

Case 242

In the matter of the application of Continental Oil Company for an order approving the unit agreement of the Texas Hill Unit Area, Eddy County, New Mexico, comprising 13,800.43 acres more or less, situated in Townships 21, 22 and 23 south, Range 21 east, N.M.P.M. and in accordance with plat attached to said application.

GIVEN under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on October 27, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier
R. R. SPURRIER, SECRETARY

BEFORE:

Hon. Guy Shepard, Member and Acting Chairman

Hon. R. R. Spurrier, Member and Secretary

REGISTER:

W. K. Byrom
Hobbs, New Mexico
Nolen and Byrom

B. H. Nolen
Hobbs, New Mexico
Nolen and Byrom

B. R. Carney
Tulsa, Oklahoma
Warren Petroleum Company

Booth Kellough
Tulsa, Oklahoma
Amerada Petroleum Corporation

S. J. Forester
Tulsa, Oklahoma
Sinclair Oil and Gas Company

Cecil R. Buckles
Tulsa, Oklahoma
Sinclair Oil and Gas Company

S. J. Fraser
Tulsa, Oklahoma
Sinclair Oil and Gas Company

M. L. Patterson
Odessa, Texas
Phillips Petroleum Company

Scott R. Brown
Farmington, New Mexico
Western National Gas Company

W. F. Hollis
Midland, Texas
El Paso Natural Gas Company

Elvis R. Utz
Santa Fe, New Mexico
New Mexico Oil Conservation Commission

H. W. McDody
Dallas, Texas
Southern Union Gas Company

E. B. Clark
Wichita, Kansas
Clark and Christie

Quilman B. Davis
Dallas, Texas
Southern Union Gas Company

Joe Lilly
Farmington, New Mexico
Southern Union Gas Company

C. D. Borland
Hobbs, New Mexico
Gulf Oil Corporation

E. E. Merkt, Jr.
Ft. Worth, Texas
Gulf Oil Corporation

Murray C. Moffatt
Ft. Worth, Texas
Gulf Oil Corporation

Glenn Staley
Hobbs, New Mexico
New Mexico Engineering Commission

Forrest B. Miller
Santa Fe, New Mexico

T. H. McElvain
Santa Fe, New Mexico

Lloyd Holsapple
Ft. Worth, Texas
Sinclair Oil and Gas Company

G. H. Gray
Midland, Texas
Sinclair Oil and Gas Company

R. S. Blymn
Hobbs, New Mexico
New Mexico Oil Conservation Commission

G. E. Kendrick
Jal, New Mexico
El Paso Natural Gas Company

C. L. Perkins
El Paso, Texas

E. Taylor Armstrong
Dallas, Texas
James D. Hancock and Company, Ltd.
British American Oil Production Company

Paul S. Johnston
Hobbs, New Mexico
Texas Pacific Coal and Oil Company

Raymond Lamb
Artesia, New Mexico
Wilson Oil Company

R. E. Murphy
Roswell, New Mexico
Magnolia Petroleum Company

Lewis H. Bond, Jr.
Ft. Worth, Texas
Stanolind Oil and Gas Company

J. O. Seth
Santa Fe, New Mexico
Stanolind Oil and Gas Company

C. F. Bedford
Fort Worth, Texas
Stanolind Oil and Gas Company

O. Seth
Santa Fe, New Mexico
Stanolind Oil and Gas Company

Alex Clarke, Jr.
Ft. Worth, Texas
Stanolind Oil and Gas Company

Roy Yarbrough
Hobbs, New Mexico
New Mexico Oil Conservation Commission

R. S. Dewey
Midland, Texas
Humble Petroleum and Refining Company

W. E. Hubbard
Houston, Texas
Humble Petroleum and Refining Company

Payton Howard
Midland, Texas
Shell Oil Company

F. C. Brown
Houston, Texas
Shell Oil Company

M. T. Smith
Midland, Texas
Shell Oil Company

R. E. Roehl
Midland, Texas
Cities Service Oil Company

R. L. Denton
Midland, Texas
Magnolia Petroleum Company

Frank R. Loveing
Hobbs, New Mexico
Shell Oil Company

B. L. Ryan
Midland, Texas
Shell Oil Company

R. E. Canfield
Roswell, New Mexico
U. S. Geological Survey

Foster Morrell
Roswell
U. S. Geological Survey

H. L. Johnston
Ft. Worth, Texas
Continental Oil Company

E. L. Shafer
Hobbs, New Mexico
Continental Oil Company

Homer Daily
Midland, Texas
Continental Oil Company

W. Baxter Boyd
Ft. Worth, Texas
Continental Oil Company

T. M. Cady
Ft. Worth, Texas
Continental Oil Company

Thomas Steele
Hobbs, New Mexico
Ohio Oil Company

G. L. Shoemaker
Midland, Texas
Stanolind Oil Company

John Gould
Sundown, Texas
Honolulu Oil Corporation.

Charles W. Sternberg
Denver, Colorado
Sunray Oil Corporation

Manual A. Sanchez
Santa Fe, New Mexico
Delhi Oil Corporation

Robert Mims
Dallas, Texas
Delhi and Blaco Company

W. Clifford Smith
Dallas, Texas
Delhi Oil Corporation

Frank C. Barnes
Santa Fe, New Mexico
New Mexico Oil Conservation Commission

E. E. Kinney
Artesia, New Mexico
New Mexico Bureau of Mines

George Graham
Santa Fe, New Mexico
New Mexico Oil Conservation Commission

Dan McCormick
Carlsbad, New Mexico
New Mexico Oil Conservation Commission

A. R. Greer
Aztec, New Mexico
New Mexico Oil Conservation Commission

Hiram Daw
Roswell, New Mexico

J. H. Crocker
Tulsa, Oklahoma

G. T. Hanners
Lovington,
New Mexico

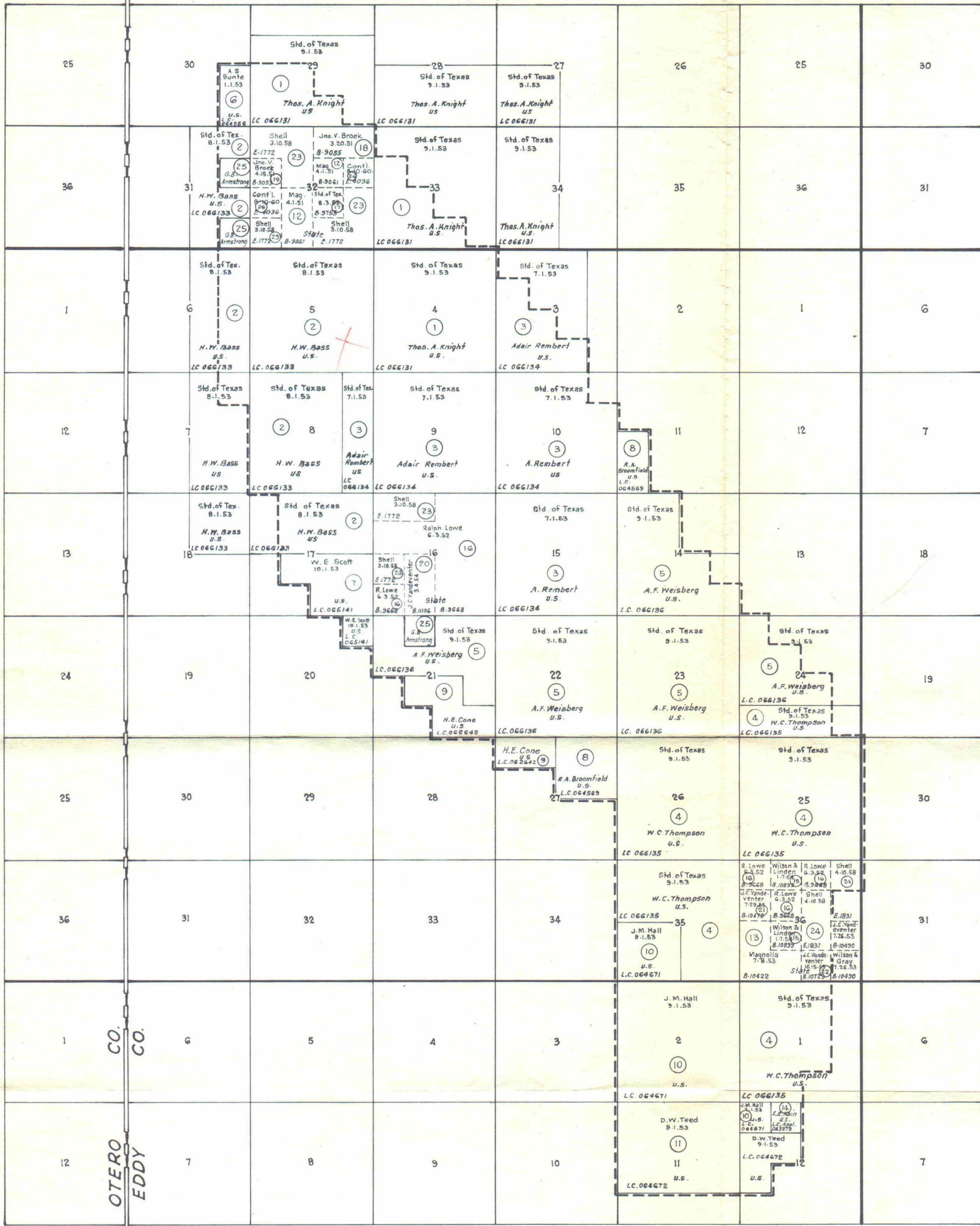
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R-21-E

