

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE AZTEC ROBINSON WATERFLOOD UNIT AREA  
COUNTIES OF LEA AND EDDY  
STATE OF NEW MEXICO

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Appl</i>	EXHIBIT NO. <u>1</u>
CASE NO.	<u>2734</u>

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UNIT AGREEMENT

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THIS AGREEMENT, entered into as of the 1st day of October, 1962, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H :

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature, (Sec. 3, Chapter 88, Laws of 1943, as amended by Sec. 1 of Chapter 162, Laws of 1951) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and,

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 unitized development and operation of State lands; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1951, and Chapter 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interest in the Robinson Waterflood 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 institute a program of waterflood operations 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 Unit Area, insofar as such interests pertain to the development and production of Unitized Substances from the Unitized Formation, all defined below, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS

The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid, pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder, or valid pertinent and reasonable regulations hereafter issued thereunder, are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement, and as to non-federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-federal land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA

The Unit Area specified on the map attached hereto marked Exhibit "A", containing 682.48 acres, more or less, is recognized as constituting the Aztec Robinson Waterflood Unit Area and is hereinafter referred to as "Unit Area".

3. EXHIBITS

Exhibit "A" shows, in addition to the boundary of the Unit Area, 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 Unit Operator, the acreage, percentage and kind of ownership of oil and gas interests and the percentage of participation each Tract has 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, and at least two copies of such revisions shall be filed with the Commissioner of Public Lands, hereinafter referred to as "Commissioner", and not less than six copies thereof shall be filed with the Supervisor, Branch of Oil & Gas Operations of the Conservation Division of the Geological Survey, hereinafter referred to as "Supervisor".

#### 4. EXPANSION

The above described Unit Area may, when practicable, be expanded in conformity with the provisions of this agreement 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) The Working Interest Owner or Owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the Unit Participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owner's meeting or otherwise), if at least two or more Working Interest Owners owning in the aggregate seventy-five per cent (75%) of the voting interest, as hereinafter defined, have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the Unit Participation to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the Commissioner, the Supervisor and mail a copy of such notice to the last known address of each Working Interest Owner, lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period, as set out in Item 2 immediately above, with the Commissioner and the Supervisor the following: (a) Evidence of mailing said notice of expansion and a copy

of any objection thereto; (b) An application, in sufficient number, of such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirement of Section 33, Non-Joinder and Subsequent Joinder, hereof.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner and the Director of the U. S. Geological Survey, herein referred to as "Director", become effective as of the date prescribed in the notice thereof or on such other more appropriate date as may be set by the Commissioner and the Director in the order or instrument approving such expansion.

#### 5. DEFINITIONS

(a) The term "Unitized Formation" shall mean those portions of the Grayburg and San Andres formations underlying the Unit Area which include the stratigraphic interval occurring between a point one hundred and fifty feet (150') above the top of the San Andres formation and a point one hundred and fifty feet (150') below the top of the San Andres formation, the top of which formation being identifiable at a depth of 3,892 feet on the Lane Wells Radioactivity Log dated August 24, 1959 of the Aztec-Federal "R" #3 well located 990 feet from the north line and 1,730 feet from the west line of Section 31, T-16-S, R-32-E, Lea County, New Mexico.

(b) The term "Unitized Substances" shall mean all oil and gas (including condensate, casinghead gas and any substances contained in gas and casinghead gas) in and which may be produced from the Unitized Formation.

(c) "Working Interest" is defined as an interest committed hereto which is obligated to bear or share a portion of the costs and expenses of drilling, developing, producing and operating the unitized land under this agreement and the Unit Operating Agreement. "Working Interest Owner" is defined as the owner of such an interest including a carried working interest.

(d) "Royalty Interest" is defined as an interest committed hereto which is not obligated to bear or share a portion of the costs and expenses of drilling, developing, producing and operating the unitized land under this agreement and the Unit Operating Agreement. "Royalty Owner" is defined as the owner of such an interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8ths) of his interest in Unitized Substances, and as a Royalty Owner

with respect to his remaining one-eighth (1/8th) interest therein.

(e) "Unit Operating Agreement" means the agreement entitled "Unit Operating Agreement, Aztec Robinson Waterflood Unit Area" of the same effective date as this agreement entered into by the Working Interest Owners.

