

CASE 7220: McCLELLAN OIL CORPORATION  
FOR APPROVAL OF THE CONNOR UNIT AREA,  
CHAVES COUNTY, NEW MEXICO

CASE NO.

7220

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

Unit Name CONNOR UNIT-EXPLORATORY  
Operator McCLELLAN OIL CORPORATION  
County CHAVES

DATE APPROVED	OCC CASE NO. <u>7220</u> OCC ORDER NO. <u>R-6664</u>	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE
Commissioner: August 10, 1981	Commission: April 30, 1981	August 12, 1981	5,120.00	80.00	5,040.00	-0- -0-

UNIT AREA

TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM

Sections 21 through 23: A11  
Sections 26 through 28: A11  
Sections 33 and 34: A11

TERMINATED

APP: 12/8/81

EFF: 12/21/81

Unit Name CONNOR UNIT-EXPLORATORY  
Operator McCLELLAN OIL CORPORATION  
County CHAVES

OCD

UNIT NO. <u>7220</u>	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
UNIT NO. <u>R-6664</u>	August 12, 1981	5,120.00	80.00	5,040.00	-0- -0-	Modified	5

NMPM

A11  
A11  
A11

TERMINATED

APP: 12/8/81

EFF: 12/21/81



Unit Name	<u>CONNOR UNIT-EXPLORATORY</u>
Operator	<u>McCLELLAN OIL CORPORATION</u>
County	<u>CHAVES</u>

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	
13	LG-9809	Ag.Col.	22	13S	29E	N/2NW/4	NOT COMMITTED		80.00	80.00

TERMINATED  
 APP: 12/8/81  
 EFF: 12/21/81

Unit Name  
Operator  
County

CONNOR UNIT-EXPLORATORY  
McCLELLAN OIL CORPORATION  
CHAVES

I- ON	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	LESSEE
					DATE	ACRES		
Col.	22	13S	29E	N/2NW/4	NOT COMMITTED		80.00	Sabin Production Co.

TERMINATED

APP: 12/8/81

EFF: 12/21/81

Unit Name CONNOR UNIT-EXPLORATORY  
Operator MCCLELLAN OIL CORPORATION  
County CHAVES

DATE APPROVED	OCC CASE NO. 7220 OCC ORDER NO. R-6664	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE
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UNIT AREA

TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM

Sections 21 through 23:	All
Sections 26 through 28:	All
Sections 33 and 34:	All

Unit Name CONNOR UNIT-EXPLORATORY  
Operator MCCLELLAN OIL CORPORATION  
County CHAVES

OCD

CASE NO. 7220	EFFECTIVE	TOTAL				SEGREGATION	
ORDER NO. R-6664	DATE	ACREAGE	STATE	FEDERAL	INDIAN-FEE	CLAUSE	TERM
ssion:	August 12, 1981	5,120.00	80.00	5,040.00	-0- -0-	Modified	5

30, 1981

EAST, NMPM

A11  
A11  
A11

Unit Name CONNOR UNIT-EXPLORATORY  
Operator McCLELLAN OIL CORPORATION  
County CHAVES

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	
13	LG-9809	Ag.Col.	22	13S	29E	N/2NW/4	NOT COMMITTED		80.00	Sabin

Unit Name  
Operator  
County

CONNOR UNIT-EXPLORATORY  
McCLELLAN OIL CORPORATION  
CHAVES

SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
22	13S	29E	N/2NW/4	NOT COMMITTED		80.00	Sabin Production Co.

731 PETROLEUM BUILDING

**EDWARD K. DAVID**

CONSULTING GEOLOGIST  
ROSWELL, NEW MEXICO 88201

OFF.: 505/622-8850  
RES.: 505/622-5267

March 23, 1981

Commissioner of Public Lands  
P. O. Box 1148  
Santa Fe, New Mexico 87501

Re: Proposed 9800' Mississippian Well  
CONNOR UNIT  
All of Sections 21, 22, 23, 26, 27  
28, 33, and 34 - T 13S - R 29E  
Chaves County, New Mexico.

Gentlemen:

The following, together with attachments, constitutes Geological Report for Designation of the Connor Unit Area, Chaves County, New Mexico.

#### INTRODUCTION

The Connor Unit encompasses an area prospective for Atoka and/or Mississippian gas production. Immediately to the southeast of the proposed unit is the Franklin Aston & Fair #11 North King Camp Unit (Sec. 35), an Atoka gas discovery which also flowed gas on completion attempts from the Mississippian "B" (White Ranch) pay zone. The extreme northwestern portion of the unit includes the Pan Am #1 North King Camp (Sec. 22), which reached a TD of 9311' just above the top of the Mississippian "B" porosity. This well is the only test well in the proposed unit which penetrated the Atoka.

#### ATOKA SAND

The primary objective for the Connor Unit is the Atoka formation, which is productive in the adjacent North King Camp Unit, and the Buffalo Valley Field (T 15S - R 27E), 13 miles to the southwest. The Buffalo Valley Field produces from several Atoka gas sands in a northwest-southeast aligned channel environment, and has produced over 65 BCFG and 580,000 BO to 11-1-80 from 29 gas wells on 320-acre proration units. The productive area in the field coincides with the thicker Atoka interval.

As shown on the enclosed cross section, the Franklin Aston & Fair #11 North King Camp (Well A-3), discovered this Atoka channel sand but Well A-2 and Well A-4 to the northeast and southwest, respectively, did not find this sand. As displayed on the completion data on the attached cross section, Well A-3 has a CAOF of 967 MCFGPD + 70 B condensate after acidizing and fracturing the sand at 9,138-48'. This well is shut in for the lack of a gas line.

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

4-81 EXHIBIT NO. 1

CASE NO. 7220

4-22-81

The Connor Unit is interpreted to be along the trend of a north-south aligned Atoka channel. A pay development at least comparable to the zone in the Franklin Aston & Fair #11 is predicted over most of the unit. However, this sand could easily become better developed in this channel environment. Also, several channel sands could become developed and productive as in the Buffalo Valley Field.

#### MISSISSIPPIAN GAS

Recent Mississippian gas completions have upgraded two Mississippian zones as potential gas objectives in this portion of Chaves County. These zones, designated as "A" zone and "B" zone in descending order, are shown on the enclosed cross section.

Several "B" gas pay gas-condensate wells in the "B" zone have been completed in the old White Ranch Devonian Field (Sec. 34 - T 11S - R 29E), 12 miles to the north. Please note on the enclosed cross section, the "B" zone is extremely well developed but is predominantly water bearing with a small amount of gas in the structurally low Sohio #1 Monterey, Well A-1 (Sec. 27 - T 12S - R 30E), eight miles northeast. The "B" zone in the Franklin Aston & Fair #11 North King Camp, Well A-3, is structurally higher with gas volumes estimated at 100 MCFG with a small spray of oil after acidizing. It is believed that a frac job in the Franklin Aston & Fair #11 could increase the gas and condensate rate to a commercial volume in the Mississippian "B" zone. Wells A-2 and A-4 to the southwest and northeast of the Franklin Aston & Fair #11 North King Camp, respectively, did not have sufficient porosity in this zone to warrant completion attempts.

Note the clean limestone in the "B" zone has some porosity development over a 100' interval in the Franklin Aston & Fair #11 North King Camp. This could be indicating this well is bordering a thick pay development immediately to the northwest. Such a well developed pay section can be observed on the electric log on Well A-1.

#### "A" GAS PAY

The Sohio #1 Monterey, Well A-1, was re-entered and completed natural as a Mississippian "A" zone discovery from 9,746-9,782'. This well has produced 537,877 MCFG + 6844 BO from 3-78 thru 10-80 and in October 1980 it flowed 8,339 MCFG. This discovery has never been stimulated with acid or frac. An acid treatment in this well should substantially increase the gas production.

The deep wells drilled in the North King Camp area has "tight" "A" zones. However, there is a possibility the "A" zone could become porous and productive in the proposed well.



#### ANTICIPATED TOPS

Yates	960'
Queen	1,700'
San Andres	2,310'
Abo	5,910'
Wolfcamp	7,130'
Pennsylvanian	7,800'
Atoka	8,930'
Mississippian	9,190'
T. D.	9,800'

#### INITIAL TEST WELL

It is proposed that the Initial Test Well be drilled in Section 27, T 13S - R 29E, NMPM; and drilled to a depth sufficient to test the prospective pay zones of the Mississippian formation. Unit Operator, however, shall not be required to drill in excess of 9,800 feet.

#### UNIT OUTLINE:

The Unit Outline includes all full Sections of land of which at least 50% will fall within the 250' Atoka isopach contour. The Unit Area is defined on all four sides by this 250' contour. One dry hole has been included (Pan Am #1 North King Camp Sec. 22) because more than 50% of Section 22 is within the 250' Atoka isopach, and with 320-acre spacing there are two locations in the section.

Section 35 - T 13S - R 29E, NMPM, has not been included in the Unit Area even though such land is within the 250' contour, and a portion within the 300' contour. Such Section 35 has been determined as productive and designated as the Participating Area for the contracted North King Camp Unit.

Although the Initial Test Well is to be drilled to a depth sufficient to test the Mississippian, the shallower Atoka is the primary objective for commercial production, with such commercial production being obtained in the thicker portion of the formation and within the 250' thickness contour.

#### CONCLUSION

The potential of gas reservoirs in both the Atoka and Mississippian warrants the forming of a unit for the drilling of a 9,800' Mississippian well. The outline of the proposed unit covers the acreage considered prospective primarily for the Atoka formation.

Very truly yours,

*Edward K. David*

Edward K. David  
Certified Professional Geologist #2148



EKD/jg  
Enclosures

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

December 8, 1981

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

Mr. Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Re: Connor Unit Agreement  
Chaves County, New Mexico  
TERMINATION

7220

Dear Mr. Richardson:

We are in receipt of your letter dated December 7, 1981, on behalf of Western Oil Producers, Inc, whereby you submit one original and two Xerox copies of "Termination of the Unit Agreement for the Development and Operation of the Connor Unit Area, Chaves County, New Mexico."

The Commissioner of Public Lands has this date given his approval of the termination, eventho, the 80 acre tract of State Lands was not committed to the unit. Our approval is subject to like approval by the United States Geological Survey.

