COUNTY, MAN MEXICO

_ase Number

(0/02

Application

Transcripts.

Small Exhibits

United ates Department of the Interior
GEOLOGICAL SURVEY

ONSERVATION COMMINISTRATE Now Mexico 87125

NOV 0 1 1978

Transcess 011, Inc. 1700 Pirst City East Building 1111 Famin Newston, Texas 77002 no. 6102

Gentlemen:

The Quamado 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 unil 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 doe to be commoned on August 5, 1978. Incomed as the select test well was not semanted, 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 OIT and Gas Supervisor, SAMA

CC:
BLM, Santa Fe
Com. Pub. Lands, Santa Fe
1910CD, Santa Fe
1910CD, Santa Fe
1910CD, Santa Fe

Unit Name Quesido Unit (Exploratory)
Operator Transpessa Oil, Inc.
County Catron County, New Mexico

000

Commissioner 1-6-78	DATE APPROVED
Commission 12-20-77	OCC CASE NO. 6102
1-6-78	EFFECTIVE DATE
, 33,844.04	TOTAL ACRIBAGE
5,002.75	STATE
15,681.77	FEDERAL
3,159.52	Spansky States
Yes	SEGREGATION CLAUSE
5 yrs.	TERM

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, NAPPM Sections 7 thru 10: All Sections 13 thru 36: All

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

STERNING TO

Unit Name Quasido Unit (Exploratory)
Operator Transformed OII, Inc.
County Cation County, New Mexico

25	24	23	22	21	20	19	STATE TRACT NO.
LG-4242	LG-4241	LG-2880	LG-2108	LG-2106	LG-2103	LG-2102	LEASE NO.
c.s.	c.s.	c.s.	C.S.	C.S.	C.s.	, s	TUTION
31	19 .	13/	32 /	13/	36	32	SEC.
. 2N	2N	2N	2N		22 N	2N	TWP.
15W	15W	17W	17W 17W	17W	16W	16W	RGE.
Lots 1, 2, 3, 4, E/2, E/2W/2	Lots 1, 2, 3, 4, E/2W/2 Lot 4, W/2NE/4, NE/48W/4	N/2SW/4, SW/4SW/4	A11 A11	SE/48W/4	A11	N/2, SW/4, NW/48E/4	SUBSECTION
10-25-77	10-25-77	10-25-77	10-25-77	10-25-77	10-25-77	10-25-77	RATIFIED DATE
1,280.86	481.89	120.00	1,280.00	40.00	1,280.00	520.00	TED ACRES
•	L	و					ACREAGE NOT RATIFIED
TransOcean Oil, Inc.	TransOcean Oil, Inc.	TransOcean Oil, Inc.	TransOcean Oil, Inc.	TransOcean Oil, Inc.	TransOcean Oil, Inc.	TransOcean Oil, Inc.	LESSEE

TERMINATED.

Page	1	
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.,) for a unit agreement, Catron County,) New Mexico.	CASE 6102	
BEFORE: Richard L. Stamets		
TRANSCRIPT OF HEARING		
APPEARANCES		
For the New Merico Oil		

sid morrish reporting service General Court Reporting Service 225 Calle Mejis, No. 122, Santa Fe, New Mexico 8756 Phone (505) 982-9212 9

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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

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INDEX

JOE STANLEY

Direct Examination by Mr. Carr

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sid morrish reporting service
General Court Reporting Service
(Calle Meja, No. 122, Senta Fe, New Mexico 87)
Phone (505) 982-9212

EXHIBITS

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

Applicant Exhibit Two, Letter

Applicant Exhibit Three, Letters

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MR. STAMETS: Call Case Number 6102.

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

MR. STAMETS: Call for appearances.

MR. CARR: William F. Carr, Catron, Catron, and Sawtell, appearing for the applicant, Transocean Oil Company. We have one witness.

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

(Witness sworn.)

MR. CARR: Mr. Examiner, on January 19 Transocean appeared before this Commission requesting approval
of certain unit agreements, one of which was the French
Unit. The geological testimony presented at that time
would be fully applicable to the area involved today, inasmuch as the Quemado Unit, which is before you today, overlies the French Unit, which was previously approved pursuant
to the January hearing, so for that reason, we would request that the record of Case Number 5838 be incorporated
into the record of this case.

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

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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.

Mr. Stanley, by whom are you employed?

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

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

No, I have not.

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

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

- Q And are you familiar with the application involved in this case?
 - A Yes, I am.

MR. CARR: Are Mr. Stanley's credentials acceptable?

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

- Q (Mr. Carr continuing.) Mr. Stanley, what is Transocean seeking to accomplish with its application?
 - A. To form a Federal exploratory unit.
- Q Have you prepared, or has there been prepared under your direction and supervision, certain exhibits for introduction in this case?
 - A. Yes, we have.
- Q I hand you what has been marked for identification as Applicant's Exhibit Number One, and ask you to identify it for the Examiner.
 - A. It's a form of Federal Unit Agreement.
- Q Okay. Now, I will hand you what has been marked as Exhibit One-A and ask that you identify this for the Examiner, explain to the Examiner what it is and what it shows.
 - A. This is a land map attached to the Unit Agree-

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

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

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

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

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

Q. Mr. Stanley, has the Quemado Unit been designated by the USGS as a logical unit area?

A. Yes, it has.

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

sid morrish reporting service	General Court Reporting Service \$175 Calle Mejin, No. 122, Santa Fe, New Mexico 87501 Phone (505) 982-9212

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A.	Yes,	it is.
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- Q. Has the form of this agreement been approved by the State Land Office?
 - A Yes, it has.
- Q Their letters of approval are marked Exhibit
 Three, is that correct?
 - A That's correct.
- Q. What is the present status of commitment of acreage to the Quemado Unit?
- A At the present time all of the working interest owners are committed; all of the overriding royalty interest owners are committed; and once we have obtained Federal and State approval, we will have approximately ninety-two percent of the royalty interests committed.
- Q And this is sufficient acreage to afford effective control of unit operation?
 - A. Yes, it is.
- Q In this agreement is Transocean designated Unit Operator?
 - A. Yes.
- Q When do you hope to drill a test well on this unit?
 - A. As soon as possible.
 - Q And where will the test well be drilled?
 - A Section 26 of Township 2 North, Range 16 West.

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well?										

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- Q In your opinion will approval of the proposed unit promote prevention of waste, and protection of correlative rights?
 - A. Yes.
- Q Were Exhibits One, One-A, One-B, Two, and
 Three either prepared by you or under your direction and
 supervision, or have you reviewed them and can testify from
 your own knowledge that they are accurate and correct?
- A. They were prepared under my supervision and I can testify that they are accurate and correct.
- Q Do you have anything further to add to your testimony?
 - A. No.

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

MR. STAMETS: These exhibits will be admitted.

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

SIG MOTTISM TEDOTTING SETVICE

General Court Reporting Service
825 Calle Mejis, No. 122, Santa Fe, New Mexico 873
Phone (505) 982-9212

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

I have nothing further.

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

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

And yet under the plan of development you only have to submit to the USGS and Land Commissioner for approval of development, and I would like the Oil Commission included in that paragraph also.

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

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

MR. CARR: Thank you, Mr. Examiner.

MR. STAMETS: Anything further in this case?
The witness is excused.

We'll take the case under advisement.
(Hearing concluded.)

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. Horrish, C.S.R.

sid macrish reporting service Green Court Reporting Service 5 Cale Mella, No. 122, Seats Po. Now Monico Plant (243) 942-5212 I do mereov certify that the foregoing is
a couple e record of the proceedings in
the Examiner hearing of Case No.

beard by me on the proceedings in
framine
New Mexico Oil Conservation Commission

	Page_	1
BEFORE THE NEW MEXICO OIL CONSERVATE Santa Fe, New MEXICO 14 December,	TION COMMISSION MEXICO	
EXAMINER HEAF	RING	
IN THE MATTER OF:	5 (2) (2) (2) (3) (3) (4) (4) (4) (4) (4) (4) (4) (4) (4) (4	- } }
Application of Transoctor a unit agreement, New Mexico.	•	
BEFORE: Richard L. Stamets		
TRANSCRIPT OF	HEARING	
<u>APPEARA</u>	N C E S	
For the New Mexico Oil Conservation Commission:	Lynn Teschendor Legal Counsel : State Land Off: Santa Fe, New I	for the Commission ice Building

For the Applicant:

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

I N D E X

JOE STANLEY

Direct Examination by Mr. Carr

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sid morrish reporting service General Court Reporting Service Calle Mejis, No. 122, Santa Fe, New Mexico 8750 Phone (505) 982-9212

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Sid morrish reporting service

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

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Sidney F. Morrish, C.S.R.

sid moerich reporting serv Court Court Reporting Service 825 Calle Mejle, No. 122, Sents Fe, New Mexis Phone (505) 987-9212

do hereby certify that the foregoing in in the country that the foregoing in the country that the countr



United States Department of the Interior

OEOLOGICALION NEW NEXT CO 57125

JAN 06 1978

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

No. 6102

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)

State of New Mexico





PHIL R. LUCERO

COMMISSIONER



JAN 6 - 1978

RECEIVED

Oil Conservation Commission

Commissioner of Public Lands

Jeantry 6, 1979

P. O. BOX 1148 SANTA FE, NEW MEXICO 87901

Transpoom Oil, Inc. 1700 First City East Dailding 1111 Femmin, Mouston, Tombe 77002

no. 6102

Ac: Quando Bait Agreement Catron County, Now Mexico

ATTENTION: Mr. Jee Stenley

Contlemes:

The Countesieser of Public Lands has this date given final approval to the Quessio Unit, Catron County, Now Montes. Our approval is subject to like approval by the United States Geological Survey.

Musicoud are Five (5) Certificatos of approval.

Your filing foe in the mount of Five Hundred and Thirty (\$530.00) Pollars has been received.

Figure advice this effice then the 2000 gives their approved so that we may accretion the effective date and finish processing some.

We have changed the Inhibit "B" to show Transdeson Oil, Inc. as the only lesses of Record on our State lesses.

Very truly yours,

PETL R. LECTES COMMISSIONER OF POSLIC LANDS

MAY D. CHANAM, Director Oil and Gos Division

PHL/100/s anels.

awall, Har Munico i-Albuquerque, Nor Mixtee

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

Comissioner APPROVED DATE 1-6-78 Commission 12-20-77 OCC CASE NO. 6102 OCC ORDER NO. 8-5600 EFFECTIVE 1-6-78 33,34.04 TOTAL ACREAGE 5, 362.75 15,58...77 FEDERAL Tabofer El Milk 5, 155, 52

UNIT AREA

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

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

TOWNSHIP 2 NORTH, RANGE 17 WEST, MARK

Section 13: All Sections 21 thru 29: All Sections 32 thru 36: All

Unit Name Quamado Unit (Exploratory)
Operator TransOcean Oll , Inc.
County Catron County, New Markico

STATE TRACT NO.	LEASE NO.	NOTTUT-	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	TED ACRES	ACREAGE NOT RATIFIED	LESSEE
19	LG-2102	C•8•	32 <	2N	16W	N/2, SH/4, NH/4SB/4	10-25-77	520.00		TransOcean Oil, Inc.
20	LG-2103	c. s.	16 ' 36 '	2N 2N	16W 16W	A11 A11	10-25-77	1,280.00	·	TransOcean Oil, Inc.
21 .	LG-2106	c.s.	13 ′	2N	17W	3E/4SW/4	10-25-77	40.00		TransOcean Oil, Inc.
22	LG-2108	C.S.	32 1	2N 2N	17W 17W	All	10-25-77	1,280.00		TransOcean Oil, Inc.
23	LG-2880	c.s.	13/	2N	17W	N/2SW/4, SW/4SW/4	10-25-77	120.00		TransOcean Oil, Inc.
24	IG-4241	c.s.	19,	2N 2N	15W	Lots 1, 2, 3, 4, E/2W/2 Lot 4, W/2NE/4, NE/4SW/4	10-25-77	481.89	و.	TransOcean Oil, Inc.
25	LG-4242	C.S.	31	2 N	15W	Lots 1, 2, 3, 4, E/2, E/2W/2	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

Stamets Case 6102

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.



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 aforesaid statutes.

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

COMMISSIONER OF PUBLIC LAND of the State of New Mexico

CERTIFICATION--DETERMINATION

DEC 3 0 1977

U. S. GEOLOGICAL SURVEY

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.

