized 13
14 land having thereon a regular well location may with the approval of the 14
15 Supervisor as to Federal land, the Land Commissioner as to State land, and 15
16 the Conservation Commission as to privately owned land, at such party's sole 16
17 risk, costs, and expense, drill a well to test any formation for which a 17
18 participating area has not been established or to test any formation for 18
19 which a participating area has been established if such location is not 19
20 within said participating area, unless within ninety (90) days of receipt 20
21 of notice from said party of his intention to drill the well the Unit 21
22 Operator elects and commences to drill such a well in like manner as other 22
23 wells are drilled by the Unit Operator under this agreement. 23

24 If any well drilled as aforesaid by a working interest owner results 24
25 in production such that the land upon which it is situated may properly be 25
26 included in a participating area, such participating area shall be estab- 26
27 lished or enlarged as provided in this agreement and the well shall there- 27
28 after be operated by the Unit Operator in accordance with the terms of this 28
29 agreement and the unit operating agreement. 29

30 If any well drilled as aforesaid by a working interest owner obtains 30
31 production in quantities insufficient to justify the inclusion of the land 31
32 upon which such well is situated in a participating area, such well may be 32
33 operated and produced by the party drilling the same subject to the 33
34 conservation requirements of this agreement. The royalties in amount or 34
35 value of production from any such well shall be paid as specified in the 35

1 underlying lease and agreements affected. 1

2 14. ROYALTY SETTLEMENT. The United States, the State of New Mexico, 2

3 and any royalty owner who, is entitled to take in kind a share of the 3

4 substances now unitized hereunder shall hereafter be entitled to the right 4

5 to take in kind its share of the unitized substances, and Unit Operator, or 5

6 the working interest owner in case of the operation of a well by a working 6

7 interest owner as herein provided for in special cases, shall make deliveries 7

8 of such royalty share taken in kind in conformity with the applicable 8

9 contracts, laws, and regulations. Settlement for royalty interest not taken 9

10 in kind shall be made by working interest owners responsible therefor under 10

11 existing contracts, laws and regulations, or by the Unit Operator on or 11

12 before the last day of each month for unitized substances produced during 12

13 the preceding calendar month; provided, however, that nothing herein con- 13

14 tained shall operate to relieve the lessees of any land from their respec- 14

15 tive lease obligations for the payment of any royalties due under their 15

16 leases. 16

17 If gas obtained from lands not subject to this agreement is introduced 17

18 into any participating area hereunder, for use in repressuring, stimulation 18

19 of production, or increasing ultimate recovery, in conformity with a plan of 19

20 operations approved by the Supervisor, the Land Commissioner and the 20

21 Conservation Commission, a like amount of gas, after settlement as herein 21

22 provided for any gas transferred from any other participating area and 22

23 with appropriate deduction for loss from any cause, may be withdrawn from 23

24 the formation into which the gas is introduced, royalty free as to dry gas, 24

25 but not as to any products which may be extracted therefrom; provided that 25

26 such withdrawal shall be at such time as may be provided in the approved 26

27 plan of operations or as may otherwise be consented to by the Supervisor, 27

28 the Land Commissioner and the Conservation Commission as conforming to 28

29 good petroleum engineering practice; and provided further, that such right 29

30 of withdrawal shall terminate on the termination of this unit agreement. 30

31 Royalty due the United States shall be computed as provided in the 31

32 operating regulations and paid in value or delivered in kind as to all 32

33 unitized substances on the basis of the amounts thereof allocated to 33

34 unitized Federal land as provided herein at the rates specified in the 34

35 respective Federal leases, or at such lower rate or rates as may be 35

1 authorized by law or regulation; provided, that for leases on which the 1
2 royalty rate depends on the daily average production per well, said average 2
3 production shall be determined in accordance with the operating regulations 3
4 as though each participating area were a single consolidated lease. 4

5 Royalty due the State of New Mexico shall be computed and paid on the 5
6 basis of the amounts allocated to unitized State land as provided herein at 6
7 the rate specified in the State oil and gas lease. 7

8 Royalty due on account of privately owned lands shall be computed and 8
9 paid on the basis of all unitized substances allocated to such lands. 9

10 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 10
11 committed hereto shall be paid by working interest owners responsible there- 11
12 for under existing contracts, laws, and regulations, provided that nothing 12
13 herein contained shall operate to relieve the lessees of any land from their 13
14 respective lease obligations for the payment of any rental or minimum 14
15 royalty due under their leases. Rental or minimum royalty for lands of the 15
16 United States subject to this agreement shall be paid at the rate specified 16
17 in the respective leases from the United States unless such rental or mini- 17
18 mum royalty is waived, suspended, or reduced by law or by approval of the 18
19 Secretary or his duly authorized representative. 19

20 Rentals on State of New Mexico lands subject to this agreement shall 20
21 be paid at the rates specified in the respective leases. 21

22 With respect to any lease on non-Federal land containing provisions 22
23 which would terminate such lease unless drilling operations are commenced 23
24 upon the land covered thereby within the time therein specified or rentals 24
25 paid for the privilege of deferring such drilling operations, the rentals 25
26 required thereby shall, notwithstanding any other provisions of this agree- 26
27 ment, be deemed to accrue and become payable during the term thereof as 27
28 extended by this agreement and until the required drilling operations are 28
29 commenced upon the land covered thereby or until some portion of such land is 29
30 included within a participating area. 30

31 16. CONSERVATION. Operations hereunder and production of unitized 31
32 substances shall be conducted to provide for the most economical and effi- 32
33 cient recovery of said substances without waste, as defined by or pursuant 33
34 to State or Federal law or regulation. 34

35 17. DRAINAGE. The Unit Operator shall take such measures as the 35

1 Supervisor and Land Commissioner deem appropriate and adequate to prevent 1
2 drainage of unitized substances from unitized land by wells on land not 2
3 subject to this agreement. 3

4 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, condi- 4
5 tions, and provisions of all leases, subleases, and other contracts relating 5
6 to exploration, drilling, development, or operation for oil or gas on lands 6
7 committed to this agreement are hereby expressly modified and amended to the 7
8 extent necessary to make the same conform to the provisions hereof, but 8
9 otherwise to remain in full force and effect; and the parties hereto hereby 9
10 consent that the Secretary as to Federal leases, and the Land Commissioner 10
11 as to State leases, shall and each by his approval hereof, or by the approval 11
12 hereof by his duly authorized representative, does hereby establish, alter, 12
13 change or revoke the drilling, producing, rental, minimum royalty, and 13
14 royalty requirements of Federal and State leases committed hereto and the 14
15 regulations in respect thereto to conform said requirements to the provi- 15
16 sions of this agreement, and, without limiting the generality of the fore- 16
17 going, all leases, subleases, and contracts are particularly modified in 17
18 accordance with the following: 18

19 (a) The development and operation of lands subject to this agreement 19
20 under the terms hereof shall be deemed full performance of all obligations 20
21 for development and operation with respect to each and every separately 21
22 owned tract subject to this agreement, regardless of whether there is any 22
23 development of any particular tract of the unit area. 23

24 (b) Drilling and producing operations performed hereunder upon any 24
25 tract of unitized lands will be accepted and deemed to be performed upon 25
26 and for the benefit of each and every tract of unitized land, and no lease 26
27 shall be deemed to expire by reason of failure to drill or produce wells 27
28 situated on the land therein embraced. 28

29 (c) Suspension of drilling or producing operations on all unitized 29
30 lands pursuant to direction or consent of the Secretary and the Land 30
31 Commissioner of their duly authorized representatives shall be deemed to 31
32 constitute such suspension pursuant to such direction or consent as to each 32
33 and every tract of unitized land. A suspension of drilling or producing 33
34 operations limited to specified lands shall be applicable only to such lands. 34

35 (d) Each lease, sublease or contract relating to the exploration, 35

1 drilling, development or operation for oil or gas of lands other than those 1
2 of the United States committed to this agreement, which, by its terms might 2
3 expire prior to the termination of this agreement, is hereby extended beyond 3
4 any such terms so provided therein so that it shall be continued in full 4
5 force and effect for and during the term of this agreement. 5

6 (e) Any Federal lease for a fixed term of twenty (20) years or any 6
7 renewal thereof or any part of such lease which is made subject to this 7
8 agreement shall continue in force beyond the term provided therein until the 8
9 termination hereof. Any other Federal lease committed hereto shall continue 9
10 in force beyond the term so provided therein or by law as to the land com- 10
11 mitted so long as such lease remains subject hereto, provided that production 11
12 is had in paying quantities under this unit agreement prior to the expira- 12
13 tion date of the term of such lease, or in the event actual drilling 13
14 operations are commenced on unitized land, in accordance with the provisions 14
15 of this agreement, prior to the end of the primary term of such lease and 15
16 are being diligently prosecuted at that time, such lease shall be extended 16
17 for two (2) years and so long thereafter as oil or gas is produced in paying 17
18 quantities in accordance with the provisions of the Mineral Leasing Act 18
19 Revisions of 1960. 19

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

27 (g) The segregation of any Federal lease committed to this agreement 27
28 is governed by the following provision in the fourth paragraph of Sec. 17(j) 28
29 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 29
30 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed 30
31 to any such (unit) plan embracing lands that are in part within and in part 31
32 outside of the area covered by any such plan shall be segregated into sep- 32
33 arate leases as to the lands committed and the lands not committed as of the 33
34 effective date of unitization: Provided, however, That any such lease as to 34
35 the nonunitized portion shall continue in force and effect for the term 35

1 thereof but for not less than two (2) years from the date of such segre- 1
2 gation and so long thereafter as oil or gas is produced in paying quantities. 2

3 Any lease embracing lands of the State of New Mexico which is made 3
4 subject to this agreement, shall continue in force beyond the term provided 4
5 therein as to lands committed hereto with the termination hereof. 5

6 (h) Any lease, other than a Federal lease, having only a portion of 6
7 its lands committed hereto shall be segregated as to the portion committed 7
8 and the portion not committed, and the provisions of such lease shall apply 8
9 separately to such segregated portions commencing as of the effective date 9
10 hereof. In the event any such lease provides for a lump-sum rental payment, 10
11 such payment shall be prorated between the portions so segregated in pro- 11
12 portion to the acreage of the respective tracts. 12

13 (i) Any lease embracing lands of the State of New Mexico having only 13
14 a portion of its land committed hereto, shall be segregated as to the 14
15 portion committed and the portion not committed, and the provisions of such 15
16 lease shall apply separately to such segregated portions commencing as of 16
17 the effective date hereof; provided, however, notwithstanding any of the 17
18 provisions of this agreement to the contract any lease embracing lands of 18
19 the State of New Mexico having only a portion of its lands committed hereto 19
20 shall continue in full force and effect beyond the term provided therein as 20
21 to all lands embraced in such lease, if oil or gas is discovered and is 21
22 capable of being produced in paying quantities from some part of the lands 22
23 embraced in such lease at the expiration of the secondary term of such lease; 23
24 or if, at the expiration of the secondary term, the lessee or the Unit 24
25 Operator is then engaged in bona fide drilling or reworking operations on 25
26 some part of the lands embraced in such lease, the same, as to all lands 26
27 embraced therein, shall remain in full force and effect so long as such 27
28 operations are being diligently prosecuted, and if they result in the pro- 28
29 duction of oil or gas, said lease shall continue in full force and effect as 29
30 to all of the lands embraced therein, so long thereafter as oil or gas in 30
31 paying quantities is being produced from any portion of said lands. 31

32 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 32
33 to be covenants running with the land with respect to the interest of the 33
34 parties hereto and their successors in interest until this agreement 34
35 terminates, and any grant, transfer, or conveyance, of interest in land or 35

1 leases subject hereto shall be and hereby is conditioned upon the assumption 1
2 of all privileges and obligations hereunder by the grantee, transferee, or 2
3 other successor in interest. No assignment or transfer of any working 3
4 interest, royalty, or other interest subject hereto shall be binding upon Unit 4
5 Operator until the first day of the calendar month after Unit Operator is 5
6 furnished with the original, photostatic, or certified copy of the instrument 6
7 of transfer. 7

8 20. EFFECTIVE DATE AND TERM. This agreement shall become effective 8
9 upon approval by the Secretary and the Land Commissioner or their duly 9
10 authorized representatives and shall terminate five (5) years from said 10
11 effective date unless, 11

12 (a) Such date of expiration is extended by the Director and the 12
13 Land Commissioner, or 13

14 (b) It is reasonably determined prior to the expiration of the fixed 14
15 term or any extension thereof that the unitized land is incapable of pro- 15
16 duction of unitized substances in paying quantities in the formations tested 16
17 hereunder and after notice of intention to terminate the agreement on such 17
18 ground is given by the Unit Operator to all parties in interest at their 18
19 last known addresses, the agreement is terminated with the approval of the 19
20 Supervisor and Land Commissioner, or 20

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

30 (d) It is terminated as heretofore provided in this agreement. 30
31 This agreement may be terminated at any time by not less than seventy-five 31
32 (75) per centum, on an acreage basis, of the working interest owners 32
33 signatory hereto, with the approval of the Supervisor and Land Commissioner; 33
34 notice of any such approval to be given by the Unit Operator to all parties 34
35 hereto. 35

1 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 1
2 hereby vested with authority to alter or modify from time to time in his 2
3 discretion the quantity and rate of production under this agreement when such 3
4 quantity and rate is not fixed pursuant to Federal or State law or does not 4
5 conform to any state-wide voluntary conservation or allocation program, which 5
6 is established, recognized, and generally adhered to by the majority of 6
7 operators in such State, such authority being hereby limited to alteration or 7
8 modification in the public interest, the purpose thereof and the public 8
9 interest to be served thereby to be stated in the order of alteration or mod- 9
10 ification. Without regard to the foregoing, the Director is also hereby 10
11 vested with authority to alter or modify from time to time in his discretion 11
12 the rate of prospecting and development and the quantity and rate of pro- 12
13 duction under this agreement when such alteration or modification is in the 13
14 interest of attaining the conservation objectives stated in this agreement 14
15 and is not in violation of any applicable Federal or State law. 15

16 Powers in this section vested in the Director shall only be exercised 16
17 after notice to Unit Operator and opportunity for hearing to be held not less 17
18 than fifteen (15) days from notice. 18

19 Provided, further, That no such alteration or modification shall be 19
20 effective as to any land of the State of New Mexico, as to the rate of 20
21 prospecting and developing in the absence of the specific written approval 21
22 thereof by the Commissioner and as to any lands of the State of New Mexico 22
23 or privately owned lands subject to this agreement as to the quantity and 23
24 rate of production in the absence of specific written approval thereof by 24
25 the Commission. 25

26 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the 26
27 working interest owners nor any of them shall be subject to any forfeiture, 27
28 termination or expiration of any rights hereunder or under any leases or 28
29 contracts subject hereto, or to any penalty or liability on account of delay 29
30 or failure in whole or in part to comply with any applicable provision 30
31 thereof to the extent that the Unit Operator, working interest owners or any 31
32 of them are hindered, delayed or prevented from complying therewith by 32
33 reason of failure of the Unit Operator to obtain in the exercise of due 33
34 diligence, the concurrence of proper representatives of the United States 34
35 and proper representatives of the State of New Mexico in and about any 35

1 matters or thing concerning which it is required herein that such con- 1
2 currence be obtained. The parties hereto, including the Conservation 2
3 Commission, agree that all powers and authority vested in the Conservation 3
4 Commission in and by any provisions of this by it pursuant to the provisions 4
5 of the laws of the State of New Mexico and subject in any case to appeal or 5
6 judicial review as may now or hereafter be provided by the laws of the State 6
7 of New Mexico. 7

8 23. APPEARANCES. Unit Operator shall, after notice to other parties 8
9 affected, have the right to appear for and on behalf of any and all interests 9
10 affected hereby before the Department of the Interior, the Commissioner 10
11 of Public Lands of the State of New Mexico and the New Mexico Oil 11
12 Conservation Commission and to appeal from orders issued under the regu- 12
13 lations of said Department, the Conservation Commission or Land 13
14 Commissioner or to apply for relief from any of said regulations or in any 14
15 proceedings relative to operations before the Department of the Interior, 15
16 the Land Commissioner, or Conservation Commission or any other legally 16
17 constituted authority; provided, however, that any other interested party 17
18 shall also have the right at his own expense to be heard in any such pro- 18
19 ceeding. 19

20 24. NOTICES. All notices, demands or statements required hereunder 20
21 to be given or rendered to the parties hereto shall be deemed fully given 21
22 if given in writing and personally delivered to the party or sent by post- 22
23 paid registered or certified mail, addressed to such party or parties at 23
24 their respective addresses set forth in connection with the signatures 24
25 hereto or to the ratification or consent hereof or to such other address as 25
26 any such party may have furnished in writing to party sending the notice, 26
27 demand or statement. 27

28 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 28
29 shall be construed as a waiver by any party hereto of the right to assert 29
30 any legal or constitutional right or defense as to the validity or invalid- 30
31 ity of any law of the State wherein said unitized lands are located, or of 31
32 the United States, or regulations issued thereunder in any way affecting 32
33 such party, or as a waiver by any such party of any right beyond his or its 33
34 authority to waive. 34

35 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 35

1 the Unit Operator to commence or continue drilling or to operate on or 1
2 produce unitized substances from any of the lands covered by this agreement 2
3 shall be suspended while the Unit Operator, despite the exercise of due care 3
4 and diligence, is prevented from complying with such obligations, in whole 4
5 or in part, by strikes, acts of God, Federal, State, or municipal law or 5
6 agencies, unavoidable accidents, uncontrollable delays in transportation, 6
7 inability to obtain necessary materials in open market, or other matters 7
8 beyond the reasonable control of the Unit Operator whether similar to matters 8
9 herein enumerated or not. No unit obligation which is suspended under this 9
10 section shall become due less than thirty (30) days after it has been 10
11 determined that the suspension is no longer applicable. Determination of 11
12 creditable "Unavoidable Delay" time shall be made by the Unit Operator 12
13 subject to approval of the Supervisor and the Land Commissioner. 13

14 27. NONDISCRIMINATION. In connection with the performance of work 14
15 under this agreement, the operator agrees to comply with all the provisions 15
16 of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319) 16
17 as amended, which are hereby incorporated by reference in this agreement. 17

18 28. LOSS OF TITLE. In the event title to any tract of unitized land 18
19 shall fail and the true owner cannot be induced to join in this unit 19
20 agreement, such tract shall be automatically regarded as not committed here-20
21 to and there shall be such readjustment of future costs and benefits as may 21
22 be required on account of the loss of such title. In the event of a dispute 22
23 as to title as to any royalty, working interest, or other interests subject 23
24 thereto, payment or delivery on account thereof may be withheld without 24
25 liability for interest until the dispute is finally settled; provided, that, 25
26 as to Federal and State land or leases, no payments of funds due the 26
27 United States or the State of New Mexico should be withheld, but such funds 27
28 of the United States shall be deposited as directed by the Supervisor and 28
29 such funds of the State of New Mexico shall be deposited as directed by the 29
30 Land Commissioner to be held as unearned money pending final settlement of 30
31 the title dispute, and then applied as earned or returned in accordance 31
32 with such final settlement. 32

33 Unit Operator as such is relieved from any responsibility for any 33
34 defect or failure of any title hereunder. 34

35 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub- 35

1 stantial interest in a tract within the unit area fails or refuses to sub- 1
2 scribe or consent to this agreement, the owner of the working interest in 2
3 that tract may withdraw said tract from this agreement by written notice 3
4 delivered to the Supervisor and the Land Commissioner, and the Unit Operator 4
5 prior to the approval of this agreement by the Supervisor. Any oil or gas 5
6 interests in lands within the unit area not committed hereto prior to sub- 6
7 mission of this agreement for final approval may thereafter be committed 7
8 hereto by the owner or owners thereof subscribing or consenting to this 8
9 agreement, and, if the interest is a working interest, by the owner of such 9
10 interest also subscribing to the unit operating agreement. After operations 10
11 are commenced hereunder, the right of subsequent joinder, as provided in 11
12 this section, by a working interest owner is subject to such requirements 12
13 or approvals, if any, pertaining to such joinder, as may be provided for in 13
14 the unit operating agreement. After final approval hereof, joinder by a 14
15 non-working interest owner must be consented to in writing by the working 15
16 interest owner committed hereto and responsible for the payment of any 16
17 benefits that may accrue hereunder in behalf of such non-working interest. 17
18 A non-working interest may not be committed to this unit agreement unless 18
19 the corresponding working interest is committed hereto. Joinder to the 19
20 unit agreement by a working-interest owner, at any time, must be accom- 20
21 panied by appropriate joinder to the unit operating agreement, if more than 21
22 one committed working-interest owner is involved, in order for the interest 22
23 to be regarded as committed to this unit agreement. Except as may otherwise 23
24 herein be provided, subsequent joinders to this agreement shall be effective 24
25 as of the first day of the month following the filing with the Supervisor, 25
26 the Land Commissioner and the Conservation Commission of duly executed 26
27 counterparts of all or any papers necessary to establish effective commit- 27
28 ment of any tract to this agreement unless objection to such joinder is 28
29 duly made within sixty (60) days by the Supervisor or Land Commissioner, 29
30 provided, that as to State lands, all subsequent joinders must be approved 30
31 by the Land Commissioner. 31

32 30. COUNTERPARTS. This agreement may be executed in any number of 32
33 counterparts no one of which needs to be executed by all parties or may be 33
34 ratified or consented to by separate instrument in writing specifically 34
35 referring hereto and shall be binding upon all those parties who have 35

1 executed such a counterpart, ratification, or consent hereto with the same 1
2 force and effect as if all such parties had signed the same document and 2
3 regardless of whether or not it is executed by all other parties owning or 3
4 claiming an interest in the lands within the above-described unit area. 4

5 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 5
6 by any working interest owner of the right to surrender vested in such party 6
7 by any lease, sublease, or operating agreement as to all or any part of the 7
8 lands covered thereby, provided that each party who will or might acquire 8
9 such working interest by such surrender or by forfeiture as hereafter set 9
10 forth, is bound by the terms of this agreement. 10

11 If as a result of any such surrender the working interest rights as to 11
12 such lands become vested in any party other than the fee owner of the 12
13 unitized substances, said party may forfeit such rights and further benefits 13
14 from operation hereunder as to said land to the party next in the chain of 14
15 title who shall be and become the owner of such working interest. 15

16 If as the result of any such surrender or forfeiture working interest 16
17 rights become vested in the fee owner of the unitized substances, such 17
18 owner may: 18

19 (1) Accept those working interest rights subject to this agreement 19
20 and the unit operating agreement; or 20

21 (2) Lease the portion of such land as is included in a participating 21
22 area established hereunder subject to this agreement and the unit operating 22
23 agreement; or 23

24 (3) Provide for the independent operation of any part of such land 24
25 that is not then included within a participating area established here- 25
26 under. 26

27 If the fee owner of the unitized substance does not accept the 27
28 working interest rights subject to this agreement and the unit operating 28
29 agreement or lease such lands as above provided within six (6) months after 29
30 the surrendered or forfeited working interest rights become vested in the 30
31 fee owner, the benefits and obligations of operations accruing to such 31
32 lands under this agreement and the unit operating agreement shall be shared 32
33 by the remaining owners of unitized working interests in accordance with 33
34 their respective working interest ownerships, and such owners of working 34
35 interests shall compensate the fee owner of unitized substances in such 35

1 lands by paying sums equal to the rentals, minimum royalties, and royalties 1
2 applicable to such lands under the lease in effect when the lands were 2
3 unitized. 3

4 An appropriate accounting and settlement shall be made for all benefits 4
5 accruing to or payments and expenditures made or incurred on behalf of such 5
6 surrendered or forfeited working interest subsequent to the date of sur- 6
7 render or forfeiture, and payment of any monies found to be owing by such an 7
8 accounting shall be made as between the parties within thirty (30) days. 8