Please advise this office when the USGS gives their approval of the termination so that we may close our files.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*  
RAY D. GRAHAM, Director  
Oil and Gas Division  
A/C 505-827-2748

AJA/RDG/pm  
encl.  
cc:

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

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

APRIL 22, 1981

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Lemuel Q. Kersh	Enserrch Exploration, Inc.	Midland, Tex.
Harold J. J. J. J.	Enserrch Exploration, Inc.	Dallas Tex
W. T. Kellahin	Kellahin & Kellahin	Santa Fe
J. J. J. J.	Sun Oil Co.	Dallas, Texas
THOMAS E. BROWN	ENSERCH EXPLORATION INC	MIDLAND, TX.
DANIEL C. RENOULT	ENSERCH EXPLORATION	MIDLAND, TX.
William J. J. J.	Campbell, Ford & Black	Santa Fe
Wm. P. Aycock	Rodriguez, Aycock & Assoc., Inc.	Midland
DON C. MOZYSKI	HOLLY ENERGY & YATES PET	DALLAS, TEX
Samner G. Buell	Jasper & Buell	Santa Fe
LARRY R. SNYDER	GMW OIL COMPANY	MIDLAND, TEXAS
Les H. Honeyman	GMW Oil Co.	Midland, TX
Roger Freidline	GMW Oil Co.	Midland, TX
DAVID G. MENDOZA	SUN OIL CO.	Midland, TX
James H. Schneider	Sun Oil Co.	Midland, Tex.
STEVEN R. FLY	Gulf Oil Corp.	Midland TX.
Bill J. J. J.	"	Houston TX
Michael G. Munson	"	Midland TX.
MICKY CONLON	"	MIDLAND, TX
R. M. R. R.	M. C. H. H. H. H.	Roswell, N.M.
E. K. David	"	"
Joe V. J. J.	Phillips Petr. Co.	Odessa

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

APRIL 22, 1981

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
<i>[Signature]</i> R. L. VRSKO	Phillips Title	Odessa, TX
Denny Foust	Phillips Petroleum	Odessa, TX
J. Blevins	Caribon Fu Co.	Farmington, NM
<i>[Signature]</i>	Phillips Petroleum	Odessa, TX
Eric D. Lora	Kentel Services	Midland, TX
E. V. Jell	BASS ENTERPRISES	MIDLAND, TX
Chad Duberstein	SEA OIL CO.	FARMINGTON, NM
Sue Umshier	Loree Carmel Duberstein	Artesia
Charles V. Cennaro	USGS, Conser Div	Albany, NM
Patrick A. Garrard	Consultant	Midland, TX
	Maddox Energy Corp.	Midland, TX

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
22 April 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of McClellan Oil Corpor-  
ation for a unit agreement, Chaves  
County, New Mexico.

CASE  
7220

BEFORE: Daniel S. Nutter

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 to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Randolph Richardson, Esq.  
Roswell, New Mexico

*Hearing  
Register  
in this  
Transcript*

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EDWARD K. DAVID

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Direct Examination by Mr. Richardson

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Cross Examination by Mr. Nutter

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# E X H I B I T S

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Applicant Exhibit One, Geologic Report

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Applicant Exhibit Two, Cross Section

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Applicant Exhibit Three, Isopach

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MR. NUTTER: The hearing will come to order, please.

The first case this morning will be Case Number 7220.

MR. PADILLA: Application of McClellan Oil Corporation for a unit agreement, Chaves County, New Mexico.

MR. RICHARDSON: Randolph M. Richardson, Roswell, New Mexico, appearing on behalf of applicant.

We have already furnished the Division a copy of the unit agreement, but I'll hand you a geological report.

We have one witness to be sworn.

(Witness sworn.)

EDWARD K. DAVID

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

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. David, would you please state your name and present occupation?

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A. Edward K. David, consulting geologist,  
Roswell, New Mexico.

Q. And could you give your educational and  
professional background which would enable you to testify in  
this case?

A. Yes. I graduated from Texas Tech in  
1956 with a BS in petroleum geology.

I worked for Texaco for ten years, and  
the last fifteen years I've been independent.

Q. Are you familiar with the Connor Unit  
Area and the matters contained in the application for approval  
of a unit agreement?

A. Yes, I am.

Q. Have you ever testified before the  
Conservation Division as an expert witness? Geological?

A. Yes, I have.

MR. RICHARDSON: Are the qualifications  
acceptable?

MR. NUTTER: Yes, he's qualified.

Q. Is the form of unit agreement as pre-  
scribed by Federal regulations and as recently approved by  
the Commissioner of Public Lands?

A. Yes.

Q. Has the unit area been designated by



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the United States Geological Survey as an area logically  
suitable for development under a unit plan of operation?

A. Yes, it has.

Q Please tell the Division the total  
number of acres within the unit area and the number and per-  
centages of fee, Federal, and State lands.

A. The total number of acres that comprise  
the unit are 5120 acres. The breakdown includes Federal  
lands, which totals 5040 acres, or 98.44 percent of the unit;  
State of New Mexico lands involves 80 acres, which represents  
1.56 percent of the unit.

Q And there is no fee land in that, is  
that correct?

A. That is correct.

Q Would you please tell the Division the  
township and range in which the unit area is located and  
approximate location with reference to the nearest town?

A. The unit is located Township 13 South,  
Range 29 East, and is approximately eighteen miles east of  
Hagerman.

Q Could you please refer to the geological  
report, which has been handed to the Division, marked as  
Exhibits One through Three? Was this report prepared by you?

A. Yes, it was.

1  
2 Q Would you please briefly review the  
3 report, referring to the maps, cross section, whatnot, by  
4 name, and indicating the significance of such maps, cross  
5 section?

6 A The report gives a geological background  
7 of the area and it also points out the particular formations  
8 and possible pays in the area, as well as discussing the  
9 basis for the unit outline, and the data which supports Ex-  
10 hibit One, which is a geological report, includes Exhibits  
11 Three, which is a map of the unit area, as well as the area  
12 outside of the particular Connor Unit.

13 This particular map is an Isopach of  
14 the Atoka formation with a contoured interval of 50 feet, and  
15 what the map shows in the southwest corner of the mapped  
16 area is the Buffalo Vally Gas Field and it will be noted that  
17 the formations are thicker where the gas wells are present  
18 in the Buffalo Valley Field. The reason for this is that  
19 it's a channel section, channel sands in the field where  
20 the formation, the Atoka formation, thickens.

21 The map in the Connor Unit exhibits a  
22 similar thickening, which we feel represents the possibility  
23 of Atoka sands being developed in the thick portions.

24 At the present time in Section 35 there  
25 is one well which produces from the Atoka, the Franklin Aston

1  
2 Fair No. 11 North King Camp. As can be noted on the Isopach,  
3 it has a thicker Atoka section than some of the nearby wells,  
4 which are dry in the Atoka.

5 The unit area is outlined by the 250  
6 foot Isopach contour of the Atoka formation, so the idea is  
7 that the thicker areas in the unit have a good chance of  
8 having porous, permeable gas sands in the Atoka, which should  
9 be capable of producing gas much like the Franklin Aston Fair  
10 produces.

11 Also shown on the Isopach is a cross  
12 section designated A-1 through A-4. Well A-1 is northeast  
13 of the area up in Township 12 South, 31 East, and in parti-  
14 cular in Section 27. The cross section then goes southwest  
15 towards the unit area through Well A-2, which is a dry hole,  
16 Well A-3, which has been referred to previously as the Atoka  
17 gas well, and then terminates at Well A-4 in the southwest  
18 portion of the cross section.

19 Referring to Exhibit Two, which is  
20 the cross section, this particular cross section has a datum  
21 of -5500, which shows the structural configuration in the  
22 area as well as the deeper pay zones in the Lower Pennsyl-  
23 vanian and Mississippian. The main pay in the area, the  
24 primary objective, is the Atoka Sand and the zone which  
25 produces from the Atoka Sand is shown on Well A-3, which is

1  
2 the Franklin Aston Fair No. 11 North King Camp. Also, the  
3 production data on the well is shown below the particular log.

4 This well is currently shut in due to  
5 a lack of an outlet.

6 Other zones which are of particular  
7 interest include the Mississippian, which is below the Atoka,  
8 and those have been designated in descending order as the A  
9 zone and the B zone.

10 The A zone produces to the northeast  
11 in Well A-1, which is the old Sohio Monterey Well, which was  
12 re-entered and completed as a Mississippian gas discovery  
13 by Petco. That well was perforated in the A zone between  
14 9746 and 9782 and has been producing since 1978.

15 Although this zone is not developed in  
16 some of the offsets to the unit, it is a possible pay zone.

17 Another possible pay zone is the B  
18 zone in the Mississippian, and it is shown on Well A-3. It  
19 was completed, or at least attempted completion in the B  
20 zone in the Franklin Aston Fair Well, and they did have --  
21 recovered gas and condensate on a completion attempt.

22 This zone would also be equivalent to  
23 the White Ranch pay zone approximately 12 miles to the north.

24 Q. Could you please tell the Division the  
25 projected depth and location for the initial test well?

1  
2 A. The projected depth of the initial test  
3 well is 9800 feet and the test well will be located in Section  
4 27.

5 MR. NUTTER: Well now, Mr. David, you  
6 said 9800 feet. I believe the unit calls for a maximum  
7 obligatory depth of 9600 feet, however, though, doesn't it?

8 A. Yes.

9 MR. NUTTER: But you would go to 9800  
10 probably?

11 A. The plan is for it.

12 MR. NUTTER: Okay.

13 Q. Have the other working interest owners  
14 in the unit been contacted?

15 A. Yes, they have.

16 Q. And in your opinion what percentage of  
17 the working interests will be committed and what percentage  
18 of the royalty will be committed?

19 A. 100 percent of the working interest  
20 and 85 percent of the royalty.

21 Q. In your opinion will the operation of  
22 this area under the proposed unit plan of operation be in  
23 the interest of conservation and prevention of waste?

24 A. Yes, it will.

25 Q. Will the different institutions of the

1  
2 State, if any, receive their fair share of production, if  
3 established?

4 A. Yes, they will.

5 Q. In the event of production, will the  
6 correlative rights of all parties to the unit agreement be  
7 protected?

8 A. Yes.

9 MR. RICHARDSON: I'd like to enter the  
10 geological report into evidence at this time. I have nothing  
11 further.

12 MR. NUTTER: How about committed  
13 acreage in the unit, Mr. David? Do you know what percent of  
14 the acreage in the unit area is committed to the unit?

15 MR. RICHARDSON: It would be all except  
16 one state lease, and it is open, open State, that is coming  
17 up on the May sale.

18 MR. NUTTER: And that's the 80 acres.

19 MR. RICHARDSON: That's the 80 acres.

20 MR. NUTTER: So everything that's com-  
21 mitted is Federal acreage, then.

22 MR. RICHARDSON: Right.

23 MR. NUTTER: How about working interest  
24 owners?

25 MR. RICHARDSON: Should be 100 percent.

MR. NUTTER: 100 percent committed.

MR. RICHARDSON: Not counting the State

80.

MR. NUTTER: Right.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. David, is there any Devonian production anywhere in this general area?

A There is one Devonian well. By referring to this map it's color coded, and Devonian is shown in orange, and there is a Devonian well approximately four miles south of the unit area, which is the King Camp Devonian Field, did produce from the Devonian and I believe at this time it's been abandoned.

Q If the Mississippian is running high here, would you go on to the Devonian?

A If it ran exceptionally high, yes, we probably would.

Q So you would have a possibility here of the Devonian test also.

A Yes. But based on our interpretation, we don't feel that we will encounter it high, but of course, there's always that possibility.

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But you do think there might be the possibility of encountering gas in the Mississippian?

A.

That is correct.

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And your primary target is Atoka.

A.

That's correct.

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

Do you have anything further, Mr. Richardson?

MR. RICHARDSON: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 7220?

We'll take the case under advisement.

(Hearing concluded.)



C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7220,  
heard by me on 4/22 1981;

[Signature] Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
22 April 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of McClellan Oil Corpor-  
ation for a unit agreement, Chaves  
County, New Mexico.