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RECAPITULATION

Federal Land	Acres
State Land	Acres
Fee or Privately Owned Land	Acres
Total Number of Acres in the Texas Hill Unit	Acres

TEXAS HILLS UNIT AREA
EDDY CO., NEW MEXICO
Scale 1"=4000'

EXHIBIT "A"

— LEGEND —

- Unit Boundaries
- (No.) — Numbers Corresponding To Tract Numbers on Exhibit "B"
- — Federal
- — State
- — Fee

THE TEXAS HILL UNIT AREA
EDDY COUNTY, NEW MEXICO

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
IN ALL LANDS IN THE UNIT AREA

FEDERAL LANDS							
TRACT NO.	DESCRIPTION - ALL MIN., NEW MEXICO	NO. OF ACRES	LAS CRUCES SERIAL NO.	LAND OWNERS & PERCENTAGE OF ROYALTY	RECORD OWNER OF LEASE OR APPLICATION	OVERRIDING ROYALTY OWNERS & PERCENTAGE	WORKING INTEREST OWNER UNDER OPTION AGREEMENT, LEASE OR ASSIGNMENT AND PERCENTAGE OF INTEREST
1	T-21-S, R-21-E Sec. 29 - SW $\frac{1}{4}$ and SW $\frac{1}{4}$ of SE $\frac{1}{4}$, Sec. 33 - SW $\frac{1}{4}$ and SW $\frac{1}{4}$ of NW $\frac{1}{4}$, SW $\frac{1}{4}$ of SE $\frac{1}{4}$; T-22 - S, R-21 - E Sec. 4 - All	1080.40	066131	USA 12 $\frac{1}{2}$ %	Thomas A. Knight	Thomas A. Knight 1-9/16%	Standard Oil Company of Texas 42-31/32% Continental Oil Company 21-31/64% Phillips Petroleum Company 21-31/64%
2	T-21-S, R-21-E Sec. 31 - NE $\frac{1}{4}$ NE $\frac{1}{4}$ & NE $\frac{1}{4}$ SE $\frac{1}{4}$ T-22 - S, R-21 - E Sec. 5 - all Sec. 6 - E $\frac{1}{2}$ E $\frac{1}{2}$ Sec. 7 - NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8 - W $\frac{1}{2}$ & W $\frac{1}{2}$ E $\frac{1}{2}$ Sec. 17 - NE $\frac{1}{4}$ & E $\frac{1}{2}$ NW $\frac{1}{4}$	1639.28	066133	USA 12 $\frac{1}{2}$ %	H. W. Bass	H. W. Bass 1-9/16%	Standard Oil Company of Texas 42-31/32% Continental Oil Company 21-31/64% Phillips Petroleum Company 21-31/64%
3	T-22-S, R-21-E Sec. 13 - SW $\frac{1}{4}$ & SW $\frac{1}{4}$ SE $\frac{1}{4}$	2280.00	066134	USA 12 $\frac{1}{2}$ %	Adair Rembert	Adair Rembert 1-9/16%	Standard Oil Company of Texas 42-31/32%

Sec. 8 - E $\frac{1}{2}$ E $\frac{1}{2}$							Continental Oil Company
Sec. 9 - all							21-31/64%
Sec. 10 - all except NE $\frac{1}{4}$ NE $\frac{1}{4}$							Phillips Petroleum Company
Sec. 15 - all							21-31/64%
T-22-S, R-21-E							Standard Oil Company of Texas
Sec. 24 - S $\frac{1}{2}$ SW $\frac{1}{4}$ & SW $\frac{1}{4}$ SE $\frac{1}{4}$	2320.75	066135	USA 12 $\frac{1}{2}$ %	Will C. Thompson	Will C. Thompson	1-9/16%	42-31/32%
Sec. 25 - all							Continental Oil Company
Sec. 26 - all							21-31/64%
Sec. 35 - N $\frac{1}{2}$ & SE $\frac{1}{4}$							Phillips Petroleum Company
T-23-S, R-21-E							21-31/64%
Sec. 1 - W $\frac{1}{2}$ & W $\frac{1}{2}$ NE $\frac{1}{4}$ & NW $\frac{1}{4}$ SE $\frac{1}{4}$							
T-22-S, R-21-E							Standard Oil Company of Texas
Sec. 14 - W $\frac{1}{2}$ & W $\frac{1}{2}$ SE $\frac{1}{4}$ & SE $\frac{1}{4}$ SE $\frac{1}{4}$	2280.00	066136	USA 12 $\frac{1}{2}$ %	Alex F. Weisberg	Alex F. Weisberg	1-9/16%	42-31/32%
Sec. 21 - NE $\frac{1}{4}$ & S $\frac{1}{2}$ NW $\frac{1}{4}$ & NW $\frac{1}{4}$ NW $\frac{1}{4}$ & NE $\frac{1}{4}$ SE $\frac{1}{4}$							Continental Oil Company
Sec. 22 - all							21-31/64%
Sec. 23 - all							Phillips Petroleum Company
Sec. 24 - W $\frac{1}{2}$ NW $\frac{1}{4}$ & SE $\frac{1}{4}$ NW $\frac{1}{4}$ & N $\frac{1}{2}$ SW $\frac{1}{4}$ & NW $\frac{1}{4}$ SE $\frac{1}{4}$							21-31/64%
T-21-S, R-21-E							Bruce K. Matlock
Sec. 30 - E $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	064856	USA 12 $\frac{1}{2}$ %	Arnold S. Bunte	Arnold S. Bunte	$\frac{1}{2}$ %	87%
T-22-S, R-21-E							Buffalo Oil Company - 87 $\frac{1}{2}$ %
Sec. 17 - SE $\frac{1}{4}$ & NE $\frac{1}{4}$ SW $\frac{1}{4}$	240.00	065141	USA 12 $\frac{1}{2}$ %	Wilton E. Scott	No overriding Royalty		
Sec. 20 - NE $\frac{1}{4}$ NE $\frac{1}{4}$							
T-22-S, R-21-E							Roland Rich
Sec. 11 - W $\frac{1}{2}$ SW $\frac{1}{4}$	240.00	App'n. 064569 dated 3-1-46	USA 12 $\frac{1}{2}$ %	Raymond A. Broomfield, Jr.	No overriding Royalty		Woolley 87 $\frac{1}{2}$ %
Sec. 27 - NE $\frac{1}{4}$							
T-22-S, R-21-E							Hubert E. Cone
Sec. 21 - S $\frac{1}{2}$ SE $\frac{1}{4}$ & NW $\frac{1}{4}$ SE $\frac{1}{4}$ & NE $\frac{1}{4}$ SW $\frac{1}{4}$	240.00	062642	USA 12 $\frac{1}{2}$ %	Hubert E. Cone	No overriding Royalty		87 $\frac{1}{2}$ %
Sec. 27 - N $\frac{1}{2}$ NW $\frac{1}{4}$							