9 In the event no unit operating agreement is in existence and a mutually 9
10 acceptable agreement between the proper parties thereto cannot be consum- 10
11 mated, the Supervisor may prescribe such reasonable and equitable agreement 11
12 as he deems warranted under the circumstances. 12

13 The exercise of any right vested in a working interest owner to 13
14 reassign such working interest to the party from whom obtained shall be 14
15 subject to the same conditions as set forth in this section in regard to 15
16 the exercise of a right to surrender. 16

17 32. TAXES. The working interest owners shall render and pay for 17
18 their account and the account of the royalty owners all valid taxes on or 18
19 measured by the unitized substances in and under or that may be produced, 19
20 gathered and sold from the land subject to this contract after the 20
21 effective date of this agreement, or upon the proceeds or net proceeds 21
22 derived therefrom. The working interest owners on each tract shall and may 22
23 charge the proper proportion of said taxes to the royalty owners having. 23
24 interests in said tract, and may currently retain and deduct sufficient 24
25 of the unitized substances or derivative products, or net proceeds thereof 25
26 from the allocated share of each royalty owner to secure reimbursement for 26
27 the taxes so paid. No such taxes shall be charged to the United States or 27
28 to the State of New Mexico or to any lessor who has a contract with his 28
29 lessee which requires the lessee to pay such taxes. 29

30 33. NO PARTNERSHIP. It is expressly agreed that the relation of 30
31 the parties hereto is that of independent contractors and nothing in this 31
32 agreement contained, expressed or implied, nor any operations conducted 32
33 hereunder, shall create or be deemed to have created a partnership or 33
34 association between the parties hereto or any of them. 34

1 IN WITNESS WHEREOF, the parties hereto have caused this agreement to 1
2 be executed and have set opposite their respective names the date of 2
3 execution. 3
4 4

5 UNIT OPERATOR AND 5
6 WORKING INTEREST OWNER 6

7 TRANSOCEAN OIL, INC. 7

8 Date October 31, 1977 8

By *[Signature]* 8
9 Attorney-in-Fact 9
10 1700 First City East Building 10
11 Houston, Texas 77002 11
12 12

13 STATE OF TEXAS) 13
14) SS 14
15 COUNTY OF HARRIS) 15

16 On this 31st day of October, 1977, before me personally 16
17 appeared C. R. Church, to me known to be the person who executed the 17
18 foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged 18
19 that he executed the same as the free act and deed of TRANSOCEAN OIL, INC. 19

20 GIVEN under my hand and seal this 31st day of October, 20
21 A.D., 1977. 21

22 *[Signature]* 22
23 Notary Public 23

24 My commission expires: 24

25 11/17/78 25
26 26
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Applicant's EXHIBIT NO. 1B

CASE NO. 6102

Submitted by *John S. Jones*

Hearing Date 12/14/77

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
QUEVEDO UNIT AREA
CATRON COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
FEDERAL LANDS							
1	2N-15W, NMPH Section 17: All Section 19: W/2E/2 Section 20: All Section 29: All Section 30: Lots 1, 2, 3, E/2NW/4	2,281.59	NM-22163 3-31-85	United States 100%	TransOcean Oil, Inc. 62.50% Estate of William G. Helts 33.75% a partnership 33.75% Keller Oilfield Services 3.75% Company, Inc. 3.75% Trustee of the Stewart Venture Trust dated 12-31-74 1%		TransOcean 62.50% Helts 33.75% Keller 3.75%
2	2N-15W, NMPH Section 21: All Section 28: W/2, NE/4	1,120.00	NM-22166 3-31-85	United States 100%	TransOcean 62.50% Helts 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Helts 33.75% Keller 3.75%
3	2N-15W, NMPH Section 18: Lots 1,2,3, NW/4SW/4, E/2W/2, E/2	639.74	NM-22169 3-31-85	United States 100%	TransOcean 62.50% Helts 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Helts 33.75% Keller 3.75%
4	2N-17W, NMPH Section 29: Lots 9,10,11,12,13, 14,15,16	332.35	NM-22233 3-31-85	United States 100%	TransOcean 62.50% Helts 33.75% Keller 3.75%	CPGS 3%	TransOcean 62.50% Helts 33.75% Keller 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE		LESSEE OF RECORD AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
5	2N-17W, NMPM Section 21: Lots 1,2,3,4, S/2, E/2NW/4, SW/4NW/4 Section 28: W/2, NE/4, N/2SE/4 Section 29: Lots 1,2,3,4,5,6,7,8,	1,484.89	NM-22234 3-31-85	United States 100%	TransOcean Hells Keller	62.50% 33.75% 3.75%		CPGS 3%		TransOcean Hells Keller	62.50% 33.75% 3.75%
6	2N-17W, NMPM Section 22: Lots 1,2,3,4,5,6,7,8, 9,10,11,12,13,14, W/2SW/4 (All) Section 23: Lots 1,2,3 Section 27: All Section 33: NW/4, S/2NE/4, S/2 Section 34: Lots 1,2, N/2SW/4, NW/4, E/2	2,515.16	NM-22235 3-31-85	United States 100%	TransOcean Hells Keller	62.50% 33.75% 3.75%		CPGS 3%		TransOcean Hells Keller	62.50% 33.75% 3.75%
7	2N-17W, NMPM Section 23: Lot 4, SE/4, N/2NW/4, SE/4NW/4, NE/4SW/4 Section 24: S/2 Section 25: All Section 26: Lots 1,2,3,4,5,6, NE/4, SW/4, E/2NW/4 Section 35: Lots 1,2,3,4,5,6, N/2NW/4, NE/4, NE/4SE/4, S/2SW/4	2,547.54	NM-22236 3-31-85	United States 100%	TransOcean Hells Keller	62.50% 33.75% 3.75%		CPGS 3%		TransOcean Hells Keller	62.50% 33.75% 3.75%
8	2N-17W, NMPM Section 23: NE/4 Section 24: N/2	480.00	NM-22240 3-31-85	United States 100%	TransOcean Hells Keller	62.50% 33.75% 3.75%		CPGS 3%		TransOcean Hells Keller	62.50% 33.75% 3.75%

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9	2N-16W, NMPM Section 29: NW/4SW/4	40.00	NM-22566 7-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Phillip D. Nickell 1/4 of 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
10	2N-16W, NMPM Section 22: All Section 23: All Section 25: All	1,920.00	NM-23687 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
11	2N-16W, NMPM Section 26: All Section 33: W/2NW/4, NW/4SW/4, SE/4SW/4, SW/4SE/4, W/2NE/4 Section 34: N/2, N/2SW/4, SE/4SW/4 Section 35: All	2,000.00	NM-23688 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
12	2N-16W, NMPM Section 30: Lots 1,2,3,4, W/2E/2, E/2W/2, E/2SE/4 Section 31: Lots 1,2,3,4, E/2, E/2W/2	1,208.44	NM-23689 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
13	2N-16W, NMPM Section 18: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 19: NE/4NE/4, S/2SE/4, SE/4SW/4 SE/4NW/4, Lots 2,3,4 Section 20: N/2, SE/4 Section 21: All	2,076.96	NM-23690 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDE ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
14	2N-16W, NMPH Section 13: N/2NW/4, NE/4, S/2 Section 14: W/2, W/2E/2, NE/4NE/4, SE/4SE/4 Section 15: All Section 24: All	2,400.00	NM-23698 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
15	2N-16W, NMPH Section 9: All Section 10: All	1,280.00	NM-23700 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
16	2N-16W, NMPH Section 7: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 8: All Section 17: All	1,915.10	NM-23701 5-1-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
17	2N-17W, NMPH Section 13: NW/4NE/4, NW/4, E/2SE/4, SW/4SE/4	320.00	NM-30462 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
18	2N-16W, NMPH Section 27: All Section 28: S/2NE/4, SE/4SW/4, NE/4SE/4 Section 29: NE/4NE/4, W/2E/2, NE/4NW/4, SE/4SE/4 Section 32: NE/4SE/4	1,120.00	NM-30467 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%

18 FEDERAL TRACTS TOTALING 25,681.77 acres or 75.88% of unit area

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
STATE LANDS							
19	<u>2N-16W, NMPM</u> Section 32: N/2, SW/4, NW/4SE/4	520.00	LG-2102 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf Oil Corporation	21.70% 33.75% 3.75% 40.80%	CPGS 3% TransOcean Helts Keller Gulf
20	<u>2N-16W, NMPM</u> Section 16: All Section 36: All	1,280.00	LG-2103 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3% TransOcean Helts Keller Gulf
21	<u>2N-17W, NMPM</u> Section 13: SE/4SW/4	40.00	LG-2106 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3% TransOcean Helts Keller Gulf
22	<u>2N-17W, NMPM</u> Section 32: All Section 36: All	1,280.00	LG-2108 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3% TransOcean Helts Keller Gulf
23	<u>2N-17W, NMPM</u> Section 13: N/2SW/4, SW/4SW/4	120.00	LG-2880 6-30-85	State of New Mexico 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3% TransOcean Helts Keller Gulf
24	<u>2N-15W, NMPM</u> Section 19: Lots 1,2,3,4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4	481.89	LG-4241 5-31-87	State of New Mexico 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3% TransOcean Helts Keller Gulf

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE		LESSEE OF RECORD AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
				PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE
25	2N-15W, NMPH Section 31: Lots 1,2,3,4, E/2, E/2W/2 Section 32: All	1,280.86	LG-4242 5-31-87	State of New Mexico 100%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%

7 STATE TRACTS TOTALING 5,000.75 acres or 14.78% of unit area

PATENTED LANDS

26	2N-17W, NMPH Section 13: SW/4NE/4, NW/4SE/4 Section 21: NW/4NW/4 Section 28: S/2SE/4 Section 33: N/2NE/4 Section 35: NW/4SW/4	320.00	6170 7-9-84	Herman D. Chavez and Mary Rose Dehart, formerly Mary Rose Chavez	100%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%
27	2N-16W, NMPH Section 28: N/2N/2, S/2SE/4 Section 29: W/2NW/4, SE/4NW/4, E/2SW/4, SW/4SW/4 Section 30: E/2NE/4	560.00	6171 6-26-84	Marvin Ross Eagar and Tenoha Rae Eagar	100%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%
28	2N-15W, NMPH Section 19: W/2NE/4, SE/4NE/4, N/2SE/4, NE/4SW/4 Section 20: SW/4 Section 28: S/2NW/4, NE/4SW/4, NW/4SE/4 Section 33: E/2NE/4	640.00	6173 6-26-84	Ross A. Eagar and Ellen J. Eagar	100%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE		LESSEE OF RECORD AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
				PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE
29	2N-16W, NMPH Section 28: W/2SW/4 Section 29: SE/4NE/4, NE/4SE/4	160.00	6921 4-9-85	Evans W. Fern and Betty Jo Fern 100%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%		CPCS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%
30	2N-15W, NMPH Section 19: E/2E/2	160.00	9435-1 8-24-79	Carolyn C. Robertson 50%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%		CPCS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%
31	2N-15W, NMPH Section 30: E/2NE/4, SE/4 SE/4SW/4	280.00	10736-1 4-18-82	Jack M. Amazon and Darlene B. Amazon 50%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%		CPCS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%
32	2N-16W, NMPH Section 13: S/2NW/4 Section 14: SE/4NE/4, NE/4SE/4 Section 19: Lot 1, NE/4NW/4 2N-17W, NMPH Section 13: E/2NE/4	319.52	10821 8-31-82	N. G. Baca 100%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%		CPCS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%
33	2N-16W, NMPH Section 32: S/2SE/4 Section 33: SW/4SW/4	120.00	10820 8-31-82	Harold O. Ward et al 100%	TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%		CPCS 3%		TransOcean Hells Keller Gulf	21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
34	<u>2N-16W, NMPM</u> Section 34: SE/4	160.00	10823 8-31-82	Joe E. Sedillo and Guadalupe Sedillo 100%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
35	<u>2N-16W, NMPM</u> Section 33: E/2NW/4, NE/4SW/4, N/2SE/4, SE/4SE/4 Section 34: SW/4SW/4	280.00	9-5-82	Wilbur N. Curtis 100%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
36	<u>2N-15W, NMPM</u> Section 28: SE/4	160.00		Myrtle Cox 100%	Unleased		

11 PATENTED TRACTS TOTALING 3,159.52 acres or 9.34% of unit area

TOTAL 36 tracts totaling 33,844.04 acres in entire unit area.



United States Department of the Interior

GEOLOGICAL SURVEY

Box 25046

Denver Federal Center

Colorado 80225

IN REPLY REFER TO:

BEFORE EXAMINER ~~STATEMENTS~~

OIL CONSERVATION COMMISSION

Applicants EXHIBIT NO. 2

OCT 12 1977

CASE NO. 6102

Submitted by TransOcean

Hearing Date 12/14/77

TransOcean Oil, Inc.
Attention: Mr. C. R. Church
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Gentlemen:

Your application of September 12, 1977, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Quemado unit, embracing 33,844.04 acres, more or less, in Catron County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as Amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', Quemado Unit Area" is hereby designated as a logical unit area. It being understood that certain lands within the proposed Quemado unit are also embraced by the French unit agreement which must be terminated prior to or simultaneously with the final approval of the Quemado unit agreement.

The unit agreement submitted for the area designated should provide for a well to test the Yeso Formation or to a depth of 5,000 feet. Your proposed use of the Form of Agreement for Unproved Areas, modified as shown in your application, will be accepted.

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.

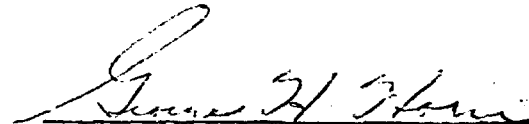


In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby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

When the executed agreement is transmitted to Roswell, 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 1968 reprint of the aforementioned form.

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 soliciting joinders regardless of prior contacts or clearance from the State.

Sincerely yours,


Regional Conservation Manager

For the Director

Enclosure



PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

December 12, 1977

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

Applicants EXHIBIT NO. 3

CASE NO. 6102

Submitted by *Frank Deane*

Hearing Date 12/14/77

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin-Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. J. B. Stanley

Gentlemen:

We have reviewed the unexecuted copy of unit agreement, which you submitted with your letter of December 7, 1977, for the proposed Quemado Unit, Catron County, New Mexico. The form of agreement meets the requirements of the Commissioner of Public Lands, therefore, your agreement has been approved as to form and content.

Our letter of November 1, 1977, stated the requirements by this office for final approval of the unit.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PR/LRG/a



State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

November 1, 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. C. R. Church

Gentlemen:

The Commissioner of Public Lands has this date designated the Quemado Unit Area as a logical unit area. We concur with the USGS that the unit agreement submitted for the area designated should provide for a well to test the Yeso Formation or to a depth of 5,000 feet.

Please submit a copy of the form of unit agreement you will use, containing all the requirements of the Commissioner of Public Lands. When we receive the form of agreement we will then give you approval as to form and content.

On your Exhibit "B", Tract 24, your description is shown as W/2NE/4 of Section 30 and should read the S/2NE/4, under Fee Tract No. 31 you show the E/2NE/4 and should read N/2NE/4 of Section 30.

When filing your unit for final approval, the following are required by this office.

1. Application for final approval stating Tracts committed and Tracts not committed.
2. Two executed copies of Unit Agreement- one must be an original.
3. One executed copy of Operating Agreement.
4. Two sets of Exhibits "A" and "B".
5. Two copies of all ratifications from Lessees of Record and Working Interest Owners.
6. Order of the New Mexico Oil Conservation Commission.

TransOcean Oil, Inc.
November 1, 1977
Page 2.

7. The filing fee in the amount of (\$530.00) Dollars.

If we may be of further assistance to you, please advise.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RDG/s

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
QUEMADO UNIT AREA
COUNTY OF CATRON
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 25th day of October, 1977
by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

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

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

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

1 effective control of operations therein; and 1

2 WHEREAS, it is the purpose of the parties hereto to conserve natural 2

3 resources, prevent waste, and secure other benefits obtainable through 3

4 development and operation of the area subject to this agreement under the 4

5 terms, conditions, and limitations herein set forth; 5

6 NOW, THEREFORE, in consideration of the premises and the promises 6

7 herein contained, the parties hereto commit to this agreement their 7

8 respective interests in the below-defined unit area, and agree severally 8

9 among themselves as follows: 9

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 10

11 February 25, 1920, as amended, supra, and all valid pertinent regulations, 11

12 including operating and unit plan regulations, heretofore issued thereunder 12

13 or valid, pertinent, and reasonable regulations hereafter issued thereunder 13

14 are accepted and made a part of this agreement as to Federal lands, pro- 14

15 vided such regulations are not inconsistent with the terms of this agree- 15

16 ment; and as to State of New Mexico lands, the oil and gas operating 16

17 regulations in effect as of the effective date hereof governing drilling 17

18 and producing operations, not inconsistent with the terms hereof or the 18

19 laws of the State of New Mexico are hereby accepted and made a part of this 19

20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked 21

22 Exhibit A is hereby designated and recognized as constituting the unit 22

23 area, containing 33,844.04 acres, more or less. 23

24 Exhibit A shows, in addition to the boundary of the unit area, the 24

25 boundaries and identity of tracts and leases in said area to the extent 25

26 known to the Unit Operator. Exhibit B attached hereto is a schedule 26

27 showing to the extent known to the Unit Operator the acreage, percentage, 27

28 and kind of ownership of oil and gas interests in all land in the unit 28

29 area. However, nothing herein or in said schedule or map shall be con- 29

30 strued as a representation by any party hereto as to the ownership of any 30

31 interest other than such interest or interests as are shown in said map or 31

32 schedule as owned by such party. Exhibits A and B shall be revised by the 32

33 Unit Operator whenever changes in the unit area render such revision 33

34 necessary, or when requested by the Oil and Gas Supervisor, hereinafter 34

35 referred to as "Supervisor", or when requested by the Commissioner of 35

1 Public Lands of the State of New Mexico, hereinafter referred to as "Land 1
2 Commissioner", and not less than five (5) copies of the revised exhibits 2
3 shall be filed with the Supervisor, and two (2) copies thereof shall be 3
4 filed with the Land Commissioner and one (1) copy with The New Mexico Oil 4
5 Conservation Commission, hereinafter referred to as "Conservation 5
6 Commission." 6

7 The above-described unit area shall when practicable be expanded to 7
8 include therein any additional lands or shall be contracted to exclude lands 8
9 whenever such expansion or contraction is deemed to be necessary or advis- 9
10 able to conform with the purposes of this agreement. Such expansion or 10
11 contraction shall be effected in the following manner: 11

12 (a) Unit Operator, on its own motion or on demand of the Director of 12
13 the Geological Survey, hereinafter referred to as "Director," after pre- 13
14 liminary concurrence by the Director, or on demand of the Land Commissioner 14
15 but only after preliminary concurrence by the Director and the Land 15
16 Commissioner, shall prepare a notice of proposed expansion or contraction 16
17 describing the contemplated changes in the boundaries of the unit area, 17
18 the reasons therefor, and the proposed effective date thereof, preferably 18
19 the first day of a month subsequent to the date of notice. 19

20 (b) Said notice shall be delivered to the Supervisor, the Land 20
21 Commissioner and the Conservation Commission, and copies thereof mailed 21
22 to the last known address of each working interest owner, lessee, and 22
23 lessor whose interests are affected, advising that thirty (30) days will 23
24 be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the thirty (30) day period provided in the 25
26 preceding item (b) hereof, Unit Operator shall file with the Supervisor, 26
27 Land Commissioner and Conservation Commission evidence of mailing of the 27
28 notice of expansion or contraction and a copy of any objections thereto 28
29 which have been filed with the Unit Operator, together with an application 29
30 in sufficient number, for approval of such expansion or contraction and 30
31 with appropriate joinders. 31

32 (d) After due consideration of all pertinent information, the expan- 32
33 sion or contraction shall, upon approval of the Supervisor, the Land 33
34 Commissioner and Conservation Commission, become effective as of the date 34
35 prescribed in the notice thereof. 35

1 (e) All legal subdivisions of lands (i.e., 40 acres by Government 1
2 survey or its nearest lot or tract equivalent; in instances of irregular 2
3 surveys unusually large lots or tracts shall be considered in multiples of 3
4 forty (40) acres or the nearest aliquot equivalent thereof), no parts of 4
5 which are entitled to be in a participating area on or before the fifth 5
6 anniversary of the effective date of the first initial participating area 6
7 established under this unit agreement, shall be eliminated automatically 7
8 from this agreement, effective as of said fifth anniversary, and such lands 8
9 shall no longer be a part of the unit area and shall no longer be subject to 9
10 this agreement, unless diligent drilling operations are in progress on uni- 10
11 tized lands not entitled to participation on said fifth anniversary, in 11
12 which event all such lands shall remain subject hereto for so long as such 12
13 drilling operations are continued diligently with not more than ninety (90) 13
14 days' time elapsing between the completion of one such well and the commence-14
15 ment of the next such well. All legal subdivisions of lands not entitled to 15
16 be in a participating area within ten (10) years after the effective date of 16
17 the first initial participating area approved under this agreement shall be 17
18 automatically eliminated from this agreement as of said tenth anniversary. 18
19 All lands proved productive by diligent drilling operations after the 19
20 aforesaid five-year period shall become participating in the same manner 20
21 as during said five-year period. However, when such diligent drilling 21
22 operations cease, all nonparticipating lands shall be automatically 22
23 eliminated effective as of the ninety-first (91st) day thereafter. The 23
24 Unit Operator shall within ninety (90) days after the effective date of any 24
25 elimination hereunder, describe the area so eliminated to the satisfaction 25
26 of the Supervisor and the Land Commissioner and promptly notify all parties 26
27 in interest. 27

28 If conditions warrant extension of the ten-year period specified in 28
29 this subsection 2(e), a single extension of not to exceed two (2) years 29
30 may be accomplished by consent of the owners of ninety (90) percent of the 30
31 working interests in the current nonparticipating unitized lands and the 31
32 owners of sixty (60) percent of the basic royalty interests (exclusive of 32
33 the basic royalty interests of the United States) in nonparticipating 33
34 unitized lands with approval of the Director and the Land Commissioner, 34
35 provided such extension application is submitted to the Director and the 35

1 Land Commissioner not later than sixty (60) days prior to the expiration of 1
2 said ten-year period. 2

3 Any expansion of the unit area pursuant to this section which embraces 3
4 lands theretofore eliminated pursuant to this subsection 2(e) shall not be 4
5 considered automatic commitment or recommitment of such lands. 5

6 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 6
7 agreement shall constitute land referred to herein as "unitized land" or 7
8 "land subject to this agreement." All oil and gas in any and all formations 8
9 of the unitized land are unitized under the terms of this agreement and 9
10 herein are called "unitized substances." 10

11 4. UNIT OPERATOR. TransOcean Oil, Inc. is hereby designated as Unit 11
12 Operator and by signature hereto as Unit Operator agrees and consents to 12
13 accept the duties and obligations of Unit Operator for the discovery, 13
14 development, and production of unitized substances as herein provided. 14
15 Whenever reference is made herein to the Unit Operator, such reference 15
16 means the Unit Operator acting in that capacity and not as an owner of 16
17 interest in unitized substances, and the term "working interest owner" when 17
18 used herein shall include or refer to Unit Operator as the owner of a 18
19 working interest when such an interest is owned by it. 19

20 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have 20
21 the right to resign at any time prior to the establishment of a partici- 21
22 pating area or areas hereunder, but such resignation shall not become 22
23 effective so as to release Unit Operator from the duties and obligations of 23
24 Unit Operator and terminate Unit Operator's rights as such for a period of 24
25 six (6) months after notice of intention to resign has been served by 25
26 Unit Operator on all working interest owners, the Supervisor, the Land 26
27 Commissioner and Conservation Commission, and until all wells then drilled 27
28 hereunder are placed in a satisfactory condition for suspension or aban- 28
29 donment whichever is required by the Supervisor as to Federal lands and by 29
30 the Conservation Commission as to State lands unless a new Unit Operator 30
31 shall have been selected and approved and shall have taken over and assumed 31
32 the duties and obligations of Unit Operator prior to the expiration of said 32
33 period. 33