JAN 06 1978

Off and Gas Supervisor, United States Geological Survey

Contract Number 14-08-0001-16072

1	UNIT AGREEMENT	1
2	FOR THE DEVELOPMENT AND OPERATION	2
3	OF THE	3
4	QUEMADO UNIT AREA	4
5	COUNTY OF CATRON	5
6	STATE OF NEW MEXICO	6
7	NO.	· 7.
8	THIS AGREEMENT, entered into as of the 25th day of October, 1977	. 8
9	by and between the parties subscribing, ratifying, or consenting hereto,	. 9
10	and herein referred to as the "parties hereto,"	10
11	WITNESSETH:	11
12	WHEREAS the parties hereto are the owners of working, royalty, or	12
13	other oil and gas interests in the unit area subject to this agreement;	13
14	and	14
15	WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,	15
16	as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and	16
17	their representatives to unite with each other, or jointly or separately	17
18	with others, in collectively adopting and operating a cooperative or unit	18
19	plan of development or operation of any oil or gas pool, field, or like	19
20	area, or any part thereof for the purpose of more properly conserving the	20
21	natural resources thereof whenever determined and certified by the	21
22	Secretary of the Interior to be necessary or advisable in the public	22
23	interest; and	23
24	WHEREAS, the Commissioner of Public Lands of the State of New Mexico	24
25	is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes	25
26	1953 Annotated) to consent to or approve this agreement on behalf of the	26
27	State of New Mexico, insofar as it covers and includes lands and mineral	27
28	interests of the State of New Mexico; and	28
29	WHEREAS, the Oil Conservation Commission of the State of New Mexico	29
30	is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as	30
31	smended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and	31
32	Chapter 168, Laws of 1949) to approve this agreement and the conservation	32
33	provisions hereof; and	33
34	WHEREAS the parties hereto hold sufficient interests in the Quemado	34
35	Unit Area covering the land hereinafter described to give reasonably	35

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
6	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.	26
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	I
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 cardude land	ē ô
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	ŽÕ
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 minety (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

(A)

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i	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	. 2
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 OFERATOR. 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	t34

to like limitations as above provided at any time a participating area

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 appoin	t5
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
6	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
ŽŽ	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
25	navey to this agreement a concurring yote of one or more additional	25

٠	working interest small be reduited to select a new operator. Such	I
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	L12
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	3i
32	Commissioner, prior to approval of this unit agreement.	32
33	8. RICHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise	33
34	specifically provided herein, the exclusive right, privilege, and duty of	34
35	evercising any and all rights of the narries 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 Yeso 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 unti	133
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 regarde	d35

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-wouth period	5
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
2 2	thereof, of all land then regarded as reasonably proved to be productive	ŽŽ
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	^E 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 discances 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	25

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
Š	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 data 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-	IA.
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
ŽŽ	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
25	chall be determined by the Commission and the Land Commissioner TOSDOCT	25

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	i g
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 unitize	Ž 1
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
25	are an abolt he on the body annually in the sale answering agreement	•-

1	whether in conformity with the basis of allocation herein set forth or	I
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 sold	216
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	13
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
25	value of production from any such wall shall be paid as specified in the	25

1 underlying lease and agreements affected. 1 14. ROYALTY SETTLEMENT. The United States, the State of New Mexico. and any royalty owner who, is entitied to take in kind a share of the 3 substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or 5 the working interest owner in case of the operation of a well by a working S ? interest owner as herein provided for in special cases, shall make deliveries? of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken 9 in kind shall be made by working interest owners responsible therefor under 10 10 existing contracts, laws and regulations, or by the Unit Operator on or 11 11 before the last day of each month for unitized substances produced during 12 12 the preceding calendar month; provided, however, that nothing herein con-13 13 tained shall operate to relieve the lessees of any land from their respec-14 14 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 into any participating area hereunder, for use in repressuring, stimulation 18 18 of production, or increasing ultimate recovery, in conformity with a plan of19 19 20 operations approved by the Supervisor, the Land Commissioner and the 20 Conservation Commission, a like amount of gas, after settlement as herein 21 21 provided for any gas transferred from any other participating area and 22 22 with appropriate deduction for loss from any cause, may be withdrawn from 23 23 the formation into which the gas is introduced, royalty free as to dry gas, 24 24 but not as to any products which may be extracted therefrom; provided that 25 25 such withdrawal shall be at such time as may be provided in the approved 26 26 27 plan of operations or as may otherwise be consented to by the Supervisor, 27 the Land Commissioner and the Conservation Commission as conforming to 28 28 29 good petroleum engincering practice; and provided further, that such right 29 of withdrawal shall terminate on the termination of this unit agreement. 30 30 Royalty due the United States shall be computed as provided in the 31 31 operating regulations and paid in value or delivered in kind as to all 32 32 unitized substances on the basis of the amounts thereof allocated to 33 33 unitized Federal land as provided herein at the rates specified in the 34 34 respective Federal leases, or at such lower rate or rates as may be 35 35

T	adenotized by the or restaurant, provided, that for reases 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-	ŀI
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	3 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
25	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	2 2
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 call 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		4
	it shall be continued in full force and effect for and during the term of the	
26		
26 27	underlying lease as such term is herein extended.	25
-	underlying lease as such term is herein extended. (g) The segregation of any Federal lease committed to this agreement	25 26
27 28	underlying lease as such term is herein extended. (g) The segregation of any Federal lease committed to this agreement	25 26 27
27 28	underlying lease as such term is herein extended. (g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960	25 26 27 28
27 28 29	underlying lease as such term is herein extended. (g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed	25 26 27 28 29
27 28 29 30	underlying lease as such term is herein extended. (g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part	25 26 27 28 29 30
27 28 29 30 31	underlying lease as such term is herein extended. (g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into sep-	25 26 27 28 29 30 31 32
27 28 29 30 31 32 33	underlying lease as such term is herein extended. (g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into sep-	25 26 27 28 29 30 31 32 33

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

	Teases subject meres and and meres to concertaints upon the assumption	I
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 Uni	.t4
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	78
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,	2 7
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
25	and aronar representatives of the State of New Yerico in and about any	25

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 interest	:19
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	835

I	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 matter	8 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
25	29 NON-IGINDED AND SURSEQUENT IGINDED. If the owner of any sub-	

	Stantigt Theorem with the mit pied fatts of lethes to sho-	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 hereco 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	y 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 benefit	⁸ 13
î4	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	25

ī	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	s 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	LS
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
2/.	association between the parties hereto or any of them.	7/

I	IN WITNESS WHEREOF, the parties herato 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 WORKING INTEREST OWNER	5
6	TRANSOCEAN OIL, INC.	6
7	AN al	7
8	Date October 31 1977 By Mulling	6
9	Attorney-in-Fact 1700 First City East Building	9
0	Houston, Texas 77002	10
11		11
12		12
13	STATE OF TEXAS)) SS	13
L 4	COUNTY OF HARRIS)	14
15	On this 3 day of Otoler, 1977, before me personally	15
16	appeared C. R. Church, to me known to be the person who executed the	16
17	foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged	17
18	that he executed the same as the free act and deed of TRANSOCEAN OIL, INC.	18
19	GIVEN under my hand and seal this 3105 day of Other	19
20	A.D., 1977.	20
21	(at helder	21
22	Notary Public	22
23	My commission expires:	23
24	11/14/48	24
25		25
26		26
27		27
28		28
29		29
30		. 30
31		31
32		32
33		33
34		34
35		35



TransOcean Oil, Inc

1700 FIRST CITY EAST BUILDING 1111 FANNIN - HOUSTON, TEXAS 1800 713 - 654-2100

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:

والمستعدد والمعاراتين بالمنطقة المستوالية

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:

50% joined Tract 26:

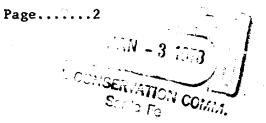
87.34% unsigned,

Tract 30: 50% joined b.

12.66% joined as follows:

Tract 34: 100% joined

United States Geological Survey December 23, 1977



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.

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



OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER
PHIL R. LUCERO



STATE GEOLOGIST EMERY C. ARNOLD

DIRECTOR JOE D. RAMEY

Other

Re: Mr. William F. Carr Catron, Catron & Sawtell Attorneys at Law Post Office Box 788 Santa Fe, New Mexico	CASE NO. 6102 ORDER NO. R-5606 Applicant:
	TransOcean Oil, Inc.
Dear Sir:	
Enclosed herewith are two co Commission order recently en	opies of the above-referenced ntered in the subject case.
Yours very truly.	
Director	. •
JDR/fd	
Copy of order also sent to:	
Hobbs OCC x	•
Artesia OCC x	
Aztec OCC X	

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,

FIMDS:

- (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.

(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, Chairman

EMERY Co ARNOLD Member

JOE D. MAMEY member & Secretary

State of New Mexico





Commissioner of Public Lands

MIL R. LUCERO COMMISSIONER

December 12, 1977

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

TransOcean Oil, Inc. 1700 First City East Building 1111 FanineHouston, 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 concent.

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. Stalia.
RAY D. GRAHAM, Director

Oil and Gas Division

PRL/RDG/a

State of New Mexico







PHIL R. LUCERO
COMMISSIONER

Commissioner of Riblic Lands
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 Interst 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: Joy D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s

<u>1</u>	UNIT AGREEMENT	1			
2	FOR THE DEVELOPMENT AND OPERATION	. 2			
3	OF THE BEFORE EXAMINER STAMETS OIL CONSERVATION COMMISSIO	N3			
4	QUEMADO UNIT AREA Quemado UNIT AREA Quemado UNIT AREA	_4			
5	COUNTY OF CATRON CASE NO. 6107	_5			
6	STATE OF NEW MEXICO Submitted by Mars Scare Hearing Date 12/14/77	_ _6			
7	NO.	7			
8	THIS AGREEMENT, entered into as of the 25th day of October, 1977	8			
9	by and between the parties subscribing, ratifying, or consenting hereto,	9			
10	and herein referred to as the "parties hereto,"	10			
11	WITNESSETH:	11			
12	WHEREAS the parties hereto are the owners of working, royalty, or	12			
13	other oil and gas interests in the unit area subject to this agreement;	13			
14	and	14			
15	WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,	15			
16					
17	their representatives to unite with each other, or jointly or separately	17			
18	with others, in collectively adopting and operating a cooperative or unit				
19	plan of development or operation of any oil or gas pool, field, or like	19			
20	area, or any part thereof for the purpose of more properly conserving the	20			
21	natural resources thereof whenever determined and certified by the				
22	Secretary of the Interior to be necessary or advisable in the public				
23	interest; and	23			
24	WHEREAS, the Commissioner of Public Lands of the State of New Mexico	24			
25	is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes	25			
26	1953 Annotated) to consent to or approve this agreement on behalf of the	26			
27	State of New Mexico, insofar as it covers and includes lands and mineral	27			
Ź8	interests of the State of New Mexico; and	28			
29	WHEREAS, the Oil Conservation Commission of the State of New Mexico	29			
30	is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as	30			
31	amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and	31			
32	Chapter 168, Laws of 1949) to approve this agreement and the conservation	32			
33	provisions hereof; and	33			
34	WHEREAS the parties hereto hold sufficient interests in the Quemado	34			
35	Unit Area covering the land hereinafter described to give reasonably	35			

	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
1	10	1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of	10
1	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
1	15	vided such regulations are not inconsistent with the terms of this agree-	15
. 1	15	ment; and as to State of New Mexico lands, the oil and gas operating	16
1	17	regulations in effect as of the effective date hereof governing drilling	17
1	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
2	20	agreement.	20
2	21	2. UNIT AREA. The area specified on the map attached hereto marked	21
2	22	Exhibit A is hereby designated and recognized as constituting the unit	22
2	23	area, containing 33,844.04 acres, more or less.	23
2	24	Exhibit A shows, in addition to the boundary of the unit area, the	24
2	25	boundaries and identity of tracts and leases in said area to the extent	25
2	26	known to the Unit Operator. Exhibit B attached hereto is a schedule	26
2	27	showing to the extent known to the Unit Operator the acreage, percentage,	27
2	28	and kind of ownership of oil and gas interests in all land in the unit	28
. 2	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
3	35	referred to as "Supervisor", or when requested by the Commissioner of	35

1	Public Lands of the State of New Mexico, neremarter referred to as "Land	I
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 land	= 3
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	I
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 subjec	t34

to like limitations as above provided at any time a participating area

ı	established hereunder is in existence, but, in all instances of resignation	ı
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
25	names to this agreement a conquering water of one or more additional	25

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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	1 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.	
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	112
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
25	evercising any and all rights of the narties become which are necessary or	35

i	convenient for prospecting for, producing, storing, allocating, and distri-	1
2	buting the unitized substances are hereby delegated to and shall be	Ž
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
iÓ	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 Yeso 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 unti	133
34	it is reasonably proved that the unitized land is incapable of producing	34
25	unitized substances in paving 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	<u>26</u>
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 regarde	ā35

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	⁵ 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	l
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	3
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

i	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	z
3	a participating area is finally approved and them 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	d 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	Séttlement 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 unitize	ቅ ፤
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 solu	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	13
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,	Ž
3	and any royalty owner who, is entitied 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 deliverie	1 97
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	2 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	E19
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

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2	royalty rate depends on the daily average production per wall, 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 privitese 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	s 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	Substance and rand commissionet deem shirohirate and adeduate to bisasti	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
?	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	111
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 lesses 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	2 2
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

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

I	drilling, development or operation for oil or gas of lands other than those	1
Ž	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
	official laboration and instinction. Described becomes That one such large as to	

•	thereof age for you read that (1) lears from the date of after seale-	I
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
5	(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 1ts 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
25	terminates, and any grant, transfer, or conveyance, of interest in land or	35

Ţ	Teases subject mereto sugit be and mereby is conditioned upon the assumption	l
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 Uni	.t4
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
25	hereto	25

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	3
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 quartity 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	1.7
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	<u> </u>
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 interes	:69
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	835

1	the onit operator to commence of continue affiling of 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 matter	8 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
29	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	3 £
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

-22-

1	stantial interest in a tract within the unit area fails or refuses to sub-
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
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
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
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
20	unit agreement by a working-interest owner, at any time, must be accom-
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 otherwise23
24	herein be provided, subsequent joinders to this agreement shall be effective24
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-
28	ment of any tract to this agreement unless objection to such joinder is
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.
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
25	referring hereto and Shall be hinding upon all those parties who have

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
25	determine shall compare the fee amor of uniting substance in such	25

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	3 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
٠,	accordation between the narties bereto or any of them	•

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 3/ 1977 By Miller	8
9	Attorney-in-Fact 1700 First City East Building	9
10	Houston, Texas 77002	10
11		11
12		12
13	STATE OF TEXAS)	13
14) SS COUNTY OF HARRIS)	14
15	On this 3 at day of October, 1977, before me personally	15
16	appeared C. R. Church, to me known to be the person who executed the	16
17	foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged	17
18	that he executed the same as the free act and deed of TRANSOCEAN OIL, INC.	18
19	GIVEN under my hand and seal this 3100 day of October	. 19
20	A.D., 1977.	20
21	$\int \int \int d^{3}x dx$	21
22	Notary Public	
23	My commission expires:	23
24	11/19/148	24
25		25
26		26
27		27
28		28
29	·	29
30		
31		30
32		32
		33
33		34
34		35
35		22

CASE NO. 6102 BEFORE EXAMINER STAMETS OIL CONSERVATION COMMUSION

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS

QUEMADO UNIT AREA

CATRON COUNTY, NEW MEXICO

		SCHEDULE	SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS QUEMADO UNIT AREA CATRON COUNTY, NEW MEXICO	CATRON COUNT	QUEMADO UNIT AREA TRON COUNTY, NEW MEXICO	OF OIL AND S		Submitted by Maur Court Hearing Date 12/14/77	7
TRACT		NUMBER OF	-	BASIC ROYALTY AND	LESSEE OF RECORD	CORD	OVERRIDING ROYALTY	HORKING INTURES:	TERRET.
	FEDERAL LANDS								
}	2N-15W, NMPM Section 17: All Section 19: W/ZE/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 Stakes 100%	TransOcean Oil, Inc. 62.9 Estate of William G. Hell a partnership 33.9 Keller Oilfield Services Company, Inc. 3.9	1. Inc. 6 11am G. H 3 1d Servic	2.50% Colorado Plateau lelis Geological Services 3% 3.75% Harlan C. Altman, Jr., les Trustee of the Stewart 3.75% Venture Trust dated 12-31-74 1%	TransOcean 62.50% Helis 33.75% Keller 3.75%	62.5 0 % 33.75% 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 Helis 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 Helis Keller	62.50% 33.75% 3.75%
W	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 Helis 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 Helis Keller	62.50% 33.75% 3.75%
*	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 Helis Keller	62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helis Keller	62.50% 33.75% 3.75%