10	T-22-S, R-21-E Sec. 35 - SW $\frac{1}{4}$ T-23-S, R-21-E Sec. 2 - all Sec. 12 - NW $\frac{1}{4}$ NW $\frac{1}{4}$	840.00	064671	USA 12 $\frac{1}{2}$ %	J. M. Hall	No overriding royalty	J. M. Hall 87 $\frac{1}{2}$ %
11	T-23-S, R-21-E Sec. 11 - N $\frac{1}{2}$ T-23-S, R-21-E Sec. 11 - N $\frac{1}{2}$ SE $\frac{1}{2}$ Sec. 12 - S $\frac{1}{2}$ NW $\frac{1}{4}$ & NW $\frac{1}{4}$ SW $\frac{1}{4}$	320.00 280.00	064672	USA 12 $\frac{1}{2}$ % USA 12 $\frac{1}{2}$ %	Donald W. Teed Donald W. Teed	Donald W. Teed 2% No overriding royalty	Magnolia Petro- leum Company 85 $\frac{1}{2}$ % Donald W. Teed 87 $\frac{1}{2}$ %
14	T-23-S, R-21-E Sec. 12 - NE $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	App'n. 063279 dated 7-7-44	USA 12 $\frac{1}{2}$ %	E. R. Kain	No overriding royalty	E. R. Kain 87 $\frac{1}{2}$ %

STATE LANDS

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO	EXPIRATION DATE OF LEASE	LAND OWNER & PERCENTAGE OF ROYALTY	RECORD OWNER OF LEASE	OVERRIDING ROYALTY OWNERS & PERCENTAGE	WORKING INTEREST OWNERS
17	T-21-S, R-21-E Sec. 32 - NW $\frac{1}{4}$ of SE $\frac{1}{4}$	40.00	B-9755	8-3-52	State 12 $\frac{1}{2}$ %	Standard Oil Company of Texas	None	Standard Oil Company of Texas 43-3/4% Continental Oil Company 21-7/8% Phillips Petro- leum Company 21-7/8%
12	T-21-S, R-21-E 120.00 Sec. 32 - SW $\frac{1}{4}$ NE $\frac{1}{4}$ & E $\frac{1}{2}$ SW $\frac{1}{4}$		B-9061	4-1-51	State 12 $\frac{1}{2}$ %	Magnolia Petroleum Company	None	Magnolia Petro- leum Company 87 $\frac{1}{2}$ %

13	T-22-S, R-21-E Sec. 36 - NW $\frac{1}{4}$ SW $\frac{1}{4}$ & S $\frac{1}{2}$ SW $\frac{1}{4}$	120.00	B-10422	7-8-53	State 12 $\frac{1}{2}$ %	Magnolia Petroleum Company	Mrs. Rose Delma Klutz - \$25.00 per acre per 40 acre tract out of 1/32 of 7/8	Magnolia Petro- leum Company 87 $\frac{1}{2}$ %, less pro- duction payment.
15	T-22-S, R-21-E Sec. 36 - NE $\frac{1}{4}$ NW $\frac{1}{4}$ & NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	B-10899	6-3-52	State 12 $\frac{1}{2}$ %	Rose F. Wilson & Paul R. Linden	No overriding royalty	Rose F. Wilson & Paul R. Linden 87 $\frac{1}{2}$ %
16	T-22-S, R-21-E Sec. 16 - E $\frac{1}{2}$ & S $\frac{1}{2}$ NW $\frac{1}{4}$ & SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 36 - NW $\frac{1}{4}$ of NW $\frac{1}{4}$ & SE $\frac{1}{4}$ NW $\frac{1}{4}$ & NW $\frac{1}{4}$ NE $\frac{1}{4}$	560.00	B-9668	6-3-52	State 12 $\frac{1}{2}$ %	Ralph Lowe	No overriding	Ralph Lowe 87 $\frac{1}{2}$ %
18	T-21-S, R-21-E Sec. 32 - N $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	B-9055	3-20-51	State 12 $\frac{1}{2}$ %	John Vander Broek	No overriding royalty	John Vander Broek 87 $\frac{1}{2}$ %
19	T-21-S, R-21-E Sec. 32 - SW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	B-9093	4-15-51	State 12 $\frac{1}{2}$ %	John Vander Broek	No overriding royalty	John Vander Broek 87 $\frac{1}{2}$ %
20	T-22-S, R-21-E Sec. 16 - E $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	B-11106	3-4-54	State 12 $\frac{1}{2}$ %	J.C. Vandeventer	No overriding royalty	J.C. Vandeventer 87 $\frac{1}{2}$ %
21	T-22-S, R-21-E Sec. 36 - SW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	B-10497	7-29-53	State 12 $\frac{1}{2}$ %	J.C. Vandeventer	No overriding royalty	J.C. Vandeventer 87 $\frac{1}{2}$ %
22	T-22-S, R-21-E Sec. 36 - SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	B-10729	10-15-53	State 12 $\frac{1}{2}$ %	J.C. Vandeventer	No overriding royalty	J.C. Vandeventer 87 $\frac{1}{2}$ %
23	T-21-S, R-21-E Sec. 32 - N $\frac{1}{2}$ NW $\frac{1}{4}$ & SE $\frac{1}{4}$ NW $\frac{1}{4}$ & NE $\frac{1}{4}$ SE $\frac{1}{4}$ & S $\frac{1}{2}$ SE $\frac{1}{4}$ & SW $\frac{1}{4}$ SW $\frac{1}{4}$ T-22-S, R-21-E Sec. 16 - N $\frac{1}{2}$ NW $\frac{1}{4}$ & NW $\frac{1}{4}$ SW $\frac{1}{4}$	400.00	E-1772	3-10-58	State 12 $\frac{1}{2}$ %	Shell Oil Company	No overriding royalty	Shell Oil Compar 87 $\frac{1}{2}$ %

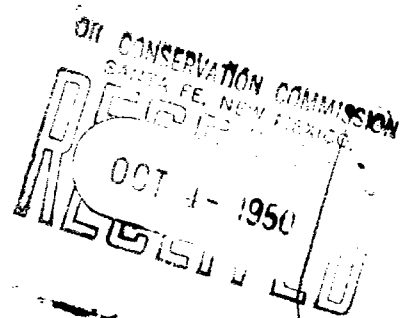
	T-21-S, R-21-E Sec. 32 - SE1NE1 & NW1SW1	80.00	E-4036	8-10-60	State 12½%	Continental Oil Co. No overriding royalty	Continental Oil Co. 87½%
24	T-22-S, R-21-E Sec. 36 - NE1NE1 & SW1NE1 & NW1SE1	120.00	E-1831	4-10-58	State 12½%	No overriding royalty	Shell Oil Company 87½%
FEE OR PRIVATELY OWNED LANDS							
TRACT	DESCRIPTION	NO. OF ACRES	DATE OF LEASE	MINERAL OR ROYALTY OWNER & PERCENTAGE OF INTEREST	LEASE OWNER	OVERRIDING ROYALTY	WORKING INTEREST OWNERSHIP
25	T-21-S, R-21-E Sec. 31 - SE1NE1 & SE1SE1 T-22-S, R-21-E Sec. 21 - NE1NW1	120.00	Not leased	G. B. Armstrong & Gale B. Armstrong 100% not leased	Not leased	None	G.B. Armstro and Gale B. Armstrong
TOTAL NUMBER OF ACRES IN THE TEXAS HILL UNIT AREA -							
- R E C A P I T U L A T I O N -							
Federal Land				11,880.43 acres			
State Land				1,800.00			
				11,880.43 acres (leased			
				13,680.43 (not owned)			
Fee or Privately Owned Land				120.00 acres			
Total Number of Acres in The Texas Hill Unit Area				13,800.43 acres			

LAW OFFICES
HERVEY, DOW & HINKLE
ROSWELL, NEW MEXICO

October 3, 1950

J. M. HERVEY
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.

WILLIAM C. SCHAUER



New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Re: Texas Hill Unit Agreement.

Gentlemen:

We hand you herewith in triplicate Application of the Continental Oil Company for Approval of the Texas Hill Unit Area, Eddy County, New Mexico. You will also find enclosed three mimeographed copies of the proposed Unit Agreement.