34 Unit Operator shall have the right to resign in like manner and subject 34
35 to like limitations as above provided at any time a participating area 35

1 established hereunder is in existence, but, in all instances of resignation 1
2 or removal, until a successor Unit Operator is selected and approved as 2
3 hereinafter provided, the working interest owners shall be jointly responsi- 3
4 ble for performance of the duties of Unit Operator, and shall not later than 4
5 thirty (30) days before such resignation or removal becomes effective appoint 5
6 a common agent to represent them in any action to be taken hereunder. 6

7 The resignation of Unit Operator shall not release Unit Operator from 7
8 any liability for any default by it hereunder occurring prior to the effec- 8
9 tive date of its resignation. 9

10 The Unit Operator may, upon default or failure in the performance of 10
11 its duties or obligations hereunder, be subject to removal by the same 11
12 percentage vote of the owners of working interests as herein provided for 12
13 the selection of a new Unit Operator. Such removal shall be effective 13
14 upon notice thereof to the Supervisor and the Land Commissioner. 14

15 The resignation or removal of Unit Operator under this agreement 15
16 shall not terminate its right, title, or interest as the owner of a working 16
17 interest or other interest in unitized substances, but upon the resignation 17
18 or removal of Unit Operator becoming effective, such Unit Operator shall 18
19 deliver possession of all wells, equipment, materials, and appurtenances 19
20 used in conducting the unit operations to the new duly qualified successor 20
21 Unit Operator or to the common agent, if no such new Unit Operator is 21
22 elected, to be used for the purpose of conducting unit operations hereunder. 22
23 Nothing herein shall be construed as authorizing removal of any material, 23
24 equipment and appurtenances needed for the preservation of any wells. 24

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender 25
26 his or its resignation as Unit Operator or shall be removed as hereinabove 26
27 provided, or a change of Unit Operator is negotiated by working interest 27
28 owners, the owners of the working interests in the participating area or 28
29 areas according to their respective acreage interests in such participating 29
30 area or areas, or, until a participating area shall have been established, 30
31 the owners of the working interests according to their respective acreage 31
32 interests in all unitized land, shall by majority vote select a successor 32
33 Unit Operator: Provided, That, if a majority but less than seventy-five 33
34 (75) percent of the working interests qualified to vote are owned by one 34
35 party to this agreement, a concurring vote of one or more additional 35

1 working interest owners shall be required to select a new operator. Such 1
2 selection shall not become effective until: 2

3 (a) A Unit Operator so selected shall accept in writing the duties and 3
4 responsibilities of Unit Operator, and 4

5 (b) The selection shall have been approved by the Supervisor. 5

6 If no successor Unit Operator is selected and qualified as herein 6
7 provided, the Director and the Land Commissioner, at their election may 7
8 declare this unit agreement terminated. 8

9 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 9
10 Operator is not the sole owner of working interests, costs and expenses 10
11 incurred by Unit Operator in conducting unit operations hereunder shall be 11
12 paid and apportioned among and borne by the owners of working interests, all 12
13 in accordance with the agreement or agreements entered into by and between 13
14 the Unit Operator and the owners of working interests, whether one or more, 14
15 separately or collectively. Any agreement or agreements entered into 15
16 between the working interest owners and the Unit Operator as provided in 16
17 this section, whether one or more, are herein referred to as the "unit 17
18 operating agreement." Such unit operating agreement shall also provide the 18
19 manner in which the working interest owners shall be entitled to receive 19
20 their respective proportionate and allocated share of the benefits accruing 20
21 hereto in conformity with their underlying operating agreements, leases or 21
22 other independent contracts, and such other rights and obligations as 22
23 between Unit Operator and the working interest owners as may be agreed upon 23
24 by Unit Operator and the working interest owners; however, no such unit 24
25 operating agreement shall be deemed either to modify any of the terms and 25
26 conditions of this unit agreement or to relieve the Unit Operator of any 26
27 right or obligation established under this unit agreement, and in case of 27
28 any inconsistency or conflict between this unit agreement and the unit 28
29 operating agreement, this unit agreement shall govern. Three (3) true 29
30 copies of any unit operating agreement executed pursuant to this section 30
31 should be filed with the Supervisor and one (1) true copy with the Land 31
32 Commissioner, prior to approval of this unit agreement. 32

33 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 33
34 specifically provided herein, the exclusive right, privilege, and duty of 34
35 exercising any and all rights of the parties hereto which are necessary or 35

1 convenient for prospecting for, producing, storing, allocating, and distri- 1
2 buting the unitized substances are hereby delegated to and shall be 2
3 exercised by the Unit Operator as herein provided. Acceptable evidence of 3
4 title to said rights shall be deposited with said Unit Operator and, 4
5 together with this agreement, shall constitute and define the rights, privi- 5
6 leges, and obligations of Unit Operator. Nothing herein, however, shall be 6
7 construed to transfer title to any land or to any lease or operating 7
8 agreement, it being understood that under this agreement the Unit Operator, 8
9 in its capacity as Unit Operator, shall exercise the rights of possession 9
10 and use vested in the parties hereto only for the purposes herein specified. 10
11 9. DRILLING TO DISCOVERY. Within six (6) months after the effective 11
12 date hereof, the Unit Operator shall begin to drill an adequate test well 12
13 at a location approved by the Supervisor if on Federal land, or by the 13
14 Land Commissioner if on State Land, or by the Conservation Commission if on 14
15 privately owned land, unless on such effective date a well is being drilled 15
16 conformably with the terms hereof, and thereafter continue such drilling 16
17 diligently until the Yaso formation has been tested 17
18 or until at a lesser depth unitized substances shall be discovered which 18
19 can be produced in paying quantities (to wit: quantities sufficient to 19
20 repay the costs of drilling, completing, and producing operations, with a 20
21 reasonable profit) or the Unit Operator shall at any time establish to the 21
22 satisfaction of the Supervisor if on Federal land, of the Land Commissioner 22
23 if on State land, or of the Conservation Commission if on privately owned 23
24 land, that further drilling of said well would be unwarranted or impracti- 24
25 cable, provided however, that Unit Operator shall not in any event be 25
26 required to drill said well to a depth in excess of 5,000 feet. Until the 26
27 discovery of a deposit of unitized substances capable of being produced in 27
28 paying quantities, the Unit Operator shall continue drilling one well at a 28
29 time, allowing not more than six (6) months between the completion of one 29
30 well and the beginning of the next well, until a well capable of producing 30
31 unitized substances in paying quantities is completed to the satisfaction 31
32 of said Supervisor if on Federal land, of the Land Commissioner if on State 32
33 Land, or of the Conservation Commission if on privately owned land, or until 33
34 it is reasonably proved that the unitized land is incapable of producing 34
35 unitized substances in paying quantities in the formations drilled here- 35

1 under. Nothing in this section shall be deemed to limit the right of the 1
2 Unit Operator to resign as provided in Section 5, hereof, or as requiring 2
3 Unit Operator to commence or continue any drilling during the period pending 3
4 such resignation becoming effective in order to comply with the requirements 4
5 of this section. The Supervisor may modify the drilling requirements of 5
6 this section by granting reasonable extensions of time when, in his opinion 6
7 such action is warranted. 7

8 Upon failure to commence any well provided for in this section within 8
9 the time allowed, including any extension of time granted by the Supervisor, 9
10 this agreement will automatically terminate; upon failure to continue 10
11 drilling diligently any well commenced hereunder, the Supervisor and the 11
12 Land Commissioner may, after fifteen (15) days notice to the Unit Operator, 12
13 declare this unit agreement terminated. 13

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months 14
15 after completion of a well capable of producing unitized substances in 15
16 paying quantities, the Unit Operator shall submit for the approval of the 16
17 Supervisor and the Land Commissioner an acceptable plan of development and 17
18 operation for the unitized land which, when approved by the Supervisor and 18
19 the Land Commissioner, shall constitute the further drilling and operating 19
20 obligations of the Unit Operator under this agreement for the period 20
21 specified therein. Thereafter, from time to time before the expiration of 21
22 any existing plan, the Unit Operator shall submit for the approval of the 22
23 Supervisor and the Land Commissioner a plan for an additional specified 23
24 period for the development and operation of the unitized land. 24

25 Any plan submitted pursuant to this section shall provide for the 25
26 exploration of the unitized area and for the diligent drilling necessary 26
27 for determination of the area or areas thereof capable of producing 27
28 unitized substances in paying quantities in each and every productive 28
29 formation and shall be as complete and adequate as the Supervisor and the 29
30 Land Commissioner may determine to be necessary for timely development and 30
31 proper conservation of the oil and gas resources of the unitized area and 31
32 shall: 32

- 33 (a) Specify the number and locations of any wells to be drilled 33
34 and the proposed order and time for such drilling; and 34
35 (b) To the extent practicable specify the operating practices regarded 35

1 as necessary and advisable for proper conservation of natural resources. 1
2 Separate plans may be submitted for separate productive zones, subject to 2
3 the approval of the Supervisor and the Land Commissioner. 3
4 Plans shall be modified or supplemented when necessary to meet changed 4
5 conditions or to protect the interests of all parties to this agreement. 5
6 Reasonable diligence shall be exercised in complying with the obligations of 6
7 the approved plan of development. The Supervisor and the Land Commissioner 7
8 are authorized to grant a reasonable extension of the six-month period 8
9 herein prescribed for submission of an initial plan of development where 9
10 such action is justified because of unusual conditions or circumstances. 10
11 After completion hereunder of a well capable of producing any unitized sub- 11
12 stance in paying quantities, no further wells, except such as may be 12
13 necessary to afford protection against operations not under this agreement 13
14 and such as may be specifically approved by the Supervisor and the Land 14
15 Commissioner, shall be drilled except in accordance with a plan of develop- 15
16 ment approved as herein provided. 16
17 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable 17
18 of producing unitized substances in paying quantities or as soon thereafter 18
19 as required by the Supervisor and the Land Commissioner, the Unit Operator 19
20 shall submit for approval by the Supervisor and the Land Commissioner a 20
21 schedule, based on subdivisions of the public-land survey or aliquot parts 21
22 thereof, of all land then regarded as reasonably proved to be productive 22
23 in paying quantities; all lands in said schedule on approval of the 23
24 Supervisor and the Land Commissioner to constitute a participating area, 24
25 effective as of the date of completion of such well or the effective date of 25
26 this unit agreement, whichever is later. The acreages of both Federal and 26
27 non-Federal lands shall be based upon appropriate computations from the 27
28 courses and distances shown on the last approved public-land survey as of 28
29 the effective date of each initial participating area. Said schedule shall 29
30 also set forth the percentage of unitized substances to be allocated as 30
31 herein provided to each tract in the participating area so established, 31
32 and shall govern the allocation of production commencing with the effective 32
33 date of the participating area. A separate participating area shall be 33
34 established for each separate pool or deposit of unitized substances or for 34
35 any group thereof which is produced as a single pool or zone, and any two 35

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

22 It is the intent of this section that a participating area shall 22
23 represent the area known or reasonably estimated to be productive in paying 23
24 quantities; but, regardless of any revision of the participating area, 24
25 nothing herein contained shall be construed as requiring any retroactive 25
26 adjustment for production obtained prior to the effective date of the 26
27 revision of the participating area. 27

28 In the absence of agreement at any time between the Unit Operator and 28
29 the Supervisor and the Land Commissioner as to the proper definition or 29
30 redefinition of a participating area, or until a participating area has, 30
31 or areas have, been established as provided herein, the portion of all 31
32 payments affected thereby shall be impounded in a manner mutually accept- 32
33 able to the owners of working interests and the Supervisor and the Land 33
34 Commissioner. Royalties due the United States and the State of New Mexico 34
35 shall be determined by the Supervisor and the Land Commissioner, respec- 35

1 tively, and the amount thereof shall be deposited, as directed by the 1
2 Supervisor and the Land Commissioner, to be held as unearned monies until 2
3 a participating area is finally approved and then applied as earned or 3
4 returned in accordance with a determination of the sums due as Federal 4
5 royalty and State of New Mexico royalty, respectively, on the basis of such 5
6 approved participating area. 6

7 Whenever it is determined, subject to the approval of the Supervisor, 7
8 as to wells drilled on Federal land and the Land Commissioner as to wells 8
9 drilled on State land and of the Conservation Commission as to wells drilled 9
10 on privately owned land, that a well drilled under this agreement is not 10
11 capable of production in paying quantities and inclusion of the land on 11
12 which it is situated in a participating area is unwarranted, production 12
13 from such well shall, for the purposes of settlement among all parties 13
14 other than working interest owners, be allocated to the land on which the 14
15 well is located unless such land is already within the participating area 15
16 established for the pool or deposit from which such production is obtained. 16
17 Settlement for working interest benefits from such a well shall be made as 17
18 provided in the unit operating agreement. 18

19 12. ALLOCATION OF PRODUCTION. All unitized substances produced from 19
20 each participating area established under this agreement, except any part 20
21 thereof used in conformity with good operating practices within the unitized 21
22 area for drilling, operating, camp and other production or development 22
23 purposes, for repressuring or recycling in accordance with a plan of devel- 23
24 opment approved by the Supervisor, the Land Commissioner and the 24
25 Conservation Commission, or unavoidably lost, shall be deemed to be pro- 25
26 duced equally on an acreage basis from the several tracts of unitized land 26
27 of the participating area established for such production and, for the 27
28 purpose of determining any benefits accruing under this agreement, each 28
29 such tract of unitized land shall have allocated to it such percentage of 29
30 said production as the number of acres of such tract included in said 30
31 participating area bears to the total acres of unitized land in said 31
32 participating area, except that allocation of production hereunder for 32
33 purposes other than for settlement of the royalty, overriding royalty, or 33
34 payment out of production obligations of the respective working interest 34
35 owners, shall be on the basis prescribed in the unit operating agreement 35

1 whether in conformity with the basis of allocation herein set forth or 1
2 otherwise. It is hereby agreed that production of unitized substances from 2
3 a participating area shall be allocated as provided herein regardless of 3
4 whether any wells are drilled on any particular part or tract of said part- 4
5 icipating area. If any gas produced from one participating area is used for 5
6 repressuring or recycling purposes in another participating area, the first 6
7 gas withdrawn from such last-mentioned participating area for sale during 7
8 the life of this agreement shall be considered to be the gas so transferred 8
9 until an amount equal to that transferred shall be so produced for sale and 9
10 such gas shall be allocated to the participating area from which initially 10
11 produced as such area was last defined at the time of such final production. 11

12 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 12

13 Any party hereto owning or controlling the working interest in any unitized 13
14 land having thereon a regular well location may with the approval of the 14
15 Supervisor as to Federal land, the Land Commissioner as to State land, and 15
16 the Conservation Commission as to privately owned land, at such party's sole 16
17 risk, costs, and expense, drill a well to test any formation for which a 17
18 participating area has not been established or to test any formation for 18
19 which a participating area has been established if such location is not 19
20 within said participating area, unless within ninety (90) days of receipt 20
21 of notice from said party of his intention to drill the well the Unit 21
22 Operator elects and commences to drill such a well in like manner as other 22
23 wells are drilled by the Unit Operator under this agreement. 23

24 If any well drilled as aforesaid by a working interest owner results 24
25 in production such that the land upon which it is situated may properly be 25
26 included in a participating area, such participating area shall be estab- 26
27 lished or enlarged as provided in this agreement and the well shall there- 27
28 after be operated by the Unit Operator in accordance with the terms of this 28
29 agreement and the unit operating agreement. 29

30 If any well drilled as aforesaid by a working interest owner obtains 30
31 production in quantities insufficient to justify the inclusion of the land 31
32 upon which such well is situated in a participating area, such well may be 32
33 operated and produced by the party drilling the same subject to the 33
34 conservation requirements of this agreement. The royalties in amount or 34
35 value of production from any such well shall be paid as specified in the 35

1 underlying lease and agreements affected. 1

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

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

31 Royalty due the United States shall be computed as provided in the 31
32 operating regulations and paid in value or delivered in kind as to all 32
33 unitized substances on the basis of the amounts thereof allocated to 33
34 unitized Federal land as provided herein at the rates specified in the 34
35 respective Federal leases, or at such lower rate or rates as may be 35

1 authorized by law or regulation; provided, that for leases on which the 1
2 royalty rate depends on the daily average production per well, said average 2
3 production shall be determined in accordance with the operating regulations 3
4 as though each participating area were a single consolidated lease. 4

5 Royalty due the State of New Mexico shall be computed and paid on the 5
6 basis of the amounts allocated to unitized State land as provided herein at 6
7 the rate specified in the State oil and gas lease. 7

8 Royalty due on account of privately owned lands shall be computed and 8
9 paid on the basis of all unitized substances allocated to such lands. 9

10 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 10
11 committed hereto shall be paid by working interest owners responsible there- 11
12 for under existing contracts, laws, and regulations, provided that nothing 12
13 herein contained shall operate to relieve the lessees of any land from their 13
14 respective lease obligations for the payment of any rental or minimum 14
15 royalty due under their leases. Rental or minimum royalty for lands of the 15
16 United States subject to this agreement shall be paid at the rate specified 16
17 in the respective leases from the United States unless such rental or mini- 17
18 mum royalty is waived, suspended, or reduced by law or by approval of the 18
19 Secretary or his duly authorized representative. 19

20 Rentals on State of New Mexico lands subject to this agreement shall 20
21 be paid at the rates specified in the respective leases. 21

22 With respect to any lease on non-Federal land containing provisions 22
23 which would terminate such lease unless drilling operations are commenced 23
24 upon the land covered thereby within the time therein specified or rentals 24
25 paid for the privilege of deferring such drilling operations, the rentals 25
26 required thereby shall, notwithstanding any other provisions of this agree- 26
27 ment, be deemed to accrue and become payable during the term thereof as 27
28 extended by this agreement and until the required drilling operations are 28
29 commenced upon the land covered thereby or until some portion of such land is 29
30 included within a participating area. 30

31 16. CONSERVATION. Operations hereunder and production of unitized 31
32 substances shall be conducted to provide for the most economical and effi- 32
33 cient recovery of said substances without waste, as defined by or pursuant 33
34 to State or Federal law or regulation. 34

35 17. DRAINAGE. The Unit Operator shall take such measures as the 35

1 Supervisor and Land Commissioner deem appropriate and adequate to prevent 1
2 drainage of unitized substances from unitized land by wells on land not 2
3 subject to this agreement. 3

4 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, condi- 4
5 tions, and provisions of all leases, subleases, and other contracts relating 5
6 to exploration, drilling, development, or operation for oil or gas on lands 6
7 committed to this agreement are hereby expressly modified and amended to the 7
8 extent necessary to make the same conform to the provisions hereof, but 8
9 otherwise to remain in full force and effect; and the parties hereto hereby 9
10 consent that the Secretary as to Federal leases, and the Land Commissioner 10
11 as to State leases, shall and each by his approval hereof, or by the approval 11
12 hereof by his duly authorized representative, does hereby establish, alter, 12
13 change or revoke the drilling, producing, rental, minimum royalty, and 13
14 royalty requirements of Federal and State leases committed hereto and the 14
15 regulations in respect thereto to conform said requirements to the provi- 15
16 sions of this agreement, and, without limiting the generality of the fore- 16
17 going, all leases, subleases, and contracts are particularly modified in 17
18 accordance with the following: 18

19 (a) The development and operation of lands subject to this agreement 19
20 under the terms hereof shall be deemed full performance of all obligations 20
21 for development and operation with respect to each and every separately 21
22 owned tract subject to this agreement, regardless of whether there is any 22
23 development of any particular tract of the unit area. 23

24 (b) Drilling and producing operations performed hereunder upon any 24
25 tract of unitized lands will be accepted and deemed to be performed upon 25
26 and for the benefit of each and every tract of unitized land, and no lease 26
27 shall be deemed to expire by reason of failure to drill or produce wells 27
28 situated on the land therein embraced. 28

29 (c) Suspension of drilling or producing operations on all unitized 29
30 lands pursuant to direction or consent of the Secretary and the Land 30
31 Commissioner of their duly authorized representatives shall be deemed to 31
32 constitute such suspension pursuant to such direction or consent as to each 32
33 and every tract of unitized land. A suspension of drilling or producing 33
34 operations limited to specified lands shall be applicable only to such lands. 34

35 (d) Each lease, sublease or contract relating to the exploration, 35

1 drilling, development or operation for oil or gas of lands other than those 1
2 of the United States committed to this agreement, which, by its terms might 2
3 expire prior to the termination of this agreement, is hereby extended beyond 3
4 any such terms so provided therein so that it shall be continued in full 4
5 force and effect for and during the term of this agreement. 5

6 (e) Any Federal lease for a fixed term of twenty (20) years or any 6
7 renewal thereof or any part of such lease which is made subject to this 7
8 agreement shall continue in force beyond the term provided therein until the 8
9 termination hereof. Any other Federal lease committed hereto shall continue 9
10 in force beyond the term so provided therein or by law as to the land com- 10
11 mitted so long as such lease remains subject hereto, provided that production 11
12 is had in paying quantities under this unit agreement prior to the expira- 12
13 tion date of the term of such lease, or in the event actual drilling 13
14 operations are commenced on unitized land, in accordance with the provisions 14
15 of this agreement, prior to the end of the primary term of such lease and 15
16 are being diligently prosecuted at that time, such lease shall be extended 16
17 for two (2) years and so long thereafter as oil or gas is produced in paying 17
18 quantities in accordance with the provisions of the Mineral Leasing Act 18
19 Revisions of 1960. 19

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

27 (g) The segregation of any Federal lease committed to this agreement 27
28 is governed by the following provision in the fourth paragraph of Sec. 17(j) 28
29 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 29
30 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed 30
31 to any such (unit) plan embracing lands that are in part within and in part 31
32 outside of the area covered by any such plan shall be segregated into sep- 32
33 arate leases as to the lands committed and the lands not committed as of the 33
34 effective date of unitization: Provided, however, That any such lease as to 34
35 the nonunitized portion shall continue in force and effect for the term 35

1 thereof but for not less than two (2) years from the date of such segre- 1
2 gation and so long thereafter as oil or gas is produced in paying quantities. 2

3 Any lease embracing lands of the State of New Mexico which is made 3
4 subject to this agreement, shall continue in force beyond the term provided 4
5 therein as to lands committed hereto with the termination hereof. 5

6 (h) Any lease, other than a Federal lease, having only a portion of 6
7 its lands committed hereto shall be segregated as to the portion committed 7
8 and the portion not committed, and the provisions of such lease shall apply 8
9 separately to such segregated portions commencing as of the effective date 9
10 hereof. In the event any such lease provides for a lump-sum rental payment, 10
11 such payment shall be prorated between the portions so segregated in pro- 11
12 portion to the acreage of the respective tracts. 12

13 (i) Any lease embracing lands of the State of New Mexico having only 13
14 a portion of its land committed hereto, shall be segregated as to the 14
15 portion committed and the portion not committed, and the provisions of such 15
16 lease shall apply separately to such segregated portions commencing as of 16
17 the effective date hereof; provided, however, notwithstanding any of the 17
18 provisions of this agreement to the contract any lease embracing lands of 18
19 the State of New Mexico having only a portion of its lands committed hereto 19
20 shall continue in full force and effect beyond the term provided therein as 20
21 to all lands embraced in such lease, if oil or gas is discovered and is 21
22 capable of being produced in paying quantities from some part of the lands 22
23 embraced in such lease at the expiration of the secondary term of such lease; 23
24 or if, at the expiration of the secondary term, the lessee or the Unit 24
25 Operator is then engaged in bona fide drilling or reworking operations on 25
26 some part of the lands embraced in such lease, the same, as to all lands 26
27 embraced therein, shall remain in full force and effect so long as such 27
28 operations are being diligently prosecuted, and if they result in the pro- 28
29 duction of oil or gas, said lease shall continue in full force and effect as 29
30 to all of the lands embraced therein, so long thereafter as oil or gas in 30
31 paying quantities is being produced from any portion of said lands. 31