CASE  
7220

BEFORE: Daniel S. Nutter

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 to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Randolph Richardson, Esq.  
Roswell, New Mexico

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I N D E X

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EDWARD K. DAVID

Direct Examination by Mr. Richardson

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Cross Examination by Mr. Nutter

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E X H I B I T S

Applicant Exhibit One, Geologic Report

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Applicant Exhibit Two, Cross Section

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Applicant Exhibit Three, Isopach

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MR. NUTTER: The hearing will come to

order, please.

The first case this morning will be

Case Number 7220.

MR. PADILLA: Application of McClellan

Oil Corporation for a unit agreement, Chaves County, New Mexico.

MR. RICHARDSON: Randolph M. Richardson,

Roswell, New Mexico, appearing on behalf of applicant.

We have already furnished the Division a copy of the unit agreement, but I'll hand you a geological report.

We have one witness to be sworn.

(Witness sworn.)

EDWARD K. DAVID

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

DIRECT EXAMINATION

BY MR. RICHARDSON:

Q Mr. David, would you please state your

name and present occupation?

1  
2 A Edward K. David, consulting geologist,  
3 Roswell, New Mexico.

4 Q And could you give your educational and  
5 professional background which would enable you to testify in  
6 this case?

7 A Yes. I graduated from Texas Tech in  
8 1956 with a BS in petroleum geology.

9 I worked for Texaco for ten years, and  
10 the last fifteen years I've been independent.

11 Q Are you familiar with the Connor Unit  
12 Area and the matters contained in the application for approval  
13 of a unit agreement?

14 A Yes, I am.

15 Q Have you ever testified before the  
16 Conservation Division as an expert witness? Geological?

17 A Yes, I have.

18 MR. RICHARDSON: Are the qualifications  
19 acceptable?

20 MR. NUTTER: Yes, he's qualified.

21 Q Is the form of unit agreement as pre-  
22 scribed by Federal regulations and as recently approved by  
23 the Commissioner of Public Lands?

24 A Yes.

25 Q Has the unit area been designated by

1 the United States Geological Survey as an area logically  
2 suitable for development under a unit plan of operation?

3 A. Yes, it has.

4 Q. Please tell the Division the total  
5 number of acres within the unit area and the number and per-  
6 centages of fee, Federal, and State lands.

7 A. The total number of acres that comprise  
8 the unit are 5120 acres. The breakdown includes Federal  
9 lands, which totals 5040 acres, or 98.44 percent of the unit;  
10 State of New Mexico lands involves 80 acres, which represents  
11 1.56 percent of the unit.

12 Q. And there is no fee land in that, is  
13 that correct?

14 A. That is correct.

15 Q. Would you please tell the Division the  
16 township and range in which the unit area is located and  
17 approximate location with reference to the nearest town?

18 A. The unit is located Township 13 South,  
19 Range 29 East, and is approximately eighteen miles east of  
20 Hagerman.

21 Q. Could you please refer to the geological  
22 report, which has been handed to the Division, marked as  
23 Exhibits One through Three? Was this report prepared by you?

24 A. Yes, it was.

25



A.

This particular map is an Isopach of

The map in the Connor Unit exhibits a

At the present time in Section 35 there

1  
2 Fair No. 11 North King Camp. As can be noted on the Isopach,  
3 it has a thicker Atoka section than some of the nearby wells,  
4 which are dry in the Atoka.

5 The unit area is outlined by the 250  
6 foot Isopach contour of the Atoka formation, so the idea is  
7 that the thicker areas in the unit have a good chance of  
8 having porous, permeable gas sands in the Atoka, which should  
9 be capable of producing gas much like the Franklin Aston Fair  
10 produces.

11 Also shown on the Isopach is a cross  
12 section designated A-1 through A-4. Well A-1 is northeast  
13 of the area up in Township 12 South, 31 East, and in parti-  
14 cular in Section 27. The cross section then goes southwest  
15 towards the unit area through Well A-2, which is a dry hole,  
16 Well A-3, which has been referred to previously as the Atoka  
17 gas well, and then terminates at Well A-4 in the southwest  
18 portion of the cross section.

19 Referring to Exhibit Two, which is  
20 the cross section, this particular cross section has a datum  
21 of -5500, which shows the structural configuration in the  
22 area as well as the deeper pay zones in the Lower Pennsylv-  
23 vanian and Mississippian. The main pay in the area, the  
24 primary objective, is the Atoka Sand and the zone which  
25 produces from the Atoka Sand is shown on Well A-3, which is



the Franklin Aston Fair No. 11 North King Camp. Also, the production data on the well is shown below the particular log.

This well is currently shut in due to a lack of an outlet.

Other zones which are of particular interest include the Mississippian, which is below the Atoka, and those have been designated in descending order as the A zone and the B zone.

The A zone produces to the northeast in Well A-1, which is the old Sohio Monterey Well, which was re-entered and completed as a Mississippian gas discovery by Petco. That well was perforated in the A zone between 9746 and 9782 and has been producing since 1978.

Although this zone is not developed in some of the offsets to the unit, it is a possible pay zone.

Another possible pay zone is the B zone in the Mississippian, and it is shown on Well A-3. It was completed, or at least attempted completion in the B zone in the Franklin Aston Fair Well, and they did have -- recovered gas and condensate on a completion attempt.

This zone would also be equivalent to the White Ranch pay zone approximately 12 miles to the north.

Q Could you please tell the Division the projected depth and location for the initial test well?

1  
2 A The projected depth of the initial test  
3 well is 9800 feet and the test well will be located in Section

4 27.

5 MR. NUTTER: Well now, Mr. David, you  
6 said 9800 feet. I believe the unit calls for a maximum  
7 obligatory depth of 9600 feet, however, though, doesn't it?

8 A Yes.

9 MR. NUTTER: But you would go to 9800  
10 probably?

11 A The plan is for it.

12 MR. NUTTER: Okay.

13 Q Have the other working interest owners  
14 in the unit been contacted?

15 A Yes, they have.

16 Q And in your opinion what percentage of  
17 the working interests will be committed and what percentage  
18 of the royalty will be committed?

19 A 100 percent of the working interest  
20 and 85 percent of the royalty.

21 Q In your opinion will the operation of  
22 this area under the proposed unit plan of operation be in  
23 the interest of conservation and prevention of waste?

24 A Yes, it will.

25 Q Will the different institutions of the

1  
2 State, if any, receive their fair share of production, if  
3 established?

4 A Yes, they will.

5 Q In the event of production, will the  
6 correlative rights of all parties to the unit agreement be  
7 protected?

8 A Yes.

9 MR. RICHARDSON: I'd like to enter the  
10 geological report into evidence at this time. I have nothing  
11 further.

12 MR. NUTTER: How about committed  
13 acreage in the unit, Mr. David? Do you know what percent of  
14 the acreage in the unit area is committed to the unit?

15 MR. RICHARDSON: It would be all except  
16 one state lease, and it is open, open State, that is coming  
17 up on the May sale.

18 MR. NUTTER: And that's the 80 acres.

19 MR. RICHARDSON: That's the 80 acres.

20 MR. NUTTER: So everything that's com-  
21 mitted is Federal acreage, then.

22 MR. RICHARDSON: Right.

23 MR. NUTTER: How about working interest  
24 owners?

25 MR. RICHARDSON: Should be 100 percent.

MR. NUTTER: 100 percent committed.

MR. RICHARDSON: Not counting the State  
80.

MR. NUTTER: Right.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. David, is there any Devonian pro-  
duction anywhere in this general area?

A There is one Devonian well. By  
referring to this map it's color coded, and Devonian is shown  
in orange, and there is a Devonian well approximately four  
miles south of the unit area, which is the King Camp Devonian  
Field, did produce from the Devonian and I believe at this  
time it's been abandoned.

Q If the Mississippian is running high  
here, would you go on to the Devonian?

A If it ran exceptionally high, yes, we  
probably would.

Q So you would have a possibility here  
of the Devonian test also.

A Yes. But based on our interpretation,  
we don't feel that we will encounter it high, but of course,  
there's always that possibility.

1  
2 Q But you do think there might be the  
3 possibility of encountering gas in the Mississippian?

4 A That is correct.

5 Q And your primary target is Atoka.

6 A That's correct.

7 MR. NUTTER: Are there further questions  
8 of Mr. David? He may be excused.

9 Do you have anything further, Mr.  
10 Richardson?

11 MR. RICHARDSON: No, sir.

12 MR. NUTTER: Does anyone have anything  
13 they wish to offer in Case Number 7220?

14 We'll take the case under advisement.

15  
16 (Hearing concluded.)  
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Saniti Fe, New Mexico 87501

Phone (505) 455-7409

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7220,  
heard by me on 4/22 1981.

[Signature], Examiner  
Oil Conservation Division

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. 7220  
Order No. R-6664

APPLICATION OF McCLELLAN OIL  
CORPORATION FOR APPROVAL OF THE  
CONNOR UNIT AGREEMENT, CHAVES  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 22, 1981,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1981, 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, McClellan Oil Corporation, seeks  
approval of the Connor Unit Agreement covering 5,120 acres, more  
or less, of State and Federal lands described as follows:

CHAVES COUNTY, NEW MEXICO  
TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM  
Sections 21 through 25: All  
Sections 26 through 28: All  
Sections 33 and 34: All

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

-2-

Case No. 7220  
Order No. R-6664

(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 Connor 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, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

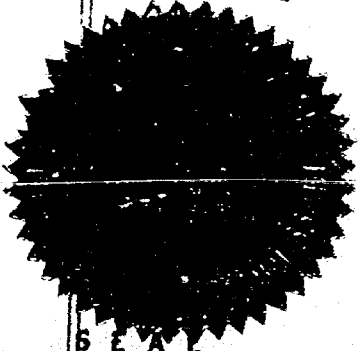
(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that 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.



-3-  
Case No. 7220  
Order No. R-6664

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Raney*  
JOE D. RANEY  
Director

rd/

Docket No. 14-81

Dockets Nos. 15-81 and 16-81 are tentatively set for May 6 and 20, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 22, 1981

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

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

- CASE 7220: Application of McClellan Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Connor Unit Area, comprising 5,120 acres, more or less, of State and Federal lands in Township 13 South, Range 29 East.
- CASE 7221: Application of Maddox Energy Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Flower Draw Unit Area, comprising 3,760 acres, more or less, of State lands in Townships 25 and 26 South, Range 28 East.
- CASE 7222: Application of GWM Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Starman Unit Area, comprising 2,803 acres, more or less, of State, Federal, and fee lands in Township 26 South, Range 35 East.
- CASE 7211: (Continued from April 8, 1981, Examiner Hearing)
- Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Rock Lake State Unit Area, comprising 2,880 acres, more or less, of State land in Township 22 South, Range 35 East.
- CASE 7223: Application of Sun Oil Company for a dual completion and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of a well to be drilled in Unit M of Section 1, Township 22 South, Range 37 East, to produce oil from the Wantz-Granite Wash Pool and gas from the Tubb formation and to simultaneously dedicate the SW/4 of said Section 1 to said well and to its Lynch Christmas Com Well No. 4 in Unit L.
- CASE 7224: Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7225: Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow location of its Maddox Well No. 1 to be drilled 1980 feet from the South line and 660 feet from the West line of Section 12, Township 23 South, Range 34 East, Northeast Antelope Ridge Field, the S/2 of said Section 12 to be dedicated to the well.
- CASE 7226: Application of Enserch Exploration, Inc. for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Montoya formation in the interval from 7902 feet to 7930 feet in its Rader Well No. 2 in Unit E of Section 32, Township 5 South, Range 33 East.
- CASE 7227: Application of Alpha Twenty-One Production Company for an unorthodox gas well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard proration unit comprising the E/2 SW/4 and SW/4 SE/4 of Section 21, Township 21 South, Range 37 East, Hare-San Andres Gas Pool, to be dedicated to its Lansford Well No. 1 at an unorthodox location 660 feet from the South line and 1650 feet from the West line of said Section 21.
- CASE 7228: Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Pennsylvanian location of its Rio Penasco "KD" Well No. 3 to be drilled 990 feet from the North line and 660 feet from the East line of Section 11, Township 19 South, Range 25 East, the N/2 of said Section 11 to be dedicated to said well and to applicant's Rio Penasco "MF" Federal Well No. 1 located in Unit F.