I would appreciate your giving notice of a public hearing in connection with this matter to be held at your earliest convenience. Please send us a copy of the notice advising of the date set for the hearing.

We are filing a similar application for approval of the Agreement by the Commissioner of Public Lands.

Yours very truly,

HERVEY, DOW & HINKLE

By 

CEH/rnn
Encls.

APPLICATION FOR DESIGNATION OF UNIT AREA TO BE
KNOWN AS THE TEXAS HILL UNIT,
EDDY COUNTY, NEW MEXICO

P. O. Box 1249
Houston 1, Texas
September 19, 1949

To Mr. Foster Morrell, Supervisor
Oil and Gas Operations
United States Geological Survey
P. O. Box 997
Roswell, New Mexico

Standard Oil Company of Texas and the federal lessees
consenting hereto hereby make application for designation by the
Director of the area of land hereinafter described as logically
subject to development under a unit or cooperative agreement and
for determination of the depth of a test well to be drilled thereon.
It is proposed that the unit consist of the following described
tracts of land located in Townships 21, 22, and 23 South, Range 21
East, Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 21 EAST

SW/4 SE/4 & SW/4 29; E/2 SE/4 30;
E/2 E/2 31; all 32; SW/4 NW/4, SW/4
& SW/4 SE/4 33.

TOWNSHIP 22 SOUTH, RANGE 21 EAST

SW/4 NW/4, SW/4 & SW/4 SE/4 3; all
of 4 & 5, E/2 E/2 6; NE/4 NE/4 7;
all of 8 & 9; S/2, S/2 N/2, N/2 NW/4
& NW/4 NE/4 10; W/2 SW/4 11; W/2,
W/2 SE/4 & SE/4 SE/4 14; all of 15 &
16; E/2, E/2 NW/4 & NE/4 SW/4 17;
NE/4 NE/4 20; N/2, NE/4 SW/4 & SE/4 21;
all of 22 & 23; W/2 NW/4, SE/4 NW/4,
SW/4 & W/2 SE/4 24; all of 25 & 26;
N/2 N/2 & S/2 NE/4 27; all 35; W/2, W/2
E/2 & NE/4 NE/4 36.

TOWNSHIP 23 SOUTH, RANGE 21 EAST

W/2, W/2 NE/4, NW/4 SE/4 1; all of 2;
N-3/4 11; NW/4 & NW/4 SW/4 12.

The total unit area comprises 14,400 acres of land, more or less,
and is indicated on the attached map marked Exhibit "B".

Mr. Foster Morrell
Page 2

Recommended location: 660' FS&EL Section 5, Township 22 South,
Range 21 East.

Proposed Depth of Test Well: 8200 feet or to such lesser depth
at which (a) at least 500 feet of the Ellenburger Formation shall
have been penetrated, or (b) oil or gas in paying quantities shall
be encountered, or (c) igneous rock is encountered making further
drilling impracticable.

Geologic Information: Test is located on the north dome of the
Texas Hill anticline as determined by detailed surface mapping by
the Standard Oil Company of Texas. Geological report is attached
marked Exhibit "A".

Respectfully submitted,

STANDARD OIL COMPANY OF TEXAS

By  _____


CONSENT AGREEMENT

We, the undersigned lessees named in federal oil and gas
leases, Las Cruces Serial Numbers 066131, 066133, 066134, 066135,
and 066136, hereby consent to the filing of the foregoing application.


Thomas A. Knight


Elma W. Knight (Wife)

Mr. Foster Morrell

Page 3


H. W. Bass


Wilma O. Bass (Wife)



Adair Rembert


Sarah E. Rembert (Wife)


Will C. Thompson


Mrs. Banks Thompson (Wife)


Alex F. Weisberg


Marie K. Weisberg (Wife)

10. 7. 42

September 30, 1953

Continental Oil Company
1710 Fair Building
Fort Worth 2, Texas

Re: Second Extension of time for
Commencement of drilling in
Texas Hill Unit Agreement,
Eddy County, New Mexico

Gentlemen:

Reference is made to our letter of approval dated
September 23, 1953 allowing you a twelve months extension
from and after October 7, 1953 within which to elect to
commence an additional well in the above captioned unit
agreement.

The word "months" was inadvertently left off the first
Paragraph; therefore, this letter was necessary to clarify our
previous correspondence.

Very truly yours,

E. S. Walker
E. S. WALKER
Commissioner of Public Lands

cc: United States Geological Survey
Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

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CONTINENTAL OIL COMPANY

1710 Fair Building
Fort Worth 2, Texas
September 1, 1953

Director, U. S. Geological Survey
Washington, D. C.

Dear Sir:

Subject:
Texas Hill Unit Agreement
Eddy County, New Mexico

The first well drilled pursuant to the above Unit Agreement was designated Continental Oil Company, Texas Hill Unit No. 1 H. W. Bass, and was plugged and abandoned as a dry hole on April 30, 1952. The Unit Agreement provides in part:

"The Unit Operator shall continue drilling diligently one well at a time, allowing not more than six 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 on Federal land, or the Commissioner if on State land, or the Commissioner if on patented 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."

It is further provided that the drilling requirements may be modified by granting reasonable extensions of time when, in your opinion, special action is warranted.

Continental Oil Company, as Unit Operator, hereby respectfully requests that there be granted an extension of time for a period of one year from October 7, 1953 within which to elect to commence an additional well. In support of this request, the following data is presented for your consideration:

Exploration and drilling operations in this locality are slow and very expensive. The first well was spudded July

Director, U. S. Geological Survey
Page 2

6, 1951 and was plugged and abandoned at a total depth of 5889 feet on April 30, 1952, having reached Ellenburger dolomite. No commercially productive oil zones were encountered in the drilling of this well.

Continental Oil Company, as Unit Operator of the East Texas Hill Unit, which borders the subject unit to the East, is currently drilling the #1 Federal-East Texas Hill Unit well in Section 1, T-22-S, R-21-E, projected to the Ellenburger formation. Other pertinent wells currently drilling or recently completed are Kewanee Oil Company's #1 Four Mile Unit, Standard Oil Company of Texas' #1 Federal-Cass Ranch Unit, and Stanolind's #1 Guadalupe-Foot Hills Unit. This current drilling activity in the vicinity of the Unit will provide much geological information which should be assimilated in the structural and stratigraphic picturizations of the region. In particular, the nature and attitude of Leonard, Pennsylvanian, and Siluro-Devonian sediments to be encountered in the #1 Federal-East Texas Hill Unit Test will bear directly on the future exploratory program conducted on the Texas Hill Unit. It is felt that the Continental #1 Bass well did not adequately evaluate the entire Texas Hill Unit and it is believed that good productive possibilities may lie both to the east and to the south of the Bass well.

Since the abandonment of the Bass well, the primary terms of most of the leases in the Texas Hill Unit have been extended at considerable expense and it is expected that additional rentals will be paid in this area if the Unit can be extended until such time as the results of the current drilling programs in the area are known and the structural possibilities of the Texas Hill Unit can be evaluated.

Respectfully submitted,

CONTINENTAL OIL COMPANY

ATTEST:


Assistant Secretary

By 
Vice President

November 29, 1950

Mr. H. M. Dow
Harvey, Dow and Hinkle
Roswell, New Mexico

Dear Mr. Dow:

We today forwarded to you in duplicate, copies of Order No. R-34, issued in connection with Case No. 242, heard in Santa Fe, on November 21.

On Page 1, included in the captioned title, we note that it is stated that this unit agreement embraces 18,800.43 acres. This should be 13,800.43 acres.

Will you change your copies accordingly?

Thanking you, we are

Very truly yours,

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier
Secretary-Director

RRS:bw

November 29, 1950

Mr. A. L. Porter, Jr.
Oil Conservation Commission
P. O. Box 1545
Hobbs, New Mexico

Dear Pete:

We today forwarded to you copy of Order No. R-34, issued in connection with Case No. 242, heard in Santa Fe, on November 21.

On Page 1, included in the captioned title, we note that it is stated that this unit agreement embraces 18,800.43 acres. This should be 13,800.43 acres.