TRACT	5	o	. 7	∞
DESCRIPTION OF LAND	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,	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	2N-17W, NMPH Section 23: Lot 4, SE/4, N/2NW/4, Section 24: S/2 Section 25: All Section 26: Lots 1,2,3,4,5,6, NB/4, SW/4, E/2NW/4 Section 35: Lots 1,2,3,4,5,6, N/2NW/4, NE/4, NE/4, NE/4, NE/4, S/2SW/4	2N-17W, NMPM Section 23: NE/4 Section 24: N/2
NUMBER OF ACRES	1,484.89	2,515.16 2,515.16	2,547.54	480.00
SERIAL NUMBER AND EXPIRATION DATE OF LEASE	NM-22234	NM-22235	NM-22236	NM-22240
	3-31-85	3-31-85	3-31-85	3-31-85
BASIC ROYALTY AND PERCENTAGE	United States 100%	United States 100%	United States	United States
LESSEE OF RECORD AND PERCENTAGE	TransOcean	TransOcean	TransOcean	TransOcean
	Helis	Helis	Helis	Helis
	Keller	Keller	Keller	Keller
UECORD	62.50%	62.50%	62.50%	62.5 0%
	33.75%	33.75%	33.75%	33.75%
	3.75%	3.75%	3.75%	3.75%
OVERRIDING ROYALTY AND PERCENTAGE	CPGS 3%	CPGS 35	CPGS 3%	CPGS 3%
WORKING INTEREST AND PERCENTAGE	TransOcean	TransOcean	TransOcean	TransOcean 62.50%
	Helis	Helis	Helis	Helis 33.75%
	Keller	Keller	Keller	Keller 3.75%
GE GE	62.50%	62.50%	62.50%	62.5QX
	33.75%	33.75%	33.75%	33.75X
	3.75%	3.75%	3.75%	3.75X

u	12	Ľ	10	9	TRACT
2N-16W, NMPH 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	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	2N-16W, NMPH 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	2N-16W, NMPM Section 22: All Section 23: All Section 25: All	2N-16W, NMPM Section 29: NW/4SW/4	DESCRIPTION OF LAND
2,076.96 E/4SW/4	1,208.44	2,000.00	1,920.00	40.00	NUMBER OF ACRES
NM- 23690	NM-23689	NM-23688	NM- 23687	NM-22566	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
5-31-85	8-31-85	8-31-85	8-31-85	7-31-85	
United States	United States	United States	United States	United States	BASIC ROYALTY AND PERCENTAGE
100%	100%	100%	100%	100%	
TransOcean	TransOcean	TransOcean	TransOcean	TransOcean	LESSEE OF RECORD AND PERCENTAGE
Nells	Helis	Helis	Helis	Helis	
Keller	Keller	Keller	Keller	Keller	
62.50 %	62.50 %	62.50%	62.50%	62.50%	CORD
33.75 %	33.75 %	33.75%	33.75%	33.75%	
3.75 %	3.75 %	3.75%	3.75%	3.75%	
CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Phillip D. Nickell % of 1%	OVERRIDING ROYALTY AND PERCENTACE
TransOcean 62.50%	TransOcean	TransOcean	TransOcean	TransOcean	WORKING INTERES
Helis 33.75%	Helis	Helis	Helis	Helis	
Keller 3.75%	Keller	Keller	Keller	Keller	
33.75% 3.75% 3.75%	33.75% 3.75%	33.75% 3.75% 3.75%	62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	TEREST GE

TRACT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	ECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	EREST
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 Helis Keller	62.50% 33.75% 3.75%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Vensure Trust dated 12-31-74 1%	TransOcean 62.50% Helis 33.75% Keller 3.75%	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 Helis 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 Helis 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 Helis 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 Helis Keller	62.50% 33.75% 3.75%
17	2N-17W, NMPK Section 13: NW/4NE/4; NW/4, E/2SE/4, SW/4SE/4	320.00	NM-30462 3-31-85	United States 100%	TransOcean Helis Keller	62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helis 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 E/4SE/4	NE-30467 8-31-85	United States 100%	TransOcean Helis 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 Helis Keller	62.50% 33.75% 3.75%

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

7 →		-	2	N	N	N	24
TRACT		19	20	21	22	23	4
DESCRIPTION OF LAND	STATE LANDS	2N-16W, NMPM Section 32: N/2, SW/4, NW/4SE/4	2N6W, NMPM Section 16: All Section 36: All	2N-17W, NMPM Section 13: SE/4SW/4	2N-17W, NMPM Section 32: All Section 36: All	2N-17W, NMPM Section 13: N/2SW/4, SW/4SW/4	2N-15W, NRPM Section 19: Lots 1,2,3,4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4
NUMBER OF ACRES		520.00	1,280.00	40.00	1,280.00	120.00	481.89
SERIAL NUMBER AND EXPIRATION DATE OF LEASE		LG-2102 8-31-84	LG-21 03 8-31-84	LG-2106 8-31-84	LG-2108 8-31-84	LG-2880 6-30-85	LG-4241 5-31-87
BASIC ROYALTY AND PERCENTAGE		State of New Mexico 100%	State of New Mexico 100%	State of New Mexico 100%	State of New Mexico	State of New Mexico	State of New Mexico 100%
LISSEE OF RECORD AND PERCENTAGE		TransOcean 21.70% Helis 33.75% Keiler 3.75% Gulf Oil Corporation 40.80%	TransOcean Helis Kellor Gulf	o TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf
E		21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%
OVERRIDING ROYALTY AND PERCENTAGE		CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%
		TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Hells Keller Gulf	TransOcean Helis Keller Gulf
WORKING INTEREST		21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 5.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%

25	TRACT
2N-15W, NAPH Section 31: Lots 1,2,3,4, E/2, E/2W/2 Section 32: All	DESCRIPTION OF LAND
1,280.86 LG-4242 5-31-87	NUMBER OF ACRES
	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
State of New Me	SERIAL NUMBER BASIC ROYALTY AND EXPIRATION AND DATE OF LEASE PERCENTAGE
5	LESSEE OF RECORD AND PERCENTAGE
21.70% 33.75% 3.75% 40.80%	ORD
CPGS 3%	OVERRIDING ROYALTY AND PERCENTAGE
TransOcean 21.707 Helis 33.757 Keller 3.757 Gulf 40.807	WORKING INTEREST AND PERCENTAGE
21.70% 33.75% 3.75% 40.80%	NTEREST NGE

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

28	27	26	
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	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	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	PATENTED LANDS
640.00 /48E/4	560.00	320.00	
6173	6171	6170	
6-26-84	6-26-84	7-9-84	
Ross A. Eagar and Ellen J. Kagar 100%	Marvin Ross Eagar and Tenoha Rac Eagar 1()0%	Herman D. Chevez and Mary Rose Dehart, formerly Mary Rose Chevez 100%	
TransOcean	TransOcean	TransOcean	
Helis	Helis	Helis	
Keller	Keller	Keller	
Gulf	Gulf	Gulf	
21.70x	21.70%	21.70%	
33.75x	33.75%	33.75%	
3.75x	3.75%	3.75%	
40.80x	40.80%	40.80%	
CPGS 3%	CPGS 3%	CPGS 3%	
TransOcean	TransOcean	TransOcean	
Helis	Helis	Helis	
Keller	Keller	Keller	
Gulf	Gulf	Gulf	
21.70x	21.70	21.70%	
33.75x	33.75%	33.75%	
3.75x	3.75%	3.75%	
40.80x	40.80%	40.80%	

										16 1 2 K 2 / 1
TRACT	DESCRIPTION OF LAND	ACRUS	AND EXPIRATION DATE OF LEASE	PERCENTAGE	PERCENTAGE	AND PERCENTAGE	3d	PERCENTAGE	PERCENTAGE	NGE
3	2N-16W, NPPM	160.00	6921	Evans W. Ferm	Trans0cean	21.70%	CPGS	37	TransOcean	21.70%
7.7	Section 28: W/2SW/4		85	<u>~</u>	Helis	33.75%			Helis	•
	Section 29: SE/4NE/4, NE/4SE/4				Keller	3.75%			Keller	3.75%
					Gulf	40.80%			Gulf	•
3	2N-15W, NMPM	160.00		Carolyn C.	Trans0cean	21.70%	CPGS	3%	TransOcean	21.70%
ý	Section 19: E/2E/2		8-24-79	Robertson	Helis	33.75%			Helis	•
-				50%	Keller	3.75%			Keller	•
					Gulf	40.80%			Gulf	•
			10736-1	Jack M. Amason	Trans0cean	21.70%	CPGS	34	Trans0cean	21.70%
				er1		33.75%		-	Helis	33.75%
				~	Keller	3.75%			Keller	•
-				50%	Gulf	40,80%			Gulf	•
2	2N-15W, NPPH	280.00	10736-1	Jack M. Amason	M. Amason TransOcean	21.70%	CPGS	3%	Trans0cean	21.70%
<u> </u>	Section 30: E/2NE/4, SE/4				Helis	33.75%			Helis	
				œ	Keller	3.75%			Keller	3.75%
				100%	Gulf	40.80%			Gulf	40.80%
y S	2N-16W, NAPM	319.52	10821	N. G. Baca	TransOcean	21.70%	CPGS	37	TransOcean	•
ř	13: S/2NW/4		8-31-82	100%	Helis	33.75%			Helis	33.75%
	Section 14: SE/4NE/4, NE/4SE/4				Keller	3.75%			Keller	•
,	Section 19: Lot 1, NE/4NW/4				Gulf	40.80%			Gulf	40.80%
	Section 13: E/2NE/4									
J J	2N-16W, NMPM	120.00	10820	Harold O. Ward	TransOcean	21.70%	CPGS	3%	Trans0cean	21.70%
J	Section 32: S/2SE/4		82			33.75%			Helis	•
	Section 33: SW/4SW/4			100%	Keller	·3.75%			Keller	•
					Gulf	40.80%			Gulf	40.80%

36	35	34	TRACT
2N-15W, NMPM Section 28: SE/4	2N-16W, NMPM Section 33: E/2NW/4, NE/4SW/4, N/2SE/4, SE/4SE/4 Section 34: SW/4SW/4	2N-16W, NMPM Section 34: SE/4	DESCRIPTION OF LAND
160.00	280.00	160.00	NUMBER OF ACRES
	9-5-82	10823 8-31-82	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
Myrtle Cox 100%	Wilbur N. Curtis 100%	Joe E. Sedillo Trans and C:usita Sedillo Helis 100% Kells Gulf	BASIC ROYALTY N AND PERCENTAGE
Unleased	TransOcean Helis Keller Gulf	Ocean r	LESSEE OF RECORD AND PERCENTAGE
	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	CORD
	CPGS 3X	CPGS 3%	OVERRIDING ROYALTY AND PERCENTAGE
	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	WOHKING I AND PERCENT
	21.70x 33.75x 3.75x 40.80x	21.70% 33.75% 3.75% 40.80%	INTEREST D TAGE

11 PATENIED 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

BEFORE EXAMINE POTAMETS ado 80225
OIL CONSERVATION COMMILSION

Applicate EXHIBIT NO. 2 901 1 5 157?

CASE NO. GIOZ

Submitted by Transcean

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.



CHEMADA UN "

In the absence of any other type of land requiring syecial 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

OIL CONSERVATION COMMISSION

CASE NO. 6102

Submitted by Mark Ceca.
Hearing Date 12/14/77

P. O. BOX IHB SANTA FE, NEW MEXICO 87901

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

> Re: Proposed Quemado Unit Catron County, New Maxico

ATTENTION: Mr. J. B. Stanley

Gantlemen:

We have reviewed the unexecuted copy of unit agreement, which you submitted with your letter of December 7, 1977, for the proposed Quemade 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 Movember 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: CRAHAM, Director

Oil and Gas Division

PRL/RDG/e

Don



PHIL R. LUCERO

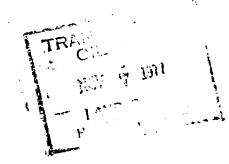
COMMISSIONER

State of New Mexico



Commissioner of Rublic Lands

November 1, 1977



P. O. BOX 1148 SANTA FE, NEW MEXICO 87901

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 Interst Owners.
- 6. Order of the New Mexico Oil Conservation Commission.

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

RAY D. GRAHAM, Director Oil and Gas Division

PRL/RDG/s

1	UNIT AGREEMENT Case 6/02	1
2	FOR THE DEVELOPMENT AND OPERATION	2
3	OF THE	3
4	QUEMADO UNIT AREA	4
5	COUNTY OF CATRON	5
6	STATE OF NEW MEXICO	6
7	NO.	. 7
8	THIS AGREEMENT, entered into as of the 25th day of October, 1977	8
9	by and between the parties subscribing, ratifying, or consenting hereto,	. 9
10	and herein referred to as the "parties hereto,"	10
11	WITNESSETH:	11
12	WHEREAS the parties hereto are the owners of working, royalty, or	12
13	other oil and gas interests in the unit area subject to this agreement;	13
14	and	14
15	WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,	15
16	as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and	16
17	their representatives to unite with each other, or jointly or separately	17
18	with others, in collectively adopting and operating a cooperative or unit	18
19	plan of development or operation of any oil or gas pool, field, or like	19
20	area, or any part thereof for the purpose of more properly conserving the	20
21	natural resources thereof whenever determined and certified by the	21
22	Secretary of the Interior to be necessary or advisable in the public	22
23	interest; and	23
24	WHEREAS, the Commissioner of Public Lands of the State of New Mexico	24
25	is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes	25
26	1953 Annotated) to consent to or approve this agreement on behalf of the	26
27	State of New Mexico, insofar as it covers and includes lands and mineral	27
28	interests of the State of New Mexico; and	28
29	WHEREAS, the Oil Conservation Commission of the State of New Mexico	29
30	is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as	30
31	amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and	31
32	Chapter 168, Laws of 1949) to approve this agreement and the conservation	33
33	provisions hereof; and	33
34	WHEREAS the parties hereto hold sufficient interests in the Quemado	3
35	Unit Area covering the land hereinafter described to give reasonably	3

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 saverally	ŝ
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

2.

