

MAIN OFFICE OCC

1955 APR 2 AM 8:44

REQUESTING TERMINATION
OF UNIT AGREEMENT FOR THE
DEVELOPMENT AND OPERATION OF
THE WILLIAMS RANCH UNIT,
LEA COUNTY, NEW MEXICO

To the Oil Conservation Commission of the
State of New Mexico, and The
Commissioner of Public Lands for the
State of New Mexico,
Santa Fe, New Mexico

Gentlemen:

SUBJECT: Requesting Termination
of Williams Ranch Unit Agreement,
Approved November 18, 1954, cover-
ing all Secs. 26 and 27, N/2 34
and N/2 35, all in Twp. 16S, R-32E,
Lea County, New Mexico

The undersigned, the present owners of all oil and gas leases or operating rights thereunder on the acreage presently committed to the above unit, hereby respectfully request that said Williams Ranch Unit Agreement be terminated, effective as of the first day of the month following the date of your approval hereof, and in support of this request, a brief history of the only test well drilled on such unit is set forth below.

On December 27, 1954, Continental Oil Company, as unit operator, spudded well No. 1, Williams Ranch Unit, located 1980 feet from the south line and 660 feet from the west line of Section 26, Twp. 16 South, Range 32 East, Lea County, New Mexico, and drilled said well to a total depth of 13,754 feet, at which depth said well was plugged and abandoned on June 29, 1955.

No commercially productive oil or gas zones were encountered in the drilling of said well and it is not believed that oil or gas in paying quantities can be developed on the Williams Ranch Unit. Therefore, termination of said Williams

Ranch Unit Agreement is respectfully requested.

ATTEST:

Assistant Secretary
Date: _____
1710 Fair Building
Fort Worth 2, Texas

ATTEST:

Secretary
Date: _____
Thompson Building
Tulsa, Oklahoma

ATTEST:

Secretary
Date: _____
901 Fair Building
Fort Worth, Texas

ATTEST:

Secretary
Date: _____
P. O. Box 1509
Midland, Texas

ATTEST:

Assistant Secretary
Date: *Mar. 18, 1956*
P. O. Drawer 1290
Fort Worth, Texas

ATTEST:

Secretary
Date: _____
Box 900
Dallas, Texas

ATTEST:

Secretary
Date: _____
P. O. Box 2180
Houston, Texas

Date: _____
1500 Statler Center
900 Wilshire Boulevard
Los Angeles, California

Respectfully submitted,

CONTINENTAL OIL COMPANY

By: _____

TIDE WATER ASSOCIATED OIL COMPANY

By: _____

SINCLAIR OIL & GAS COMPANY

By: _____

SHELL OIL COMPANY

By: _____

GULF OIL CORPORATION

By: *[Signature]*
Vice-President *[Signature]*

MAGNOLIA PETROLEUM COMPANY

By: _____

HUMBLE OIL & REFINING COMPANY

By: _____

M. A. Machris

Paquita L. Machris

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 23, 1954

Mr. Clarence Hinkle, Attorney
Hervey, Dow and Hinkle
First National Bank Building
ROSWELL, NEW MEXICO

Dear Mr. Hinkle:

In behalf of your clients, we enclose the following orders:

Order R-541 in Case 719 (E. C. Rodman)

Order R-550 in Case 794 (Sunray Oil Corporation's
East Bagley Unit Agreement)

Order R-551 in Case 795 (Continental Oil Company's
Williams Ranch Unit Agreement)

You will note that we have given you signed copies of the two unit agreement orders for completion of the records in these cases.

I also want to thank you for submitting the proposed orders in each of the cases you handled. As you know, when these follow our style and intention closely, as yours always do, it speeds up the signing procedure considerably.

Sincerely,

W. B. Macey

WBM:mr

Encl. (3)

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 2, 1954

Mr. Clarence Hinkle
Hervey, Low and Hinkle
First National Bank Building
ROSWELL N M

Dear Mr. Hinkle:

Through your application and letter received yesterday,
the following cases have been added to the docket for the
November 17 hearing, and advertisements have been issued
for publication in the Santa Fe and Hobbs papers:

Case 794: Sunray Oil Corporation's East
Bagley Unit Agreement


Case 795: Continental Oil Company's Williams
Ranch Unit Agreement

A copy of the notice of publication is attached.

