



IN REPLY REFER TO:

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

SEP 10 1955

SEP 16 1955

Mr. Foster Morrell
Post Office Box 933
Roswell, New Mexico

My dear Mr. Morrell:

Reference is made to your application of July 20, 1955, filed in behalf of Great Western Drilling Company with the Oil and Gas Supervisor, Roswell, New Mexico, requesting designation of 46,125.00 acres, more or less, in San Juan County, New Mexico, as an area logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended. Reference also is made to your supplemental letter of August 15. Six copies of a proposed form of agreement also were submitted for preliminary approval, three copies of which were forwarded by the Supervisor to the Superintendent, Navajo Indian Agency, Window Rock, Arizona.

Pursuant to regulations of December 22, 1950, 30 CFR, 226.3, the following described land is designated as a logical unit for all formations to be known as the South Chaco unit area:

New Mexico Principal Meridian, New Mexico

T. 22 N., R. 1 W.
sec. 8 through 36, all

T. 22 N., R. 2 W.
sec. 8 through 36, all

Four test wells to the top of the Dakota formation or to a depth of 5,500 feet are proposed, two in each of the townships. It is believed that the unit agreement should provide for the drilling of the four wells to a depth of 5,700 feet or to test the base of Dakota sandstone.

The form of agreement has been reviewed and found to follow substantially the Chaco unit agreement, New Mexico, No. 14-03-001-2026, approved January 4, 1955, including modifications necessary to meet the requirements of the Bureau of Indian Affairs and the State of New Mexico and to conform with Public Law 555 (68 Stat. 585) and Executive Order No. 10557 (19 F.R., 5655). There seem to be some inconsistencies in the references to the appropriate State officials throughout the form which should be reconciled with acceptable State procedure, with which we are not thoroughly familiar. The form will be regarded as acceptable

ILLEGIBLE

GREAT WESTERN DRILLING COMPANY

EXHIBIT 3

Case No. 1033 March 14, 1956

is modified as indicated in red pencil and attached riders. The changes in the and some of the riders were on the form when submitted. One copy so marked is returned herewith, one copy is being furnished the Oil and Gas Supervisor, and one copy is being retained. Indian office copies have been conformed.

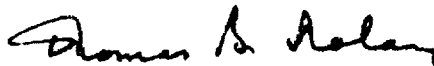
In the absence of any objections not now apparent, a duly executed agreement identical with said enclosure as modified will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement which, in my opinion, does not have the full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all Federal and Indian acreage, showing the current record owner and the effective date of leases issued, and the current status of lease applications, if any.

In connection with Indian leases committed to unit agreements, appropriate consents of surety incident to the change of contractual obligations should accompany the executed agreement when submitted for final approval.

The Bureau of Indian Affairs has endorsed this letter.

Very truly yours,



Acting Director

Enclosure

RECEIVED
FEB 1 1961