

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 26, 1962

EXAMINER HEARING

-----  
IN THE MATTER OF: )

Application of Aztec Oil & Gas Company )  
for approval of a unit agreement, San )  
Juan County, New Mexico. Applicant, in )  
the above-styled cause, seeks approval )  
of the Aztec Totah-Gallup Unit Agree- )  
ment embracing 2246 acres, more or less )  
of State, Federal and fee lands in Town- )  
ship 29 North, Range 13 West, San Juan )  
County, New Mexico. )  
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Case 2710

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: Case 2710.

MR. DURRETT: Application of Aztec Oil & Gas Company  
for approval of a unit agreement, San Juan County, New Mexico.

MR. MORRIS: Richard Morris, for the law firm of Seth,  
Montgomery, Federici & Andrews, Santa Fe, New Mexico, appearing  
for Aztec Oil and Gas Company. We will have one witness.

(Witness sworn)

KENNETH A. SWANSON

called as a witness, having been first duly sworn, testified as  
follows:

DIRECT EXAMINATION

BY MR. MORRIS:

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Q Mr. Swanson, please state your name and position for the record, please.

A I am Kenneth A. Swanson. I am an attorney employed in the Land Department of Aztec Oil & Gas Company.

Q Mr. Swanson, have you ever testified under oath before the New Mexico Oil Commission at one of its Examiner Hearings?

A No, sir.

Q Are you familiar with the land work of Aztec Oil & Gas Company in the Totah-Gallup area of San Juan County, New Mexico?

A Yes, I am.

Q And are you familiar with the details of the application of the Aztec Oil & Gas Company in this case?

A Yes, I am.

Q Turning your attention backward, for a moment, Mr. Swanson, are you familiar with Case 2483 which was held some time ago before this Commission?

A Yes, I am. That case was heard and an order issued, I think, in February of this year.

Q What did that case cover, and what order entered as a result of the case, and what did the order require?

A That case was Aztec's application for the establishment of a pressure maintenance project in what has been designated as the Aztec Totah-Gallup Oil Pool in San Juan County, New Mexico. After hearing, an order was issued, No. R-2189, on February 21, 1962, approving the pressure maintenance project



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contingent upon the establishment of a unit for that area.

Since there were various ownership and correlative rights, it had to be protected by the creation of a unit.

Q And pursuant to the provision of that order, has a unit been formed in that area?

A Yes, it has.

Q Do you have with you a copy of that unit agreement?

A Yes. I have a fully executed copy of the unit agreement covering the Aztec Totah-Gallup area.

Q Did the other companies have that agreement furnished with your application in that case?

A Three copies were provided the Commission. As to the application for the hearing in that matter, those copies were, however, not executed.

Q Will you briefly describe the form and content of this unit agreement?

A This unit agreement specifically follows the form established by the Geological Survey, and Bureau of the Land Management. Of course, that former exploratory unit, that is the one in which full agreement has not been reached. Certain necessary modifications have been made to conform to the agreement, an arrangement that would fit a pressure maintenance project where the wells had already been drilled.

The agreement provided for the injection of water into the Gallup pay in certain wells, and the production of Gallup oil



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from remaining wells. It is to be effective the first day of the month following its approval by the Commissioner and the Director. It is contemplated that previous to that time it will be approved by the New Mexico Oil Commission Examiner following hearing.

It, of course, substantiates, that is to say, it contains laws and regulations. The rate of production is to be regulated by the applicable State and Federal regulations. These may be further regulated by the Director, such as are not controlled by State or Federal law.

Q Attached to the unit agreement, at the end of the agreement, is there to be found a plat of the unit area?

A Yes. The agreement includes two isopachs represented as a plat of the unit area. The acreage that is covered by that, as shown on that plat and as included in the unit area, is exactly the same as that that was included in the proposed unit area presented to the Commission in Case 2483, which was our application for approval of the pressure maintenance project. There are fee lands, state lands, and federal lands included in this unit area.

Q Who are the owners of the working interests in this unit area?

A There are three working interests. Aztec owns the majority of the working interest, approximately 92.4%. Texaco, Inc. owns approximately 1%, and Elliott, Inc. owns about 6.6%.

Q Have all of these working interests executed the



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working unit agreement?

