

CASE 6645: DEPCO INC. FOR APPROVAL OF
THE APACHE SPRINGS UNIT AREA, CHAVES
COUNTY, NEW MEXICO

6646

6645

Application

Transcripts.

Small Exhibits

ETC.

Unit Name APACHE SPRINGS UNIT-EXPLORATORY
Operator DEPCO, INC.
County CHAVES

DATE	OCC CASE NO.	6645	EFFECTIVE	TOTAL				SEGREGATION
APPROVED	OCC ORDER NO.	R-6123	DATE	ACREAGE	STATE	FEDERAL	SEVERAL-FEE	CLAUSE
Commissioner:	Commission		8-14-80	26,076.59	2,970.12	22,466.47	640.00	Yes
July 3, 1980	9-24-79							5 yrs.

UNIT AREA

TOWNSHIP 10 SOUTH, RANGE 30 EAST, NMPH

Sections 20 and 21 All
Sections 25 thro 29 All
Sections 32 thro 36 All

TOWNSHIP 11 SOUTH, RANGE 30 EAST, NMPH

Partial Sections 1 through 4: All
Sections 9 through 16: All
Sections 20 through 29: All
Sections 33 through 36: All

TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPH

Partial Sections 5 and 6: All
Section 7: All
Sections 18 and 19: All

*Correction
on tract 52*

TERMINATED
APP: 6/14/81
ECC: 5/10/81
*for failure to Drill their
4th well on time*

Unit Name APACHE SPRINGS UNIT-EXPLORATORY
 Operator DEPCO, INC.
 County CHAVES

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
44	B-9495-12	C.S.	16	11S	30E	NE/4NE/4	(NOT COMMITTED)		40.00	Union Oil Company of California
45	L-6776 X	C.S.	32	10S	30E	A11	9-20-79	640.00		Great Western Drilling Company
46	L-6777-1X	C.S.	16	11S	30E	W/2, SE/4NE/4, SE/4SE/4	9-28-79	400.00		Depco, Inc.
47	L-7001	C.S.	36	10S	30E	NE/4, SW/4, S/2SE/4	(NOT COMMITTED)		400.00	E. L. Latham, Jr.
48	LG-3234	C.S.	36	10S	30E	N/2SE/4	10-11-79	80.00		Yates Petroleum Corp.
49	LG-4722 X	C.S.	36	11S	30E	A11	5-13-80	640.00		Gulf Oil Corporation
50	LG-5352X	C.S.	36	10S	30E	NW/4	5-13-80	160.00		Gulf Oil Corporation
51	LG-5413 X	C.S.	16	11S	30E	W/2E/2, NE/4SE/4	9-28-79	200.00		Depco, Inc.
52	LG-8003 26-8005	C.S.	2	11S	30E	Lots 1, 2, 3, 4, S/2	4-21-80	410.12		Samedan Oil Corporation

TERMINATED
 APP: 6/4/82 -- EFF: 5/14/82
 for failure to drill their 4th
 well on time



United States Department of the Interior

GEOLOGICAL SURVEY

South Central Region

P. O. Box 26124

Albuquerque, New Mexico 87125

14 AUG 1980

6645

RECEIVED
AUG 13 1980
OIL CONSERVATION DIVISION
SANTA FE

Edmundson, Inc.
Attn: R. B. Edmundson
P. O. Box 1707
Denver, Colorado 80201

Gentlemen:

One approved copy of the Apache Springs unit agreement, Chaves County, New Mexico, with Depco, Inc., as unit operator, is enclosed. Such agreement has been assigned No. 14-08-0001-18434 and is effective the same date as approved.

You are requested to furnish all interested principals with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SGD.) GENE F. DANIEL

for Floyd L. Stelzer
Acting Deputy Conservation
Manager
Oil and Gas

Enclosure

cc:

NMOCD, Santa Fe ✓

State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

July 3, 1980

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

Edmundson, Inc.
P. O. Box 1707
Denver, Colorado 80201

Re: Apache Springs Unit
Chaves County, New Mexico

ATTENTION: Mr. R. B. Edmundson

Gentlemen:

The Commissioner of Public Lands has this date approved the Apache Springs Unit, Chaves County, New Mexico. Our approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval.

Your filing fee in the amount of Four Hundred and Thirty (\$430.00) Dollars has been received.

Please advise when the USGS gives their approval so that we may finish processing same.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505-827-2748

AJA/RDG/s
encls.
cc:

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

Unit Name APACHE SPRINGS UNIT-EXPLORATORY
 Operator DEPCO, INC.
 County CHAVES

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	SEGREGATION	TERM
APPROVED	OCC ORDER NO. R-6123	8-14-80	26,076.59	2,970.12	22,466.47	640.00	5 yrs.
Commissioner:	Commission	9-24-79					
July 3, 1980							

UNIT AREA

TOWNSHIP 10 SOUTH, RANGE 30 EAST, NMPM
 Sections 20 and 21 All
 Sections 25 thro 29 All
 Sections 32 thro 36 All
 TOWNSHIP 11 SOUTH, RANGE 30 EAST, NMPM
 Partial Sections 1 through 4: All
 Sections 9 through 16: All
 Sections 20 through 29: All
 Sections 33 through 36: All
 TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPM
 Partial Sections 5 and 6: All
 Section 7: All
 Sections 18 and 19: All

Corrected 52
Ar

CEIL

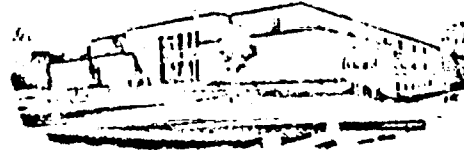
Unit Name APACHE SPRINGS UNIT-EXPLORATORY
 Operator DEPCO, INC.
 County CHAVES

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
44	B-9495-12	C.S.	16	11S	30E	NE/4NE/4	(NOT COMMITTED)		40.00	Union Oil Company of California
45	L-6776 X	C.S.	32	10S	30E	All	9-20-79	640.00		Great Western Drilling Company
46	L-6777-1X	C.S.	16	11S	30E	W/2, SE/4NE/4, SE/4SE/4	9-28-79	400.00		Depco, Inc.
47	L-7001	C.S.	36	10S	30E	NE/4, SW/4, S/2SE/4	(NOT COMMITTED)		400.00	E. L. Lathan, Jr.
48	LG-3234	C.S.	36	10S	30E	N/2SE/4	10-11-79	80.00		Yates Petroleum Corp.
49	LG-4722 X	C.S.	36	11S	30E	All	5-13-80	640.00		Gulf Oil Corporation
50	LG-5352X	C.S.	36	10S	30E	NW/4	5-13-80	160.00		Gulf Oil Corporation
51	LG-5413 X	C.S.	16	11S	30E	W/2E/2, NE/4SE/4	9-28-79	200.00		Depco, Inc.
52	LG-8883X 85-8005	C.S.	2	11S	30E	Lots 1, 2, 3, 4, S/2	4-21-80	410.12		Samedin Oil Corporation

State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

November 19, 1980

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

Edmundson, Inc.
P. O. Box 1707
Denver, Colorado 80201

Re: Apache Springs Unit
Chaves County, New Mexico

ATTENTION: Mr. R. B. Edmundson

Gentlemen:

The captioned unit was approved by this office July 3, 1980. A discrepancy appears under Tract 52. The Lease Number should read LG-8008 and not LG-8003. We have made this correction on our Exhibit. Please correct yours accordangly.

Very truly yours,

ALEX J. ARMIJO
Commissioner of Public Lands

BY:
Floyd O. Prando, Assistant Director
Oil and Gas Division
AC 505-827-2748

AJA/FOP/s
cc:

OCD-Santa Fe, New Mexico
USGS-Roswell, New Mexico
USGS-Albuquerque, New Mexico
New Mexico Oil and Gas Accounting Commission



IN REPLY
REFER TO.

United States Department of the Interior

JUN 11 1982
MANAGEMENT SERVICE
SOUTH CENTRAL REGION
300 MARQUETTE AVENUE, N.W., SUITE 815
OIL COMMISSION, NEW MEXICO 87102
SANTA FE

JUN 10 1982

Edmundson, Inc.
Attention: R. B. Edmundson
P. O. Box 1707
Denver, Colorado 80201

6645

Gentlemen:

Termination of the Apache Springs Unit Agreement, No. 14-08-0001-18434,
Chaves County, New Mexico, pursuant to Section 20 thereof, was approved
on this date effective May 10, 1982. Copies of the termination are
being distributed to the appropriate Federal office and you are
requested to furnish notice to all interested parties.

Sincerely yours,

(ORIG. SGD.) JAMES W. SHELTON

FOR Gene F. Daniel
Deputy Minerals Manager
Oil and Gas

Enclosure

CC:
BLM, Santa Fe (w/encl)
NMOCID
Comm. of Public Lands

State of New Mexico



ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

June 4, 1982

P. O. BOX 1148
SANTA FE, NEW MEXICO 87504
87504-1148

Depco, Inc.
1025 Petroleum Club Building
Denver, Colorado 80202

Re: Apache Springs Unit
Chaves County, New Mexico
Termination

Gentlemen:

The Apache Springs Unit Agreement, Chaves County, New Mexico, was approved effective as of August 14, 1980. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months time between the completion of one well and the beginning of the next, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that no further drilling has occurred within the boundaries of the Apache Springs Unit after the Unit Well No. 3 was completed as a dry hole November 7, 1981. Inasmuch as you have not begun drilling a fourth well within the required six month period pursuant to section 9 of the Unit Agreement, the Apache Springs Unit has been terminated.

We are this date advising the United States Minerals Management Service and the New Mexico Oil Conservation Division.

Please advise all other interested parties of this action.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
FLOYD O. PRANDO, Assistant Director
Oil and Gas Division
AC 505/827-2748

AJA/FOP/pm
encls.
cc:

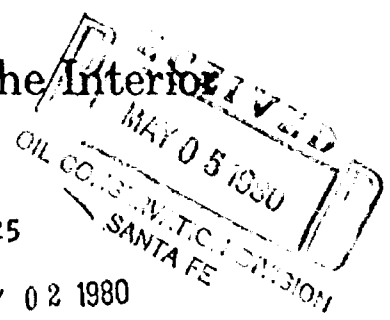
OCD-Santa Fe, New Mexico
USMMS-Albuquerque, New Mexico
Administration

6645

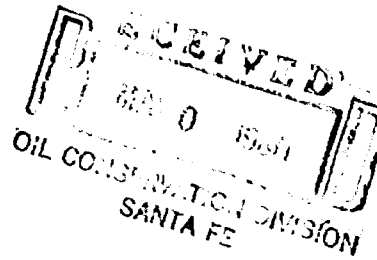


United States Department of the Interior

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



MAY 02 1980



Depco, Inc.
c/o Edmundson, Inc.
P. O. Box 1707
Denver, Colorado 80201

Gentlemen:

Your letter requests modification of your proposed Apache Springs unit area, Chaves County, New Mexico. The area was designated as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended, by letter dated July 30, 1979, from the Acting Conservation Manager for the Director. The unit area, as originally designated, contained 31,198.69 acres, more or less. Your proposed modification requests reduction of the area to 26,076.59 acres, more or less, based on your re-evaluation of the unit area.

Pursuant to unit plan regulations 30 CFR 225, the land requested in your amended application as outlined on your revised plat marked "Exhibit 'A' Apache Springs Unit Area, Chaves County, New Mexico" is hereby designated as a logical unit area.

All other provisions and conditions of the original designation of July 30, 1979, remain in full force and effect.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

James W. Sutherland
Acting Conservation Manager
for the Director

cc:
NMOCD, Santa Fe

April 8, 1980

Mr. Ray D. Graham
Director Oil and Gas Division
P. O. Box 1148
Santa Fe, NM 87501

Mr. Joe Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Re: Apache Springs Unit Area
Chaves County, New Mexico

Gentlemen:


Enclosed please find copies of the following:

1. Amended Application for Designation of Proposed Unit Area and Determination of Depth of Test Well for the Apache Springs Unit Area.
2. Revised Exhibits "A" and "B".
3. Geological Report with it companion geological map.

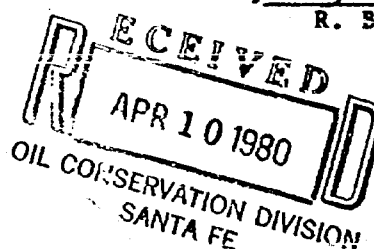
If it is necessary to set another hearing before the Oil Conservation Division, please let us know.

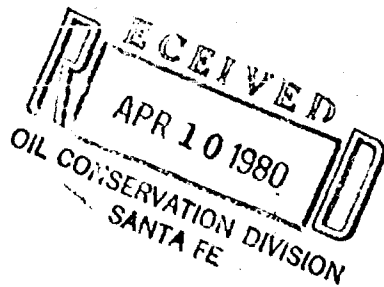
Very truly yours,

EDMUNDSON, INC.

By 
R. B. Edmundson

RBE:nct
Enclosures
cc: Mr. John Hubbard
Depco, Inc.





DEPCO, Inc.

PRODUCTION & EXPLORATION

TO: The Director
United States Geological Survey
Washington, D. C. 20025

THROUGH: Mr. James W. Sutherland
Area Oil and Gas Supervisor
United States Geological Survey
Suite 815
505 Marquette N. W.
Albuquerque, NM 87102

Re: Amended Application for Designation
of Proposed Unit Area and Determination of Depth of Test Well for the
Apache Springs Unit Area
Chaves County, New Mexico

Dear Sir:

Reference is made to the following:

1. Application for Designation of Proposed Unit Area and Determination of Depth of Test Well for the Apache Springs Unit Area, Chaves County, New Mexico, dated July 11, 1979.
2. Letter dated July 30, 1979, from the Acting Conservation Manager for the Director designating 31,198.69 acres, more or less, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended, to be known as the "Apache Springs Unit Area".

We found it necessary to re-evaluate the geology which dictates that the unit boundaries should be modified. Therefore, it is requested that the designated Apache Springs Unit Area be amended by making the following changes based on this re-evaluation.

Delete the following lands:

Township 10 South, Range 30 East, N.M.P.M.
Sec. 19: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$
Sec. 30: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$
Sec. 31: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$

Township 11 South, Range 30 East, N.M.P.M.
Sec. 32: All

Township 12 South, Range 30 East, N.M.P.M.
Sec. 4: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$
Sec. 5: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$
Sec. 8: All
Sec. 9: All

The proposed revised Unit Area of 26,076.59 acres, more or less, is composed of 22,466.47 acres (86.16%) of Federal lands, 2,970.12 acres (11.39%) of New Mexico State lands and 640.00 acres (2.45%) of Patented lands.

The objective depths, as stated in the following two (2) wells, remain as previously given preliminary approval in your letter of July 30, 1979:

1. One well drilled to a depth of 10,000 feet or 50 feet into the top of the Mississippian Limestone formation, whichever is the lesser depth, and
2. One well drilled to a depth of 10,200 feet or 50 feet into the top of the Mississippian Limestone formation, whichever is the lesser depth.

For the lands within the proposed Unit Area, we refer you to the attached Exhibit "A", which shows, in addition to the proposed Unit boundary, the boundaries and identity of the various tracts and leases in the proposed revised Unit Area to the extent of our present knowledge. The serial numbers of all Federal and State of New Mexico leases within the proposed Unit Area are listed on Exhibit "B", hereto attached.

In support of this Application, we are submitting separately, in duplicate, a geological report with a map based on our re-evaluation of the area. This shows the geological conditions within the proposed Unit Area. It is requested that this information be held confidential.

Please transmit all correspondence regarding this application to Edmundson,
Inc., P. O. Box 1707, Denver, Colorado 80201.

Very truly yours,

DEPCO, INC.

By 

O. J. Hubbard
District Landman

OJH:RBE:net
Enclosures

EXHIBIT "B"
AMENDED AREA AND DEPTH APPLICATION
APACHE SPRINGS UNIT AREA
CHAVES COUNTY, NEW MEXICO

TRACT NUMBER

FEDERAL SERIAL NUMBER

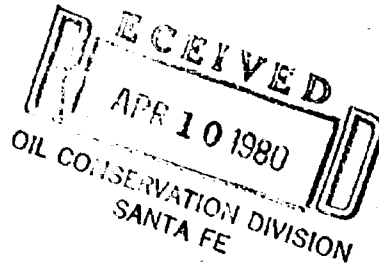
1	NM-0557565
2	NM-14142
3	NM-14316
4	NM-14485
5	NM-14485-A
6	NM-14485-B
7	NM-14485-C
8	NM-14782
9	NM-15441
10	NM-15675
11	NM-16119
12	NM-16339-A
13	NM-16340
14	NM-16805
15	NM-16811
16	NM-16811-A
17	NM-17051
18	NM-17428
19	NM-17591
20	NM-17592
21	NM-17804
22	NM-18040
23	NM-18229
24	NM-18499
25	NM-18500
26	NM-18505
27	NM-18618
28	NM-18619
29	NM-18837
30	NM-18843
31	NM-18992
32	NM-19610
33	NM-19614
34	NM-19851
35	NM-20963
36	NM-22635
37	NM-22637
38	NM-27646
39	NM-31111
40	NM-36618
41	NM-37853
42	Unleased (KCS)
43	Unleased

STATE OF NEW MEXICO

44	B-9495-12
45	L-6776
46	L-6777
47	L-7001
48	LG-3234
49	LG-4722
50	LG-5352
51	LG-5413
52	LG-8003

DEPCO, Inc.

PRODUCTION & EXPLORATION



GEOLOGICAL REPORT PROPOSED APACHE SPRINGS UNIT CHAVES COUNTY, NEW MEXICO

LOCATION:

The proposed Apache Springs Unit is positioned on the N.W. Shelf of the Permian Basin portion of Southeast New Mexico. Geographically, it is located approximately 30 miles east of Roswell, New Mexico.

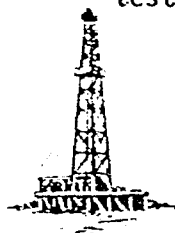
UNIT PROPOSAL:

Depco, Inc. proposes the formation of a Federal Unit to be known as the Apache Springs Unit which would be comprised of approximately 26,076.59 acres covering portions of Townships 10 and 11 South, Ranges 30 and 31 East. Depco, as operator, proposes the drilling of two (2) Atoka-Morrow test wells within the Unit to evaluate the gas potential of these reservoirs. One well is to be drilled in the NE/4SW/4 of Section 28, T10S-R30E to a depth of 10,000' or 50' into the top of the solid Mississippian Limestone formation, whichever is the lesser. The second well is to be drilled in the SE/4NW/4 of Section 27, T11S-R30E to a depth of 10,200' or 50' into the top of the solid Mississippian Limestone, whichever is the lesser. The Unit outline and proposed locations are shown on the attached Exhibit.

GENERAL GEOLOGIC DISCUSSION:

The objective of the two (2) wildcat tests Depco proposes to drill in the Apache Springs Unit is to evaluate stratigraphic accumulation of gas in the Atoka-Morrow sands.

The drilling for and subsequent evaluation of Atoka-Morrow gas reserves in the N.W. Shelf area of Chaves County has been at a relatively slow pace and for the most part, in scattered areas along the Shelf. As a consequence, the existing well control has made interpretation of the depositional environment of Atoka-Morrow clastics somewhat difficult. It is probably deltaic but the systems have not been too well defined and the thicker areas of deposition have not been evaluated to any extent. Wildcat drilling has been fairly successful over the years and gas production has been established over a wide area. There have also been encouraging shows from drillstem test, etc. throughout the area of deposition on the Shelf. A great deal of additional exploratory drilling is needed, however, to evaluate the full potential of this area. Depco hopes to further this evaluation of the gas reserves by the drilling of the two proposed test wells.



SUITE 402, WESTERN UNITED BUILDING • MIDLAND, TEXAS 79701 • PHONE 915/682-6308

The proposed Unit outline encompasses a local area of thick Atoka-Morrow clastic deposition that is, for the most part, untested and is flanked by numerous shows of gas and thinner sand deposition. Exhibit "B" is an Isopach of the "gross sand thickness" of the Atoka-Morrow within the Unit boundry. Regional dip is to the East. Depositional limits of the Atoka-Morrow is updip to the West. Regional isopaching of the gross Atoka-Morrow indicates several interpreted depositional systems or troughs converging in the Unit area. Thicker clean sands stratigraphically trapped with better reservoir conditions should be developed here as potential gas reserves. The gas accumulation in these reservoirs would be trapped by an updip permeability barrier with gradual thinning and increased shale facies basinward.

PREVIOUS DRILLING WITHIN THE PROPOSED UNIT:

Only 3 wells have been drilled deep enough to penetrate the Atoka-Morrow within the Unit outline:

The Atlantic #1 Fed. Union in Section 7 of 11S-31E was drilled in 1955 to a TD of 10,763' in the Siluro-Devonian. A DST in the Atoka-Morrow from 9698-9738' flowed gas on a DST and recovered 135' GCM. Salty sulphur water was recovered on a test of the Siluro-Devonian. Operator plugged back and completed from a zone in the Wolfcamp that tested oil on a DST. The well has since been abandoned after making 4815 BO. The two dry holes offsetting this well in Sections 12 and 18 were drilled to the Wolfcamp and plugged.

The Cosden #1-A Federal in Section 34 of 10S-30E was drilled in 1959 to a TD of 10,765' in the Siluro-Devonian and was plugged after recovering salt water on a DST of that zone. A DST from 9762-9822' in the Atoka-Morrow had GTS in 26" but was not measured. No other tests were taken.

There were no completion attempts made on the two above wells in the Atoka-Morrow probably due to the exceptionally low gas price at the time they were drilled and the lack of market.

The Signal #1-A Federal in Section 6 of 11S-31E was drilled in 1972 to a TD of 10,694' in the Siluro-Devonian and was plugged after recovering salt water on a DST of that zone. No other DST's were taken.

DELINEATION OF THE UNIT:

The western boundry is defined by all full Sections of which 50% or more are cut by an updip permeability barrier that is established by wells, outside of the Unit boundry, encountering tite sands. One of the wells is a submarginal producer out of the Atoka-Morrow.

Proposed Apache Springs Unit
Chaves County, New Mexico
Page Three


The southern boundry is defined by all full Sections of which 50% or more are cut by an updip permeability barrier. The Depco well in Section 3, outside of the Unit, had a show of gas but was too tite to produce.

The eastern boundry is defined by all full Sections, 50% or more of which are cut by the 100' isopach contour line of the "gross sand thickness". The 100' isopach contour was used as it defines the minimum gross sand thickness downdip that would relate to quality reservoir sand development as evidenced by the Atlantic well in Section 7 which tested gas from the Atoka-Morrow.

The northern boundry of the proposed Unit is defined by all full Sections of which 50% or more are cut by an updip permeability barrier which is analogous to the southern boundry parameters in regard to the related 100' isopach line of the "gross sand thickness".

SUMMARY:

The proposed Apache Springs Unit is being formed to allow an orderly exploration and development of the anticipated stratigraphic accumulation of natural gas in the Atoka-Morrow reservoirs.



L. J. Seright
District Exploration Manager
Depco, Inc.

EXHIBIT "B"

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

APACHE SPRINGS UNIT AREA
CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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FEDERAL LANDS:

1.	<u>T11S-R30E, N.M.P.M.</u>	160.00	NM-0557565	U.S.A.-All	Depco, Inc.	50%	William M. Weaver, Jr., Solvelg E. Weaver 5% Jack L. and Barbara A. McClellan 2.5%	Depco, Inc. Nicor Exploration Company	50%
	Sec. 21: SW $\frac{1}{4}$		Effective 8-1-65 HBP		Nicor Exploration Company	50%			50%
2.	<u>T11S-R30E, N.M.P.M. 2,440.00</u>		NM-14142	U.S.A.-All	Depco, Inc.	100%	Ruble C. and Bryan Bell 5%	Depco, Inc.	100%
	Sec. 15: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{4}$		Effective 8-1-71						
	Sec. 22: E $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$								
	Sec. 23: NW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$		Expires 7-31-81						
	Sec. 26: W $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$								
	Sec. 27: NE $\frac{1}{4}$, W $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{4}$								
	Sec. 33: N $\frac{1}{4}$, SW $\frac{1}{4}$								
	Sec. 34: E $\frac{1}{4}$ E $\frac{1}{4}$, W $\frac{1}{4}$ SW $\frac{1}{4}$								
	Sec. 35: W $\frac{1}{4}$ NW $\frac{1}{4}$								

3.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 23: NE%	160.00	NM-14316 Effective 9-1-71 Expires 8-31-81	U.S.A.-All	Black Shield Development Corporation	100%	Margaret Gerardi	2%	Black Shield Development Corporation	100%
4.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 24: SW%, W%SE%, NE%SE%	280.00	NM-14485 Effective 12-1-75 Expires 11-30-81	U.S.A.-All	Yates Petroleum Corporation	100%	K. J. and Marie A. Feil	3%	Yates Petroleum Corporation	100%
5.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 13: S% Sec. 14: SE%	480.00	NM-14485-A Effective 12-1-71 Expires 11-30-81	U.S.A.-All	Aminoil USA, Inc.	100%	J. J. Feil D. O. Keon	2% 1%	Aminoil USA, Inc.	100%

6.	<u>TLIS-R30E, N.M.P.M.</u> Sec. 24: NE₁ , E₃NE₄	240.00	NM-14485-B Effective 12-1-71 Expires 11-30-81	U.S.A.-All	Aminoil USA, Inc.	100%	K. J. Feil D. O. Keon	2% 1%	Aminoil USA, Inc.	100%
7.	<u>TLIS-R30E, N.M.P.M.</u> Sec. 25: SW₄ Sec. 26: SE₄	320.00	NM-14485-C Effective 12-1-71 Expires 11-30-81	U.S.A.-All	Yates Petroleum Corporation	100%	K. J. Feil D. O. Keon	2% 1%	Yates Petroleum Corporation	100%
8.	<u>TLIS-R30E, N.M.P.M.</u> Sec. 14: SW₄SW₄ Sec. 20: SE₂NE₄ , W₃SE₄ , E₃W₄ Sec. 29: W₄NE₄ , E₃NE₄ , NW₄SW₄ , E₃SE₄ Sec. 34: W₄NE₄	760.00	NM-14782 Effective 2-1-72 Expires 1-31-82	U.S.A.-All	Depco, Inc.	100%	C. H. and E. T. Thierlot	5%	Depco, Inc.	100%
9.	<u>TLIS-R30E, N.M.P.M.</u> Sec. 20: NE₄NE₄ , W₃W₄ , E₃SE₄ Sec. 29: W₄NE₄ , NW₄SW₄ , SE₄SW₄	480.00	NM-15441 Effective 6-1-72 Expires 5-31-82	U.S.A.-All	John A. Yates	100%	None		John A. Yates	100%

10.	<u>T11S-R30E, N.M.P.M.</u>	320.00	NM-15675	U.S.A.-All	J. M. Huber Corporation	100%	None	J. M. Huber Corporation	100%
	Sec. 33: <u>SE₁</u>		Effective						
	Sec. 34: <u>NW₁</u>		6-30-82						
			Expires						
			7-1-72						

11.	<u>T11S-R30E, N.M.P.M.</u>	240.00	NM-16119	U.S.A.-All	Duncan Miller	100%	None	Duncan Miller	100%
	Sec. 22: <u>NW₁SW₁</u>		Effective						
	Sec. 28: <u>SE₁</u>		8-1-72						
	Sec. 29: <u>NE₁NW₁</u>		Expires						
			7-31-82						

12.	<u>T10S-R30E, N.M.P.M.</u>	1,200.00	NM-16339-A	U.S.A.-All	Depco, Inc.	100%	Lon V. Smith	5%	Depco, Inc. Nikor Exploration Company	50%
	Sec. 25: <u>All</u>		Effective							
	Sec. 26: <u>E₁, NW₁, E₁SW₁</u>		8-1-72							
			Expires							
			7-31-82							

