

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION OF MURPHY CORPORATION
FOR APPROVAL OF THE NORTHWEST
CAPROCK UNIT AGREEMENT EMBRACING
1,527.37 ACRES, MORE OR LESS, OF
LANDS OF THE STATE OF NEW MEXICO
WITHIN TOWNSHIPS 11 AND 12 SOUTH,
RANGE 32 EAST, N.M.P.M., LEA
COUNTY, NEW MEXICO.

Case 230

New Mexico Oil Conservation Commission
Santa Fe
New Mexico

COMES the undersigned, the Murphy Corporation, with
offices at 940 Petroleum Club Building, Denver 2, Colorado,
and files herewith three copies of the proposed Unit Agreement
for the development and operation of the Northwest Caprock 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 agree-
ment embraces 1,525.37 acres, more or less, situated in Lea
County, New Mexico, more particularly described as follows:

Township 11 South, Range 32 East, N.M.P.M.

Section 32: $SE\frac{1}{4}$

Township 12 South, Range 32 East, N.M.P.M.

Section 5: Lots 1, 2, 3 and 4, $S\frac{1}{2}N\frac{1}{2}$; $S\frac{1}{2}$ (A11)

Section 6: Lot 1, $SE\frac{1}{4}NE\frac{1}{4}$, $E\frac{1}{2}SE\frac{1}{4}$

Section 7: $E\frac{1}{2}NE\frac{1}{4}$

Section 8: $N\frac{1}{2}$, $N\frac{1}{2}S\frac{1}{2}$

*Corrected
Mailed*

5/26/61

[Signature]

Case 2301

J. M. HERVEY 1874-1953

HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.

CONRAD E. COFFIELD

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

May 12, 1961

TELEPHONE MAIN 2-6510
POST OFFICE BOX 10

Mr. A. L. Porter
Executive Director
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Dear Mr. Porter:

We enclose, in triplicate, application of the Murphy Corporation for approval of the Northwest Caprock Unit Agreement. It is our understanding that there will be an Examiner's hearing on June 7, 1961, and we would like to have the hearing in connection with this matter at that time.

We would appreciate your sending us copies of the notice published in connection with this matter.

Yours very truly,

HERVEY, DOW & HINKLE

By 

CEH:bc

Encls.

cc: Murphy Corporation

*Booklet
marked
5/26/61
JL*

2. That all of the lands above described embraced within the proposed unit area are lands of the State of New Mexico.

3. That to the best of applicant's knowledge and belief the proposed unit area covers all, or substantially all, of the geologic feature 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.

4. That the Murphy Corporation 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, 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 sixty (60) days from the effective date of the 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, Unit Operator is not required in any event to drill said well to a depth in excess of 11,600 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 which only embrace lands of the State of New Mexico, 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 conservation and the prevention of waste as contemplated by the Oil Conservation Commission statutes of the State of New Mexico.

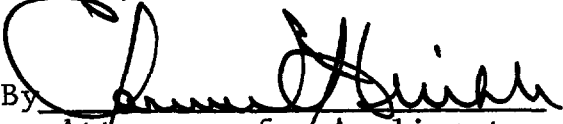
6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that this matter be set down for hearing before an Examiner and that due notice thereof be given and published as provided by law, and that 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 12th day of May, 1961.

Respectfully submitted,

HERVEY, DOW & HINKLE

By 
Attorneys for Applicant
Murphy Corporation

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION OF MURPHY CORPORATION
FOR APPROVAL OF THE NORTHWEST
CAPROCK UNIT AGREEMENT EMBRACING
1,527.37 ACRES, MORE OR LESS, OF
LANDS OF THE STATE OF NEW MEXICO
WITHIN TOWNSHIPS 11 AND 12 SOUTH,
RANGE 32 EAST, N.M.P.M., LEA
COUNTY, NEW MEXICO.

Doc 2361

New Mexico Oil Conservation Commission
Santa Fe
New Mexico

COMES the undersigned, the Murphy Corporation, with
offices at 940 Petroleum Club Building, Denver 2, Colorado,
and files herewith three copies of the proposed Unit Agreement
for the development and operation of the Northwest Caprock Unit
Area, Lea County, New Mexico, and hereby makes application for
the approval of said Unit Agreement as provided by law, and in
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1. That the proposed unit area covered by said agree-
ment embraces 1,525.37 acres, more or less, situated in Lea
County, New Mexico, more particularly described as follows:

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Section 32: SE $\frac{1}{4}$

Township 12 South, Range 32 East, N.M.P.M.