CASE 7229: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow-Pennsylvanian location of its Sharp "QS" Com. Well No. 1 to be drilled 660 feet from the South and East lines of Section 4, Township 17 South, Range 26 East, the S/2 of said Section 4 to be dedicated to the well.

CASE 7184: (Continued from March 11, 1981, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 13, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7230: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SW/4 of Section 7, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7231: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SE/4 of Section 11, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7232: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the E/2 SW/4 of Section 12, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7233: Application of Bass Enterprises Production Co. for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Montieth Well No. 3, the surface location of which is 2130 feet from the South line and 1980 feet from the East line of Section 13, Township 16 South, Range 36 East, Northeast Lovington-Pennsylvanian Pool, and drill said well in an easterly direction to bottom it not closer than 510 feet to the outer boundary of the dedicated unit, being the N/2 SE/4 of said Section 13.

CASE 7234: Application of Getty Oil Company for a dual completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Farming E Well No. 1-E located in Unit I of Section 2, Township 24 North, Range 6 West, to produce oil from the Gallup formation thru the casing-tubing annulus and gas from the Dakota formation thru tubing.

APPLICATION FOR APPROVAL OF  
THE CONNOR UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICOOIL CONSERVATION DIVISION  
SANTA FENew Mexico Oil Conservation Division  
Santa Fe, New Mexico 87501

Case 7220

Comes the undersigned McClellan Oil Corporation, with offices at Roswell, New Mexico, and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Connor Unit Area, Chaves County, New Mexico and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed Unit Area covered by said Agreement embraces 5,120.00 acres of land, more or less, more particularly described as follows:

T-13-S, R-29-E, NMPM  
Sec. 21,22,23: All  
Sec. 26,27,28: All  
Sec. 33,34: All

Chaves County, New Mexico

18 E of Hagerman  
5040  
80  
5120

2. That of the lands embraced within the proposed Unit, 5,040.00 acres are lands of the United States, being 98.44% of the Area, and 80.00 acres are State of New Mexico lands being 1.56% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That McClellan Oil Corporation is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 9,600 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation Division rules and regulations.

6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.

7. That upon an order being entered by the New Mexico Oil Conservation Division approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

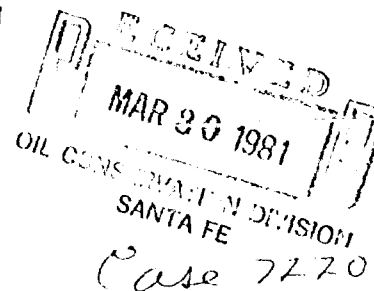
DATED THIS 23rd day of March, 1981.

McClellan Oil Corporation

*Randolph M. Richardson, III*  
Randolph M. Richardson, III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION DIVISION  
ENERGY AND MINERALS DEPARTMENT  
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
THE CONNOR UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO



New Mexico Oil Conservation Division  
Santa Fe, New Mexico 87501

Comes the undersigned McClellan Oil Corporation, with offices at Roswell, New Mexico, and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Connor Unit Area, Chaves County, New Mexico and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof states:

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T-13-S, R-29-E, NMPM  
Sec. 21,22,23: All  
Sec. 26,27,28: All  
Sec. 33,34: All

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 5,040.00 acres are lands of the United States, being 98.44% of the Area, and 80.00 acres are State of New Mexico lands being 1.56% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That McClellan Oil Corporation is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 9,600 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation Division rules and regulations.

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DATED THIS 23rd day of March, 1981.

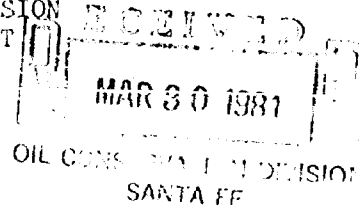
McClellan Oil Corporation

By

*Richardson*  
Randolph Richardson, III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION DIVISION  
ENERGY AND MINERALS DEPARTMENT  
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
THE CONNOR UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO



New Mexico Oil Conservation Division  
Santa Fe, New Mexico 87501

Case 77-70

Comes the undersigned McClellan Oil Corporation, with offices at Roswell, New Mexico, and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Connor Unit Area, Chaves County, New Mexico and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed Unit Area covered by said Agreement embraces 5,120.00 acres of land, more or less, more particularly described as follows:

T-13-S, R-29-E, NMPM  
Sec. 21,22,23: All  
Sec. 26,27,28: All  
Sec. 33,34: All

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 5,040.00 acres are lands of the United States, being 98.44% of the Area, and 80.00 acres are State of New Mexico lands being 1.56% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That McClellan Oil Corporation is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 9,600 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation Division rules and regulations.

6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.

7. That upon an order being entered by the New Mexico Oil Conservation Division approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

DATED THIS 23rd day of March, 1981.

McClellan Oil Corporation

By Randolph M. Richardson, III  
Randolph M. Richardson, III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201



UNIT AGREEMENT

MAR 30 1981

FOR THE DEVELOPMENT AND OPERATION CONSERVATION DIVISION  
SANTA FE  
OF THE

CONNOR UNIT AREA

COUNTY OF CHAVES

STATE OF NEW MEXICO

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

THIS AGREEMENT, entered into as of the 25th day of March,  
1981 by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

WHEREAS, the parties hereto are the owners of working, royalty, or other  
oil 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 re-  
presentatives to unite with each other, or jointly or separately with others, in  
collectively adopting and operating a cooperative or unit plan of development or  
operation of any oil or gas pool, field, or like area, or any part thereof for  
the purpose of more properly conserving the natural resources thereof whenever  
determined and certified by the Secretary of the Interior to be necessary or ad-  
visable 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 (Secs. 19-10-45, 46, 47 N.M. Statutes  
1978 Annotated) to consent to or approve this agreement on behalf of the State  
of New Mexico, insofar as it covers and includes lands and mineral interest of  
the State of New Mexico; and,

WHEREAS the Oil Conservation Division of the State of New Mexico Energy and  
Minerals Department is authorized by an Act of the Legislature (Chapters 70 and 71,  
New Mexico Statutes 1978, Annotated) to approve this agreement and the conservation  
provisions hereof; and,

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

WHEREAS, it is the purpose of the parties hereto to conserve natural re-  
sources, prevent waste, and secure other benefits obtainable through development  
and operation of the area subject to this agreement under the terms, conditions,



and limitations herein set forth;

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

1. 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 inconsistent 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:

T-13-S, R-29-E, NMPM  
Secs. 21, 22, 23; All  
Secs. 26, 27, 28; All  
Secs. 33, 34; All

Containing 5,120.00 acres,  
more or less

Chaves County, New Mexico

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 Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division."

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 Division, 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 State Division, evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with 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 Division, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of land (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 LANDS 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. McClellan Oil Corporation  
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 State Division as to State and Privately owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among the borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreement, 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, or by the Division if on Fee lands, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mississippian formation has been penetrated and all beds of younger age 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, or the Division if on Fee 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 9,600 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 the Division if on Fee 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 Director 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.

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

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

and State Division a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor, the Land Commissioner, or the State Division, the Unit Operator shall submit for approval by the Supervisor, the Land Commissioner and State Division a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Land Commissioner, and State Division to constitute a participating area, effective



as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Land Commissioner, and the State Division. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Land Commissioner, and State Division. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Land Commissioner, and State Division. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Land Commissioner, and State Division as to the proper definition or redefinition of a participating area, or until a participating area has, or areas

have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, and directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty of the basis of such approved participating area.

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp, and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, Land Commissioner, and State Division, or unavoidable lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby

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

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

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

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

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

all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized lands. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease are being diligently prosecuted at that time, such lease shall be extended for ~~terms~~ and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, provided that drilling operations on the initial test well are commenced prior to the expiration date of any State lease within the unit area, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

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

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in

such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

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

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

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced as to federal lands, and are being produced as to State lands in quantities sufficient to pay for the cost of producing same from



wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered are produced as aforesaid, or

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State Law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings

relative to operations before the Department of the Interior or the Land Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right to his own expense to be heard in 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 11266 (50 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 lands 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 Land Commissioner, the State Division, and the Unit Operator prior to the approval of this agreement by the Supervisor and Land Commissioner. 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 working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the

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

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

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

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

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

- (1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or
- (2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.
- (3) Provide for the independent operation of any part of such land that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or for-

feited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

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

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

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

any of them.

33. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas leases covering lands within the Unit Area.