13.	<u>T11S-R30E, N.M.P.M.</u>	284.06	NM-16340	U.S.A.-All	Depco, Inc.	100%	C. E. Strange	2.5%	Depco, Inc.	100%
	Sec. 3: <u>SPx</u>		Effective				Geo. Globe	2.5%		
	Sec. 4: <u>Lots 1,2</u>		8-1-72							
	Sec. 9: <u>SxNEx</u>		Expires							
			7-31-82							
14.	<u>T11S-R30E, N.M.P.M.</u>	363.46	NM-16805	U.S.A.-All	Depco, Inc.	100%	Thomas C. Hardy	1.5%	Depco, Inc.	100%
	Sec. 4: <u>Lots 3,4, SWx</u>		Effective				Dean W. Rowell	1.5%		
	Sec. 9: <u>NWx</u>		10-1-72				J. P. Cavanaugh	1%		
			Expires							
			9-30-82							
15.	<u>T11S-R30E, N.M.P.M.</u>	80.00	NM-16811	U.S.A.-All	Kathryn A. Dalton	100%	None		Kathryn A. Dalton	100%
	Sec. 22: <u>NxNWx</u>		Effective							
			10-1-82							
			Expires							
			9-30-82							
16.	<u>T11S-R30E, N.M.P.M.</u>	400.00	NM-16811-A	U.S.A.-All	Harvey E. Yates Company		Kathryn A. Dalton	5%	Harvey E. Yates Company	
	Sec. 21: <u>E₂NE₂, SE₂</u>		Effective		85.0289%		<u>Production Payment:</u>		85.0289%	
	Sec. 28: <u>S₂NW₂, S₂SW₂</u>		10-1-72		Coronado Exploration,		John W. Gates	.625%	Coronado Exploration,	
			Expires		Corp.	14.9711%	W. E. Jeffers	.625%	Corp.	14.9711%
			9-30-82							

17.	<u>TIIS-R30E, N.M.P.M.</u>	400.00	NM-17051	U.S.A.-All	Depco, Inc. Nikor Exploration Company	50%	Frank W. Yates	6.25%	Depco, Inc. Nikor Exploration Company	50%
	Sec. 4: $S\frac{1}{2}SE\frac{1}{2}$		Effective							
	Sec. 9: $N\frac{1}{2}NE\frac{1}{2}$		12-1-72			50%				
	Sec. 21: $W\frac{1}{2}NE\frac{1}{2}, NW\frac{1}{2}$		Expires 11-30-82							
18.	<u>TIOS-R30E, N.M.P.M.</u>	640.00	NM-17423	U.S.A.-All	Getty Oil Company	100%	C. E. Strange John Antongiovanni	2.5%	Getty Oil Company	100%
	Sec. 29: All		Effective 2-1-73					2.5%		
			Expires 1-31-83							
19.	<u>TIIS-R30E, N.M.P.M.</u>	160.00	NM-17591	U.S.A.-All	Estate of Gordon M. Cone	None			Estate of Gordon M. Cone	100%
	Sec. 25: $N\frac{1}{2}NW\frac{1}{2}$		Effective 3-1-73		100%					
	Sec. 26: $W\frac{1}{2}NE\frac{1}{2}$		Expires 2-28-83							
20.	<u>TIIS-R30E, N.M.P.M.</u>	2,480.00	NM-17592	U.S.A.-All	Depco, Inc.	100%	Malcolm LeSueur John E. Oakason Estate H. B. Cahoon Investment Co. Ronald Dean	2.5% 1.25% 1% .25%	Depco, Inc.	100%
	Sec. 1: $SE\frac{1}{2}SW\frac{1}{2}, SW\frac{1}{2}SE\frac{1}{2}$		Effective 3-1-73							
	Sec. 9: $S\frac{1}{2}$									
	Sec. 10: $N\frac{1}{2}$		Expires 2-28-83							
	Sec. 11: $N\frac{1}{2}, E\frac{1}{2}SW\frac{1}{2}, SE\frac{1}{2}$									
	Sec. 12: All									
	Sec. 13: $N\frac{1}{2}$									
	Sec. 14: $NE\frac{1}{2}, E\frac{1}{2}NW\frac{1}{2}$									

21.	<u>T11S-R30E, N.M.P.M.</u> Sec. 22: <u>SW₁SW₄</u> Sec. 29: <u>SE₁NE₄</u>	\$0.00	NM-17904 Effective 3-1-73 Expires 2-28-83	U.S.A.-All	Sundance Oil Company	100%	Jack J. Grynberg	6.25%	Sundance Oil Company	100%
22.	<u>T10S-R30E, N.M.P.M.</u> Sec. 20: <u>W₃E₄</u> <u>T11S-R30E, N.M.P.M.</u> Sec. 1: <u>SW₁SW₄</u> Sec. 3: <u>Lots 2,3,4, SW₄</u>	425.79	NM-18040 Effective 4-1-73 Expires 3-31-83	U.S.A.-All	Depco, Inc.	100%	Priscilla F. and Reed Gilmore	6.25%	Depco, Inc. Nico Exploration Company	50%
23.	<u>T11S-R31E, N.M.P.M.</u> Sec. 5: <u>Lots 1,2,3,4, SW₄</u> Sec. 6: <u>Lots 1,2,3,4, 5,6, E₁SW₄</u> Sec. 7: <u>E₁SW₄, NE₁SW₄</u> Sec. 18: <u>Lots 1,2,3,4, NE₁, E₁SW₄</u> Sec. 19: <u>Lots 3,4, E₁SW₄</u>	1,223.87	NM-18229 Effective 6-1-73 Expires 5-30-83	U.S.A.-All	Depco, Inc.	100%	Roberts, Koch & Cartwright, a General Partnership; and Estoril Producing Corp. W. B. and Agnes C. Oliver	7.5% 5%	Depco, Inc. Nico Exploration Company	50%

24. T10S-R30E, N.M.P.M. 280.00
 Sec. 20: NM¹ANM²,
 S¹ANM², SW¹

NM-18499
 Effective
 6-1-73
 Expires
 5-30-83

U.S.A.-All

Texas American Oil
 Corporation

100%

Leote M. Dunn and
 Lloyd M. Dunn 4.0625%
 Stewart Capitol
 Corporation 2.1875%

Texas American Oil
 Corporation

100%

25. T10S-R30E, N.M.P.M. 2,291.04
 Sec. 26: W¹SW¹
 Sec. 33: All
 Sec. 34: All
 Sec. 35: All

NM-18500
 Effective
 6-1-73
 Expires
 5-30-83

U.S.A.-All

Depco, Inc.

100%

James L. D. Roser 3%
 Daryle E. Murdoch 1.02%
 Paul Scheibe .98%

Depco, Inc.
 Nicor Exploration
 Company

50%
 50%

T11S-R30E, N.M.P.M.
 Sec. 1: Lots 1,2,3,4,
 N¹S¹, SE¹SE¹

26. T11S-R31E, N.M.P.M. 587.86
 Sec. 5: SE¹
 Sec. 7: Lot 4, SE¹SW¹
 Sec. 18: SE¹
 Sec. 19: Lot 1,2,
 NM¹ANM², E¹ANM²

NM-18505
 Effective
 6-1-73
 Expires
 5-30-83

U.S.A.-All

Gulf Oil Corporation 100%

Frank Yates

5%

Gulf Oil Corporation 100%

27. TIOS-R30E, N.M.P.M. 200.00 NM-18618 U.S.A.-All Texas American Oil Corporation 100% James R. Pickett, 5% Texas American Oil Corporation 100%
 Sec. 20: ExNW%,
 NE%NW%

Effective
7-1-73
Expires
6-30-83

28. TIIS-R30E, N.M.P.M. 1,240.00 NM-18619 U.S.A.-All Depco, Inc. 100% D. L. Hannifin and Depco, Inc. 100%
 Sec. 15: NE%NW%, SE%
 Sec. 22: SE%NW%, SE%SW%
 Sec. 23: ExNW%, SW%NW%
 Sec. 25: SE%NW%
 Sec. 27: ExNW%
 Sec. 28: NE%, NE%NW%,
 NE%SW%

Effective
8-1-73
Expires
7-31-83

Barbara E. Hannifin 3%
 John R. Baskin 1%
 A. D. Solsbery 1%

Sec. 34: ExSW%, W%SE%
 Sec. 35: ExNW%

29. TIIS-R30E, N.M.P.M. 240.00 NM-18837 U.S.A.-All Depco, Inc. 100% Panos Investment Company 5% Depco, Inc. 100%
 Sec. 26: ExNW%
 Sec. 35: SW%

Effective
8-1-73
Expires
7-31-83

30. T11S-R31E, N.M.P.M. 40.00 NM-18843 U.S.A.-All Randall B. Johnson 100% None Randall B. Johnson 100%
Sec. 19: NE&NE& Effective 8-1-73
Expires 7-31-83

31. T11S-R30E, N.M.P.M. 680.00 NM-18992 U.S.A.-All Depco, Inc. 100% Beulah R. and Depco, Inc. 100%
Sec. 14: E&SW& Effective 9-1-73 Raymond F. Leggett 5%
Sec. 23: SW&SW&
Sec. 24: W&NM& Expires 8-31-83
Sec. 25: E&
Sec. 26: E&NE&
Sec. 29: W&SE&

32. T11S-R30E, N.M.P.M. 200.00 NM-19610 U.S.A.-All Barbara Hannifin 100% None Barbara Hannifin 100%
Sec. 23: SE& Effective 1-1-74
Sec. 24: SE&SE& Expires 12-31-83

33. T11S-R31E, N.M.P.M. 71.30 NM-19614 U.S.A.-All M. J. Harvey, Jr. 100% None M. J. Harvey, Jr. 100%
Sec. 7: Lots 1,2 Effective 1-1-74
Expires 12-31-83

34.	<u>T11S-R30E, N.M.P.M.</u> Sec. 14: NM4SW4 Sec. 15: SW4NE4	80.00	NM-19851 Effective 1-1-74 Expires 12-31-83	U.S.A.-All	Depco, Inc.	100%	Dorothy R. and W. H. Gilmore	6.25%	Depco, Inc. Nicor Exploration Company	50%
35.	<u>T11S-R30E, N.M.P.M.</u> Sec. 10: S4 Sec. 11: W4SW4 Sec. 14: W4NM4	480.00	NM-20963 Effective 6-1-74 Expires 5-31-84	U.S.A.-All	Yates Petroleum Corporation	100%	A. Lansdale	5%	Yates Petroleum Corporation	100%
36.	<u>T10S-R30E, N.M.P.M.</u> Sec. 21: All Sec. 28: All	1,280.00	NM-22635 Effective 9-1-74 Expires 8-31-84	U.S.A.-All	Mountain Fuel Supply Company	100%	A. Lansdale	5%	Mountain Fuel Supply Company	100%
37.	<u>T10S-R30E, N.M.P.M.</u> Sec. 27: All	640.00	NM-22637 Effective 10-1-74 Expires 9-30-84	U.S.A.-All	Depco, Inc.	100%	Robert V. Sibert and Margaret P. Sibert Robert D. Fitting	4% 1%	Depco, Inc. Nicor Exploration Company	50% 50%

38.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 4: <u>N₂SE₂</u>	80.00	NM-27646 Effective 4-1-76 Expires 3-31-86	U.S.A.-All	Sam F. Hurt, Jr.	100%	None	Sam F. Hurt, Jr.	100%
39.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 3: Lot 1	22.37	NM-31111 Effective 9-1-77 Expires 8-31-87	U.S.A.-All	Abby Corporation	100%	Lawrence C. Harris 5%	Abby Corporation	100%
40.	<u>TIIS-R31E, N.M.P.M.</u> Sec. 19: <u>S₂NE₂</u>	80.00	NM-36618 Effective 6-1-79 Expires 5-31-89	U.S.A.-All	Georgeanne Nilser	100%	None	Georgeanne Nilser	100%
41.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 35: <u>SE₂</u>	160.00	NM-37853 Effective 12-1-79 Expires 11-30-89	U.S.A.-All	Mark Panos	100%	None	Mark Panos	100%

42.	<u>T11S-R31E, N.M.P.M.</u> Sec. 7: Lot 3	35.72	Unleased (KGS)	U.S.A.-All	Unleased (KGS)	100%	None	Unleased (KGS)	100%
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43.	<u>T11S-R30E, N.M.P.M.</u> Sec. 35: NE $\frac{1}{4}$	160.00	Unleased	U.S.A.-All	Unleased	100%	None	Unleased	100%
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43	FEDERAL	TRACTS	TOTALING	22,466.47	ACRES	OR	86.16%	OF	UNIT	AREA
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STATE LANDS:

44.	<u>T11S-R30E, N.M.P.M.</u> Sec. 16: <u>NE$\frac{1}{4}$NE$\frac{1}{4}$</u>	40.00	B-9495-12 HBP	State of New Mexico-All	Union Oil Company of California	100%	J. E. and Juanita Grace Jones	4.1667%	Union Oil Company of California	100%
45.	<u>T10S-R30E, N.M.P.M.</u> Sec. 32: <u>All</u>	640.00	L-6776 12-1-81	State of New Mexico-All	Great Western Drilling Co. Davoil, Inc.	64.476% 35.524%	None		Great Western Drilling Co. Davoil, Inc.	64.476% 35.524%
46.	<u>T11S-R30E, N.M.P.M.</u> Sec. 16: <u>W$\frac{1}{4}$, SE$\frac{1}{4}$NE$\frac{1}{4}$, SE$\frac{1}{4}$SE$\frac{1}{4}$</u>	400.00	L-6777 12-1-81	State of New Mexico-All	Depco, Inc.	100%	E. L. Latham, Jr. V. J. Callaway C. E. Mumford W. R. Ericksen	1.5% 1% 1%	Depco, Inc.	100%
47.	<u>T10S-R30E, N.M.P.M.</u> Sec. 36: <u>NE$\frac{1}{4}$, SW$\frac{1}{4}$, SE$\frac{1}{4}$SE$\frac{1}{4}$</u>	400.00	L-7001 2-15-82	State of New Mexico-All	E. L. Latham	100%	None		E. L. Latham	100%
48.	<u>T10S-R30E, N.M.P.M.</u> Sec. 36: <u>NE$\frac{1}{4}$SE$\frac{1}{4}$</u>	80.00	LG-3234 12-1-85	State of New Mexico-All	Yates Petroleum Corporation ABO Petroleum Corporation Myco Industries, Inc. Yates Drilling Company	25% 25% 25% 25%	None		Yates Petroleum Corporation ABO Petroleum Corporation Myco Industries, Inc. Yates Drilling Company	25% 25% 25% 25%

49.	<u>T11S-R30E, N.M.P.M.</u> Sec. 36: All	640.00	LG-4722 10-1-87	State of New Mexico-All	Gulf Oil Corporation	100%	None	Gulf Oil Corporation	100%
50.	<u>T10S-R30E, N.M.P.M.</u> Sec. 36: $\frac{1}{4}$ $\frac{1}{2}$ $\frac{3}{4}$	160.00	LG-5352 5-1-88	State of New Mexico-All	Gulf Oil Corporation	100%	None	Gulf Oil Corporation	100%
51.	<u>T11S-R30E, N.M.P.M.</u> Sec. 16: $\frac{1}{4}$ $\frac{1}{2}$ $\frac{3}{4}$ NE, SE $\frac{1}{4}$	200.00	LG-5413 6-1-88	State of New Mexico-All	Depco, Inc.	100%	None	Depco, Inc.	100%
52.	<u>T11S-R30E, N.M.P.M.</u> Sec. 2: Lots 1, 2, 3, 4, S $\frac{1}{2}$	410.12	LG-8003 3-1-90	State of New Mexico-All	Samedan Oil Corporation	100%	None	Samedan Oil Corporation	100%
STATE	TRACTS	TOTALING	2,970.12	ACRES	OR	11.39%	OF	UNIT	AREA

PATENTED LANDS:

53. T11S-R31E, N.M.P.M.	480.00	Unleased	Frances and Marvin D. Anderson (w/h)	6.6667%	Unleased	100%	None	Unleased	6.6667%
Sec. 6: SE $\frac{1}{4}$									
Sec. 7: NE $\frac{1}{4}$									
Sec. 19: SE $\frac{1}{4}$									
Unleased			Virginia Cotten and C. A. Hassell (w/h)	5%	Unleased	100%	None	Unleased	5%
Unleased			Jean Arlene and Robert Earl Laird (w/h)	5%	Unleased	100%	None	Unleased	5%
Unleased			Sarah Sykes Mathis	20%	Unleased	100%	None	Unleased	20%
Unleased			Dorothy Browne	5%	Unleased	100%	None	Unleased	5%
Unleased			Angelina Sykes Smith	6.6667%	Unleased	100%	None	Unleased	6.6667%

Unleased	J. B. and Virginia McCracken Cotten, Jr. (h/w)	5%	Unleased	100%	None	Unleased	5%
Unleased	Walter R. and Palma I. Davis 2.8572%		Unleased	100%	None	Unleased	2.8572%
Unleased	Gwendolyn Davis and R. D. Allen (w/h) 2.8571%		Unleased	100%	None	Unleased	2.8571%
Unleased	Robert E. and Earl Hughes (w/h) 2.8572%		Unleased	100%	None	Unleased	2.8572%
Unleased	Homer Edwin and Minnie P. Sykes (h/w) 1.25%		Unleased	100%	None	Unleased	1.25%
Unleased	Lola Sykes and C. S. Miller (w/h) 1.25%		Unleased	100%	None	Unleased	1.25%

Unleased	Ruby Jeane and Hardin Kettler (w/h) 2.8572%	Unleased	100%	None	Unleased	2.8572%
Unleased	Lucille Davis and Victor O. Jackson (w/h) 2.8571%	Unleased	100%	None	Unleased	2.8571%
Unleased	Loretta Henderson and Robert S. Titus, Sr. (w/h) 0.1325%	Unleased	100%	None	Unleased	0.1325%
Unleased	Mrs. Alma Conley 0.2083%	Unleased	100%	None	Unleased	0.2083%
Unleased	Bertha Sykes and Henry C. Adcock (w/h) 0.2083%	Unleased	100%	None	Unleased	0.2083%

Unleased	Jack Campbell	0.4167%	Unleased	100%	None	Unleased	0.4167%
Unleased	Opal Peery Gill	1.25%	Unleased	100%	None	Unleased	1.25%
Unleased	Zora Mae and J. H. Head (w/h)	0.2083%	Unleased	100%	None	Unleased	0.2083%
Unleased	Floyd Owen Sykes	1.25%	Unleased	100%	None	Unleased	1.25%
Unleased	Ernest T. and Dolores Ann Sykes (h/w)	0.2083%	Unleased	100%	None	Unleased	0.2083%

Unleased	Tallie J. and Opal Sykes (h/w)	1.25%	Unleased	100%	None	Unleased	1.25%
Unleased	E. Harbison and Adelle Sykes (h/w)	1.25%	Unleased	100%	None	Unleased	1.25%
Unleased	John Dell and Jewell Sykes (h/w)	1.25%	Unleased	100%	None	Unleased	1.25%
Unleased	Kate P. Sykes, Billy C. and Mary Lynn Sykes (w/h), Bobby R. & Patsy R. Sykes (h/w)	1.25%	Unleased	100%	None	Unleased	1.25%
Unleased	J. T. and Beatrice N. Sykes (h/w)	0.2083%	Unleased	100%	None	Unleased	0.2013%

Unleased	Unleased	100%	None	Unleased	0.2083%
Henry A. and Dorothy Mae Sykes					
0.2083%					
Unleased	Unleased	100%	None	Unleased	1.25%
<p>Luella E. Sykes, Inez Sykes, and Kenneth H. Cox (w/h), Thelma Sykes and Carl L. Cook (w/h) Claud- ine Sykes, Norma Sykes and W. S. Lowe, Jr. (w/h), Mary Sykes likes, William H. and Marjorie E. Sykes (w/h), Albert C. Sykes, Elbert H. and Donna Fay Sykes (M/w), Neely Lee and Gertrude E. Sykes (w/h), Ima Sykes and Billy J. Mal- lard (w/h), and Vida Sykes lively. 1.25%</p>					

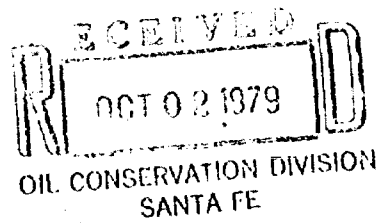
Unleased	Elvie C. Sykes, Letha Sykes and James W. Allen (w/h), John Edwin and Naomi J. Sykes (h/w), Thomas J. and Mary L. Sykes (h/w), Rita Sykes and R. C. Latimer (w/h), Audery Sykes and Ronald E. Winkler (w/h), Barbara Sykes and William T. Mulaney (w/h), Nina Sykes and Romeo Flores(w/h) 1.25%	Unleased	100%	None	Unleased	1.25%
Unleased	Paul V. and Ruby A. Campbell (h/w) 0.4167%	Unleased	100%	None	Unleased	0.4167%
Unleased	Opal Campbell 0.4167%	Unleased	100%	None	Unleased	0.4167%

Unleased	Elizabeth H. Sykes, Lenora Sykes and Joyce Chester Wilkerson (w/h), Mary Sykes Leathers	Unleased	100%	None	Unleased	1.25%
	1.25%					
Unleased	J. T. and Goldie Peery (h/w), Edna and Royce McGee (w/h), Earl Ray and Donna J. Peery (h/w), Nola Pearl & Gene A. Shaffer (h/w), Willie Odell and Elmer Allen (w/h)	Unleased	100%	None	Unleased	1.25%
	1.25%					
Unleased	Lester Lacy	Unleased	100%	None	Unleased	6.6667%
	6.6667%					
Unleased	Clarence A. and B.A. Henderson	Unleased	100%	None	Unleased	0.1325%
	0.3125%					

Unleased	Elva Sykes and J. T. Isabell (w/h)	Unleased	100%	None	Unleased	1.25%
	1.25%					
8-17-82	Zaida Davis	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.
	2.8571%					2.8571%
8-30-82	Louise Henderson Age	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.
	0.3125%					0.3125%
8-30-82	Sue W. Henderson, Ross D. Henderson, M.D., Jan and Charles E. Weyant (w/h), Donna Kay and Glenn P. Campbell (w/h), and Gary L. Henderson, M.D.	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.
	0.3125%					0.3125%
Unleased	Bena Gray Davis	Unleased	100%	None	Unleased	2.8571%
	2.8571%					

54. T11S-R31E, N.M.P.M. Sec. 7: W3SEK	80.00	6-6-83	May Waldrop	100%	Anadarko Production Company	100%	Mary Deaver	6.25%	Anadarko Production Company	100%
55. T11S-R31E, N.M.P.M. Sec. 7: W3SEK	Unleased		Robert J. and Marlon Leonard (h/w)	2.5%	Unleased		None	Unleased	2.5%	
	Unleased		Leonard Oil Company	12.5%	Unleased		None	Unleased	12.5%	
	Unleased		Charles B. and Jean Read (h/w)	12.5%	Unleased		None	Unleased	12.5%	
	Unleased		J. E. and Beulah H. Simmons	25%	Unleased		None	Unleased	25%	
	Unleased		June D. Speight	25%	Unleased		None	Unleased	25%	
Unleased		George H. and Margaret K. Hunker, Jr.	10%	Unleased		None	Unleased	10%		
	Unleased		Effie Carter Powhatan and Beverly T. Carter Jr. (h/w), Ander- son and Geraldine Carter (h/w)	12.5%	Unleased		None	Unleased	12.5%	

PATENTED	TRACTS	TOTALING	640.00	ACRES	OR	2.45%	OF	UNIT	AREA
TRACTS	TOTALING	26,076.59	ACRES	IN	UNIT	AREA			



September 26, 1979

Mr. J. W. Sutherland
Area Oil and Gas Supervisor
United States Geological Survey
Suite 815
505 Marquette NW
Albuquerque, NM 87102

Mr. Joe Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Mr. Ray D. Graham
Director
Oil and Gas Division
P. O. Box 1148
Santa Fe, NM 87501

Re: Apache Springs Unit Area
Chaves County, New Mexico

Gentlemen:

Reference is made to my letter of September 26, 1979, transmitting to each of you the revised Apache Springs Unit Agreement.

I would appreciate receiving your comments to the revised Unit Agreement at your earliest convenience.

Very truly yours,

EDMUNDSON, INC.

By R B Edmundson
R. B. Edmundson

RBE:nct

cc: Tom Kellahin, Esq.
Attorney at Law
P. O. Box 1769
Santa Fe, NM 87501



United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124
Albuquerque, New Mexico 87125



Edmundson, Inc.
Attention: Mr. R. B. Edmundson
P. O. Box 1707
Denver, Colorado 80201

JUL 30 1979

6645

Gentlemen:

Your application of July 11, 1979, filed on behalf of DEPCO, Inc., with the U. S. Geological Survey office in Roswell, New Mexico, requests the designation of the Apache Springs unit area, embracing 31,198.69 acres, more or less, Chaves 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' Apache Springs Unit Area, Chaves County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for two wells to test the upper 50 feet of the Mississippian Limestone formation, or to a depth of 10,000 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three 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.



ONE HUNDRED YEARS OF EARTH SCIENCE IN THE PUBLIC SERVICE

RECEIVED
AUG - 2 1979
OIL CONSERVATION DIVISION

When the executed agreement is transmitted to the Supervisor, Albuquerque, New Mexico, for 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 unit agreement involves State and fee land, we are sending a copy of the letter to the Commissioner of Public Lands and the New Mexico Conservation Division in Santa Fe. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

James W. Lutheland

Acting Conservation Manager
For the Director

cc:
Comm. of Pub. Lands, Santa Fe
NMOCD, Santa Fe



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2006
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

September 25, 1979

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 6645
ORDER NO. R-6123

Applicant:

Depco Inc.

Dear Sir:

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

~~Yours very truly,~~

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>X</u>
Artesia OCD	<u>X</u>
Aztec OCD	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6645
Order No. R-6123

APPLICATION OF DEPCO INC. FOR
APPROVAL OF THE APACHE SPRINGS
UNIT AGREEMENT, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 5, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 24th day of September, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Depco Inc., seeks approval of the Apache Springs Unit Agreement covering 31,198.69 acres, more or less, of State, Federal and Fee lands described as follows:

CHAVES COUNTY, NEW MEXICO
TOWNSHIP 10 SOUTH, RANGE 30 EAST, NMPM
Sections 19 through 21: All
Sections 25 through 36: All

TOWNSHIP 11 SOUTH, RANGE 30 EAST, NMPM
Partial Sections 1 through 4: All
Sections 9 through 16: All
Sections 20 through 29: All
Sections 32 through 36: All

-2-

Case No. 6645
Order No. R-6123

TOWNSHIP 11 SOUTH, RANGE 31 EAST, NMPM
Partial Sections 5 and 6: All
Section 7: All
Sections 18 and 19: All

TOWNSHIP 12 SOUTH, RANGE 30 EAST, NMPM
Sections 4 and 5: All
Sections 8 and 9: All

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, or changes in unit operator should be submitted to the Director of the Division for approval.

(4) 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 Apache Springs 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 Division 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 Division 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 Division 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, all unit participating areas and expansions and contractions thereof, all expansions or contractions of the unit area, or changes in unit operator shall be submitted to the Director of the Oil Conservation Division for approval.

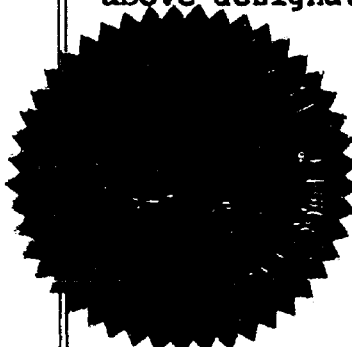
-3-

Case No. 6645
Order No. R-6123

(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 Division immediately in writing of such termination.

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

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
5 September 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Depco, Inc., for a unit agreement, Chaves County, New Mexico. CASE 6645

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

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I N D E X

ROY EDMUNDSON

Direct Examination by Mr. Kellahin 3

LARRY SERIGHT

Direct Examination by Mr. Kellahin 7

E X H I B I T S

Applicant Exhibit One, Plat 4

Applicant Exhibit Two, Unit Agreement 5

Applicant Exhibit Three, Tabulation 5

Applicant Exhibit Four, Letter 5

Applicant Exhibit Five, Document 8

Applicant Exhibit Six, Isopach 8

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SALLY WALTON BOYD
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Santa Fe, New Mexico 87501

1 MR. STAMETS: We'll call next Case 6645.
2 MR. PADILLA: Application of Depco, Inc.,
3 for a unit agreement, Chaves County, New Mexico.
4 MR. STAMETS: Call for appearances in this
5 case.
6 MR. KELLAHIN: I'm Tom Kellahin of Santa
7 Fe, New Mexico, appearing on behalf of the applicant and I
8 have two witnesses.
9 MR. STAMETS: Let's have them both stand
10 and be sworn at this time.
11
12 (Witnesses sworn.)
13
14 ROY EDMUNDSON
15 being called as a witness and having been duly sworn upon
16 his oath, testified as follows, to-wit:
17
18 DIRECT EXAMINATION
19 BY MR. KELLAHIN:
20 Q Would you please state your name and oc-
21 cupation?
22 A Roy Edmundson. I'm an independent petro-
23 leum landman, Denver, Colorado.
24 Q Mr. Edmundson, what is your arrangement
25 with the applicant, Depco, Inc.?