Very truly yours,

OIL CONSERVATION COMMISSION

WBM:nr


For W. B. Macey, Secretary-Director

MAIN OFFICE OCC

1956 APR 2 AM 8:44

REQUESTING TERMINATION
OF UNIT AGREEMENT FOR THE
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LEA COUNTY, NEW MEXICO

To the Oil Conservation Commission of the
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Date: _____
1710 Fair Building
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Tulsa, Oklahoma

ATTEST:

Secretary
Date: _____
901 Fair Building
Fort Worth, Texas

ATTEST:

Secretary
Date: _____
P. O. Box 1509
Midland, Texas

ATTEST:

Asst. Secretary
Date: Mar. 28, 1956
P. O. Drawer 1290
Fort Worth, Texas

ATTEST:

Secretary
Date: _____
Box 900
Dallas, Texas

ATTEST:

Secretary
Date: _____
P. O. Box 2180
Houston, Texas

Date: _____
1500 Statler Center
900 Wilshire Boulevard
Los Angeles, California

Respectfully submitted,

CONTINENTAL OIL COMPANY

By: _____

TIDE WATER ASSOCIATED OIL COMPANY

By: _____

SINCLAIR OIL & GAS COMPANY

By: _____

SHELL OIL COMPANY

By: _____

GULF OIL CORPORATION

By: _____
Vice-President

MAGNOLIA PETROLEUM COMPANY

By: _____

HUMBLE OIL & REFINING COMPANY

By: _____

M. A. Machris

Paquita L. Machris

Handwritten notes:
shaking to Mrs. Hoot
recommending for approval of terms
except Humble
can only for
of 1920 total
admission
S. J.

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE NO. _____

THE APPLICATION OF CONTINENTAL
OIL COMPANY FOR APPROVAL OF THE
WILLIAMS RANCH UNIT AGREEMENT
EMBRACING 1,920.00 ACRES, MORE OR
LESS, LEA COUNTY, NEW MEXICO,
WITHIN TOWNSHIP 16 S., RANGE 32 E.,
N.M.P.M.

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 the proposed Unit Agreement for the Development and Operation of the Williams Ranch Unit Area, Lea County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof, shows:

1. That the proposed unit area covered by said agreement embraces 1,920.00 acres, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 16 S., R. 32 E.

Secs. 26 and 27: All

Sec. 34: $N\frac{1}{2}$

Sec. 35: $N\frac{1}{2}$

2. That the lands embraced within the proposed unit area are all State lands.

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

4. That the Continental Oil Company is designated as unit operator in said unit agreement, and as such is given authority

under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said unit agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within 60 days from the effective date of said unit agreement and for the drilling thereof with due diligence, to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities if at a lesser depth; provided, however, operator is not required in any event to drill said well to a depth in excess of 13,500 feet.

5. That said unit agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the New Mexico Oil Conservation Commission, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained, and that said unit agreement is in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes.

6. That application is being made for the approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico.

7. 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, an approved copy thereof 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 and that upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Commission as being in

the interest of conservation and prevention of waste.

DATED this the 28th day of October, 1954.

Respectfully submitted,

CONTINENTAL OIL COMPANY

By W. L. Hall

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Case
195

file

May 2, 1956

Continental Oil Company
Petroleum Building
Roswell, New Mexico

Re: Williams Ranch Unit Agreement
Lea County, New Mexico
Termination of Unit.

Attention: Mr. R. L. Adams

Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved the termination of the Williams Ranch Unit Agreement, subject to like approval of said termination by the Commissioner of Public Lands of the State of New Mexico.

Very truly yours

A. L. PORTER, Jr.
Secretary - Director

ga

cc Commissioner of Public Lands
Santa Fe, New Mexico

C
O
P
Y

Case 795

In reply refer to:
Unit Division

May 3, 1956

file

Continental Oil Co.
1710 Fair Building
Fort Worth, Texas

Re: Termination of (Williams Ranch Unit,
Lee County, New Mexico)

Attention: Mr. T. J. Mathers
Regional Title Supervisor
Southwestern Region

Dear Mr. Mathers:

This is to advise you that we have received requests from over 65 per cent, on an acreage basis, of the owners of the working interests as reflected by Working Interest signatures on the Unit Agreement, requesting termination of the above designated Unit.

Therefore, we are officially terminating Williams Ranch Unit, Lee County, New Mexico, as of May 3, 1956, and our records will so reflect.

We are notifying by copy of this letter all of the following:

Maurice A. Machrie
211 Midland Tower Building
Midland, Texas

Magnolia Petroleum Co.
Land Department
P. O. Box 900
Dallas 21, Texas

Shell Oil Co.
Petroleum Building
P. O. Box 1507
Midland, Texas

Sinclair Oil and Gas Co.
P. O. Box 1472
Midland, Texas

ILLEGIBLE

Tide Water Associated Oil Co.
P. O. Box 731
Tulsa 2, Oklahoma

Gulf Oil Co.
P. O. Box 1507
Midland, Texas

Humble Oil Co., P. O. Drawer 2180, Houston, Texas, is the only owner of interest who has not requested this termination. However, we are also sending a copy of this letter to Humble Oil at the above address.