Section 5: Lots 1, 2, 3 and 4, S $\frac{1}{2}$ N $\frac{1}{2}$; S $\frac{1}{2}$ (All)

Section 6: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{4}$ SE $\frac{1}{4}$

Section 7: E $\frac{1}{4}$ NE $\frac{1}{4}$

Section 8: N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$

2. That all of the lands above described embraced within the proposed unit area are lands of the State of New Mexico.

3. That to the best of applicant's knowledge and belief the proposed unit area covers all, or substantially all, of the geologic feature 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.

4. That the Murphy Corporation 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, 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 sixty (60) days from the effective date of the 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, Unit Operator is not required in any event to drill said well to a depth in excess of 11,600 feet.

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New Mexico Oil Conservation Commission which only embrace lands of the State of New Mexico, 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 conservation and the prevention of waste as contemplated by the Oil Conservation Commission statutes of the State of New Mexico.

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DATED this the 12th day of May, 1961.

Respectfully submitted,

HERVEY, DOW & HINKLE

By 
Attorneys for Applicant
Murphy Corporation

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHWEST CAPROCK UNIT AREA
LEA COUNTY, NEW MEXICO

Case 2361

NO. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 1961, 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 Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), 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, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, 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 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; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northwest Caprock 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:

STATE OF NEW MEXICO
COUNTY OF LEA

TOWNSHIP 11 SOUTH, RANGE 32 EAST

Section 32: SE 1/4

TOWNSHIP 12 SOUTH, RANGE 32 EAST

Section 5: Lots 1, 2, 3, and 4,
S 1/2 N 1/2; S 1/2 (All)

Section 6: Lot 1, SE 1/4 NE 1/4, E 1/2 SE 1/4

Section 7: E 1/2 NE 1/4

Section 8: N 1/2, N 1/2 S 1/2

1525.37 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 lands 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 on said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

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. Murphy Corporation, with offices at 940 Petroleum Club Building, Denver 2, Colorado, is hereby designated as unit operator and by signature hereto commits to this agreement all interest 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 Section 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 seventy-five per cent (75%) 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 seventy-five per cent (75%) 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 entered into by and between the unit operator and the 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 section, 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. The unit operator shall, within sixty (60) days after the effective date of this agreement, 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 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 11,600 feet. Until a 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) 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 formation 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. Upon failure to comply with the drilling provisions of this article 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, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. 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 and other lessors, 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 provisions 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.

11. 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.

12. 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.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

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 operation 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.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, 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 as of the effective date hereof, 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 respective terms of said leases and agreements 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 respective lessors and lessees shall 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 term 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 effect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as 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 oil and gas, or either of them, 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 therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of

oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. 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 regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. 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 or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. 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 seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

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

19. 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 on its own behalf 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.

20. 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 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.

21. 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.

22. 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.

23. 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, with the consent of an aggregate of at least seventy-five per cent (75%) of the total working interests then committed to this agreement, 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. 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.

24. 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 forth opposite their signatures.

UNIT OPERATOR

ATTEST:

MURPHY CORPORATION

Assistant Secretary

By _____
Vice President

WORKING INTEREST OWNERS

ATTEST:

AMERADA PETROLEUM CORPORATION

By _____

ATTEST:

MOBIL OIL COMPANY

By _____

ATTEST:

TEXAS PACIFIC COAL AND OIL COMPANY

By _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

ACKNOWLEDGMENTS

STATE OF ARKANSAS X
 X
COUNTY OF UNION X

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by _____, Vice President of Murphy Corporation, a Louisiana corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____,
1961, by _____, _____ of Amerada Petroleum
(Name) (Title)
Corporation, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____,
1961, by _____, _____ of Mobil Oil Company
(Name) (Title)
a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____,
1961, by _____, _____ of Texas Pacific Coal
(Name) (Title)
and Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____
1961, by _____, _____ of Union Oil Company
(Name) (Title)
of California, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