1	Public Lands of the State of New Mexico, hereinafter referred to as "Land	I
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 land	:
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	I
<u>2</u>	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 minety (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	ı
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	:t34
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 appoin	t5
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
6	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	1 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	L12
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. RICHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise	33
34	specifically provided herein, the exclusive right, privilege, and duty of	34
25	amendating any and all rights of the parties houses which are necessary or	25

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 Yeso 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	133
34	it is reasonably proved that the unitized land is incapable of producing	34
26	unitized substances in paving quantities in the formations drilled here-	25

1	under. Nothing in this section shall be deemed to limit the right of the	ı
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 regarde	435

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1	an necessary and advisable for proper conservation of natural resources.
2	Separate plans may be submitted for separate productive zones, subject to 2
3	the approval of the Supervisor and the Land Commissioner.
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.
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
10	such action is justified because of unusual conditions or circumstances.
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.
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 of25
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
3 3	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
25	any group thereof which is produced as a single pool or zone and any two as

I	or more participating areas so established may be combined into one, on	ı
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-	ii.
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	ŽŽ
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 them 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	i 9
16	on privately owned land, that a well drilled under this agreement is not	IQ
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 unitize	ÞI
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

I	whether in conformity with the basis of allocation herein set forth or	I
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	Ł3
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
25	value of production from any cush well shall be paid as specified in the	75

1 underlying lease and agreements affected. 1 14. ROYALTY SETTLEMENT. The United States, the State of New Mexico. 2 2 and any royalty owner who, is entitied to take in kind a share of the 3 substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or 5 the working interest owner in case of the operation of a well by a working 7 interest owner as herein provided for in special cases, shall make deliveries? of such royalty share taken in kind in conformity with the applicable 9 contracts, laws, and regulations. Settlement for royalty interest not taken 9 in kind shall be made by working interest owners responsible therefor under 10 10 11 existing contracts, laws and regulations, or by the Unit Operator on or 11 before the last day of each month for unitized substances produced during 12 12 the preceding calendar month; provided, however, that nothing herein con-13 13 tained shall operate to relieve the lessees of any land from their respec-14 14 tive lease obligations for the payment of any royalties due under their 15 15 16 leases. 16 If gas obtained from lands not subject to this agreement is introduced 17 17 into any participating area hereunder, for use in repressuring, stimulation 18 18 19 of production, or increasing ultimate recovery, in conformity with a plan of 19 operations approved by the Supervisor, the Land Commissioner and the 20 20 21 Conservation Commission, a like amount of gas, after settlement as herein 21 provided for any gas transferred from any other participating area and 22 22 with appropriate deduction for loss from any cause, may be withdrawn from 23 23 the formation into which the gas is introduced, royalty free as to dry gas, 24 24 but not as to any products which may be extracted therefrom; provided that 25 25 such withdrawal shall be at such time as may be provided in the approved 26 26 plan of operations or as may otherwise be consented to by the Supervisor, 27 27 the Land Commissioner and the Conservation Commission as conforming to 28 28 good petroleum engineering practice; and provided further, that such right 29 29 of withdrawal shall terminate on the termination of this unit agreement. 30 30 Royalty due the United States shall be computed as provided in the 31 31 operating regulations and paid in value or delivered in kind as to all 32 32 unitized substances on the basis of the amounts thereof allocated to 33 33 unitized Federal land as provided herein at the rates specified in the 34 34 respective Federal leases, or at such lower rate or rates as may be 35 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	s 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	3 5

tions, and provisions of all leases, subleases, and other contracts rela to exploration, drilling, development, or operation for oil or gas on la committed to this agreement are hereby expressly modified and amended to extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto her consent that the Secretary as to Federal leases, and the Land Commission as to State leases, shall and each by his approval hereof, or by the spp hereof by his duly authorized representative, does hereby establish, al change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and th regulations in respect thereto to conform said requirements to the provi sions of this agreement, and, without limiting the generality of the for going, all leases, subleases, and contracts are particularly modified in accordance with the following: (a) The development and operation of lands subject to this agreem under the terms hereof shall be deemed full performance of all obligatio for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is an development of any particular tract of the unit area. (b) Drilling and producing operations performed hereunder upon an tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no leas shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced. (c) Suspension of drilling or producing operations on all unitize lands pursuant to direction or consent of the Secretary and the Land Commissioner of their duly authorized representatives shall be deemed to	1	20belArack and rang commissioner deem sobtoberate and adedgate to bisheuf	1
18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts rela to exploration, drilling, development, or operation for oil or gas on la committed to this agreement are hereby expressly wodified and amended to extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto her consent that the Secretary as to Federal leases, and the Land Commission as to State leases, shall and each by his approval hereof, or by the app hereof by his duly authorized representative, does hereby establish, all change or revoke the drilling, producing, rental, minimum royalty, and troyalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provise sions of this agreement, and, without limiting the generality of the for going, all leases, subleases, and contracts are particularly modified in accordance with the following: (a) The development and operation of lands subject to this agreement accordance with the following: (b) The development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is an development of any particular tract of the unit area. (b) Drilling and producing operations performed hereunder upon and tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no leases tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no leases tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no leases situated on the land therein embraced. (c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent as to a constitute such suspension	2	drainage of unitized substances from unitized land by wells on land not	2
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33 and every tract of unitized land. A suspension of drilling or producing	31	Commissioner of their duly authorized representatives shall be deemed to	31
and the second s	32	constitute such suspension pursuant to such direction or consent as to each	32
34 operations limited to specified lands shall be applicable only to such 1	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

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

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
25	the nonunitized portion shall continue in force and effect for the term	35

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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
25	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	I
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 Uni	t4
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.	?
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,	II
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 here under 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
25	and average vapracentations of the Crate of New Yeyico in and about any	25

1	matters of 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 interest	: e9
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	835

1	the part operator to commence or continue driffing or to operate on or	I
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 matter	88:
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 tails or refuses to sub-
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
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
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
20	unit agreement by a working-interest owner, at any time, must be accom-
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 otherwise23
24	herein be provided, subsequent joinders to this agreement shall be effective24
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.
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

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	7 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	³13
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.	iS
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
25	interests shall compare to the fee error of uniting a substance in such	25

•	lands by paying sums equal to the rentals, minimum royalties, and royalties	I
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 benefit	s 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 as	1. 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
2 <u>1</u>	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	Ź4
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
21	accomistion between the narties bereto or any of them.	٠,

1	IN WITNESS WHEREOF, the parties hereto have caused this agreement to	ı
2	be executed and have set opposite their respective names the date of	2
3	execution.	3
4		4
5	UNIT OPERATOR AND WORKING INTEREST OWNER	5
6	TRANSOCEAN OIL, INC.	· 6
7	AM DI	7
8	Date October 31, 1977 By Killen	8
9	Attorney-in-Fact 1700 First City East Building	9
10	Houston, Texas 77002	10
11		11
L2		12
13	STATE OF TEXAS)	13
14) SS COUNTY OF HARRIS)	14
15	On this 31th day of Othler, 1977, before me personally	15
16	appeared C. R. Church, to me known to be the person who executed the	16
L 7	foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged	17
18	that he executed the same as the free act and deed of TRANSOCEAN OIL, INC.	18
19	GIVEN under my hand and seal this 31 day of Otolog	. 19
20	A.D., 1977.	20
21	(- 100 lo	21
22	Notary Public	22
23	My commission expires:	23
24	11/17/78	24
25		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

4	W	2	-	TRACT
2N-174, NMPM Section 29: Lots 9,10,11,12,13, 14,15,16	2N-15W, NMPM Section 18: Lots 1,2,3, NW/4SW/4, E/2W/2, E/2	2N-15W, NMPM Section 21: All Section 28: W/2, NE/4	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	DESCRIPTION OF LAND FEDERAL LANDS
332.35	639.74	1,120.00	2,281.59	NUMBER OF ACRES
NM-22233 3-31-85	NM-22169 3-31-85	NM-22166 3-31-85	NM-22163 3-31-85	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
United States	United States 100%	United States 100%	United States 100%	BASIC ROYALTY AND PERCENTAGE
TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Oi Estate of Wil a partnership Keller Oilfie Company, Inc.	LESSEE OF RECORD AND PERCENTAGE
62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	1, Inc. liam G.	(ECORD
CPGS 3%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	62.50% Colorado Plateau Helis Geological Services 3% 33.75% Harlan C. Altman, Jr., ces Trustee of the Stewart 3.75% Venture Trust dated 12-31-74 1%	OVERRIDING ROYALTY AND PERCENTAGE
TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean 62.50% Helia 33.75% Keller 3.75%	WORKING INTERES AND PERCENTAGE
62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.5 0% 33.75% 3.75%	INTEREST) [AGE

TRACT	.	6	7	œ
DESCRIPTION OF LAND	2N-17W, NMPM Section 21: Lots 1,2,3,4, \$/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,	2N-17W, NMPM Section 22: Lots 1,2,3,4,5,6,7,8, 9,10,11,12,13,14, W/2SW/4 (A11) Section 23: Lots 1,2,3 Section 27: A11 Section 33: NW/4, S/2NE/4, S/2 Section 34: Lots 1,2, N/2SW/4,NW/4, E/2	2N-17W, NMPM Section 23: Lot 4, SE/4, N/2NW/4, Section 24: S/2 Section 25: All Section 26: Lots 1,2,3,4,5,6, NB/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	2N-17W, NMPM Section 23: NE/4
NUMBER OF ACRES	1,484.89	2,515.16	2,547.54	480.00
SERIAL NUMBER AND EXPIRATION DATE OF LEASE	NM-22234 3-31-85	NM-22235 3-31-85	NM-22236 3-31-85	NM-22240 3-31-85
BASIC ROYALTY AND PERCENTAGE	United States	United States 100%	United States 100%	United States
LESSEE OF RECORD AND PERCENTAGE	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller
RCORD	62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.5 0% 33.75% 3.75%
OVERRIDING ROYALTY AND PERCENTAGE	CPGS 3X	CPGS 3%	CPGS 3%	CPGS 3%
WORKING INTEREST AND PERCENTAGE	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean 62.5QX Helis 33.75X Keller 3.75X
TEREST GE	62.50x 33.75x 3.75x	62.50 x 33.75 x 3.75 x	62.50% 33.75% 3.75%	33.75% 3.75%

TRACT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	CORD	OVERRIDING ROYALTY AND PERCENTAGE	WOR	WORKING INTEREST
vo	2N-16W, NMPM Section 29: NW/4SW/4	40.00	NM-22566 7-31-85	United States 100%	TransOcean Helis Keller	62.50% 33.75% 3.75%	CPGS 3% Phillip D. Nickell % of 1%		TransOcean Helis Keller
10	2N-16W, NMPM Section 22: All Section 23: All Section 25: All	1,920.00	N74- 23687 8-31-85	Uniced States 100%	TransOcean Helis 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 Helis Keller
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 Helis 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 Helis Keller
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 Helis 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 Helis Keller
13	2N-16W, NMPH 2,076. Section 18: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 19: NE/4NE/4, S/2SE/4, SE/4SW/4 Section 20: N/2. SE/4 Section 21: All	2,076.96 E/4SW/4	NM- 23690 53185	United States 100%	TransOcean Helis 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% Helis 33.75% Keller 3.75%

15 S S S S S S S S S S S S S S S S S S S	14 2	TRACT	
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 Section 9: All Section 10: All Section 7: Lots 1,2,3,4, E/2W/2, E/2 (All) Section 8: All Section 17: All Section 13: NW/4NE/4, NW/4, E/2SE/4, SW/4SE/4 Section 27: All	2N-16W, NYPM	DESCRIPTION OF LAND	
1,280.00 1,915.10 1,920.00	2,400.00	NUMBER OF ACRES	
NM-23700 5-31-85 5-31-85 NM-23701 5-1-85 NM-30462 3-31-85 NM-30467	NM-23698	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	
United States 100% United States 100% United States 100% United States 100%	United States	BASIC ROYALTY AND PERCENTAGE	
Keller TransOcean Helis Keller TransOcean Helis Keller TransOcean Helis Keller Helis	TransOcean	LESSEE OF R AND PERCENTAGE	
33.75% 3.75% 33.75% 33.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75%	i	OF RECORD D NTAGE	
Trustee of the Stewart Venture Trust dated 12-31-74 1% CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1% CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1% CPGS 3% CPGS 3% CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3%	OVERRIDING ROYALTY AND PERCENTAGE	
Keller 3.75% Keller 3.75% Keller 3.75% TransOcein 62.50% Helis 33.75% Keller 3.75% Keller 3.75% Keller 3.75% Keller 3.75% Helis 33.75% Keller 3.75% Helis 33.75% Keller 3.75%	Trans0cean	WORKING INTEREST AND PERCENTAGE	
3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75%	62.50	TEREST	

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

		*					
TRACT		19	20	21	22	23	24
DESCRIPTION OF LAND	STATE LANDS	2N-16W, NMPM Section 32: N/2, SW/4, NW/4SE/4	2N-16W, NMPM Section 16: All Section 36: All	2N-17W, NMPM Section 13: SE/4SW/4	2N-17W, NMPM Section 32: All Section 36: All	2N-17W, NMPM Section 13: N/2SW/4, SW/4SW/4	2N-15W, NMPH Section 19: Lots 1,2,3,4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4
OF ACRES		520.00	1,280.00	40.00	1,280.00	120.00	481.89
SERIAL NUMBER AND EXPIRATION DATE OF LEASE		LG-2102 8-31-84	LG-21 03 8-31-84	LG-2106 8-31-84	LG-2108 9 8-31-84	LG-2880 6-30-85	LG-4241 5 5-31-87
PERCENTAGE		State of New Mexico 100%	State of New Mexico 100%	State of New Mexico	State of New Mexico	State of New Mexico 100%	State of New Mexico 100%
LESSEE OF RICORD AND PERCENTAGE		TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf Oil Corporation 40.80%	TransOcean Helis Keller Gulf	o TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf
E		21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%
OVERRIDING KOYALTY AND PERCENTAGE		CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%
PERCENTAGE	·'	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Holis Keller Gulf	TransOcean Helis Keller Gulf
AND PERCENTAGE		21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%