1 A. I've been employed by Depco, to finalize
2 this unit, Apache Springs.

3 Q. And with regards to that preparation, Mr.
4 Edmundson, have you prepared certain exhibits and agreements
5 concerning the Apache Springs Unit area?

6 A. True.

7 MR. KELLAHIN: We tender Mr. Edmundson as
8 an expert landman.

9 MR. STAMETS: Mr. Edmundson, how many
10 years have you been involved in this type of work?

11 A. I was employed by Phillips Petroleum Com-
12 pany for 27 years, the last 15 as a contract and title super-
13 visor; the last five and a half years I have specialized,
14 since I left Phillips, in the formation and operation of
15 Federal units.

16 MR. STAMETS: The witness is considered
17 qualified.

18 Q. (Mr. Kellahin continuing.) Mr. Edmundson,
19 would you describe generally the total number of acres to
20 be dedicated to this unit?

21 A. Yes. 26,628.21, or 85, is Federal; 3610.12,
22 or 11.57, State of New Mexico; and 960.36, or 3.08, for a
23 total of 31,198.69.

24 Q. I show you what has been marked as applicant
25 Exhibit Number One and ask you to identify this plat.

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Santa Fe, New Mexico 87501

1 A. That is the Exhibit A to the unit agree-
2 ment, which is required under the Federal regulations, which
3 shows the ownership and the acreage and the various serial
4 numbers of the Federal and State leases, and the fee on
5 patented lands are noted thereon.

6 Q Would you identify and describe what has
7 been marked as Exhibit Number Two?

8 A Yes. This is a unit agreement which has
9 been prepared and submitted to the United States Geological
10 Survey and to the State of New Mexico Land Office for their
11 review and comments, and it follows the form of unit agree-
12 ment which has been adopted by the State of New Mexico and
13 the United States Geological Survey.

14 Q Mr. Edmundson, would you identify what has
15 been marked as Exhibit Number Three?

16 A All right, sir. This is Exhibit B, which
17 is a tabulation of the leases and lands, ownership, descrip-
18 tion of lands, and serial numbers, and the effective and
19 expiration dates of each lease which is involved in the unit
20 area.

21 Q And would you identify Exhibit Number Four?

22 A This is a letter from the United States
23 Geological Survey designating or -- designating this unit
24 area as logically subject to exploration and development
25 under the Mineral Leasing Act of 1920, as amended.

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1 Q And you received preliminary approval from
2 the USGS with regards to this unit?

3 A Yes, sir. This is what this letter de-
4 notes.

5 Q In addition, have you made application to
6 the Commissioner of Public Lands, State of New Mexico, for
7 the State's approval of this particular unit?

8 A I have. I have not received any written
9 confirmation at this time.

10 Q Except for Exhibit Four, Mr. Edmundson,
11 were Exhibits One, Two, and Three compiled by you directly
12 or compiled under your direction and supervision?

13 A Yes, sir.

14 MR. KELLAHIN: We tender Exhibits One
15 through Three, and Four.

16 MR. STAMETS: These exhibits will be ad-
17 mitted.

18 Mr. Edmundson, does the unit agreement
19 provide for approval of the Oil Conservation Division of
20 plans of development, participating areas, and changes in
21 unit operator?

22 A They certainly do.

23 MR. STAMETS: Okay. Any other questions
24 of the witness? He may be excused.
25

LARRY SERIGHT

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Seright, would you please state your name, by whom you're employed, and in what capacity?

A Larry Seright. I reside in Midland, and I'm the District Exploration Manager there for Depco, Incorporated.

MR. STAMETS: How do you spell your last name, sir?

A S-E-R-I-G-H-T.

Q Mr. Seright, you are a geologist?

A Yes.

Q And as a geologist have you previously testified before the Oil Conservation Division and had your qualifications accepted and made a matter of record?

A Yes, sir, I have.

Q And have you made a study of and are you familiar with the facts surrounding this particular application by Depco?

A Yes, I am.

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Santa Fe, New Mexico 87501

1 MR. KELLAHIN: We tender Mr. Seright as an
2 expert geologist.

3 MR. STAMETS: He is considered qualified.

4 Q (Mr. Kellahin continuing.) Would you
5 please refer to Exhibit Number Five, Mr. Seright, and ex-
6 plain generally what Depco, Inc. proposes to do with this
7 unit?

8 A Yes. We propose to -- the formation of
9 this Federal unit for the drilling of two Atoka-Morrow test
10 wells within the unit to evaluate the gas potential of these
11 reservoirs.

12 Q What is the primary objective of the unit?

13 A Evaluation of the gas potential of the
14 Atoka-Morrow sands.

15 Q In addition to referring to Exhibit Number
16 Five would you look also to Exhibit Number Six and show us
17 where you propose to drill the first two wells?

18 A Yes. The first well will be drilled in
19 Section 32 of 10 South, 30 East, at a location 1980 from
20 the north and west lines.

21 The proposed location for the second well
22 is in Section 26 of 11 South, 30 East. The location is
23 1980 from the north and east lines.

24 Q Do you have an opinion, Mr. Seright, with
25 regards to whether or not the configuration of this parti-

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Santa Fe, New Mexico 87501

1 cular unit is a logical one for production from the Atoka
2 and Morrow?

3 A Yes. The proposed unit outline encompasses
4 a local area of thick Atoka-Morrow clastic deposition and
5 mostly of which is untested and is flanked by numerous shows
6 of gas and thinner sand deposition.

7 The exhibit, as you see, is an Isopach of
8 the gross Atoka-Morrow sands. Regional dip is to the east.
9 The depositional limits of the Atoka-Morrow are up dip to
10 the west a few miles.

11 We feel that the Isopach indicates, of
12 course, that we have an anomolous thick here and we feel
13 that we'll have thicker, cleaner sands developed here and
14 it will be stratigraphically trapped.

15 The boundaries of the unit are delineated
16 to the west by permeability barrier, which is pretty well
17 established by a well outside the unit that is a sub-marginal
18 producer from the Atoka-Morrow sand.

19 Q Which well is that?

20 A That is the Depco No. 1 Beale Federal in
21 Section 17 of 11 South, 30 East.

22 There is a second well outside the unit,
23 the Depco No. 1 Amoco State in Section 36, that was tight,
24 had very poor sand development, no permeability, so we feel
25 we have a good barrier established up dip, and of course,

1 further up dip, why, you're losing your sand deposition
2 completely.

3 The north and south ends of the unit are
4 also delineated by permeability barrier.

5 The eastern limits also are delineated by
6 primarily a basinward loss of -- or thinning of sand, and
7 greater shale facies, and also we feel that that is the ex-
8 tent basinward of where we could get good reservoir sands.

9 We also have several wells within the unit
10 there that I feel substantiate this, especially the Atlantic
11 No. 1 Federal Union in Section 7 of 11 South, 31 East, which
12 tested a minor amount of gas from the Atoka-Morrow when it
13 was drilled.

14 The Cosden well in Section 34 of 10 South,
15 30 East, also had a show of gas from a DST, and these wells
16 were drilled back in the early '50's, so no completion at-
17 tempt was made on those at that time, I'm sure, primarily
18 due to the lack of market and the exceptionally small -- low
19 price at that time.

20 So we feel that the area is fairly well
21 delineated by these wells.

22 Q Mr. Seright, were Exhibits Five and Six
23 prepared by you or compiled under your direction and super-
24 vision?

25 A Yes, they were.

SALLY WALTON BOYD
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3030 Plaza Blanca (955) 471-2462
Santa Fe, New Mexico 87501

1 Q And in your opinion will approval of this
2 application be in the best interests of conservation, the
3 prevention of waste, and the protection of correlative rights?

4 A Yes.

5 MR. KELLAHIN: We move the introduction
6 of Exhibits Five and Six.

7 MR. STAMETS: These exhibits will be ad-
8 mitted.

9 Are there any questions of the witness?

10 He may be excused.

11 Anything further in this case?

12 The case will be taken under advisement.

13

14

(Hearing concluded.)

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SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a court reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, from my notes taken at the time of the hearing.

Sally W. Boyd C.S.R.
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6645 heard by me on 7-5 1977.
Richard L. Lamm, Examiner
Oil Conservation Division

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico
5 September 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Depco, Inc., for a unit agreement, Chaves County, New Mexico. CASE 6645

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
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Santa Fe, New Mexico 87501

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ROY EDMUNDSON

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LARRY SERIGHT

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Applicant Exhibit Six, Isopach 8

SALLY WALTON BOYD
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Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3026 Plaza Blanca (995) 471-2482
Santa Fe, New Mexico 87501

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3 for a unit agreement, Chaves County, New Mexico.
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24 Q Mr. Edmundson, what is your arrangement
25 with the applicant, Depco, Inc.?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (SOS) 471-2462
Santa Fe, New Mexico 87501

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9 MR. STAMETS: Mr. Edmundson, how many
10 years have you been involved in this type of work?

11 A I was employed by Phillips Petroleum Com-
12 pany for 27 years, the last 15 as a contract and title super-
13 visor; the last five and a half years I have specialized,
14 since I left Phillips, in the formation and operation of
15 Federal units.

16 MR. STAMETS: The witness is considered
17 qualified.

18 Q (Mr. Kellahin continuing.) Mr. Edmundson,
19 would you describe generally the total number of acres to
20 be dedicated to this unit?

21 A Yes. 26,628.21, or 85, is Federal; 3610.12,
22 or 11.57, State of New Mexico; and 960.36, or 3.08, for a
23 total of 31,198.69.

24 Q I show you what has been marked as applicant
25 Exhibit Number One and ask you to identify this plat.

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1 A That is the Exhibit A to the unit agree-
2 ment, which is required under the Federal regulations, which
3 shows the ownership and the acreage and the various serial
4 numbers of the Federal and State leases, and the fee on
5 patented lands are noted thereon.

6 Q Would you identify and describe what has
7 been marked as Exhibit Number Two?

8 A Yes. This is a unit agreement which has
9 been prepared and submitted to the United States Geological
10 Survey and to the State of New Mexico Land Office for their
11 review and comments, and it follows the form of unit agree-
12 ment which has been adopted by the State of New Mexico and
13 the United States Geological Survey.

14 Q Mr. Edmundson, would you identify what has
15 been marked as Exhibit Number Three?

16 A All right, sir. This is Exhibit B, which
17 is a tabulation of the leases and lands, ownership, descrip-
18 tion of lands, and serial numbers, and the effective and
19 expiration dates of each lease which is involved in the unit
20 area.

21 Q And would you identify Exhibit Number Four?

22 A This is a letter from the United States
23 Geological Survey designating or -- designating this unit
24 area as logically subject to exploration and development
25 under the Mineral Leasing Act of 1920, as amended.

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1 Q And you received preliminary approval from
2 the USGS with regards to this unit?

3 A Yes, sir. This is what this letter de-
4 notes.

5 Q In addition, have you made application to
6 the Commissioner of Public Lands, State of New Mexico, for
7 the State's approval of this particular unit?

8 A I have. I have not received any written
9 confirmation at this time.

10 Q Except for Exhibit Four, Mr. Edmundson,
11 were Exhibits One, Two, and Three compiled by you directly
12 or compiled under your direction and supervision?

13 A Yes, sir.

14 MR. KELLAHIN: We tender Exhibits One
15 through Three, and Four.

16 MR. STAMETS: These exhibits will be ad-
17 mitted.

18 Mr. Edmundson, does the unit agreement
19 provide for approval of the Oil Conservation Division of
20 plans of development, participating areas, and changes in
21 unit operator?

22 A They certainly do.

23 MR. STAMETS: Okay. Any other questions
24 of the witness? He may be excused.
25

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LARRY SERIGHT

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Seright, would you please state your name, by whom you're employed, and in what capacity?

A Larry Seright. I reside in Midland, and I'm the District Exploration Manager there for Depco, Incorporated.

MR. STAMETS: How do you spell your last name, sir?

A S-E-R-I-G-H-T.

Q Mr. Seright, you are a geologist?

A Yes.

Q And as a geologist have you previously testified before the Oil Conservation Division and had your qualifications accepted and made a matter of record?

A Yes, sir, I have.

Q And have you made a study of and are you familiar with the facts surrounding this particular application by Depco?

A Yes, I am.

1 MR. KELLAHIN: We tender Mr. Seright as an
2 expert geologist.

3 MR. STAMETS: He is considered qualified.

4 Q (Mr. Kellahin continuing.) Would you
5 please refer to Exhibit Number Five, Mr. Seright, and ex-
6 plain generally what Depco, Inc. proposes to do with this
7 unit?

8 A Yes. We propose to -- the formation of
9 this Federal unit for the drilling of two Atoka-Morrow test
10 wells within the unit to evaluate the gas potential of these
11 reservoirs.

12 Q What is the primary objective of the unit?

13 A Evaluation of the gas potential of the
14 Atoka-Morrow sands.

15 Q In addition to referring to Exhibit Number
16 Five would you look also to Exhibit Number Six and show us
17 where you propose to drill the first two wells?

18 A Yes. The first well will be drilled in
19 Section 32 of 10 South, 30 East, at a location 1980 from
20 the north and west lines.

21 The proposed location for the second well
22 is in Section 26 of 11 South, 30 East. The location is
23 1980 from the north and east lines.

24 Q Do you have an opinion, Mr. Seright, with
25 regards to whether or not the configuration of this parti-

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1 cular unit is a logical one for production from the Atoka
2 and Morrow?

3 A Yes. The proposed unit outline encompasses
4 a local area of thick Atoka-Morrow clastic deposition and
5 mostly of which is untested and is flanked by numerous shows
6 of gas and thinner sand deposition.

7 The exhibit, as you see, is an Isopach of
8 the gross Atoka-Morrow sands. Regional dip is to the east.
9 The depositional limits of the Atoka-Morrow are up dip to
10 the west a few miles.

11 We feel that the Isopach indicates, of
12 course, that we have an anomolous thick here and we feel
13 that we'll have thicker, cleaner sands developed here and
14 it will be stratigraphically trapped.

15 The boundaries of the unit are delineated
16 to the west by permeability barrier, which is pretty well
17 established by a well outside the unit that is a sub-marginal
18 producer from the Atoka-Morrow sand.

19 Q Which well is that?

20 A That is the Depco No. 1 Beale Federal in
21 Section 17 of 11 South, 30 East.

22 There is a second well outside the unit,
23 the Depco No. 1 Amoco State in Section 36, that was tight,
24 had very poor sand development, no permeability, so we feel
25 we have a good barrier established up dip, and of course,

1 further up dip, why, you're losing your sand deposition
2 completely.

3 The north and south ends of the unit are
4 also delineated by permeability barrier.

5 The eastern limits also are delineated by
6 primarily a basinward loss of -- or thinning of sand, and
7 greater shale facies, and also we feel that that is the ex-
8 tent basinward of where we could get good reservoir sands.

9 We also have several wells within the unit
10 there that I feel substantiate this, especially the Atlantic
11 No. 1 Federal Union in Section 7 of 11 South, 31 East, which
12 tested a minor amount of gas from the Atoka-Morrow when it
13 was drilled.

14 The Cosden well in Section 34 of 10 South,
15 30 East, also had a show of gas from a DST, and these wells
16 were drilled back in the early '50's, so no completion at-
17 tempt was made on those at that time, I'm sure, primarily
18 due to the lack of market and the exceptionally small -- low
19 price at that time.

20 So we feel that the area is fairly well
21 delineated by these wells.

22 Q Mr. Seright, were Exhibits Five and Six
23 prepared by you or compiled under your direction and super-
24 vision?

25 A Yes, they were.

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1 Q And in your opinion will approval of this
2 application be in the best interests of conservation, the
3 prevention of waste, and the protection of correlative rights?

4 A Yes.

5 MR. KELLAHIN: We move the introduction
6 of Exhibits Five and Six.

7 MR. STAMETS: These exhibits will be ad-
8 mitted.

9 Are there any questions of the witness?
10 He may be excused.

11 Anything further in this case?

12 The case will be taken under advisement.

13
14 (Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a court reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

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- CASE 6645: Application of Depco Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Apache Springs Unit Area, comprising 31,199 acres, more or less, of State, federal, and fee lands in Townships 10, 11, and 12 South, Ranges 30 and 31 East.
- CASE 6646: Application of Belco Petroleum Corporation for approval of infill drilling and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the drilling of its James Ranch Unit Well No. 10 to be located in Unit II of Section 1, Township 23 South, Range 30 East, Morrow formation, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.
- CASE 6638: (Continued from August 22, 1979, Examiner Hearing)
- Application of Ladd Petroleum Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Largo-Gallup and Basin-Dakota production in the wellbore of its Lindrith Well No. 24 located in Unit F of Section 4, Township 26 North, Range 7 West.
- CASE 6647: Application of O. H. Berry for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Seven Rivers well to be located 1650 feet from the North line and 330 feet from the East line of Section 15, Township 24 South, Range 36 East, Jalmat Gas Pool, the NE/4 of said Section 15 to be dedicated to the well.
- CASE 6648: Application of Morris R. Antweil for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Mississippian oil pool for its Landlady Well No. 1 located in Unit B of Section 8, Township 12 South, Range 32 East, and special rules therefor, including 160-acre oil well spacing and a 4,000 to 1 gas-oil ratio.
- CASE 6649: Application of Morris R. Antweil for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be located 660 feet from the South line and 1980 feet from the East line of Section 5, Township 12 South, Range 32 East, the E/2 of said Section 5 to be dedicated to the well.
- CASE 6650: Application of Doyle Hartman for compulsory pooling, non-standard gas proration unit, and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the W/2 NE/4 of Section 36, Township 24 South, Range 36 East, to form an 80-acre non-standard gas proration unit to be dedicated to a well to be drilled at an unorthodox location 2310 feet from the North line and 1650 feet from the East line of said Section 36. 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 6651: Application of Alpha Twenty-One Production Company for a non-standard proration unit, unorthodox well location, and approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well spacing requirements and a finding that the drilling of its El Paso Plant Well No. 1 at an unorthodox location 1650 feet from the South line and 660 feet from the West line of Section 32, Township 23 South, Range 37 East, Jalmat Gas Pool, is necessary to effectively and efficiently drain that portion of the non-standard proration unit, to comprise the N/2 SW/4 of said Section 32, which cannot be so drained by the existing well.
- CASE 6652: Application of Shell Oil Company for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of a pressure maintenance project, all mineral interests in the North Hobbs Grayburg-San Andres Unit encompassing 10,650 acres, more or less, underlying all or portions of the following lands in Lea County, New Mexico: Sections 13, 14, 23, 24, 25, 26, and 36, Township 18 South, Range 37 East; Sections 17 thru 21 and 27 thru 34, Township 18 South, Range 38 East.

The unitized interval would be the Grayburg-San Andres Formation between the depths of 3,698 feet and 4,500 feet in Shell's State A Well No. 7, located in Unit H of Section 32, Township 18 South, Range 38 East.

Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of a fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations. (This case will be continued to September 19, 1979.)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION

OF THE
APACHE SPRINGS UNIT AREA

COUNTY OF CHAVES
STATE OF NEW MEXICO
NO. _____

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

Depco EXHIBIT NO. 2
CASE NO. 6645
Submitted by _____
Hearing Date _____

THIS AGREEMENT, entered into as of the 27th day of August,
19 79, by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated)
to consent to or approve this agreement on behalf of the State of New Mexico, in-
sofar as it covers and includes lands and mineral interest of the State of
New Mexico; and,

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

WHEREAS, the parties hereto hold sufficient interests in the Apache
Springs Unit Area covering the land hereinafter described to give
reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural
resources, prevent waste, and secure other benefits obtainable through develop-
ment and operation of the area subject to this agreement under the terms, con-
ditions, and limitations herein set forth;

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25,
1920, as amended, supra, and all valid pertinent regulations, including operating
and unit plan regulations, heretofore issued thereunder or valid, pertinent, and
reasonable regulations hereafter issued thereunder are accepted and made a part
of this agreement as to Federal lands, provided such regulations are not incon-
sistent with the terms of this agreement; and as to non-Federal lands, the oil
and gas operating regulations in effect as of the effective date hereof governing
drilling and producing operations, not inconsistent with the terms hereof or the
laws of the State in which the non-Federal land is located, are hereby accepted

and made a part of this agreement.

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

T10S-R30E, N.M.P.M.		T11S-R31E, N.M.P.M.	T11S-R30E, N.M.P.M.	
Sec. 19: All	Sec. 30: All	Sec. 5: All	Sec. 1: All	Sec. 22: All
Sec. 20: All	Sec. 31: All	Sec. 6: All	Sec. 2: All	Sec. 23: All
Sec. 21: All	Sec. 32: All	Sec. 7: All	Sec. 3: All	Sec. 24: All
Sec. 25: All	Sec. 33: All	Sec. 18: All	Sec. 4: All	Sec. 25: All
Sec. 26: All	Sec. 34: All	Sec. 19: All	Sec. 9: All	Sec. 26: All
Sec. 27: All	Sec. 35: All		Sec. 10: All	Sec. 27: All
Sec. 28: All	Sec. 36: All	T12S-R30E, N.M.P.M.	Sec. 11: All	Sec. 28: All
Sec. 29: All		Sec. 4: All	Sec. 12: All	Sec. 29: All
		Sec. 5: All	Sec. 13: All	Sec. 32: All
		Sec. 8: All	Sec. 14: All	Sec. 33: All
		Sec. 9: All	Sec. 15: All	Sec. 34: All
			Sec. 16: All	Sec. 35: All
			Sec. 20: All	Sec. 36: All
			Sec. 21: All	

Containing 31,198.69 acres,
more or less

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

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

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

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

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

(d) After due consideration of all pertinent information, the expansion

1 or contraction shall, upon approval by the Supervisor, the Land Commissioner,
2 and State Commissioner, become effective as of the date prescribed in the notice
3 thereof.
4

5 (e) Notwithstanding any prior elimination under the Drilling to Discovery
6 Section, all legal subdivisions of lands (i.e., 40 acres by Government survey or
7 its nearest lot or tract equivalent; in instances of irregular surveys unusually
8 large lots or tracts shall be considered in multiples of 40 acres or the nearest
9 aliquot equivalent thereof), no parts of which are entitled to be in a participating
10 area on or before the fifth anniversary of the effective date of the first initial
11 participating area established under this unit agreement, shall be eliminated
12 automatically from this agreement, effective as of said fifth anniversary, and
13 such lands shall no longer be a part of the unit area and shall no longer be
14 subject to this agreement, unless diligent drilling operations are in progress
15 on unitized lands not entitled to participation on said fifth anniversary, in
16 which event all such lands shall remain subject hereto for so long as such drilling
17 operations are continued diligently, with not more than 90 days' time elapsing
18 between the completion of one such well and the commencement of the next such
19 well. All legal subdivisions of lands not entitled to be in a participating area
20 within 10 years after the effective date of the first initial participating area
21 approved under this agreement shall be automatically eliminated from this agree-
22 ment as of said tenth anniversary. All lands proved productive by diligent
23 drilling operations after the aforesaid five-year period shall become participating
24 in the same manner as during said five-year period. However, when such diligent
25 drilling operations cease, all non-participating lands shall be automatically
26 eliminated effective as of the 91st day thereafter. The unit operator shall
27 within 90 days after the effective date of any elimination hereunder, describe
28 the area so eliminated to the satisfaction of the Supervisor and the Land
29 Commissioner and promptly notify all parties in interest.
30

31 If conditions warrant extension of the ten-year period specified in this
32 subsection 2 (e), a single extension of not to exceed two years may be accomplished
33 by consent of the owners of 90% of the working interests in the current non-
34 participating unitized lands and the owners of 60% of the basic royalty interests
35 (exclusive of the basic royalty interests of the United States) in non-participating
36 unitized lands with approval of the Director and Land Commissioner, provided such
37 extension application is submitted to the Director and the Land Commissioner not
38 later than 60 days prior to the expiration of said ten-year period.
39

40 Any expansion of the unit area pursuant to this section which embraces
41 lands theretofore eliminated pursuant to this subsection 2 (e) shall not be con-
42 sidered automatic commitment or recommitment of such lands.
43

44 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this
45 agreement shall constitute land referred to herein as "unitized land" or "land
46 subject to this agreement." All oil and gas in any and all formations of the
47 unitized land are unitized under the terms of this agreement and herein are
48 called "unitized substances."
49

50 4. UNIT OPERATOR. Depco, Inc.
51 is hereby designated as Unit Operator and by signature hereto as Unit Operator
52 agrees and consents to accept the duties and obligations of Unit Operator for the
53 discovery, development, and production of unitized substances as herein provided.
54 Whenever reference is made herein to the Unit Operator, such reference means the
55 Unit Operator acting in the capacity and not as an owner of interest in unitized
56 substances, and the term "working-interest owner" when used shall include or
57 refer to Unit Operator as the owner of a working interest when such an interest
58 is owned by it.
59

60 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the
61 right to resign at any time prior to the establishment of a participating area
62 or areas hereunder, but such resignation shall not become effective so as to
63 release Unit Operator from the duties and obligations of Unit Operator and
64 terminate Unit Operator's rights as such for a period of six (6) months after
65 notice of intention to resign has been served by Unit Operator on all working-
66 interest owners and the Supervisor and the Land Commissioner, and until all wells
67 then drilled hereunder are placed in a satisfactory condition for suspension or
68 abandonment whichever is required by the Supervisor as to Federal lands and the

1 State Commission as to State lands, unless a new Unit Operator shall have been
2 selected and approved and shall have taken over and assumed the duties and
3 obligations of Unit Operator prior to the expiration of said period.
4

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

14 The resignation of Unit Operator shall not release Unit Operator from any
15 liability for any default by it hereunder occurring prior to the effective date
16 of its resignation.
17

18 The Unit Operator may, upon default or failure in the performance of its
19 duties or obligations hereunder, be subject to removal by the same percentage
20 vote of the owners of working interests as herein provided for the selection of
21 a new Unit Operator. Such removal shall be effective upon notice thereof to the
22 Supervisor and the Land Commissioner.
23

24 The resignation or removal of Unit Operator under this agreement shall
25 not terminate its right, title, or interest as the owner of a working interest or
26 other interest in unitized substances, but upon the resignation or removal of Unit
27 Operator becoming effective, such Unit Operator shall deliver possession of all
28 wells, equipment, materials, and appurtenances used in conducting the unit opera-
29 tions to the new duly qualified successor Unit Operator or to the common agent,
30 if no such new Unit Operator is elected, to be used for the purpose of conducting
31 unit operations hereunder. Nothing herein shall be construed as authorizing
32 removal of any material, equipment, and appurtenances needed for the preservation
33 of any wells.
34

35 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his
36 or its resignation as Unit Operator or shall be removed as hereinabove provided,
37 or a change of Unit Operator is negotiated by working-interest owners, the owners
38 of the working interests in the participating area or areas according to their
39 respective acreage interests in such participating area or areas, or until a
40 participating area shall have been established, the owners of the working interests
41 according to their respective acreage interests in all unitized land, shall by
42 majority vote select a successor Unit Operator: Provided, that, if a majority
43 but less than 75 per cent of the working interests qualified to vote are owned
44 by one party to this agreement, a concurring vote of one or more additional
45 working interest owners shall be required to select a new operator. Such selections
46 shall not become effective until
47

48 (a) a Unit Operator so selected shall accept in writing the duties and
49 responsibilities of Unit Operator, and
50

51 (b) the selection shall have been approved by the Supervisor and approved
52 by the Land Commissioner.
53

54 If no successor Unit Operator is selected and qualified as herein provided,
55 the Director and the Land Commissioner, at their election, may declare this unit
56 agreement terminated.
57

58 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator
59 is not the sole owner of working interests, costs, and expenses incurred by Unit
60 Operator in conducting unit operations hereunder shall be paid and apportioned
61 among and borne by the owners of working interests, all in accordance with the
62 agreement or agreements entered into by and between the Unit Operator and the
63 owners of working interests, whether one or more, separately or collectively. Any
64 agreement or agreements entered into between the working-interest owners and the
65 Unit Operator as provided in this section, whether one or more, are herein referred
66 to as the "unit operating agreement." Such unit operating agreement shall also
67 provide the manner in which the working-interest owners shall be entitled to re-
68 ceive their respective proportionate and allocated share of the benefits accruing

hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the upper 50 feet of the Mississippian Limestone formation has been tested, or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 10,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Notwithstanding anything in this unit agreement to the contrary, except the "Unavoidable Delay" Section 25, two (2) wells should be drilled with not more than six (6) months' time elapsing between completion of the first well and commencement of the second well; regardless of whether a discovery has been made in the first well. The initial test well must be drilled in compliance with the above specified formation or depth in order to meet the requirements of this section. The additional test well shall be diligently drilled, at a location approved by the Supervisor, to a depth of 10,200 feet or 50 feet into the top of the upper Mississippian Limestone Formation. The two (2) test wells shall be located a minimum of 2½ miles from each other in order to be accepted by the Supervisor as one of the two (2) test wells. Nevertheless, in the event of discovery of unitized substances in paying quantities by the first well, the unit agreement shall not terminate for failure to complete the two (2) well program, but the unit area shall be contracted automatically, effective the first day of the month following the default, to eliminate by subdivision (as defined in Section 2 (e) hereof) all lands not then entitled to participation.