We thank you for your cooperation in this matter.

Very truly yours,

D. S. WALKER
Commissioner of Public Lands

DWW/m
cc: JCT-Santa Fe

ILLEGIBLE



MAIL ROOM 100

CONTINENTAL OIL COMPANY

Box 749
Roswell, New Mexico
December 9, 1954

REGISTERED MAIL

Mr. W. B. Macey, Secretary and Director
Oil Conservation Commission
Santa Fe,
New Mexico

Dear Mr. Macey:

Re: Williams Ranch Unit Agreement
Lea County, New Mexico

Reference is made to the captioned Unit Agreement on which Certificate of Approval was executed by Mr. E. S. Walker, Commissioner of Public Lands of the State of New Mexico, under date of November 18, 1954, and on which the Order of the Commission, State of New Mexico, Oil Conservation Commission, was executed on November 22, 1954.

In this connection, we attach Unit Agreement for the development and operation of the Williams Ranch Unit, Lea County, New Mexico, which has been executed by 100% of the working interest owners, committing their respective rights to the Williams Ranch Unit. All of these companies have also executed the Operating Agreement covering this Unit.

A Unit Agreement identical to the one being furnished

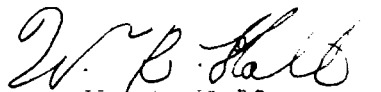
Mr. W. B. Macey
Page 2

you was retained by Mr. E. S. Walker's office at the time he executed the Certificate of Approval on November 18, 1954.

An invitation has been extended Mr. George H. Williams and wife, Lois M. Williams, and Mr. Woodrow Williams and wife, Julia M. Williams, to join the Unit. Messrs. George H. Williams and Woodrow Williams each own a $1/32$ of $7/8$ overriding royalty under a 40 acre tract in the Unit. To date these parties have declined to join, and at present it appears they do not propose to do so.

Should additional material or information be needed in connection with this Unit Agreement, it is kindly requested we be so advised.

Yours very truly,



W. R. Hall
Land Superintendent
Roswell Division

WRH-sl

Att

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

RECEIVED
STATE LAND OFFICE
1954 AUG 25 PM 5:10

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
WILLIAMS RANCH UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 25th day of August 1954,
by and between the parties subscribing, ratifying or consenting hereto, and
herein referred to as the "parties hereto",

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico
is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as
amended by Sec. 1 of Chapter 162, Laws of 1951, to consent to and approve the
development or operation of State lands under agreements made by lessees of
State land jointly or severally with other lessees where such agreements
provide for the unit operation or development of part of or all of any oil
or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico
is authorized by an Act of the Legislature (Sec. 1, Chapter 162, Laws of 1951)
to amend with the approval of the lessee, any oil and gas lease embracing State
lands so that the length of the term of said lease may coincide with the term
of such agreements for the unit operation and development of part of or all of
any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico
(hereinafter referred to as the "Commission") is authorized by an Act of the
Legislature (Chap. 72, Laws 1935) to approve this agreement and the conserva-
tion provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Williams
Ranch 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. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 16 S., R. 32 E., Lea County, New Mexico

Secs. 26 and 27: All

Sec. 34: $N\frac{1}{2}$

Sec. 35: $N\frac{1}{2}$

containing 1,920.00 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 Commissioner of Public Lands, hereinafter referred to as "Commissioner"

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. Such expansion shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Commissioner shall prepare a notice of proposed expansion 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 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 Commissioner evidence of mailing of the notice of expansion 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 shall, upon approval by the Commissioner, become effective as of the date prescribed in the notice thereof, provided, however, if more than 25% on an acreage basis object to such expansion, the same shall not be approved; provided, however, that should the interest of any objecting working interest owner equal or exceed 25% on an acreage basis, then and in that event in order to make such objection effective hereunder one additional working interest owner must join in such objection.

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

2. 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".

3. UNIT OPERATOR. Continental Oil Company, a Delaware corporation, 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.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 Commissioner.

The resignation or removal of the Unit Operator under this agreement shall not terminate his 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 hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than 65 per cent of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 65 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 Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement by and between the Unit Operator and the other owners of such 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 article, whether one or more, are herein referred to as the "Operating Agreement". No such 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 inconsistencies or conflict between this Unit Agreement and the Operating Agreement this Unit Agreement shall prevail.