28	27	26		25	TRACT
2N-16W, NMPM Section 19: W/2NB/4, SE N/2SE/4, NE Section 20: SW/4 Section 28: S/2NW/4, NB Section 33: E/2NE/4	2N-16W, NMPM Section 28: N/2N/2, S/2 Section 29: W/2NW/4, SE E/2SW/4, SW Section 30: E/2NE/4	2N-17W, NMPM Section 13: SW/4NE/4, N Section 21: NW/4NW/4 Section 28: S/2SE/4 Section 33: N/2NE/4 Section 35: NW/4SW/4	7 STATE TRACTS TOTALING 5,002.75 acres PATENTED LANDS	2N-15W, NMPM Section 31: Lots 1,2,3,4, E/2, E/2W/2 Section 32: All	DESCRIPTION OF LAND
64 SE/4NE/4, NE/4SW/4, NW/4SE/4	S/2SE/4 SE/4NW/4, SW/4SW/4	NW/4SE/4	5,002.75 8	4, E/2,	
640.00 /4SE/4	560.00	320.00		1,280.86	NUMBER OF ACRES
6173 R 6-26-84 a	6171 P. 6-26-84 B	6170 H 7-9-84 f	or 14.78% of unit area	LG-4242 5-31-87	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
Ross A. Eagar and Ellen J. Eagar 100%	Marvin Ross Esgar and Tenoha Rae Eagar 100%	Herman D. Chevez and Mary Rose Dehart, formerly Mary Rose Chevez 100%	area	State of New Mexico TransOcean 100% Helis Keller Gulf	BASIC ROYALTY AND PERCENTAGE
TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean , Helis Keller Gulf		co TransOcean Helis Keller Gulf	LESSEE OF RECORD AND PERCENTAGE
21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%		21.70% 33.75% 3.75% 40.80%	8
CPGS 3%	CPGS 3%	CPGS 3%		CPGS 3%	OVERRIDING ROYALTY AND PERCENTAGE
TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf		TransOcean Helis Keller Gulf	WORKING INTEREST AND PERCENTAGE
21.70% 33.75% 3.75% 40.80%	21.70 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%		21.70% 33.75% 3.75% 40.80%	TEREST

TRACT	29	30		6	3 22	u u
DESCRIPTION OF LAND	2N-16W, NMPM Section 28: W/2SW/4 Section 29: SE/4NE/4, NE/4SE/4	2N-15W, NMPM Section 19: E/2E/2		2N-15W, NMPM Section 30: E/2NE/4, SE/4 SE/4SW/4	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	2N-16W, NMPM Section 32: S/2SE/4 Section 33: SW/4SW/4
NUMBER OP ACRES	160.00	160.00		280.00	319.52	120.00
SERIAL NUMBER AND EXPIRATION DATE OF LEASE	6921 4-9-85	9435-1 8-24-79	10736-1 4-18-82	10736-1 4-18-82	10821 8-31-82	10820 8-31-82
R BASIC ROYALTY ON AND E PERCENTAGE	Evans W. Ferm and Betty Jo Perm 100%	Carolyn C. Robertson 50%	Jack M. Amason and Darlene B. Amason 50%	Jack M. Amason and Darlene B. Amason 100%	N. G. Baca 100%	Harold O. Ward et al 100%
Y LESSEE OF R AND PERCENTAGE	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	Amason TransOcean lene B. Helis Keller Guif	TransOcean Helis Keller Gulf	TransOcean Helis Keller
OF RECORD	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.30%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% .3.75%
OVERRIDING ROYALTY AND PERCENTAGE	CPGS 3%	crgs 3%	CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%
	TransOcean Hells Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf
WORKING INTEREST AND PERCENTAGE	an 21.70% 33.75% 3.75% 40.80%	an 21.70% 33.75% 3.75% 40.80%	an 21.70% 33.75% 3.75% 40.80%	an 21.70x 33.75x 3.75x 40.80x	an 21.70% 33.75% 3.75% 40.80%	an 21.70% 33.75% 3.75% 40.80%
}			• ,			

36	35	34	TRACT
2N-15W, NMPM Section 28: SE/4	2N-16W, NMPH Section 33: E/2NW/4, NE/4SW/4, N/2SE/4, SE/4SE/4 Section 34: SW/4SW/4	2N-16W, NMPH Section 34: SE/4	DESCRIPTION OF LAND
160.00	280.00	160.00	NUMBER OF ACRES
	9-5-82	10823 8-31-82	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
Myrtle Cox 100%	Wilbur N. Curtis 100%	Joe E. Sedillo Trans and Crusita Sedillo Helis 100% Kelle	BASIC ROYALTY N AND PERCENTAGE
Unleased	TransOcean Helis Keller Gulf	Ocean	LESSEE OF RECORD AND PERCENTAGE
	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	CORD
	CPGS 3%	CPGS 3%	OVERRIDING ROYALTY AND PERCENTAGE
	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	WORKING I AND PERCENT
-	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	INTEREST D TAGE

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
Denver, Colorado 80225

QUEMADO UNIT

OCT 1 8 1577

O DEPT. HON, 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 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

State of New Mexico





Exhibit 3 Case 6102

PHIL R. LUCERO COMMISSIONES

Commissioner of Public Lands

December 12, 1977

P. C. 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 Quesado 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,

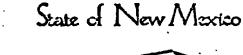
PHIL R. LUCERO

COMMISSIONER OF PUBLIC LANDS

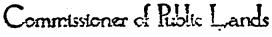
RAY D. GRAHAM, Director

Oil and Gas Division

PRL/RDG/s







November 1, 1977



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

PHIL R. LUCERO COMMISSIONER

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 Interst 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: Pay D. GRAHAM, Director Oil and Gas Division

PRL/RDG/s

1	UNII AGREEMENI	1
2	FOR THE DEVELOPMENT AND OPERATION	2
3	OF THE	3
4	QUEMADO UNIT AREA	4
5	COUNTY OF CATRON	5
6	STATE OF NEW MEXICO	6
7	NO	
8	THIS AGREEMENT, entered into as of the 25th day of October, 1977	3
9	by and between the parties subscribing, ratifying, or consenting hereto,	9
10	and herein referred to as the "parties hereto,"	10
11	WITNESSETH:	11
12	WHEREAS the parties hereto are the owners of working, royalty, or	12
13	other oil and gas interests in the unit area subject to this agreement;	13
14	and	14
15	WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,	15
16	as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and	16
17	their representatives to unite with each other, or jointly or separately	17
18	with others, in collectively adopting and operating a cooperative or unit	18
19	plan of development or operation of any oil or gas pool, field, or like	19
20	area, or any part thereof for the purpose of more properly conserving the	20
21	natural resources thereof whenever determined and certified by the	21
22	Secretary of the Interior to be necessary or advisable in the public	22
23	interest; and	23
24	WHEREAS, the Commissioner of Public Lands of the State of New Mexico	24
25	is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes	25
26	1953 Annotated) to consent to or approve this agreement on behalf of the	26
27	State of New Mexico, insofar as it covers and includes lands and mineral	27
28	interests of the State of New Mexico; and	28
29	WHEREAS, the Oil Conservation Commission of the State of New Mexico	29
30	is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as	30
31	amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and	31
32	Chapter 168, Laws of 1949) to approve this agreement and the conservation	32
33	provisions hereof; and	33
34	WHEREAS the parties hereto hold sufficient interests in the Quemado	34
35	Unit Area covering the land hereinafter described to give reasonably	35

		1	effective control of operations therein; and	ı
		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
	* 1	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
ů.	:	26	known to the Unit Operator. Exhibit B attached hereto is a schedule	26
	2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	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
		~=	referred to as "Supervisor" or when requested by the Commissioner of	25

ı	Public Lands of the State of New Nextco, nereinafter referred to as "Land	ı
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 land	s 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
25	prescribed in the notice thereof	35

1	(e) All legal subdivisions of lands (i.e., 40 acres by Government	ı
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 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 subjec	t34
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	. E .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	1 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	L12
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 agraement, 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-	•
	6	leges, and obligations of Unit Operator. Nothing herein, however, shall be	
	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,	•
ee ee ee ee	. 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.	Ŧ
	11	9. DRILLING TO DISCOVERY. Within six (6) months after the effective	
	12	date hereof, the Unit Operator shall begin to drill an adequate test well	12
	13		13
	14	Land Commissioner if on State Land, or by the Conservation Commission if on	
	15	privately owned land, unless on such effective date a well is being drilled	
	16		16
	17	diligently until the Yeso formation has been tested	17
	18		18
•	19		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) touths 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	1 33
	34	it is reasonably proved that the unitized land is incapable of producing	34
	25	unitized substances in paying quantities in the formations drilled baram	~=

1	under. Nothing in this section shall be deemed to limit the right of the	L
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 regarde	d35

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	õ
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	f 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	approvat 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-	IA.
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 them 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	d 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	Φį
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 unimized 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

underlying lease and agreements affected. 1 ı 14. ROYALTY SETTLEMENT. The United States, the State of New Mexico. 2 2 and any royalty owner who, is entitied to take in kind a share of the 3 3 substances now unitized hereunder shall hereafter be entitled to the right 5 to take in kind its share of the unitized substances, and Unit Operator, or 5 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? 8 of such royalty share taken in kind in conformity with the applicable 9 contracts, laws, and regulations. Settlement for royalty interest not taken 9 in kind shall be made by working interest owners responsible therefor under 10 10 11 existing contracts, laws and regulations, or by the Unit Operator on or 11 before the last day of each month for unitized substances produced during 12 12 the preceding calendar month; provided, however, that nothing herein con-13 13 tained shall operate to relieve the lessees of any land from their respec- 14 14 tive lease obligations for the payment of any royalties due under their 15 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 of production, or increasing ultimate recovery, in conformity with a plan ofig 19 operations approved by the Supervisor, the Land Commissioner and the 20 20 Conservation Commission, a like amount of gas, after settlement as herein 21 21 provided for any gas transferred from any other participating area and 22 22 with appropriate deduction for loss from any cause, may be withdrawn from 23 23 the formation into which the gas is introduced, royalty free as to dry gas, 24 24 but not as to any products which may be extracted therefrom; provided that 25 25 such withdrawal shall be at such time as may be provided in the approved 26 26 plan of operations or as may otherwise be consented to by the Supervisor, 27 27 the Land Commissioner and the Conservation Commission as conforming to 28 28 good petroleum engineering practice; and provided further, that such right 29 29 of withdrawal shall terminate on the termination of this unit agreement. 30 30 Royalty due the United States shall be computed as provided in the 31 31 operating regulations and paid in value or delivered in kind as to all 32 32 unitized substances on the basis of the amounts thereof allocated to 33 33 unitized Federal land as provided herein at the rates specified in the 34 34 respective Federal leases, or at such lower rate or rates as may be 35 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	3 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	I
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	ē
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 approva	ııı
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 igreement, 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 small 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
2 3	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

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

1	drilling, development or operation for oil or gas of lands other than those	I
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	LII.
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		

•	theteor out for not root than two (2) years from the date of such segre-	T
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
25	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	ı
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 Uni	t4
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	26
21	(c) A valuable discovery of unitized substances has been made or	21
22	accepted on unitized land during said initial term or any excension 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	٠4
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	117
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	ŹÓ
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
3Û	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	3 3
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 interest	.e 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	II
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	₹ 3 5

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 matter	:58
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 2
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

	stantial interest in a tract within the unit area fails or refuses to sub-	
1	scribe or consent to this agreement, the owner of the working interest in	1
2	that tract may withdraw said tract from this agreement by written notice	2
3		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	L2
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	2 2
23	to be regarded as committed to this unit agreement. Except as may otherwise	23
24	heroin 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		32
33		33
34		34
35	referring hereto and shall be binding upon all those parties who have	26

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 maxt 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