1 Upon failure to commence any well provided for in this section within the 1
2 time allowed, including any extension of time granted by the Supervisor and the 2
3 Land Commissioner, this agreement will automatically terminate; upon failure to 3
4 continue drilling diligently any well commenced hereunder, the Supervisor and the 4
5 Land Commissioner may, after 15-days notice to the Unit Operator, declare this 5
6 unit agreement terminated. 6

7 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after 7
8 completion of a well capable of producing unitized substances in paying quantities, 8
9 the Unit Operator shall submit for the approval of the Supervisor, the Land 9
10 Commissioner, and State Commission an acceptable plan of development and operation 10
11 for the unitized land which, when approved by the Supervisor, the Land Commissioner, 11
12 and State Commission, shall constitute the further drilling and operating obliga- 12
13 tions of the Unit Operator under this agreement for the period specified therein. 13
14 Thereafter from time to time before the expiration of any existing plan, the Unit 14
15 Operator shall submit for the approval of the Supervisor, the Land Commissioner, 15
16 and State Commission a plan for an additional specified period for the development 16
17 and operation of the unitized land. 17
18

19 Any plan submitted pursuant to this section shall provide for the exploration 19
20 of the unitized area and for the diligent drilling necessary for determination 20
21 of the area or areas thereof capable of producing unitized substances in paying 21
22 quantities in each and every productive formation and shall be as complete and 22
23 adequate as the Supervisor, the Land Commissioner, and State Commission may de- 23
24 termine to be necessary for timely development and proper conservation of the 24
25 oil and gas resources of the unitized area and shall: 25
26

27 (a) specify the number and locations of any wells to be drilled and the 27
28 proposed order and time for such drilling; and 28
29

30 (b) to the extent practicable specify the operating practices regarded as 30
31 necessary and advisable for proper conservation of natural resources. Separate 31
32 plans may be submitted for separate productive zones, subject to the approval of 32
33 the Supervisor, the Land Commissioner, and State Commission. 33
34

35 Plans shall be modified or supplemented when necessary to meet changed con- 35
36 ditions or to protect the interests of all parties to this agreement. Reasonable 36
37 diligence shall be exercised in complying with the obligations of the approved plan 37
38 of development. The Supervisor and the Land Commissioner are authorized to grant 38
39 a reasonable extension of the six-month period herein prescribed for submission 39
40 of an initial plan of development where such action is justified because of un- 40
41 usual conditions or circumstances. After completion hereunder of a well capable 41
42 of producing any unitized substance in paying quantities, no further wells, except 42
43 such as may be necessary to afford protection against operations not under this 43
44 agreement and such as may be specifically approved by the Supervisor, the Land 44
45 Commissioner, and State Commission, shall be drilled except in accordance with a 45
46 plan of development approved as herein provided. 46
47

48 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 48
49 producing unitized substances in paying quantities or as soon thereafter as re- 49
50 quired by the Supervisor, the Land Commissioner, or the State Commission, the 50
51 Unit Operator shall submit for approval by the Supervisor the Land Commissioner, 51
52 and State Commission a schedule, based on subdivisions of the public-land survey 52
53 or aliquot parts thereof, of all land then regarded as reasonable proved to be 53
54 productive in paying quantities; all lands in said schedule on approval of the 54
55 Supervisor, the Land Commissioner, and State Commission to constitute a participa- 55
56 ting area, effective as of the date of completion of such well or the effective 56
57 date of this unit agreement, whichever is later. The acreages of both Federal 57
58 and non-Federal lands shall be based upon appropriate computations from the 58
59 courses and distances shown on the last approved public-land survey as of the 59
60 effective date of each initial participating area. Said schedule shall also 60
61 set forth the percentage of unitized substances to be allocated as herein provided 61
62 to each tract in the participating area so established, and shall govern the al- 62
63 location of production commencing with the effective date of the participating 63
64 area. A separate participating area shall be established for each separate pool 64
65 or deposit of unitizes substances or for any group thereof which is produced as 65
66 a single pool or zone, and any two or more participating areas so established 66
67 may be combined into one, on approval of the supervisor, the Land Commissioner, 67
68 and the State Commission. When production from two or more participating areas, 68
69 so established, is subsequently found to be from a common pool or deposit said 69
70 participating areas shall be combined into one, effective as of such appropriate 70

1 date as may be approved or prescribed by the Supervisor, the Land Commissioner, 1
2 and State Commission. The participating area or areas so established shall be 2
3 revised from time to time, subject to like approval, to include additional land 3
4 then regarded as reasonably proved to be productive in paying quantities or neces- 4
5 sary for unit operations, or to exclude land then regarded as reasonably proved 5
6 not to be productive in paying quantities and the schedule of allocation percent- 6
7 ages shall be revised accordingly. The effective date of any revision shall be 7
8 the first of the month in which is obtained the knowledge or information on which 8
9 such revision is predicated, provided, however, that a more appropriate effective 9
10 date may be used if justified by the Unit Operator and approved by the Supervisor, 10
11 the Land Commissioner, and State Commission. No land shall be excluded from a 11
12 participating area on account of depletion of the unitized substances, except that 12
13 any participating area established under the provisions of this unit agreement 13
14 shall terminate automatically whenever all completions in the formation on which 14
15 the participating area is based are abandoned. 15
16

17 It is the intent of this section that a participating area shall represent 17
18 the area known or reasonably estimated to be productive in paying quantities; 18
19 but regardless of any revision of the participating area, nothing herein contained 19
20 shall be construed as requiring any retroactive adjustment for production obtained 20
21 prior to the effective date of the revision of the participating area. 21
22

23 In the absence of agreement at any time between the Unit Operator and the 23
24 Supervisor, the Land Commissioner, and State Commission, as to the proper 24
25 definition or redefinition of a participating area, or until a participating 25
26 area has, or areas have, been established as provided herein, the portion of all 26
27 payments affected thereby shall be impounded in a manner mutually acceptable to 27
28 the owners of working interests and the Supervisor and the Land Commissioner. 28
29 Royalties due the United States shall be determined by the Supervisor for Federal 29
30 lands and the Land Commissioner for the State lands and the amount thereof shall 30
31 be deposited, as directed by the Supervisor and the Land Commissioner, to be 31
32 held as unearned money until a participating area is finally approved and then 32
33 applied as earned or returned in accordance with a determination of the sum due 33
34 as Federal and State royalty on the basis of such approved participating area. 34
35

36 Whenever it is determined, subject to the approval of the Supervisor, the 36
37 Land Commissioner, and State Commission that a well drilled under this agreement 37
38 is not capable of production in paying quantities and inclusions of the land on 38
39 which it is situated in a participating area is unwarranted, production from such 39
40 well shall, for the purposes of settlement among all parties other than working- 40
41 interest owners, be allocated to the land on which the well is located unless such 41
42 land is already within the participating area established for the pool or deposit 42
43 from which such production is obtained. Settlement for working interest benefits 43
44 from such a well shall be made as provided in the unit operating agreement. 44
45

46 Determination as to whether a well completed within the Unit Area prior to 46
47 the effective date of this agreement is capable of producing unitized substances 47
48 in paying quantities shall be deferred until an initial participating area is 48
49 established as a result of the completion of a well for production in paying 49
50 quantities in accordance with Section 9 hereof. 50
51

52 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 52
53 participating area established under this agreement, except any part thereof used 53
54 in conformity with good operating practices within the unitization area for 54
55 drilling, operating, camp, and other production or development purposes, for re- 55
56 pressuring or recycling in accordance with a plan of development approved by the 56
57 Supervisor, Land Commissioner, and State Commission, or unavoidable loss, shall 57
58 be deemed to be produced equally on an acreage basis from the several tracts of 58
59 unitized land of the participating area established for such production and, for 59
60 the purpose of determining any benefits accruing under this agreement, each such 60
61 tract of unitized land shall have allocated to it such percentage of said pro- 61
62 duction as the number of acres of such tract included in said participating area 62
63 bears to the total acres of unitized land in said participating area, except 63
64 that allocation of production hereunder for purposes other than for settlement of 64
65 royalty, overriding royalty, or payment out of production obligations of the 65
66 respective working-interest owners, shall be on the basis prescribed in the unit 66
67 operating agreement whether in conformity with the basis of allocation herein 67
68 set forth or otherwise. It is hereby agreed that production of unitized 68

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

10
11 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any 11
12 party hereto owning or controlling the working interest in any unitized land having 12
13 thereon a regular well location may with the approval of the Supervisor and the 13
14 Land Commissioner, at such party's sole risk, costs, and expense, drill a well to 14
15 test any formation for which a participating area has not been established or to 15
16 test any formation for which a participating area has been established if such 16
17 location is not within said participating area, unless within 90 days of receipt 17
18 of notice from said party of his intention to drill the well the Unit Operator 18
19 elects and commences to drill such a well in like manner as other wells are drilled 19
20 by the Unit Operator under this agreement. 20
21

22 If any well drilled as aforesaid by a working-interest owner results in 22
23 production such that the land upon which it is situated may properly be included 23
24 in a participating area, such participating area shall be established or enlarged 24
25 as provided in this agreement and the well shall thereafter be operated by the 25
26 Unit Operator in accordance with the terms of this agreement and the unit operating 26
27 agreement. 27
28

29 If any well drilled as aforesaid by a working-interest owner obtains pro- 29
30 duction in quantities insufficient to justify the inclusion of the land upon which 30
31 such well is situated in a participating area, such well may be operated and pro- 31
32 duced by the party drilling the same subject to the conservation requirements of 32
33 this agreement. The royalties in amount or value of production from any such well 33
34 shall be paid as specified in the underlying lease and agreements affected. 34
35

36 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 36
37 owner who is entitled to take in kind a share of the substances now unitized here- 37
38 under shall hereafter be entitled to the right to take in kind its share of the 38
39 unitized substances, and the Unit Operator, or the working-interest owner in case 39
40 of the operation of a well by a working interest owner as herein provided for in 40
41 special cases, shall make deliveries of such royalty share taken in kind in con- 41
42 formity with the applicable contracts, laws, and regulations. Settlement for roy- 42
43 alty interest not taken in kind shall be made by working-interest owners re- 43
44 sponsible therefor under existing contracts, laws, and regulations, or by the Unit 44
45 Operator, on or before the last day of each month for unitized substances produced 45
46 during the preceding calendar month; provided, however, that nothing herein con- 46
47 tained shall operate to relieve the lessees of any land from their respective lease 47
48 obligations for the payment of any royalties due under their leases. 48
49

50 If gas obtained from lands not subject to this agreement is introduced 50
51 into any participating area hereunder, for use in repressuring, stimulation of 51
52 production, or increasing ultimate recovery, in conformity with a plan of opera- 52
53 tions approved by the Supervisor and the Land Commissioner, a like amount of gas, 53
54 after settlement as herein provided for any gas transferred from any other parti- 54
55 cipating area and with appropriate deduction for loss from any cause, may be with- 55
56 drawn from the formation into which the gas is introduced, royalty free as to dry 56
57 gas, but not as to any products which may be extracted therefrom; provided that 57
58 such withdrawal shall be at such time as may be provided in the approved plan of 58
59 operations or as may otherwise be consented to by the Supervisor and the Land 59
60 Commissioner as conforming to good petroleum engineering practice; and provided 60
61 further, that such right of withdrawal shall terminate on the termination of this 61
62 unit agreement. 62
63

64 Royalty due the United States shall be computed as provided in the operating 64
65 regulations and paid in value or delivered in kind as to all unitized substances 65
66 on the basis of the amounts thereof allocated to unitized Federal land as provided 66
67 herein at the rates specified in the respective Federal leases, or at such lower 67
68 rate or rates as may be authorized by law or regulation; provided, that for leases 68

1 on which the royalty rate depends on the daily average production per well, said 1
2 average production shall be determined in accordance with the operating regulations 2
3 as though each participating area were a single consolidated lease. 3
4

5 Royalty due on account of State lands shall be computed and paid on the 5
6 basis of all unitized substances allocated to such lands. 6
7

8 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed 8
9 hereto shall be paid by working interest owners responsible therefor under exist- 9
10 ing contracts, laws, and regulations, provided that nothing herein contained shall 10
11 operate to relieve the lessees of any land from their respective lease obligations 11
12 for the payment of any rental or minimum royalty due under their leases. Rental 12
13 or minimum royalty for lands of the United States subject to this agreement shall 13
14 be paid at the rate specified in the respective leases from the United States un- 14
15 less such rental or minimum royalty is waived, suspended, or reduced by law or by 15
16 approval of the Secretary or his duly authorized representative. 16
17

18 Rentals on State of New Mexico lands subject to this agreement shall be 18
19 paid at the rates specified in the respective leases. 19
20

21 With respect to any lease on non-Federal land containing provisions which 21
22 would terminate such lease unless drilling operations are commenced upon the land 22
23 covered thereby within the time therein specified or rentals are paid for the pri- 23
24 vilege of deferring such drilling operations, the rentals required thereby shall, 24
25 notwithstanding any other provision of this agreement, be deemed to accrue and be- 25
26 come payable during the term thereof as extended by this agreement and until the 26
27 required drilling operations are commenced upon the land covered thereby or until 27
28 some portion of such land is included within a participating area. 28
29

30 16. CONSERVATION. Operations hereunder and production of unitized substances 30
31 shall be conducted to provide for the most economical and efficient recovery of 31
32 said substances without waste, as defined by or pursuant to State or Federal law 32
33 or regulation. 33
34

35 17. DRAINAGE. The Unit Operator shall take such measures as the Supervisor 35
36 and Land Commissioner deems appropriate and adequate to prevent drainage of unitized 36
37 substances from unitized land by wells on land not subject to this agreement. 37
38

39 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, 39
40 provisions of all leases, subleases, and other contracts relating to exploration, 40
41 drilling, development, or operation for oil or gas on lands committed to this 41
42 agreement are hereby expressly modified and amended to the extent necessary to make 42
43 the same conform to the provisions hereof, but otherwise to remain in full force 43
44 and effect; and the parties hereto hereby consent that the Secretary, as to Federal 44
45 leases and the Land Commissioner, as to State leases, shall and each by his 45
46 approval hereof, or by the approval hereof by his duly authorized representative, 46
47 does hereby establish, alter, change, or revoke the drilling, producing, rental, 47
48 minimum royalty, and royalty requirements of Federal and State leases committed 48
49 hereto and the regulations in respect thereto to conform said requirements to the 49
50 provisions of this agreement, and without limiting the generality of the foregoing, 50
51 all leases, subleases, and contracts are particularly modified in accordance with 51
52 the following: 52
53

54 (a) The development and operation of lands subject to this agreement under 54
55 the terms thereof shall be deemed full performance of all obligations for develop- 55
56 ment and operation with respect to each and every separately owned tract subject 56
57 to this agreement, regardless of whether there is any development of any particu- 57
58 lar tract of the unit area. 58
59

60 (b) Drilling and producing operations performed hereunder upon any tract 60
61 of unitized lands will be accepted and deemed to be performed upon and for the 61
62 benefit of each and every tract of unitized land, and no lease shall be deemed to 62
63 expire by reason of failure to drill or produce wells situated on the land therein 63
64 embraced. 64
65

66 (c) Suspension of drilling or producing operations on all unitized lands 66
67 pursuant to direction or consent of the Secretary and the Land Commissioner, or 67
68 his duly authorized representative, shall be deemed to constitute such suspension 68

1 pursuant to such direction or consent as to each and every tract of unitized land. 1
2 A suspension of drilling or producing operations limited to specified lands shall 2
3 be applicable only to such lands. 3
4

5 (d) Each lease, sublease, or contract relating to the exploration, drilling, 5
6 development or operation for oil or gas of lands other than those of the United 6
7 States and State of New Mexico committed to this agreement, which, by its terms 7
8 might expire prior to the termination of this agreement, is hereby extended beyond 8
9 any such terms so provided therein so that it shall be continued in full force and 9
10 effect for and during the term of this agreement. 10
11

12 (e) Any Federal lease for a fixed term of twenty (20) years or any renewal 12
13 thereof or any part of such lease which is made subject to this agreement shall 13
14 continue in force beyond the term provided therein until the termination hereof. 14
15 Any other Federal lease committed hereto shall continue in force beyond the term 15
16 so provided therein or by law as to the land committed so long as such lease re- 16
17 mains subject hereto, provided that production is had in paying quantities under 17
18 this unit agreement prior to the expiration date of the term of such lease, or in 18
19 the event actual drilling operations are commenced on unitized land, in accordance 19
20 with the provisions of this agreement, prior to the end of the primary term of such 20
21 lease and are being diligently prosecuted at that time, such lease shall be ex- 21
22 tended for two years and so long thereafter as oil or gas is produced in paying 22
23 quantities in accordance with the provisions of the Mineral Leasing Act Revision 23
24 of 1960. 24
25

26 (f) Each sublease or contract relating to the operation and development of 26
27 unitized substances from lands of the United States committed to this agreement, 27
28 which by its terms would expire prior to the time at which the underlying lease, 28
29 as extended by the immediately preceding paragraph, will expire, is hereby ex- 29
30 tended beyond any such term so provided therein so that it shall be continued in 30
31 full force and effect for and during the term of the underlying lease as such 31
32 term is herein extended. 32
33

34 (g) The segregation of any Federal Lease committed to this agreement is 34
35 governed by the following provision in the fourth paragraph of Sec. 17 (j) of the 35
36 Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): 36
37 "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan em- 37
38 bracing lands that are in part within and in part outside of the area covered by 38
39 any such plan shall be segregated into separate leases as to the lands committed 39
40 and the lands not committed as of the effective date of unitization: Provided 40
41 however, that any such lease as to the nonunitized portion shall continue in force 41
42 and effect for the term thereof but for not less than two years from the date of 42
43 such segregation and so long thereafter as oil or gas is produced in paying 43
44 quantities." 44
45

46 (h) In the event the Initial Test Well is commenced prior to the expiration 46
47 date of the shortest term State Lease within the Unit Area, any lease embracing 47
48 lands of the State of New Mexico which is made subject to this agreement, shall 48
49 continue in force beyond the term provided therein as to the lands committed hereto 49
50 until the termination hereof. 50
51

52 (i) Any lease embracing lands of the State of New Mexico having only a 52
53 portion of its lands committed hereto, shall be segregated as to the portion com- 53
54 mitted and the portion not committed, and the terms of such lease shall apply 54
55 separately to such segregated portions commencing as of the effective date hereof; 55
56 provided, however, notwithstanding any of the provisions of this agreement to the 56
57 contrary any lease embracing lands of the State of New Mexico having only a portion 57
58 of its lands committed hereto shall continue in full force and effect beyond the 58
59 term provided therein as to all lands embraced in such lease, if oil or gas is dis- 59
60 covered and is capable of being produced in paying quantities from some part of 60
61 the lands embraced in such lease at the expiration of the secondary term of such 61
62 lease; or if, at the expiration of the secondary term, the leasee or the Unit 62
63 Operator is then engaged in bona fide drilling or reworking operations on some part 63
64 of the lands embraced in such lease, the same as to all lands embraced therein, 64
65 shall remain in full force and effect so long as such operations are being dili- 65
66 gently prosecuted, and if they result in the production of oil or gas; said lease 66
67 shall continue in full force and effect as to all of the lands embraced therein, so 67
68 long thereafter as oil or gas in paying quantities is being produced from any 68
69 portion of said lands. 69

1 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be 1
2 covenants running with the land with respect to the interest of the parties hereto 2
3 and their successors in interest until this agreement terminates, and any grant, 3
4 transfer, or conveyance, or interest in land or leases subject hereto shall be and 4
5 hereby is conditioned upon the assumption of all privileges and obligations here- 5
6 under by the grantee, transferee, or other successor in interest. No assignment or 6
7 transfer of any working interest, royalty, or other interest subject hereto shall 7
8 be binding upon Unit Operator until the first day of the calendar month after Unit 8
9 Operator is furnished with the original, photostatic, or certified copy of the 9
10 instrument of transfer. 10

11 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 11
12 approval by the Secretary and the Land Commissioner or his duly authorized repre- 12
13 sentative, and shall terminate five (5) years from said effective date unless 13
14 14

15 (a) such date of expiration is extended by the Director and the Land 15
16 Commissioner, or 16
17 17

18 (b) it is reasonably determined prior to the expiration of the fixed term 18
19 or any extension thereof that the unitized land is incapable of production of 19
20 unitized substances in paying quantities in the formations tested hereunder and 20
21 after notice of intention to terminate the agreement on such ground is given by 21
22 the Unit Operator to all parties in interest at their last known addresses, the 22
23 agreement is terminated with the approval of the Supervisor and the Land 23
24 Commissioner, or 24
25 25

26 (c) a valuable discovery of unitized substances has been made or accepted 26
27 on unitized land during said initial term or any extension thereof, in which event 27
28 the agreement shall remain in effect for such term and so long as unitized sub- 28
29 stances are produced in quantities sufficient to pay for the cost of producing same 29
30 from wells on unitized land within any participating area established hereunder 30
31 and, should production cease, so long thereafter as diligent operations are in 31
32 progress for the restoration of production or discovery of new production and so 32
33 long thereafter as unitized substances so discovered can be produced as aforesaid, or 33
34 34

35 (d) it is terminated as heretofore provided in this agreement. This agree- 35
36 ment may be terminated at any time by not less than 75 per centum, on an acreage 36
37 basis, of the working-interest owners signatory hereto, with the approval of the 37
38 Supervisor and the Land Commissioner; notice of any such approval to be given by 38
39 the Unit Operator to all parties hereto. 39
40 40

41 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 41
42 hereby vested with authority to alter or modify from time to time in his discretion 42
43 the quantity and rate of production under this agreement when such quantity and 43
44 rate is not fixed pursuant to Federal or State law or does not conform to any 44
45 statewide voluntary conservation or allocation program, which is established, re- 45
46 cognized, and generally adhered to by the majority of operators in such State, such 46
47 authority being hereby limited to alteration or modification in the public inter- 47
48 est, the purpose hereof and the public interest to be served thereby to be stated 48
49 in the order of alteration or modification. Without regard to the foregoing, the 49
50 Director is also hereby vested with authority to alter or modify from time to time 50
51 in his discretion the rate of prospecting and development and the quantity and rate 51
52 of production under this agreement when such alteration or modification is in the 52
53 interest of attaining the conservation objectives stated in this agreement and is 53
54 not in violation of any applicable Federal or State law. 54
55 55

56 Powers in this section vested in the Director shall only be exercised after 56
57 notice to Unit Operator and opportunity for hearing to be held not less than 15 57
58 days from notice. 58
59 59

60 22. APPEARANCES. Unit Operator shall, after notice to other parties affected, 60
61 have the right to appear for and on behalf of any and all interests affected hereby 61
62 before the Department of the Interior and the Commissioner of Public Lands and to 62
63 appeal from orders issued under the regulations of said Department or Land Commis- 63
64 sioner or to apply for relief from any of said regulations or in any proceedings 64
65 relative to operations before the Department of the Interior or the Land Commis- 65
66 sioner or any other legally constituted authority; provided, however, that any 66
67 other interested party shall also have the right at his own expense to be heard in 67
68 68

any such proceeding.

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

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

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

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

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

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

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor the the Land Commissioner, the State Commission, and the Unit Operator prior to the approval of this agreement by the Supervisor. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the

1 working interest owner committed hereto and responsible for the payment of any 1
2 benefits that may accrue hereunder in behalf of such non-working interest. A 2
3 non-working interest may not be committed to this unit unless the corresponding 3
4 working interest is committed hereto. Joinder to the unit agreement by a working 4
5 interest owner, at any time, must be accompanied by appropriate joinder to the unit 5
6 operating agreement, if more than one committed working interest owner is involved, 6
7 in order for the interest to be regarded as committed to this unit agreement. Ex- 7
8 cept as may otherwise herein be provided, subsequent joinders to this agreement 8
9 shall be effective as of the first day of the month following the filing with the 9
10 Supervisor, the Land Commissioner, and the State Commission of duly executed counter-10
11 parts of all or any papers necessary to establish effective commitment of any 11
12 tract to this agreement unless objection to such joinder is duly made within sixty 12
13 (60) days by the Supervisor, the Land Commissioner, or State Commission. 13
14

15 29. COUNTERPARTS. This agreement may be executed in any number of counter- 15
16 parts no one of which needs to be executed by all parties or may be ratified or 16
17 consented to by separate instrument in writing specifically referring hereto and 17
18 shall be binding upon all those parties who have executed such a counterpart, rati- 18
19 fication, or consent hereto with the same force and effect as if all such parties 19
20 had signed the same document and regardless of whether or not it is executed by all 20
21 other parties owning or claiming an interest in the lands within the above-described 21
22 unit area. 22
23

24 30. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agree- 24
25 ment shall modify or change either the special Federal Lease stipulations relating 25
26 to surface management or such special Federal Lease stipulations relating to surface 26
27 and environmental protection, attached to and made a part of, Oil and Gas Leases 27
28 covering lands within the Unit Area. 28
29

30 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be ex- 30
31 ecuted and have set opposite their respective names the date of execution. 31
32

33
34 ATTEST:

DEPCO, INC.

35
36
37 By _____
38 Assistant Secretary

37 By _____
38 Vice-President

39
40
41 STATE OF _____)
42 _____)
43 COUNTY OF _____)
44

45
46 The foregoing instrument was acknowledged before me this _____ day of
47 _____, 1979, by _____ who is _____
48 _____ of _____
49 _____
50 _____
51 a corporation, for and on behalf of said Corporation.

52
53 My Commission Expires:
54 _____
55
56

Notary Public

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

CT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE		
GENERAL LANDS:									
<u>T11S-R30E, N.M.P.M.</u>									
Sec. 21:	SW $\frac{1}{4}$	160.00	NM-0557565 Effective 8-1-65 HBP	U.S.A.-All	Depco, Inc. Nitor Exploration Company	50% 50%	William M. Weaver, Jr., Solvelg E. Weaver 5% Jack L. and Barbara A. McClellan 2.5%	Depco, Inc. Nitor Exploration Company	50% 50%
<u>T11S-R30E, N.M.P.M.</u>									
Sec. 35:	NE $\frac{1}{4}$	160.00	NM-10904 Effective 1-1-70 Expires 12-31-79	U.S.A.-All	Barbara J. Peterson	100%	None	Barbara J. Peterson	100%

-1-

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
Depco EXHIBIT NO. <u>3</u>
CASE NO. <u>6645</u>
Submitted by _____
Hearing Date _____

3. TIIS-R30E, N.M.P.M. 2,440.00

Sec. 15:	SE ₂ NE ₁ , NW ₂ NE ₁ , W ₂	NM-14142 Effective 8-1-71	U.S.A.-All	Depco, Inc.	100%	Ruble C. and Bryan Bell	5%	Depco, Inc.	100%
Sec. 22:	E ₁ , NE ₁ SW ₂	Expires 7-31-81							
Sec. 23:	NW ₂ NW ₂ , NW ₂ SW ₂								
Sec. 26:	W ₂ NW ₂ , SW ₂								
Sec. 27:	NE ₁ , W ₂ NW ₂ , S ₁								
Sec. 33:	N ₂ , SW ₂								
Sec. 34:	E ₁ E ₁ , W ₂ SW ₂								
Sec. 35:	W ₂ NW ₂								

TIIS-R30E, N.M.P.M. 160.00

Sec. 23:	NE ₁	NM-14316 Effective 9-1-71	U.S.A.-All	Sol West III	100%	Margaret Gerardi	2%	Sol West III	100%
		Expires 8-31-81							

TIIS-R30E, N.M.P.M. 280.00

Sec. 24:	SW ₂ , W ₂ SE ₁ , NE ₁ SE ₁	NM-14485 Effective 12-1-71	U.S.A.-All	Yates Petroleum Corporation	100%	K. J. and Marie A. Fell	3%	Yates Petroleum Corporation	100%
		Expires 11-30-81							

TIIS-R30E, N.M.P.M.
Sec. 13: S $\frac{1}{2}$
Sec. 14: SE $\frac{1}{2}$

480.00

NM-14485-A
Effective
12-1-71.
Expires
11-30-81

U.S.A.-All

Aminoil USA, Inc.