32 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 32
33 to be covenants running with the land with respect to the interest of the 33
34 parties hereto and their successors in interest until this agreement 34
35 terminates, and any grant, transfer, or conveyance, of interest in land or 35

1 leases subject hereto shall be and hereby is conditioned upon the assumption 1
2 of all privileges and obligations hereunder by the grantee, transferee, or 2
3 other successor in interest. No assignment or transfer of any working 3
4 interest, royalty, or other interest subject hereto shall be binding upon Unit 4
5 Operator until the first day of the calendar month after Unit Operator is 5
6 furnished with the original, photostatic, or certified copy of the instrument 6
7 of transfer. 7

8 20. EFFECTIVE DATE AND TERM. This agreement shall become effective 8
9 upon approval by the Secretary and the Land Commissioner or their duly 9
10 authorized representatives and shall terminate five (5) years from said 10
11 effective date unless, 11

12 (a) Such date of expiration is extended by the Director and the 12
13 Land Commissioner, or 13

14 (b) It is reasonably determined prior to the expiration of the fixed 14
15 term or any extension thereof that the unitized land is incapable of pro- 15
16 duction of unitized substances in paying quantities in the formations tested 16
17 hereunder and after notice of intention to terminate the agreement on such 17
18 ground is given by the Unit Operator to all parties in interest at their 18
19 last known addresses, the agreement is terminated with the approval of the 19
20 Supervisor and Land Commissioner, or 20

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

30 (d) It is terminated as heretofore provided in this agreement. 30
31 This agreement may be terminated at any time by not less than seventy-five 31
32 (75) per centum, on an acreage basis, of the working interest owners 32
33 signatory hereto, with the approval of the Supervisor and Land Commissioner; 33
34 notice of any such approval to be given by the Unit Operator to all parties 34
35 hereto. 35

1 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 1
2 hereby vested with authority to alter or modify from time to time in his 2
3 discretion the quantity and rate of production under this agreement when such 3
4 quantity and rate is not fixed pursuant to Federal or State law or does not 4
5 conform to any state-wide voluntary conservation or allocation program, which 5
6 is established, recognized, and generally adhered to by the majority of 6
7 operators in such State, such authority being hereby limited to alteration or 7
8 modification in the public interest, the purpose thereof and the public 8
9 interest to be served thereby to be stated in the order of alteration or mod- 9
10 ification. Without regard to the foregoing, the Director is also hereby 10
11 vested with authority to alter or modify from time to time in his discretion 11
12 the rate of prospecting and development and the quantity and rate of pro- 12
13 duction under this agreement when such alteration or modification is in the 13
14 interest of attaining the conservation objectives stated in this agreement 14
15 and is not in violation of any applicable Federal or State law. 15

16 Powers in this section vested in the Director shall only be exercised 16
17 after notice to Unit Operator and opportunity for hearing to be held not less 17
18 than fifteen (15) days from notice. 18

19 Provided, further, That no such alteration or modification shall be 19
20 effective as to any land of the State of New Mexico, as to the rate of 20
21 prospecting and developing in the absence of the specific written approval 21
22 thereof by the Commissioner and as to any lands of the State of New Mexico 22
23 or privately owned lands subject to this agreement as to the quantity and 23
24 rate of production in the absence of specific written approval thereof by 24
25 the Commission. 25

26 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the 26
27 working interest owners nor any of them shall be subject to any forfeiture, 27
28 termination or expiration of any rights hereunder or under any leases or 28
29 contracts subject hereto, or to any penalty or liability on account of delay 29
30 or failure in whole or in part to comply with any applicable provision 30
31 thereof to the extent that the Unit Operator, working interest owners or any 31
32 of them are hindered, delayed or prevented from complying therewith by 32
33 reason of failure of the Unit Operator to obtain in the exercise of due 33
34 diligence, the concurrence of proper representatives of the United States 34
35 and proper representatives of the State of New Mexico in and about any 35

1 matters or thing concerning which it is required herein that such con- 1
2 currence be obtained. The parties hereto, including the Conservation 2
3 Commission, agree that all powers and authority vested in the Conservation 3
4 Commission in and by any provisions of this by it pursuant to the provisions 4
5 of the laws of the State of New Mexico and subject in any case to appeal or 5
6 judicial review as may now or hereafter be provided by the laws of the State 6
7 of New Mexico. 7

8 23. APPEARANCES. Unit Operator shall, after notice to other parties 8
9 affected, have the right to appear for and on behalf of any and all interests 9
10 affected hereby before the Department of the Interior, the Commissioner 10
11 of Public Lands of the State of New Mexico and the New Mexico Oil 11
12 Conservation Commission and to appeal from orders issued under the regu- 12
13 lations of said Department, the Conservation Commission or Land 13
14 Commissioner or to apply for relief from any of said regulations or in any 14
15 proceedings relative to operations before the Department of the Interior, 15
16 the Land Commissioner, or Conservation Commission or any other legally 16
17 constituted authority; provided, however, that any other interested party 17
18 shall also have the right at his own expense to be heard in any such pro- 18
19 ceeding. 19

20 24. NOTICES. All notices, demands or statements required hereunder 20
21 to be given or rendered to the parties hereto shall be deemed fully given 21
22 if given in writing and personally delivered to the party or sent by post- 22
23 paid registered or certified mail, addressed to such party or parties at 23
24 their respective addresses set forth in connection with the signatures 24
25 hereto or to the ratification or consent hereof or to such other address as 25
26 any such party may have furnished in writing to party sending the notice, 26
27 demand or statement. 27

28 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 28
29 shall be construed as a waiver by any party hereto of the right to assert 29
30 any legal or constitutional right or defense as to the validity or invalid- 30
31 ity of any law of the State wherein said unitized lands are located, or of 31
32 the United States, or regulations issued thereunder in any way affecting 32
33 such party, or as a waiver by any such party of any right beyond his or its 33
34 authority to waive. 34

35 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 35

1 the Unit Operator to commence or continue drilling or to operate on or 1
2 produce unitized substances from any of the lands covered by this agreement 2
3 shall be suspended while the Unit Operator, despite the exercise of due care 3
4 and diligence, is prevented from complying with such obligations, in whole 4
5 or in part, by strikes, acts of God, Federal, State, or municipal law or 5
6 agencies, unavoidable accidents, uncontrollable delays in transportation, 6
7 inability to obtain necessary materials in open market, or other matters 7
8 beyond the reasonable control of the Unit Operator whether similar to matters 8
9 herein enumerated or not. No unit obligation which is suspended under this 9
10 section shall become due less than thirty (30) days after it has been 10
11 determined that the suspension is no longer applicable. Determination of 11
12 creditable "Unavoidable Delay" time shall be made by the Unit Operator 12
13 subject to approval of the Supervisor and the Land Commissioner. 13

14 27. NONDISCRIMINATION. In connection with the performance of work 14
15 under this agreement, the operator agrees to comply with all the provisions 15
16 of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319) 16
17 as amended, which are hereby incorporated by reference in this agreement. 17

18 28. LOSS OF TITLE. In the event title to any tract of unitized land 18
19 shall fail and the true owner cannot be induced to join in this unit 19
20 agreement, such tract shall be automatically regarded as not committed here-20
21 to and there shall be such readjustment of future costs and benefits as may 21
22 be required on account of the loss of such title. In the event of a dispute 22
23 as to title as to any royalty, working interest, or other interests subject 23
24 thereto, payment or delivery on account thereof may be withheld without 24
25 liability for interest until the dispute is finally settled; provided, that, 25
26 as to Federal and State land or leases, no payments of funds due the 26
27 United States or the State of New Mexico should be withheld, but such funds 27
28 of the United States shall be deposited as directed by the Supervisor and 28
29 such funds of the State of New Mexico shall be deposited as directed by the 29
30 Land Commissioner to be held as unearned money pending final settlement of 30
31 the title dispute, and then applied as earned or returned in accordance 31
32 with such final settlement. 32

33 Unit Operator as such is relieved from any responsibility for any 33
34 defect or failure of any title hereunder. 34

35 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub- 35

1 stantial interest in a tract within the unit area fails or refuses to sub- 1
2 scribe or consent to this agreement, the owner of the working interest in 2
3 that tract may withdraw said tract from this agreement by written notice 3
4 delivered to the Supervisor and the Land Commissioner, and the Unit Operator 4
5 prior to the approval of this agreement by the Supervisor. Any oil or gas 5
6 interests in lands within the unit area not committed hereto prior to sub- 6
7 mission of this agreement for final approval may thereafter be committed 7
8 hereto by the owner or owners thereof subscribing or consenting to this 8
9 agreement, and, if the interest is a working interest, by the owner of such 9
10 interest also subscribing to the unit operating agreement. After operations 10
11 are commenced hereunder, the right of subsequent joinder, as provided in 11
12 this section, by a working interest owner is subject to such requirements 12
13 or approvals, if any, pertaining to such joinder, as may be provided for in 13
14 the unit operating agreement. After final approval hereof, joinder by a 14
15 non-working interest owner must be consented to in writing by the working 15
16 interest owner committed hereto and responsible for the payment of any 16
17 benefits that may accrue hereunder in behalf of such non-working interest. 17
18 A non-working interest may not be committed to this unit agreement unless 18
19 the corresponding working interest is committed hereto. Joinder to the 19
20 unit agreement by a working-interest owner, at any time, must be accom- 20
21 panied by appropriate joinder to the unit operating agreement, if more than 21
22 one committed working-interest owner is involved, in order for the interest 22
23 to be regarded as committed to this unit agreement. Except as may otherwise 23
24 herein be provided, subsequent joinders to this agreement shall be effective 24
25 as of the first day of the month following the filing with the Supervisor, 25
26 the Land Commissioner and the Conservation Commission of duly executed 26
27 counterparts of all or any papers necessary to establish effective commit- 27
28 ment of any tract to this agreement unless objection to such joinder is 28
29 duly made within sixty (60) days by the Supervisor or Land Commissioner, 29
30 provided, that as to State lands, all subsequent joinders must be approved 30
31 by the Land Commissioner. 31

32 30. COUNTERPARTS. This agreement may be executed in any number of 32
33 counterparts no one of which needs to be executed by all parties or may be 33
34 ratified or consented to by separate instrument in writing specifically 34
35 referring hereto and shall be binding upon all those parties who have 35

1 executed such a counterpart, ratification, or consent hereto with the same 1
2 force and effect as if all such parties had signed the same document and 2
3 regardless of whether or not it is executed by all other parties owning or 3
4 claiming an interest in the lands within the above-described unit area. 4

5 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 5
6 by any working interest owner of the right to surrender vested in such party 6
7 by any lease, sublease, or operating agreement as to all or any part of the 7
8 lands covered thereby, provided that each party who will or might acquire 8
9 such working interest by such surrender or by forfeiture as hereafter set 9
10 forth, is bound by the terms of this agreement. 10

11 If as a result of any such surrender the working interest rights as to 11
12 such lands become vested in any party other than the fee owner of the 12
13 unitized substances, said party may forfeit such rights and further benefits 13
14 from operation hereunder as to said land to the party next in the chain of 14
15 title who shall be and become the owner of such working interest. 15

16 If as the result of any such surrender or forfeiture working interest 16
17 rights become vested in the fee owner of the unitized substances, such 17
18 owner may: 18

19 (1) Accept those working interest rights subject to this agreement 19
20 and the unit operating agreement; or 20

21 (2) Lease the portion of such land as is included in a participating 21
22 area established hereunder subject to this agreement and the unit operating 22
23 agreement; or 23

24 (3) Provide for the independent operation of any part of such land 24
25 that is not then included within a participating area established here- 25
26 under. 26

27 If the fee owner of the unitized substance does not accept the 27
28 working interest rights subject to this agreement and the unit operating 28
29 agreement or lease such lands as above provided within six (6) months after 29
30 the surrendered or forfeited working interest rights become vested in the 30
31 fee owner, the benefits and obligations of operations accruing to such 31
32 lands under this agreement and the unit operating agreement shall be shared 32
33 by the remaining owners of unitized working interests in accordance with 33
34 their respective working interest ownerships, and such owners of working 34
35 interests shall compensate the fee owner of unitized substances in such 35

1 lands by paying sums equal to the rentals, minimum royalties, and royalties 1
2 applicable to such lands under the lease in effect when the lands were 2
3 unitized. 3

4 An appropriate accounting and settlement shall be made for all benefits 4
5 accruing to or payments and expenditures made or incurred on behalf of such 5
6 surrendered or forfeited working interest subsequent to the date of sur- 6
7 render or forfeiture, and payment of any monies found to be owing by such an 7
8 accounting shall be made as between the parties within thirty (30) days. 8
9 In the event no unit operating agreement is in existence and a mutually 9
10 acceptable agreement between the proper parties thereto cannot be consum- 10
11 mated, the Supervisor may prescribe such reasonable and equitable agreement 11
12 as he deems warranted under the circumstances. 12

13 The exercise of any right vested in a working interest owner to 13
14 reassign such working interest to the party from whom obtained shall be 14
15 subject to the same conditions as set forth in this section in regard to 15
16 the exercise of a right to surrender. 16

17 32. TAXES. The working interest owners shall render and pay for 17
18 their account and the account of the royalty owners all valid taxes on or 18
19 measured by the unitized substances in and under or that may be produced, 19
20 gathered and sold from the land subject to this contract after the 20
21 effective date of this agreement, or upon the proceeds or net proceeds 21
22 derived therefrom. The working interest owners on each tract shall and may 22
23 charge the proper proportion of said taxes to the royalty owners having 23
24 interests in said tract, and may currently retain and deduct sufficient 24
25 of the unitized substances or derivative products, or net proceeds thereof 25
26 from the allocated share of each royalty owner to secure reimbursement for 26
27 the taxes so paid. No such taxes shall be charged to the United States or 27
28 to the State of New Mexico or to any lessor who has a contract with his 28
29 lessee which requires the lessee to pay such taxes. 29

30 33. NO PARTNERSHIP. It is expressly agreed that the relation of 30
31 the parties hereto is that of independent contractors and nothing in this 31
32 agreement contained, expressed or implied, nor any operations conducted 32
33 hereunder, shall create or be deemed to have created a partnership or 33
34 association between the parties hereto or any of them. 34

1 IN WITNESS WHEREOF, the parties hereto have caused this agreement to 1
2 be executed and have set opposite their respective names the date of 2
3 execution. 3
4 4

5 UNIT OPERATOR AND 5
6 WORKING INTEREST OWNER 6

7 TRANSOCEAN OIL, INC. 7

8 Date October 31, 1977 By *[Signature]* 8
9 Attorney-in-Fact 9
10 1700 First City East Building 10
11 Houston, Texas 77002 11
12 12

13 STATE OF TEXAS) 13
14) SS 14
15 COUNTY OF HARRIS) 15

16 On this 31st day of October, 1977, before me personally 16
17 appeared C. R. Church, to me known to be the person who executed the 17
18 foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged 18
19 that he executed the same as the free act and deed of TRANSOCEAN OIL, INC. 19

20 GIVEN under my hand and seal this 31st day of October, 20
21 A.D., 1977. 21

22 *[Signature]* 22
23 Notary Public 23

24 My commission expires: 24

25 11/17/78 25
26 26
27 27
28 28
29 29
30 30
31 31
32 32
33 33
34 34
35 35

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
QUEMADO UNIT AREA
CATRON COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>FEDERAL LANDS</u>							
1	2N-15W, NMPM Section 17: All Section 19: W/2E/2 Section 20: All Section 29: All Section 30: Lots 1, 2, 3, E/2NW/4	2,281.59	NM-22163 3-31-85	United States 100%	TransOcean Oil, Inc. 62.50% Estate of William G. Helts 33.75% a partnership 33.75% Keller Oilfield Services 3.75% Company, Inc. 3.75% Trustee of the Stewart Venture Trust dated 12-31-74 1%	Colorado Plateau Geological Services 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Helts 62.50% Helts 33.75% Keller 3.75%
2	2N-15W, NMPM Section 21: All Section 28: W/2, NE/4	1,120.00	NM-22166 3-31-85	United States 100%	TransOcean Helts 62.50% Helts 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Helts 62.50% Helts 33.75% Keller 3.75%
3	2N-15W, NMPM Section 18: Lots 1, 2, 3, NW/4SW/4, E/2W/2, E/2	639.74	NM-22169 3-31-85	United States 100%	TransOcean Helts 62.50% Helts 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Helts 62.50% Helts 33.75% Keller 3.75%
4	2N-17W, NMPM Section 29: Lots 9, 10, 11, 12, 13, 14, 15, 16	332.35	NM-22233 3-31-85	United States 100%	TransOcean Helts 62.50% Helts 33.75% Keller 3.75%	CPGS 3%	TransOcean Helts 62.50% Helts 33.75% Keller 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
5	2N-17W, NMPM Section 21: Lots 1,2,3,4, S/2, E/2NW/4, SW/4NW/4 Section 28: W/2, NE/4, N/2SE/4 Section 29: Lots 1,2,3,4,5,6,7,8,	1,484.89	NM-22234 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
6	2N-17W, NMPM Section 22: Lots 1,2,3,4,5,6,7,8, 9,10,11,12,13,14, W/2SW/4 (All) Section 23: Lots 1,2,3 Section 27: All Section 33: NW/4, S/2NE/4, S/2 Section 34: Lots 1,2, N/2SW/4, NW/4, E/2	2,515.16	NM-22235 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
7	2N-17W, NMPM Section 23: Lot 4, SE/4, N/2NW/4, SE/4NW/4, NE/4SW/4 Section 24: S/2 Section 25: All Section 26: Lots 1,2,3,4,5,6, NE/4, SW/4, E/2NW/4 Section 35: Lots 1,2,3,4,5,6, N/2NW/4, NE/4, NE/4SE/4, S/2SW/4	2,547.54	NM-22236 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
8	2N-17W, NMPM Section 23: NE/4 Section 24: N/2	480.00	NM-22240 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
9	2N-16W, NMPM Section 29: NW/4SW/4	40.00	NM-22566 7-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Phillip D. Nickell 1/4 of 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
10	2N-16W, NMPM Section 22: A11 Section 23: A11 Section 25: A11	1,920.00	NM-23687 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
11	2N-16W, NMPM Section 26: A11 Section 33: W/2NW/4, NW/4SW/4, SE/4SW/4, SW/4SE/4, W/2NE/4 Section 34: N/2, N/2SW/4, SE/4SW/4 Section 35: A11	2,000.00	NM-23688 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
12	2N-16W, NMPM Section 30: Lots 1,2,3,4, W/2E/2, E/2W/2, E/2SE/4 Section 31: Lots 1,2,3,4, E/2, E/2W/2	1,208.44	NM-23689 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
13	2N-16W, NMPM Section 18: Lots 1,2,3,4, E/2W/2, E/2 (A11) Section 19: NE/4NE/4, S/2SE/4, SE/4SW/4 SE/4NW/4, Lots 2,3,4 Section 20: N/2, SE/4 Section 21: A11	2,076.96	NM-23690 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
14	2N-16W, NMPM Section 13: N/2NW/4, NE/4, S/2 Section 14: W/2, W/2E/2, NE/4NE/4, SE/4SE/4 Section 15: All Section 24: All	2,400.00	NM-23698 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Hells 33.75% Keller 3.75%
15	2N-16W, NMPM Section 9: All Section 10: All	1,280.00	NM-23700 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Hells 33.75% Keller 3.75%
16	2N-16W, NMPM Section 7: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 8: All Section 17: All	1,915.10	NM-23701 5-1-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Hells 33.75% Keller 3.75%
17	2N-17W, NMPM Section 13: NW/4NE/4, NW/4, E/2SE/4, SW/4SE/4	320.00	NM-30462 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean 62.50% Hells 33.75% Keller 3.75%
18	2N-16W, NMPM Section 27: All Section 28: S/2NE/4, SE/4SW/4, NE/4SE/4 Section 29: NE/4NE/4, W/2E/2, NE/4NW/4, SE/4SE/4 Section 32: NE/4SE/4	1,120.00	NM-30467 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Hells 33.75% Keller 3.75%

18 FEDERAL TRACTS TOTALING 25,681.77 acres or 75.88% of unit area

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>STATE LANDS</u>							
19	<u>2N-16W, NMPM</u> Section 32: N/2, SW/4, NW/4SE/4	520.00	LG-2102 8-31-84	State of New Mexico 100%	TransOcean Hells 33.75% Keller 3.75% Gulf Oil Corporation 40.80%	CPGS 3%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%
20	<u>2N-16W, NMPM</u> Section 16: All Section 36: All	1,280.00	LG-2103 8-31-84	State of New Mexico 100%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%	CPGS 3%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%
21	<u>2N-17W, NMPM</u> Section 13: SE/4SW/4	40.00	LG-2106 8-31-84	State of New Mexico 100%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%	CPGS 3%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%
22	<u>2N-17W, NMPM</u> Section 32: All Section 36: All	1,280.00	LG-2108 8-31-84	State of New Mexico 100%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%	CPGS 3%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%
23	<u>2N-17W, NMPM</u> Section 13: N/2SW/4, SW/4SW/4	120.00	LG-2880 6-30-85	State of New Mexico 100%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%	CPGS 3%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%
24	<u>2N-15W, NMPM</u> Section 19: Lots 1,2,3,4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4	481.89	LG-4241 5-31-87	State of New Mexico 100%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%	CPGS 3%	TransOcean Hells 33.75% Keller 3.75% Gulf 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE		LESSEE OF RECORD AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	
				PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE
25	2N-15W, NMPM Section 31: Lots 1,2,3,4, E/2, E/2W/2 Section 32: All	1,280.86	LG-4242 5-31-87	State of New Mexico 100%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPCS 3%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%

7 STATE TRACTS TOTALING 5,002.75 acres or 14.78% of unit area

PATENTED LANDS

26	2N-17W, NMPM Section 13: SW/4NE/4, NW/4SE/4 Section 21: NW/4NW/4 Section 28: S/2SE/4 Section 33: N/2NE/4 Section 35: NW/4SW/4	320.00	6170 7-9-84	Herman D. Chavez and Mary Rose Dehart, formerly Mary Rose Chavez 100%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPCS 3%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%
27	2N-16W, NMPM Section 28: N/2N/2, S/2SE/4 Section 29: W/2NW/4, SE/4NW/4, E/2SW/4, SW/4SW/4 Section 30: E/2NE/4	560.00	6171 6-26-84	Marvin Ross Eagar and Tenoha Rae Eagar 100%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPCS 3%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%
28	2N-16W, NMPM Section 19: W/2NE/4, SE/4NE/4, N/2SE/4, NE/4SW/4 Section 20: SW/4 Section 28: S/2NW/4, NE/4SW/4, NW/4SE/4 Section 33: E/2NE/4	640.00	6173 6-26-84	Ross A. Eagar and Ellen J. Eagar 100%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPCS 3%		TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
29	<u>2N-16W, NMPM</u> Section 28: W/2SW/4 Section 29: SE/4NE/4, NE/4SE/4	160.00	6921 4-9-85	Evans W. Ferm and Betty Jo Ferm 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CRGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
30	<u>2N-15W, NMPM</u> Section 19: E/2E/2	160.00	9435-1 8-24-79	Carolyn C. Robertson 50%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CRGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
31	<u>2N-15W, NMPM</u> Section 30: E/2NE/4, SE/4 SE/4SW/4	280.00	10736-1 4-18-82	Jack M. Amason and Darlene B. Helts Amason 50%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CRGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
32	<u>2N-16W, NMPM</u> Section 13: S/2NW/4 Section 14: SE/4NE/4, NE/4SE/4 Section 19: Lot 1, NE/4NW/4 <u>2N-17W, NMPM</u> Section 13: E/2NE/4	319.52	10821 8-31-82	N. G. Baca 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CRGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
33	<u>2N-16W, NMPM</u> Section 32: S/2SE/4 Section 33: SW/4SW/4	120.00	10820 8-31-82	Harold O. Ward et al 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CRGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
34	<u>2N-16W, NMPM</u> Section 34: SE/4	160.00	10823 8-31-82	Joe E. Sedillo and Crusita Sedillo 100%	TransOcean Helis Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helis Keller Gulf 21.70% 33.75% 3.75% 40.80%
35	<u>2N-16W, NMPM</u> Section 33: E/2NW/4, NE/4SW/4, N/2SE/4, SE/4SE/4 Section 34: SW/4SW/4	280.00	9-5-82	Wilbur N. Curtis 100%	TransOcean Helis Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helis Keller Gulf 21.70% 33.75% 3.75% 40.80%
36	<u>2N-15W, NMPM</u> Section 28: SE/4	160.00		Myrtle Cox 100%	Unleased		

11 PATENTED TRACTS TOTALING 3,159.52 acres or 9.34% of unit area

TOTAL 36 tracts totaling 33,844.04 acres in entire unit area.