Will you change your copy accordingly?

Very truly yours,

R. R. Spurrier
Secretary-Director

RRS:bw

J. M. HERVEY
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
ROSWELL, NEW MEXICO

October 28, 1950

WILLIAM C. SCHAUER

Mr. R. R. Spurrier, Secretary
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Case 242

Re: Texas Hill Unit
Agreement

Dear Mr. Spurrier:

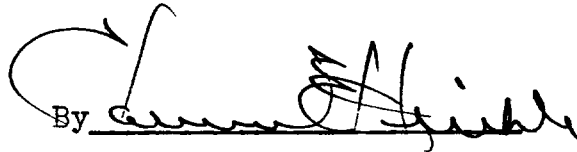
Sometime ago we sent you the Application of the Continental Oil Company for approval of the above unit agreement and to date we have not been advised as to whether or not you have set a time for a hearing and started publication of the usual notice.

I would appreciate your advising me as to this at your very earliest convenience.

Best regards, I am,

Yours very truly,

HERVEY, DOW & HINKLE

By 

CMH/se

Mailed 10/28/50

SINCLAIR OIL & GAS COMPANY

P. O. Box 4005
Albuquerque, New Mexico
July 30, 1951

Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Sir:

Attached hereto is the Unit Agreement form for the Texas Hill Unit Area which we recently borrowed from you. We sincerely appreciate the use of this document.

Very truly yours,


A. H. Llwyd
Division Land Manager

Encl.

SOUTHERN UNION GAS COMPANY
BURT BUILDING
DALLAS 1, TEXAS

LEGAL DEPARTMENT
WILLIS L. LEA, JR.
GENERAL ATTORNEY

A. S. GRENIER
QUILMAN B. DAVIS
R. M. MARTIN, JR.
CLYDE L. DAVIS

January 17, 1951

yes

Jan 24 2

Mr. R. R. Spurrier
Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Dear Dick:

I notice that the Commission recently approved the Texas Hill Unit Agreement, Case No. 242, Order R-34. I would like to obtain a copy of the Unit Agreement for our files and future reference. If you do not have a copy available, please advise where I may be able to obtain one.

With thanks and best personal regards, I
am

Yours very truly,

Quilman Davis

QBD:gw

CONTINENTAL OIL COMPANY

Fort Worth 2, Texas
April 11, 1950

Mr. Guy Shepard
Commissioner of Public Lands
Santa Fe, New Mexico

V Mr. R. R. Spurrier, Secretary
Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Subject:
Texas Hill Area
Eddy County, New Mexico

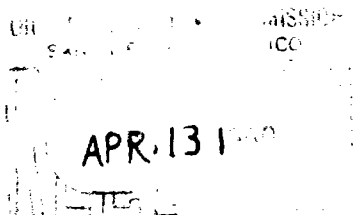
We are enclosing photostatic copy of Application for Designation of Unit Area to be known as the "Texas Hill Unit" in Eddy County, New Mexico. Although the instrument is dated September 19, 1949, the ownership required by the United States Geological Survey at Roswell, was not completed until recently and it has not consequently been approved by the Director.

As soon as the interested parties have agreed on a unit form, copies will be filed with you and the U.S.G.S., for final approval in order that signatures may be obtained thereon.

Yours very truly,


T. J. Mathers
Land Department

TJM-MM



CONTINENTAL OIL COMPANY

Fort Worth 2, Texas
April 11, 1950

Mr. T. F. Stipp, Regional Geologist
United States Geological Survey
Post Office Box 997
Roswell, New Mexico

Dear Mr. Stipp:

Subject:
Texas Hill Unit Area
Eddy County, New Mexico

Inasmuch as the application for designation of unit area was signed by Standard Oil Company and various Federal lessees, we are wondering whether the Continental Oil Company will be advised at such time as the application has been reviewed by your Washington office. Your letter of March 6th informed us that the application had, on that date, been mailed for further examination.

Yours very truly,

TJM-MM
Carbon copies to:
Mr. Guy Shepard
Commissioner of Public Lands
Santa Fe, New Mexico

T. J. Matners
Land Department

Mr. R. A. Spurrier, Secretary
Oil Conservation Commission
Santa Fe, New Mexico

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF TEXAS HILL UNIT AREA

EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

COMES the undersigned, the CONTINENTAL OIL COMPANY, a corporation with offices at Fort Worth, Texas, and files herewith three copies of a proposed Unit Agreement for the development and operation of the Texas Hill Unit Area embracing lands in Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the Unit Area designated in said Unit Agreement comprises **13,800.43** acres situated in Townships 21, 22 and 23 South, Range 21 East, N.M.P.M. That **11,880.43** acres of the lands embraced in said proposed Unit Area are lands of the United States, **1,800.00** acres are State lands and

120.00 acres are fee or privately owned lands. That said Unit Area is more particularly described by the plat attached to said Unit Agreement and for purposes of identification marked Exhibit "A".

2. That the Unit Area described in the proposed Unit Agreement was designated by the Director of the United States Geological Survey as one suitable and proper for unitization, a copy of the letter so designating said area being attached hereto, made a part hereof and for purposes of identification marked Exhibit "B".

That there is also attached hereto, made a part hereof

and for purposes of identification marked Exhibit "C" a copy of a geological report made by W. Baxter Boyd, Geologist for the Continental Oil Company, with a plat attached thereto, which is the same report which was filed with the Director of the United States Geological Survey and pursuant to which said area was designated as an area proper and suitable for unitization.

3. That the undersigned, the Continental Oil Company, is designated as the unit operator in said agreement and the unit operator is given authority under the terms thereof to carry on all operations which are 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 commencement of a test well for oil and gas on some part of the lands embraced in the Unit Agreement Area within six months from the effective date of the Unit Agreement and for the drilling thereof to a depth of 8200 feet or to such lesser depth at which at least 500 feet of the Ellenburger formation has been penetrated and also provides for the drilling within two years after oil or gas is discovered upon some part of the Unit Area of a second exploratory well to test the other geological feature covered by said Unit Area not tested by the initial test well or discovery well.

4. That said Unit Agreement is in substantially the same form as Unit Agreements heretofore approved by the Commissioner of Public Lands in the State of New Mexico, the Secretary of the Interior and the New Mexico Oil Conservation Commission, and it is believed that operations to be carried on under the terms thereof will promote the economical and

efficient recovery of oil and gas to the end that the maximum yield may be obtained from the field or area if oil or gas should be produced in paying quantities, and the production is to be limited to such production as may be put to beneficial use with adequate realization of fuel and other values, and it is further believed that the Agreement will be in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the Oil Conservation Statutes of the State of New Mexico.

5. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and the Secretary of the Interior of the United States, an approved copy of said Unit Agreement will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval of said Unit Agreement has provided by the statutes of the State of New Mexico and the Regulations of the New Mexico Oil Conservation Commission, and upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission.

Respectfully submitted,
CONTINENTAL OIL COMPANY

By J. W. Bady.



VS

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

APR 14 1950

HOUSTON

APR 10 1950

RECEIVED

APR 14 1950

FILE ROOM

Standard Oil Co. of Texas
P. O. Box 1249
Houston, Texas

Gentlemen:

Reference is to your application of September 19, 1949, filed by the Continental Oil Co. in your behalf, with the Oil and Gas Supervisor, Roswell, New Mexico, requesting designation of 14,000 acres, more or less, in Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to regulations of January 17, 1947, 30 C. F. R., section 226.3, the following land is designated as a logical unit area to be known as the Texas Hill Unit Area:

New Mexico Principal Meridian, N. M.

T. 21 S., R. 21 E.,

sec. 29, SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$;
sec. 30, E $\frac{1}{2}$ SE $\frac{1}{4}$;
sec. 31, E $\frac{1}{2}$ E $\frac{1}{2}$;
sec. 32, all;
sec. 33, SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$.