100%

F. J. Fell
D. O. Keon

2%
1%

Aminoil USA, Inc.

100%

TIIS-R30E, N.M.P.M.
Sec. 24: NE $\frac{1}{2}$, E $\frac{1}{2}$ NW $\frac{1}{2}$

240.00

NM-14485-B
Effective
12-1-71.
Expires
11-30-81

U.S.A.-All

Aminoil USA, Inc.

100%

K. J. Fell
D. O. Keon

2%
1%

Aminoil USA, Inc.

100%

TIIS-R30E, N.M.P.M.
Sec. 25: SW $\frac{1}{2}$
Sec. 26: SE $\frac{1}{2}$

320.00

NM-14485-C
Effective
12-1-71.
Expires
11-30-81

U.S.A.-All

Yates Petroleum
Corporation

100%

K. J. Fell
D. O. Keon

2%
1%

Yates Petroleum
Corporation

100%

<u>TIIS-R30E, N.M.P.M.</u>		760.00	NM-14782	U.S.A.-All	Depco, Inc.	100%	C. H. and E. T. Thieriot	5%	Depco, Inc.	100%
Sec. 14:	SW ₂ SW ₄		Effective							
Sec. 20:	SE ₂ NE ₄ , W ₄ SE ₄ , E ₂ W ₄		2-1-72							
Sec. 29:	W ₄ NE ₄ , E ₂ W ₄ , NW ₄ SW ₄ , E ₂ SE ₄		Expires 1-31-82							
Sec. 34:	W ₄ NE ₄									

<u>TIIS-R30E, N.M.P.M.</u>		160.94	NM-15437	U.S.A.-All	Supron Energy Corporation	100%	John H. Klas	3%	Supron Energy Corporation	100%
Sec. 5:	Lots 1,2, S ₂ NE ₄		Effective 7-1-72							
			Expires 6-30-82							

11.	<u>T11S-R30E, N.M.P.M.</u>	480.00	NM-15441	U.S.A.-All	John A. Yates	100%	None	John A. Yates	100%
	Sec. 20: <u>NE&NE</u> , W&W, E&SE		Effective 6-1-72						
	Sec. 29: <u>W&NW</u> , <u>NE&SW</u> , <u>S&SW</u>		Expires 5-31-82						
12.	<u>T12S-R30E, N.M.P.M.</u>	480.00	NM-15442	U.S.A.-All	Sundance Oil Company	100%	Jack J. Grynberg 4.25% Gertrude and Frank Rothen 2%	Sundance Oil Company	100%
	Sec. 8: <u>SE</u>		Effective 7-1-72						
	Sec. 9: <u>S</u>		Expires 6-30-82						
13.	<u>T11S-R30E, N.M.P.M.</u>	320.00	NM-15675	U.S.A.-All	J. M. Huber Corporation	100%	None	J. M. Huber Corporation	100%
	Sec. 33: <u>SE</u>		Effective 6-30-82						
	Sec. 34: <u>NW</u>		Expires 7-1-72						

14.	<u>TIIS-R30E, N.M.P.M.</u>	240.00	NM-16119	U.S.A.-All	Duncan Miller	100%	None	Duncan Miller	100%
	Sec. 22: NM 1 SM 4		Effective						
	Sec. 28: SE 4		8-1-72						
	Sec. 29: NE 4 NE 4		Expires						
			7-31-82						

15.	<u>TIIS-R30E, N.M.P.M.</u>	320.00	NM-16120	U.S.A.-All	Getty Oil Company	100%	Grace E. LaRue	3%	Getty Oil Company	100%
	Sec. 5: S 4		Effective				John W. and Jean			
			7-1-72				M. Gates, W. T. and			
			Expires				Margaret Winn	2%		
			6-30-82							

16.	<u>TIIS-R30E, N.M.P.M.</u>	640.00	NM-16121	U.S.A.-All	Sundance Oil Company	100%	Nola Grace Ptasynski	5%	Sundance Oil Company	100%
	Sec. 4: S 4		Effective							
	Sec. 9: N 4		2-1-73							
			Expires							
			1-31-83							

17.	<u>T12S-R30E, N.M.P.M.</u> Sec. 8: N ₄	320.00	NM-16122 Effective 8-1-72 Expires 7-31-82	U.S.A.-All	Sundance Oil Company	100%	Walter Duncan III	5%	Sundance Oil Company	100%
18.	<u>T12S-R30E, N.M.P.M.</u> Sec. 5: Lots 3,4, S ₄ NM ₄	161.38	NM-16334 Effective 8-1-72 Expires 7-31-82	U.S.A.-All	Edward R. Hudson, Jr. Francis Stripling	50% 50%	None		Edward R. Hudson, Jr. Francis Stripling	50% 50%
19.	<u>T10S-R30E, N.M.P.M.</u> Sec. 25: All Sec. 26: E ₄ , NM ₄ , E ₄ SNM ₄	1,200.00	NM-16339-A Effective 8-1-72 Expires 7-31-82	U.S.A.-All	Depco, Inc.	100%	Lon V. Smith	5%	Depco, Inc. Nicox Exploration Company	50% 50%

20.	<u>TIIS-R30E, N.M.P.M.</u>	284.06	NM-16340	U.S.A.-All	Depco, Inc.	100%	C. E. Strange	2.5%	Depco, Inc.	1.00%
	Sec. 3: SE $\frac{1}{2}$		Effective				Geo, Globe			
	Sec. 4: Lots 1,2		8-1-72							
	Sec. 9: S $\frac{1}{2}$ N $\frac{1}{2}$ E $\frac{1}{2}$		Expires							
			7-31-82							

21.	<u>TI2S-R30E, N.M.P.M.</u>	160.00	NM-16633	U.S.A.-All	Estelle H. Yates	100%	None		Yates Drilling Company	1.00%
	Sec. 8: SW $\frac{1}{4}$		Effective							
			9-1-72							
			Expires							
			8-31-82							

22.	<u>TIIS-R30E, N.M.P.M.</u>	363.46	NM-16805	U.S.A.-All	Depco, Inc.	100%	Thomas C. Hardy	1.5%	Depco, Inc.	1.00%
	Sec. 4: Lots 3,4, SW $\frac{1}{4}$		Effective				Dean W. Rowell	1.5%		
	Sec. 9: NW $\frac{1}{4}$		10-1-72				J. P. Cavanaugh	1%		
			Expires							
			9-30-82							

23. TLIS-R30E, N.M.P.M.
Sec. 22: N₃NW₄

80.00

NM-16811 U.S.A.-All
Effective
10-1-82
Expires
9-30-82

Kathryn A. Dalton

100%

None

Kathryn A. Dalton

100%

24. TLIS-R30E, N.M.P.M.

400.00

NM-16811-A U.S.A.-All
Effective
10-1-72
Expires
9-30-82

Harvey E. Yates Company
85.0289%
Coronado Exploration,
Corp. 14.9711%

Kathryn A. Dalton 5%
John W. Gates 1.25%

Harvey E. Yates Company
85.0289%
Coronado Exploration,
Corp. 14.9711%

25. TLIS-R30E, N.M.P.M.

400.00

NM-17051 U.S.A.-All
Effective
12-1-72
Expires
11-30-82

Depco, Inc. 50%
Nitor Exploration
Company 50%

Frank W. Yates 6.25%

Depco, Inc. 50%
Nitor Exploration
Company 50%

26.	<u>T10S-R30E, N.M.P.M. 2,559.42</u>	NM-17428	U.S.A.-All	Getty Oil Company	100%	C. E. Strange John Antongiovanni	2.5% 2.5%	Getty Oil Company	100%
	Sec. 19: Lots 1,2,3,4, E ₁ M ₁ , E ₁	Effective 2-1-73							
	Sec. 29: All	Expires 1-31-83							
	Sec. 30: Lots 1,2,3,4, E ₁ M ₁ , E ₁								
	Sec. 31: Lots 1,2,3,4, E ₁ M ₁ , E ₁								
27.	<u>T11S-R30E, N.M.P.M. 160.00</u>	NM-17591	U.S.A.-All	Gordon M. Cone	100%	None		Gordon M. Cone	100%
	Sec. 25: N ₁ NM ₁	Effective 3-1-73							
	Sec. 26: W ₁ NE ₁	Expires 2-28-83							
28.	<u>T11S-R30E, N.M.P.M. 2,480.00</u>	NM-17592	U.S.A.-All	Depco, Inc.	100%	Malcolm Lesueur John E. Oakason	2.5%	Depco, Inc.	100%
	Sec. 1: SE ₁ SW ₁ , SW ₁ SE ₁	Effective 3-1-73				Estate	1.25%		
	Sec. 9: S ₁					H. B. Cahoon			
	Sec. 10: N ₁	Expires 2-28-83				Investment Co.	1%		
	Sec. 11: N ₁ , E ₁ SW ₁ , SE ₁					Ronald Dean	.25%		
	Sec. 12: All								
	Sec. 13: N ₁								
	Sec. 14: NE ₁ , E ₁ SW ₁								

29.	<u>T11S-R30E, N.M.P.M.</u> Sec. 22: SW ₂ SW ₄ Sec. 29: SE ₂ NE ₄	80.00	NM-17804 Effective 3-1-73 Expires 2-28-83	U.S.A.-All	Sundance Oil Company	100%	Jack J. Grynberg 6.25%	Sundance Oil Company	100%
30.	<u>T10S-R3CE, N.M.P.M.</u> Sec. 20: W ₂ E ₂	475.79	NM-18040 Effective 4-1-73 Expires 3-31-83	U.S.A.-All	Depco, Inc.	100%	Priscilla F. and Reed Gilmore 6.25%	Depco, Inc. Nico Exploration Company	50%
	<u>T11S-R30E, N.M.P.M.</u> Sec. 1: SW ₂ SW ₄ Sec. 3: Lots 2,3,4, SW ₂								
31.	<u>T11S-R31E, N.M.P.M.</u> Sec. 5: Lots 1,2,3,4, SW ₂	1,223.87	NM-18229 Effective 6-1-73 Expires 5-30-83	U.S.A.-All	Depco, Inc.	100%	Roberts, Koch & Cartwright, a General Partnership; and Estoril Producing Corp. W. B. and Agnes C. Oliver 7.5%	Depco, Inc. Nico Exploration Company	50%
	Sec. 6: Lots 1,2,3,4, 5,6, E ₂ SW ₄								
	Sec. 7: E ₂ NW ₄ , NE ₂ SW ₄								
	Sec. 18: Lots 1,2,3,4, NE ₂ , E ₂ NW ₄								
	Sec. 19: Lots 3,4, E ₂ SW ₄								

32.	<u>TIDS-R30E, N.M.P.M.</u>	280.00	NM-18499	U.S.A.-All	Texas American Oil Corporation	100%	Lecta M. Dunn and Lloyd M. Dunn	4.0625%	Stewart Capitol Corporation	2.1875%	Texas American Oil Corporation	100%
	Sec. 20: <u>NM&NM&, SY&NM&, SW&</u>		Effective 6-1-73									
			Expires 5-30-83									
33.	<u>TICS-R30E, N.M.P.M.</u>	2,291.04	NM-18500	U.S.A.-All	Depco, Inc.	100%	James L. D. Roser	3%	Depco, Inc.		50%	
	Sec. 26: <u>W&SW&</u>		Effective 6-1-73				Daryle E. Murdoch	1.02%	Nicor Exploration Company		50%	
	Sec. 33: <u>All</u>						Standard Systems International Inc.	.93%				
	Sec. 34: <u>All</u>		Expires 5-30-83									
	Sec. 35: <u>All</u>											
	<u>TIDS-R30E, N.M.P.M.</u>											
	Sec. 1: <u>Lots 1,2,3,4, N&S&, SE&SE&</u>											
34.	<u>TIDS-R31E, N.M.P.M.</u>	587.86	NM-18505	U.S.A.-All	Gulf Oil Corporation	100%	Frank Yates	5%	Gulf Oil Corporation		100%	
	Sec. 5: <u>SE&</u>		Effective 6-1-73									
	Sec. 7: <u>Lot 4, SE&SW&</u>											
	Sec. 18: <u>SE&</u>		Expires 5-30-83									
	Sec. 19: <u>Lot 1,2, NM&NE&, E&NM&</u>											

35.	<u>T10S-R30E, N.M.P.M.</u>	200.00	NM-18618	U.S.A.-All	Texas American Oil Corporation	100%	James R. Pickett, Colleen Pickett	5%	Texas American Oil Corporation	100%
	Sec. 20: E₁N₁W₁ , NE₁N₁W₁		Effective 7-1-73 Expires 6-30-83							

36.	<u>T11S-R30E, N.M.P.M.</u>	1,240.00	NM-18619	U.S.A.-All	Depco, Inc.	100%	D. L. Hannifin and Barbara E. Hannifin		Depco, Inc.	100%
	Sec. 15: NE₁N₁W₁ , SE₁W₁		Effective 8-1-73							
	Sec. 22: S₁N₁W₁ , SE₁W₁									
	Sec. 23: E₁W₁ , SW₁N₁W₁		Expires 7-31-83				John R. Baskin	3%		
	Sec. 25: S₁N₁W₁						A. D. Solsbery	1%		
	Sec. 27: E₁N₁W₁									
	Sec. 28: NE₁ , N₁N₁W₁ , N₁S₁W₁									
	Sec. 34: E₁S₁W₁ , W₁SE₁									
	Sec. 35: E₁N₁W₁									

37.	<u>T11S-R30E, N.M.P.M.</u>	240.00	NM-18637	U.S.A.-All	Depco, Inc.	100%	Panos Investment Company	5%	Depco, Inc.	100%
	Sec. 26: E₁N₁W₁		Effective 8-1-73							
	Sec. 35: SW₁		Expires 7-31-83							

38.	<u>TIIS-R31E, N.M.P.M.</u> Sec. 19: NEYNEK	40.00	NM-18843 Effective 8-1-73 Expires 7-31-83	U.S.A.-All	Randall B. Johnson	100%	None	Randall B. Johnson	100%
39.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 14: EYSWK Sec. 23: SWYSWK Sec. 24: WYNNWY Sec. 25: EY Sec. 26: EYNEK Sec. 29: WYSEK	680.00	NM-18992 Effective 9-1-73 Expires 8-31-83	U.S.A.-All	Depco, Inc.	100%	Beulah R. and Raymond F. Leggett 5%	Depco, Inc.	100%
40.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 23: SEK Sec. 24: SEKSEK	200.00	NM-19610 Effective 1-1-74 Expires 12-31-83	U.S.A.-All	Barbara Hannifin	100%	None	Barbara Hannifin	100%
41.	<u>TIIS-R31E, N.M.P.M.</u> Sec. 7: Lots 1, 2	71.30	NM-19614 Effective 1-1-74 Expires 12-31-83	U.S.A.-All	M. J. Harvey, Jr.	100%	None	M. J. Harvey, Jr.	100%

42.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 14: NM $\frac{1}{2}$ SW $\frac{1}{2}$ Sec. 15: SW $\frac{1}{2}$ NE $\frac{1}{4}$	60.00	NM-19851 Effective 1-1-74 Expires 12-31-83	U.S.A.-All	Depco, Inc.	100%	Dorothy R. and W. H. Gilmore	6.25%	Depco, Inc. Nico Exploration Company	50%
43.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 10: S $\frac{1}{4}$ Sec. 11: W $\frac{1}{2}$ SW $\frac{1}{2}$ Sec. 14: W $\frac{1}{2}$ NW $\frac{1}{4}$	480.00	NM-20963 Effective 6-1-74 Expires 5-31-84	U.S.A.-All	Yates Petroleum Corporation	100%	A. Lansdale	5%	Yates Petroleum Corporation	100%
44.	<u>TIOS-R30E, N.M.P.M.</u> Sec. 21: All Sec. 28: All	1,280.00	NM-22635 Effective 9-1-74 Expires 8-31-84	U.S.A.-All	Mountain Fuel Supply Company	100%	A. Lansdale	5%	Mountain Fuel Supply Company	100%
45.	<u>TIOS-R30E, N.M.P.M.</u> Sec. 27: All	640.00	NM-22637 Effective 10-1-74 Expires 9-30-84	U.S.A.-All	Depco, Inc.	100%	Robert V. Sibert and Margaret P. Sibert	5%	Depco, Inc. Nico Exploration Company	50%

46.	<u>TLIS-R30E, N.M.P.M.</u> Sec. 4: N ₄ SEK	80.00	NM-27646 Effective 4-1-76 Expires 3-31-86	U.S.A.-All	Sam F. Hurt, Jr.	100%	None	Sam F. Hurt, Jr.	100%	
47.	<u>TLIS-R30E, N.M.P.M.</u> Sec. 3: Lot 1	22.37	NM-31111 Effective 9-1-77 Expires 8-31-87	U.S.A.-All	Abby Corporation	100%	Lawrence C. Harris	5%	Abby Corporation 100%	
48.	<u>TLIS-R30E, N.M.P.M.</u> Sec. 35: SEK	275.72	Unleased	U.S.A.-All	Unleased	None	Unleased			
	<u>TLIS-R31E, N.M.P.M.</u> Sec. 7: Lot 3 Sec. 19: S ₁₉ NEK									
48	FEDER/L	TRACTS	TOTALING	26,628.21	ACRES	OR	85.35%	OF	UNIT	AREA

STATE LANDS:

49.	<u>T11S-R30E, N.M.P.M.</u> Sec. 16: NE NE E	40.00	B-9495-12 HBP	State of New Mexico-All	Union Oil Company of California	100%	J. E. and Juanita Grace Jones	4.1667%	Union Oil Company of California	100%
50.	<u>T11S-R30E, N.M.P.M.</u> Sec. 2: Lots 1,2,3,4, S 4	410.12	L-3638 10-21-79	State of New Mexico-All	Robert B. Holt	100%	None		Robert B. Holt	100%
51.	<u>T10S-R30E, N.M.P.M.</u> Sec. 32: All	640.00	L-6776 12-1-81	State of New Mexico-All	Great Western Drilling Co. Davoil, Inc.	64.476% 35.524%	None		Great Western Drilling Co. Davoil, Inc.	64.47% 35.521%

52.	<u>T11S-R30E, N.M.P.M.</u> Sec. 16: W ₃ , S1 ₂ NEX, S1 ₂ SE ₃	400.00	L-6777 12-1-81	State of New Mexico-All	Depco, Inc.	100%	E. L. Latham, Jr. 1.5% V. J. Callaway 1.5% C. E. Mumford 1% W. R. Erickson 1%	Depco, Inc.	100%
53.	<u>T10S-R30E, N.M.P.M.</u> Sec. 36: NE ₃ , SW ₃ , S1 ₂ SE ₃	400.00	L-7001 2-15-82	State of New Mexico-All	E. L. Latham	100%	None	E. L. Latham	100%
54.	<u>T11S-R30E, N.M.P.M.</u> Sec. 32: S1 ₂ NE ₃ , W ₃ , NE ₃ SE ₃	440.00	L-7002 2-15-82	State of New Mexico-All	Amoco Production Company	100%	None	Amoco Production Company	100%
55.	<u>T10S-R30E, N.M.P.M.</u> Sec. 36: N ₃ SE ₃	80.00	LC-3234 12-1-85	State of New Mexico-All	Yates Petroleum Corporation	100%	None	Yates Petroleum Corporation	100%

56.	<u>T11S-R30E, N.M.P.M.</u>	200.00	LG-3352	State of New Mexico-All	Harvey E. Yates Company	70.0289%	W. T. Wynn	1%	Harvey E. Yates Company	70.0289%
	Sec. 32: <u>N₂NE₄, N₄SE₄, S₂SE₄</u>		2-1-86		Harvey E. Yates, Fred G. Yates, Explorers Petroleum Corp.	15%	Andrew C. Latter	.5%	Harvey E. Yates, Fred G. Yates, Explorers Petroleum Corp.	15%
					Coronado Exploration Corp.	14.9711%			Coronado Exploration Corp.	14.9711%

57.	<u>T11S-R30E, N.M.P.M.</u>	640.00	LG-4722	State of New Mexico-All	Gulf Oil Corporation	100%	None		Gulf Oil Corporation	100%
	Sec. 36: <u>All</u>		10-1-87							

18. TLOS-R30E, N.M.P.M. 160.00 LG-5352 State of New Gulf Oil Corporation 100% None Gulf Oil Corporation 100%

Sec. 36: NM

5-1-88

Mexico-All

19. TLOS-R30E, N.M.P.M. 200.00 LG-5413 State of New Depco, Inc. 100% None Depco, Inc. 100%

Sec. 16: WY, NESE

6-1-88

Mexico-All

1	STATE	TRACTS	TOTALING	3,610.12	ACRES	OR	11.57%	OF	UNIT	AREA
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:Jgm

PATENTED LANDS:

Sec. 6: SE	Sec. 7: NE	Sec. 19: SE	60. T11S-R31E, N.M.P.M.	480.00	10-20-79	Frances and Marvin D. Anderson (w/h)	6.6667%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	6.6667%
					10-21-79	Virginia Cotten and C. A. Hassell (w/h)	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation <td>6.25% <td>Depco, Inc.</td> <td>5%</td> </td>	6.25% <td>Depco, Inc.</td> <td>5%</td>	Depco, Inc.	5%
					10-21-79	Jean Arlene and Robert Earl Laird (w/h)	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation <td>6.25% <td>Depco, Inc.</td> <td>5%</td> </td>	6.25% <td>Depco, Inc.</td> <td>5%</td>	Depco, Inc.	5%
					10-21-79	Sarah Sykes Mathis	20%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation <td>6.25% <td>Depco, Inc.</td> <td>20%</td> </td>	6.25% <td>Depco, Inc.</td> <td>20%</td>	Depco, Inc.	20%
					10-21-79	Dorothy Browne	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation <td>6.25% <td>Depco, Inc.</td> <td>5%</td> </td>	6.25% <td>Depco, Inc.</td> <td>5%</td>	Depco, Inc.	5%
					10-21-79	Angelina Sykes Smith	6.6667%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation <td>6.25% <td>Depco, Inc.</td> <td>6.6667%</td> </td>	6.25% <td>Depco, Inc.</td> <td>6.6667%</td>	Depco, Inc.	6.6667%

10-21-79	J. B. and Virginia McCracken Cotten, Jr. (h/w)	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	5%
10-30-79	Walter R. and Palma I. Davls	2.8572%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	2.8572%
10-30-79	Gwendolyn Davls and R. D. Allen (w/h)	2.8571%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	2.8571%
10-30-79	Robert E. and Earl Hughes (w/h)	2.8572%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	2.8572%
10-30-79	Homer Edwin and Minnie P. Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	1.25%
10-30-79	Lola Sykes and C. S. Miller (w/h)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	1.25%

10-30-79	Ruby Jeane and Hardin Kettler (w/h) 2.8572%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	2.8572%
10-30-79	Lucille Davis and Victor O. Jackson (w/h) 2.8571%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	2.8571%
11-6-79	Loretta Henderson and Robert S. Titus, Sr. (w/h) 0.1325%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	0.1325%
12-5-79	Mrs. Alma Conley 0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	0.2083%
12-5-79	Bertha Sykes and Henry C. Adcock (w/h) 0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	0.2083%

12-5-79	Jack Campbell 0.4167%	Depco, Inc.	100%	Robertcs, Koch, and Cartwright	6.25%	Depco, Inc.	0.4167%
12-5-79	Opal Peery Gill 1.25%	Depco, Inc.	100%	Robertcs, Koch, and Cartwright	6.25%	Depco, Inc.	1.25%
12-5-79	Zora Mae and J. H. Head (w/h) 0.2083%	Depco, Inc.	100%	Robertcs, Koch, and Cartwright	6.25%	Depco, Inc.	0.2083%
12-5-79	Floyd Owen Sykes 1.25%	Depco, Inc.	100%	Robertcs, Koch, and Cartwright	6.25%	Depco, Inc.	1.25%
12-5-79	Ernest T. and Dolores Ann Sykes (h/w) 0.2083%	Depco, Inc.	100%	Robertcs, Koch, and Cartwright	6.25%	Depco, Inc.	0.2083%

12-5-79	Tallie J. and Opal Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	E. Harblson and Adelle Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	John Dell and Jewell Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	Kate P. Sykes, Billy C. and Mary Lynn Sykes (w/h), Bobby R. & Patsy R. Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	J. T. and Beatrice H. Sykes (h/w)	0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.2083%

12-5-79	Henry A. and Dorothy Mac Sykes	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	0.2083%
				Estoril Producing Corporation	6.25%		
12-5-79	Luella E. Sykes, Inez Sykes, and Kenneth H. Cox (w/h), Thelma Sykes and Carl L. Cook (w/h) Claud- ine Sykes, Norma Sykes and W. S. Lowe, Jr. (w/h), Mary Sykes likes, William H. and Marjorie R. Sykes (w/h), Albert C. Sykes, Elbert H. and Donna Fay Sykes (h/w), Neely Lee and Gertrude E. Sykes (w/h), Ima Sykes and Billy J. Mal- lard (w/h), and Vida Sykes Lively.	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	1.25%
				Estoril Producing Corporation	6.25%		
							1.25%

12-5-79	Elvie C. Sykes, Letha Sykes and James W. Allen (w/h), John Edwin and Naomi J. Sykes (h/w), Thomas J. and Mary L. Sykes (h/w), Rita Sykes and R. C. Latimer (w/h), Audery Sykes and Ronald E. Winkler (w/h), Barbara Sykes and William T. Mullaney (w/h), Nina Sykes and Romeo Flores(w/h) 1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright 6.25%	Depco, Inc.	1.25%
12-5-79	Paul V. and Ruby A. Campbell (h/w) 0.4167%	Depco, Inc.	100%	Roberts, Koch, and Cartwright 6.25%	Depco, Inc.	0.4167%
12-5-79	Opal Campbell 0.4167%	Depco, Inc.	100%	Roberts, Koch, and Cartwright 6.25%	Depco, Inc.	0.4167%
				Estoril Producing Corporation 6.25%		

12-5-79	Elizabeth H. Sykes, Lenora Sykes and Joyce Chester Wilkerson (w/h), Mary Sykes Leathers	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	1.25%
1-15-80	J. T. and Goldie Peery (h/w), Edna and Royce McGee (w/h), Earl Ray and Donna J. Peery (h/w), Nola Pearl & Gene A. Shaffer (h/w), Willie Odell and Elmer Allen (w/h)	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	1.25%
2-5-80	Lester Lacy	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	6.6667%
2-27-80	Clarence A. and B.A. Henderson	Depco, Inc.	100%	Roberts, Koch, and Cartwright Corporation	6.25%	Depco, Inc.	0.1325%

12-5-79	Elva Sykes and J. T. Isabell (w/h)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
8-17-82	Zaida Davis	2.8571%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	2.8571%
8-30-82	Louise Henderson Agee	0.3125%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.3125%
8-30-82	Sue W. Henderson, Ross D. Henderson, M.D., Jan and Charles E. Weyant (w/h), Donna Kay and Glenn P. Campbell (w/h), and Gary L. Henderson, M.D.	0.3125%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.3125%
Unleased	Bena Gray Davis	2.8571%	Unleased	100%	None		Unleased	2.8571%

1. TIIS-R31E, N.M.P.M. 80.00 6-6-83 May Waldrop 100% Anadarko Production 100% Mary Deaver 6.25% Anadarko Production 100%
Sec. 7: ~~W3SEK~~ Company

2. TIIS-R31E, N.M.P.M. 80.00 Unleased Robert J. and 2.5% Unleased None Unleased 2.5%
Sec. 7: ~~W3SEK~~ (h/w) Marion Leonard

Unleased Leonard Oil 12.5% Unleased None Unleased 12.5%
Company

Unleased Charles B. and 12.5% Unleased None Unleased 12.5%
(h/w) Jean Read

Unleased J. E. and Beulah 25% Unleased None Unleased 25%
H. Simmons

Unleased June D. Speight 25% Unleased None Unleased 25%

Unleased George H. and 10% Unleased None Unleased 10%
Margaret K. Hunker, Jr.