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

ATTEST:

UNIT OPERATOR

By: \_\_\_\_\_

BY: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_ corporation, for and on behalf of said Corporation.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

12-28-81  
NM-2825  
12-28-81

R-29-E

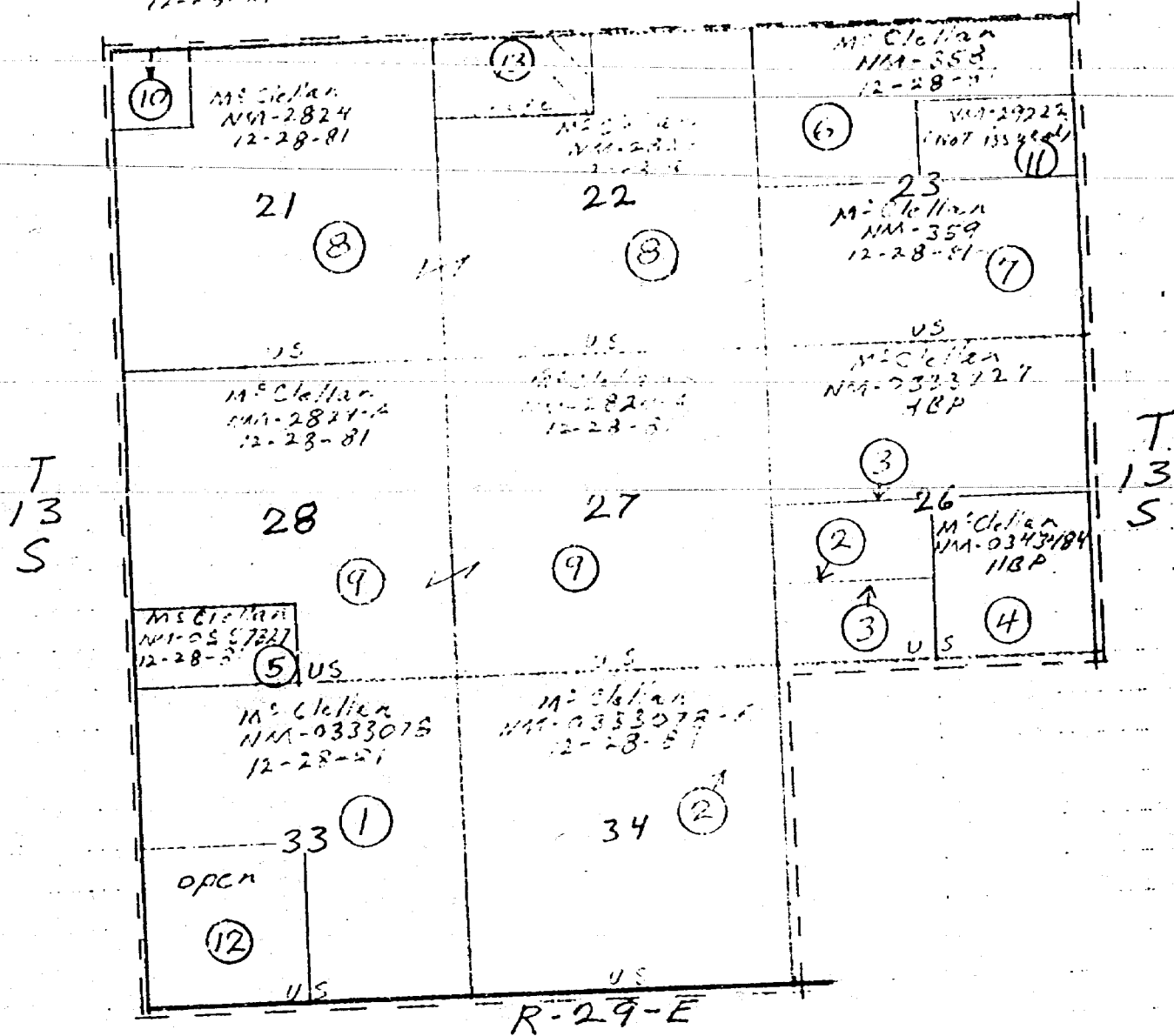


EXHIBIT "A"  
Connor Unit Area  
Chaves County, N. Mex.

Unit Outline

- Tract No.
- Federal Lands  
5,040.00 Acres, 98.44%
- ▨ State of New Mexico Lands  
80.00 Acres, 1.56%

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES

CONNOR UNIT AREA

Chaves County, New Mexico

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & EXP. DATE	BASIC ROYALTY	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>All Lands are in T-13-S, R-29-E, NMPM</u>							
<u>FEDERAL LANDS</u>							
1.	Sec. 33: N $\frac{1}{2}$ , SE $\frac{1}{4}$	480.00	NM-0333078 12-28-81	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	J. Mort Walker, Jr. 5% \$750/acre pp Jack L. McClellan 1%	Same as Les
2.	Sec. 26: N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 34: All	720.00	NM-0333078-A 12-28-81	USA 12.5	McClellan Oil Corp. 48.7404% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50% Cactus Drilling Corp. 1.2596%	J. Mort Walker, Jr. 3% pp - \$400/acre Jack L. McClellan 1%	Same as Les
3.	Sec. 26: N $\frac{1}{2}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$	400.00	NM-0333227 HBP	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	George H. O'Brien, Jr. 3% Jack L. McClellan 1%	Same as Les



EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES

CONNOR UNIT AREA

Chaves County, New Mexico

SERIAL NO. & EXP. DATE	BASIC ROYALTY	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>FEDERAL LANDS</u>				
NM-0333078 12-28-81	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	J. Mort Walker, Jr. \$750/acre pp Jack L. McClellan	5% Same as Lessee 1%
NM-0333078-A 12-28-81	USA 12.5	McClellan Oil Corp. 48.7404% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50% Cactus Drilling Corp. 1.2596%	J. Mort Walker, Jr. 3% pp - \$400/acre Jack L. McClellan	Same as Lessee 1%
NM-0333227 HBP	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	George H. O'Brien, Jr. Jack L. McClellan	3% Same as Lessee 1%

4.	Sec. 26: SE $\frac{1}{4}$	160.00	NM-0343484 HBP	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	Melvin A. Brown Jack L. McClellan	3% 1%	Same as Les
5.	Sec. 28: S $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	NM-0557327 12-28-81	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	F. J. Bradshaw Jack L. McClellan	5% 1%	Same as Les
6.	Sec. 23: N $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$	240.00	NM-358 12-28-81	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	Patricia N. Harding Jack L. McClellan	3% 1%	Same as Les
7.	Sec. 23: S $\frac{1}{2}$	320.00	NM-359 12-28-81	USA 12.5	McClellan Oil Corp. 100.%	Vincent J. Duncan 5% pp - \$2000/acre Jack L. McClellan		Same as Les
8.	Sec. 21: N $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ Sec. 22: N $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$	1160.00	NM-2824 12-28-81	USA 12.5	McClellan Oil Corp. 100.%	Charles M. Spofford 3% pp - \$300/acre Jack L. McClellan		Same as Les
9.	Sec. 27: All Sec. 28: N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	1200.00	NM-2824-A 12-28-81	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	Charles M. Spofford 3% pp - \$300/acre Jack L. McClellan		Same as Les

160.00	NM-0343484 HBP	USA 12.5	McClellan Oil Corp. Holly Energy, Inc. Read & Stevens, Inc. New Mexico Oil Corp.	50.00% 32.8125% 4.6875% 12.50%	Melvin A. Brown Jack L. McClellan	3% 1%	Same as Lessee
80.00	NM-0557327 12-28-81	USA 12.5	McClellan Oil Corp. Holly Energy, Inc. Read & Stevens, Inc. New Mexico Oil Corp.	50.00% 32.8125% 4.6875% 12.50%	F. J. Bradshaw Jack L. McClellan	5% 1%	Same as Lessee
240.00	NM-358 12-28-81	USA 12.5	McClellan Oil Corp. Holly Energy, Inc. Read & Stevens, Inc. New Mexico Oil Corp.	50.00% 32.8125% 4.6875% 12.50%	Patricia N. Harding Jack L. McClellan	3% 1%	Same as Lessee
320.00	NM-359 12-28-81	USA 12.5	McClellan Oil Corp.	100.0%	Vincent J. Duncan 5% pp - \$2000/acre Jack L. McClellan		Same as Lessee
1160.00	NM-2824 12-28-81	USA 12.5	McClellan Oil Corp.	100.0%	Charles M. Spofford 3% pp - \$300/acre Jack L. McClellan		Same as Lessee
1200.00	NM-2824-A 12-28-81	USA 12.5	McClellan Oil Corp. Holly Energy, Inc. Read & Stevens, Inc. New Mexico Oil Corp.	50.00% 32.8125% 4.6875% 12.50%	Charles M. Spofford 3% pp - \$300/acre Jack L. McClellan		Same as Lessee

10.	Sec. 21: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	NM-2825 12-28-81	USA 12.5	McClellan Oil Corp.	100.%	Julious M. Cieslik Jack L. McClellan	5% Same as Le 1%
11.	Sec. 23: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	NM-29222	USA 12.5	Kenneth L. Carson		(Offer to lease rejected 4-18-77) (Appeal filed 5-31-77 - Still pending)	
12.	Sec. 33: SW $\frac{1}{4}$	160.00			OPEN			
TOTAL		5,040.00 Acres Federal Land - 98.44% Unit Area						

STATE OF NEW MEXICO LAND

13.	Sec. 22: N $\frac{1}{2}$ NW $\frac{1}{4}$	80.00		OPEN
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RECAPITULATION:

5,040.00 Acres Federal Lands,	98.44% of Unit Area
<u>80.00 Acres State Lands,</u>	<u>1.56% of Unit Area</u>
5,120.00	100.00%

40.00	NM-2825 12-28-81	USA 12.5	McClellan Oil Corp.	100.%	Julious M. Cieslik Jack L. McClellan	5% Same as Lessee 1%
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80.00	NM-29222	USA 12.5	Kenneth L. Carson	(Offer to lease rejected 4-18-77) (Appeal filed 5-31-77 - Still pending)		
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160.00 OPEN

5,040.00 Acres Federal Land - 98.44% Unit Area

STATE OF NEW MEXICO LAND

80.00 OPEN

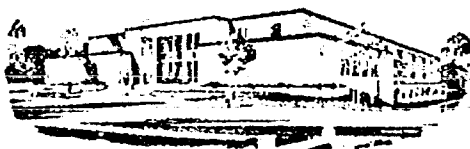
RECAPITULATION:

5,040.00 Acres Federal Lands,	98.44% of Unit Area
80.00 Acres State Lands,	1.56% of Unit Area
5,120.00	100.00%

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

August 10, 1981

7220  
P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Mr. Randolph M. Richardson III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

Re: Connor Unit  
Chaves County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date approved the Connor Unit, which you submitted on behalf of Western Oil Producers, Inc. Our approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval.

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

7220


RANDOLPH M. RICHARDSON  
OIL AND GAS LAND AND UNIT CONSULTANT  
FEDERAL - STATE - FEE  
P. O. BOX 819  
ROSWELL, NEW MEXICO 88201

August 18, 1981

OFFICE 505 622-8801  
HOME 505 622-7085

In Re: Connor Unit Agreement  
U.S.G.S. Contract #14-08-0001-19566  
T-13-S, R-29-E, NMPM  
Chaves County, New Mexico

Mr. Ray Graham  
Oil & Gas Division  
New Mexico State Land Office  
Post Office Box 1148  
Santa Fe, New Mexico 87501

 Oil Conservation Division  
Department of Energy & Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Attn: Mrs. Mary Swartz

Gentlemen:

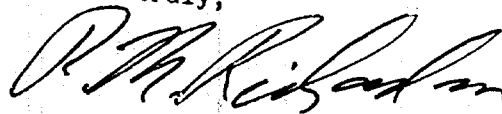
The Connor Unit was approved by the U.S.G.S. on August 12, 1981 and is effective August 12, 1981.

I am, consequently, enclosing to the Commissioner's office copy of letter from the U.S.G.S., Certification-Determination bearing signature of U.S.G.S.

Pursuant to Oil Conservation Division Case #7220, Order #R-6664, I am enclosing to the Oil Conservation Division one complete copy of the Unit Agreement containing State and Federal approval as well as all of the necessary signatures to the Unit Agreement.

Please advise if either of you need anything additional at this time.

Yours truly,



R. M. Richardson

RMR/sr  
Enclosures



United States Department of the Interior

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

AUG 12 1981

Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Dear Mr. Richardson:

An approved copy of the Connor unit agreement, Chaves County, New Mexico, with Western Oil Producers, Inc., as operator is enclosed. Such agreement has been assigned No. 14-08-0001-19566 and is effective August 12, 1981, the same date as approved.