A Yes. Texaco, Inc., Aztec, and Elliott have executed the unit agreement.

Q Have all the owners of royalty and overriding royalty interests in the unit ratified the agreement?

A All the individual owners of royalty interests have ratified the unit agreement. I believe it will be noted that the only parties that have actually signed the unit agreement are the working interest owners.

Copies of the unit agreement with ratification forms have been submitted to all parties owning interest of any nature in the unit area. As I stated, all individuals owning royalty interests have ratified the unit agreement. All individuals owning overriding royalty interests, with the exception of two individuals, a husband and wife, have also ratified it.

Q This husband and wife you referred to, what is their interest?

A Their interest would be something less than 1/10 of 1% of the unit production. It applies to the tracts one, two, and three which are fee tracts at the North end of the unit area.

There is one well, the State C-1, located on one of these tracts. At this time, that well is of low productive capacity. However, we do anticipate that we will be able to secure the ratification of these two individuals.

Q Do the royalty owners in this unit include the Federal



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and State Government?

A Yes. The state land comprises about 7.12% of the unit area. Of course, the state owns the royalty. Under these plans, the federal land includes about 74.5% of the unit area, and there again, the Federal Government would be the recipient of any royalty interests.

Q Has the unit agreement been submitted to the U.S.G.S. for its agreement?

A Yes. We have already submitted the unit agreement to the United States Geological Survey quite some time ago. After discussion and meetings, the form was changed somewhat and received their tentative approval. As to form, they have previously approved it. As to area, at that time we secured their approval of the participation formula that would apply to the unit area.

It was then forwarded by the Roswell office to the Washington office of the Geological Survey. Here it acquired some additional changes, all of which, I think, have been incorporated in the unit agreement. I have with me executed copies by the working interest owners.

Q And has the unit agreement been submitted to the Commissioner of Public Lands for the State of New Mexico for approval?

A Yes. Roughly, the same procedures were followed with respect to the State Land Office. They were advised of the modifications that had been effected by the various concerns, by



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the Geological Survey. We did receive tentative approval from the Land Commissioner's Office as to the form of the unit agreement, the area and participation. At this time, we have submitted executed copies to the State Land Office for final approval.

Q Assuming that final approval will be given by the State and Federal Governments to this unit, what percentage of all working interest, royalty interests and overriding interests will, at that time, be committed to the unit?

A Well, on that assumption, there is now committed 99.99% of all interests to the unit agreement. The only interest not committed is the husband and wife that was mentioned. We have every hope of obtaining their ratification as well, but if we have no success, we would have 99.99% commitment.

Q The unit agreement calls -- has a standard provision in it for subsequent joinder; does it not?

A Yes, it does.

Q Does the unit agreement also provide for a plan of operation dealing with secondary recovery projects in the area?

A Yes. I believe paragraph R, article 12 of the unit agreement requires that a plan of operation be filed concurrently with the submitting of the unit agreement for final approval with the Geological Survey and the State Land Office for approval.

Q And has a plan of operation previously been furnished to this Commission as well as to the U.S.G.S. and the State Land Commissioner for approval?



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A Yes. All three bodies have been furnished copies of the plan for approval.

Q And would that plan be applicable to the operation of the unit after it becomes effective?

A Yes, it would.

Q Would you briefly review that plan of operation, please?

A The plan of operation merely sets out the general procedure to be followed in the operation that we hope to obtain in this pressure maintenance project.

Our aim from the very beginning has been to commence the injection of water into the pay at the earliest possible day. Certain reservoir characteristics exist that compel the operation as soon as possible. The more delay that occurs, the less chance of reaching a maximum recovery is to be expected.

The project will be operated in accordance with rules and regulations that were set out in Order No. R-2189 issued by the Commission with respect to our application for approval of our pressure maintenance project.

There are five wells that are proposed as initial injection wells: The Smith C-1 located in the Southwest Quarter of the Southeast Quarter, Section 18, Township 29 North, Range 13 West; the Hagood No. 28-G in the Northeast Quarter of the Northwest Quarter of Section 30, Township 29 North, Range 13 West. All these wells are in the same Township and Range. The Hagood No. 16-G in the Northeast Quarter of the Southeast Quarter of Section





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29; the Hagood No. 27-G in the Northeast Quarter of the Southwest Quarter of Section 19; the Hagood No. 7-G in the Northeast Quarter of the Northeast Quarter of Section 29.