1	lands by paying sums equal to the rentals, minimum royalties, and royalties	I
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 benefit	s 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 ar	1 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

appeared C. R. Church, to me known to be the person who executed the foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 3100 day of Ottober A.D., 1977. Nothery Fublic My commission expires: 11	1	IN WITNESS WHEREOF, the parties hereto have caused this agreement to	I
UNIT OPERATOR AND WORKING INTEREST OWNER TRANSOCEAN OIL, INC. By Attorney-in-Fact 1700 First City East Building Houston, Texas 77002 STATE OF TEXAS SS COUNTY OF HARRIS On this 312 day of Otalur, 1977, before me personal appeared C. R. Church, to me known to be the person who executed the foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 312 day of Otalur A.D., 1977. Hy commission expires: My commission expires: Notary Public Notary Public	2	be executed and have set opposite their respective names the date of	2
UNIT OPERATOR AND WORKING INTEREST OWNER TRANSOCEAN OIL, INC. By Attorney-In-Pact 1700 First City East Building Rouston, Texas 77002 STATE OF TEXAS SS COUNTY OF HARRIS On this 310 day of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 310 day of Cityle A.D., 1977. Hy commission expires: My commission expires:	3	execution.	3
MORKING INTEREST OWNER TRANSOCIAN OIL, INC. By Attorney-In-Fact 1700 First City East Building Houston, Texas 77002 STATE OF TEXAS SS COUNTY OF HARRIS On this 310 day of Other 1, 1977, before me persona appeared C. R. Church, to me known to be the person who executed the foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledg that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 310 day of Other Nothery Public My commission expires: My commission expires:	4		4
TRANSOCEAN OIL, INC. TRANSOCEAN OIL, INC. TRANSOCEAN OIL, INC. TRANSOCEAN OIL, INC. Transparin-Fact Attorney-In-Fact 1700 First City East Building Houston, Texas 77002 Transparin-Fact T	5		5
By Attorney-In-Pact 1700 First City East Building Houston, Texas 77002 STATE OF TEXAS) SS COUNTY OF HARRIS) On this 3 b day of	6		6
Attorney-In-Fact 1700 First City East Building Houston, Texas 77002 STATE OF TEXAS On this 310 day of Other, 1977, before me personal appeared C. R. Church, to me known to be the person who executed the foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 310 day of Other Notary Public My commission expires: My commission expires:	7	TRANSOCERN OIL, INC.	7
1700 First City East Building Houston, Texas 77002 111 122 13 STATE OF TEXAS) 15 On this 310 day of	8		8
STATE OF TEXAS) SS 14 COUNTY OF HARRIS) SS 15 On this 3 bday of	9	1700 First City East Building	9
STATE OF TEXAS STATE OF TEXAS SS COUNTY OF HARRIS On this 3 b day of	10	Houston, Texas 77002	10
STATE OF TEXAS) SS COUNTY OF HARRIS) SS On this 3 day of	11		11
On this 3 b day of 1977, before me personal appeared C. R. Church, to me known to be the person who executed the foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 3 b day of 10 close A.D., 1977. 21 22 23 My commission expires: 24 25 26 27 28 29 30 31 32 33 34	12		12
On this 3 b day of Other, 1977, before me personal appeared C. R. Church, to me known to be the person who executed the foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 3 b day of Other A.D., 1977. 21 22 23 My commission expires: 24 25 26 27 28 29 30 31 32 33 34	13	· · · · · · · · · · · · · · · · · · ·	13
appeared C. R. Church, to me known to be the person who executed the foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 3100 day of Ottober A.D., 1977. 21 22 23 Hy commission expires: 24 25 26 27 28 29 30 31 32 33 34	14		14
foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledge that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 3100 day of October A.D., 1977. My commission expires: Wy commission expires: 26 27 28 29 30 31 32 33 34	15	On this 31 day of Other, 1977, before me personally	15
that he executed the same as the free act and deed of TRANSOCEAN OIL, GIVEN under my hand and seal this 3100 day of October A.D., 1977. Notary Public My commission expires: 24 25 26 27 28 29 30 31 32 33 34	16	appeared C. R. Church, to me known to be the person who executed the	16
GIVEN under my hand and seal this 3100 day of October A.D., 1977. Notary Public My commission expires: 24 25 26 27 28 29 30 31 32 33 34	17.	foregoing instrument in behalf of TRANSOCEAN OIL, INC., and acknowledged	1.7
20 A.D., 1977. 21 22 23 My commission expires: 24 25 26 27 28 29 30 31 32 33 34	18	that he executed the same as the free act and deed of TRANSOCEAN OIL, INC.	18
21 22 23 My commission expires: 24 25 26 27 28 29 30 31 32 33 34	19	GIVEN under my hand and seal this 3100 day of October	19 ر
Notary Public	20	A.D., 1977.	20
23 My commission expires: 24	21	$\left(\begin{array}{c} \\ \\ \end{array}\right)$	21
24	22	Notary Public	
25 26 27 28 29 30 31 32 33 34	23	My commission expires:	23
26 27 28 29 30 31 32 33	24	11/17/78	24
27 28 29 30 31 32 33	25		25
28 29 30 31 32 33 34	26		26
 29 30 31 32 33 34 	27		27
 30 31 32 33 34 	28		28
31 32 33 34	29		29
31 32 33 34	30		30
32 33 34			31
33 34			32
34			33
			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

**************************************	DESCRIPTION OF LAND			
	ACRES	OF.	NUMBER	
	DATE OF LEASE	AND EXPIRATION	SERIAL NUMBER BASIC ROYALTY	
	PERCENTAGE	AND	BASIC ROYALTY	
	PERCENTAGE	AND	LESSEE OF RECORD	
	PERCENTAGE	AND	OVERRIDING ROYALTY	
	PERCENTAGE	AND	WORKING INTEREST	

4	ω	2)-ad	TRACT
2N-17W, NMPM Section 29: Lots 9,10,11,12,13, 14,15,16	2N-15W, NMPM Section 18: Lots 1,2,3, NW/4SW/4, E/2W/2, E/2	2N-15W, NMPM Section 21: All Section 28: W/2, NE/4	2N-15W, NMPM Section 17: All Section 20: All Section 20: All Section 29: All Section 30: Lots 1, 2, 3, E/2NW/4	OT DESCRIPTION OF LAND
332.35	639.74	1,120.00	2,281.59	NUMBER OF ACRES
NM-22233 3-31-85	NM-22169 3-31-85	NM-22166 3-31-85	NM-22163 3-31-85	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
United States 100%	United States 100%	United States 100%	United States 100%	AND PERCENTAGE
TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Oil, Inc. 62.5 Estate of William G. Heli a partnership 33.7 Keller Oilfield Services Company, Inc. 3.7	LESSEE OF RECORD AND PERCENTAGE
62.50% 33.75% 3.75%	62.50% 33,75% 3.75%	62.50% 33.75% 3.75%	1, Inc. 62.50% 11am G. Helis 33.75% 1d Services 3.75%	ECORD
CPGS 3%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	TransOcean Oil, Inc. 62.50% Colorado Plateau Estate of William G. Helis Geological Services 3% a partnership 33.75% Harlan C. Altman, Jr., Keller Oilfield Services Trustee of the Stewart Company, Inc. 3.75% Venture Trust dated	OVERRIDING ROYALTY AND PERCENTAGE
TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean 62.5 0% Helis 33.75% Keller 3.75%	WORKING INTEREST AND PERCENTAGE
62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.5 0% 33.75% 3.75%	NTEREST AGE
				l

8		6	5	TRACT
2N-17W, NMPH Section 23: NE/4 Section 24: N/2	2N-17W, NMPM Section 23: Lot 4, SE/4, N/2NW/4, Section 24: S/2 Section 25: All Section 26: Lots 1,2,3,4,5,6, NB/4, SW/4, B/2NW/4 Section 35: Lots 1,2,3,4,5,6, N/2NW/4, NE/4, NE/4SE/4, S/2SW/4	2N-17W, NMPM Section 22: Lots 1,2,3,4,5,6,7,8, 9,10,11,12,13,14, W/2SW/4 (A11) Section 23: Lots 1,2,3 Section 27: A11 Section 33: NW/4, S/2NE/4, S/2 Section 34: Lots 1,2, N/2SW/4,NW/4, E/2	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,	DESCRIPTION OF LAND
480.00	2,547.54	2,515.16	1,484.89	NUMBER OF ACRES
NM-22240 3-31-85	NM-22236 3-31-85	NM-22235 3-31-85	NM-22234 3-31-85	SERIAL NUMBER AND EXPIRATION DATE OF LEASE
United States	United States	United States	United States	BASIC ROYALTY AND PERCENTAGE
100%	100%	100%	100%	
TransOcean	TransOcean	TransOcean	TransOcean	LESSEE OF RECORD AND PERCENTAGE
Helis	Helis	Helis	Helis	
Keller	Keller	Keller	Keller	
62.5 0%	52.50%	62.50%	62.50%	RECORD
33.75%	33.75%	33.75%	33.75%	
3.75%	3.75%	3.75%	3.75%	
CPGS 3%	CPGS 3%	CPGS 3%	CPGS 3%	OVERRIDING ROYALTY AND PERCENTAGE
TransOcean 62.50%	TransOcean	TransOcean	TransOcean	JOEKING INTEREST
Helis 33.75%	Helis	Helis	Helis	AND
Keller 3.75%	Keller	Keller	Keller	PERCENTAGE
62.50%	62.50%	62.50%	62.50%	TEREST
33.75%	33.75%	33.75%	33.75%	
3.75%	3.75%	3.75%	3.75%	

TRACT	9 <u>21</u> Se	10 2) Se Se Se	11 21 Se Se	12 <u>21</u> Se Se	13 2 <u>N</u> Se Se
DESCRIPTION OF LAND	2N-16W, NMPM Section 29: NW/4SW/4	2N-16W, NMPM 1 Section 22: All Section 23: All Section 25: All	2N-16W, NMPM 2 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	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	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
NUMBER OF ACRES	40.00	1,920.00	2,000.00	1,208.44	2,076.96 ./4SW/4
SERIAL NUMBER AND EXPIRATION DATE OF LEASE	NM-22566 7-3 I-85	NM- 23687 8-31-85	NM-23688 8-31-85	NM-23689 8-31-85	NM- 23690 5-31-85
BASIC ROYALTY AND PERCENTAGE	United States	United States	United States	United States	United States
	100%	100%	100%	100%	100%
LESSEE OF RECORD AND PERCENTAGE	TransOcean	TransOcean	TransOcean	TransOcean	TransOcean
	Helis	Helis	Helis	Helis	Helis
	Keller	Keller	Keller	Keller	Keller
CORD	62.50%	62.50%	62.50%	62.50%	62.50%
	33.75%	33.75%	33.75%	33.75%	33.75%
	3.75%	3.75%	3.75%	3.75%	3.75%
OVERRIDING ROYALTY AND PERCENTAGE	CPGS 3% Phillip D. Nickell 노 of 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%
WORKING INTEREST	TransOcean	TransOcean	TransOcean	TrunsOcean	TransOcean (Helis Keller
AND	Helis	Helis	Helis	Helis	
PERCENTAGE	Keller	Keller	Keller	Keller	
EREST	62.50%	62.50%	62.50%	62.50%	33.75%
	33.75%	33.75%	33.75%	33.75%	3.75%
	3.75%	3.75%	3.75%	3.75%	3.75%

TRACT	14	15	16	17	18
DESCRIPTION OF LAND	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	2N-16W, NMPM Section 9: All Section 10: All	2N-16W, NMPH Section 7: Lots 1,2,3,4, E/2W/2, E/2 (A11) Section 8: All Section 17: All	2N-17W, NMPH Section 13: NW/4NE/4, NW/4, E/2SE/4, SW/4SE/4	2N-16W, NMPM Section 27: All Section 28: S/2NE/4, SE/4SW/4, I Section 29: NE/4NE/4, W/2E/2, NE/4NW/4, SE/4SE/4 Section 32: NE/4SE/4
NUMBER OF ACRES	2,400.00	1,280.00	1,915.10	320.00	1,120.00 NE/4SE/4
SERIAL NUMBER AND EXPIRATION DATE OF LEASE	NM-23698	NM-23700	NM-23701	NM-30462	NM-30467
	5-31-85	5-31-85	5-1-85	3-31-85	8-31-85
BASIC ROYALTY AND PERCENTAGE	United States	United States	United States	United States	United States
	100%	100%	100%	100%	100%
LESSEE OF RECORD AND PERCENTAGE	TransOcean	TransOcean	TransOcean	TransOcean	TransOcean
	Helis	Helis	Hells	Helis	Helis
	Keller	Keller	Keller	Keller	Keller
RECORD	62.50%	62.50%	62.50%	62.50%	62.50%
	33.75%	33.75%	33.75%	33.75%	33.75%
	3.75%	3.75%	3.75%	3.75%	3.75%
OVERRIDING ROYALTY AND PERCENTAGE	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%	CPGS 3%	CPGS 3% Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%
WORKING INTEREST	TransOcean 62.50%	TransOcean	TransOcean	TransOcean	TransOcean
AND	Helis 33.75%	Helis	Helis	Helis	Helis
PERCENTAGE	Keller 3.75%	Keller	Keller	Keller	Keller
TEREST	62.50%	62.50%	62.50%	62.50%	62.50%
	33.75%	33.75%	33.75%	33.75%	33.75%
	3.75%	3.75%	3.75%	3.75%	3.75%

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

		NUMBER	SERIAL NUMBER	YALTY	LESSEE OF RICCORD	D	OVERRIDING ROYALTY	WORKING INTEREST
NO.	DESCRIPTION OF LAND	OF ACRES	DATE OF LEASE	PERCENTAGE PI	PERCENTAGE		PERCENTAGE	PERCENTAGE
	STATE LANDS							
19	2N-16W, NWPM Section 32: N/2, SW/4, NW/4SE/4	520.00	LG-2102 8-31-84	State of New Mexico 100%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 011 Corporation 40.80%	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
, 20	2N-16W, NMPM Section 16: All Section 36: All	1,280.00	LG-21 03 8 8-31-84	State of New Mexico 100%	TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
21	2N-17W, NMPM Section 13: SE/4SW/4	40.00	LG-2106 8-31-84	State of New Mexico 100%	TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
22	2N-17W, NMPM Section 32: All Section 36: All	1,280.00	LG-2108 S 8-31-84	State of New Mexico 100%	TransOcesin Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
23	2N-17W, NMPM Section 13: N/2SW/4, SW/4SW/4	120.00	LG-2880 S 6-30-85	State of New Mexico 100%	TransOcesn Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
24	2N-15W, NMPM Section 19: Lots 1,2,3,4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4	481.89	LG-4241 S 5-31-87	State of New Mexico 100%	TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%

NUMBER SERIAL NUMBER BASIC ROYALTY LESSEE OF RECORD OVERRIDING ROYALTY WORKING INTEL OF AND EXPIRATION AND AND AND ACRES DATE OF LEASE PERCENTAGE PERCENTAGE PERCENTAGE PERCENTAGE 1,280.86 LG-4242 State of New Mexico TransOcean 21.70% CPGS 3% TransOcean 25-31-87 100% Helis 33.75% Figure 100% TransOcean 21.70% CPGS 3% TransOcean 25-31-87 100% Helis 33.75% Figure 100% Figure	Section 31: Lots 1,2,3,4, E/2,	25 2N-15W NWPH	NO. DESCRIPTION OF LAND	
NUMBER BASIC ROYALTY LESSEE OF RECORD OVERRIDING ROYALTY WORKING INTI- IRATION AND AND AND AND LEASE PERCENTAGE PERCENTAGE PERCENTAGE PERCENTAGE State of New Mexico TransOcean 21.70% CPGS 3% TransOcean Helis 33.75% Helis Keller 3.75% Keller 3.75% Gulf 40.80% Gulf			OF ACRES	NUMBER
BASIC ROYALTY LESSEE OF RECORD OVERRIDING ROYALTY WORKING INTI AND AND PERCENTAGE PERCENTAGE State of New Mexico TransOcean 21.70% CPGS 3% TransOcean Helis 33.75% CPGS 3% Helis Keller 3.75% Gulf 40.80% Gulf	5-31-87	5 LG-4242	AND EXPIRATION DATE OF LEASE	SERIAL NUMBER
ORD OVERRIDING ROYALTY WORKING INTI AND PERCENTAGE 21.70% CPGS 3% TransOcean 33.75% Helis 3.75% Keller 40.80% Gulf	• •	State of		BASIC ROYALTY
OVERRIDING ROYALTY WORKING INTI AND PERCENTAGE PERCENTAGE 1.70% CPGS 3% TransOcean Helis 1.75% Keller Gulf	Helis Keller Gulf	exico TransOcean	AND PERCENTAGE	LESSEE OF REC
NG ROYALTY WORKING INTI AND AND TAGE PERCENTAGE TransOcean Helis Keller Gulf	33.75% 3.75% 40.80%	21.70%		ORD
ING INTI AND RCENTAGE sOcean s		CPGS 3%	PERCENTAGE	OVERRIDING ROYALTY
IR ∃	Helis Keller Gulf	Trans0ceau	PERCENTA	WORKING IN
į į	33.75% 3.75% 40.80%	- 19	ति हो	TEREST