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

8. DRILLING TO DISCOVERY. Within 60 days after the effective date hereof, the Unit Operator shall commence operations upon an adequate test well

for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of the Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 13,500 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities, 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 the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Failure to comply with the drilling provisions of this article shall automatically terminate this agreement as to all its terms, conditions and provisions and all rights, privileges and obligations granted by this Unit Agreement shall cease and terminate as of the date of any such default.

9. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this Unit Agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold

interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

10. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES. All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, 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 a plan of operations consented to by the Commissioner and approved by 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.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

12. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall, upon approval hereof by the Commissioner be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the lessee shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test

well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of the unit area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such commencement, completion, operation or production was carried on, conducted and/or obtained from any such leased tract.

Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of unitized substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

13. 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 laws or regulation.

14. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land not subject to this agreement.

15. 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.

16. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this 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. This agreement may be terminated at any time by not less than 65 per cent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article 8 hereof, the failure to comply with the drilling provisions of this Unit Agreement shall as of the date of any such default, automatically terminate this Unit Agreement.

17. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

18. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

19. 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.

20. 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, war, 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.

21. 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 the Unit Agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized

area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

22. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the Unit Agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

23. 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.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST:

Marie Rodgers
Assistant Secretary

Date August 25, 1954

CONTINENTAL OIL COMPANY

By J. W. Wainwright
Vice President

Address 1710 FAIR BUILDING
FORT WORTH 2, TEXAS

NGP

NGP
Inc

UNIT OPERATOR AND WORKING INTEREST OWNER

ATTEST:

C. W. Itner
Asst Secretary

Date Nov. 3, 1954

TIDE WATER ASSOCIATED OIL COMPANY

By P. E. Roth
Vice President

Address Thompson Bldg
1001 Oak Street

CMR

ATTEST:

B. L. Phillips
ASSISTANT Secretary

Date Nov. 9, 1954

SINCLAIR OIL & GAS COMPANY

By M. M. Mose
VICE- President

Address 901 Fair Building
Fort Worth, Texas

~~ATTEST:~~

~~Secretary~~

Date November 4, 1954

SHELL OIL COMPANY

By M. M. Mose
~~President~~ Attorney-in-Fact

Address P. O. Box 1509
Midland, Texas

ATTEST:

[Signature]
Asst. Secretary H. M. CRAIG

Date 11-1-54

GULF OIL CORPORATION

By [Signature]
President

Address P. O. Drawer 1290

Fort Worth, Texas

ATTEST:

[Signature]
Asst. Secretary W. W. Clark

Date SEP 29 1954

MAGNOLIA PETROLEUM COMPANY

By [Signature]
Vice-President

Address Box 900

Dallas, Tex.

ATTEST:

[Signature]
Asst. Secretary

Date 11-8-54

HUMBLE OIL & REFINING COMPANY

By [Signature]
Vice-President

Address P.O. Box 2180

Houston, Texas

Date

Nov. 12th 1954

M. A. Machris
M. A. Machris

Address

1500 STATLER CENTER
900 WILSHIRE BOULEVARD
LOS ANGELES 17, CALIFORNIA

Date

George H. Williams

Lois M. Williams

(wife)

Address

Date

Woodrow Williams

Julia M. Williams

(wife)

Address

FORM APPROVED
[Signature]
[Signature]
[Signature]

TRADE O.K.
W. A. MALEY
Ev. [Signature]

STATE OF Texas)
COUNTY OF Tarrant)SS

On this 25th day of August 1954, before me personally appeared
to me personally known, who being by me duly sworn did say that
he is the President of Continental Oil Company
and that the seal affixed to said instrument is the corporate seal of said corpora-
tion, and that said instrument was signed and sealed in behalf of said corporation
by authority of its Board of Directors, and acknowledged
said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official
seal on this the day and year last above written.

My Commission Expires:

June 1, 1955

Evelyn Deickmiller
Notary Public

STATE OF Texas)
COUNTY OF Dallas)SS

On this 29th day of Sept. 1954, before me personally appeared A. E. CHESTER

to me personally known, who being by me duly sworn did say
that he is the Vice President of AMOLIA PETROLEUM COMPANY
and that the seal affixed to said instrument is the corporate seal of said corpora-
tion, and that said instrument was signed and sealed in behalf of said corporation
by authority of its Board of Directors, and A. E. CHESTER
acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official
seal on this the day and year last above written.