(f) "Unit Operator" is defined as the Working Interest Owner designated under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

(g) "Tract Participation" is defined as the percentage shown on Exhibit "B" for allocating Unitized Substances to a Tract under this agreement.

(h) "Tract" is defined as each parcel of land described as such and given a Tract number in Exhibit "B".

#### 6. UNITIZED LAND AND UNITIZED SUBSTANCES

All land committed to this agreement shall constitute land referred to herein as "Unitized Land". All oil and gas (including condensate, casing-head gas and any substances contained in gas and casinghead gas) in and which may be produced from the Unitized Formation are unitized under the terms of this agreement and herein are called "Unitized Substances".

#### 7. UNIT OPERATOR

Aztec Oil & Gas Company is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the development operation 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 an interest 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 interest is owned by it.

#### 8. RESIGNATION OR REMOVAL OF UNIT OPERATOR

Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners, the Commissioner and the Supervisor, until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Supervisor as to Federal lands and by the Commissioner

as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The resignation of Unit Operator shall not release Unit Operator from any liability or default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Supervisor.

In all such instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of Unit Operator and shall, not later than 30 days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interests 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 common agent 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 or appurtenances needed for the preservation of any wells.

#### 9. SUCCESSOR UNIT OPERATOR

Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator. Such selection may be made at a meeting called on no less than fourteen (14) days advance written notice accompanied by an agenda including the selection of a successor Unit Operator, or such selection may be made by polling the Working Interest Owners as provided in Article 4.3.4, Poll Votes, of the Unit Operating

Agreement. Such selection shall be determined by the affirmative vote of one or more of the parties owning singly or in the aggregate seventy-five (75%) or more of the voting interest as determined in Article 4.3.1, Voting Interest, of the Unit Operating Agreement. 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 filed with the Commissioner and the Supervisor. If no successor Unit Operator is selected and qualified as herein provided, the Director and the Commissioner may declare this Unit Agreement terminated at their election.

#### 10. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT

All costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the Working Interest Owners, all in accordance with the Unit Operating Agreement entered into by and between the Unit Operator and the Working Interest Owners, separately or collectively. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated shares of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such rights and obligations as between Unit Operator and the Working Interest Owners may be agreed upon by the Unit Operator and the Working Interest Owners. However, the Unit Operating Agreement shall not be deemed either to modify 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 an inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Three true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Supervisor and two true copies shall be filed with the Commissioner prior to approval of the Unit Agreement.

#### 11. 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, including surface rights, which are necessary or convenient for the prospecting for, producing, storing, allocating and distributing of the unitized substances, are hereby granted and 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, lease, royalty interest, owrking interest, operating agreement or communitization 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.

Unit Operator shall not be liable to the parties hereto for damages resulting from or attributable to unit operations unless such damage results from the gross negligence or willful misconduct of Unit Operator.

## 12. PLAN OF OPERATIONS

It is recognized and agreed by the parties hereto that the object and purpose of this Unit Agreement is to formulate and to put into effect a pressure maintenance project for the unitized land in order to effect the greatest economic recovery of unitized substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of the Working Interest Owners, the Supervisor and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas and any one or more other substances whether produced from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods.

Concurrently with the filing of this agreement for final approval, Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of operations for the Unit Area which, when approved, shall constitute the operating obligations of the Unit Operator under this Unit Agreement for the period specified therein. Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operations; said plan or plans shall be modified or supplemented when necessary to meet changed conditions. Reasonable diligence shall be exercised in complying with the obligations of any approved plan of operation.

Notwithstanding anything to the contrary herein contained, excepting Section 30, Unavoidable Delay, the Unit Operator shall commence pressure

maintenance operations within six (6) months after the effective date of this Unit Agreement or any extensions thereof approved by the Commissioner and the Supervisor or this Unit Agreement shall terminate automatically, in which event Unit Operator shall notify all interested principals. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

### 13. TRACT PARTICIPATION

In Exhibit "B", attached hereto, there are listed and numbered the various Tracts within the Unit Area and set forth opposite each Tract is a figure which represents the Tract Participation allocated to each Tract in the proportion that the number of surface acres in such Tract bears to the total number of surface acres in the Unit Area.