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

	PATENTED LANDS	26 <u>2N-17W, NMPM</u> 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	27 2N-16W, NMPH Section 28: N/2N/2, S/2SE/4 Section 29: W/2NW/A SE/ANW/A	E/2SW/4 Section 30: E/2NE/4	28 2N-16W, NMPM Section 19: W/2NE/4, SE/4NE/4,	N/2SE/4 Section 20: SW/4 Section 28: S/2NW/4 Section 33: E/2NE/4
0.00 6170 Herman D. Chevez TransOcean 21.70% CPGS 3% Helis 33.75% And Mary Rose Dehart, Helis 33.75% CPGS 3% Helis Helis 37.5% Chevez 100% Gulf 40.80% CPGS 3% TransOcean 21.70% CPGS 3% Gulf 40.80% CPGS 3% TransOcean 33.75% And Tenoha Rae Helis 33.75% Eagar 100% Keller 37.5% Eagar 100% Keller 37.5% Gulf 40.80% CPGS 3% TransOcean 6-26-84 and Ellen J. Eagar Helis 33.75% CPGS 3% Keller 6-26-84 and Ellen J. Eagar Helis 33.75% CPGS 3% TransOcean 6-26-84 And Ellen J. Eagar Helis 33.75% CPGS 3% TransOcean Helis 6-26-84 Gulf Gulf Gulf Gulf Gulf Gulf Gulf Gulf		, NW/4SE/4	•	S/2SE/4 SF/4NW/4	SW/4SW/4	SE/4NE/4,	NE/4SW/4, NW/
### Herman D. Chevez TransOcean 21.70% CPGS 3% TransOtean and Mary Rose Dehart, #elis 33.75% formerly Mary Rose Keller 3.75% Chevez 100% Gulf 40.80% CPGS 3% Helis Gulf 40.80% CPGS 3% TransOcean Helis 33.75% Eagar 100% Keller 3.75% Eagar TransOcean Gulf 40.80% CPGS 3% TransOcean Helis 33.75% Gulf 40.80% CPGS 3% TransOcean Gulf 40.80% CPGS 3% Helis Keller Gulf Gulf Gulf Gulf Gulf 40.80% CPGS 3% TransOcean Helis 33.75% CPGS 3% TransOcean Helis Gulf Gulf Gulf Gulf Gulf Gulf Gulf Gulf							4SE/4
vez TransOcean 21.70% CPGS 3% TransOcean Helis Dehart, Helis 33.75% Helis Keller 3.75% Keller 00% Gulf 40.80% CPGS 3% TransOcean Gulf 90% Keller 33.75% CPGS 3% TransOcean Helis 100% Gulf 40.80% CPGS 3% TransOcean Keller 100% Gulf 40.80% CPGS 3% TransOcean Keller 100% Gulf 40.80% CPGS 3% TransOcean Helis 100% Gulf Keller 3.75% CPGS 3% TransOcean Helis 100% Gulf Keller Keller Gulf Keller Gulf		6170 7-9-84		6171 6-26-84		6173 6-26-84	
TransOcean 21.70% CPGS 3% TransOcean Helis Keller 3.75% Keller Keller Gulf Gulf 40.80% CPGS 3% TransOcean TransOcean TransOcean 21.70% CPGS 3% TransOcean Helis Keller 3.75% CPGS 3% TransOcean TransOcean 21.70% CPGS 3% TransOcean Helis 33.75% CPGS 3% TransOcean Helis 33.75% Keller Keller Gulf Gulf Keller Gulf Gulf		Herman D. Chevez and Mary Rose Dehart, formerly Mary Rose		n Ro enoh		Ross A. Eagar and Ellen J. Eagar	100%
CPGS 3% TransOcean Helis Keller Gulf CPGS 3% TransOcean Helis Keller Gulf CPGS 3% TransOcean Helis Keller Gulf Gulf Gulf				TransOcean Helis	Gulf	TransOcean Helis	Keller Gulf
TransOcean Helis Keller Gulf TransOcean Helis Keller Gulf TransOcean Helis Keller Gulf Gulf		21.70% 33.75% 3.75%	40.80%	2170% 33.75% 3.75%	40.80%	21.70% 33.75%	3.75% 40.80%
TransOcean Helis Keller Gulf TransOcean Helis Keller Gulf TransOcean Helis Keller Gulf							
21.70% 33.75% 3.75% 40.80% 21.70 33.75% 10.80% 3.75% 3.75% 3.75%		TransOcean Helis Keller		TransOcean Helis Kaller		TransOcean Hells	Keller Gulf '
		21.70% 33.75% 3.75%	40.80%	21.70 33.75%	40.80%	21.70% 33.75%	3.75% 40.80%

			Sparking IV. Can.	ALLIANG STOVE	COCCAG AC BASSAL	せっているこ	OVERPTING BOYALTY	TORKING INTE	T N T N T N T N T
TRACT	DESCRIPTION OF LAND	OF ACRES	AND EXPIRATION DATE OF LEASE	1 -	PERCENTAGE	AGE	AND PERCENTAGE	-	
30	2N-16W. NMPH	160.00	6921	Evans W. Ferm	TransOcean	21.70%	CPGS 3%	TransOcean	21.70%
7	Section 28: W/25W/4		4-9-85	ett	Helis	33.75%		Helis	33.75%
	29:	,		Ferm 100%	Keller	3.75%		Keller	3.75%
					Gulf	40.80%		Gulf	40.80%
3	2N-15W, NYPM	160.00	9435-1	Carolyn C.	TransOcean	21,70%	CPGS 3%	TransOcean	21.70%
Š	Section 19: E/2E/2		8-24-79	Robertson	Helis	33.75%		Helis	•
				50%	Keller	3.75%		Keller	
					Gulf	40.80%		Gulf	40.80%
			10736-1	Jack M. Amason	TransOcean	21.70%	CPGS 3%	Trans0cean	21.70%
			4-18-82)ar		33.75%		Helis	•
				Amason	Keller	3.75%		Keller	3.75%
				50 x	Gulf	40.80%		Gulf	40.80%
2	2N-15W, NYPH	280.00	10736-1	Jack M. Amason	M. Amason TransOcean	21.70%	CPGS 3%	TransOcean	21.70%
10	Section 30: E/2NE/4, SE/4	•	4-18-82		Helis	33.75%		Helis	•
	SE/4SW/4			Amason	Keller	3.75%		Keller	
				100%	Gulf	40.80%		Gulf	40.80%
3	2N-16W, NAPH	319.52	10821	N. G. Baca	TransOcean	21.70%	CPGS 3%	TransOcean	21.70%
i	13: S/2NW/4		8-31-82	100%	Helis	33.75%		Helis Keller	33.75%
-					Culf	40.80%		Golf.	•
	Section 19: Lot 1, NE/4NW/4 2N-17W, NMPM Section 13: E/2NE/4				GULL	#0.00%		GOLI	•
	2N-16W, NMPM	120.00	10820	Harold O. Ward	Trans0cean	21.70%	CPGS 3%	TransOcean	21.70%
Ç	Section 32: S/2SE/4		82	et al	Heliø	33.75%		Helis	•
	Section 33: SW/4SW/4			2001	Keller	·3.75%.		Keller	3.75%
					Gulf	40.80%		Gulf	40.80%

TRACT	34	35	36
DESCRIPTION OF LAND	2N-16W, NMPM Section 34: SE/4	2N-16W, NMPM Section 33: E/2NW/4, NE/4SW/4, N/2SE/4, SE/4SE/4 Section 34: SW/4SW/4	2N-15W, NMPM Section 28: SE/4
NUMBER OF ACRES	160.00	280.00	160.00
SERIAL NUMBER AND EXPIRATION DATE OF LEASE	10823 8-31-82	9~5~82	
BASIC ROYALTY AND PERCENTAGE	Joe E. Sedillo Transs and Crusita Sedillo Helis 100% Kelle:	Wilbur N. Curtis	Myrtle Cox 100%
LESSEE OF RECORD AND PERCENTAGE	TransOcean o Helis Keller Gulf	TransOcean Helis Keller Gulf	Unleased
CORD	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	
OVERRIDING ROYALTY AND PERCENTAGE	CPGS 3%	CPGS 3%	
WORKING II AND PERCENT	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	
Interest Nd Ntag e	21.70% 33.75% 3.75% 40.80%	33.75% 3.75% 40.80%	

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 Denver, Colorado 80225

CHEMADO UNIC

OCT 1 3 1677

DEPT.

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 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

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 Quesado 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

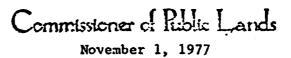
RAY D. GRAHAM, Director Oil and Gas Division

PRL/RDG/s



State of New Mexico





PHIL R. LUCERO COMMISSIONER



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 Interst 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 (\$530.03) Dollars. If we may be of further assistance to you, please advise.

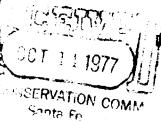
Very truly yours,

PHIL R. LUCERO COMMISSIONER OF PUBLIC LANDS

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

PRL/RDG/s

United States Department of the Interior



GEOLOGICAL SURVEY
Denver Federal Center
Penver, Colorado 80225

007 : 1 1977

no. 6102

TransOcean 011, Inc. Attaction: Mr. C. R. Church 1700 First City East Suilding 1111 Fannin Houston, Texas 77902

Gentlemen:

Your application of September 12, 1977, filed with the Assistant Area 011 and Gas Supervisor, Roswell, Hew Hexico, requests the designation of the Quantum calt, embracing 33,844.04 acres, more or lass, in Catron County, Hew Hexico, 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 extlined 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 unsimultaneously with the final approval of the Quesado unit agreement.

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

If conditions are such that further modification of said standard form is decided necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Das Supervisor for proliminary 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 Roscoll. New Mexico for the Supervisor's approval, include the latest status of all acreege. In preparation of Exhibits "A" and "8", 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 Nexico before soliciting joinders regardless of prior contacts or clearance from the State.

Sincerely yours.

Sange N. Horn

Regional Conservation Hanager

for the Director

Enclosure

cc: N.M.O.C.C., Santa Fe

TransOcean Oil, Inc.

057171977



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:

- 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: suw

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

Tract No.	Federal Serial No.	Expiration Date of Lease
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	NH-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	6-31-85
12	NH-23689	8-31-85
13	NH-23690	5-31-85
14	NM-23698	5-31-85
15	NM-23700	5-31-85
16	NH-23701	5-31-85
17	NM-30462	3-31-85
18	NM-30467	8– 31~85

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

	والإفرادة والمتعرف والمتعادد والمتعادد والمتعادد والمتعادد والمتعادد والمتعادد والمتعادد والمتعادد والمتعادد	NUMBER	SERIAL NUMBER	BASIC ROYALTY	LESSEE OF RECORD	CORD	OVERRIDING ROYALTY	WORK ING IN	NTEREST	- i
NO.	DESCRIPTION OF LAND	ACRES	DATE OF LEASE	PERCENTAGE	PERCENTAGE		PERCENTAGE	PERCENTAGE	GE	-
	FEDERAL LANDS									
	2N-15W, NMPM Section 17: Ali	2,281.59	NM-22163 3-31-85	United States	TransOcean O: Estate of Wil	TransOcean Oil, Inc. 62.50% Estate of William G. Helis	Colorado Plateau Geological Services 3%	TransOcean 6	62.5 4% 33.75%	
					a partnership 33.7	33.75%		Keiller	3.75%	
	Section 29: All				Company, Inc.	3.75%				
	Section 30: Lots 1, 2, 3, E/2NW/4		·			-	12-31-74 1%			
2	2N-15W, NHPM	1,120.00	NM-22166	United States	TransOcean	62.50%	CPGS 3%	0cean	62.50%	
	Section 28: W/2. NE/4		J-01-05	100%	Keller	3.75%	Trustee of the Stewart	Keller	3.75%	
							Venture Trust dated 12-31-74 1%			na e
·	2N-15W, NYPH	639.74	NM-22169	United States	TransOcean	62.50% 33.75%	CPGS 3%	TransOcean Helis	62.50X	
	B/2W/2, E/2				Keller	3.75%	Trustee of the Stewart Venture Trust dated 12-31-74 1%	Keller	3.75 x	
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 Helis Keller	62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helis Keller	62.50% 33.75% 3.75%	
										•

TRACT	Us.	•	7	œ
DESCRIPTION OF LAND	2N-17W, NMPH Section 21: Lots 1,2,3,4, \$/2, E/2NW/4, \$W/4NW/4 Section 28: W/2, NE/4, N/2SE/4 Section 29: Lots 1,2,3,4,5,6,7,8,	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	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	2N-17W, NMPM Section 23: NE/4 Section 24: N/2
NUMBER OF ACRES	1,484.89	2,515.16	2,547.54	480.00
SERIAL NUMBER AND EXPIRATION DATE OF LEASE	NM-22234 3-31-85	NM-22235 3-31-85	NM-22236 3-31-85	NM-22240 3-31-85
BASIC ROYALTY AND PERCENTAGE	United States 100%	United States	United States 100%	United States 100%
LESSEE OF RECORD AND PERCENTAGE	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller
ECORD	62.50% 33.75% 3.75%	62.50% 33.75% 3.75%	62.50x 33.75x 3.75x	62.5 0% 33.75% 3.75%
OVERRIDING ROYALTY AND PERCENTAGE	CPGS 3%	CPGS 3%	CPGS 3X	CPGS 3%
WORKING INTE AND PERCENTAGE	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller	TransOcean Helis Keller
NTEREST AGE	62.50 X 33.75 X 3.75 X	62.50x 33.75x 3.75x	62.50% 33.75% 3.75%	62.5 0% 33.75% 3.75%