My Commission Expires:

My commission expires

June 1, 1955

Gladys H. Walters
Notary Public

GLADYS H. WALTERS, Notary Public
In and for Dallas County, Texas

STATE OF TEXAS)
COUNTY OF TARRANT)SS

On this 1st day of November 1954, before me personally appeared
H. M. BAYER

to me personally known, who being by me duly sworn did
say that he is the VICE President of GULF OIL CORPORATION

and that the seal affixed to said instrument is the corporate seal of said corpora-
tion, and that said instrument was signed and sealed in behalf of said corporation
by authority of its Board of Directors, and H. M. BAYER
acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official
seal on this the day and year last above written.

My Commission Expires:

JUN 1 1955

Eva Marie Cooper
Notary Public

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF Tarrant

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
Mr. P. C. Brooke, known to me to be the person and officer
whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said
Sinclair Oil & Gas Company, a corporation,
and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the
capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of November A.D., 1954.
My Commission Expires June 1, 1955.
Eloise J. Wright, Notary Public in and for Tarrant County, Texas

On this 10 day of November, 1954, personally appeared
M. G. Machus and Saguita L. Machus
to me known to be the persons described in and who executed the foregoing instru-
ment and acknowledged that they executed the same as their free act and deed.

WITNESS my hand and official seal the day and year last above written.
My Commission Expires:
My Commission Expires August 20, 1956
Helen T. Edwards, Notary Public in and for Los Angeles County, California

STATE OF)
COUNTY OF) SS

On this day of 1954, before me personally appeared
to me known to be the person described in and who executed the foregoing instru-
ment and acknowledged that he executed the same as free act and deed.

WITNESS my hand and official seal the day and year last above written.
My Commission Expires:
Notary Public

STATE OF)
COUNTY OF) SS

On this day of 1954, before me personally appeared
to me known to be the person described in and who executed the foregoing instru-
ment and acknowledged that he executed the same as free act and deed.

WITNESS my hand and official seal the day and year last above written.
My Commission Expires:
Notary Public

STATE OF Oklahoma)
COUNTY OF Tulsa)SS

On this 3 day of Nov 1954, before me personally appeared

J. E. Egan to me personally known, who being by me duly sworn did say that he is the Vice President of Tide Water Associated Oil Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires:

March 19, 1956.

Richard B. Wiley
Notary Public

STATE OF TEXAS)
COUNTY OF HARRIS)SS

On this 8th day of Nov 1954, before me personally appeared

J. A. NEATH to me personally known, who being by me duly sworn did say that he is the Vice President of HUMBLE OIL & REFINING COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and J. A. NEATH acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires: 6-1-55

Wayne Leheuw
Notary Public

WAYNE LEHEW

STATE OF TEXAS)
COUNTY OF MIDLAND)

Before me, the undersigned authority, on this day personally appeared M. S. Metz, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney in Fact for Shell Oil Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and that he is the free act and deed of the Shell Oil Company in the capacity therein expressed.

Witness my hand and seal this day of _____ 1954.

My Commission Expires:
June 1, 1955

Jean Akins
Notary Public in and for Midland
County, Texas
Jean Akins
Notary Public in and for
Midland County, Texas

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

MAIN OFFICE OCC

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

1954 NOV 1 AM 8:46

CASE NO. 795

THE APPLICATION OF CONTINENTAL
OIL COMPANY FOR APPROVAL OF THE
WILLIAMS RANCH UNIT AGREEMENT
EMBRACING 1,920.00 ACRES, MORE OR
LESS, LEA COUNTY, NEW MEXICO,
WITHIN TOWNSHIP 16 S., RANGE 32 E.,
N.M.P.M.

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 the proposed Unit Agreement for the Development and Operation of the Williams Ranch Unit Area, Lea County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof, shows:

1. That the proposed unit area covered by said agreement embraces 1,920.00 acres, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 16 S., R. 32 E.

1. Secs. 26 and 27: All
Sec. 34: $N\frac{1}{2}$
Sec. 35: $N\frac{1}{2}$

2. That the lands embraced within the proposed unit area are all State lands.

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

4. That the Continental Oil Company is designated as unit operator in said unit agreement, and as such is given authority

under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said unit agreement provides for the commencement of a test well for oil and gas upon some part of the lands embraced in the unit area within 60 days from the effective date of said unit agreement and for the drilling thereof with due diligence, to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities if at a lesser depth; provided, however, operator is not required in any event to drill said well to a depth in excess of 13,500 feet.

5. That said unit agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the New Mexico Oil Conservation Commission, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained, and that said unit agreement is in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes.

6. That application is being made for the approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico.

7. 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, an approved copy thereof 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 and that upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Commission as being in

the interest of conservation and prevention of waste.

DATED this the 28th day of October, 1954.

Respectfully submitted,

CONTINENTAL OIL COMPANY

By W. R. K. S.