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

Sincerely yours,

*James W. Shelton*  
for Gene F. Daniel  
Deputy Conservation Manager  
Oil and Gas

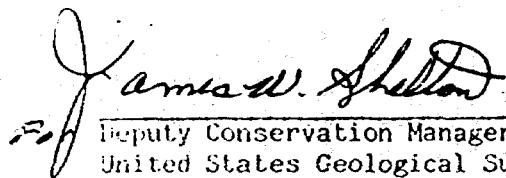
Enclosure



CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior,  
the act approved February 15, 1920, 41 Stat. 437, as amended, 30 U.S.C.  
secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the  
Geological Survey, I do hereby:

- A. Approve the attached agreement for the development and  
operation of the Connor  
Unit Area, State of New Mexico, County of Chaves.
- B. Certify and determine that the unit plan of development  
and operation contemplated in the attached agreement is neces-  
sary and advisable in the public interest for the purpose of  
more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental,  
minimum royalty, and royalty requirements of all Federal  
leases committed to said agreement are hereby established,  
altered, changed, or revoked to conform with the terms and  
conditions of this agreement.

  
Deputy Conservation Manager, SCR  
United States Geological Survey

AUG 12 1981

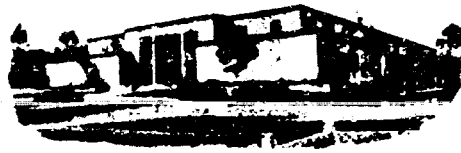
Dated

Contract Number  
14-08-0001-19566

State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



Commissioner of Public Lands

August 10, 1981

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

Mr. Randolph M. Richardson III  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

Re: Connor Unit  
Chaves County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date approved the Connor Unit, which you submitted on behalf of Western Oil Producers, Inc. Our approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

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

AJA/RDG/s  
encls.

cc: USGS-Albuquerque, New Mexico  
OCD-Santa Fe, New Mexico



# NEW MEXICO STATE LAND OFFICE

## CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CONNOR UNIT

CHADRS COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated March 25, 1981, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

The Commissioner of Public Lands agrees to concur with all decisions made by the USGS Supervisor and the NMOCD Director, until such time as the States interests are committed to the Unit and Operating Agreements, at which such time the Commissioner of Public Lands will then exercise his proper jurisdiction of this unit agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 10th. day of August, 19 81.



*Alex J. Garcia*  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

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. 7220  
Order No. R-6664

APPLICATION OF McCLELLAN OIL  
CORPORATION FOR APPROVAL OF THE  
CONNOR UNIT AGREEMENT, CHAVES  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 22, 1981,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1981, 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, McClellan Oil Corporation, seeks  
approval of the Connor Unit Agreement covering 5,120 acres, more  
or less, of State and Federal lands described as follows:

CHAVES COUNTY, NEW MEXICO  
TOWNSHIP 13 SOUTH, RANGE 29 EAST, NMPM  
Sections 21 through 23: All  
Sections 26 through 28: All  
Sections 33 and 34: All

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

Case No. 7220  
Order No. R-6664

(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 Connor 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, 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 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.

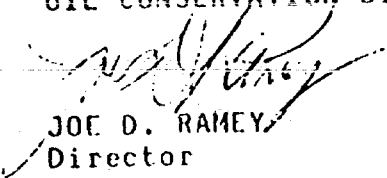
-3-

Case No. 7220

Order No. R-6664

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

S E A L

fd/

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
CONNOR UNIT AREA

COUNTY OF CHAVES  
STATE OF NEW MEXICO

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

THIS AGREEMENT, entered into as of the 25th day of March,  
1981 by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

WHEREAS, the parties hereto are the owners of working, royalty, or other  
oil 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 re-  
presentatives to unite with each other, or jointly or separately with others, in  
collectively adopting and operating a cooperative or unit plan of development or  
operation of any oil or gas pool, field, or like area, or any part thereof for  
the purpose of more properly conserving the natural resources thereof whenever  
determined and certified by the Secretary of the Interior to be necessary or ad-  
visable 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 (Secs. 19-10-45, 46, 47 N.M. Statutes  
1978 Annotated) to consent to or approve this agreement on behalf of the State  
of New Mexico, insofar as it covers and includes lands and mineral interest of  
the State of New Mexico; and,

WHEREAS the Oil Conservation Division of the State of New Mexico Energy and  
Minerals Department is authorized by an Act of the Legislature (Chapters 70 and 71,  
New Mexico Statutes 1978, Annotated) to approve this agreement and the conservation  
provisions hereof; and,

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

WHEREAS, it is the purpose of the parties hereto to conserve natural re-  
sources, prevent waste, and secure other benefits obtainable through development  
and operation of the area subject to this agreement under the terms, conditions,

and limitations herein set forth;

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

1. 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 inconsistent 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:

T-13-S, R-29-E, NMPM  
Secs. 21, 22, 23; All  
Secs. 26, 27, 28; All  
Secs. 33, 34; All

Containing 5,120.00 acres,  
more or less

Chaves County, New Mexico

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 Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division."

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 Division, 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 State Division, evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with 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 Division, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of land (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 LANDS 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. Western Oil Producers, 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 State Division as to State and Privately owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among the borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreement, 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, or by the Division if on Fee lands, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mississippian formation has been penetrated and all beds of younger age 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, or the Division if on Fee land, that further drilling of said well would be impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 9,600 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 the Division if on Fee 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 Director 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.

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

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

and State Division a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor, the Land Commissioner, or the State Division, the Unit Operator shall submit for approval by the Supervisor, the Land Commissioner and State Division a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Land Commissioner, and State Division to constitute a participating area, effective

as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Land Commissioner, and the State Division. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Land Commissioner, and State Division. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Land Commissioner, and State Division. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Land Commissioner, and State Division as to the proper definition or redefinition of a participating area, or until a participating area has, or areas



have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, and directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty of the basis of such approved participating area.

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp, and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, Land Commissioner, and State Division, or unavoidable lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby

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

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

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

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

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

all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized lands. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, provided that drilling operations on the initial test well are commenced prior to the expiration date of any State lease within the unit area, subject to the provisions of subsection (c) of Section 2 and subsection (i) of this Section 18.

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

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in

such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

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

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

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced as to federal lands, and are being produced as to State lands in quantities sufficient to pay for the cost of producing same from

wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered are produced as aforesaid, or

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State Law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings



relative to operations before the Department of the Interior or the Land Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right to his own expense to be heard in 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 lands 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 Land Commissioner, the State Division, and the Unit Operator prior to the approval of this agreement by the Supervisor and Land Commissioner. 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 working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the

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

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

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

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

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

- (1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or
- (2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.
- (3) Provide for the independent operation of any part of such land that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or for-

feited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

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

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

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

any of them.

33. SURFACE AND ENVIRONMENTAL PROTECTION PROVISIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas leases covering lands within the Unit Area.

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

ATTEST

By: Stanley P. Leuk

STATE OF New Mexico  
COUNTY OF Chaves

NOTARY

The foregoing instrument was acknowledged before me this 8<sup>th</sup> day of July, 1981, by L. K. Ewertson who is President of Western Oil Producers Inc. corporation, for and on behalf of said Corporation.

My Commission Expires:

1/12/85

UNIT OPERATOR  
WESTERN OIL PRODUCERS, INC.  
L. K. Ewertson, President

Betty Ann Rogers  
Notary Public

#### PARTICIPANTS

ATTEST/WITNESS:

Marion W. Harris

[Signature]  
New Mexico Oil Corporation

STATE OF NEW MEXICO  
COUNTY OF CHAVES

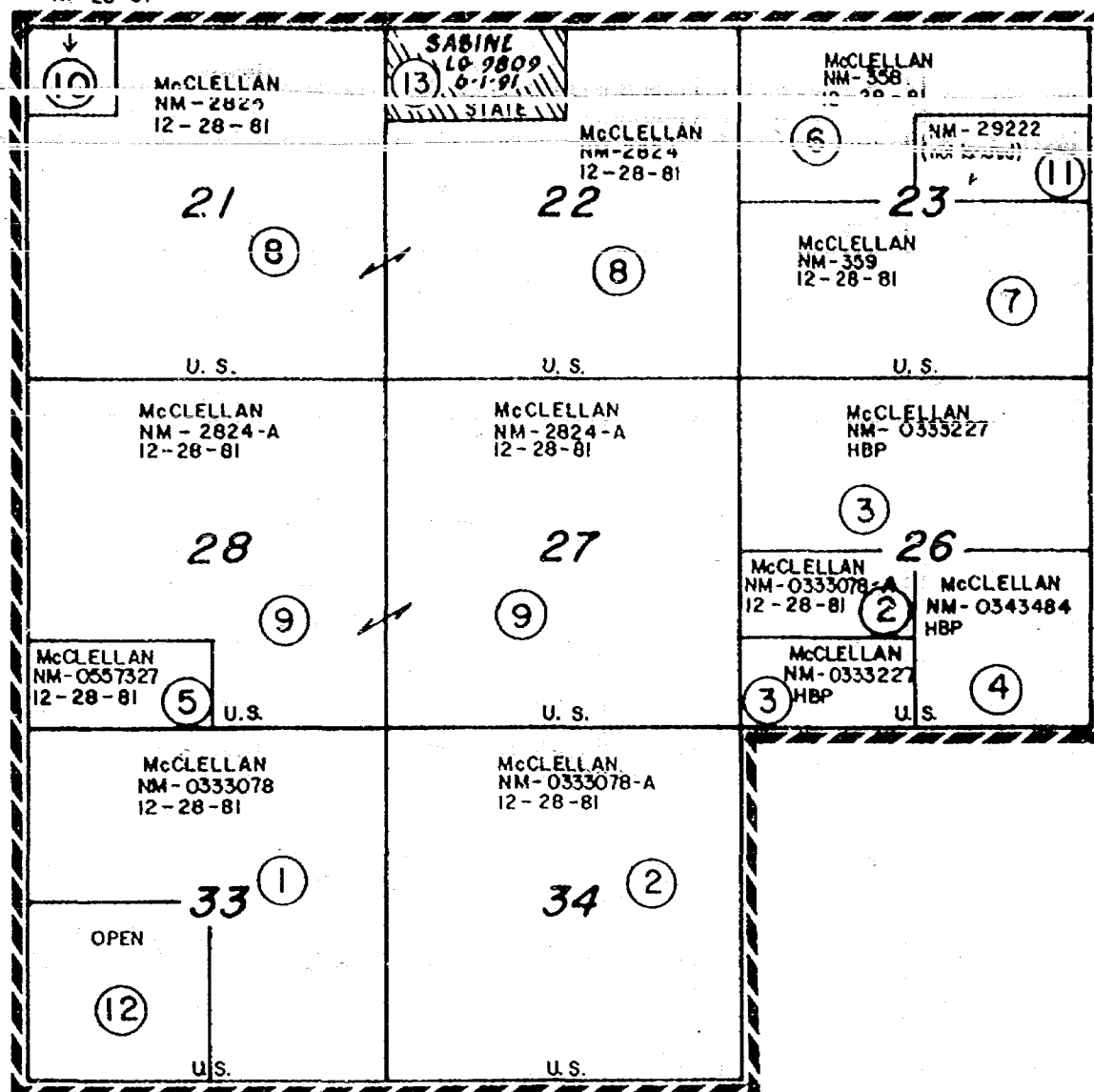
The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of July, 1981, by L. C. HARRIS who is President of New Mexico Oil Corporation, for and on behalf of said Corporation.