### 14. TRACTS QUALIFIED FOR UNIT PARTICIPATION

On and after the effective date hereof, the Tracts within the Unit Area which shall be entitled to participate in the production of Unitized Substances therefrom shall be the Tracts described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those Tracts as to which Working Interest Owners owning 100% of the working interest in said Tract and Royalty Owners owning 100% of the royalty have executed this agreement; and

(b) Each and all of those Tracts as to which Working Interest Owners owning not less than 75% of the working interest therein, regardless of the percentage of Royalty Interest therein that is committed hereto, have executed this agreement, and in which the Working Interest Owners in said Tract who have executed this agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to the Working Interest Owners qualified under (a) against any or all claims and demands that may be made by the nonjoining Working Interest Owners and/or Royalty Owners on account of the qualification and participation of such Tract in the Unit Area and the operation of the Unitized Land on the basis herein provided, and as to which at least two or more Working Interest Owners owning in the aggregate seventy-five per cent (75%) of the voting interest qualified under (a), exclusive of the Working Interest Owner submitting such Tract, have approved the qualification and participation of such Tract in the Unit Area. Upon the qualification of such a Tract, the share of the Tract Participation that would have been attributed to the nonsubscribing

owners in such Tract had they become parties to this agreement, and, in the case of Working Interest Owners, the Unit Operating Agreement, shall be attributed, in the case of a nonsubscribing royalty owner, to the Working Interest Owner whose interest is subject thereto, and, in all other cases, to the Working Interest Owners in such Tract in proportion to their respective Working Interests in the Tract.

If on the effective date of this agreement there is any Tract or Tracts which have not been effectively committed to or made subject to this agreement by qualifying as above provided, then such Tract or Tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this agreement for final approval by the Commissioner and the Director, or as soon thereafter as practicable, file therewith a schedule of those Tracts which have been committed and made subject to this agreement and are entitled to participate in the production hereunder. Said schedule shall set forth opposite each such committed Tract the lease number, assignment number, the owner of record and Tract Participation of each qualified Tract which shall be computed according to the participation formula set out above. This schedule shall be a part of Exhibit "B" and upon approval thereof by the Commissioner and the Supervisor, shall become a part of this agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner and the Supervisor or the Director. In any such new schedule, the Tract Participations of the previously qualified Tracts shall remain in the same ratio one to the other.

#### 15. ALLOCATION OF UNITIZED SUBSTANCES

All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices within the Unit Area for drilling, operating, camp, and other production, waterflood or development purposes or unavoidably lost) shall be apportioned among and allocated to the several qualified Tracts within the Unit Area in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the Participation Schedule of Exhibit "B". The amount of Unitized Substances so allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract shall, for all intents, uses and purposes, be deemed to have

been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to the parties executing, consenting to or ratifying this agreement entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tracts, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect.

No Tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any Tract.

If the Working Interest and the Royalty Interest in any Tract are divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Tract Participation assigned to such Tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as he sees fit. Such party shall have the right to construct, maintain and operate on the Unitized Land all necessary facilities for that purpose, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind or by the party chargeable therewith under the terms of the applicable lease. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of

such party in order to avoid curtailing the operation of the Unitized Land, may sell or otherwise dispose of such production on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received the same. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalties, overriding royalties, oil payments, net profit contracts, and all payments out of or burdens on the lease or leases and Tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such royalties, overriding royalties, oil payments, net profit contracts, and other payments out of or burdens on the lease or leases and Tracts contributed by it to the Unitized Land.

If after the effective date of this agreement, there is any Tract or Tracts that are subsequently committed hereto, as above described in Section 4, Expansion, or any Tract or Tracts within the Unit Area not effectively committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 33, Nonjoinder and Subsequent Joinder, or if any Tract is excluded from the Unit Area as provided in Section 32, Loss of Title, the schedule of participation as shown in Exhibit "B" shall be revised by the Unit Operator to show the new Tract Participations of all the then effectively committed and qualified Tracts, and the revised Exhibit "B", upon approval by the Commissioner and the Supervisor or Director, shall govern the allocation of production from and after the effective date thereof until a new schedule is so approved.

#### 16. OIL IN LEASE TANKS

Unit Operator shall gauge all lease and other tanks on the Unitized Land to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account

of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after the effective date hereof.