IN REPLY REFER TO:

United States Department of the Interior

GEOLOGICAL SURVEY

Box 25046

Denver Federal Center

Denver, Colorado 80225

QUEMADO UNIT

OCT 12 1977

RECEIVED
OCT 12 1977
U.S. DEPT. OF THE INTERIOR
DENVER, TEXAS

TransOcean Oil, Inc.
Attention: Mr. C. R. Church
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Exhibit 2
Case 6102

Gentlemen:

Your application of September 12, 1977, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Quemado unit, embracing 33,844.04 acres, more or less, in Catron County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as Amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', Quemado Unit Area" is hereby designated as a logical unit area. It being understood that certain lands within the proposed Quemado unit are also embraced by the French unit agreement which must be terminated prior to or simultaneously with the final approval of the Quemado unit agreement.

The unit agreement submitted for the area designated should provide for a well to test the Yezo Formation or to a depth of 5,000 feet. Your proposed use of the Form of Agreement for Unproved Areas, modified as shown in your application, will be accepted.

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.

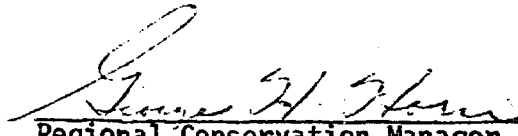


In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby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

When the executed agreement is transmitted to Roswell, 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 1968 reprint of the aforementioned form.

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 soliciting joinders regardless of prior contacts or clearance from the State.

Sincerely yours,


Regional Conservation Manager

For the Director

Enclosure



PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

December 12, 1977

Exhibit 3
Case 6102

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin-Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. J. B. Stanley

Gentlemen:

We have reviewed the unexecuted copy of unit agreement, which you submitted with your letter of December 7, 1977, for the proposed Quemado Unit, Catron County, New Mexico. The form of agreement meets the requirements of the Commissioner of Public Lands, therefore, your agreement has been approved as to form and content.

Our letter of November 1, 1977, stated the requirements by this office for final approval of the unit.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RDG/s



State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

November 1, 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. C. R. Church

Gentlemen:

The Commissioner of Public Lands has this date designated the Quemado Unit Area as a logical unit area. We concur with the USGS that the unit agreement submitted for the area designated should provide for a well to test the Yezo Formation or to a depth of 5,000 feet.

Please submit a copy of the form of unit agreement you will use, containing all the requirements of the Commissioner of Public Lands. When we receive the form of agreement we will then give you approval as to form and content.

On your Exhibit "B", Tract 24, your description is shown as W/2NE/4 of Section 30 and should read the S/2NE/4, under Fee Tract No. 31 you show the E/2NE/4 and should read N/2NE/4 of Section 30.

When filing your unit for final approval, the following are required by this office.

1. Application for final approval stating Tracts committed and Tracts not committed.
2. Two executed copies of Unit Agreement- one must be an original.
3. One executed copy of Operating Agreement.
4. Two sets of Exhibits "A" and "B".
5. Two copies of all ratifications from Lessees of Record and Working Interest Owners.
6. Order of the New Mexico Oil Conservation Commission.

TransOcean Oil, Inc.
November 1, 1977
Page 2.

7. The filing fee in the amount of (\$530.00) Dollars.

If we may be of further assistance to you, please advise.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RD3/s

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
QUEMADO UNIT AREA
COUNTY OF CATRON
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 25th day of October, 1977
by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

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

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

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

1 effective control of operations therein; and 1

2 WHEREAS, it is the purpose of the parties hereto to conserve natural 2

3 resources, prevent waste, and secure other benefits obtainable through 3

4 development and operation of the area subject to this agreement under the 4

5 terms, conditions, and limitations herein set forth; 5

6 NOW, THEREFORE, in consideration of the premises and the promises 6

7 herein contained, the parties hereto commit to this agreement their 7

8 respective interests in the below-defined unit area, and agree severally 8

9 among themselves as follows: 9

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 10

11 February 25, 1920, as amended, supra, and all valid pertinent regulations, 11

12 including operating and unit plan regulations, heretofore issued thereunder 12

13 or valid, pertinent, and reasonable regulations hereafter issued thereunder 13

14 are accepted and made a part of this agreement as to Federal lands, pro- 14

15 vided such regulations are not inconsistent with the terms of this agree- 15

16 ment; and as to State of New Mexico lands, the oil and gas operating 16

17 regulations in effect as of the effective date hereof governing drilling 17

18 and producing operations, not inconsistent with the terms hereof or the 18

19 laws of the State of New Mexico are hereby accepted and made a part of this 19

20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked 21

22 Exhibit A is hereby designated and recognized as constituting the unit 22

23 area, containing 33,844.04 acres, more or less. 23

24 Exhibit A shows, in addition to the boundary of the unit area, the 24

25 boundaries and identity of tracts and leases in said area to the extent 25

26 known to the Unit Operator. Exhibit B attached hereto is a schedule 26

27 showing to the extent known to the Unit Operator the acreage, percentage, 27

28 and kind of ownership of oil and gas interests in all land in the unit 28

29 area. However, nothing herein or in said schedule or map shall be con- 29

30 strued as a representation by any party hereto as to the ownership of any 30

31 interest other than such interest or interests as are shown in said map or 31

32 schedule as owned by such party. Exhibits A and B shall be revised by the 32

33 Unit Operator whenever changes in the unit area render such revision 33

34 necessary, or when requested by the Oil and Gas Supervisor, hereinafter 34

35 referred to as "Supervisor", or when requested by the Commissioner of 35

1 Public Lands of the State of New Mexico, hereinafter referred to as "Land 1
2 Commissioner", and not less than five (5) copies of the revised exhibits 2
3 shall be filed with the Supervisor, and two (2) copies thereof shall be 3
4 filed with the Land Commissioner and one (1) copy with The New Mexico Oil 4
5 Conservation Commission, hereinafter referred to as "Conservation 5
6 Commission." 6

7 The above-described unit area shall when practicable be expanded to 7
8 include therein any additional lands or shall be contracted to exclude lands 8
9 whenever such expansion or contraction is deemed to be necessary or advis- 9
10 able to conform with the purposes of this agreement. Such expansion or 10
11 contraction shall be effected in the following manner: 11

12 (a) Unit Operator, on its own motion or on demand of the Director of 12
13 the Geological Survey, hereinafter referred to as "Director," after pre- 13
14 liminary concurrence by the Director, or on demand of the Land Commissioner 14
15 but only after preliminary concurrence by the Director and the Land 15
16 Commissioner, shall prepare a notice of proposed expansion or contraction 16
17 describing the contemplated changes in the boundaries of the unit area, 17
18 the reasons therefor, and the proposed effective date thereof, preferably 18
19 the first day of a month subsequent to the date of notice. 19

20 (b) Said notice shall be delivered to the Supervisor, the Land 20
21 Commissioner and the Conservation Commission, and copies thereof mailed 21
22 to the last known address of each working interest owner, lessee, and 22
23 lessor whose interests are affected, advising that thirty (30) days will 23
24 be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the thirty (30) day period provided in the 25
26 preceding item (b) hereof, Unit Operator shall file with the Supervisor, 26
27 Land Commissioner and Conservation Commission evidence of mailing of the 27
28 notice of expansion or contraction and a copy of any objections thereto 28
29 which have been filed with the Unit Operator, together with an application 29
30 in sufficient number, for approval of such expansion or contraction and 30
31 with appropriate joinders. 31

32 (d) After due consideration of all pertinent information, the expan- 32
33 sion or contraction shall, upon approval of the Supervisor, the Land 33
34 Commissioner and Conservation Commission, become effective as of the date 34
35 prescribed in the notice thereof. 35

1 (e) All legal subdivisions of lands (i.e., 40 acres by Government 1
2 survey or its nearest lot or tract equivalent; in instances of irregular 2
3 surveys unusually large lots or tracts shall be considered in multiples of 3
4 forty (40) acres or the nearest aliquot equivalent thereof), no parts of 4
5 which are entitled to be in a participating area on or before the fifth 5
6 anniversary of the effective date of the first initial participating area 6
7 established under this unit agreement, shall be eliminated automatically 7
8 from this agreement, effective as of said fifth anniversary, and such lands 8
9 shall no longer be a part of the unit area and shall no longer be subject to 9
10 this agreement, unless diligent drilling operations are in progress on uni- 10
11 tized lands not entitled to participation on said fifth anniversary, in 11
12 which event all such lands shall remain subject hereto for so long as such 12
13 drilling operations are continued diligently with not more than ninety (90) 13
14 days' time elapsing between the completion of one such well and the commence-14
15 ment of the next such well. All legal subdivisions of lands not entitled to 15
16 be in a participating area within ten (10) years after the effective date of 16
17 the first initial participating area approved under this agreement shall be 17
18 automatically eliminated from this agreement as of said tenth anniversary. 18
19 All lands proved productive by diligent drilling operations after the 19
20 aforesaid five-year period shall become participating in the same manner 20
21 as during said five-year period. However, when such diligent drilling 21
22 operations cease, all nonparticipating lands shall be automatically 22
23 eliminated effective as of the ninety-first (91st) day thereafter. The 23
24 Unit Operator shall within ninety (90) days after the effective date of any 24
25 elimination hereunder, describe the area so eliminated to the satisfaction 25
26 of the Supervisor and the Land Commissioner and promptly notify all parties 26
27 in interest. 27

28 If conditions warrant extension of the ten-year period specified in 28
29 this subsection 2(e), a single extension of not to exceed two (2) years 29
30 may be accomplished by consent of the owners of ninety (90) percent of the 30
31 working interests in the current nonparticipating unitized lands and the 31
32 owners of sixty (60) percent of the basic royalty interests (exclusive of 32
33 the basic royalty interests of the United States) in nonparticipating 33
34 unitized lands with approval of the Director and the Land Commissioner, 34
35 provided such extension application is submitted to the Director and the 35

1 Land Commissioner not later than sixty (60) days prior to the expiration of 1
2 said ten-year period. 2

3 Any expansion of the unit area pursuant to this section which embraces 3
4 lands theretofore eliminated pursuant to this subsection 2(e) shall not be 4
5 considered automatic commitment or recommitment of such lands. 5

6 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 6
7 agreement shall constitute land referred to herein as "unitized land" or 7
8 "land subject to this agreement." All oil and gas in any and all formations 8
9 of the unitized land are unitized under the terms of this agreement and 9
10 herein are called "unitized substances." 10

11 4. UNIT OPERATOR. TransOcean Oil, Inc. is hereby designated as Unit 11
12 Operator and by signature hereto as Unit Operator agrees and consents to 12
13 accept the duties and obligations of Unit Operator for the discovery, 13
14 development, and production of unitized substances as herein provided. 14
15 Whenever reference is made herein to the Unit Operator, such reference 15
16 means the Unit Operator acting in that capacity and not as an owner of 16
17 interest in unitized substances, and the term "working interest owner" when 17
18 used herein shall include or refer to Unit Operator as the owner of a 18
19 working interest when such an interest is owned by it. 19

20 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have 20
21 the right to resign at any time prior to the establishment of a partici- 21
22 pating area or areas hereunder, but such resignation shall not become 22
23 effective so as to release Unit Operator from the duties and obligations of 23
24 Unit Operator and terminate Unit Operator's rights as such for a period of 24
25 six (6) months after notice of intention to resign has been served by 25
26 Unit Operator on all working interest owners, the Supervisor, the Land 26
27 Commissioner and Conservation Commission, and until all wells then drilled 27
28 hereunder are placed in a satisfactory condition for suspension or aban- 28
29 donment whichever is required by the Supervisor as to Federal lands and by 29
30 the Conservation Commission as to State lands unless a new Unit Operator 30
31 shall have been selected and approved and shall have taken over and assumed 31
32 the duties and obligations of Unit Operator prior to the expiration of said 32
33 period. 33

34 Unit Operator shall have the right to resign in like manner and subject 34
35 to like limitations as above provided at any time a participating area 35

1 established hereunder is in existence, but, in all instances of resignation 1
2 or removal, until a successor Unit Operator is selected and approved as 2
3 hereinafter provided, the working interest owners shall be jointly responsi- 3
4 ble for performance of the duties of Unit Operator, and shall not later than 4
5 thirty (30) days before such resignation or removal becomes effective appoint 5
6 a common agent to represent them in any action to be taken hereunder. 6

7 The resignation of Unit Operator shall not release Unit Operator from 7
8 any liability for any default by it hereunder occurring prior to the effec- 8
9 tive date of its resignation. 9

10 The Unit Operator may, upon default or failure in the performance of 10
11 its duties or obligations hereunder, be subject to removal by the same 11
12 percentage vote of the owners of working interests as herein provided for 12
13 the selection of a new Unit Operator. Such removal shall be effective 13
14 upon notice thereof to the Supervisor and the Land Commissioner. 14

15 The resignation or removal of Unit Operator under this agreement 15
16 shall not terminate its right, title, or interest as the owner of a working 16
17 interest or other interest in unitized substances, but upon the resignation 17
18 or removal of Unit Operator becoming effective, such Unit Operator shall 18
19 deliver possession of all wells, equipment, materials, and appurtenances 19
20 used in conducting the unit operations to the new duly qualified successor 20
21 Unit Operator or to the common agent, if no such new Unit Operator is 21
22 elected, to be used for the purpose of conducting unit operations hereunder. 22
23 Nothing herein shall be construed as authorizing removal of any material, 23
24 equipment and appurtenances needed for the preservation of any wells. 24

25 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender 25
26 his or its resignation as Unit Operator or shall be removed as hereinabove 26
27 provided, or a change of Unit Operator is negotiated by working interest 27
28 owners, the owners of the working interests in the participating area or 28
29 areas according to their respective acreage interests in such participating 29
30 area or areas, or, until a participating area shall have been established, 30
31 the owners of the working interests according to their respective acreage 31
32 interests in all unitized land, shall by majority vote select a successor 32
33 Unit Operator: Provided, That, if a majority but less than seventy-five 33
34 (75) percent of the working interests qualified to vote are owned by one 34
35 party to this agreement, a concurring vote of one or more additional 35

1 working interest owners shall be required to select a new operator. Such 1
2 selection shall not become effective until: 2

3 (a) A Unit Operator so selected shall accept in writing the duties and 3
4 responsibilities of Unit Operator, and 4

5 (b) The selection shall have been approved by the Supervisor. 5

6 If no successor Unit Operator is selected and qualified as herein 6
7 provided, the Director and the Land Commissioner, at their election may 7
8 declare this unit agreement terminated. 8

9 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 9
10 Operator is not the sole owner of working interests, costs and expenses 10
11 incurred by Unit Operator in conducting unit operations hereunder shall be 11
12 paid and apportioned among and borne by the owners of working interests, all 12
13 in accordance with the agreement or agreements entered into by and between 13
14 the Unit Operator and the owners of working interests, whether one or more, 14
15 separately or collectively. Any agreement or agreements entered into 15
16 between the working interest owners and the Unit Operator as provided in 16
17 this section, whether one or more, are herein referred to as the "unit 17
18 operating agreement." Such unit operating agreement shall also provide the 18
19 manner in which the working interest owners shall be entitled to receive 19
20 their respective proportionate and allocated share of the benefits accruing 20
21 hereto in conformity with their underlying operating agreements, leases or 21
22 other independent contracts, and such other rights and obligations as 22
23 between Unit Operator and the working interest owners as may be agreed upon 23
24 by Unit Operator and the working interest owners; however, no such unit 24
25 operating agreement shall be deemed either to modify any of the terms and 25
26 conditions of this unit agreement or to relieve the Unit Operator of any 26
27 right or obligation established under this unit agreement, and in case of 27
28 any inconsistency or conflict between this unit agreement and the unit 28
29 operating agreement, this unit agreement shall govern. Three (3) true 29
30 copies of any unit operating agreement executed pursuant to this section 30
31 should be filed with the Supervisor and one (1) true copy with the Land 31
32 Commissioner, prior to approval of this unit agreement. 32

33 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 33
34 specifically provided herein, the exclusive right, privilege, and duty of 34
35 exercising any and all rights of the parties hereto which are necessary or 35

1 convenient for prospecting for, producing, storing, allocating, and distri- 1
2 buting the unitized substances are hereby delegated to and shall be 2
3 exercised by the Unit Operator as herein provided. Acceptable evidence of 3
4 title to said rights shall be deposited with said Unit Operator and, 4
5 together with this agreement, shall constitute and define the rights, privi- 5
6 leges, and obligations of Unit Operator. Nothing herein, however, shall be 6
7 construed to transfer title to any land or to any lease or operating 7
8 agreement, it being understood that under this agreement the Unit Operator, 8
9 in its capacity as Unit Operator, shall exercise the rights of possession 9
10 and use vested in the parties hereto only for the purposes herein specified. 10
11 9. DRILLING TO DISCOVERY. Within six (6) months after the effective 11
12 date hereof, the Unit Operator shall begin to drill an adequate test well 12
13 at a location approved by the Supervisor if on Federal land, or by the 13
14 Land Commissioner if on State Land, or by the Conservation Commission if on 14
15 privately owned land, unless on such effective date a well is being drilled 15
16 conformably with the terms hereof, and thereafter continue such drilling 16
17 diligently until the Yaso formation has been tested 17
18 or until at a lesser depth unitized substances shall be discovered which 18
19 can be produced in paying quantities (to wit: quantities sufficient to 19
20 repay the costs of drilling, completing, and producing operations, with a 20
21 reasonable profit) or the Unit Operator shall at any time establish to the 21
22 satisfaction of the Supervisor if on Federal land, of the Land Commissioner 22
23 if on State land, or of the Conservation Commission if on privately owned 23
24 land, that further drilling of said well would be unwarranted or impracti- 24
25 cable, provided however, that Unit Operator shall not in any event be 25
26 required to drill said well to a depth in excess of 5,000 feet. Until the 26
27 discovery of a deposit of unitized substances capable of being produced in 27
28 paying quantities, the Unit Operator shall continue drilling one well at a 28
29 time, allowing not more than six (6) months between the completion of one 29
30 well and the beginning of the next well, until a well capable of producing 30
31 unitized substances in paying quantities is completed to the satisfaction 31
32 of said Supervisor if on Federal land, of the Land Commissioner if on State 32
33 Land, or of the Conservation Commission if on privately owned land, or until 33
34 it is reasonably proved that the unitized land is incapable of producing 34
35 unitized substances in paying quantities in the formations drilled here- 35

1 under. Nothing in this section shall be deemed to limit the right of the 1
2 Unit Operator to resign as provided in Section 5, hereof, or as requiring 2
3 Unit Operator to commence or continue any drilling during the period pending 3
4 such resignation becoming effective in order to comply with the requirements 4
5 of this section. The Supervisor may modify the drilling requirements of 5
6 this section by granting reasonable extensions of time when, in his opinion 6
7 such action is warranted. 7

8 Upon failure to commence any well provided for in this section within 8
9 the time allowed, including any extension of time granted by the Supervisor, 9
10 this agreement will automatically terminate; upon failure to continue 10
11 drilling diligently any well commenced hereunder, the Supervisor and the 11
12 Land Commissioner may, after fifteen (15) days notice to the Unit Operator, 12
13 declare this unit agreement terminated. 13

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months 14
15 after completion of a well capable of producing unitized substances in 15
16 paying quantities, the Unit Operator shall submit for the approval of the 16
17 Supervisor and the Land Commissioner an acceptable plan of development and 17
18 operation for the unitized land which, when approved by the Supervisor and 18
19 the Land Commissioner, shall constitute the further drilling and operating 19
20 obligations of the Unit Operator under this agreement for the period 20
21 specified therein. Thereafter, from time to time before the expiration of 21
22 any existing plan, the Unit Operator shall submit for the approval of the 22
23 Supervisor and the Land Commissioner a plan for an additional specified 23
24 period for the development and operation of the unitized land. 24

25 Any plan submitted pursuant to this section shall provide for the 25
26 exploration of the unitized area and for the diligent drilling necessary 26
27 for determination of the area or areas thereof capable of producing 27
28 unitized substances in paying quantities in each and every productive 28
29 formation and shall be as complete and adequate as the Supervisor and the 29
30 Land Commissioner may determine to be necessary for timely development and 30
31 proper conservation of the oil and gas resources of the unitized area and 31
32 shall: 32

33 (a) Specify the number and locations of any wells to be drilled 33
34 and the proposed order and time for such drilling; and 34

35 (b) To the extent practicable specify the operating practices regarded 35

1 as necessary and advisable for proper conservation of natural resources. 1
2 Separate plans may be submitted for separate productive zones, subject to 2
3 the approval of the Supervisor and the Land Commissioner. 3

4 Plans shall be modified or supplemented when necessary to meet changed 4
5 conditions or to protect the interests of all parties to this agreement. 5

6 Reasonable diligence shall be exercised in complying with the obligations of 6
7 the approved plan of development. The Supervisor and the Land Commissioner 7
8 are authorized to grant a reasonable extension of the six-month period 8
9 herein prescribed for submission of an initial plan of development where 9
10 such action is justified because of unusual conditions or circumstances. 10

11 After completion hereunder of a well capable of producing any unitized sub- 11
12 stance in paying quantities, no further wells, except such as may be 12
13 necessary to afford protection against operations not under this agreement 13
14 and such as may be specifically approved by the Supervisor and the Land 14
15 Commissioner, shall be drilled except in accordance with a plan of develop- 15
16 ment approved as herein provided. 16

17 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable 17
18 of producing unitized substances in paying quantities or as soon thereafter 18
19 as required by the Supervisor and the Land Commissioner, the Unit Operator 19
20 shall submit for approval by the Supervisor and the Land Commissioner a 20
21 schedule, based on subdivisions of the public-land survey or aliquot parts 21
22 thereof, of all land then regarded as reasonably proved to be productive 22
23 in paying quantities; all lands in said schedule on approval of the 23
24 Supervisor and the Land Commissioner to constitute a participating area, 24
25 effective as of the date of completion of such well or the effective date of 25
26 this unit agreement, whichever is later. The acreages of both Federal and 26
27 non-Federal lands shall be based upon appropriate computations from the 27
28 courses and distances shown on the last approved public-land survey as of 28
29 the effective date of each initial participating area. Said schedule shall 29
30 also set forth the percentage of unitized substances to be allocated as 30
31 herein provided to each tract in the participating area so established, 31
32 and shall govern the allocation of production commencing with the effective 32
33 date of the participating area. A separate participating area shall be 33
34 established for each separate pool or deposit of unitized substances or for 34
35 any group thereof which is produced as a single pool or zone, and any two 35

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

22 It is the intent of this section that a participating area shall 22
23 represent the area known or reasonably estimated to be productive in paying 23
24 quantities; but, regardless of any revision of the participating area, 24
25 nothing herein contained shall be construed as requiring any retroactive 25
26 adjustment for production obtained prior to the effective date of the 26
27 revision of the participating area. 27