Unleased Effie Carter 12.5% Unleased None Unleased 12.5%
Powhatan and Beverly T. Carter
Jr. (h/w) Anderson and Geraldine
Carter (h/w)

63. T12S-R30E, N.M.P.H. Sec. 4: Lots 1, 2, 3, 4 S4N4	320.36	5-30-82	Bess Culp	25%	Depco, Inc.	100%	None	Depco, Inc.	25%
		6-1-82	Effie Jo Douthitt Austin	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-1-82	Audrey E. (Buff) Douthitt	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-1-82	Barbara Ann Marsh Gardner	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-6-82	Rachel Ann Douthitt Newman	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-6-82	Ida Belle and Steve Galley (w/h)	0.5556%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%
		6-6-82	Josephine and G. W. Littlefield (w/h)	0.5556%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%
		6-6-82	Iva Zelle and H. D. Cardin	0.5556%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%
		6-6-82	R. Eugene Moore	0.5555%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%

63. CONTINUED

6-6-82	Myrtle and Frank Larkin	Depco, Inc.	100%	None	Depco, Inc.	0.5555%
	0.5555%					
6-8-82	J. Marjorie Schmid	Depco, Inc.	100%	None	Depco, Inc.	2.7778%
	2.7778%					
Unleased	Paul F. Connor	Unleased	100%	None	Unleased	2.7778%
	2.7778%					
Unleased	James Lester Sands	Unleased	100%	None	Unleased	2.7778%
	2.7778%					

4	PATENTED	TRACTS	TOTALING	960.36	ACRES	OR	3.08%	OF	UNIT	AREA
63	TRACTS	TOTALING	31,198.69	ACRES	IN	UNIT	AREA.			



United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124
Albuquerque, New Mexico 87125

JUL 30 1979

Edmundson, Inc.
Attention: Mr. R. B. Edmundson
P. O. Box 1707
Denver, Colorado 80201

Gentlemen:

Your application of July 11, 1979, filed on behalf of DEPCO, Inc., with the U. S. Geological Survey office in Roswell, New Mexico, requests the designation of the Apache Springs unit area, embracing 31,198.69 acres, more or less, Chaves 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' Apache Springs Unit Area, Chaves County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for two wells to test the upper 50 feet of the Mississippian Limestone formation, or to a depth of 10,000 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three 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.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

DEPCO EXHIBIT NO. 4

CASE NO. 6645

Submitted by _____

Hearing Date _____

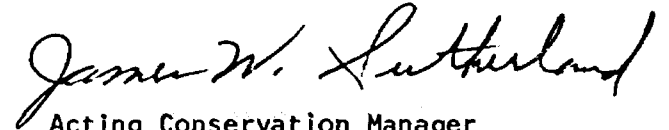


ONE HUNDRED YEARS OF EARTH SCIENCE IN THE PUBLIC SERVICE

When the executed agreement is transmitted to the Supervisor, Albuquerque, New Mexico, for 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 unit agreement involves State and fee land, we are sending a copy of the letter to the Commissioner of Public Lands and the New Mexico Conservation Division in Santa Fe. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

A handwritten signature in cursive script, reading "James W. Sutherland".

Acting Conservation Manager
For the Director

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

Depco EXHIBIT NO. 5

CASE NO. 6645

Submitted by _____

Hearing Date _____

DEPCO, Inc.

PRODUCTION & EXPLORATION

GEOLOGICAL REPORT
PROPOSED APACHE SPRINGS UNIT
CHAVES COUNTY, NEW MEXICO

LOCATION:

The proposed Apache Springs Unit is positioned on the N.W. Shelf of the Permian Basin portion of Southeast New Mexico. Geographically, it is located approximately 30 miles east of Roswell, New Mexico.

UNIT PROPOSAL:

Depco, Inc. proposes the formation of a Federal Unit to be known as the Apache Springs Unit which would be comprised of approximately 31,198.69 acres covering portions of Townships 10, 11, and 12 South, Ranges 30 and 31 East. Depco, as operator, proposes the drilling of two (2) Atoka-Morrow test wells within the Unit to evaluate the gas potential of these reservoirs. One well is to be drilled in the SE/4 NW/4 of Section 32, T10S-R30E to a depth of 10,000' or 50' into the top of the solid Mississippian Limestone formation, whichever is the lesser. The second well is to be drilled in the SW/4 NE/4 of Section 26, T11S-R30E to a depth of 10,200' or 50' into the top of the solid Mississippian Limestone, whichever is the lesser. The Unit outline and proposed locations are shown on the attached Exhibit.

GENERAL GEOLOGIC DISCUSSION:

The objective of the two (2) wildcat tests Depco proposes to drill in the Apache Springs Unit is to evaluate stratigraphic accumulation of gas in the Atoka-Morrow sands.

The drilling for and subsequent evaluation of Atoka-Morrow gas reserves in the N.W. Shelf area of Chaves County has been at a relatively slow pace and for the most part, in scattered areas along the Shelf. As a consequence, the existing well control has made interpretation of the depositional environment of Atoka-Morrow clastics somewhat difficult. It is probably deltaic but the systems have not been too well defined and the thicker areas of deposition have not been evaluated to any extent. Wildcat drilling has been fairly successful over the years and gas production has been established over a wide area. There have also been encouraging shows from drillstem test, etc. throughout the area of deposition on the Shelf. A great deal of additional exploratory drilling is needed, however, to evaluate the full potential of this area. Depco hopes to further this evaluation of the gas reserves by the drilling of the two proposed test wells.



SUITE 402, WESTERN UNITED BUILDING • MIDLAND, TEXAS 79701 • PHONE 915/682-6308

The proposed Unit outline encompasses a local area of thick Atoka-Morrow clastic deposition that is, for the most part, untested and is flanked by numerous shows of gas and thinner sand deposition. Exhibit "B" is an Isopach of the "gross sand thickness" of the Atoka-Morrow within the Unit boundry. Regional dip is to the East. Depositional limits of the Atoka-Morrow is updip to the West. Regional isopaching of the gross Atoka-Morrow indicates several interpreted depositional systems or troughs converging in the Unit area. Thicker clean sands stratigraphically trapped with better reservoir conditions should be developed here as potential gas reserves. The gas accumulation in these reservoirs would be trapped by an updip permeability barrier with gradual thinning and increased shale facies basinward.

PREVIOUS DRILLING WITHIN THE PROPOSED UNIT:

Only 3 wells have been drilled deep enough to penetrate the Atoka-Morrow within the Unit outline:

The Atlantic #1 Fed. Union in Section 7 of 11S-31E was drilled in 1955 to a TD of 10,763' in the Siluro-Devonian. A DST in the Atoka-Morrow from 9698-9738' flowed gas on a DST and recovered 135' GCM. Salty sulphur water was recovered on a test of the Siluro-Devonian. Operator plugged back and completed from a zone in the Wolfcamp that tested oil on a DST. The well has since been abandoned after making 4815 BO. The two dry holes offsetting this well in Sections 12 and 18 were drilled to the Wolfcamp and plugged.

The Cosden #1-A Federal in Section 34 of 10S-30E was drilled in 1959 to a TD of 10,765' in the Siluro-Devonian and was plugged after recovering salt water on a DST of that zone. A DST from 9762-9822' in the Atoka-Morrow had GTS in 26" but was not measured. No other tests were taken.

There were no completion attempts made on the two above wells in the Atoka-Morrow probably due to the exceptionally low gas price at the time they were drilled and the lack of market.

The Signal #1-A Federal in Section 6 of 11S-31E was drilled in 1972 to a TD of 10,694' in the Siluro-Devonian and was plugged after recovering salt water on a DST of that zone. No other DST's were taken.

DELINEATION OF THE UNIT:

The western boundry is defined by all full Sections of which 50% or more are cut by an updip permeability barrier that is established by wells, outside of the Unit boundry, encountering tite sands. One of the wells is a submarginal producer out of the Atoka-Morrow.

Proposed Apache Springs Unit
Chaves County, New Mexico
Page Three

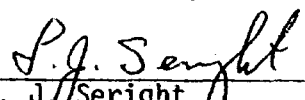
The southern boundry is defined by all full Sections of which 50% or more are cut by an updip permeability barrier. The Depco well in Section 3, outside of the Unit, had a show of gas but was too tight to produce.

The eastern boundry is defined by all full Sections, 50% or more of which are cut by the 100' isopach contour line of the "gross sand thickness". The 100' isopach contour was used as it defines the minimum gross sand thickness downdip that would relate to quality reservoir sand development as evidenced by the Atlantic well in Section 7 which tested gas from the Atoka-Morrow.

The northern boundry of the proposed Unit is defined by all full Sections of which 50% or more are cut by an updip permeability barrier which is analogous to the southern boundry parameters in regard to the related 100' isopach line of the "gross sand thickness".

SUMMARY:

The proposed Apache Springs Unit is being formed to allow an orderly exploration and development of the anticipated stratigraphic accumulation of natural gas in the Atoka-Morrow reservoirs.



L. J. Seright
District Exploration Manager
Depco, Inc.

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
APACHE SPRINGS UNIT AREA
COUNTY OF CHAVES
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 27th day of August,
19 79, by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated)
to consent to or approve this agreement on behalf of the State of New Mexico, in-
sofar as it covers and includes lands and mineral interest of the State of
New Mexico; and,

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

WHEREAS, the parties hereto hold sufficient interests in the Apache
Springs Unit Area covering the land hereinafter described to give
reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural
resources, prevent waste, and secure other benefits obtainable through develop-
ment and operation of the area subject to this agreement under the terms, con-
ditions, and limitations herein set forth;

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25,
1920, as amended, supra, and all valid pertinent regulations, including operating
and unit plan regulations, heretofore issued thereunder or valid, pertinent, and
reasonable regulations hereafter issued thereunder are accepted and made a part
of this agreement as to Federal lands, provided such regulations are not incon-
sistent with the terms of this agreement; and as to non-Federal lands, the oil
and gas operating regulations in effect as of the effective date hereof governing
drilling and producing operations, not inconsistent with the terms hereof or the
laws of the State in which the non-Federal land is located, are hereby accepted

Exhibit 2
Case 6645

and made a part of this agreement.

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

<u>T10S-R30E, N.M.P.M.</u>		<u>T11S-R31E, N.M.P.M.</u>	<u>T11S-R30E, N.M.P.M.</u>	
Sec. 19: All	Sec. 30: All	Sec. 5: All	Sec. 1: All	Sec. 22: All
Sec. 20: All	Sec. 31: All	Sec. 6: All	Sec. 2: All	Sec. 23: All
Sec. 21: All	Sec. 32: All	Sec. 7: All	Sec. 3: All	Sec. 24: All
Sec. 25: All	Sec. 33: All	Sec. 18: All	Sec. 4: All	Sec. 25: All
Sec. 26: All	Sec. 34: All	Sec. 19: All	Sec. 9: All	Sec. 26: All
Sec. 27: All	Sec. 35: All		Sec. 10: All	Sec. 27: All
Sec. 28: All	Sec. 36: All	<u>T12S-R30E, N.M.P.M.</u>	Sec. 11: All	Sec. 28: All
Sec. 29: All		Sec. 4: All	Sec. 12: All	Sec. 29: All
		Sec. 5: All	Sec. 13: All	Sec. 32: All
		Sec. 8: All	Sec. 14: All	Sec. 33: All
		Sec. 9: All	Sec. 15: All	Sec. 34: All
			Sec. 16: All	Sec. 35: All
			Sec. 20: All	Sec. 36: All
			Sec. 21: All	

Containing 31,198.69 acres,
more or less

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

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

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

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

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

(d) After due consideration of all pertinent information, the expansion

or contraction shall, upon approval by the Supervisor, the Land Commissioner, and State Commission, become effective as of the date prescribed in the notice thereof.

(e) Notwithstanding any prior elimination under the Drilling to Discovery Section, all legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

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

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

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

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

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Supervisor and the Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the

1 State Commission as to State lands, unless a new Unit Operator shall have been 1
2 selected and approved and shall have taken over and assumed the duties and 2
3 obligations of Unit Operator prior to the expiration of said period. 3
4

5 Unit Operator shall have the right to resign in like manner and subject to 5
6 like limitations as above provided at any time a participating area established 6
7 hereunder is in existence, but, in all instances of resignation or removal, until 7
8 a successor unit operator is selected and approved as hereinafter provided, the 8
9 working-interest owners shall be jointly responsible for performance of the duties 9
10 of unit operator, and shall not later than 30 days before such resignation or 10
11 removal becomes effective appoint a common agent to represent them in any action 11
12 to be taken hereunder. 12
13

14 The resignation of Unit Operator shall not release Unit Operator from any 14
15 liability for any default by it hereunder occurring prior to the effective date 15
16 of its resignation. 16
17

18 The Unit Operator may, upon default or failure in the performance of its 18
19 duties or obligations hereunder, be subject to removal by the same percentage 19
20 vote of the owners of working interests as herein provided for the selection of 20
21 a new Unit Operator. Such removal shall be effective upon notice thereof to the 21
22 Supervisor and the Land Commissioner. 22
23

24 The resignation or removal of Unit Operator under this agreement shall 24
25 not terminate its right, title, or interest as the owner of a working interest or 25
26 other interest in unitized substances, but upon the resignation or removal of Unit 26
27 Operator becoming effective, such Unit Operator shall deliver possession of all 27
28 wells, equipment, materials, and appurtenances used in conducting the unit opera- 28
29 tions to the new duly qualified successor Unit Operator or to the common agent, 29
30 if no such new Unit Operator is elected, to be used for the purpose of conducting 30
31 unit operations hereunder. Nothing herein shall be construed as authorizing 31
32 removal of any material, equipment, and appurtenances needed for the preservation 32
33 of any wells. 33
34

35 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 35
36 or its resignation as Unit Operator or shall be removed as hereinabove provided, 36
37 or a change of Unit Operator is negotiated by working-interest owners, the owners 37
38 of the working interests in the participating area or areas according to their 38
39 respective acreage interests in such participating area or areas, or until a 39
40 participating area shall have been established, the owners of the working interests 40
41 according to their respective acreage interests in all unitized land, shall by 41
42 majority vote select a successor Unit Operator: Provided, that, if a majority 42
43 but less than 75 per cent of the working interests qualified to vote are owned 43
44 by one party to this agreement, a concurring vote of one or more additional 44
45 working interest owners shall be required to select a new operator. Such selections 45
46 shall not become effective until 46
47

48 (a) a Unit Operator so selected shall accept in writing the duties and 48
49 responsibilities of Unit Operator, and 49
50

51 (b) the selection shall have been approved by the Supervisor and approved 51
52 by the Land Commissioner. 52
53

54 If no successor Unit Operator is selected and qualified as herein provided, 54
55 the Director and the Land Commissioner, at their election, may declare this unit 55
56 agreement terminated. 56
57

58 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator 58
59 is not the sole owner of working interests, costs, and expenses incurred by Unit 59
60 Operator in conducting unit operations hereunder shall be paid and apportioned 60
61 among and borne by the owners of working interests, all in accordance with the 61
62 agreement or agreements entered into by and between the Unit Operator and the 62
63 owners of working interests, whether one or more, separately or collectively. Any 63
64 agreement or agreements entered into between the working-interest owners and the 64
65 Unit Operator as provided in this section, whether one or more, are herein referred 65
66 to as the "unit operating agreement." Such unit operating agreement shall also 66
67 provide the manner in which the working-interest owners shall be entitled to re- 67
68 ceive their respective proportionate and allocated share of the benefits accruing 68

hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the upper 50 feet of the Mississippian Limestone formation has been tested, or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 10,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Notwithstanding anything in this unit agreement to the contrary, except the "Unavoidable Delay" Section 25, two (2) wells should be drilled with not more than six (6) months' time elapsing between completion of the first well and commencement of the second well; regardless of whether a discovery has been made in the first well. The initial test well must be drilled in compliance with the above specified formation or depth in order to meet the requirements of this section. The additional test well shall be diligently drilled, at a location approved by the Supervisor, to a depth of 10,200 feet or 50 feet into the top of the upper Mississippian Limestone Formation. The two (2) test wells shall be located a minimum of 2½ miles from each other in order to be accepted by the Supervisor as one of the two (2) test wells. Nevertheless, in the event of discovery of unitized substances in paying quantities by the first well, the unit agreement shall not terminate for failure to complete the two (2) well program, but the unit area shall be contracted automatically, effective the first day of the month following the default, to eliminate by subdivision (as defined in Section 2 (e) hereof) all lands not then entitled to participation.

1 Upon failure to commence any well provided for in this section within the 1
2 time allowed, including any extension of time granted by the Supervisor and the 2
3 Land Commissioner, this agreement will automatically terminate; upon failure to 3
4 continue drilling diligently any well commenced hereunder, the Supervisor and the 4
5 Land Commissioner may, after 15-days notice to the Unit Operator, declare this 5
6 unit agreement terminated. 6

7 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after 7
8 completion of a well capable of producing unitized substances in paying quantities, 8
9 the Unit Operator shall submit for the approval of the Supervisor, the Land 9
10 Commissioner, and State Commission an acceptable plan of development and operation 10
11 for the unitized land which, when approved by the Supervisor, the Land Commissioner, 11
12 and State Commission, shall constitute the further drilling and operating obliga- 12
13 tions of the Unit Operator under this agreement for the period specified therein. 13
14 Thereafter from time to time before the expiration of any existing plan, the Unit 14
15 Operator shall submit for the approval of the Supervisor, the Land Commissioner, 15
16 and State Commission a plan for an additional specified period for the development 16
17 and operation of the unitized land. 17
18 18

19 Any plan submitted pursuant to this section shall provide for the exploration 19
20 of the unitized area and for the diligent drilling necessary for determination 20
21 of the area or areas thereof capable of producing unitized substances in paying 21
22 quantities in each and every productive formation and shall be as complete and 22
23 adequate as the Supervisor, the Land Commissioner, and State Commission may de- 23
24 termine to be necessary for timely development and proper conservation of the 24
25 oil and gas resources of the unitized area and shall: 25
26 26

27 (a) specify the number and locations of any wells to be drilled and the 27
28 proposed order and time for such drilling; and 28
29 29

30 (b) to the extent practicable specify the operating practices regarded as 30
31 necessary and advisable for proper conservation of natural resources. Separate 31
32 plans may be submitted for separate productive zones, subject to the approval of 32
33 the Supervisor, the Land Commissioner, and State Commission. 33
34 34

35 Plans shall be modified or supplemented when necessary to meet changed con- 35
36 ditions or to protect the interests of all parties to this agreement. Reasonable 36
37 diligence shall be exercised in complying with the obligations of the approved plan 37
38 of development. The Supervisor and the Land Commissioner are authorized to grant 38
39 a reasonable extension of the six-month period herein prescribed for submission 39
40 of an initial plan of development where such action is justified because of un- 40
41 usual conditions or circumstances. After completion hereunder of a well capable 41
42 of producing any unitized substance in paying quantities, no further wells, except 42
43 such as may be necessary to afford protection against operations not under this 43
44 agreement and such as may be specifically approved by the Supervisor, the Land 44
45 Commissioner, and State Commission, shall be drilled except in accordance with a 45
46 plan of development approved as herein provided. 46
47 47

48 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 48
49 producing unitized substances in paying quantities or as soon thereafter as re- 49
50 quired by the Supervisor, the Land Commissioner, or the State Commission, the 50
51 Unit Operator shall submit for approval by the Supervisor the Land Commissioner, 51
52 and State Commission a schedule, based on subdivisions of the public-land survey 52
53 or aliquot parts thereof, of all land then regarded as reasonable proved to be 53
54 productive in paying quantities; all lands in said schedule on approval of the 54
55 Supervisor, the Land Commissioner, and State Commission to constitute a participa- 55
56 ting area, effective as of the date of completion of such well or the effective 56
57 date of this unit agreement, whichever is later. The acreages of both Federal 57
58 and non-Federal lands shall be based upon appropriate computations from the 58
59 courses and distances shown on the last approved public-land survey as of the 59
60 effective date of each initial participating area. Said schedule shall also 60
61 set forth the percentage of unitized substances to be allocated as herein provided 61
62 to each tract in the participating area so established, and shall govern the al- 62
63 location of production commencing with the effective date of the participating 63
64 area. A separate participating area shall be established for each separate pool 64
65 or deposit of unitizes substances or for any group thereof which is produced as 65
66 a single pool or zone, and any two or more participating areas so established 66
67 may be combined into one, on approval of the supervisor, the Land Commissioner, 67
68 and the State Commission. When production from two or more participating areas, 68
69 so established, is subsequently found to be from a common pool or deposit said 69
70 participating areas shall be combined into one, effective as of such appropriate 70

1 date as may be approved or prescribed by the Supervisor, the Land Commissioner, 1
2 and State Commission. The participating area or areas so established shall be 2
3 revised from time to time, subject to like approval, to include additional land 3
4 then regarded as reasonably proved to be productive in paying quantities or neces- 4
5 sary for unit operations, or to exclude land then regarded as reasonably proved 5
6 not to be productive in paying quantities and the schedule of allocation percent- 6
7 ages shall be revised accordingly. The effective date of any revision shall be 7
8 the first of the month in which is obtained the knowledge or information on which 8
9 such revision is predicated, provided, however, that a more appropriate effective 9
10 date may be used if justified by the Unit Operator and approved by the Supervisor, 10
11 the Land Commissioner, and State Commission. No land shall be excluded from a 11
12 participating area on account of depletion of the unitized substances, except that 12
13 any participating area established under the provisions of this unit agreement 13
14 shall terminate automatically whenever all completions in the formation on which 14
15 the participating area is based are abandoned. 15
16

17 It is the intent of this section that a participating area shall represent 17
18 the area known or reasonably estimated to be productive in paying quantities; 18
19 but regardless of any revision of the participating area, nothing herein contained 19
20 shall be construed as requiring any retroactive adjustment for production obtained 20
21 prior to the effective date of the revision of the participating area. 21
22

23 In the absence of agreement at any time between the Unit Operator and the 23
24 Supervisor, the Land Commissioner, and State Commission, as to the proper 24
25 definition or redefinition of a participating area, or until a participating 25
26 area has, or areas have, been established as provided herein, the portion of all 26
27 payments affected thereby shall be impounded in a manner mutually acceptable to 27
28 the owners of working interests and the Supervisor and the Land Commissioner. 28
29 Royalties due the United States shall be determined by the Supervisor for Federal 29
30 lands and the Land Commissioner for the State lands and the amount thereof shall 30
31 be deposited, as directed by the Supervisor and the Land Commissioner, to be 31
32 held as unearned money until a participating area is finally approved and then 32
33 applied as earned or returned in accordance with a determination of the sum due 33
34 as Federal and State royalty on the basis of such approved participating area. 34
35

36 Whenever it is determined, subject to the approval of the Supervisor, the 36
37 Land Commissioner, and State Commission that a well drilled under this agreement 37
38 is not capable of production in paying quantities and inclusions of the land on 38
39 which it is situated in a participating area is unwarranted, production from such 39
40 well shall, for the purposes of settlement among all parties other than working- 40
41 interest owners, be allocated to the land on which the well is located unless such 41
42 land is already within the participating area established for the pool or deposit 42
43 from which such production is obtained. Settlement for working interest benefits 43
44 from such a well shall be made as provided in the unit operating agreement. 44
45

46 Determination as to whether a well completed within the Unit Area prior to 46
47 the effective date of this agreement is capable of producing unitized substances 47
48 in paying quantities shall be deferred until an initial participating area is 48
49 established as a result of the completion of a well for production in paying 49
50 quantities in accordance with Section 9 hereof. 50
51

52 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 52
53 participating area established under this agreement, except any part thereof used 53
54 in conformity with good operating practices within the unitization area for 54
55 drilling, operating, camp, and other production or development purposes, for re- 55
56 pressuring or recycling in accordance with a plan of development approved by the 56
57 Supervisor, Land Commissioner, and State Commission, or unavoidable loss, shall 57
58 be deemed to be produced equally on an acreage basis from the several tracts of 58
59 unitized land of the participating area established for such production and, for 59
60 the purpose of determining any benefits accruing under this agreement, each such 60
61 tract of unitized land shall have allocated to it such percentage of said pro- 61
62 duction as the number of acres of such tract included in said participating area 62
63 bears to the total acres of unitized land in said participating area, except 63
64 that allocation of production hereunder for purposes other than for settlement of 64
65 royalty, overriding royalty, or payment out of production obligations of the 65
66 respective working-interest owners, shall be on the basis prescribed in the unit 66
67 operating agreement whether in conformity with the basis of allocation herein 67
68 set forth or otherwise. It is hereby agreed that production of unitized 68

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

10
11 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any 11
12 party hereto owning or controlling the working interest in any unitized land having 12
13 thereon a regular well location may with the approval of the Supervisor and the 13
14 Land Commissioner, at such party's sole risk, costs, and expense, drill a well to 14
15 test any formation for which a participating area has not been established or to 15
16 test any formation for which a participating area has been established if such 16
17 location is not within said participating area, unless within 90 days of receipt 17
18 of notice from said party of his intention to drill the well the Unit Operator 18
19 elects and commences to drill such a well in like manner as other wells are drilled 19
20 by the Unit Operator under this agreement. 20

21
22 If any well drilled as aforesaid by a working-interest owner results in 22
23 production such that the land upon which it is situated may properly be included 23
24 in a participating area, such participating area shall be established or enlarged 24
25 as provided in this agreement and the well shall thereafter be operated by the 25
26 Unit Operator in accordance with the terms of this agreement and the unit operating 26
27 agreement. 27

28
29 If any well drilled as aforesaid by a working-interest owner obtains pro- 29
30 duction in quantities insufficient to justify the inclusion of the land upon which 30
31 such well is situated in a participating area, such well may be operated and pro- 31
32 duced by the party drilling the same subject to the conservation requirements of 32
33 this agreement. The royalties in amount or value of production from any such well 33
34 shall be paid as specified in the underlying lease and agreements affected. 34
35

36 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 36
37 owner who is entitled to take in kind a share of the substances now unitized here- 37
38 under shall hereafter be entitled to the right to take in kind its share of the 38
39 unitized substances, and the Unit Operator, or the working-interest owner in case 39
40 of the operation of a well by a working interest owner as herein provided for in 40
41 special cases, shall make deliveries of such royalty share taken in kind in con- 41
42 formity with the applicable contracts, laws, and regulations. Settlement for roy- 42
43 alty interest not taken in kind shall be made by working-interest owners re- 43
44 sponsible therefor under existing contracts, laws, and regulations, or by the Unit 44
45 Operator, on or before the last day of each month for unitized substances produced 45
46 during the preceding calendar month; provided, however, that nothing herein con- 46
47 tained shall operate to relieve the lessees of any land from their respective lease 47
48 obligations for the payment of any royalties due under their leases. 48
49

50 If gas obtained from lands not subject to this agreement is introduced 50
51 into any participating area hereunder, for use in repressuring, stimulation of 51
52 production, or increasing ultimate recovery, in conformity with a plan of opera- 52
53 tions approved by the Supervisor and the Land Commissioner, a like amount of gas, 53
54 after settlement as herein provided for any gas transferred from any other parti- 54
55 cipating area and with appropriate deduction for loss from any cause, may be with- 55
56 drawn from the formation into which the gas is introduced, royalty free as to dry 56
57 gas, but not as to any products which may be extracted therefrom; provided that 57
58 such withdrawal shall be at such time as may be provided in the approved plan of 58
59 operations or as may otherwise be consented to by the Supervisor and the Land 59
60 Commissioner as conforming to good petroleum engineering practice; and provided 60
61 further, that such right of withdrawal shall terminate on the termination of this 61
62 unit agreement. 62

63
64 Royalty due the United States shall be computed as provided in the operating 64
65 regulations and paid in value or delivered in kind as to all unitized substances 65
66 on the basis of the amounts thereof allocated to unitized Federal land as provided 66
67 herein at the rates specified in the respective Federal leases, or at such lower 67
68 rate or rates as may be authorized by law or regulation; provided, that for leases 68

1 on which the royalty rate depends on the daily average production per well, said 1
2 average production shall be determined in accordance with the operating regulations 2
3 as though each participating area were a single consolidated lease. 3
4

5 Royalty due on account of State lands shall be computed and paid on the 5
6 basis of all unitized substances allocated to such lands. 6
7