If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

#### 17. ROYALTY SETTLEMENT

All royalty owners, who, under existing contracts, are entitled to take in kind a share of the Unitized Substances produced from any Tract, shall hereafter be entitled to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month, for Unitized Substances produced during the preceding calander month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases except that said royalties shall be computed in accordance with the terms of this agreement.

If gas obtained from lands not subject to this agreement is introduced into the Unitized Land for use in waterflood operations, pressure maintenance, stimulation of production or increasing ultimate recovery in conformity with a plan of operation approved by the Supervisor, a like amount of gas, less appropriate deductions for loss 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 pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this agreement. If liquefied petroleum gases obtained from lands or

formations not subject to this agreement be injected into the Unitized Land for the purpose of increasing ultimate recovery, part or all of such liquified petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor.

#### 18. RENTAL SETTLEMENT

Rental or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases.

#### 19. REPORTS

Unit Operator shall furnish the Commissioner and the Supervisor monthly injection and production reports for each well in the Unit, as well as periodical reports of the development and operation of the Unit Area.

#### 20. 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.

#### 21. DRAINAGE

The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this agreement.

#### 22. DRILLING OTHER THAN TO UNITIZED FORMATIONS

In the drilling of any well after the effective date hereof to a zone or strata underlying the Unitized Formation, sufficient casing or other means as may be approved by the Working Interest Owners shall be utilized to properly seal off and protect the Unitized Formation.

#### 23. LEASES AND CONTRACTS CONFORMED AND EXTENDED

The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary of the Interior, herein referred to as

"Secretary", and the Commissioner shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases respectively committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations including secondary recovery operations performed hereunder upon any tract of Unitized Land will be accepted and deemed to be performed upon and for the benefit of each and every Tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

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

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States committed to this agreement which, by its terms, might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease committed to this Unit Plan embracing lands that are in part within and in part outside of the area covered by such plan shall be segregated as to (1) the lands lying inside the Unit Area as of the effective date hereof, and (2) the lands lying outside said Unit Area.

(f) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to that portion committed and that portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof, provided, however, that notwithstanding any of the provisions of this agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this agreement, or, so long as a portion of the Unitized Substances produced from this Unit Area is, under the terms of this agreement, allocated to the portion of the lands covered by such lease committed to this agreement, or at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking or pressure maintenance operations on any part of the lands embraced in such lease, then 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 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 or gas in paying quantities is being produced from any portion of said lands.

#### 24. 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 interest subject hereto shall be binding upon the 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; and no assignment or transfer of any royalty interest shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, photostatic or certified copy of the instrument of transfer.

#### 25. EFFECTIVE DATE AND TERM

This agreement shall become effective upon approval by the Commissioner

and the Director or their duly authorized representative, as of the first day of the month following the date of approval by the Director, and shall remain in effect so long as Unitized Substances can be produced from the Unitized Land in paying quantities, i.e., in this particular instance, in quantities sufficient to pay for the cost of producing same, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production and so long thereafter as such Unitized Substances can be produced as aforesaid. This agreement shall remain in effect during any period of suspension as provided for in Section 23(c) hereof.

This agreement may be terminated at any time by at least two or more Working Interest Owners whose voting interests aggregate not less than seventy-five per cent (75%), subject to the approval of the Commissioner and the Director; notice of any such approval shall be given by Unit Operator to all parties hereto.

#### 26. RATE OF PRODUCTION

The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

#### 27. APPEARANCES

Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the

regulations of said Department, Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department, Commissioner or Commission, or other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

#### 28. 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 or certified 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.

#### 29. NO WAIVER OF CERTAIN RIGHTS

Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Land is located or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, that each party hereby covenants that during the existence of this agreement, it will not resort to any action to partition the Unit Area or unit equipment and to that extent waives the benefits of all laws authorizing such partition.

#### 30. UNAVOIDABLE DELAY

All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to produce Unitized Substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

#### 31. NONDISCRIMINATION

In connection with the performance of work under this agreement, Unit Operator agrees to comply with the nondiscrimination provisions of Sec. 301(1)-

(7) of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference to this agreement.