T. 22 S., R. 21 E.,

sec. 3, SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$;
secs. 4 and 5, all;
sec. 6, E $\frac{1}{2}$ E $\frac{1}{2}$;
sec. 7, NE $\frac{1}{4}$ NE $\frac{1}{4}$;
secs. 8 and 9, all;
sec. 10, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, S $\frac{1}{2}$;
sec. 11, W $\frac{1}{2}$ SW $\frac{1}{4}$;
sec. 14, W $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$;
secs. 15 and 16, all;
sec. 17, E $\frac{1}{2}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$;
sec. 20, NE $\frac{1}{4}$ NE $\frac{1}{4}$;
sec. 21, N $\frac{1}{2}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$;
sec. 22, and 23, all;
sec. 24, NW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$;
secs. 25 and 26, all;
sec. 27, NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$;
sec. 35, all;
sec. 36, N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{4}$.

RECEIVED

APR 14 1950

LAND & LEASE
DIVISION

T. 23 S., R. 21 E.,

sec. 1, $W\frac{1}{2}NE\frac{1}{4}$, $W\frac{1}{2}$, $NW\frac{1}{4}SE\frac{1}{4}$;
sec. 2, all;
sec. 11, $N\frac{1}{2}$, $N\frac{1}{2}S\frac{1}{4}$;
sec. 12, $NW\frac{1}{4}$, $NW\frac{1}{4}SW\frac{1}{4}$.

The proposed drilling to 8200 feet, or to such lesser depth at which at least 500 feet of the Ellenburger formation has been penetrated, is satisfactory for the initial test well. The geologic data submitted in support of the unit area designated herein indicate that there are two structural features of independent closure which could effect separate accumulations of oil or gas. As justification for inclusion of the two structural features in a single unit area, a commitment to drill the untested area of closure within a reasonable period of time (after discovery of oil or gas in the unit area) will be necessary if the agreement is to be kept in force. Such commitment may be incorporated in the unit agreement or may be made in the form of a separate stipulation signed by the working interest owners. A suggested form is as follows:

"It is hereby stipulated and agreed that within 2 years after any oil or gas is marketed by reason of a discovery of oil or gas in paying quantities within the Texas Hill unit area, unit operator shall commence the drilling of an exploratory well pursuant to the drilling provisions of the unit agreement at a location acceptable to the oil and gas supervisor to test the second structural feature, if not sooner tested. In lieu of drilling the exploratory well on the second feature as herein provided for, the unit area shall be contracted after due notice in writing as provided in section 2 of the standard form of unit agreement, so as to exclude all lands within the area of the structural feature not tested as herein provided, where such lands are not within any participating area established pursuant to said unit agreement."

If the stipulation is incorporated in the unit agreement and deviates from the language suggested herein, it will be necessary to obtain preliminary approval thereof. If submitted as a separate statement and not included in the unit agreement, such stipulation should be submitted prior to the approval of the unit agreement.

If the 1947 standard form of unit agreement is used, the following changes should be substituted and/or incorporated into the agreement:

(a) Inasmuch as the Secretary has delegated authority to the Director of the Geological Survey to approve standard unit agreements, substitute "Director" for "Secretary" wherever appropriate.

(b) Delete from the end of section 17 of the standard text, "and as to Federal land shall be subject to approval by the Secretary".

The 1949 draft of unit agreement has also been authorized. In any form submitted the term should not exceed 5 years.

If a standard text is not to be used, three copies of any other form should be submitted through the Supervisor for preliminary approval. All deviations from the guide form should be marked plainly and explanations or justifications therefor furnished.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all Federal acreage showing the current record owner of all issued leases and the current status of all lease applications, if any. However, notice is hereby given that the right is reserved to deny approval to any executed agreement submitted, which in my opinion does not have the full commitment of sufficient lands to afford effective control of unit operations.

Very truly yours,

Thomas B. Nolan

Acting Director

EXHIBIT "A"

GEOLOGICAL REPORT - TEXAS HILL AREA
T.21, 22, & 23S., R.21E.
EDDY COUNTY, NEW MEXICO

The Texas Hill Area is located near the west central edge of Eddy County, 39 miles west of Carlsbad, New Mexico, in T.21, 22, & 23S., R.21E. It derives its name from a prominent hill which rises about 700 feet above the eastward area. Texas Hill is a topographic expression of the Texas Hill Anticline which is illustrated on the attached "Exhibit "B".

Exhibit "B" shows the results of detailed surface mapping by the Standard Oil Company of Texas. The scale of the map is approximately 2" = 1 mile. It is a photostatic reduction from the original scale of 1" = 2000 feet. The datum is a stratigraphic horizon approximately 200 feet below the top of the San Andres Limestone (Permian). The contour interval is 50 feet.

This survey reveals an anticline 11 miles long and 3 miles wide, the axis of which extends generally N37°W. Each end of this anticline is distinguished by a dome. The north dome, centering in the southeast corner of Section 5, T.22S., R.21E., has between 200 and 250 feet of closure. The south dome, centering in the east central part of Section 26, T.22S., R.21E., has an equal amount of closure.

The following horizons are considered prospective producing zones under this anticline:

Yeso (Permian)	1000-3000'
Abo (Permian)	3000-4000'
Pennsylvanian	4000-4500'
Hunton (Devonian-Silurian)	4500-6500'
Montoya (Ordovician)	6500-7000'
Ellenburger (Ordovician)	7000-8250'

Page 2
Exhibit "A"

The north dome has been selected as the site for the first test on this anticline. This location will be 660 feet from the south and east lines of Section 5, T.22S., R.21E. The nearest oil production is in the Dayton-Grayburg (Permian) Pool 40 miles northeast.

W. H. B. B. B.

EXHIBIT "A"

GEOLOGICAL REPORT - TEXAS HILL AREA
T.21, 22, & 23S., R.21E.
EDDY COUNTY, NEW MEXICO

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Page 2
Exhibit "A"

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W. H. Boyd

242

file

April 19, 1955

Mr. W. R. Hall
Continental Oil Company
Box 749
Roswell, New Mexico

Re: TEXAS HILL UNIT AGREEMENT
Eddy County, New Mexico

TERMINATION

Dear Sir:

Your letter of March 3, 1955 reference to Section 20, page 20, of the above Unit Agreement, will you please advise if you have secured 75 percent, on an acreage basis, of the owners of working interests signatory thereto, for the termination of this Unit Agreement. In the absence of additional drilling operations, the extended term of this unit actually expired on October 7, 1954.

We will appreciate an early reply as we would like to clear our records.

Very truly yours,

E. S. Walker

E. S. WALKER
COMMISSIONER OF PUBLIC LANDS

cc Oil Conservation Commission
Santa Fe, New Mexico

United States Geological Survey
Roswell, New Mexico

tan

CONTINENTAL OIL COMPANY

Box 749
Roswell, New Mexico
April 22, 1955

Mr. E. S. Walker
Commissioner of Public Lands
of the State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Dear Mr. Walker:

RE: Requested termination of
Texas Hill Unit Agreement
Eddy County, New Mexico

Thank you for your letter dated April 19, 1955,
inquiring as to whether we have received 75% on an acreage
basis of the owners of working interests signatory thereto
for the termination of the Texas Hill Unit Agreement, Eddy
County, New Mexico.

Continental Oil Company has executed an instrument
requesting the termination of this unit, as has Standard Oil
Company of Texas. This instrument was forwarded from Houston,
Texas, by Standard Oil to Phillips Petroleum Company, Bartlesville,
Oklahoma, under date of March 14, 1955, with the request that
Phillips execute the instrument and forward it to this office
for further handling.

We expect to receive the instrument from Phillips
within the next few days and we will be glad to keep you
advised concerning developments on this matter.

Yours very truly,

ORIGINAL SIGNED
W. R. HALL

W. R. Hall
Land Superintendent

Mr. E. S. Walker
Page 2

WRH-mf

Carbon copy to: Mr. John A. Anderson
Regional Supervisor of
United States Geological Survey
P. O. Box 6721
Roswell, New Mexico

Mr. W. B. Macey
New Mexico Oil Conservation Commission
Capitol Annex Building
Santa Fe, New Mexico

PHILLIPS PETROLEUM COMPANY

BARTLESVILLE, OKLAHOMA

100-100000-1000

100-100000-1000 April 27, 1955

The Texas Hill Unit
Eddy County, New Mexico

Continental Oil Company
1710 Fair Building
Fort Worth 2, Texas

file

Gentlemen:

In accordance with a letter from the Standard Oil Company of Texas, this Company has executed and we attach hereto six copies of the letter agreement whereby your Company, Standard, and Phillips agree that the captioned unit shall be terminated.