We have drilled some shallow wells in the Northeast Quarter of the Southeast Quarter of Section 20 in the same Township and Range along the bank of the San Juan River which we hope will provide water for injection into the pay.

The co-operative water injection agreement has been executed with Pan American Petroleum Corporation who is operating a project in the area immediately to the west of this one for an applicable water injection along the unit's west boundary. Pan American proposes to inject into the Pan American No. 2 Navajo H located in the Northeast Quarter of the Northeast Quarter of Section 24 in Township 29 North, Range 14 West.

A similar agreement has been negotiated with Tenneco Oil Company for co-operative and equitable water injection along the east boundary. Tenneco proposes to inject into the Tenneco No. 1, Hagood-Federal located in the Southwest Quarter of the Southwest Quarter of Section 21, Township 29 North, Range 13 West. Also into Tenneco No. 18 Callow-Federal located in the Southeast Quarter of the Northwest Quarter, Section 28, Township 29 North, Range 13 West, and through their Tenneco No. 19 Callow-Federal, located in the Southwest Quarter of the Southwest Quarter, Section 28, Township 29 North, Range 13 West.

These co-operative water injection agreements, we plan to



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become effective upon approval of the units that are involved. This plan would be in effect until December 31, 1963, as anticipated, that will continue thereafter with further modifications. Now, this plan of operation covers substantially the same matter that was discussed in the Case 2483, our application for a pressure maintenance project.

Q What action, if any, do you ask that the Commission take with respect to this plan?

A The Commission has been asked to approve it, although approval is not required by the terms of the unit agreement. In asking the Commission for approval to the unit agreement, we want to be sure that they were advised as required by the unit agreement. The plan of operation had been submitted for approval to the Commissioner and the Supervisor, and we also want the Commission to be advised that the plans that we have with respect to our pressure maintenance project have not changed in any appreciable degree.

We have a little more information now. We have accumulated a little more knowledge than we had at that time, and we want them to know exactly what the status was, and definitely what our plan of operation was. We had hoped to have the Commission approve the operation if they felt such procedure was proper.

MR. MORRIS: That concludes the Applicant's case. We would like to offer at this time an executed copy of the unit agreement which customarily is called for in the Commission Order.



Thank you.

MR. NUTTER: Thank you, Mr. Morris. Does anyone have any questions of Mr. Swanson?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Swanson, is the unit area indicated for the project area outlined in the Order No. R-2189?

A Yes, it is.

Q Are these five injection wells referred to on the unit agreement the same wells?

A Yes, sir. They are.

Q Now, some while back, Mr. Swanson, we received a letter from Mr. L. N. Hagood, and he enclosed a carbon copy of a letter addressed to you, the date of it being June 1, 1962. Mr. Hagood called attention to what he reports to be certain errors in the unit agreement and asked that the Commission not approve the unit agreement unless such errors had been corrected. Mr. Hagood has been consulted. We have been notified that Mr. Hagood has ratified the unit agreement.

A The changes -- I don't recall exactly what they were in that letter. It, however -- the date of the letter was prior to the changes in the unit agreement to conform it to the request of the Geological Survey Office in Washington. Mr. Hagood has been furnished a copy of the final form of the unit agreement, and that is the unit agreement which he ratified. By his ratifying

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it, I assume that, of course, he has no further objection to either its terms or its approval.

MR. MORRIS: Mr. Swanson, if I might interrupt, you testified earlier to the working interest that have actually signed the unit agreement?

A Yes.

MR. MORRIS: The signature of royalty owners and overriding royalty owners who have joined are by way of ratification?

A Yes. We would be happy to furnish executed copies of that ratification to the Commission.

Q (By Mr. Nutter) Do you know the date that Mr. Hagood ratified the unit agreement?

A Mr. Hagood was the last individual to ratify. If my memory serves me, that was approximately November 18.

Q Among the things that he noted in here, you had his wife's name wrong.

A It's Mary instead of Margaret.

Q I think that has been corrected.

A In full.