### 32. LOSS OF TITLE

In the event title to any Tract of Unitized Land shall fail so as to make such Tract not subject to this agreement, and the true owner cannot be induced to join in this Unit Agreement, such Tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title or the surrender of such lease. In the event of a dispute as to the title to any royalty, working interest or other interest subject thereto and in the absence of a written agreement providing for the disposition of the proceeds between the parties to the dispute, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled, provided that as to Federal and State land no payment of funds due the United States or the State shall be withheld but such funds shall be deposited as directed by the Supervisor or the Commissioner, respectively, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with the final settlement.

Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

In order to avoid title failures which might incidentally cause the title to a Working Interest or interests to fail, the owners of (a) the surface rights to lands lying within the Unit Area, (b) severed minerals or royalty interests in said lands, and (c) improvements located on said land but not utilized for unit operations, shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or owners or in the Unit Operating Agreement. If any ad valorem taxes are not paid by such owners responsible therefor when due, the Unit Operator, subject to the approval of the Working Interest Owners, may, at any time prior to tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. In the event the Unit Operator makes any such payment or redeems any such property from tax sale, the Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective percentages of participation; and the Unit Operator shall withhold from the proceeds otherwise

due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholdings to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption.

### 33. NON-JOINDER AND SUBSEQUENT JOINDER

If the owner of any interest in a Tract within the Unit Area fails or refuses to subscribe or consent in writing to this agreement, such Tract shall not be deemed committed to this agreement unless such Tract may be and is qualified as provided in Section 14, Tracts Qualified for Unit Participation, hereof. Joinder in the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for the interest to be regarded as effectively committed to this Unit Agreement. Joinder by any owner of a royalty interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto.

Any oil or gas interest in the Unitized Formation in lands within the Unit Area not committed hereto prior to final approval of this agreement by the Director may thereafter be committed hereto upon compliance with the applicable provisions of Section 14, Tracts Qualified for Unit Participation, hereof, at any time up to the effective date hereof and for a period of six (6) months thereafter, on the same basis of participation as provided for in Section 13, Tract Participation, by the owner or owners thereof subscribing or consenting in writing to this agreement and, if the interest is a working interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that after six (6) months from the effective date hereof, the right of subsequent joinder as provided in this section shall be subject to such requirements or approvals and on such basis as may be agreed upon by the Working Interest Owners. Such joinder by a Working Interest Owner must be evidenced by his execution or ratification of this Unit Agreement and the Unit Operating Agreement. Such joinder by a Royalty Owner must be evidenced by his execution or ratification of this Unit Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such Royalty Owner. Except as may be otherwise herein provided, subsequent joinders to this agreement, as to Tracts within the Unit Area, shall be effective as of

the first day of the month following the approval thereof by the Commissioner and the Director or the Supervisor.

#### 34. EXECUTION AND 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 documents 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; provided that if this agreement has not been approved prior to December 31, 1963, it shall thereupon expire and be of no further force and effect.

#### 35. TAXES

The Working Interest Owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The Working Interest Owners on each Tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said Tract, and may currently retain and deduct sufficient of the Unitized Substances or derivative products or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State or any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

#### 36. CONFLICT OF SUPERVISION

Neither the Unit Operator nor the Working Interest Owners or any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator, Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of the failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the

United States and proper representatives of the State of New Mexico in and about any matters of things concerning which it is required herein that such concurrence be obtained.

37. NO PARTNERSHIP

It is expressly agreed that the relation of the parties hereto is that of independent contractors, and nothing in this agreement contained, express or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto, or any of them.

38. BORDER AGREEMENTS

Subject to the approval of the Supervisor and Commissioner, the Unit Operator, with approval of the Working Interest Owners owning at least seventy-five per cent (75%) of the voting interest, may enter into a border-protecting agreement or agreements with the working interest owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

39. MATHEMATICAL ERRORS

It is hereby agreed by all parties to this agreement that the Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by the Unit Operator only after first having obtained approval of the Working Interest Owners, the Commissioner and the Supervisor.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date first above written, and set opposite their respective names the date of execution and the address of each of the respective executing parties.