8 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed 8
9 hereto shall be paid by working interest owners responsible therefor under exist- 9
10 ing contracts, laws, and regulations, provided that nothing herein contained shall 10
11 operate to relieve the lessees of any land from their respective lease obligations 11
12 for the payment of any rental or minimum royalty due under their leases. Rental 12
13 or minimum royalty for lands of the United States subject to this agreement shall 13
14 be paid at the rate specified in the respective leases from the United States un- 14
15 less such rental or minimum royalty is waived, suspended, or reduced by law or by 15
16 approval of the Secretary or his duly authorized representative. 16
17

18 Rentals on State of New Mexico lands subject to this agreement shall be 18
19 paid at the rates specified in the respective leases. 19
20

21 With respect to any lease on non-Federal land containing provisions which 21
22 would terminate such lease unless drilling operations are commenced upon the land 22
23 covered thereby within the time therein specified or rentals are paid for the pri- 23
24 vilege of deferring such drilling operations, the rentals required thereby shall, 24
25 notwithstanding any other provision of this agreement, be deemed to accrue and be- 25
26 come payable during the term thereof as extended by this agreement and until the 26
27 required drilling operations are commenced upon the land covered thereby or until 27
28 some portion of such land is included within a participating area. 28
29

30 16. CONSERVATION. Operations hereunder and production of unitized substances 30
31 shall be conducted to provide for the most economical and efficient recovery of 31
32 said substances without waste, as defined by or pursuant to State or Federal law 32
33 or regulation. 33
34

35 17. DRAINAGE. The Unit Operator shall take such measures as the Supervisor 35
36 and Land Commissioner deems appropriate and adequate to prevent drainage of unitized 36
37 substances from unitized land by wells on land not subject to this agreement. 37
38

39 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, 39
40 provisions of all leases, subleases, and other contracts relating to exploration, 40
41 drilling, development, or operation for oil or gas on lands committed to this 41
42 agreement are hereby expressly modified and amended to the extent necessary to make 42
43 the same conform to the provisions hereof, but otherwise to remain in full force 43
44 and effect; and the parties hereto hereby consent that the Secretary, as to Federal 44
45 leases and the Land Commissioner, as to State leases, shall and each by his 45
46 approval hereof, or by the approval hereof by his duly authorized representative, 46
47 does hereby establish, alter, change, or revoke the drilling, producing, rental, 47
48 minimum royalty, and royalty requirements of Federal and State leases committed 48
49 hereto and the regulations in respect thereto to conform said requirements to the 49
50 provisions of this agreement, and without limiting the generality of the foregoing, 50
51 all leases, subleases, and contracts are particularly modified in accordance with 51
52 the following: 52
53

54 (a) The development and operation of lands subject to this agreement under 54
55 the terms thereof shall be deemed full performance of all obligations for develop- 55
56 ment and operation with respect to each and every separately owned tract subject 56
57 to this agreement, regardless of whether there is any development of any particu- 57
58 lar tract of the unit area. 58
59

60 (b) Drilling and producing operations performed hereunder upon any tract 60
61 of unitized lands will be accepted and deemed to be performed upon and for the 61
62 benefit of each and every tract of unitized land, and no lease shall be deemed to 62
63 expire by reason of failure to drill or produce wells situated on the land therein 63
64 embraced. 64
65

66 (c) Suspension of drilling or producing operations on all unitized lands 66
67 pursuant to direction or consent of the Secretary and the Land Commissioner, or 67
68 his duly authorized representative, shall be deemed to constitute such suspension 68

1 pursuant to such direction or consent as to each and every tract of unitized land. 1
2 A suspension of drilling or producing operations limited to specified lands shall 2
3 be applicable only to such lands. 3
4

5 (d) Each lease, sublease, or contract relating to the exploration, drilling, 5
6 development or operation for oil or gas of lands other than those of the United 6
7 States and State of New Mexico committed to this agreement, which, by its terms 7
8 might expire prior to the termination of this agreement, is hereby extended beyond 8
9 any such terms so provided therein so that it shall be continued in full force and 9
10 effect for and during the term of this agreement. 10
11

12 (e) Any Federal lease for a fixed term of twenty (20) years or any renewal 12
13 thereof or any part of such lease which is made subject to this agreement shall 13
14 continue in force beyond the term provided therein until the termination hereof. 14
15 Any other Federal lease committed hereto shall continue in force beyond the term 15
16 so provided therein or by law as to the land committed so long as such lease re- 16
17 mains subject hereto, provided that production is had in paying quantities under 17
18 this unit agreement prior to the expiration date of the term of such lease, or in 18
19 the event actual drilling operations are commenced on unitized land, in accordance 19
20 with the provisions of this agreement, prior to the end of the primary term of such 20
21 lease and are being diligently prosecuted at that time, such lease shall be ex- 21
22 tended for two years and so long thereafter as oil or gas is produced in paying 22
23 quantities in accordance with the provisions of the Mineral Leasing Act Revision 23
24 of 1960. 24
25

26 (f) Each sublease or contract relating to the operation and development of 26
27 unitized substances from lands of the United States committed to this agreement, 27
28 which by its terms would expire prior to the time at which the underlying lease, 28
29 as extended by the immediately preceding paragraph, will expire, is hereby ex- 29
30 tended beyond any such term so provided therein so that it shall be continued in 30
31 full force and effect for and during the term of the underlying lease as such 31
32 term is herein extended. 32
33

34 (g) The segregation of any Federal Lease committed to this agreement is 34
35 governed by the following provision in the fourth paragraph of Sec. 17 (j) of the 35
36 Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): 36
37 "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan em- 37
38 bracing lands that are in part within and in part outside of the area covered by 38
39 any such plan shall be segregated into separate leases as to the lands committed 39
40 and the lands not committed as of the effective date of unitization: Provided 40
41 however, that any such lease as to the nonunitized portion shall continue in force 41
42 and effect for the term thereof but for not less than two years from the date of 42
43 such segregation and so long thereafter as oil or gas is produced in paying 43
44 quantities." 44
45

46 (h) In the event the Initial Test Well is commenced prior to the expiration 46
47 date of the shortest term State Lease within the Unit Area, any lease embracing 47
48 lands of the State of New Mexico which is made subject to this agreement, shall 48
49 continue in force beyond the term provided therein as to the lands committed hereto 49
50 until the termination hereof. 50
51

52 (i) Any lease embracing lands of the State of New Mexico having only a 52
53 portion of its lands committed hereto, shall be segregated as to the portion com- 53
54 mitted and the portion not committed, and the terms of such lease shall apply 54
55 separately to such segregated portions commencing as of the effective date hereof; 55
56 provided, however, notwithstanding any of the provisions of this agreement to the 56
57 contrary any lease embracing lands of the State of New Mexico having only a portion 57
58 of its lands committed hereto shall continue in full force and effect beyond the 58
59 term provided therein as to all lands embraced in such lease, if oil or gas is dis- 59
60 covered and is capable of being produced in paying quantities from some part of 60
61 the lands embraced in such lease at the expiration of the secondary term of such 61
62 lease; or if, at the expiration of the secondary term, the lessee or the Unit 62
63 Operator is then engaged in bona fide drilling or reworking operations on some part 63
64 of the lands embraced in such lease, the same as to all lands embraced therein, 64
65 shall remain in full force and effect so long as such operations are being dili- 65
66 gently prosecuted, and if they result in the production of oil or gas; said lease 66
67 shall continue in full force and effect as to all of the lands embraced therein, so 67
68 long thereafter as oil or gas in paying quantities is being produced from any 68
69 portion of said lands. 69

1 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be 1
2 covenants running with the land with respect to the interest of the parties hereto 2
3 and their successors in interest until this agreement terminates, and any grant, 3
4 transfer, or conveyance, or interest in land or leases subject hereto shall be and 4
5 hereby is conditioned upon the assumption of all privileges and obligations here- 5
6 under by the grantee, transferee, or other successor in interest. No assignment or 6
7 transfer of any working interest, royalty, or other interest subject hereto shall 7
8 be binding upon Unit Operator until the first day of the calendar month after Unit 8
9 Operator is furnished with the original, photostatic, or certified copy of the 9
10 instrument of transfer. 10
11

12 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 12
13 approval by the Secretary and the Land Commissioner or his duly authorized repre- 13
14 sentative, and shall terminate five (5) years from said effective date unless 14
15

16 (a) such date of expiration is extended by the Director and the Land 16
17 Commissioner, or 17
18

19 (b) it is reasonably determined prior to the expiration of the fixed term 19
20 or any extension thereof that the unitized land is incapable of production of 20
21 unitized substances in paying quantities in the formations tested hereunder and 21
22 after notice of intention to terminate the agreement on such ground is given by 22
23 the Unit Operator to all parties in interest at their last known addresses, the 23
24 agreement is terminated with the approval of the Supervisor and the Land 24
25 Commissioner, or 25
26

27 (c) a valuable discovery of unitized substances has been made or accepted 27
28 on unitized land during said initial term or any extension thereof, in which event 28
29 the agreement shall remain in effect for such term and so long as unitized sub- 29
30 stances are produced in quantities sufficient to pay for the cost of producing same 30
31 from wells on unitized land within any participating area established hereunder 31
32 and, should production cease, so long thereafter as diligent operations are in 32
33 progress for the restoration of production or discovery of new production and so 33
34 long thereafter as unitized substances so discovered can be produced as aforesaid, or 34
35

36 (d) it is terminated as heretofore provided in this agreement. This agree- 36
37 ment may be terminated at any time by not less than 75 per centum, on an acreage 37
38 basis, of the working-interest owners signatory hereto, with the approval of the 38
39 Supervisor and the Land Commissioner; notice of any such approval to be given by 39
40 the Unit Operator to all parties hereto. 40
41

42 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 42
43 hereby vested with authority to alter or modify from time to time in his discretion 43
44 the quantity and rate of production under this agreement when such quantity and 44
45 rate is not fixed pursuant to Federal or State law or does not conform to any 45
46 statewide voluntary conservation or allocation program, which is established, re- 46
47 cognized, and generally adhered to by the majority of operators in such State, such 47
48 authority being hereby limited to alteration or modification in the public inter- 48
49 est, the purpose hereof and the public interest to be served thereby to be stated 49
50 in the order of alteration or modification. Without regard to the foregoing, the 50
51 Director is also hereby vested with authority to alter or modify from time to time 51
52 in his discretion the rate of prospecting and development and the quantity and rate 52
53 of production under this agreement when such alteration or modification is in the 53
54 interest of attaining the conservation objectives stated in this agreement and is 54
55 not in violation of any applicable Federal or State law. 55
56

57 Powers in this section vested in the Director shall only be exercised after 57
58 notice to Unit Operator and opportunity for hearing to be held not less than 15 58
59 days from notice. 59
60

61 22. APPEARANCES. Unit Operator shall, after notice to other parties affected, 61
62 have the right to appear for and on behalf of any and all interests affected hereby 62
63 before the Department of the Interior and the Commissioner of Public Lands and to 63
64 appeal from orders issued under the regulations of said Department or Land Commis- 64
65 sioner or to apply for relief from any of said regulations or in any proceedings 65
66 relative to operations before the Department of the Interior or the Land Commis- 66
67 sioner or any other legally constituted authority; provided, however, that any 67
68 other interested party shall also have the right at his own expense to be heard in 68

any such proceeding.

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

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

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

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

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

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

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor the the Land Commissioner, the State Commission, and the Unit Operator prior to the approval of this agreement by the Supervisor. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the

1 working interest owner committed hereto and responsible for the payment of any 1
2 benefits that may accrue hereunder in behalf of such non-working interest. A 2
3 non-working interest may not be committed to this unit unless the corresponding 3
4 working interest is committed hereto. Joinder to the unit agreement by a working 4
5 interest owner, at any time, must be accompanied by appropriate joinder to the unit 5
6 operating agreement, if more than one committed working interest owner is involved, 6
7 in order for the interest to be regarded as committed to this unit agreement. Ex- 7
8 cept as may otherwise herein be provided, subsequent joinders to this agreement 8
9 shall be effective as of the first day of the month following the filing with the 9
10 Supervisor, the Land Commissioner, and the State Commission of duly executed counter-10
11 parts of all or any papers necessary to establish effective commitment of any 11
12 tract to this agreement unless objection to such joinder is duly made within sixty 12
13 (60) days by the Supervisor, the Land Commissioner, or State Commission. 13
14

15 29. COUNTERPARTS. This agreement may be executed in any number of counter- 15
16 parts no one of which needs to be executed by all parties or may be ratified or 16
17 consented to by separate instrument in writing specifically referring hereto and 17
18 shall be binding upon all those parties who have executed such a counterpart, rati- 18
19 fication, or consent hereto with the same force and effect as if all such parties 19
20 had signed the same document and regardless of whether or not it is executed by all 20
21 other parties owning or claiming an interest in the lands within the above-described 21
22 unit area. 22
23

24 30. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agree- 24
25 ment shall modify or change either the special Federal Lease stipulations relating 25
26 to surface management or such special Federal Lease stipulations relating to surface 26
27 and environmental protection, attached to and made a part of, Oil and Gas Leases 27
28 covering lands within the Unit Area. 28
29

30 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be ex- 30
31 ecuted and have set opposite their respective names the date of execution. 31
32

33
34 ATTEST:

DEPCO, INC.

35
36
37
38 By _____
39 Assistant Secretary

35
36
37
38 By _____
39 Vice-President

40
41 STATE OF _____)
42 _____)
43 COUNTY OF _____)
44

45
46 The foregoing instrument was acknowledged before me this _____ day of
47 _____, 1979, by _____ who is
48 _____ of _____
49 _____
50
51 a corporation, for and on behalf of said Corporation.
52

53
54 My Commission Expires:
55
56

Notary Public

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

TRACT O.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDE ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
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DERAL LANDS:

T11S-R30E, N.M.P.M. Sec. 21: SW $\frac{1}{4}$	160.00	N4-0557565 Effective 8-1-65 HBP	U.S.A.-A11	Depco, Inc. Nitor Exploration Company	50% 50%	William M. Weaver, Jr., Solvelg E. Weaver 5% Jack L. and Barbara A. McClellan 2.5%	Depco, Inc. Nitor Exploration Company 50%
--	--------	--	------------	---	------------	---	---

T11S-R30E, N.M.P.M. Sec. 35: NE $\frac{1}{4}$	160.00	N4-10904 Effective 1-1-70 Expires 12-31-79	U.S.A.-A11	Barbara J. Peterson	100%	None	Barbara J. Peterson 100%
--	--------	--	------------	---------------------	------	------	--------------------------

*Exhibit 3
Case 6645*

<u>TLIS-R30E, N.M.P.M.</u> 2,440.00						
Sec. 15:	SE $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$	NM-14142 Effective 8-1-71	U.S.A.-All	Depco, Inc.	100%	Ruble C. and Eryan Bell 5%
Sec. 22:	E $\frac{1}{2}$, NE $\frac{1}{2}$ SW $\frac{1}{4}$	Expires 7-31-81				Depco, Inc. 100%
Sec. 23:	NW $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{2}$ SW $\frac{1}{4}$					
Sec. 26:	W $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$					
Sec. 27:	NE $\frac{1}{2}$, W $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$					
Sec. 33:	N $\frac{1}{2}$, SW $\frac{1}{4}$					
Sec. 34:	E $\frac{1}{2}$ E $\frac{1}{2}$, W $\frac{1}{2}$ SW $\frac{1}{4}$					
Sec. 35:	W $\frac{1}{2}$ NW $\frac{1}{4}$					

<u>TLIS-R30E, N.M.P.M.</u> 160.00						
Sec. 23:	NE $\frac{1}{4}$	NM-14316 Effective 9-1-71	U.S.A.-All	Sol West III	100%	Margaret Gerard 2%
		Expires 8-31-81				Sol West III 100%

<u>TLIS-R30E, N.M.P.M.</u> 280.00						
Sec. 24:	SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, NE $\frac{1}{2}$ SE $\frac{1}{4}$	NM-14485 Effective 12-1-71	U.S.A.-All	Yates Petroleum Corporation	100%	K. J. and Marie A. Fell 3%
		Expires 11-30-81				Yates Petroleum Corporation 100%

<u>TIIS-R30E, N.M.P.M.</u>	480.00	NM-14485-A	U.S.A.-All	Aminoil USA, Inc.	100%	F. J. Felt D. O. Keon	2% 1%	Aminoil USA, Inc.	100%
Sec. 13: $\frac{5}{8}\%$		Effective							
Sec. 14: $\frac{5}{8}\%$		12-1-71							
		Expires							
		11-30-81							

<u>TIIS-R30E, N.M.P.M.</u>	240.00	NM-14485-B	U.S.A.-All	Aminoil USA, Inc.	100%	K. J. Felt D. O. Keon	2% 1%	Aminoil USA, Inc.	100%
Sec. 24: $\frac{1}{2}\%$, $\frac{1}{4}\%$, $\frac{1}{8}\%$		Effective							
		12-1-71							
		Expires							
		11-30-81							

<u>TIIS-R30E, N.M.P.M.</u>	320.00	NM-14485-C	U.S.A.-All	Yates Petroleum Corporation	100%	K. J. Felt D. O. Keon	2% 1%	Yates Petroleum Corporation	100%
Sec. 25: $\frac{5}{8}\%$		Effective							
Sec. 26: $\frac{5}{8}\%$		12-1-71							
		Expires							
		11-30-81							

<u>TIIS-R30E, N.M.P.M.</u>		760.00	NM-14782	U.S.A.-All	Depco, Inc.	100%	C. H. and E. T. Thierick	5%	Depco, Inc.	100%
Sec. 14:	SW ₂ SW ₂		Effective							
Sec. 20:	SE ₂ NE ₂ , W ₂ E ₂ , E ₂ W ₂		2-1-72							
Sec. 29:	W ₂ NE ₂ , E ₂ NW ₂ , NW ₂ SW ₂ , E ₂ SE ₂		Expires 1-31-82							
Sec. 34:	W ₂ NE ₂									

<u>TIIS-R30E, N.M.P.M.</u>		160.94	NM-15437	U.S.A.-All	Supron Energy Corporation	100%	John H. Klas	3%	Supron Energy Corporation	100%
Sec. 5:	Lots 1,2, S ₂ NE ₂		Effective 7-1-72							
			Expires 6-30-82							

TIIS-R30E, N.M.P.M.	480.00	MM-15441	U.S.A.-All	John A. Yates	100%	None	John A. Yates	200%
Sec. 20: NE&NE&		Effective						

W4W4,	6-1-72
EXSEK	
W4W4,	Expires
NE4SW4,	5-31-82
SYSW4	

Effective
6-1-72
Expires
5-31-82

T12S-R3DE, N.M.P.M.		480.00	NM-15442	U.S.A.-All	Sundance Oil Company	100%	Jack J. Grynberg	4.25%	Sundance Oil Company
Sec. 8:	SE½		Effective				Gertrude and Frank		
Sec. 9:	S½		7-1-72				Rochen	2%	

Effective 7-1-72	Gertrude and Frank Roehen	2%
Expires 6-30-82		

Jack J. Grynberg	4.25%
Gertrude and Frank	
Rocher	2%

TLS-R3DE, N.M.P.M.	320.00	NM-15675	U.S.A.-All	J. M. Huber Corporation	100%	None	J. M. Huber Corporation	100%
Sec. 33: SEI		Effective						
Sec. 34: NW4		6-30-82						

Effective
6-30-82
Expires
7-1-72

Sec. 34: NW 1/4

14.	<u>T11S-R30E, N.H.P.M.</u>	240.00	NM-16119	U.S.A.-All	Duncan Miller	100%	None	Duncan Miller	100%
	Sec. 22: NM-15W $\frac{1}{2}$		Effective						
	Sec. 28: SE $\frac{1}{2}$		8-1-72						
	Sec. 29: NE $\frac{1}{2}$ NE $\frac{1}{2}$		Expires						
			7-31-82						

15.	<u>T12S-R30E, N.H.P.M.</u>	320.00	NM-16120	U.S.A.-All	Getty Oil Company	100%	Grace E. LaRue	3%	Getty Oil Company	100%
	Sec. 5: S $\frac{1}{2}$		Effective				John W. and Jean			
			7-1-72				M. Gates, W. T. and			
			Expires				Margaret Winn	2%		
			6-30-82							

16.	<u>T12S-R30E, N.H.P.M.</u>	640.00	NM-16121	U.S.A.-All	Sundance Oil Company	100%	Nola Grace Ptasynski	5%	Sundance Oil Company	100%
	Sec. 4: S $\frac{1}{2}$		Effective							
	Sec. 9: N $\frac{1}{2}$		2-1-73							
			Expires							
			1-31-83							

17. T12S-R30E, N.M.P.M. 320.00 NM-16122 U.S.A.-All Sundance Oil Company 100% Walter Duncan III 5% Sundance Oil Company 100%

Sec. 8: N $\frac{1}{2}$
Effective
8-1-72
Expires
7-31-82

18. T12S-R30E, N.M.P.M. 161.38 NM-16334 U.S.A.-All Edward R. Hudson, Jr. 50% None Edward R. Hudson, Jr. 50%

Sec. 5: Lots 3,4,
S $\frac{1}{2}$ NM $\frac{1}{2}$
Effective
8-1-72
Expires
7-31-82

Francis Stripling 50%

19. T10S-R30E, N.M.P.M. 1,200.00 NM-16339-A U.S.A.-All Depco, Inc. 100% Lon V. Smith 5% Depco, Inc. 50%

Sec. 25: All
Effective
8-1-72
Expires
7-31-82

Nicor Exploration
Company 50%

Sec. 26: E $\frac{1}{2}$, NW $\frac{1}{4}$,
E $\frac{1}{2}$ SW $\frac{1}{4}$

20.	<u>T11S-R30E, N.M.P.M.</u>	284.06	NM-16340	U.S.A.-All	Depco, Inc.	100%	C. E. Strange	2.5%	Depco, Inc.	100%
	Sec. 3: <u>SE</u>		Effective				Geo, Globe			
	Sec. 4: Lots 1,2		8-1-72							
	Sec. 9: <u>SYNE</u>		Expires							
			7-31-82							

21.	<u>T12S-R30E, N.M.F.M.</u>	160.00	NM-16633	U.S.A.-All	Estelle H. Yates	100%	None		Yates Drilling Company	100%
	Sec. 3: <u>SW</u>		Effective							
			9-1-72							
			Expires							
			8-31-82							

22.	<u>T11S-R30E, N.M.P.M.</u>	363.46	NM-16805	U.S.A.-All	Depco, Inc.	100%	Thomas C. Hardy	1.5%	Depco, Inc.	100%
	Sec. 4: Lots 3,4, <u>SW</u>		Effective				Dean W. Rowell	1.5%		
	Sec. 9: <u>NW</u>		10-1-72				J. P. Cavanaugh	1%		
			Expires							
			9-30-82							

23.	T11S-R30E, N.M.P.M. Sec. 22: N ₂ NW ₄	80.00	NM-16811 Effective 10-1-82 Expires 9-30-82	U.S.A.-A11	Kathryn A. Dalton	100%	None	Kathryn A. Dalton	100%
24.	T11S-R30E, N.M.P.M. Sec. 21: E ₂ NW ₄ , SE ₄ Sec. 28: S ₂ NW ₄ , S ₄ SW ₄	400.00	NM-16811-A Effective 10-1-72 Expires 9-30-82	U.S.A.-A11	Harvey E. Yates Company 85.0289% Coronado Exploration, Corp. 14.9711%	Kathryn A. Dalton 5% John W. Gates 1.25%	Harvey E. Yates Company 85.0289% Coronado Exploration, Corp. 14.9711%		
25.	T11S-R30E, N.M.P.M. Sec. 4: S ₄ SE ₄ Sec. 9: N ₂ NW ₄ Sec. 21: W ₂ NW ₄ , NW ₄	400.00	NM-17051 Effective 12-1-72 Expires 11-30-82	U.S.A.-A11	Depco, Inc. Nicoor Exploration Company 50%	Frank W. Yates 6.25%	Depco, Inc. Nicoor Exploration Company 50%		

26.	<u>T10S-R30E, N.M.P.M. 2,559.42</u>	NM-17428	U.S.A.-All	Getty Oil Company	100%	C. E. Strange	2.5%	Getty Oil Company	100%
	Sec. 19: Lots 1,2,3,4, E3M3, E3	Effective 2-1-73				John Antongiovanni	2.5%		
	Sec. 29: All								
	Sec. 30: Lots 1,2,3,4, E3M3, E3	Expires 1-31-83							
	Sec. 31: Lots 1,2,3,4, E3M3, E3								

27.	<u>T11S-R30E, N.M.P.M. 160.00</u>	NM-17591	U.S.A.-All	Gordon M. Cone	100%	None		Gordon M. Cone	100%
	Sec. 25: N3M3	Effective 3-1-73							
	Sec. 26: W3NE3	Expires 2-28-83							

28.	<u>T11S-R30E, N.M.P.M. 2,480.00</u>	NM-17592	U.S.A.-All	Depco, Inc.	100%	Malcolm LeSueur	2.5%	Depco, Inc.	100%
	Sec. 1: SE3SW3, SW3SE3	Effective 3-1-73				John E. Oakason	1.25%		
	Sec. 9: S3					Estate			
	Sec. 10: N3					H. B. Cahoon			
	Sec. 11: N3, E3SW3, SE3	Expires 2-28-83				Investment Co.	1%		
	Sec. 12: All					Ronald Dean	.25%		
	Sec. 13: N3								
	Sec. 14: NE3, E3NW3								

29.	<u>TIIS-R30E, N.M.P.M.</u> Sec. 22: SW $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 29: SE $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	NM-17804 Effective 3-1-73 Expires 2-28-83	U.S.A.-All	Sundance Oil Company	100%	Jack J. Grynberg	6.25%	Sundance Oil Company	100%
30.	<u>TIOS-R30E, N.M.P.M.</u> Sec. 20: W $\frac{1}{2}$ E $\frac{1}{2}$ <u>TIIS-R30E, N.M.P.M.</u> Sec. 1: SW $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 3: Lots 2,3,4, SW $\frac{1}{4}$	426.79	NM-18040 Effective 4-1-73 Expires 3-31-83	U.S.A.-All	Depco, Inc.	100%	Frisclia F. and Reed Calmore	6.25%	Depco, Inc. Nico Exploration Company	50%
31.	<u>TIIS-R31E, N.M.P.M.</u> Sec. 5: Lots 1,2,3,4, SW $\frac{1}{4}$ Sec. 6: Lots 1,2,3,4, 5,6, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 7: E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 18: Lots 1,2,3,4, NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 19: Lots 3,4, E $\frac{1}{2}$ SW $\frac{1}{4}$	1,223.87	NM-18229 Effective 6-1-73 Expires 5-30-83	U.S.A.-All	Depco, Inc.	100%	Roberts, Koch & Cartwright, a General Partnership; and Estoril Producing Corp. W. B. and Agnes C. Oliver	7.5% 5%	Depco, Inc. Nico Exploration Company	50%

32.	<u>T10S-R30E, N.M.P.M.</u>	280.00	NM-18499	U.S.A.-All	Texas American Oil Corporation	100%	Leota M. Dunn and Lloyd M. Dunn	4.0625%	Texas American Oil Corporation	100%
	Sec. 20: NM ₂ NM ₄ , S ₄ NM ₄ , SW ₄		Effective 6-1-73							
			Expires 5-30-83				Stewart Capitol Corporation	2.1875%		

33.	<u>T10S-R30E, N.M.P.M.</u>	2,291.04	NM-18500	U.S.A.-All	Depco, Inc.	100%	James L. D. Roser	3%	Depco, Inc.	50%
	Sec. 26: W ₄ SW ₄		Effective 6-1-73				Laryle E. Murdoch	1.02%	Nicor Exploration Company	50%
	Sec. 33: All						Standard Systems International Inc.	.98%		
	Sec. 34: All		Expires 5-30-83							
	Sec. 35: All									

T11S-R30E, N.M.P.M.
 Sec. 1: Lots 1,2,3,4, N₄S₄, SE₄SE₄

34.	<u>T11S-R31E, N.M.P.M.</u>	587.86	NM-18505	U.S.A.-All	Gulf Oil Corporation	100%	Frank Yates	5%	Gulf Oil Corporation	100%
	Sec. 5: SE ₄		Effective 6-1-73							
	Sec. 7: Lot 4, SE ₄ SW ₄									
	Sec. 18: SE ₄		Expires 5-30-83							
	Sec. 19: Lot 1,2, NM ₄ NE ₄ , E ₄ NM ₄									

35. T10S-R30E, N.M.P.M. 200.00 NM-18618 U.S.A.-All Texas American Oil Corporation 100% James R. Pickett, Colleen Pickett 5% Texas American Oil Corporation 100%