				-					
TRACT		NUMBER OF	SERIAL NUMBER AND EXPIRATION	BASIC ROYALTY AND	LESSEE OF RECORD AND	CORD	OVERRIDING ROYALTY AND	WORKING INTI	INTERST
NO.	DESCRIPTION OF LAND	ALKSO	UNIE OF LEASE	PERCENTAGE	PERCENTAGE		PERCENTAGE	PENCENTAGE	
e zamati di	2N-16W, NHPM Section 29: NW/4SW/4	40.00	NM-22566 7-31-85	United States	TransOcean Helis Keller	62.50 % 33.75 % 3.75 %	CPGS 3% Phillip D. Nickell % of 1%	TransOcean Helis Keller	62.50% 33.75% 3.75%
Ö	2N-16W, NMPH Section 22: All Section 23: All Section 25: All	1,920.00	NM- 23687 8-31-85	United States 100%	TransOcean Helis 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 Helis Keller	62.50% 33.75% 3.75%
Pat Pat	2N-16W, NNPM 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	NM23688 8-31-85	United States 100%	TransOcean Helis 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, NMPH 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-23639 8-31-85	United States 100%	TransOcean Helis 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 Helis 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 Section 20: N/2. SE/4 Section 21: All	2,076.96 E/4SW/4	NM- 23690 5-31-85	United States 100%	TransOcean Helis 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 (Helis :	62.50% 33.75% 3.75%

		AZI ZMIN	GDUATIN INTERS	BACTO BOVATTO	A ECCER OF P	BOORD	Company of the contract of the		
TRACT	DESCRIPTION OF LAND	ACRES	AND EXPIRATION DATE OF LEASE	PERCENTAGE	AND AND	OF RECORD	DEBCENTACE AND OVERWIDING MOTALIT	WORKING INTEREST	SCENT.
14	2N-16W, NYPM	2,400.00	NM-23698	United States	TransOcean	62.50%	CPGS 3%	TransOcean 6	62.50%
			5-31-85	100 %	Helis Keller	33.75% 3.75%	Harlan C. Altman, Jr., Trustee of the Stewart Venture Trust dated 12-31-74 1%		33.75% 3.75%
15	2N-16W, NHPM Section 9: All Section 10: All	1,280.00	NM-23700 5-31-85	United States 100%	TransOcean Helis 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 Helis 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 Helis 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 Helis 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	NH-30462 3-31-85	United States 100%	TransOcean Helis Keller	62.50% 33.75% 3.75%	CPGS 3%	TransOcean Helis Keller	62.50% 33.75% 3.75%
18	2N-16W, NMPM Section 27: All Section 28: S/2NE/4, SE/4SW/4, N Section 29: NE/4NE/4, W/2E/2, NE/4NW/4, SE/4SE/4 Section 32: NE/4SE/4	1,120.00 NE/4SE/4	NM-30467 8-31-85	United States 100%	TransOcean Helis 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 Helis Keller	62.50% 33.75% 3.75%

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

TRACT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY LI AND PERCENTAGE 1	LESSEE OF RECORD AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
	STATE LANDS							
19	2N-16W, NMPM Section 32: N/2, SW/4, NW/4SE/4	520.00	LG-2102 8-31-84	State of New Mexico	TransOcean Helis Keller Gulf Oil Corporation	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
20	2N-16W, NMPM Section 16: All Section 36: All	1,280.00	LG-21 03 8 8-31-84	State of New Mexico 100%	TransCcean 2 Helis 3 Keller Gulf 4	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOceun 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
21	2N-17W, NMPM Section 13: SE/4SW/4	40.00	LG-2106 8-31-84	State of New Mexico 100%	TransOcean Helis Keller Gulf	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
22	2N-17W, NMPM Section 32: All Section 36: All	1,280.00	LG-2108 S 8-31-84	State of New Mexico	TransOcean 2 Helis 3 Keller Gulf 4	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
23	2N-17W, NHPH Section 13: N/2SW/4, SW/4SW/4	120.00	LG-2880 S 6-30-85	State of New Mexico 100%	TransOcean 2 Helis 3 Keller Gulf 4	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%
24	2N-15W, NMPM Section 19: Lots 1,2,3,4, E/2W/2 Section 30: Lot 4, W/2NE/4, NE/4SW/4	481.89	LG-4241 S 5-31-87	State of New Mexico 100%	TransOcean 2 Helis 3 Keller Gulf 4	21.70% 33.75% 3.75% 40.80%	CPGS 3%	TransOcean 21.70% Helis 33.75% Keller 3.75% Gulf 40.80%

TRACT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	RD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTE	TEREST GE
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	LG-4242 5-31-87	State of New Mexico TransOcean 100% Helis Keller Gulf	ico 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%

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

28	27	26
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	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	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
640.00 /4SE/4	560.00	320.00
6173 6-26-84	6171 6-26-84	6170 7-9-84
Ross A. Eagar and Ellen J. Eagar 100%	Marvin Ross Eagar and Tenoha Rae Eagar 100%	Herman D. Chevez and Mary Rose Dehart, formerly Mary Rose Chevez 100%
TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf
21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%
CPGS 3%	CPGS 3%	CPGS 3%
TransOcean Helis Keller Gulf	TransOcean Helis Keller Gulf	TransOtean Helis Keller Gulf
21.70% 33.75% 3.75% 40.80%	21.70 33.75% 3.75% 40.80%	21.70% 33.75% 3.75% 40.80%

TRACT #0. 29 30	DESCRIPTION OF LAND 2N-16W, NMPM Section 28: W/2SW/4 Section 29: SE/4NE/4, NE/4SE/4 2N-15W, NMPM Section 19: E/2E/2	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE 6921 4-9-85 9435-1 8-24-79 10736-1 10736-1 4-18-82	PERC PERC Perm Ferm Solvent So	PASIC ROYALTY AND PERCENTAGE PERCENTAGE Evans W. Ferm and Betty Jo Ferm 100% Ferm 100% Ferm 200% Amazon Amazon Amazon Amazon	ROYALTY ND NTAGE 1. Ferm Tra ty Jo Hel 100% Kel 100% Kel Gul Kel Gul Amason Tra Kel Kel Kel	ROYALTY LESSEE OF AND AND ENTAGE PERCENTA 1. Ferm TransOcean ty Jo Helis 100% Keller Gulf	ROYALTY ND NTAGE 1. Ferm Traity Jo Hell 100% Kell 100% Kell Gul Kell Gul Amason Traits
	2N-15W, NMPM Section 19: E/2E/2	160.00		Carolyn C. Robertson 50% Jack M. Amason and Darlene B. Amason		cean	· (3.63 % (3.63	21.70% CPGS 33.75% 3.75% 40.80% 21.70% CPGS 33.75% 3.75%
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 100%	TransOcean Helis Keller Gulf	Ocean r	Ocean 21.70% 33.75% r 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%	TransO Helis Keller Gulf	Ocean r	Ocean 21.70% 33.75% 2r 3.75% 40.80%	Ocean
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 Helis Keller Gulf	30cean 21.70% 33.75% 21 '3.75%, 40.80%)cean

TRACT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER BASIC ROYALTY AND EXPIRATION AND DATE OF LEASE PERCENTAGE		AND PERCENTAGE	ORD	OVERRIDING ROYALTY AND PERCENTAGE
34	2N-16W, NMPM Section 34: SE/4	160.00	10823 8~31~82	Joe E. Sedillo Transi and Crusita Sedillo Helis 100% Kelle	Ocean	21.70% 33.75% 3.75% 40.80%	CPGS 3%
35	2N-16W, NMPM Section 33: E/2NW/4, NB/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	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 offshore 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 deliniated 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.
- Application of Mewbourne Sil 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 0 of Section 15, Township 17 South, Range 26 East, Eddy County, New Mexico.

OIL CONSERVATION COMMISSION



DIRECTOR
JOE D. RAMEY

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

PHIL R. LUCERO



STATE GEOLOGIST EMERY C. ARNOLD

Memo No. 6-77

<u>NOTICE!</u> <u>NOTICE!</u> <u>NOTICE!</u> 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

CATRON, CATRON & SAWTELL

Attorneys and Counselors at Law
The Plaza
Santa Fe, New Mexico 67501

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:

THOMAS B. CATRON, 1840-1921 FLETCHER A. CATRON, 1890-1964

THOMAS B. CATRON, III
JOHN S. CATRON
WILLIAM A. SAWYELL, JR.
FLETCHER R. CATRON

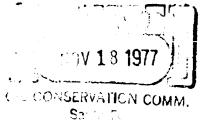
WILLIAM F. CARR W. ANTHONY SAWTELL

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.

y 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 6/02

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 Agremeent 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:

		15 West, N.M.P.M.
Sections 1	7 through 21:	All
Sections 2	8 through 32:	All
	-	
		16 West, N.M.P.M.
	North, Range thorugh 10:	16 West, N.M.P.M. 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.

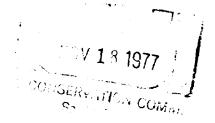
- That the applicant, TransOcean, Oil, Inc., is designated as Unit Operator in said Unit Agreement and all oil and gas in any and all formations down to the top of the Abo formation are being unitized.
- That the Unit Area has been designated by the United States Geological Survey as an area logically subject to unitization pursuant to the provisions of the Mineral Leasing Act as amended.
- That the Unit Agreement has been approved as to form and content by the State Land Office.
- 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

> > 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 6/02

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 thorugh 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, TransCccan, 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.
- 6. That the Unit Agreement has been approved as to form and content by the State Land Office.
- 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 & SAWIELL

P. O. Box 788

Santa Fe, New Mexico 87501

Attorneys for Applicant

V 1 3 1977

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 thorugh 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.
- 6. That the Unit Agreement has been approved as to form and content by the State Land Office.
- 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 & SAWIELL

william F. Car

P. O. Box 788

Santa Fe, New Mexico 87501 Attorneys for Applicant dr/

SEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING

	CALLED BY THE OIL CON COMMISSION OF NEW MEX THE PURPOSE OF CONSID	ICO FOR		
			CASE No.	6102
			Order No.	R-5606
	APPLICATION OF TRAIT FOR APPROVAL OF THE UNIT AGREEMENT, CAS		-	000
	· .	ORDER OF THE COMMISSION	/	Joy J
	BY THE COMMISSION:		\mathcal{U}	
Rich		on for hearing at 9 o'd at Santa Pe, New Mexico,		
	a quorum being present	day of <u>December</u> , t, having considered the ns of the Examiner, and	e testimon	y, the record,
	FINDS:			
		ublic notice having been as jurisdiction of this		
	(2) That the ap	pplicant, Transocean	Oil. Inc	· · · · · · · · · · · · · · · · · · ·
	(2) That the apsects approval of the		Un	it Agreement
	seeks approval of the		Un State, of Federa	it Agreement l lands
	seeks approval of the	Quemado	Un State,	it Agreement l lands
	seeks approval of the covering 33,844,044 described as follows:	Quemadoacres, more or less, o	State, of Federa and Fe	it Agreement l lands
	seeks approval of the covering 33,844,044 described as follows:	Quemado	State, of Federa and Fe	it Agreement l lands
	covering 33,844,044 described as follows: TOWNSHI Section Town and	Quemado _acres, more or less, o CATRON COUNTY, NEW MED P 2 North, RANGE 15 Wos 17 Mars 21: 911 28 Mars 32: 9 N	State, of Federa and Fe	it Agreement l lands
	seeks approval of the covering 33,844,044 described as follows: TOWNSHI Section Townshi Section	Quemado acres, more or less, of CATRON COUNTY, NEW MED P 2 North, RANGE 15 Wis 17 Mars 21: 1911 28 Mars 32: 19 N 2 North, Range 16 7 2 Thru 10: 77/1	State, of Federa and Fe	it Agreement l lands
	seeks approval of the covering 33,844,044 described as follows: TOWNSHI Section Town all Section of the covering 33,844,044 Town all Section of the covering 33,844,044 Section of the covering 33,844,044 Town all covering 33,844,044 Section of the covering 33,844,044 Section of the covering 33,844,044 Town all covering 33,844,044 Section of the covering 34,844,044 Section of	Quemado acres, more or less, of CATRON COUNTY, NEW MED P 2 North, RANGE 15 Wis 17 Km, 21: 911 28 Km, 32: 9 N 2 74 m, 32: 9 N 3 4 m, 36: 7711	State, of Federa and Fe	it Agreement l lands e
	seeks approval of the covering 33,844,044 described as follows: TOWNSHI Section Townshi Section Townshi Section	Quemado acres, more or less, of CATRON COUNTY, NEW MED P 2 North, RANGE 15 Wis 17 Km, 21: 11/ 28 Km 32: 11/ 28 Km 32: 11/ 28 Km 32: 11/ 3 Km 36: 17// 3 Km 36: 17// 3 Km 36: 17// 3 Roy 36: 17//	State, of Federa and Fe	it Agreement l lands e
	seeks approval of the covering 33,844,044 described as follows: TOWNSHI Section Townshi Section Townshi Section Section Townshi	Quemado acres, more or less, of CATRON COUNTY, NEW MED P 2 North, RANGE 15 Wis 17 Km, 21: 1911 28 Km 32: 19 N 2 Thin 32: 19 N 3 Km 36: 1711 1 Thin 27: 1711	State, of Federa and Fe	it Agreement l lands e
	seeks approval of the covering 33,844,044 described as follows: TOWNSHI Section Townshi Section Townshi Section Section Townshi	Quemado acres, more or less, of CATRON COUNTY, NEW MED P 2 North, RANGE 15 Wis 17 Km, 21: 11/ 28 Km 32: 11/ 28 Km 32: 11/ 28 Km 32: 11/ 3 Km 36: 17// 3 Km 36: 17// 3 Km 36: 17// 3 Roy 36: 17//	State, of Federa and Fe	it Agreement l lands e

(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 <u>ipso facto</u> upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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