My Commission Expires:

July 15, 1982

OFFICIAL SEAL  
[Signature]  
ELIZABETH B. GORMAN  
NOTARY PUBLIC - NEW MEXICO  
NOTARY PUBLIC  
My Commission Expires 7-15-82

R-29-E



R-29-E

EXHIBIT "A"

**CONNOR UNIT AREA**  
Chaves County, New Mexico

UNIT OUTLINE

TRACT NUMBER

FEDERAL LANDS  
5,040.00 ACRES, 98.44 %

STATE OF NEW MEXICO LANDS  
80.00 ACRES 1.56 %

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES

CONNOR UNIT AREA

Chaves County, New Mexico

DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & EXP. DATE	BASIC ROYALTY	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
<u>All Lands are in T-13-S, R-29-E, NMPM</u>						
<u>FEDERAL LANDS</u>						
Sec. 33: N $\frac{1}{2}$ , SE $\frac{1}{4}$	480.00	NM-0333078 12-28-81	USA 12.5	McClellan Oil Corp.	50.00%	J. Mort Walker, Jr. 5% The Toles Co. 7.2916
				Holly Energy, Inc.	32.8125%	\$750/acre pp
				Read & Stevens, Inc.	4.6875%	Jack L. McClellan 1% R. M. Patterson 7.2916
				New Mexico Oil Corp.	12.50%	Bryan Bell 6.2500
						Rubie C. Bell 3.1250
					100.0000	Truman T. Sanders, Jr. 3.1250
						A. L. Mangum, Jr. 3.1250
						Est. Homer F. Glover 3.1250
						Raymond Harris 3.1250
						McClellan Oil Corp. 13.5418
						Holly Energy, Inc. 32.8125
						Read & Stevens, Inc. 4.6875
						New Mex. Oil Corp. 12.5000
						100.0000

2.	Sec. 26: N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 34: All	720.00	NM-0333078-A 12-28-81	USA 12.5	McClellan Oil Corp. 48.7404% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50% Cactus Resources, Inc. 1.2596%	J. Mort Walker, Jr. 3% pp - \$400/acre Jack L. McClellan 1%	The Toles Co. R. M. Patterson Bryan Bell Rubie C. Bell Truman T. Sanders, Jr. A. L. Mangum, Jr. Est. Homer F. Glover Raymond Harris McClellan Oil Corp. Holly Energy, Inc. Read & Stevens, Inc. New Mex. Oil Corp. Cactus Resources	7.1079 7.1079 6.092 3.046 3.046 3.046 3.046 13.200 32.8125 4.6875 12.500 1.2596
					100.0000			
3.	Sec. 26: N $\frac{1}{2}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$	400.00	NM-0333227 HBP	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	George H. O'Brien, Jr. 3% Jack L. McClellan 1%	Same as Tract #1	
4.	Sec. 26: SE $\frac{1}{4}$	160.00	NM-0343484 HBP	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	Melvin A. Brown 3% Jack L. McClellan 1%	Same as Tract #1	
5.	Sec. 28: S $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	NM-0557327 12-28-81	USA 12.5	McClellan Oil Corp. 50.00% Holly Energy, Inc. 32.8125% Read & Stevens, Inc. 4.6875% New Mexico Oil Corp. 12.50%	F. J. Bradshaw 5% Jack L. McClellan 1%	Same as Tract #1	

100.0000



3.

6.	Sec. 23: N $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$	240.00	NM-358 12-28-81	USA 12.5	McClellan Oil Corp.	100.0000%	Patricia N. Harding 3% Jack L. McClellan 1%	Same as Tract #7
7.	Sec. 23: S $\frac{1}{2}$	320.00	NM-359 12-28-81	USA 12.5	McClellan Oil Corp.	100.0000%	Vincent J. Duncan 5% pp - \$2000/acre Jack L. McClellan 1%	The Toles Co. R. M. Patterson Bryan Bell Rubie C. Bell Truman T. Sanders, A. L. Mangum, Jr. Est. Homer F. Glover Raymond Harris McClellan Oil Corp.
8.	Sec. 21: N $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ Sec. 22: N $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$	1160.00	NM-2824 12-28-81	USA 12.5	McClellan Oil Corp.	100.0000%	Charles M. Spofford 3% pp - \$300/acre Jack L. McClellan 1%	Same as Tract #7
9.	Sec. 27: All Sec. 28: N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	1200.00	NM-2824-A 12-28-81	USA 12.5	McClellan Oil Corp. Holly Energy, Inc. Read & Stevens, Inc. New Mexico Oil Corp.	50.00% 32.8125% 4.6875% 12.50%	Charles M. Spofford 3% pp - \$300/acre Jack L. McClellan 1%	Same as Tract #1
10.	Sec. 21: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	NM-2825 12-28-81	USA 12.5	McClellan Oil Corp.	100.0000%	Julious M. Cieslik 5% Jack L. McClellan 1%	Same as Tract #7
11.	Sec. 23: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	NM-29222	USA 12.5	Kenneth L. Carson		(Offer to lease rejected 4-18-77) (Appeal filed 5-31-77 - Still pending)	

00 NM-358  
12-28-81 USA  
12.5 McClellan Oil Corp. 100.0000% Patricia N. Harding 3% Same as Tract #7  
Jack L. McClellan 1%

00 NM-359  
12-28-81 USA  
12.5 McClellan Oil Corp. 100.0000% Vincent J. Duncan  
5% pp - \$2000/acre The Toles Co. 14.5832  
Jack L. McClellan 1% R. M. Patterson 14.5832  
Bryan Bell 12.5000  
Rubie C. Bell 6.2500  
Truman T. Sanders, Jr. 6.2500  
A. L. Mangum, Jr. 6.2500  
Est. Homer F. Glover 6.2500  
Raymond Harris 6.2500  
McClellan Oil Corp 27.0836

100.0000

0 NM-2824  
12-28-81 USA  
12.5 McClellan Oil Corp. 100.0000% Charles M. Spofford Same as Tract #7  
3% pp - \$300/acre  
Jack L. McClellan 1%

NM-2824-A  
12-28-81 USA  
12.5 McClellan Oil Corp. 50.00% Charles M. Spofford Same as Tract #1  
Holly Energy, Inc. 32.8125% 3% pp - \$300/acre  
Read & Stevens, Inc. 4.6875% Jack L. McClellan 1%  
New Mexico Oil Corp. 12.50%

NM-2825  
12-28-81 USA  
12.5 McClellan Oil Corp. 100.0000% Julius M. Cieslik 5% Same as Tract #7  
Jack L. McClellan 1%

NM-29222  
USA  
12.5 Kenneth L. Carson

(Offer to lease rejected 4-18-77)  
(Appeal filed 5-31-77 - Still pending)

12. Sec. 33: SW $\frac{1}{4}$  160.00 OPEN

TOTAL..... 5,040.00 Acres Federal Land - 98.44% Unit Area

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STATE OF NEW MEXICO LAND

13. Sec. 22: N $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	LG-9809 6-1-91	State 12.5	Sabine Production Co. All	None	Sabine Prod
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RECAPITULATION:

5,040.00 Acres Federal Lands,	98.44% of Unit Area
<u>80.00 Acres State Lands,</u>	<u>1.56% of Unit Area</u>
5,120.00	100.00%

30.00 OPEN  
040.00 Acres Federal Land - 98.44% Unit Area

STATE OF NEW MEXICO LAND

30.00	LG-9809 6-1-91	State 12.5	Sabine Production Co. All	None	Sabine Production Co All
-------	-------------------	---------------	---------------------------	------	-----------------------------

CAPITULATION:

040.00 Acres Federal Lands, 98.44% of Unit Area  
080.00 Acres State Lands, 1.56% of Unit Area  
20.00 100.00%

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.  
\* furnished to Cactus by letter from Randolph M. Richardson dated July 10, 1981

Cactus Resources, Inc.

By

D. A. Rundle, President

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981, by \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

Notary Public

CORPORATE

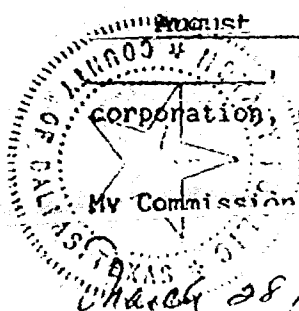
STATE OF TEXAS )  
COUNTY OF DALLAS ) SS.

The foregoing instrument was acknowledged before me this 7th day of

August, 1981, by D. A. Rundle, President of Cactus Resources, Inc. a Delaware corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public



CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

McCLELLAN OIL CORPORATION

BY: Jack L. McClellan  
Jack L. McClellan - President

TR. 1 thru 10

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_.

My Commission Expires:

Notary Public

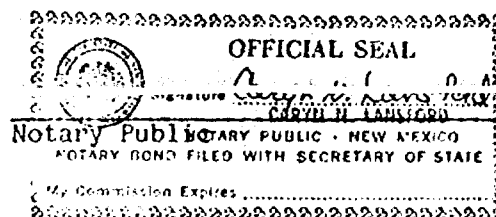
CORPORATE

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) SS.

The foregoing instrument was acknowledged before me this 15th day of July, 1981, by Jack L. McClellan, President of McClellan Oil Corporation a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

January 4, 1984



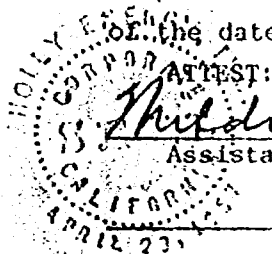
CONSENT AND RATIFICATION

CONCOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as



of the date set forth in their respective acknowledgments.

ATTEST:  
Richard Moore  
Assistant Secretary

HOLLY ENERGY, INC.  
William H. Boyles  
Vice President

INDIVIDUAL

TR. 1, 2, 3, 4, 5, 9

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

STATE OF Texas )  
COUNTY OF Dallas )SS.

The foregoing instrument was acknowledged before me this 17th day of July, 1981, by William H. Boyles, Vice, President of Holly Energy, Inc. a California corporation, on behalf of said corporation.

My Commission Expires:

April 26, 1981

Francis Cox  
Notary Public

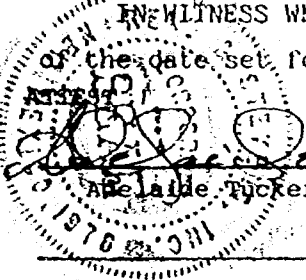
CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

 Abelardo Tucker, Ass't. Secretary READ & STEVENS, INC.  
By: Joel Wigley, Secretary

INDIVIDUAL

TR. 1, 2, 3, 4, 5, 9

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_.

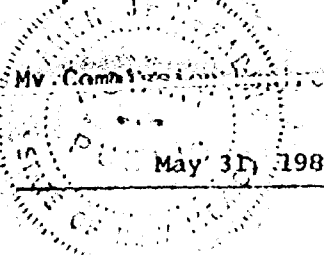
My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) SS.