Sec. 20: E₃NE₄, NE₄NW₄ Effective 7-1-73 Expires 6-30-83

36. T11S-R30E, N.M.P.M. 1,240.00 NM-18619 U.S.A.-All Depco, Inc. 100% D. L. Hanniffin and Barbara E. Hanniffin 3% Depco, Inc. 100%

Sec. 15: NE₄NE₄, SE₄ Effective 8-1-73

Sec. 22: SE₄NW₄, SE₄SW₄ Expires 7-31-83

Sec. 23: E₃W₄, SW₄NW₄ Expires 7-31-83

Sec. 25: SE₄NW₄ Expires 7-31-83

Sec. 27: E₃NW₄ Expires 7-31-83

Sec. 28: NE₄, NW₄NW₄, NW₄SW₄

Sec. 34: E₃SW₄, W₄SE₄

Sec. 35: E₃NW₄

17. T11S-R30E, N.M.P.M. 240.00 NM-18837 U.S.A.-All Depco, Inc. 100% Panos Investment Company 5% Depco, Inc. 100%

Sec. 26: E₃NW₄ Effective 8-1-73

Sec. 35: SW₄ Expires 7-31-83

38.	<u>TIIS-R31E, N.M.P.M.</u>	40.00	NM-18843	U.S.A.-All	Randall B. Johnson	100%	None	Randall B. Johnson	100%
	Sec. 19: <u>NE&NE&</u>		Effective						
			8-1-73						
			Expires						
			7-31-83						

39.	<u>TIIS-R30E, N.M.P.M.</u>	680.00	NM-18992	U.S.A.-All	Depco, Inc.	100%	Beulah R. and Raymond F. Leggett	Depco, Inc.	100%
	Sec. 14: <u>ES&SW&</u>		Effective						
	Sec. 23: <u>SW&SW&</u>		9-1-73						
	Sec. 24: <u>W&NM&</u>		Expires				5%		
	Sec. 25: <u>ES&</u>		8-31-83						
	Sec. 26: <u>ES&NE&</u>								
	Sec. 29: <u>W&SE&</u>								

40.	<u>TIIS-R30E, N.M.P.M.</u>	200.00	NM-19610	U.S.A.-All	Barbara Hanniffin	100%	None	Barbara Hanniffin	100%
	Sec. 23: <u>SE&</u>		Effective						
	Sec. 24: <u>SE&SE&</u>		1-1-74						
			Expires						
			12-31-83						

41.	<u>TIIS-R31E, N.M.P.M.</u>	71.30	NM-19614	U.S.A.-All	M. J. Harvey, Jr.	100%	None	M. J. Harvey, Jr.	100%
	Sec. 7: <u>Lots 1,2</u>		Effective						
			1-1-74						
			Expires						
			12-31-83						

42.	<u>T11S-R30E, N.M.P.M.</u> Sec. 14: NM&SM& Sec. 15: SM&NE&	80.00	NM-19851 Effective 1-1-74 Expires 12-31-83	U.S.A.-All	Depco, Inc.	100%	Dorothy R. and W. H. Gilmore	6.25%	Depco, Inc. Nicor Exploration Company	50%
43.	<u>T11S-R30E, N.M.P.M.</u> Sec. 10: S& Sec. 11: W&SM& Sec. 14: W&NM&	480.00	NM-20963 Effective 6-1-74 Expires 5-31-84	U.S.A.-All	Yates Petroleum Corporation	100%	A. Lansdale	5%	Yates Petroleum Corporation	100%
44.	<u>T10S-R30E, N.M.P.M.</u> Sec. 21: All Sec. 28: All	1,280.00	NM-22635 Effective 9-1-74 Expires 8-31-84	U.S.A.-All	Mountain Fuel Supply Company	100%	A. Lansdale	5%	Mountain Fuel Supply Company	100%
45.	<u>T10S-R30E, N.M.P.M.</u> Sec. 27: All	640.00	NM-22637 Effective 10-1-74 Expires 9-30-84	U.S.A.-All	Depco, Inc.	100%	Robert V. Sibert and Margaret P. Sibert	5%	Depco, Inc. Nicor Exploration Company	50%

46.	<u>T11S-R30E, N.M.P.M.</u>	80.00	NM-27646	U.S.A.-All	Sam F. Hurt, Jr.	100%	None	Sam F. Hurt, Jr.	100%
	Sec. 4: <u>N4SE4</u>		Effective 4-1-76						
			Expires 3-31-86						

47.	<u>T11S-R30E, N.M.P.M.</u>	22.37	NM-31111	U.S.A.-All	Abby Corporation	100%	Lawrence C. Harris	5%	Abby Corporation	100%
	Sec. 3: <u>Lot 1</u>		Effective 9-1-77							
			Expires 8-31-87							

8.	<u>T11S-R30E, N.M.P.M.</u>	275.72	Unleased	U.S.A.-All	Unleased		None		Unleased
	Sec. 35: <u>SE4</u>								

T11S-R31E, N.M.P.M.
 Sec. 7: Lot 3
 Sec. 19: S4NE4

8	FEDERAL	TRACTS	TOTALING	26,628.21	ACRES	OR	85.35%	OF	UNIT	AREA
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STATE LANDS:

49.	<u>T11S-R30E, N.M.P.M.</u> Sec. 16: NE ¹ / ₄ NE ¹ / ₄	40.00	B-9495-12 HBP	State of New Mexico-All	Union Oil Company of California	100%	J. E. and Juanita Grace Jones	4.1667%	Union Oil Company of California	100%
50.	<u>T11S-R30E, N.M.P.M.</u> Sec. 2: Lots 1,2,3,4, S ¹ / ₄	410.12	L-3638 10-21-79	State of New Mexico-All	Robert B. Holt	100%	None		Robert B. Holt	100%
51.	<u>T10S-R30E, N.M.P.M.</u> Sec. 32: All	640.00	L-6776 12-1-81	State of New Mexico-All	Great Western Drilling Co. Davoll, Inc.	64.476% 35.524%	None		Great Western Drilling Co. Davoll, Inc.	64.476% 35.524%

52.	<u>T11S-R30E, N.M.P.M.</u> Sec. 16: $\frac{W}{2}$, $\frac{SE}{2}$ NE $\frac{W}{2}$, SE $\frac{SE}{2}$	400.00	L-6777 12-1-81	State of New Mexico-All	Depco, Inc.	100%	E. L. Latham, Jr. 1.5% V. J. Callaway 1.5% C. E. Mumford 1% W. R. Ericksen 1%	Depco, Inc.	100%
53.	<u>T10S-R30E, N.M.P.M.</u> Sec. 36: NE $\frac{W}{2}$, SW $\frac{W}{2}$, SE $\frac{SE}{2}$	400.00	L-7001 2-15-82	State of New Mexico-All	E. L. Latham	100%	None	E. L. Latham	100%
54.	<u>T11S-R30E, N.M.P.M.</u> Sec. 32: SE $\frac{NE}{2}$, $\frac{W}{2}$, NE $\frac{SE}{2}$	440.00	L-7002 2-15-82	State of New Mexico-All	Amoco Production Company	100%	None	Amoco Production Company	100%
55.	<u>T10S-R30E, N.M.P.M.</u> Sec. 36: NE $\frac{SE}{2}$	80.00	LC-3234 12-1-85	State of New Mexico-All	Yates Petroleum Corporation	100%	None	Yates Petroleum Corporation	100%

56-	<u>T11S-R30E, N.M.P.M.</u>	200.00	LG-3352	State of New Mexico-All	Harvey E. Yates Company 70.0289% Harvey E. Yates, Fred G. Yates, Explorers Petroleum Corp. 15% Coronado Exploration Corp. 14.9711%	W. T. Wynn Andrew C. Latimer 1% .5%	Harvey E. Yates Company 70.0289% Harvey E. Yates, Fred G. Yates, Explorers Petroleum Corp. 15% Coronado Exploration Corp. 14.9711%
57-	<u>T11S-R30E, N.M.P.M.</u>	640.00	LG-4722	State of New Mexico-All	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%
	Sec. 32: <u>N3NE1/4, NW1/4SE1/4, S1/4SE1/4</u>		2-1-86				
	Sec. 36: <u>All</u>		10-1-87				

58. T10S-R30E, N.M.P.M. 160.00 LG-5352 State of New Gulf Oil Corporation 100%
Sec. 36: NW¼ Mexico-All None

59. T11S-R30E, N.M.P.M. 200.00 LG-5413 State of New Depco, Inc. 100%
Sec. 16: W½E½, NE½SE½ 6-1-88 Mexico-All None Depco, Inc. 100%

11	STATE	TRACTS	TOTALING	3,610.12	ACRES	OR	11.57%	OF	UNIT	AREA
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PATENTED LANDS:

Sec. 6: SE½	Sec. 7: NE¼	Sec. 19: SE½	60. T11S-R31E, N.M.P.M.	480.00	10-20-79	Frances and Marvin D. Anderson (w/h)	6.6667%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	6.6667%
					10-21-79	Virginia Cotten and C. A. Hassell (w/h)	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright <td>6.25% <td>Depco, Inc.</td> <td>5%</td> </td>	6.25% <td>Depco, Inc.</td> <td>5%</td>	Depco, Inc.	5%
					10-21-79	Jean Arlene and Robert Earl Laird (w/h)	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright <td>6.25% <td>Depco, Inc.</td> <td>5%</td> </td>	6.25% <td>Depco, Inc.</td> <td>5%</td>	Depco, Inc.	5%
					10-21-79	Sarah Sykes Mathis	20%	Depco, Inc.	100%	Roberts, Koch, and Cartwright <td>6.25% <td>Depco, Inc.</td> <td>20%</td> </td>	6.25% <td>Depco, Inc.</td> <td>20%</td>	Depco, Inc.	20%
					10-21-79	Dorothy Browne	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright <td>6.25% <td>Depco, Inc.</td> <td>5%</td> </td>	6.25% <td>Depco, Inc.</td> <td>5%</td>	Depco, Inc.	5%
					10-21-79	Angelina Sykes Smith	6.6667%	Depco, Inc.	100%	Roberts, Koch, and Cartwright <td>6.25% <td>Depco, Inc.</td> <td>6.6667%</td> </td>	6.25% <td>Depco, Inc.</td> <td>6.6667%</td>	Depco, Inc.	6.6667%

10-21-79	J. B. and Virginia McCracken Cotten, Jr. (h/w)	5%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	5%
10-30-79	Walter R. and Palma I. Davis 2.8572%		Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	2.8572%
10-30-79	Gwendolyn Davis and R. D. Allen (w/h) 2.8571%		Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	2.8571%
10-30-79	Robert E. and Earl Hughes (w/h) 2.8572%		Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	2.8572%
10-30-79	Homer Edwin and Minnie P. Sykes (h/w) 1.25%		Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
10-30-79	Lola Sykes and C. S. Miller (w/h) 1.25%		Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%

10-30-79	Ruby Jeane and Hardin Kettler (w/h) 2.8572%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	2.8572%
10-30-79	Lucille Davis and Victor O. Jackson (w/h) 2.8571%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	2.8571%
11-6-79	Loretta Henderson and Robert S. Titus, Sr. (w/h) 0.1325%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.1325%
12-5-79	Mrs. Alma Conley 0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.2083%
12-5-79	Bertha Sykes and Henry C. Adcock (w/h) 0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.2083%

12-5-79	Jack Cambell 0.4167%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	0.4167%
12-5-79	Opal Peery Gill 1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	1.25%
12-5-79	Zora Mae and J. H. Head (w/h) 0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	0.2083%
12-5-79	Floyd Owen Sykes 1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	1.25%
12-5-79	Ernest T. and Dolores Ann Sykes (h/w) 0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright	6.25%	Depco, Inc.	0.2083%

12-5-79	Tallie J. and Opal Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	E. Harbison and Adelle Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	John Dell and Jewell Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	Kate P. Sykes, Billy C. and Mary Lynn Sykes (w/h), Bobby R. & Patsy R. Sykes (h/w)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
12-5-79	J. T. and Beatrice H. Sykes (h/w)	0.2083%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.2083%

12-5-79	Henry A. and Dorothy Mae Sykes	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.2083%
12-5-79	Luella E. Sykes, Inez Sykes, and Kenneth H. Cox (w/h), Thelma Sykes and Carl L. Cook (w/h) Claude- ine Sykes, Norma Sykes and W. S. Lowe, Jr. (w/h), Mary Sykes likes, William H. and Marjorie R. Sykes (w/h), Albert C. Sykes, Elbert H. and Donna Fay Sykes (h/w), Neely Lee and Gertrude E. Sykes (w/h), Ima Sykes and Billy J. Mal- lard (w/h), and Vida Sykes lively. 1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%

12-5-79	Elvle C. Sykes, Letha Sykes and James W. Allen (w/h), John Edwin and Naomi J. Sykes (h/w), Thomas J. and Mary L. Sykes (h/w), Rita Sykes and R. C. Latimer (w/h), Audery Sykes and Ronald E. Winkler (w/h), Barbara Sykes and William T. Mulaney (w/h), Mina Sykes and Romeo Flores(w/h) 1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation 6.25%	Depco, Inc.	1.25%
12-5-79	Paul V. and Ruby A. Campbell (h/w) 0.4167%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation 6.25%	Depco, Inc.	0.4167%
12-5-79	Opal Campbell 0.4167%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation 6.25%	Depco, Inc.	0.4167%

12-5-79	Elizabeth H. Sykes, Lenora Sykes and Joyce Chester Wilkerson (w/h), Mary Sykes Leathers 1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright 6.25%	Depco, Inc.	1.25%
1-15-80	J. I. and Goldie Peery (h/w), Edna and Royce McGee (w/h), Earl Ray and Donna J. Peery (h/w), Nola Pearl & Gene A. Shaffer (h/w), Willie Odell and Elmer Allen (w/h) 1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright 6.25%	Depco, Inc.	1.25%
2-5-80	Lester Lacy 6.6667%	Depco, Inc.	100%	Roberts, Koch, and Cartwright 6.25%	Depco, Inc.	6.6667%
2-27-80	Clarence A. and B.A. Henderson 0.3125%	Depco, Inc.	100%	Roberts, Koch, and Cartwright 6.25%	Depco, Inc.	0.3125%

12-5-79	Elva Sykes and J. T. Isabell (w/h)	1.25%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	1.25%
8-17-82	Zaida Davis	2.8571%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	2.8571%
8-30-82	Louise Henderson Agee	0.3125%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.3125%
8-30-82	Sue W. Henderson, Ross D. Henderson, M.D., Jan and Charles E. Weyant (w/h), Donna Kay and Glenn P. Campbell (w/h), and Gary L. Henderson, M.D.	0.3125%	Depco, Inc.	100%	Roberts, Koch, and Cartwright Estoril Producing Corporation	6.25%	Depco, Inc.	0.3125%
Unleased	Bena Gray Davis	2.8571%	Unleased	100%	None		Unleased	2.8571%

1. TIIS-RJIE, N.M.P.M. 80.00 6-6-83 May Waldrop 100% Anadarko Production 100% Mary Deaver 6.25% Anadarko Production 100%
Sec. 7: EXSEX

2. TIIS-RJIE, N.M.P.M. 80.00 Unleased Robert J. and 2.5% Unleased None Unleased 2.5%
Sec. 7: WJSEX Marion Leonard (h/w)

Unleased Leonard Oil Company 12.5% Unleased None Unleased 12.5%

Unleased Charles B. and 12.5% Unleased None Unleased 12.5%
Jean Read (h/w)

Unleased J. E. and Beulah 25% Unleased None Unleased 25%
H. Simmons

Unleased June D. Speight 25% Unleased None Unleased 25%

Unleased George H. and 10% Unleased None Unleased 10%
Margaret K. Hunker, Jr.

Unleased Effie Carter 12.5% Unleased None Unleased 12.5%
Powhatan and Beverly T. Carter Jr. (h/w), Anderson and Geraldine Carter (h/w)

63. T125-R30E, N.M.F.M. Sec. 4: Lots 1,2, 3,4 S4N4	320.36	5-30-82	Bess Culp	25%	Depco, Inc.	100%	None	Depco, Inc.	25%
		6-1-82	Effie Jo Douthitt Austin	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-1-82	Audrey E. (Buff) Douthitt	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-1-82	Barbara Ann Marsh Gardner	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-6-82	Rachel Ann Douthitt Newman	15.9722%	Depco, Inc.	100%	None	Depco, Inc.	15.9722%
		6-6-82	Ida Belle and Steve Galley (w/h)	0.5556%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%
		6-6-82	Josephine and G. W. Littlefield (w/h)	0.5556%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%
		6-6-82	Iva Zelle and H. D. Cardin	0.5556%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%
		6-6-82	R. Eugene Moore	0.5555%	Depco, Inc.	100%	None	Depco, Inc.	0.5556%

553. CONTINUED

6-6-82	Myrtle and Frank Larkin	Depco, Inc.	100%	None	Depco, Inc.	0.5555%
	0.5555%					
6-8-82	J. Marjorie Schmid	Depco, Inc.	100%	None	Depco, Inc.	2.7778%
	2.7778%					
Unleased	Paul F. Connor	Unleased	100%	None	Unleased	2.7778%
	2.7778%					
Unleased	James Lester Sands	Unleased	100%	None	Unleased	2.7778%
	2.7778%					

4 PATENTED TRACTS TOTALING 960.36 ACRES OR 3.08% OF UNITS AREA

63 TRACTS TOTALING 31,198.69 ACRES IN UNIT AREA.

DEPCO, Inc.

PRODUCTION & EXPLORATION

GEOLOGICAL REPORT PROPOSED APACHE SPRINGS UNIT CHAVES COUNTY, NEW MEXICO

LOCATION:

The proposed Apache Springs Unit is positioned on the N.W. Shelf of the Permian Basin portion of Southeast New Mexico. Geographically, it is located approximately 30 miles east of Roswell, New Mexico.

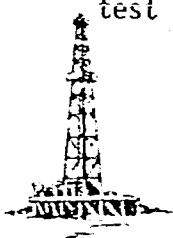
UNIT PROPOSAL:

Depco, Inc. proposes the formation of a Federal Unit to be known as the Apache Springs Unit which would be comprised of approximately 31,198.69 acres covering portions of Townships 10, 11, and 12 South, Ranges 30 and 31 East. Depco, as operator, proposes the drilling of two (2) Atoka-Morrow test wells within the Unit to evaluate the gas potential of these reservoirs. One well is to be drilled in the SE/4 NW/4 of Section 32, T10S-R30E to a depth of 10,000' or 50' into the top of the solid Mississippian Limestone formation, whichever is the lesser. The second well is to be drilled in the SW/4 NE/4 of Section 26, T11S-R30E to a depth of 10,200' or 50' into the top of the solid Mississippian Limestone, whichever is the lesser. The Unit outline and proposed locations are shown on the attached Exhibit.

GENERAL GEOLOGIC DISCUSSION:

The objective of the two (2) wildcat tests Depco proposes to drill in the Apache Springs Unit is to evaluate stratigraphic accumulation of gas in the Atoka-Morrow sands.

The drilling for and subsequent evaluation of Atoka-Morrow gas reserves in the N.W. Shelf area of Chaves County has been at a relatively slow pace and for the most part, in scattered areas along the Shelf. As a consequence, the existing well control has made interpretation of the depositional environment of Atoka-Morrow clastics somewhat difficult. It is probably deltaic but the systems have not been too well defined and the thicker areas of deposition have not been evaluated to any extent. Wildcat drilling has been fairly successful over the years and gas production has been established over a wide area. There have also been encouraging shows from drillstem test, etc. throughout the area of deposition on the Shelf. A great deal of additional exploratory drilling is needed, however, to evaluate the full potential of this area. Depco hopes to further this evaluation of the gas reserves by the drilling of the two proposed test wells.



*Exhibit 5
Case 6645*

The proposed Unit outline encompasses a local area of thick Atoka-Morrow clastic deposition that is, for the most part, untested and is flanked by numerous shows of gas and thinner sand deposition. Exhibit "B" is an Isopach of the "gross sand thickness" of the Atoka-Morrow within the Unit boundary. Regional dip is to the East. Depositional limits of the Atoka-Morrow is updip to the West. Regional isopaching of the gross Atoka-Morrow indicates several interpreted depositional systems or troughs converging in the Unit area. Thicker clean sands stratigraphically trapped with better reservoir conditions should be developed here as potential gas reserves. The gas accumulation in these reservoirs would be trapped by an updip permeability barrier with gradual thinning and increased shale facies basinward.

PREVIOUS DRILLING WITHIN THE PROPOSED UNIT:

Only 3 wells have been drilled deep enough to penetrate the Atoka-Morrow within the Unit outline:

The Atlantic #1 Fed. Union in Section 7 of 11S-31E was drilled in 1955 to a TD of 10,763' in the Siluro-Devonian. A DST in the Atoka-Morrow from 9698-9738' flowed gas on a DST and recovered 135' GCM. Salty sulphur water was recovered on a test of the Siluro-Devonian. Operator plugged back and completed from a zone in the Wolfcamp that tested oil on a DST. The well has since been abandoned after making 4815 BO. The two dry holes offsetting this well in Sections 12 and 18 were drilled to the Wolfcamp and plugged.

The Cosden #1-A Federal in Section 34 of 10S-30E was drilled in 1959 to a TD of 10,765' in the Siluro-Devonian and was plugged after recovering salt water on a DST of that zone. A DST from 9762-9822' in the Atoka-Morrow had GTS in 26" but was not measured. No other tests were taken.

There were no completion attempts made on the two above wells in the Atoka-Morrow probably due to the exceptionally low gas price at the time they were drilled and the lack of market.

The Signal #1-A Federal in Section 6 of 11S-31E was drilled in 1972 to a TD of 10,694' in the Siluro-Devonian and was plugged after recovering salt water on a DST of that zone. No other DST's were taken.

DELINEATION OF THE UNIT:

The western boundary is defined by all full Sections of which 50% or more are cut by an updip permeability barrier that is established by wells, outside of the Unit boundary, encountering tight sands. One of the wells is a submarginal producer out of the Atoka-Morrow.

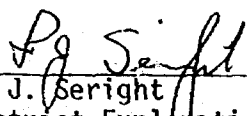
The southern boundry is defined by all full Sections of which 50% or more are cut by an updip permeability barrier. The Depco well in Section 3, outside of the Unit, had a show of gas but was too tight to produce.

The eastern boundry is defined by all full Sections, 50% or more of which are cut by the 100' isopach contour line of the "gross sand thickness". The 100' isopach contour was used as it defines the minimum gross sand thickness downdip that would relate to quality reservoir sand development as evidenced by the Atlantic well in Section 7 which tested gas from the Atoka-Morrow.

The northern boundry of the proposed Unit is defined by all full Sections of which 50% or more are cut by an updip permeability barrier which is analogous to the southern boundry parameters in regard to the related 100' isopach line of the "gross sand thickness".

SUMMARY:

The proposed Apache Springs Unit is being formed to allow an orderly exploration and development of the anticipated stratigraphic accumulation of natural gas in the Atoka-Morrow reservoirs.



L. J. Seright
District Exploration Manager
Depco, Inc.

KELLAHIN and KELLAHIN

Attorneys at Law

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin

W. Thomas Kellahin

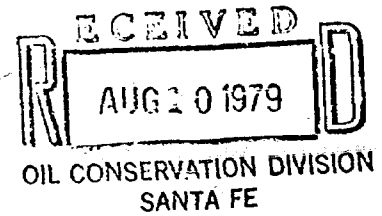
Karen Aubrey

Telephone 982-4235

Area Code 505

August 9, 1979

Mr. Joe Ramey
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

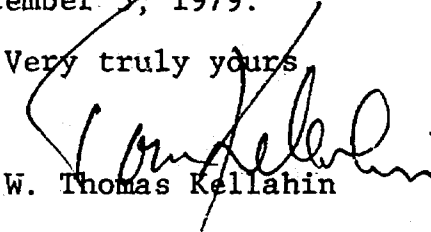


Re: DEPCO Inc.

Dear Joe:

Please set the enclosed application of DEPCO for approval of the Apache Springs Unit, Chaves County, New Mexico for hearing on September 5, 1979.

Very truly yours,


W. Thomas Kellahin

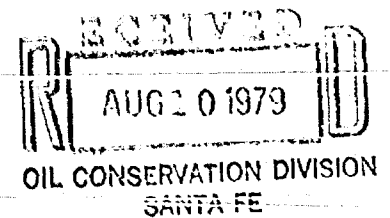
enclosures

cc: Mr. R. B. Edmundson
Mr. L. J. Seright
Ms. Candace Hegedus

WTK:mf

BEFORE THE NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF DEPCO INC.
FOR APPROVAL OF THE
APACHE SPRINGS UNIT,
CHAVES COUNTY,
NEW MEXICO



Case 6645

APPLICATION

COMES NOW DEPCO INC., and applies to the Oil Conservation Division of New Mexico for approval of a Unit Agreement, Chaves County, New Mexico and in support thereof would show:

1. Applicant has formed its Apache Springs Unit, composed of Federal, State, and fee acreage consisting of the following lands:

T10S-R30E, N.M.P.M.

Sec. 19: All	Sec. 30: All
Sec. 20: All	Sec. 31: All
Sec. 21: All	Sec. 32: All
Sec. 25: All	Sec. 33: All
Sec. 26: All	Sec. 34: All
Sec. 27: All	Sec. 35: All
Sec. 28: All	Sec. 36: All
Sec. 29: All	

T11S-R31E., N.M.P.M.

Sec. 5: All
Sec. 6: All
Sec. 7: All
Sec. 18: All
Sec. 19: All

T12S-R30E, N.M.P.M.

Sec. 4: All
Sec. 5: All
Sec. 8: All
Sec. 9: All

T11S-R30E, N.M.P.M.

Sec. 1: All	Sec. 22: All
Sec. 2: All	Sec. 23: All
Sec. 3: All	Sec. 24: All
Sec. 4: All	Sec. 25: All
Sec. 9: All	Sec. 26: All
Sec. 10: All	Sec. 27: All
Sec. 11: All	Sec. 28: All
Sec. 12: All	Sec. 29: All
Sec. 13: All	Sec. 32: All
Sec. 14: All	Sec. 33: All
Sec. 15: All	Sec. 34: All
Sec. 16: All	Sec. 35: All
Sec. 20: All	Sec. 36: All
Sec. 21: All	

Containing 31,198.69 acres,
more or less.

2. Applicant is designated as operator of the proposed unit.

3. The Unit Agreement has been submitted to the United States Geological Survey and the Commissioner of Public Lands of New Mexico for preliminary approval.

4. The said Unit Agreement has been approved by sufficient owners of interests to assure its ultimate effectiveness.

5. The said Unit is being formed for the development of the acreage dedicated to it.

6. The granting of this application will result in the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Division's duly appointed Examiner and that after notice and hearing, an order be entered approving the Unit Agreement.

DEPCO INC.

by:


W. Thomas Kellahin

KELLAHIN & KELLAHIN
P. O. Box 1769
Santa Fe, New Mexico 87501

ROUGH

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6645

Order No. R-66996/23

APPLICATION OF DEPCO INC.
FOR APPROVAL OF THE APACHE SPRINGS
UNIT AGREEMENT, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 5
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this _____ day of September, 1979, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Depco Inc.,
seeks approval of the Apache Springs Unit Agreement
covering 31,198.69
31,199 acres, more or less, of State, Federal
and Fee lands described as follows:

CHAVES COUNTY, NEW MEXICO

As per yellow sheet attached

(3) That all plans of development and operation and creations,
expansions, or contractions of participating areas or expansions
or contractions of the unit area, ^{or changes in Unit operator} should be submitted to the
Director of the Division for approval.

(4) 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 Apache Springs 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 Division 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 Division 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 Division 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, all unit participating areas and expansions and contractions thereof, ^{or changes in unit operator} and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for

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 Division immediately in writing of such termination.

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

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

Township 10 South, Range 30 East, NMPM

Sections 19 through 21: A11 ✓

Sections 25 through 36: A11 ✓

Township 11 South, Range 30 East, NMPM

Partial Sections 1 through 4: A11 ✓

Sections 9 through 16: A11 ✓

Sections 20 through 29: A11 ✓

Sections 32 through 36: A11 ✓

Township 11 South, Range 31 East, NMPM

Partial Sections 5 and 6: A11 ✓

~~Partial Section 7: A11~~

Section 7: A11 ✓

Sections 18 and 19: A11 ✓

~~Section 18~~

Township 12 South, Range 30 East, NMPM

Sections 4 and 5: A11 ✓

Sections 8 and 9: A11 ✓