Q He also had some question as to the percentage of interest of the Brookhaven and the decrease in the corporation tracts. Those plans have been taken to them where they were determined?

A Yes.

Q Now, I notice in the schedule, no joinder in the back here where working interests signed, you've got a place for

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Tenneco Corporation. Is Tenneco a working interest owner here?

A No, sir. That was simply a goof in the form of the unit agreement that was first furnished to the U.S.G.S. It was based on an isopach map which would give some small credit to a tract owned by Tenneco Oil Company. They were considering it.

The form that was sent to the Roswell office; they had some question concerning the isopach map. It was recontoured to conform with, more or less, their ideas of contents to sand. That recontouring cut out the very minute interest that Tenneco would have had. By mistake, the signature line was included by one of our secretaries when this unit agreement was typed again for this final time, and I didn't catch it. It was executed by all the persons, and we didn't want to go through the process of executing it again, so we just lined out that.

Q So are the only three working units Aztec, Texaco, and Elliott?

A That's correct.

Q You stated that the U.S.G.S. had been served a copy of that unit agreement; have they given their approval as to the content and form of the agreement?

A They have.

Q Has the Commissioner of Public Lands done likewise?

A Both have given approval of the form and have advised that executed copies in that form would be approved. Now, there is an executed copy in the State Land Office at this time for



final approval. The Geological Survey stated that they would not approve it until such time as it has been approved by the Commission. We have not submitted it to them, but we do contemplate doing that as soon as the State approval is obtained.

MR. NUTTER: Are there any further questions? Mr. Swanson, you may be excused.

(Witness excused)

MR. NUTTER: Do you have anything more, Mr. Morris?

MR. MORRIS: No.

MR. NUTTER: Does anybody have anything, any questions, in Case 2710? We'll take the case under advisement, and the hearing is adjourned.

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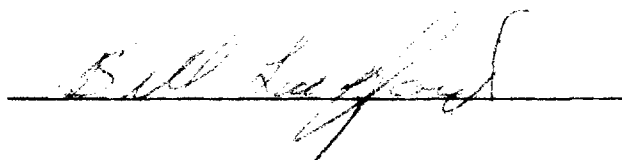


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COUNTY OF SANTA FE )

ss

I, BILL LANGFORD, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.



I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2710, heard by me on 11/26, 1962.

, Examiner  
New Mexico Oil Conservation Commission



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Q Mr. Swanson, please state your name and position for the record, please.

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Q Mr. Swanson, have you ever testified under oath before the New Mexico Oil Commission at one of its Examiner Hearings?

A No, sir.

Q Are you familiar with the land work of Aztec Oil & Gas Company in the Totah-Gallup area of San Juan County, New Mexico?

A Yes, I am.

Q And are you familiar with the details of the application of the Aztec Oil & Gas Company in this case?

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Q Who are the owners of the working interests in this unit area?

A There are three working interests. Aztec owns the majority of the working interest, approximately 92.4%. Texaco, Inc. owns approximately 1%, and Elliott, Inc. owns about 6.6%.

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A Their interest would be something less than 1/10 of 1% of the unit production. It applies to the tracts one, two, and three which are fee tracts at the North end of the unit area.

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A Yes. All three bodies have been furnished copies of the plan for approval.

Q And would that plan be applicable to the operation of the unit after it becomes effective?

A Yes, it would.

Q Would you briefly review that plan of operation, please?

A The plan of operation merely sets out the general procedure to be followed in the operation that we hope to obtain in this pressure maintenance project.

Our aim from the very beginning has been to commence the injection of water into the pay at the earliest possible day. Certain reservoir characteristics exist that compel the operation as soon as possible. The more delay that occurs, the less chance of reaching a maximum recovery is to be expected.

The project will be operated in accordance with rules and regulations that were set out in Order No. R-2189 issued by the Commission with respect to our application for approval of our pressure maintenance project.

There are five wells that are proposed as initial injection wells: The Smith C-1 located in the Southwest Quarter of the Southeast Quarter, Section 18, Township 29 North, Range 13 West; the Hagood No. 28-G in the Northeast Quarter of the Northwest Quarter of Section 30, Township 29 North, Range 13 West. All these wells are in the same Township and Range. The Hagood No. 16-G in the Northeast Quarter of the Southeast Quarter of Section



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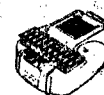
29; the Hagood No. 27-G in the Northeast Quarter of the Wouthwest Quarter of Section 19; the Hagood No. 7-G in the Northeast Quarter of the Northeast Quarter of Section 29.