The foregoing instrument was acknowledged before me this 14th day of July, 1981, by Joel Wigley, Secretary of Read & Stevens, Inc. a New Mexico corporation, on behalf of said corporation.

 My Commission Expires: May 31, 1985

Robert J. McLady  
Notary Public



CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

NEW MEXICO OIL CORPORATION

BY: [Signature]  
L. C. HARRIS, President

72 1, 2, 3, 4, 5, 9

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

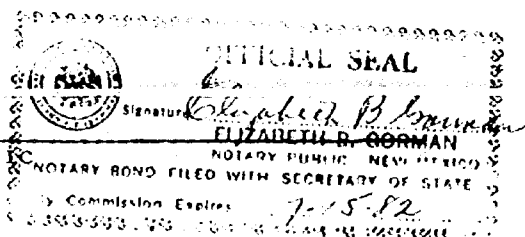
STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) SS.

The foregoing instrument was acknowledged before me this 14th day of July 1981, by L. C. HARRIS, President of NEW MEXICO OIL CORPORATION a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

JULY 15, 1982

\_\_\_\_\_  
Notary Public



CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

The Toles Company,  
A Limited Partnership

By: J. Penrod Toles

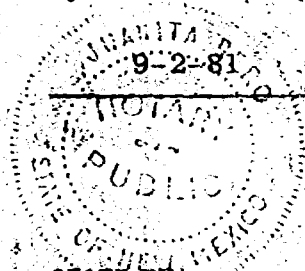
J. Penrod Toles, General Partner

TR. 11km 10

INDIVIDUAL

STATE OF NEW MEXICO )  
 ) SS.  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 14th day of July, 1981, by J. Penrod Toles, General Partner of The Toles Company, a Limited Partnership, on behalf of said partnership.  
My Commission Expires:



Juanita R. Penrod  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Bryan Bell*  
*Rubie C Bell*

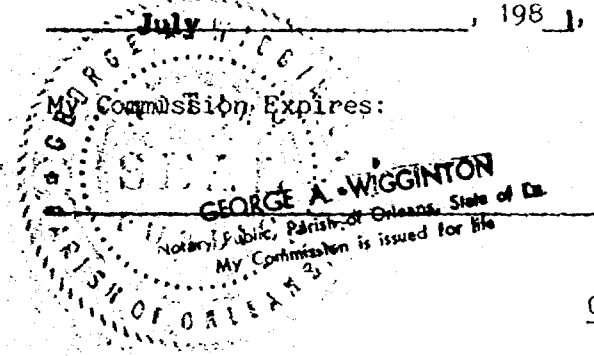
\_\_\_\_\_

INDIVIDUAL

TR. 1 thru 10

STATE OF LOUISIANA )  
 ) SS.  
 COUNTY OF ORLEANS )  
 PARISH ~~XXXX~~

The foregoing instrument was acknowledged before me this 17th day of July, 1981, by BRYAN BELL and RUBIE C. BELL.



*George A. Wigginton*  
 Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
 ) SS.  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
 Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

R. M. Patterson Husband & Wife  
Elyse S. Patterson

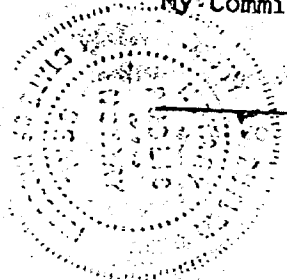
INDIVIDUAL

TR 1 thru 10

STATE OF MISSOURI )  
 COUNTY OF JACKSON ) SS.

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of July, 1981, by R. M. Patterson & Elyse S. Patterson.

My Commission Expires:



CHERYL L. BUTLER

Cheryl L. Butler  
 Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
 COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

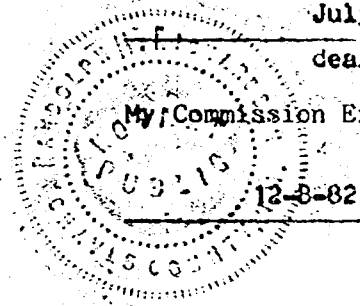
*T. Sanders as his  
 separate property*

TR. 1 thru 10

INDIVIDUAL

STATE OF New Mexico )  
 ) SS.  
 COUNTY OF Chaves )

The foregoing instrument was acknowledged before me this 13th day of July, 1981, by T. T. Sanders, Jr. (Truman T. Sanders, Jr.) dealing in his sole and separate property.



My Commission Expires: \_\_\_\_\_

*[Signature]*  
 Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
 ) SS.  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
 Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

HS Glover Estate

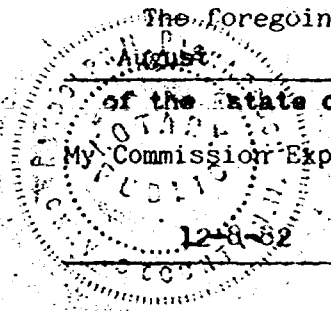
by Norma Glover Smith

INDIVIDUAL

STATE OF New Mexico )  
COUNTY OF Chaves ) SS.

The foregoing instrument was acknowledged before me this 10th day of August, 1981, by Norma Glover Smith, Personal Representative of the Estate of H. P. Glover, Deceased

My Commission Expires:



Norman M. Richardson  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
CONNOR UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
*A. L. Mangum Jr.*  
*Marybeth Mangum*  
\_\_\_\_\_

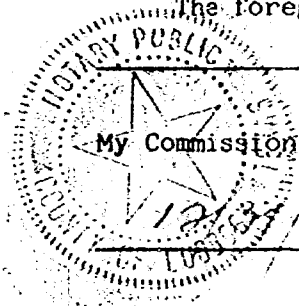
INDIVIDUAL

TR. 1 thru 10

STATE OF TEXAS )  
COUNTY OF LUBBOCK ) SS.

The foregoing instrument was acknowledged before me this 20th day of July, 1981, by A.L. Mangum, Jr. and Marybeth Mangum.

My Commission Expires:



*A. L. Mangum Jr.*  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
*Raymond Harris*  
*Virginia M. Harris*

TR. 1 thru 10

INDIVIDUAL

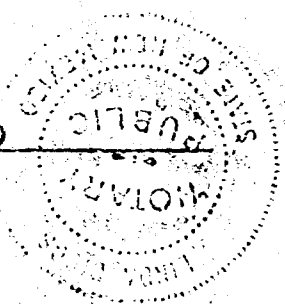
STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) SS.

The foregoing instrument was acknowledged before me this 15th day of JULY, 1981, by RAYMOND HARRIS AND VIRGINIA HARRIS.

My Commission Expires:

NOV 4, 1982

*[Signature]*  
Notary Public



CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public



CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

LKR  
KOR  
APN  
LS  
BN  
LA  
FC  
SHOP  
WELL FILE  
LEGAL FILE  
FILE

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

NATURAL GAS MANAGEMENT CO.

By: President

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

Notary Public

CORPORATE

STATE OF Texas )  
COUNTY OF Harris ) SS.

The foregoing instrument was acknowledged before me this 20 day of April, 1981, by Shockley, President of Natural Gas Management Co., a Texas corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public  
State of Texas  
My Commission Expires: \_\_\_\_\_

Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Patricia B. Richardson

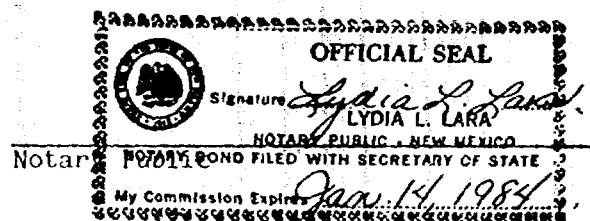
Randolph M. Richardson

INDIVIDUAL

STATE OF New Mexico )  
 ) SS.  
COUNTY OF Chaves )

The foregoing instrument was acknowledged before me this 10th day of August, 1981, by Randolph M. Richardson and Patricia B. Richardson, his wife.

My Commission Expires:



CORPORATE

STATE OF \_\_\_\_\_ )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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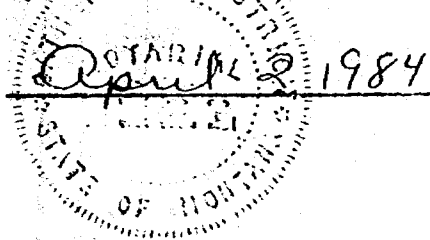
INDIVIDUAL

TR. #4

STATE OF MONTANA )  
COUNTY OF Yellowstone ) SS.

The foregoing instrument was acknowledged before me this 24th day of July, 1981, by Melvin A. Brown.

My Commission Expires:



Catherine Westrich  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
CONNOR UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

J. Mort Walker Jr

INDIVIDUAL

TR. 102

STATE OF LOUISIANA )  
PARISH ) SS.  
COUNTY OF ORLEANS )

The foregoing instrument was acknowledged before me this 27th day of JULY, 1981, by J. MORT WALKER, JR.

My Commission Expires:

at death

Corinne Lee Wiener  
Notary Public

CORINNE LEE WIENER  
NOTARY PUBLIC  
PARISH OF ORLEANS  
STATE OF LOUISIANA  
(My Commission is for Life)

CORPORATE

STATE OF )  
COUNTY OF ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Connor Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 25th day of March, 1981, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

First Interstate Bank of Utah, Personal Representative  
of F. J. Bradshaw, Deceased, P.O. Box 30100  
Salt Lake City, Utah 84142

*Dean R. Mansfield*  
Trust Officer

INDIVIDUAL

TR. #5

STATE OF UTAH )  
COUNTY OF SALT LAKE ) SS.

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of JULY, 1981, by DEAN R. MANSFIELD.

My Commission Expires:



*Opton Fischer*  
Notary Public  
Salt Lake City Utah

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION

CONNOR UNIT AGREEMENT

CHAVES COUNTY, NEW MEXICO

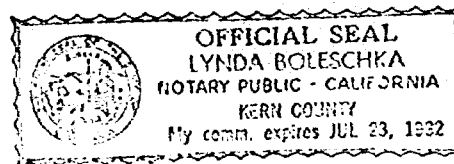
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IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
*Patricia N. Harding*

INDIVIDUAL

STATE OF Calif )  
COUNTY OF Kern ) SS.



The foregoing instrument was acknowledged before me this 30<sup>th</sup> day of July, 1981, by Patricia N. Harding.

My Commission Expires:

7-23-82  
Lynda Boleschka  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, President of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

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. 7720

Order No. B-6664

APPLICATION OF McCLELLAN OIL CORPORATION  
FOR APPROVAL OF THE CONNOR  
UNIT AGREEMENT, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 22,  
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of April, 19 81, 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, McClellan Oil Corporation,  
seeks approval of the Connor Unit Agreement  
covering 5,120 acres, more or less, of State and Federal  
~~and~~ ~~lands~~ lands described as follows:

CHAVES COUNTY, NEW MEXICO  
TOWNSHIP 13 SOUTH, RANGE 29 EAST, N4PM  
Sections 21 through 23: All  
Sections 26 through 28: All  
Sections 33 and 34: 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, 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 Connor 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, 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 *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.