We are closing our files on this unit.

Very truly yours,
ORIGINAL SIGNED BY
CHARLES CAMPBELL

Charles Campbell

CC/ns
Attach.

cc: Standard Oil Company of Texas
P. O. Box 1249
Houston 1, Texas

Mr. John A. Anderson
Regional Supervisor of
United States Geological Survey
P. O. Box 6721
Roswell, New Mexico

Mr. L. B. Macey
New Mexico Oil Conservation Commission
Capitol Annex Building
Santa Fe, New Mexico

COPY FOR

CONTINENTAL OIL COMPANY

#242
file

Box 749
Roswell, New Mexico
June 1, 1955
REGISTERED MAIL

Mr. E. S. Walker
Commissioner of Public Lands
Santa Fe, New Mexico

Dear Mr. Walker:

RE: Requesting Termination of
Texas Hill Unit Agreement,
Departmental Contract No. I-Sec.
No. 859, Approved August 6, 1951,
Eddy County, New Mexico

On May 20, 1955, effective as of June 1, 1955,
Acting Director of the United States Geological Survey, Thomas
B. Nolan, approved the termination of the Texas Hill Unit
Agreement, New Mexico, I-Sec. No. 859, approved August 6, 1951,
pursuant to the last sentence of the first paragraph of
Section 20 thereof, subject to like approval by the Commissioner
of Public Lands of the State of New Mexico.

Three copies of the approved application are
enclosed and if this termination meets with your approval, it
is kindly requested you so indicate by executing in the space
provided on page four of the copies of application. We further
kindly request that you return two copies of application,
including the direx copy, to this office and retain the third
copy for your records.

AKC

Mr. E. S. Walker
Page 2

Should additional information be needed from us
in connection with this matter, it is requested you please
so advise.

Yours very truly,

ORIGINAL SIGNED
W.R. HALL

W. R. Hall
Land Superintendent
Roswell Division

WRH-mf

Att.

Carbon copy to: Mr. W. B. Macey
Secretary and Director of
Oil Conservation Commission
Santa Fe, New Mexico

Bryce

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE TEXAS HILL UNIT AREA,
COUNTY OF EDDY, STATE OF NEW MEXICO

I-Sec. NO. _____

THIS AGREEMENT, entered into as of the ____ day of _____, 1950, 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 or gas interests in the unit area subject to this agreement; and

WHEREAS the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating under a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

① WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature ^{N. M. S. A. Sec 5-1138} (Chap. 88, Laws 1943) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

② WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature ^{as amended by the laws of 1949} (Chap. 72, Laws 1935) to approve this agreement and the con-

② servation provisions hereof; and

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

WHEREAS it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through 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 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, applicable State operating regulations not inconsistent with the terms hereof and the laws of the State of New Mexico, 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:

TOWNSHIP 21 SOUTH, RANGE 21 EAST

SW/4 SE/4 & SW/4 29; E/2 SE/4 30;
E/2 E/2 31; all 32; SW/4 NW/4, SW/4
& SW/4 SE/4 33.

TOWNSHIP 22 SOUTH, RANGE 21 EAST

SW/4 NW/4, SW/4 & SW/4 SE/4 3; all
of 4 & 5, E/2 E/2 6; NE/4 NE/4 7;
all of 8 & 9; S/2, S/2 N/2, N/2 NW/4
& NW/4 NE/4 10; W/2 SW/4 11; W/2, W/2
SE/4 & SE/4 SE/4 14; all of 15 & 16; ✓
E/2, E/2 NW/4 & NE/4 SW/4 17; NE/4
NE/4 20; N/2, NE/4 SW/4 & SE/4 21;
all of 22 & 23; W/2 NW/4, SE/4 NW/4,
SW/4 & W/2 SE/4 24; all of 25 & 26;
N/2 N/2 & S/2 NE/4 27; all 35; W/2,
W/2 E/2 & NE/4 NE/4 36.

TOWNSHIP 23 SOUTH, RANGE 21 EAST

W/2, W/2 NE/4, NW/4 SE/4 1; all of 2;
N/2 & N/2 S/2 11; NW/4 & NW/4 SW/4 12.

Total unit area 13,800 acres,

more or less.

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

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts

regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is 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 U.S. Geological Survey, hereinafter referred to as "Director," or on demand of the Commissioner, 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. ✓

(b) Said notice shall be delivered to the Supervisor and the Commissioner, and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 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 and Commissioner evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator. ✓

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, and the Commissioner become effective as of the date prescribed in the notice thereof. ✓

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

3. UNITIZED SUBSTANCES. All oil, gas, natural gasoline, and associated fluid hydrocarbons 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. Continental Oil Company, a Delaware corporation, with offices at Fort Worth, Texas, is hereby designated as Unit Operator and by signature hereto, commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B" and 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 that capacity and not as an owner of interests in unitized substances, and the term "Working Interest Owner" when used herein, 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 it from its duties and obligations and terminate its rights as such for a period of 6 months after notice of intention to resign has been served by it on all working interest owners, the Director, and the Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment as may be required by the Supervisor, as to Federal lands and the Commission 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 after a participating area or areas have been established provided a successor Unit Operator has been selected and approved and has agreed to accept the duties and responsibilities of Unit Operator effective upon the relinquishment of such duties and responsibilities

by the retiring Unit Operator. 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 determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and the 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 equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations thereunder. 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 resign as Unit Operator or shall be removed as herein above provided, 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 sufficient additional parties, so as to constitute in the aggregate not less than 75 per cent of the total working interests, 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 Director and the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and the 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, all costs and expenses incurred in conducting unit operations hereunder shall be paid in the first instance by Unit Operator, and such costs and expenses so paid by Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed, 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 agreements, leases, or other independent contracts and as between the working interest owners and Unit Operator may provide for such limitations upon the power of the Unit Operator

respecting the liability of the working interest owners for cost of operations hereunder 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 the unit agreement and the unit operating agreement this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section shall be filed with the Supervisor.

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, but notwithstanding anything contained in this agreement to the contrary all working interest owners of unitized lands hereby reserve the right to take their proportionate shares of the unitized substances in kind or to provide for the sale of their respective interests therein for their individual accounts as such unitized substances are allocated to the respective working interest owners in accordance with the provisions of this agreement. 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 such location is upon land of the United States and if upon State lands or patented lands, such location shall be approved by the Commission, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the depth of 8200 feet is reached, or to such lesser depth at which, (a) at least 500 feet of the Ellenburger formation shall have been penetrated, or (b) unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit), or (c) the Unit Operator shall at any time establish to the satisfaction of the Supervisor as to wells on Federal land or the Commission as to wells on State land or patented 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 to a depth in excess of 8200 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, (to wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit), 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 on Federal land or the Commissioner if on State land, or the Commission if on patented 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 the 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 comply with the drilling provisions of this section, the Director and the Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee, and lessor at their last known addresses, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 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, the Commissioner, and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner and the Commission, 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 Commissioner, and the Commission, 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 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 Commissioner, and the Commission 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 Commissioner, and the Commission. Said plan or 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 Commissioner are authorized to grant a reasonable extension of the 6-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 oil and gas in paying quantities no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor, the Commissioner, and the Commission, 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, or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission, a schedule based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved

to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director, the Commissioner, and the Commission, to constitute a participating area, affective as of the date of first production. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, and approval of the Director, the Commissioner, and the Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive, and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month following the date of first authentic knowledge or information on which such revision is predicated, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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 apportionment of any sums accrued or paid for production obtained prior to the effective date of revision of the participating area.

In the absence of agreement at any time between the Unit Operator, the Director, the Commissioner, and the Commission, 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 may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States, and the State of New Mexico, which shall be determined by the Supervisor and the Commissioner and the amount thereof deposited as directed by the Supervisor and Commissioner, respectively, 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 on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells on Federal land, and the Commissioner as to wells on State land, and the Commission as to wells on patented land, that a well drilled under this agreement is not capable of producing unitized substances in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

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, the Commissioner, and the Commission, or unavoidably 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 tract of unitized land shall have allocated to it such percentage of said production as the number of acres in such tract bears to the total acres of unitized land in said participating area. 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, any 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 constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 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 as to Federal land, and the Commissioner as to State land, and the Commission as to privately owned land, 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 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 transferred to and operated by 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 establishment or the enlargement of 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 all royalty owners who, under existing contracts, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws, and regulations, 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, as herein modified.