We have drilled some shallow wells in the Northeast Quarter of the Southeast Quarter of Section 20 in the same Township and Range along the bank of the San Juan River which we hope will provide water for injection into the pay.

The co-operative water injection agreement has been executed with Pan American Petroleum Corporation who is operating a project in the area immediately to the west of this one for an applicable water injection along the unit's west boundary. Pan American proposes to inject into the Pan American No. 2 Navajo H located in the Northeast Quarter of the Northeast Quarter of Section 24 in Township 29 North, Range 14 West.

A similar agreement has been negotiated with Tenneco Oil Company for co-operative and equitable water injection along the east boundary. Tenneco proposes to inject into the Tenneco No. 1, Hagood-Federal located in the Southwest Quarter of the Southwest Quarter of Section 21, Township 29 North, Range 13 West. Also into Tenneco No. 18 Callow-Federal located in the Southeast Quarter of the Northwest Quarter, Section 28, Township 29 North, Range 13 West, and through their Tenneco No. 19 Callow-Federal, located in the Southwest Quarter of the Southwest Quarter, Section 28, Township 29 North, Range 13 West.

These co-operative water injection agreements, we plan to





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become effective upon approval of the units that are involved. This plan would be in effect until December 31, 1963, as anticipated, that will continue thereafter with further modifications. Now, this plan of operation covers substantially the same matter that was discussed in the Case 2483, our application for a pressure maintenance project.

Q What action, if any, do you ask that the Commission take with respect to this plan?

A The Commission has been asked to approve it, although approval is not required by the terms of the unit agreement. In asking the Commission for approval to the unit agreement, we want to be sure that they were advised as required by the unit agreement. The plan of operation had been submitted for approval to the Commissioner and the Supervisor, and we also want the Commission to be advised that the plans that we have with respect to our pressure maintenance project have not changed in any appreciable degree.

We have a little more information now. We have accumulated a little more knowledge than we had at that time, and we want them to know exactly what the status was, and definitely what our plan of operation was. We had hoped to have the Commission approve the operation if they felt such procedure was proper.

MR. MORRIS: That concludes the Applicant's case. We would like to offer at this time an executed copy of the unit agreement which customarily is called for in the Commission Order.



Thank you.

MR. NUTTER: Thank you, Mr. Morris. Does anyone have any questions of Mr. Swanson?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Swanson, is the unit area indicated for the project area outlined in the Order No. R-2189?

A Yes, it is.

Q Are these five injection wells referred to on the unit agreement the same wells?

A Yes, sir. They are.

Q Now, some while back, Mr. Swanson, we received a letter from Mr. L. N. Hagood, and he enclosed a carbon copy of a letter addressed to you, the date of it being June 1, 1962. Mr. Hagood called attention to what he reports to be certain errors in the unit agreement and asked that the Commission not approve the unit agreement unless such errors had been corrected. Mr. Hagood has been consulted. We have been notified that Mr. Hagood has ratified the unit agreement.

A The changes -- I don't recall exactly what they were in that letter. It, however -- the date of the letter was prior to the changes in the unit agreement to conform it to the request of the Geological Survey Office in Washington. Mr. Hagood has been furnished a copy of the final form of the unit agreement, and that is the unit agreement which he ratified. By his ratifying

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it, I assume that, of course, he has no further objection to either its terms or its approval.

MR. MORRIS: Mr. Swanson, if I might interrupt, you testified earlier to the working interest that have actually signed the unit agreement?

A Yes.

MR. MORRIS: The signature of royalty owners and overriding royalty owners who have joined are by way of ratification?

A Yes. We would be happy to furnish executed copies of that ratification to the Commission.

Q (By Mr. Nutter) Do you know the date that Mr. Hagood ratified the unit agreement?

A Mr. Hagood was the last individual to ratify. If my memory serves me, that was approximately November 18.

Q Among the things that he noted in here, you had his wife's name wrong.

A It's Mary instead of Margaret.

Q I think that has been corrected.