R-32-E

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<p>Roy Lee 1-10-62</p> <p>30</p> <p>State</p>	<p>Warren Petroleum OG-749 4-16-67</p>	<p>Sinclair Oil OG-1830 1-12-54</p>	<p>Warren Petroleum OG-258 10-16-66</p> <p>29</p> <p>Texas "H.B.P."</p> <p>Humble OG-768 4-16-67</p> <p>State</p>	<p>Humble OG-768 4-16-67</p> <p>Sinclair OG-1830 1-21-68</p> <p>28</p> <p>Humble 4-16-69</p> <p>Gulf OG-258 10-16-66</p> <p>State</p>	<p>Superior 8-11-62</p> <p>Magnolia? 2.16.60</p> <p>Atlantic 5.8.63</p> <p>Laura Flanagan Howard Jennings E.J. James</p>	<p>Sun Oil OG-427 12-18-66</p> <p>27</p> <p>State</p>	<p>Ralph Lowe 10-20-63</p> <p>L.C. Harris OG-1207 8-20-67</p>
<p>Sun Oil OG-1510 11-19-67</p> <p>31</p> <p>State</p>	<p>E.A. Hansen 3-10-63</p>	<p>Murphy 12622 8-19-68</p> <p>Murphy 12680 2-16-70</p> <p>32</p> <p>Murphy 11970 4-10-62</p> <p>Murphy 11973 3-18-68</p> <p>Murphy 11970 4-10-62</p> <p>State</p>	<p>Murphy 12684 2-10-68</p> <p>33</p> <p>I.B. Hodges 2-10-63</p> <p>State</p>	<p>Lion 8-11-62</p> <p>Honolulu 7-10-62</p> <p>Ralph Lowe 7-21-69</p> <p>Amerada "H.B.P."</p> <p>Honolulu 7-10-62</p>	<p>L.B. Hodges OG-2396 4-15-68</p> <p>34</p> <p>Lion 8-11-62</p> <p>Ralph Lowe 7-21-69</p> <p>State</p>	<p>Honolulu 7-10-62</p> <p>So. Pet. Expl. 2-10-59</p> <p>Kerr-McGee 5-5357 7-10-62</p>	<p>Hassie Hunt Tr. 12-15-63</p>
<p>Amerada "H.B.P."</p> <p>6</p> <p>State</p>	<p>Union E-8548 10-19-64</p>	<p>Murphy 11124 2-18-68</p> <p>Murphy 11974 3-18-68</p> <p>5</p> <p>T.P.C. & O. 8-18-64</p> <p>Amerada "H.B.P."</p> <p>Murphy 11974 3-18-68</p> <p>State</p>	<p>John M. Kelly 10-18-63</p> <p>State</p>	<p>Texaco - Seaboard Sunray 4-10-63</p> <p>Amerada "H.B.P."</p> <p>Norman Gross/4 J.U. Gross et al S</p>	<p>M.A. Machris 6-10-62</p> <p>3</p> <p>Norman Gross/4 J.U. Gross et al SW/2</p>	<p>Texas 8-18-63</p>	<p>Texas 8-18-63</p>
<p>Murphy 12690 4-19-70</p> <p>Murphy 11996 4-15-68</p> <p>Murphy 11971 4-10-62</p> <p>7</p> <p>Phillips "H.B.P."</p> <p>Murphy 12419 2-17-69</p> <p>Murphy 12690 4-19-70</p> <p>State</p>	<p>Murphy 11971 4-10-62</p>	<p>Magnolia "H.B.P."</p> <p>14-632 6-10-63</p> <p>Murphy 11969 6-10-62</p> <p>8</p> <p>Murphy 12683 3-15-70</p> <p>J.U. Gross et al S/E2</p> <p>State</p>	<p>Skelly 4-10-62</p> <p>J.M. Kelly 7-20-64</p> <p>Texas 8-18-63</p> <p>9</p> <p>Seaboard Sunray 4-10-62</p> <p>State</p>	<p>Texaco - Seaboard Sunray 2-10-63</p> <p>Skelly 4-10-62</p> <p>Seaboard Sunray 2-10-63</p> <p>Skelly 4-10-62</p>	<p>Texaco - Seaboard Sunray 4-10-63</p> <p>John M. Kelly 2-20-64</p> <p>10</p> <p>Hassie Hunt Tr. 12-15-63</p> <p>State</p>	<p>Phillips "H.B.P."</p>	<p>Texas "H.B.P."</p>
<p>Murphy 12690 4-19-70</p> <p>18</p> <p>Murphy 12419 2-17-69</p> <p>Sunray OG-1208 8-20-67</p> <p>Murphy 12690 4-19-70</p> <p>State</p>	<p>Skelly "H.B.P."</p> <p>Ralph Nix "H.B.P."</p> <p>14074</p>	<p>Seaboard Sunray 3-10-63</p> <p>T.P.C. & O. OG-1028 7-16-67</p> <p>Seaboard Sunray 6-10-63</p> <p>17</p> <p>Superior 2-16-64</p> <p>Seaboard Sunray 3-10-63</p> <p>Gr. Western "H.B.P."</p> <p>State</p>	<p>E.A. Hansen 12-10-60</p> <p>J.H. Kelly 7-20-64</p> <p>Sunray OG-1028 6-10-60</p> <p>16</p> <p>Seaboard Sunray 4-10-63</p> <p>State</p>	<p>Seaboard Sunray 6-10-63</p> <p>Union</p> <p>Amerada S.C.D.</p>	<p>Phillips "H.B.P."</p> <p>15</p> <p>Magnolia</p> <p>Ella N. Sneed</p>	<p>Phillips "H.B.P."</p>	<p>Texas "H.B.P."</p>