28 In the absence of agreement at any time between the Unit Operator and 28
29 the Supervisor and the Land Commissioner as to the proper definition or 29
30 redefinition of a participating area, or until a participating area has, 30
31 or areas have, been established as provided herein, the portion of all 31
32 payments affected thereby shall be impounded in a manner mutually accept- 32
33 able to the owners of working interests and the Supervisor and the Land 33
34 Commissioner. Royalties due the United States and the State of New Mexico 34
35 shall be determined by the Supervisor and the Land Commissioner, respec- 35

1 tively, and the amount thereof shall be deposited, as directed by the 1
2 Supervisor and the Land Commissioner, to be held as unearned monies until 2
3 a participating area is finally approved and then applied as earned or 3
4 returned in accordance with a determination of the sums due as Federal 4
5 royalty and State of New Mexico royalty, respectively, on the basis of such 5
6 approved participating area. 6

7 Whenever it is determined, subject to the approval of the Supervisor, 7
8 as to wells drilled on Federal land and the Land Commissioner as to wells 8
9 drilled on State land and of the Conservation Commission as to wells drilled 9
10 on privately owned land, that a well drilled under this agreement is not 10
11 capable of production in paying quantities and inclusion of the land on 11
12 which it is situated in a participating area is unwarranted, production 12
13 from such well shall, for the purposes of settlement among all parties 13
14 other than working interest owners, be allocated to the land on which the 14
15 well is located unless such land is already within the participating area 15
16 established for the pool or deposit from which such production is obtained. 16
17 Settlement for working interest benefits from such a well shall be made as 17
18 provided in the unit operating agreement. 18

19 12. ALLOCATION OF PRODUCTION. All unitized substances produced from 19
20 each participating area established under this agreement, except any part 20
21 thereof used in conformity with good operating practices within the unitized 21
22 area for drilling, operating, camp and other production or development 22
23 purposes, for repressuring or recycling in accordance with a plan of devel- 23
24 opment approved by the Supervisor, the Land Commissioner and the 24
25 Conservation Commission, or unavoidably lost, shall be deemed to be pro- 25
26 duced equally on an acreage basis from the several tracts of unitized land 26
27 of the participating area established for such production and, for the 27
28 purpose of determining any benefits accruing under this agreement, each 28
29 such tract of unitized land shall have allocated to it such percentage of 29
30 said production as the number of acres of such tract included in said 30
31 participating area bears to the total acres of unitized land in said 31
32 participating area, except that allocation of production hereunder for 32
33 purposes other than for settlement of the royalty, overriding royalty, or 33
34 payment out of production obligations of the respective working interest 34
35 owners, shall be on the basis prescribed in the unit operating agreement 35

1 whether in conformity with the basis of allocation herein set forth or 1
2 otherwise. It is hereby agreed that production of unitized substances from 2
3 a participating area shall be allocated as provided herein regardless of 3
4 whether any wells are drilled on any particular part or tract of said part- 4
5 icipating area. If any gas produced from one participating area is used for 5
6 repressuring or recycling purposes in another participating area, the first 6
7 gas withdrawn from such last-mentioned participating area for sale during 7
8 the life of this agreement shall be considered to be the gas so transferred 8
9 until an amount equal to that transferred shall be so produced for sale and 9
10 such gas shall be allocated to the participating area from which initially 10
11 produced as such area was last defined at the time of such final production. 11

12 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 12
13 Any party hereto owning or controlling the working interest in any unitized 13
14 land having thereon a regular well location may with the approval of the 14
15 Supervisor as to Federal land, the Land Commissioner as to State land, and 15
16 the Conservation Commission as to privately owned land, at such party's sole 16
17 risk, costs, and expense, drill a well to test any formation for which a 17
18 participating area has not been established or to test any formation for 18
19 which a participating area has been established if such location is not 19
20 within said participating area, unless within ninety (90) days of receipt 20
21 of notice from said party of his intention to drill the well the Unit 21
22 Operator elects and commences to drill such a well in like manner as other 22
23 wells are drilled by the Unit Operator under this agreement. 23

24 If any well drilled as aforesaid by a working interest owner results 24
25 in production such that the land upon which it is situated may properly be 25
26 included in a participating area, such participating area shall be estab- 26
27 lished or enlarged as provided in this agreement and the well shall there- 27
28 after be operated by the Unit Operator in accordance with the terms of this 28
29 agreement and the unit operating agreement. 29

30 If any well drilled as aforesaid by a working interest owner obtains 30
31 production in quantities insufficient to justify the inclusion of the land 31
32 upon which such well is situated in a participating area, such well may be 32
33 operated and produced by the party drilling the same subject to the 33
34 conservation requirements of this agreement. The royalties in amount or 34
35 value of production from any such well shall be paid as specified in the 35

1 underlying lease and agreements affected. 1

2 14. ROYALTY SETTLEMENT. The United States, the State of New Mexico, 2

3 and any royalty owner who, is entitled to take in kind a share of the 3

4 substances now unitized hereunder shall hereafter be entitled to the right 4

5 to take in kind its share of the unitized substances, and Unit Operator, or 5

6 the working interest owner in case of the operation of a well by a working 6

7 interest owner as herein provided for in special cases, shall make deliveries 7

8 of such royalty share taken in kind in conformity with the applicable 8

9 contracts, laws, and regulations. Settlement for royalty interest not taken 9

10 in kind shall be made by working interest owners responsible therefor under 10

11 existing contracts, laws and regulations, or by the Unit Operator on or 11

12 before the last day of each month for unitized substances produced during 12

13 the preceding calendar month; provided, however, that nothing herein con- 13

14 tained shall operate to relieve the lessees of any land from their respec- 14

15 tive lease obligations for the payment of any royalties due under their 15

16 leases. 16

17 If gas obtained from lands not subject to this agreement is introduced 17

18 into any participating area hereunder, for use in repressuring, stimulation 18

19 of production, or increasing ultimate recovery, in conformity with a plan of 19

20 operations approved by the Supervisor, the Land Commissioner and the 20

21 Conservation Commission, a like amount of gas, after settlement as herein 21

22 provided for any gas transferred from any other participating area and 22

23 with appropriate deduction for loss from any cause, may be withdrawn from 23

24 the formation into which the gas is introduced, royalty free as to dry gas, 24

25 but not as to any products which may be extracted therefrom; provided that 25

26 such withdrawal shall be at such time as may be provided in the approved 26

27 plan of operations or as may otherwise be consented to by the Supervisor, 27

28 the Land Commissioner and the Conservation Commission as conforming to 28

29 good petroleum engineering practice; and provided further, that such right 29

30 of withdrawal shall terminate on the termination of this unit agreement. 30

31 Royalty due the United States shall be computed as provided in the 31

32 operating regulations and paid in value or delivered in kind as to all 32

33 unitized substances on the basis of the amounts thereof allocated to 33

34 unitized Federal land as provided herein at the rates specified in the 34

35 respective Federal leases, or at such lower rate or rates as may be 35

1 authorized by law or regulation; provided, that for leases on which the 1
2 royalty rate depends on the daily average production per well, said average 2
3 production shall be determined in accordance with the operating regulations 3
4 as though each participating area were a single consolidated lease. 4

5 Royalty due the State of New Mexico shall be computed and paid on the 5
6 basis of the amounts allocated to unitized State land as provided herein at 6
7 the rate specified in the State oil and gas lease. 7

8 Royalty due on account of privately owned lands shall be computed and 8
9 paid on the basis of all unitized substances allocated to such lands. 9

10 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 10
11 committed hereto shall be paid by working interest owners responsible there- 11
12 for under existing contracts, laws, and regulations, provided that nothing 12
13 herein contained shall operate to relieve the lessees of any land from their 13
14 respective lease obligations for the payment of any rental or minimum 14
15 royalty due under their leases. Rental or minimum royalty for lands of the 15
16 United States subject to this agreement shall be paid at the rate specified 16
17 in the respective leases from the United States unless such rental or mini- 17
18 mum royalty is waived, suspended, or reduced by law or by approval of the 18
19 Secretary or his duly authorized representative. 19

20 Rentals on State of New Mexico lands subject to this agreement shall 20
21 be paid at the rates specified in the respective leases. 21

22 With respect to any lease on non-Federal land containing provisions 22
23 which would terminate such lease unless drilling operations are commenced 23
24 upon the land covered thereby within the time therein specified or rentals 24
25 paid for the privilege of deferring such drilling operations, the rentals 25
26 required thereby shall, notwithstanding any other provisions of this agree- 26
27 ment, be deemed to accrue and become payable during the term thereof as 27
28 extended by this agreement and until the required drilling operations are 28
29 commenced upon the land covered thereby or until some portion of such land is 29
30 included within a participating area. 30

31 16. CONSERVATION. Operations hereunder and production of unitized 31
32 substances shall be conducted to provide for the most economical and effi- 32
33 cient recovery of said substances without waste, as defined by or pursuant 33
34 to State or Federal law or regulation. 34

35 17. DRAINAGE. The Unit Operator shall take such measures as the 35

1 Supervisor and Land Commissioner deem appropriate and adequate to prevent 1
2 drainage of unitized substances from unitized land by wells on land not 2
3 subject to this agreement. 3

4 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, condi- 4
5 tions, and provisions of all leases, subleases, and other contracts relating 5
6 to exploration, drilling, development, or operation for oil or gas on lands 6
7 committed to this agreement are hereby expressly modified and amended to the 7
8 extent necessary to make the same conform to the provisions hereof, but 8
9 otherwise to remain in full force and effect; and the parties hereto hereby 9
10 consent that the Secretary as to Federal leases, and the Land Commissioner 10
11 as to State leases, shall and each by his approval hereof, or by the approval 11
12 hereof by his duly authorized representative, does hereby establish, alter, 12
13 change or revoke the drilling, producing, rental, minimum royalty, and 13
14 royalty requirements of Federal and State leases committed hereto and the 14
15 regulations in respect thereto to conform said requirements to the provi- 15
16 sions of this agreement, and, without limiting the generality of the fore- 16
17 going, all leases, subleases, and contracts are particularly modified in 17
18 accordance with the following: 18

19 (a) The development and operation of lands subject to this agreement 19
20 under the terms hereon shall be deemed full performance of all obligations 20
21 for development and operation with respect to each and every separately 21
22 owned tract subject to this agreement, regardless of whether there is any 22
23 development of any particular tract of the unit area. 23

24 (b) Drilling and producing operations performed hereunder upon any 24
25 tract of unitized lands will be accepted and deemed to be performed upon 25
26 and for the benefit of each and every tract of unitized land, and no lease 26
27 shall be deemed to expire by reason of failure to drill or produce wells 27
28 situated on the land therein embraced. 28

29 (c) Suspension of drilling or producing operations on all unitized 29
30 lands pursuant to direction or consent of the Secretary and the Land 30
31 Commissioner of their duly authorized representatives shall be deemed to 31
32 constitute such suspension pursuant to such direction or consent as to each 32
33 and every tract of unitized land. A suspension of drilling or producing 33
34 operations limited to specified lands shall be applicable only to such lands. 34

35 (d) Each lease, sublease or contract relating to the exploration, 35

1 drilling, development or operation for oil or gas of lands other than those 1
2 of the United States committed to this agreement, which, by its terms might 2
3 expire prior to the termination of this agreement, is hereby extended beyond 3
4 any such terms so provided therein so that it shall be continued in full 4
5 force and effect for and during the term of this agreement. 5

6 (e) Any Federal lease for a fixed term of twenty (20) years or any 6
7 renewal thereof or any part of such lease which is made subject to this 7
8 agreement shall continue in force beyond the term provided therein until the 8
9 termination hereof. Any other Federal lease committed hereto shall continue 9
10 in force beyond the term so provided therein or by law as to the land com- 10
11 mitted so long as such lease remains subject hereto, provided that production 11
12 is had in paying quantities under this unit agreement prior to the expira- 12
13 tion date of the term of such lease, or in the event actual drilling 13
14 operations are commenced on unitized land, in accordance with the provisions 14
15 of this agreement, prior to the end of the primary term of such lease and 15
16 are being diligently prosecuted at that time, such lease shall be extended 16
17 for two (2) years and so long thereafter as oil or gas is produced in paying 17
18 quantities in accordance with the provisions of the Mineral Leasing Act 18
19 Revisions of 1960. 19

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

27 (g) The segregation of any Federal lease committed to this agreement 27
28 is governed by the following provision in the fourth paragraph of Sec. 17(j) 28
29 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 29
30 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed 30
31 to any such (unit) plan embracing lands that are in part within and in part 31
32 outside of the area covered by any such plan shall be segregated into sep- 32
33 arate leases as to the lands committed and the lands not committed as of the 33
34 effective date of unitization: Provided, however, That any such lease as to 34
35 the nonunitized portion shall continue in force and effect for the term 35

1 thereof but for not less than two (2) years from the date of such segre- 1
2 gation and so long thereafter as oil or gas is produced in paying quantities. 2

3 Any lease embracing lands of the State of New Mexico which is made 3
4 subject to this agreement, shall continue in force beyond the term provided 4
5 therein as to lands committed hereto with the termination hereof. 5

6 (h) Any lease, other than a Federal lease, having only a portion of 6
7 its lands committed hereto shall be segregated as to the portion committed 7
8 and the portion not committed, and the provisions of such lease shall apply 8
9 separately to such segregated portions commencing as of the effective date 9
10 hereof. In the event any such lease provides for a lump-sum rental payment, 10
11 such payment shall be prorated between the portions so segregated in pro- 11
12 portion to the acreage of the respective tracts. 12

13 (i) Any lease embracing lands of the State of New Mexico having only 13
14 a portion of its land committed hereto, shall be segregated as to the 14
15 portion committed and the portion not committed, and the provisions of such 15
16 lease shall apply separately to such segregated portions commencing as of 16
17 the effective date hereof; provided, however, notwithstanding any of the 17
18 provisions of this agreement to the contract any lease embracing lands of 18
19 the State of New Mexico having only a portion of its lands committed hereto 19
20 shall continue in full force and effect beyond the term provided therein as 20
21 to all lands embraced in such lease, if oil or gas is discovered and is 21
22 capable of being produced in paying quantities from some part of the lands 22
23 embraced in such lease at the expiration of the secondary term of such lease; 23
24 or if, at the expiration of the secondary term, the lessee or the Unit 24
25 Operator is then engaged in bona fide drilling or reworking operations on 25
26 some part of the lands embraced in such lease, the same, as to all lands 26
27 embraced therein, shall remain in full force and effect so long as such 27
28 operations are being diligently prosecuted, and if they result in the pro- 28
29 duction of oil or gas, said lease shall continue in full force and effect as 29
30 to all of the lands embraced therein, so long thereafter as oil or gas in 30
31 paying quantities is being produced from any portion of said lands. 31

32 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 32
33 to be covenants running with the land with respect to the interest of the 33
34 parties hereto and their successors in interest until this agreement 34
35 terminates, and any grant, transfer, or conveyance, of interest in land or 35

1 leases subject hereto shall be and hereby is conditioned upon the assumption 1
2 of all privileges and obligations hereunder by the grantee, transferee, or 2
3 other successor in interest. No assignment or transfer of any working 3
4 interest, royalty, or other interest subject hereto shall be binding upon Unit 4
5 Operator until the first day of the calendar month after Unit Operator is 5
6 furnished with the original, photostatic, or certified copy of the instrument 6
7 of transfer. 7

8 20. EFFECTIVE DATE AND TERM. This agreement shall become effective 8
9 upon approval by the Secretary and the Land Commissioner or their duly 9
10 authorized representatives and shall terminate five (5) years from said 10
11 effective date unless, 11

12 (a) Such date of expiration is extended by the Director and the 12
13 Land Commissioner, or 13

14 (b) It is reasonably determined prior to the expiration of the fixed 14
15 term or any extension thereof that the unitized land is incapable of pro- 15
16 duction of unitized substances in paying quantities in the formations tested 16
17 hereunder and after notice of intention to terminate the agreement on such 17
18 ground is given by the Unit Operator to all parties in interest at their 18
19 last known addresses, the agreement is terminated with the approval of the 19
20 Supervisor and Land Commissioner, or 20

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

30 (d) It is terminated as heretofore provided in this agreement. 30
31 This agreement may be terminated at any time by not less than seventy-five 31
32 (75) per centum, on an acreage basis, of the working interest owners 32
33 signatory hereto, with the approval of the Supervisor and Land Commissioner; 33
34 notice of any such approval to be given by the Unit Operator to all parties 34
35 hereto. 35

1 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 1
2 hereby vested with authority to alter or modify from time to time in his 2
3 discretion the quantity and rate of production under this agreement when such 3
4 quantity and rate is not fixed pursuant to Federal or State law or does not 4
5 conform to any state-wide voluntary conservation or allocation program, which 5
6 is established, recognized, and generally adhered to by the majority of 6
7 operators in such State, such authority being hereby limited to alteration or 7
8 modification in the public interest, the purpose thereof and the public 8
9 interest to be served thereby to be stated in the order of alteration or mod- 9
10 ification. Without regard to the foregoing, the Director is also hereby 10
11 vested with authority to alter or modify from time to time in his discretion 11
12 the rate of prospecting and development and the quantity and rate of pro- 12
13 duction under this agreement when such alteration or modification is in the 13
14 interest of attaining the conservation objectives stated in this agreement 14
15 and is not in violation of any applicable Federal or State law. 15

16 Powers in this section vested in the Director shall only be exercised 16
17 after notice to Unit Operator and opportunity for hearing to be held not less 17
18 than fifteen (15) days from notice. 18

19 Provided, further, That no such alteration or modification shall be 19
20 effective as to any land of the State of New Mexico, as to the rate of 20
21 prospecting and developing in the absence of the specific written approval 21
22 thereof by the Commissioner and as to any lands of the State of New Mexico 22
23 or privately owned lands subject to this agreement as to the quantity and 23
24 rate of production in the absence of specific written approval thereof by 24
25 the Commission. 25

26 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the 26
27 working interest owners nor any of them shall be subject to any forfeiture, 27
28 termination or expiration of any rights hereunder or under any leases or 28
29 contracts subject hereto, or to any penalty or liability on account of delay 29
30 or failure in whole or in part to comply with any applicable provision 30
31 thereof to the extent that the Unit Operator, working interest owners or any 31
32 of them are hindered, delayed or prevented from complying therewith by 32
33 reason of failure of the Unit Operator to obtain in the exercise of due 33
34 diligence, the concurrence of proper representatives of the United States 34
35 and proper representatives of the State of New Mexico in and about any 35

1 matters or thing concerning which it is required herein that such con- 1
2 currence be obtained. The parties hereto, including the Conservation 2
3 Commission, agree that all powers and authority vested in the Conservation 3
4 Commission in and by any provisions of this by it pursuant to the provisions 4
5 of the laws of the State of New Mexico and subject in any case to appeal or 5
6 judicial review as may now or hereafter be provided by the laws of the State 6
7 of New Mexico. 7

8 23. APPEARANCES. Unit Operator shall, after notice to other parties 8
9 affected, have the right to appear for and on behalf of any and all interests 9
10 affected hereby before the Department of the Interior, the Commissioner 10
11 of Public Lands of the State of New Mexico and the New Mexico Oil 11
12 Conservation Commission and to appeal from orders issued under the regu- 12
13 lations of said Department, the Conservation Commission or Land 13
14 Commissioner or to apply for relief from any of said regulations or in any 14
15 proceedings relative to operations before the Department of the Interior, 15
16 the Land Commissioner, or Conservation Commission or any other legally 16
17 constituted authority; provided, however, that any other interested party 17
18 shall also have the right at his own expense to be heard in any such pro- 18
19 ceeding. 19

20 24. NOTICES. All notices, demands or statements required hereunder 20
21 to be given or rendered to the parties hereto shall be deemed fully given 21
22 if given in writing and personally delivered to the party or sent by post- 22
23 paid registered or certified mail, addressed to such party or parties at 23
24 their respective addresses set forth in connection with the signatures 24
25 hereto or to the ratification or consent hereof or to such other address as 25
26 any such party may have furnished in writing to party sending the notice, 26
27 demand or statement. 27

28 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 28
29 shall be construed as a waiver by any party hereto of the right to assert 29
30 any legal or constitutional right or defense as to the validity or invalid- 30
31 ity of any law of the State wherein said unitized lands are located, or of 31
32 the United States, or regulations issued thereunder in any way affecting 32
33 such party, or as a waiver by any such party of any right beyond his or its 33
34 authority to waive. 34

35 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 35

1 the Unit Operator to commence or continue drilling or to operate on or 1
2 produce unitized substances from any of the lands covered by this agreement 2
3 shall be suspended while the Unit Operator, despite the exercise of due care 3
4 and diligence, is prevented from complying with such obligations, in whole 4
5 or in part, by strikes, acts of God, Federal, State, or municipal law or 5
6 agencies, unavoidable accidents, uncontrollable delays in transportation, 6
7 inability to obtain necessary materials in open market, or other matters 7
8 beyond the reasonable control of the Unit Operator whether similar to matters 8
9 herein enumerated or not. No unit obligation which is suspended under this 9
10 section shall become due less than thirty (30) days after it has been 10
11 determined that the suspension is no longer applicable. Determination of 11
12 creditable "Unavoidable Delay" time shall be made by the Unit Operator 12
13 subject to approval of the Supervisor and the Land Commissioner. 13

14 27. NONDISCRIMINATION. In connection with the performance of work 14
15 under this agreement, the operator agrees to comply with all the provisions 15
16 of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319) 16
17 as amended, which are hereby incorporated by reference in this agreement. 17

18 28. LOSS OF TITLE. In the event title to any tract of unitized land 18
19 shall fail and the true owner cannot be induced to join in this unit 19
20 agreement, such tract shall be automatically regarded as not committed here-20
21 to and there shall be such readjustment of future costs and benefits as may 21
22 be required on account of the loss of such title. In the event of a dispute 22
23 as to title as to any royalty, working interest, or other interests subject 23
24 thereto, payment or delivery on account thereof may be withheld without 24
25 liability for interest until the dispute is finally settled; provided, that, 25
26 as to Federal and State land or leases, no payments of funds due the 26
27 United States or the State of New Mexico should be withheld, but such funds 27
28 of the United States shall be deposited as directed by the Supervisor and 28
29 such funds of the State of New Mexico shall be deposited as directed by the 29
30 Land Commissioner to be held as unearned money pending final settlement of 30
31 the title dispute, and then applied as earned or returned in accordance 31
32 with such final settlement. 32

33 Unit Operator as such is relieved from any responsibility for any 33
34 defect or failure of any title hereunder. 34

35 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub- 35

1 stantial interest in a tract within the unit area fails or refuses to sub- 1
2 scribe or consent to this agreement, the owner of the working interest in 2
3 that tract may withdraw said tract from this agreement by written notice 3
4 delivered to the Supervisor and the Land Commissioner, and the Unit Operator 4
5 prior to the approval of this agreement by the Supervisor. Any oil or gas 5
6 interests in lands within the unit area not committed hereto prior to sub- 6
7 mission of this agreement for final approval may thereafter be committed 7
8 hereto by the owner or owners thereof subscribing or consenting to this 8
9 agreement, and, if the interest is a working interest, by the owner of such 9
10 interest also subscribing to the unit operating agreement. After operations 10
11 are commenced hereunder, the right of subsequent joinder, as provided in 11
12 this section, by a working interest owner is subject to such requirements 12
13 or approvals, if any, pertaining to such joinder, as may be provided for in 13
14 the unit operating agreement. After final approval hereof, joinder by a 14
15 non-working interest owner must be consented to in writing by the working 15
16 interest owner committed hereto and responsible for the payment of any 16
17 benefits that may accrue hereunder in behalf of such non-working interest. 17
18 A non-working interest may not be committed to this unit agreement unless 18
19 the corresponding working interest is committed hereto. Joinder to the 19
20 unit agreement by a working-interest owner, at any time, must be accom- 20
21 panied by appropriate joinder to the unit operating agreement, if more than 21
22 one committed working-interest owner is involved, in order for the interest 22
23 to be regarded as committed to this unit agreement. Except as may otherwise 23
24 herein be provided, subsequent joinders to this agreement shall be effective 24
25 as of the first day of the month following the filing with the Supervisor, 25
26 the Land Commissioner and the Conservation Commission of duly executed 26
27 counterparts of all or any papers necessary to establish effective commit- 27
28 ment of any tract to this agreement unless objection to such joinder is 28
29 duly made within sixty (60) days by the Supervisor or Land Commissioner, 29
30 provided, that as to State lands, all subsequent joinders must be approved 30
31 by the Land Commissioner. 31