Unit Operator and Working Interest Owner

ATTEST:

AZTEC OIL & GAS COMPANY

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
Vice President

Date: \_\_\_\_\_

Address: 920 Mercantile Securities Bldg.,  
Dallas 1, Texas

Working Interest Owners

POMEROY SMITH 59, LTD., A  
PARTNERSHIP

By \_\_\_\_\_  
General Partner

Date: \_\_\_\_\_

Address: \_\_\_\_\_

R. SEARLE McGRATH NO. 1, LTD.,  
A PARTNERSHIP

By \_\_\_\_\_  
General Partner

Date: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Oscar Bourg

\_\_\_\_\_  
Bourg, his wife

Date: \_\_\_\_\_

Address: \_\_\_\_\_

STATE OF TEXAS    )  
                          ) SS  
COUNTY OF DALLAS )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared Quilman B. Davis, to me personally known, who, being by me duly sworn, did say that he is the Vice President of AZTEC OIL & GAS COMPANY and that the seal affixed to the foregoing 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 said Quilman B. Davis acknowledged said instrument to be the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public in and for  
Dallas County, Texas

My Commission Expires:

June 1, 1963

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared POMEROY SMITH, to me known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed and in the capacity therein stated.

\_\_\_\_\_  
Notary Public in and for

\_\_\_\_\_  
County, \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared R. SEARLE McGRATH, to me known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed and in the capacity therein stated.

\_\_\_\_\_  
Notary Public in and for

\_\_\_\_\_  
County, \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

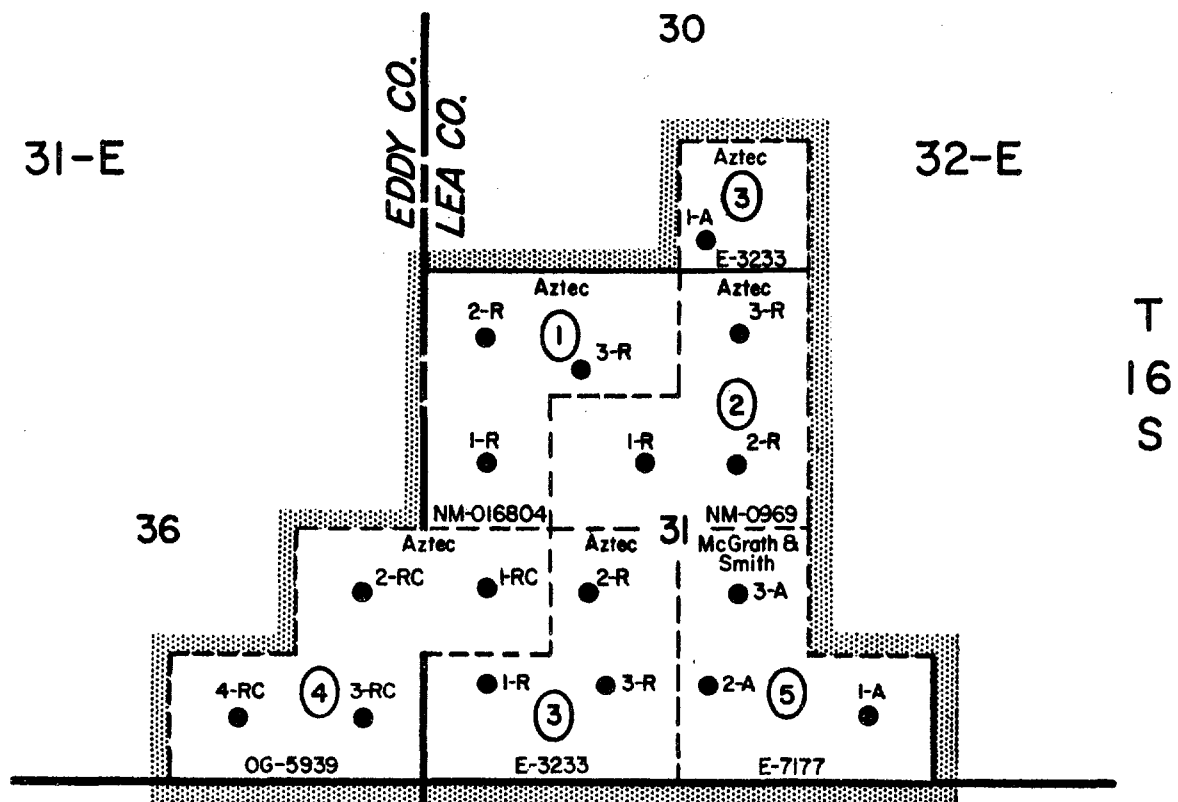
STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared OSCAR BOURG and \_\_\_\_\_ BOURG, his wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Notary Public in and for