A In full.

Q He also had some question as to the percentage of interest of the Brookhaven and the decrease in the corporation tracts. Those plans have been taken to them where they were determined?

A Yes.

Q Now, I notice in the schedule, no joinder in the back here where working interests signed, you've got a place for

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Tenneco Corporation. Is Tenneco a working interest owner here?

A No, sir. That was simply a goof in the form of the unit agreement that was first furnished to the U.S.G.S. It was based on an isopach map which would give some small credit to a tract owned by Tenneco Oil Company. They were considering it.

The form that was sent to the Roswell office; they had some question concerning the isopach map. It was recontoured to conform with, more or less, their ideas of contents to sand. That recontouring cut out the very minute interest that Tenneco would have had. By mistake, the signature line was included by one of our secretaries when this unit agreement was typed again for this final time, and I didn't catch it. It was executed by all the persons, and we didn't want to go through the process of executing it again, so we just lined out that.

Q So are the only three working units Aztec, Texaco, and Elliott?

A That's correct.

Q You stated that the U.S.G.S. had been served a copy of that unit agreement; have they given their approval as to the content and form of the agreement?

A They have.

Q Has the Commissioner of Public Lands done likewise?

A Both have given approval of the form and have advised that executed copies in that form would be approved. Now, there is an executed copy in the State Land Office at this time for



final approval. The Geological Survey stated that they would not approve it until such time as it has been approved by the Commission. We have not submitted it to them, but we do contemplate doing that as soon as the State approval is obtained.

MR. NUTTER: Are there any further questions? Mr. Swanson, you may be excused.

(Witness excused)

MR. NUTTER: Do you have anything more, Mr. Morris?

MR. MORRIS: No.

MR. NUTTER: Does anybody have anything, any questions, in Case 2710? We'll take the case under advisement, and the hearing is adjourned.

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CERTIFICATE

STATE OF NEW MEXICO )  
 ) SS  
 COUNTY OF SANTA FE )

I, BILL LANGFORD, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

Bill Langford

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2710, heard by me on 11-26, 1962.

[Signature], Examiner  
 New Mexico Oil Conservation Commission

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE 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. 2710  
Order No. R-2383

APPLICATION OF AZTEC OIL & GAS COMPANY  
FOR APPROVAL OF THE AZTEC TOTAH-GALLUP  
UNIT AGREEMENT, SAN JUAN COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 26, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 30th day of November, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Aztec Oil & Gas Company, seeks approval of the Aztec Totah-Gallup Unit Agreement covering 2,246.16 acres, more or less, of Federal, State and Fee lands in Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(3) That approval of the proposed Aztec Totah-Gallup Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Aztec Totah-Gallup Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

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CASE No. 2710  
Order No. R-2383

development and operation of the Aztec Totah-Gallup Unit Area, and such plan shall be known as the Aztec Totah-Gallup Unit Agreement Plan.

(3) That the Aztec Totah-Gallup Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Aztec Totah-Gallup Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

SAN JUAN COUNTY, NEW MEXICO  
TOWNSHIP 29 NORTH, RANGE 13 WEST  
Section 18: SE/4, E/2 SW/4, and  
                    Lots 3 and 4  
Section 19: E/2, E/2 W/2, and  
                    Lots 1, 2, 3, and 4  
Section 20: W/2, SE/4 NE/4, and SE/4  
Section 29: All  
Section 30: NE/4, N/2 SE/4, E/2 NW/4,  
                    and Lots 1 and 2

containing 2,246.16 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Aztec Totah-Gallup Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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



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CASE No. 2710  
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of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

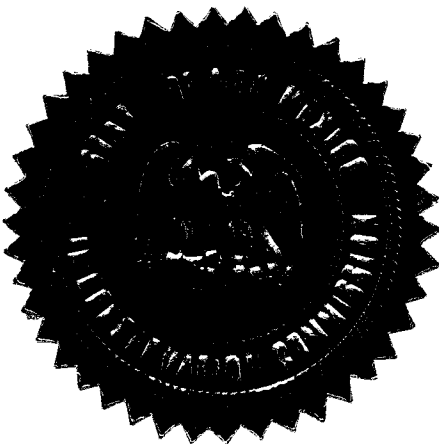
(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary

esr/