32 30. COUNTERPARTS. This agreement may be executed in any number of 32
33 counterparts no one of which needs to be executed by all parties or may be 33
34 ratified or consented to by separate instrument in writing specifically 34
35 referring hereto and shall be binding upon all those parties who have 35

1 executed such a counterpart, ratification, or consent hereto with the same 1
2 force and effect as if all such parties had signed the same document and 2
3 regardless of whether or not it is executed by all other parties owning or 3
4 claiming an interest in the lands within the above-described unit area. 4

5 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 5
6 by any working interest owner of the right to surrender vested in such party 6
7 by any lease, sublease, or operating agreement as to all or any part of the 7
8 lands covered thereby, provided that each party who will or might acquire 8
9 such working interest by such surrender or by forfeiture as hereafter set 9
10 forth, is bound by the terms of this agreement. 10

11 If as a result of any such surrender the working interest rights as to 11
12 such lands become vested in any party other than the fee owner of the 12
13 unitized substances, said party may forfeit such rights and further benefits 13
14 from operation hereunder as to said land to the party next in the chain of 14
15 title who shall be and become the owner of such working interest. 15

16 If as the result of any such surrender or forfeiture working interest 16
17 rights become vested in the fee owner of the unitized substances, such 17
18 owner may: 18

19 (1) Accept those working interest rights subject to this agreement 19
20 and the unit operating agreement; or 20

21 (2) Lease the portion of such land as is included in a participating 21
22 area established hereunder subject to this agreement and the unit operating 22
23 agreement; or 23

24 (3) Provide for the independent operation of any part of such land 24
25 that is not then included within a participating area established here- 25
26 under. 26

27 If the fee owner of the unitized substance does not accept the 27
28 working interest rights subject to this agreement and the unit operating 28
29 agreement or lease such lands as above provided within six (6) months after 29
30 the surrendered or forfeited working interest rights become vested in the 30
31 fee owner, the benefits and obligations of operations accruing to such 31
32 lands under this agreement and the unit operating agreement shall be shared 32
33 by the remaining owners of unitized working interests in accordance with 33
34 their respective working interest ownerships, and such owners of working 34
35 interests shall compensate the fee owner of unitized substances in such 35

1 lands by paying sums equal to the rentals, minimum royalties, and royalties 1
2 applicable to such lands under the lease in effect when the lands were 2
3 unitized. 3

4 An appropriate accounting and settlement shall be made for all benefits 4
5 accruing to or payments and expenditures made or incurred on behalf of such 5
6 surrendered or forfeited working interest subsequent to the date of sur- 6
7 render or forfeiture, and payment of any monies found to be owing by such an 7
8 accounting shall be made as between the parties within thirty (30) days. 8
9 In the event no unit operating agreement is in existence and a mutually 9
10 acceptable agreement between the proper parties thereto cannot be consum- 10
11 mated, the Supervisor may prescribe such reasonable and equitable agreement 11
12 as he deems warranted under the circumstances. 12

13 The exercise of any right vested in a working interest owner to 13
14 reassign such working interest to the party from whom obtained shall be 14
15 subject to the same conditions as set forth in this section in regard to 15
16 the exercise of a right to surrender. 16

17 32. TAXES. The working interest owners shall render and pay for 17
18 their account and the account of the royalty owners all valid taxes on or 18
19 measured by the unitized substances in and under or that may be produced, 19
20 gathered and sold from the land subject to this contract after the 20
21 effective date of this agreement, or upon the proceeds or net proceeds 21
22 derived therefrom. The working interest owners on each tract shall and may 22
23 charge the proper proportion of said taxes to the royalty owners having 23
24 interests in said tract, and may currently retain and deduct sufficient 24
25 of the unitized substances or derivative products, or net proceeds thereof 25
26 from the allocated share of each royalty owner to secure reimbursement for 26
27 the taxes so paid. No such taxes shall be charged to the United States or 27
28 to the State of New Mexico or to any lessor who has a contract with his 28
29 lessee which requires the lessee to pay such taxes. 29

30 33. NO PARTNERSHIP. It is expressly agreed that the relation of 30
31 the parties hereto is that of independent contractors and nothing in this 31
32 agreement contained, expressed or implied, nor any operations conducted 32
33 hereunder, shall create or be deemed to have created a partnership or 33
34 association between the parties hereto or any of them. 34

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

UNIT OPERATOR AND
WORKING INTEREST OWNER

TRANSOCEAN OIL, INC.

8 Date October 31, 1977

By

C. R. Church
Attorney-in-Fact
1700 First City East Building
Houston, Texas 77002

13 STATE OF TEXAS)
14) SS
15 COUNTY OF HARRIS)

15 On this 31st day of October, 1977, before me personally
16 appeared C. R. Church, to me known to be the person who executed the
17 foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged
18 that he executed the same as the free act and deed of TRANSOCEAN OIL, INC.

19 GIVEN under my hand and seal this 31st day of October, 19
20 A.D., 1977.

Pat Melder
Notary Public

23 My commission expires:

24 11/17/78

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
QUEMADO UNIT AREA
CATRON COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>FEDERAL LANDS</u>							
1	<u>2N-15W, NMPM</u> Section 17: All Section 19: W/2E/2 Section 20: All Section 29: All Section 30: Lots 1, 2, 3, E/2NW/4	2,281.59	NM-22163 3-31-85	United States 100%	TransOcean Oil, Inc. 62.50% Estate of William G. Helts 33.75% a partnership 33.75% Keller Oilfield Services 3.75% Company, Inc. 3.75% Trustee of the Stewart Venture Trust dated 12-31-74 1%		TransOcean 62.50% Helts 33.75% Keller 3.75%
2	<u>2N-15W, NMPM</u> Section 21: All Section 28: W/2, NE/4	1,120.00	NM-22166 3-31-85	United States 100%	TransOcean 62.50% Helts 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Helts 33.75% Keller 3.75%
3	<u>2N-15W, NMPM</u> Section 18: Lots 1,2,3, NW/4SW/4, E/2W/2, E/2	639.74	NM-22169 3-31-85	United States 100%	TransOcean 62.50% Helts 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Helts 33.75% Keller 3.75%
4	<u>2N-17W, NMPM</u> Section 29: Lots 9,10,11,12,13, 14,15,16	332.35	NM-22233 3-31-85	United States 100%	TransOcean 62.50% Helts 33.75% Keller 3.75%	CPGS 3%	TransOcean 62.50% Helts 33.75% Keller 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
5	2N-17W, NMPH Section 21: Lots 1,2,3,4, S/2, E/2NW/4, SW/4NW/4 Section 28: W/2, NE/4, N/2SE/4 Section 29: Lots 1,2,3,4,5,6,7,8,	1,484.89	NM-22234 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
6	2N-17W, NMPH Section 22: Lots 1,2,3,4,5,6,7,8, 9,10,11,12,13,14, W/2SW/4 (All) Section 23: Lots 1,2,3 Section 27: All Section 33: NW/4, S/2NE/4, S/2 Section 34: Lots 1,2, N/2SW/4, NW/4, E/2	2,515.16	NM-22235 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
7	2N-17W, NMPH Section 23: Lot 4, SE/4, N/2NW/4, SE/4NW/4, NE/4SW/4 Section 24: S/2 Section 25: All Section 26: Lots 1,2,3,4,5,6, NE/4, SW/4, E/2NW/4 Section 35: Lots 1,2,3,4,5,6, N/2NW/4, NE/4, NE/4SE/4, S/2SW/4	2,547.54	NM-22236 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
8	2N-17W, NMPH Section 23: NE/4 Section 24: N/2	480.00	NM-22240 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
9	2N-16W, NMPM Section 29: NW/4SW/4	40.00	NM-22566 7-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Phillip D. Nickell 1/4 of 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
10	2N-16W, NMPM Section 22: All Section 23: All Section 25: All	1,920.00	NM-23687 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
11	2N-16W, NMPM Section 26: All Section 33: W/2NW/4, NW/4SW/4, SE/4SW/4, SW/4SE/4, W/2NE/4 Section 34: N/2, N/2SW/4, SE/4SW/4 Section 35: All	2,000.00	NM-23688 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
12	2N-16W, NMPM Section 30: Lots 1,2,3,4, W/2E/2, E/2W/2, E/2SE/4 Section 31: Lots 1,2,3,4, E/2, E/2W/2	1,208.44	NM-23689 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
13	2N-16W, NMPM Section 18: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 19: NE/4NE/4, S/2SE/4, SE/4SW/4 SE/4NW/4, Lots 2,3,4 Section 20: N/2, SE/4 Section 21: All	2,076.96	NM-23690 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
14	2N-16W, NMPM Section 13: N/2NW/4, NE/4, S/2 Section 14: W/2, W/2E/2, NE/4NE/4, SE/4SE/4 Section 15: All Section 24: All	2,400.00	NM-23698 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
15	2N-16W, NMPM Section 9: All Section 10: All	1,280.00	NM-23700 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
16	2N-16W, NMPM Section 7: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 8: All Section 17: All	1,915.10	NM-23701 5-1-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
17	2N-17W, NMPM Section 13: NW/4NE/4, NW/4, E/2SE/4, SW/4SE/4	320.00	NM-30462 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
18	2N-16W, NMPM Section 27: All Section 28: S/2NE/4, SE/4SW/4, NE/4SE/4 Section 29: NE/4NE/4, W/2E/2, NE/4NW/4, SE/4SE/4 Section 32: NE/4SE/4	1,120.00	NM-30467 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%

18 FEDERAL TRACTS TOTALING 25,681.77 acres or 75.88% of unit area

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>STATE LANDS</u>							
19	<u>2N-16W, NMPM</u> Section 32: N/2, SW/4, NW/4SE/4	520.00	LG-2102 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf Oil Corporation 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
20	<u>2N-16W, NMPM</u> Section 16: All Section 36: All	1,280.00	LG-21 03 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
21	<u>2N-17W, NMPM</u> Section 13: SE/4SW/4	40.00	LG-2106 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
22	<u>2N-17W, NMPM</u> Section 32: All Section 36: All	1,280.00	LG-2108 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
23	<u>2N-17W, NMPM</u> Section 13: N/2SW/4, SW/4SW/4	120.00	LG-2880 6-30-85	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
24	<u>2N-15W, NMPM</u> Section 19: Lots 1,2,3,4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4	481.89	LG-4241 5-31-87	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
25	2N-15W, NMPH Section 31: Lots 1,2,3,4, E/2, E/2W/2 Section 32: All	1,280.86	LG-4242 5-31-87	State of New Mexico 100%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf	CPGS 3%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf

7 STATE TRACTS TOTALING 5,002.75 acres or 14.78% of unit area

PATENTED LANDS

26	2N-17W, NMPH Section 13: SW/4NE/4, NW/4SE/4 Section 21: NW/4NW/4 Section 28: S/2SE/4 Section 33: N/2NE/4 Section 35: NW/4SW/4	320.00	6170 7-9-84	Herman D. Chavez and Mary Rose Dehart, formerly Mary Rose Chevez 100%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf	CPGS 3%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf
27	2N-16W, NMPH Section 28: N/2N/2, S/2SE/4 Section 29: W/2NW/4, SE/4NW/4, E/2SW/4, SW/4SW/4 Section 30: E/2NE/4	560.00	6171 6-26-84	Marvin Ross Eagar and Tenoha Rae Eagar 100%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf	CPGS 3%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf
28	2N-16W, NMPH Section 19: W/2NE/4, SE/4NE/4, N/2SE/4, NE/4SW/4 Section 20: SW/4 Section 28: S/2NW/4, NE/4SW/4, NW/4SE/4 Section 33: E/2NE/4	640.00	6173 6-26-84	Ross A. Eagar and Ellen J. Eagar 100%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf	CPGS 3%	TransOcean Helts 21.70% 33.75% Keller 40.80% Gulf

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
29	2N-16W, NMPM Section 28: W/2SW/4 Section 29: SE/4NE/4, NE/4SE/4	160.00	6921 4-9-85	Evans W. Fern and Betty Jo Fern 100% Hells Keller Gulf	TransOcean Hells Keller Gulf	CPGS 3% 33.75% 3.75% 40.80%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
30	2N-15W, NMPM Section 19: E/2E/2	160.00	9435-1 8-24-79	Carolyn C. Robertson 50% TransOcean Hells Keller Gulf	TransOcean Hells Keller Gulf	CPGS 3% 21.70% 33.75% 3.75% 40.80%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
31	2N-15W, NMPM Section 30: E/2NE/4, SE/4 SE/4SW/4	280.00	10736-1 4-18-82	Jack M. Amason and Darlene B. Amason 50% TransOcean Hells Keller Gulf	TransOcean Hells Keller Gulf	CPGS 3% 21.70% 33.75% 3.75% 40.80%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
32	2N-16W, NMPM Section 13: S/2NW/4 Section 14: SE/4NE/4, NE/4SE/4 Section 19: Lot 1, NE/4NW/4 2N-17W, NMPM Section 13: E/2NE/4	319.52	10821 8-31-82	N. G. Baca 100% TransOcean Hells Keller Gulf	TransOcean Hells Keller Gulf	CPGS 3% 21.70% 33.75% 3.75% 40.80%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
33	2N-16W, NMPM Section 32: S/2SE/4 Section 33: SW/4SW/4	120.00	10820 8-31-82	Harold O. Ward et al 100% TransOcean Hells Keller Gulf	TransOcean Hells Keller Gulf	CPGS 3% 21.70% 33.75% 3.75% 40.80%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
34	2N-16W, NMPM Section 34: SE/4	160.00	10823 8-31-82	Joe E. Sedillo and Cruzita Sedillo 100%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
35	2N-16W, NMPM Section 33: E/2NW/4, NE/4SW/4, N/2SE/4, SE/4SE/4 Section 34: SW/4SW/4	280.00	9-5-82	Wilbur N. Curtis 100%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Hells Keller Gulf 21.70% 33.75% 3.75% 40.80%
36	2N-15W, NMPM Section 28: SE/4	160.00		Myrtle Cox 100%	Unleased		

11 PATENTED TRACTS TOTALING 3,159.52 acres or 9.34% of unit area

TOTAL 36 tracts totaling 33,844.04 acres in entire unit area.



IN REPLY REFER TO.

United States Department of the Interior

GEOLOGICAL SURVEY

Box 25046

Denver Federal Center

Denver, Colorado 80225

QUEMADO UNIT

OCT 12 1977

OCT 12 1977

DEPT.
CATRON, TEXAS

TransOcean Oil, Inc.
Attention: Mr. C. R. Church
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Exhibit 2
Case 6102

Gentlemen:

Your application of September 12, 1977, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Quemado unit, embracing 33,844.04 acres, more or less, in Catron County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as Amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', Quemado Unit Area" is hereby designated as a logical unit area. It being understood that certain lands within the proposed Quemado unit are also embraced by the French unit agreement which must be terminated prior to or simultaneously with the final approval of the Quemado unit agreement.

The unit agreement submitted for the area designated should provide for a well to test the Yezo Formation or to a depth of 5,000 feet. Your proposed use of the Form of Agreement for Unproved Areas, modified as shown in your application, will be accepted.

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.

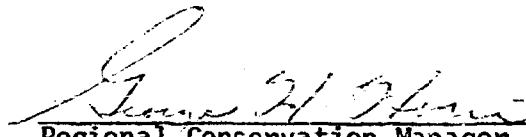


In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby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

When the executed agreement is transmitted to Roswell, 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 1968 reprint of the aforementioned form.

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 soliciting joinders regardless of prior contacts or clearance from the State.

Sincerely yours,


Regional Conservation Manager

For the Director

Enclosure



State of New Mexico



Exhibit 3
Case 6102

Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

December 12, 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin-Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. J. B. Stanley

Gentlemen:

We have reviewed the unexecuted copy of unit agreement, which you submitted with your letter of December 7, 1977, for the proposed Quemado Unit, Catron County, New Mexico. The form of agreement meets the requirements of the Commissioner of Public Lands, therefore, your agreement has been approved as to form and content.

Our letter of November 1, 1977, stated the requirements by this office for final approval of the unit.

Very truly yours,

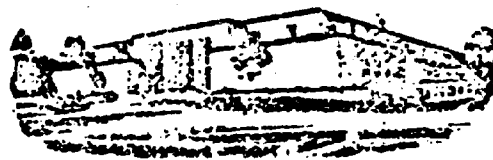
PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RDG/s



State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

November 1, 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

TransOcean Oil, Inc.
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Re: Proposed Quemado Unit
Catron County, New Mexico

ATTENTION: Mr. C. R. Church

Gentlemen:

The Commissioner of Public Lands has this date designated the Quemado Unit Area as a logical unit area. We concur with the USGS that the unit agreement submitted for the area designated should provide for a well to test the Yezo Formation or to a depth of 5,000 feet.

Please submit a copy of the form of unit agreement you will use, containing all the requirements of the Commissioner of Public Lands. When we receive the form of agreement we will then give you approval as to form and content.

On your Exhibit "B", Tract 24, your description is shown as W/2NE/4 of Section 30 and should read the S/2NE/4, under Fee Tract No. 31 you show the E/2NE/4 and should read N/2NE/4 of Section 30.

When filing your unit for final approval, the following are required by this office.

1. Application for final approval stating Tracts committed and Tracts not committed.
2. Two executed copies of Unit Agreement- one must be an original.
3. One executed copy of Operating Agreement.
4. Two sets of Exhibits "A" and "B".
5. Two copies of all ratifications from Lessees of Record and Working Interest Owners.
6. Order of the New Mexico Oil Conservation Commission.

TransOcean Oil, Inc.
November 1, 1977
Page 2.

7. The filing fee in the amount of (\$530.00) Dollars.

If we may be of further assistance to you, please advise.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RDG/s



United States Department of the Interior

GEOLOGICAL SURVEY
Denver Federal Center
Denver, Colorado 80225

OCT 11 1977

CONSERVATION COMM
Santa Fe

OCT 12 1977

No. 6102

TransOcean Oil, Inc.
Attention: Mr. C. R. Church
1700 First City East Building
1111 Fannin
Houston, Texas 77002

Gentlemen:

Your application of September 12, 1977, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Quemado unit, embracing 33,844.04 acres, more or less, in Catron County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as Amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', Quemado Unit Area" is hereby designated as a logical unit area. It being understood that certain lands within the proposed Quemado unit are also embraced by the French unit agreement which must be terminated prior to or simultaneously with the final approval of the Quemado unit agreement.

The unit agreement submitted for the area designated should provide for a well to test the Yaso Formation or to a depth of 5,000 feet. Your proposed use of the Form of Agreement for Unproved Areas, modified as shown in your application, will be accepted.

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

When the executed agreement is transmitted to Roswell, 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 1968 reprint of the aforementioned form.

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 soliciting joinders regardless of prior contacts 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



TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING
1111 FANNIN - HOUSTON, TEXAS 77002
713 - 654-2100

September 12, 1977

Director
United States Geological Survey
Washington, D. C. 20025

Attention: Area Oil and Gas Supervisor
United States Geological Survey
Drawer 1857
Roswell, New Mexico 88201

Re: Application for Designation
Proposed Unit Area and
Determination of Depth
of Test Well for the
Quemado Unit Area
Catron County, New Mexico

Dear Sir:

TransOcean Oil Inc. respectfully requests that the area outlined on the map enclosed herewith labeled Exhibit "A" be designated as a logical unit area pursuant to the unitization provisions of the Mineral Leasing Act, as amended.

In addition to the proposed unit boundary, Exhibit "A" shows the boundaries and identity of the various tracts and leases in the proposed unit area to extent of our present knowledge. A tabulation of these leases is attached hereto and labeled Exhibit "B". A list in sequence of all Federal leases is also attached. The proposed unit area contains 25,681.77 acres of Federal lands, 5,002.75 acres of State lands, and 3,159.52 acres of Patented lands for the combined unit total of 33,844.04 acres, more or less.

It is requested that one well drilled to a depth of 5,000 feet, or to the top of the PermianAbo formation, whichever is the lesser depth, be approved for the proposed unit.

All owners of an oil and gas leasehold working interest have been advised of our plans to form the unit proposed hereby.

Director
United States Geological Survey
September 12, 1977 Page 2

Upon approval hereof, TransOcean proposes to submit a standard form unit agreement (1968 Reprint) which will deviate from the standard form as follows:

1. Modify those provisions of the standard form to permit the inclusion of lands owned by the State of New Mexico. Those provisions to be modified and the modifications are attached as an addendum hereto.
2. Add the words "as amended" after (30F. R. 12319) in Section 26, Nondiscrimination.

To the best of our knowledge, there are no Federal lands within the proposed unit area requiring the inclusion of special provisions in the unit agreement.

In support of this application, we are submitting, in triplicate, a geological report with a map showing the structural conditions within the proposed unit area.

Yours very truly,

TRANSOCEAN OIL, INC.