\_\_\_\_\_  
County, \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_



#### FEDERAL LEASES IN UNIT

NM-0969  
NM-016804

#### STATE LEASES IN UNIT

E-7177  
E-8233  
OG-5939

#### LEGEND

- ① TRACT NUMBERS
- ▨ UNIT BOUNDARY
- TRACT BOUNDARY

**EXHIBIT "A"**  
**AZTEC ROBINSON WATER FLOOD**  
**UNIT AREA**  
**LEA & EDDY COUNTIES, NEW MEXICO**  
**SCALE 1" = 1000'**

**EXHIBIT "B"**

2 Federal Tracts, 241.20 Acres or 35.34% of Unit

SECTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	LESSOR OF RECORD	ROYALTY OWNER	ROYALTY		OVERRIDING ROYALTY		WORKING INTEREST		TRACT PARTICIPATION	
					AMOUNT \$	OWNER	AMOUNT \$	OWNER	AMOUNT \$	OWNER	AMOUNT \$	OWNER
R-32-E W <sup>1</sup> / <sub>2</sub> SE <sup>1</sup> / <sub>4</sub> SE <sup>1</sup> / <sub>4</sub> SE <sup>1</sup> / <sub>4</sub>	120.00	E-7177 6-10-53	Humble Oil & Refining Company	State of New Mexico	12.5	Humble Oil & Refining Company John Scott Alcorn	9.3750 1.5625	Pomeroy Smith 59, Ltd. R. Searle McGrath No. 1 Ltd. Oscar Bourg	57.5 of 76.5625 30.0 of 76.5625 12.5 of 76.5625		17.00712	

Tracts, 441.28 Acres or 64.66% of Unit

TOTAL: 682.48 Acres

Federal 241.20  
State 441.28

**EXHIBIT "B"**

2 Federal Tracts, 241.20 Acres or 35.34% of Unit

DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	LESSOR OF RECORD	ROYALTY OWNER	AMOUNT %	OVERRIDING ROYALTY OWNER	AMOUNT %	WORKING INTEREST OWNER	AMOUNT %	TRACT PARTICIPATION %
T-16-S, R-32-E Sec. 31: W2SE1/4 SE1/4	120.00	E-7177 6-10-53	Humble Oil & Re- fining Company	State of New Mexico	12.5	Humble Oil & Re- fining Company John Scott Alcorn	9.3750 1.5625	Pomeroy Smith 59, Ltd. R. Searle McGrath No. 1 Ltd. Oscar Bourg	57.5 of 76.5625 30.0 of 76.5625 12.5 of 76.5625	17.00712

3 State Tracts, 441.28 Acres or 64.66% of Unit

TOTAL: 682.48 Acres

Federal 241.20  
State 441.28

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. 2615  
Order No. R-2304

APPLICATION OF AZTEC OIL & GAS  
COMPANY FOR A SECONDARY RECOVERY  
PROJECT, ROBINSON GRAYBURG-SAN  
ANDRES POOL, LEA AND EDDY COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 8, 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 13th day of August, 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, is the operator of certain leases comprising, in part, the following-described acreage in Lea and Eddy Counties, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM  
Section 36: E/2 SE/4 and SW/4 SE/4

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM  
Section 30: SW/4 SE/4  
Section 31: W/2, W/2 E/2, and SE/4 SE/4

(3) That the applicant seeks permission to institute a secondary recovery project in the Robinson Grayburg-San Andres Pool on the above-described acreage, by the injection of water into the Grayburg formation through the following-described wells:

State "RC" Well No. 1, Unit L, Section 31, Township  
16 South, Range 32 East;

CASE No. 2615  
Order No. R-2304

State "RC" Well No. 3, Unit P, Section 36, Township  
16 South, Range 31 East;  
State "R" Well No. 3, Unit N, Section 31, Township  
16 South, Range 32 East;  
Brinson Federal Well No. 1, Unit F, Section 31,  
Township 16 South, Range 32 East;  
Brinson Federal Well No. 3, Unit B, Section 31,  
Township 16 South, Range 32 East; and  
Humble State "A" Well No. 3, Unit J, Section 31,  
Township 16 South, Range 32 East.