If Unit Operator introduces gas obtained from sources other than the unitized substances into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the Commissioner, and the Commission, a like amount of gas if available, with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor and the Commissioner and the Commission 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 and privately-owned lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rentals 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 in lieu thereof 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, or as otherwise provided by law or regulation. Such rental or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and regulation.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall be deemed to accrue and become payable during the primary term thereof and thereafter until the required drilling operations are commenced upon the land covered thereby or 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 appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal land, or as approved by the Commissioner as

to State land.

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 of 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 and the Commissioner, respectively may, and by their approval of this agreement or by the approval hereof by their duly authorized representatives do 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 hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(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 produce wells situated on land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary of the Interior and the Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(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 the 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 term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement. Termination of this agreement shall not affect any lease which, pursuant to the terms thereof or applicable law, shall continue in full force and effect thereafter.

(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 committed land so long as the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered within the unit area prior to the expiration date of the primary term of such lease.

(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.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, of 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, 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 Director and the Commissioner and shall terminate in five (5) years after such date, unless (a) such date of expiration is extended by the Director, and 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 Director, and the Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case the agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, 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 the

unitized substances so discovered can be produced as aforesaid, or (d) it is terminated as provided in Section 6 or Section 9 hereof. This agreement may be terminated at any time by not less than 75 percentum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner.

The designation of the herein described unit area was based upon geologic data indicating that there are two structural features of independent closure which could effect separate accumulations of oil or gas. Within two years after any oil or gas is marketed by reason of the discovery of oil or gas in paying quantities within the unit area, the unit operator shall commence the drilling of an exploratory well pursuant to the provisions hereof at a location to be approved by the Supervisor if upon lands of the United States, and if upon State lands or patented lands approved by the Commission to test the second structural feature, if not sooner tested. In lieu of drilling the exploratory well upon the second feature as herein provided for, the unit area shall be contracted after due notice in writing as provided in Section 2 hereof so as to exclude all lands within the area of the structural feature not tested as herein provided, where such lands are not within any participating area established pursuant to said unit agreement.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, 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; 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 development 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 Commission.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of public Land, and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of said Department, the Commissioner, or Commission, or to apply for relief from any of said regulations or any proceedings relative to operations before the Department of the Interior, the Commissioner, or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

24. 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 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.

25. 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.

26. 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, but only so long as, 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.

27. FAIR EMPLOYMENT. The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and an identical provision shall be incorporated in all sub-contracts.

28. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join this unit agreement, so that such tract is not committed to this unit agreement, or the operation thereof hereunder becomes impractical as a result thereof, such tract may be eliminated from the unitized area and there shall be such readjustment of future costs and benefits as may be required on account of the loss of said acreage. In the event of a dispute as to title as to any royalty, working, or other interests subject thereto, the Unit Operator may withhold payment or delivery on account thereof 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 shall be withheld, but such funds shall be deposited with the District Land Office of the Bureau of Land Management, or as directed by the Supervisor, and with the Commissioner of Public Lands of the State of New Mexico, respectively, 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.

29. 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 working interest owner in that tract may withdraw said tract from this agreement by notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director and the 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 of such rights subscribing or consenting to this agreement, and, if such owner is also a working interest owner, by subscribing to the Unit Operating Agreement. It is understood and agreed, however, that 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, if any, pertaining to such joinder, as may be provided for in the Unit Operating Agreement, and it is also understood and agreed that after discovery of unitized substances in paying quantities hereunder, a subsequent joinder by a non-working interest owner must be consented to by the working interest owner responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A subsequent joinder shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission, 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 60 days by the Director, Commissioner, or Commission.

30. 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 to 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.

31. SURRENDER. During the life of this agreement no right to surrender any lease or operating agreement reserved in any such instrument shall be exercised as to any lands within a participating area established pursuant to this agreement. There shall be no restriction on the right to surrender any lease or operating agreement embracing non-participating lands if that right is reserved in such instrument, subject, however, to the conditions hereinafter prescribed: (a) if a lease or portion thereof embracing non-participating lands is terminated as a result of a surrender to the lessor such lands shall not be deemed committed to this agreement unless and until such lands are re-committed hereto by an agreement with the Unit Operator; (b) if operating rights are surrendered to a lessee, said lessee shall have the right to become a party to a unit accounting agreement with the Unit Operator, effective as of the date of such surrender, or may with the consent of the lessor withdraw such lease from the unit agreement and operate such lease independently but in accord with the conservation provisions of the unit agreement, provided, that if neither of these alternatives is adopted within a period of 6 months following the effective date

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

Assistant Secretary _____ By _____
Vice President

Assistant Secretary _____ By _____
Vice President _____

Assistant Secretary _____ By _____
Vice President _____

Thomas A. Knight, and his wife, Elma W. Knight
1800 Republic National Bank Building
Dallas, Texas

H. W. Bass, and his wife, Wilma O. Bass
1401 Magnolia Building
Dallas, Texas

Adair Rembert and his wife, Sarah E. Rembert
1800 Republic National Bank Building
Dallas, Texas

Will C. Thompson, and his wife, Mrs. Banks Thompson
1800 Republic National Bank Building
Dallas, Texas

Alex F. Weisberg, and his wife, Marie K. Weisberg
1800 Republic National Bank Building
Dallas, Texas

DATE

Arnold S. Bunte, and his wife, Opaloma L. Bunte
3 Park Road
Roswell, New Mexico

DATE

Bruce K. Matlock, and his wife, Bonnie H. Matlock
3 Park Road
Roswell, New Mexico

DATE

Wilton E. Scott, and his wife, Loradean A. Scott
Box 265
Artesia, New Mexico

DATE

ATTEST:

BUFFALO OIL COMPANY

Secretary
Gulf States Building
Dallas, Texas

By _____
President

DATE

Raymond A. Broomfield, Jr., and his wife, Geraldine R. Broomfield
Box 1062
Artesia, New Mexico

DATE

Roland Rich Woolley and his wife, _____ Woolley
Carper Building, Artesia, New Mexico, and 649 S. Olive Street,
Los Angeles 14, California

DATE

Hubert E. Cone, and his wife, _____ Cone
Silver City
New Mexico

DATE

Harold T. Kelley, and his wife, _____ Kelly
1505 N. Washington Street
Roswell, New Mexico

DATE

J. M. Hall, and his wife, Bertha B. Hall
Care of Nix & Yates
314 Booker Building
Artesia, New Mexico and 1102 Washington Street, Artesia, N.M.

DATE

Donald W. Teed, and his wife, Camille D. Teed
Care of Nix & Yates
314 Booker Building
Artesia, New Mexico, and 820 S. 6th Street, Artesia, New Mexico

DATE

ATTEST:

MAGNOLIA PETROLEUM COMPANY

Assistant Secretary
Box 900
Dallas, Texas

By _____
President

DATE

E. R. Kain (single)
Care of First National Bank
Roswell, New Mexico

DATE

Mrs. Rose Dalma Klutz, and her husband, _____ Klutz
411 Rialto Avenue
Venice, California

DATE

Paul R. Linden, and his wife, _____ Linden
810 S. Maple Street
Alledo, Illinois

DATE

Rose F. Wilson (single)
810 S. Maple Street
Alledo, Illinois

DATE

Ralph Lowe, and his wife, Erma Lowe
Box 832
Midland, Texas

DATE

John Vander Broek and his wife, Gertrude K. Vander Broek
63 E. 8th Street
Holland, Michigan

DATE

J. C. Vandeventer, and his wife, _____ Vandeventer
607 Booker Building
Artesia, New Mexico

DATE

ATTEST:

SHELL OIL COMPANY

Assistant Secretary
Box 1509
Midland, Texas

By _____
President

DATE

G. B. Armstrong, and his wife, _____ Armstrong
Roswell, New Mexico

DATE

Gale G. Armstrong, and his wife, _____ Armstrong
Roswell, New Mexico