C. R. Church
Land Manager

CRC:smw

cc: New Mexico State Land Office
P. O. Box 1148
Santa Fe, New Mexico 87501
Attention: Mr. Ray D. Graham

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

List in Sequence of Federal Leases
Quemado Unit Area
Catron County, New Mexico

<u>Tract No.</u>	<u>Federal Serial No.</u>	<u>Expiration Date of Lease</u>
1	NM-22163	3-31-85
2	NM-22166	3-31-85
3	NM-22169	3-31-85
4	NM-22233	3-31-85
5	NM-22234	3-31-85
6	NM-22235	3-31-85
7	NM-22236	3-31-85
8	NM-22240	3-31-85
9	NM-22566	7-31-85
10	NM-23687	8-31-85
11	NM-23688	8-31-85
12	NM-23689	8-31-85
13	NM-23690	5-31-85
14	NM-23698	5-31-85
15	NM-23700	5-31-85
16	NM-23701	5-31-85
17	NM-30462	3-31-85
18	NM-30467	8-31-85

EXHIBIT "g"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
QUEMADO UNIT AREA
CATRON COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>FEDERAL LANDS</u>							
1	2N-15W, NMPM Section 17: All Section 19: W/2E/2 Section 20: All Section 29: All Section 30: Lots 1, 2, 3, E/2NW/4	2,281.59	NM-22163 3-31-85	United States 100%	TransOcean Oil, Inc. 62.50% Estate of William G. Hells 33.75% a partnership 33.75% Keller Oilfield Services 33.75% Company, Inc. 3.75% Trustee of the Stewart Venture Trust dated 12-31-74 1%		TransOcean 62.50% Hells 33.75% Keller 3.75%
2	2N-15W, NMPM Section 21: All Section 28: W/2, NE/4	1,120.00	NM-22166 3-31-85	United States 100%	TransOcean 62.50% Hells 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Hells 33.75% Keller 3.75%
3	2N-15W, NMPM Section 18: Lots 1,2,3, NW/4SW/4, E/2W/2, E/2	639.74	NM-22169 3-31-85	United States 100%	TransOcean 62.50% Hells 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean 62.50% Hells 33.75% Keller 3.75%
4	2N-17W, NMPM Section 29: Lots 9,10,11,12,13, 14,15,16	332.35	NM-22233 3-31-85	United States 100%	TransOcean 62.50% Hells 33.75% Keller 3.75%	CPGS 3%	TransOcean 62.50% Hells 33.75% Keller 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
5	2N-17W, NMPM Section 21: Lots 1,2,3,4, S/2, E/2NW/4, SW/4NW/4 Section 28: W/2, NE/4, N/2SE/4 Section 29: Lots 1,2,3,4,5,6,7,8,	1,484.89	NM-22234 3-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
6	2N-17W, NMPM Section 22: Lots 1,2,3,4,5,6,7,8, 9,10,11,12,13,14, W/2SW/4 (All) Section 23: Lots 1,2,3 Section 27: All Section 33: NW/4, S/2NE/4, S/2 Section 34: Lots 1,2, N/2SW/4, NW/4, E/2	2,515.16	NM-22235 3-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
7	2N-17W, NMPM Section 23: Lot 4, SE/4, N/2NW/4, SE/4NW/4, NE/4SW/4 Section 24: S/2 Section 25: All Section 26: Lots 1,2,3,4,5,6, NE/4, SW/4, E/2NW/4 Section 35: Lots 1,2,3,4,5,6, N/2NW/4, NE/4, NE/4SE/4, S/2SW/4	2,547.54	NM-22236 3-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%
8	2N-17W, NMPM Section 23: NE/4 Section 24: N/2	480.00	NM-22240 3-31-85	United States 100%	TransOcean Helts Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helts Keller 62.50% 33.75% 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
9	<u>2N-16W, NMPH</u> Section 29: NW/4SW/4	40.00	NM-22566 7-31-85	United States 100%	TransOcean Hells 33.75% Keller 3.75%	CPGS 3% Phillip D. Nickell 1/4 of 1%	TransOcean Hells 62.50% 33.75% Keller 3.75%
10	<u>2N-16W, NMPH</u> Section 22: All Section 23: All Section 25: All	1,920.00	NM-23687 8-31-85	United States 100%	TransOcean Hells 62.50% 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells 62.50% 33.75% Keller 3.75%
11	<u>2N-16W, NMPH</u> Section 26: All Section 33: W/2NW/4, NW/4SW/4, SE/4SW/4, SW/4SE/4, W/2NE/4 Section 34: N/2, N/2SW/4, SE/4SW/4 Section 35: All	2,000.00	NM-23688 8-31-85	United States 100%	TransOcean Hells 62.50% 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells 62.50% 33.75% Keller 3.75%
12	<u>2N-16W, NMPH</u> Section 30: Lots 1,2,3,4, W/2E/2, E/2W/2, E/2SE/4 Section 31: Lots 1,2,3,4, E/2, E/2W/2	1,208.44	NM-23689 8-31-85	United States 100%	TransOcean Hells 62.50% 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells 62.50% 33.75% Keller 3.75%
13	<u>2N-16W, NMPH</u> Section 18: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 19: NE/4NE/4, S/2SE/4, SE/4SW/4 SE/4NW/4, Lots 2,3,4 Section 20: N/2, SE/4 Section 21: All	2,076.96	NM-23690 5-31-85	United States 100%	TransOcean Hells 62.50% 33.75% Keller 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells 62.50% 33.75% Keller 3.75%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
14	2N-16W, NMPM Section 13: N/2NW/4, NE/4, S/2 Section 14: W/2, W/2E/2, NE/4NE/4, SE/4SE/4 Section 15: All Section 24: All	2,400.00	NM-23698 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
15	2N-16W, NMPM Section 9: All Section 10: All	1,280.00	NM-23700 5-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
16	2N-16W, NMPM Section 7: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 8: All Section 17: All	1,915.10	NM-23701 5-1-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%
17	2N-17W, NMPM Section 13: NW/4NE/4, NW/4, E/2SE/4, SW/4SE/4	320.00	NM-30462 3-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3%	TransOcean Hells Keller 62.50% 33.75% 3.75%
18	2N-16W, NMPM Section 27: All Section 28: S/2NE/4, SE/4SW/4, NE/4SE/4 Section 29: NE/4NE/4, W/2E/2, NE/4NW/4, SE/4SE/4 Section 32: NE/4SE/4	1,120.00	NM-30467 8-31-85	United States 100%	TransOcean Hells Keller 62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Hells Keller 62.50% 33.75% 3.75%

18 FEDERAL TRACTS TOTALING 25,681.77 acres or 75.88% of unit area

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>STATE LANDS</u>							
19	<u>2N-16W, NMPM</u> Section 32: N/2, SW/4, NW/4SE/4	520.00	LG-2102 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf Oil Corporation 21.70% 33.75% 3.75% 40.80%	CPCS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
20	<u>2N-16W, NMPM</u> Section 16: All Section 36: All	1,280.00	LG-2103 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPCS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
21	<u>2N-17W, NMPM</u> Section 13: SE/4SW/4	40.00	LG-2106 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPCS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
22	<u>2N-17W, NMPM</u> Section 32: All Section 36: All	1,280.00	LG-2108 8-31-84	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPCS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
23	<u>2N-17W, NMPM</u> Section 13: N/2SW/4, SW/4SW/4	120.00	LG-2880 6-30-85	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPCS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
24	<u>2N-15W, NMPM</u> Section 19: Lots 1, 2, 3, 4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4	481.89	LG-4241 5-31-87	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPCS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
25	2N-15W, NMPH Section 31: Lots 1,2,3,4, E/2, E/2W/2 Section 32: All	1,280.86	LG-4242 5-31-87	State of New Mexico 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%

7 STATE TRACTS TOTALING 5,002.75 acres or 14.78% of unit area

PATENTED LANDS

26	2N-17W, NMPH Section 13: SW/4NE/4, NW/4SE/4 Section 21: NW/4NW/4 Section 28: S/2SE/4 Section 33: N/2NE/4 Section 35: NW/4SW/4	320.00	6170 7-9-84	Herman D. Chavez and Mary Rose Dehart, formerly Mary Rose Chevez 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
27	2N-16W, NMPH Section 28: N/2N/2, S/2SE/4 Section 29: W/2NW/4, SE/4NW/4, E/2SW/4, SW/4SW/4 Section 30: E/2NE/4	560.00	6171 6-26-84	Marvin Ross Eagar and Tenocha Rae Eagar 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%
28	2N-16W, NMPH Section 19: W/2NE/4, SE/4NE/4, N/2SE/4, NE/4SW/4 Section 20: SW/4 Section 28: S/2NW/4, NE/4SW/4, NW/4SE/4 Section 33: E/2NE/4	640.00	6173 6-26-84	Ross A. Eagar and Ellen J. Eagar 100%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf 21.70% 33.75% 3.75% 40.80%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	EASIC ROYALTY AND		LESSEE OF RECORD AND		OVERRIDING ROYALTY AND		WORKING INTEREST AND	
				PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE	PERCENTAGE
29	2N-16W, NMPM Section 28: W/2SW/4 Section 29: SE/4NE/4, NE/4SE/4	160.00	6921 4-9-85	Evans W. Ferm and Betty Jo Ferm 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%		
30	2N-15W, NMPM Section 19: E/2E/2	160.00	9435-1 8-24-79	Carolyn C. Robertson 50%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%		
31	2N-15W, NMPM Section 30: E/2NE/4, SE/4 SE/4SW/4	280.00	10736-1 4-18-82	Jack M. Amason and Darlene B. Helts Amason 50%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%		
32	2N-16W, NMPM Section 13: S/2NW/4 Section 14: SE/4NE/4, NE/4SE/4 Section 19: Lot 1, NE/4NW/4 2N-17W, NMPM Section 13: E/2NE/4	319.52	10821 8-31-82	N. G. Baca 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%		
33	2N-16W, NMPM Section 32: S/2SE/4 Section 33: SW/4SW/4	120.00	10820 8-31-82	Harold O. Ward et al 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%		

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
34	2N-16W, NMPM Section 34: SE/4	160.00	10823 8-31-82	Joe E. Sedillo and Cruzita Sedillo 100%	TransOcean Helts Keller Gulf	21.70% 33.75% 3.75% 40.80%	CGCS 3% TransOcean Helts Keller Gulf
35	2N-16W, NMPM Section 33: E/2NW/4, NE/4SW/4, N/2SE/4, SE/4SE/4 Section 34: SW/4SW/4	280.00		Wilbur N. Curtis 100%	Unleased		
36	2N-15W, NMPM Section 28: SE/4	160.00		Myrtle Cox 100%	Unleased		

11 PATENTED TRACTS TOTALING 3,159.52 acres or 9.34% of unit area

TOTAL 36 tracts totaling 33,844.04 acres in entire unit area.

GEOLOGIC REPORT
PROPOSED QUEMADO UNIT
CATRON COUNTY, NEW MEXICO

I. ENCLOSURES

Exhibit A. Quemado Unit Area Geological Summary Map

II. LOCATION

The proposed Quemado Unit is located in north central Catron County, west central New Mexico. Portions of Township 2 North, Ranges 15, 16 and 17 West are within the unit area. Elevations range from 6500' to 7500' in this semi-arid, sparsely populated region.

III. GEOLOGICAL SUMMARY MAP

A. Stratigraphy

Regional stratigraphic studies show that the Yeso formation of Permian age has a marked facies change in the Quemado Unit area. North of the Quemado Unit as determined by well logs, seismic data, and gravity surveys, the Yeso formation is composed of evaporites, near shore shales, and highly leached high energy carbonates. South of the Quemado Unit the Yeso formation is composed of off-shore marine facies. (See geological Exhibit A.) In such a setting it is common practice in the geological community to assume that some form of silling reef mass exists to separate the two distinct facies which are present in the area. Such a reef mass has been delineated with the seismic tool by TransOcean Oil in the Quemado Unit area. In excess of 60 miles of seismic data has been acquired in the area and detailed seismic interpretation and velocity studies on the seismic data suggest that a four to five mile wide reef build up occurs within the Quemado Unit. This reef would act as the silling agent which would prevent marine waters from entering the evaporite area and, thus, allows salt, anhydrites and gypsums as has been drilled in the TransOcean State #2111 well and the Huckleberry Federal well to accumulate behind such a reef mass. Two drill stem tests were taken of carbonate intervals in the TransOcean State #2111, both tests yielded large amounts of salt water indicating that carbonates associated with the Quemado reef build up are indeed porous and permeable and should act as reservoir rocks.

B. Structure

Regionally the Permian-Yeso formation dips to the south. This is a result of the formation of the Zuni Basin corresponding to the uplift of the Zuni Mountains in late Tertiary time. Laramide compressional activities created what is hereafter referred to as the Omega Syncline which bounds the east side of the Quemado Unit in conjunction with this Laramide folding several faults were generated in the area. One of extreme significance occurs in Township 2 North, Range 17 West. This fault is upthrown on to the east. These faults and folds in association with regional south dips are important ingredients in the formation of a potential oil accumulation in the Yeso reef mass.

IV. BASIS FOR PROPOSED UNIT

Reservoir rock in the Yeso is felt to be limited mainly to the main reef mass which has been defined by seismic tools and strikes east-west in the Quemado Unit area. The fore reef as defined by seismic data acts as the southern limit for the proposed unit with hydrocarbon source rocks lying down dip in marine sediments to the south. These hydrocarbons would then migrate up dip and be trapped in the reef by the facies change which is defined as the back-reef facies, where porous reef carbonates lie down dip from up dip evaporite facies which would terminate northern migration of hydrocarbons. Therefore the south limit of the Unit is defined by the fore reef and the northern limit of the Unit is defined by a facies change where reef carbonates intertongue with evaporites along the back reef.

Structural components limit the east and west extent of the Unit. The eastern limit of the Quemado Unit is controlled by the Omega Syncline which prevents oil from being trapped in the main reef facies east of the Omega Syncline. A north-south up to the east fault forms the western trapping mechanism for reef hydrocarbons and is therefore the limiting factor on the western terminance of the Unit. At the present time, no exploratory test has been drilled within the proposed Quemado Unit and the Yeso reef facies has only been seen as a function of seismic interpretation and interpreted to exist as a result of stratigraphic studies.

V. INITIAL TEST WELL

The initial test well will be drilled to a depth of 5000' or to the top of the Permian-Abo formation whichever is the lesser depth. The proposed test will be drilled in Section 26 of Township 2 North, Range 16 West. Drill depths for the proposed well are as follows:

Tertiary - Surface
Cretaceous - 300'
Dakota - 1700'
Yeso - 3180'
Abo - 4410'
TD - 5000'

Dennis W. Belnap
District Geologist
TransOcean Oil Inc.

Dockets Nos. 1-78 and 2-78 are tentatively set for hearing on January 4 and 18, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 14, 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 January, 1978, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for January, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6101: Application of Gulf Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Nopal Draw Unit Area comprising 1920 acres, more or less, of Federal and Fee lands in Township 21 South, Range 25 East, Eddy County, New Mexico.

CASE 6102: Application of Transocean Oil, Inc., for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Quemado Unit Area comprising 33,844 acres, more or less, of Federal, State, and Fee lands in Township 2 North, Ranges 15, 16, and 17 West, Catron County, New Mexico.

CASE 6103: Application of Getty Oil Company for expansion of its Fren Seven-Rivers Waterflood Project and 28 dual completions, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Fren Seven-Rivers Waterflood Project by injection of water into the Seven-Rivers formation thru 32 wells in its Getty Unit Area, Township 17 South, Range 31 East, Eddy County, New Mexico, 28 of which wells would be dual completions in the Fren Seven-Rivers Pool and the Grayburg-Jackson Pool.

CASE 6104: Application of Betrice Bedingfield for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers formation thru the open-hole interval from 487 feet to 517 feet in her Sunray State Well No. 1 and from 500 feet to 552 feet in her Hastic Well No. 3, located in Unit E of Section 30 and Unit F of Section 18, respectively, both in Township 17 South, Range 28 East, Empire Yates-Seven Rivers Pool, Eddy County, New Mexico.

CASE 6105: Application of Newbourne Oil Company for creation of an associated gas pool and a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Querecho Plains-Queen Oil Pool as an associated pool and approval of a 120-acre non-standard gas proration unit comprising the E/2 SE/4 of Section 22 and the NW/4 SW/4 of Section 23, both in Township 18 South, Range 32 East, Lea County, New Mexico, to be dedicated to its Federal "F" Well No. 1 located in Unit L of said Section 23.

CASE 6106: Application of Mesa Petroleum Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the E/2 of Section 31, Township 15 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6108: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Bradshaw IY Com Well No. 1 to be located 660 feet from the South and West lines of Section 35, Township 17 South, Range 26 East, Kennedy Farms Field, Eddy County, New Mexico, the S/2 of said Section 35 to be dedicated to the well.

CASE 6109: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Burton Flat-Morrow and North Burton Flat-Wolfcamp production in the wellbore of its Stonewall EP State Well No. 1 located in Unit F of Section 30, Township 20 South, Range 28 East, Eddy County, New Mexico.

CASE 6110: Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Kennedy Farms-Morrow and Kennedy Farms-Atoka production in the wellbore of its Caffall FD Com Well No. 1 located in Unit O of Section 15, Township 17 South, Range 26 East, Eddy County, New Mexico.



DIRECTOR
JOE D. RAMEY

OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER
PHIL R. LUCERO



STATE GEOLOGIST
EMERY C. ARNOLD

Memo No. 6-77

NOTICE! NOTICE! NOTICE! TO ALL OPERATORS FROM JOE D. RAMEY, SECRETARY-DIRECTOR

THIS IS A FINAL REMINDER THAT ALL EXISTING ONE-WELL AND BLANKET PLUGGING BONDS MUST BE REPLACED BY NEW BONDS ON THE REVISED FORMS PRIOR TO JANUARY 1, 1978.

This requirement is in accordance with Commission Order No. R-5432 entered May 24, 1977.

The most recent reminder of this requirement was sent to all operators by OCC Memorandum No. 5-77 dated October 17, 1977, and explained that if replacement bonds are not on file and approved by the deadline date, operators will be required to shut in all producing, drilling, and injection wells.

Response to the requirement for replacement bonds has been less than adequate. At this writing, there still remain more than one thousand bonds which have not yet been replaced, and there is less than one month before the deadline.

This is the final reminder that will be sent to operators to replace existing bonds by January 1, 1978, or face the shutting in of wells.

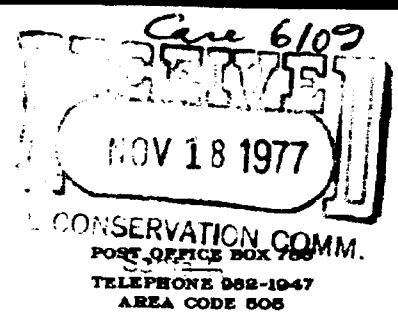
JDR/DSN/jr

December 2, 1977

THOMAS D. CATRON, 1840-1921
FLETCHER A. CATRON, 1890-1964
THOMAS B. CATRON, III
JOHN S. CATRON
WILLIAM A. SAWTELL, JR.
FLETCHER R. CATRON
WILLIAM F. CARR
W. ANTHONY SAWTELL

CATRON, CATRON & SAWTELL
ATTORNEYS AND COUNSELORS AT LAW
THE PLAZA
SANTA FE, NEW MEXICO 87501

November 17, 1977



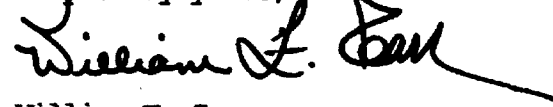
Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey, State Petroleum Engineer

Dear Mr. Ramey:

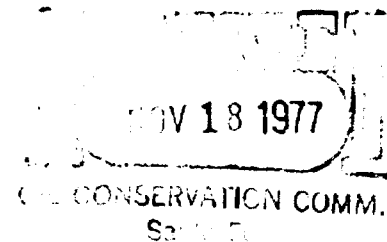
Enclosed herewith, in triplicate, is the application of TransOcean Oil, Inc. for approval of the Quemado Unit Agreement, embracing 33,844.04 acres of land, more or less, in Catron County, New Mexico. TransOcean requests that this matter be set for the Examiner's Hearing to be held on December 14, 1977.

Very truly yours,



William F. Carr

WFC:M
Enclosures



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLI-
CATION OF TRANSOCEAN OIL, INC.
FOR APPROVAL OF A UNIT AGREEMENT,
CATRON COUNTY, NEW MEXICO.

CASE 6102

APPLICATION

Comes now TransOcean Oil, Inc., by their undersigned attorneys,
and hereby makes application for an order approving its Quemado Unit
Agreement and in support of this application would show the Commission:

1. That the proposed Unit Agreement consists of 33,844.04 acres,
more or less, situated in Catron County, New Mexico, of which 25,681.77
acres are federal lands, 5,002.75 acres are state lands and 3,159.52
acres are fee lands. The horizontal limits of said unit are described
as follows:

Township 2 North, Range 15 West, N.M.P.M.
Sections 17 through 21: All
Sections 28 through 32: All

Township 2 North, Range 16 West, N.M.P.M.
Sections 7 through 10: All
Sections 13 through 36: All

Township 2 North, Range 17 West, N.M.P.M.
Section 13: All
Sections 21 through 29: All
Sections 32 through 36: All

2. That all owners of interest within the Unit Area have been or
will be offered the opportunity to join the Unit Agreement.

3. That the Unit Agreement has been approved by most of the
working interest owners holding interests within the proposed Unit Area.
It is expected that by the date which will be set for hearing on this
application, the Unit Agreement will have been executed by all, or
substantially all, of the owners of working interest, overriding royalty

interest and other interests in the land included within the Unit Area.

4. That the applicant, TransOcean, Oil, Inc., is designated as Unit Operator in said Unit Agreement and all oil and gas in any and all formations down to the top of the Abo formation are being unitized.

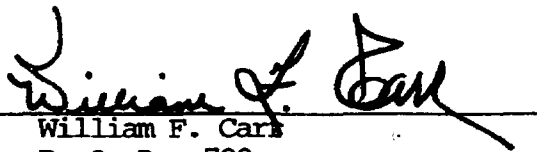
5. That the Unit Area has been designated by the United States Geological Survey as an area logically subject to unitization pursuant to the provisions of the Mineral Leasing Act as amended.

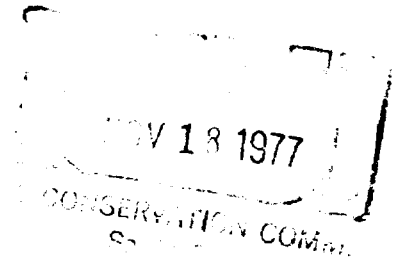
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7. That, in the opinion of the applicant, the proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved; and in the event said Unit Agreement is approved and production of unitized substances is obtained, it is believed that said Unit Agreement will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

TransOcean Oil, Inc. requests that this Application be set for hearing before a duly appointed Examiner of the Oil Conservation Commission on December 14, 1977, that notice be given as required by law and the rules of the Commission, and that the Quemado Unit Agreement be approved.

Respectfully submitted,
CATRON, CATRON & SAWTELL

By 
William F. Carr
P. O. Box 788
Santa Fe, New Mexico 87501
Attorneys for Applicant



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLI-
CATION OF TRANSOCEAN OIL, INC.
FOR APPROVAL OF A UNIT AGREEMENT,
CATRON COUNTY, NEW MEXICO.

CASE 6102

APPLICATION

Comes now TransOcean Oil, Inc., by their undersigned attorneys,
and hereby makes application for an order approving its Quemado Unit
Agreement and in support of this application would show the Commission:

1. That the proposed Unit Agreement consists of 33,844.04 acres,
more or less, situated in Catron County, New Mexico, of which 25,681.77
acres are federal lands, 5,002.75 acres are state lands and 3,159.52
acres are fee lands. The horizontal limits of said unit are described
as follows:

Township 2 North, Range 15 West, N.M.P.M.
Sections 17 through 21: All
Sections 28 through 32: All

Township 2 North, Range 16 West, N.M.P.M.
Sections 7 through 10: All
Sections 13 through 36: All

Township 2 North, Range 17 West, N.M.P.M.
Section 13: All
Sections 21 through 29: All
Sections 32 through 36: All

2. That all owners of interest within the Unit Area have been or
will be offered the opportunity to join the Unit Agreement.

3. That the Unit Agreement has been approved by most of the
working interest owners holding interests within the proposed Unit Area.
It is expected that by the date which will be set for hearing on this
application, the Unit Agreement will have been executed by all, or
substantially all, of the owners of working interest, overriding royalty

interest and other interests in the land included within the Unit Area.

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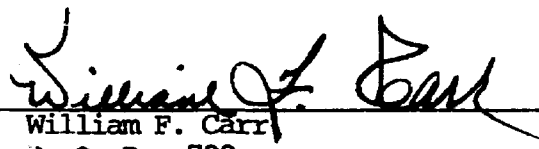
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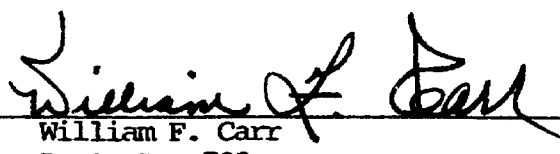
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By 
William F. Carr
P. O. Box 788
Santa Fe, New Mexico 87501
Attorneys for Applicant

DRAFT

dr/

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. 6102

Order No. R-5606

APPLICATION OF TRANSOCEAN OIL, INC.
FOR APPROVAL OF THE QUEMADO
UNIT AGREEMENT, CATRON, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
December 14, 1967, at Santa Fe, New Mexico, before Examiner
Richard L. Stamets.

NOW, on this day of December, 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, Transocean Oil, Inc.,
seeks approval of the Quemado Unit Agreement
State,
covering 33,844.04 acres, more or less, of Federal lands
and Fee
described as follows:

CATRON COUNTY, NEW MEXICO
TOWNSHIP 2 North, RANGE 15 West, NMPM

Section 17 thru 21 : A11
Section 28 thru 32 : A11

Township 2 North, Range 16 West, NMPM

Section 2 thru 10 : A11
Section 13 thru 36 : A11

Township 2 North, Range 17 West, NMPM

Section 13 : A11
Section 21 thru 29 : A11
Section 32 thru 36 : 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 Quemado 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.