PROPOSED UNIT AREA

N.W. CAPROCK AREA
LEA COUNTY, NEW MEXICO

2-8-61

EXHIBIT "B"

Attached to and made a part of Unit Agreement dated _____, 1961, by and between Murphy Corporation, Mobil Oil Company, Union Oil Company of California, Texas Pacific Coal and Oil Company and Amerada Petroleum Corporation, covering the Northwest Caprock Unit, Lee County, New Mexico.

<u>State Lease</u>	<u>Working Interest Owner</u>	<u>Description</u>	<u>Number of Acres</u>	<u>Lease Burden Other Than Basic Royalty</u>	<u>Burden Owner's Name and Address</u>
OG 2277	Murphy Corporation	Township 11 South, Range 32 East Section 32: W/2 SE/4	80.00	None	
E 6124-1	Murphy Corporation	Township 11 South, Range 32 East Section 32: E/2 SE/4	80.00	1/16 of 8/8 GRANT	M. A. Machrie - 1500 Statler Center 900 Wilshire Blvd. - Los Angeles 17, California
OG 1989	Murphy Corporation	Township 12 South, Range 32 East Section 5: Lots 1, 2, 3 and 4 and S/2 NE/4	244.20	None	
E 8548-2	Union Oil Company of California	Township 12 South, Range 32 East Section 5: SE/4 NW/4 Section 6: Lot 1, SE/4 NE/4, SE/4 SE/4	161.17	None	
E 8548-3	Union Oil Company of California	Township 12 South, Range 32 East Section 5: SW/4 NW/4 Section 6: NE/4 SE/4	80.00	None	
E 8418	Texas Pacific Coal and Oil Company	Township 12 South, Range 32 East Section 5: N/2 SW/4	80.00	None	
E 358-1	Amerada Petroleum Corporation	Township 12 South, Range 32 East Section 5: SW/4 SE/4	40.00	None	

<u>State Lease</u>	<u>Working Interest Owner</u>	<u>Description</u>	<u>Number of Acres</u>	<u>Lease Burden Other Than Basic Royalty</u>	<u>Burden Owners Name and Address</u>
OG 2263	Murphy Corporation	Township 12 South, Range 32 East Section 5: SW/4, SE/4 SE/4	200.00	None	
E 7165	Murphy Corporation	Township 12 South, Range 32 East Section 8: NE/4	160.00	7-1/2%	John M. Kelly - P. O. Box 5671 Roswell, New Mexico
B 399-11	Mobil Oil Company	Township 12 South, Range 32 East Section 8: NW/4	160.00	None	
E 6125-1	Murphy Corporation	Township 12 South, Range 32 East Section 7: E/2 NE/4	80.00	1/16 of 8/8 OREI	M. A. Machris - 1500 Stetler Center 900 Wilshire Blvd. - Los Angeles 17, California
E 6260-2	Murphy Corporation	Township 12 South, Range 32 East Section 8: N/2 SE/4	80.00	1/16 of 8/8 OREI	Phyllis A. Colligan and C. L. Milburn 310 Laggett Building - Midland, Texas
B 399-31	Murphy Corporation	Township 12 South, Range 32 East Section 8: N/2 SW/4	80.00	7-1/2%	Leonard Oil Company - P. O. Box 708 Roswell, New Mexico and Estate of William C. Lawrence - c/o R. Bernard Jehnsten, Executor - P. O. Box 915 - Roswell, New Mexico
<u>"INTEREST OF PARTIES"</u>					
			<u>Acres</u>	<u>Percentage</u>	
Murphy Corporation			1,097.95	71.9793	
Union Oil Company of California			263.69	17.2870	
Mobil Oil Company			80.00	5.2446	
Amerada Petroleum Corporation			43.73	2.8668	
Texas Pacific Coal and Oil Company			40.00	2.6223	
Total			1,525.37	100.0000%	