(4) That the conversion to water injection of the above-described wells will be in the interest of the protection of correlative rights and will result in the avoidance of waste.

(5) That the wells on the subject leases have reached an advanced stage of depletion and should be classified as "stripper" wells; that, accordingly, the subject project should be governed by the waterflood provisions of Rule 701.

IT IS THEREFORE ORDERED:

(1) That Aztec Oil & Gas Company is hereby authorized to institute a waterflood project in the Robinson Grayburg-San Andres Pool, Lea and Eddy Counties, New Mexico, by the injection of water into the Grayburg formation through the following-described wells:

State "RC" Well No. 1, Unit L, Section 31, Township  
16 South, Range 32 East;  
State "RC" Well No. 3, Unit P, Section 36, Township  
16 South, Range 31 East;  
State "R" Well No. 3, Unit N, Section 31, Township  
16 South, Range 32 East;  
Brinson Federal Well No. 1, Unit F, Section 31,  
Township 16 South, Range 32 East;  
Brinson Federal Well No. 3, Unit B, Section 31,  
Township 16 South, Range 32 East; and  
Humble State "A" Well No. 3, Unit J, Section 31,  
Township 16 South, Range 32 East.

(2) That the project area for said waterflood project shall comprise the following-described acreage:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM  
Section 36: E/2 SE/4 and SW/4 SE/4

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM  
Section 30: SW/4 SE/4  
Section 31: W/2, W/2 E/2, and SE/4 SE/4

subject to approval by the Regional Supervisor of the United States Geological Survey and the Commissioner of Public Lands for the State of New Mexico.

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CASE No. 2615  
Order No. R-2304

(3) That the subject waterflood project shall be governed by the provisions of Rule 701.

(4) 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

S E A L

esr/

100 2124

# AZTEC OIL & GAS COMPANY

920 MERCANTILE SECURITIES BLDG.  
DALLAS 1, TEXAS

December 31, 1962

LAND DEPARTMENT

H. L. SNIDER, JR., MANAGER  
KENNETH A. SWANSON, ATTORNEY  
GORDON E. COE, ATTORNEY

*Set for last summer  
in Jan*

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Mr. A. L. Porter, Jr., Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Re: Application of Aztec Oil & Gas  
Company for Approval of Unit Agreement  
Pertaining to the Aztec-Robinson Waterflood  
Unit, Lea and Eddy Counties, New Mexico

Dear Mr. Porter:

Application is hereby made by Aztec Oil & Gas Company for approval of the Unit Agreement pertaining to the Aztec-Robinson Waterflood Unit located in Lea and Eddy Counties, New Mexico.

The Commission on November 21, 1962 entered its order number R-2304-A in case number 2615 approving Aztec application for a waterflood project for the proposed unit to which the subject Unit Agreement pertains.

The proposed unit will be comprised of the following acreage located in Lea and Eddy Counties, New Mexico as follows:

Township 16 South, Range 31 East, N.M.P.M.  
Section 36:  $E\frac{1}{2}SE\frac{1}{4}$ ,  $SW\frac{1}{4}SE\frac{1}{4}$

Township 16 South, Range 32 East, N.M.P.M.  
Section 30:  $SW\frac{1}{4}SE\frac{1}{4}$   
Section 31:  $W\frac{1}{2}$ ,  $W\frac{1}{2}E\frac{1}{2}$ ,  $SE\frac{1}{4}SE\frac{1}{4}$

Executed copy of the Unit Agreement will be provided to the commission at the hearing along with a report of the interests within the unit area that have been committed to the unit.

Accordingly it is respectfully requested that notice issue and this matter be set for

DOCKET MAILED

Date 1-11-63

Mr. A. L. Porter, Jr.

-2-

December 31, 1962

a hearing before an examiner at an early date.

Yours very truly,

AZTEC OIL & GAS COMPANY

By Kenneth A. Swanson  
Kenneth A. Swanson  
Attorney

KAS/lf

cc: McGrath & Smith  
Lester Duke  
Prentice Watts

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. 2615  
Order No. R-2304-A

APPLICATION OF WATERFLOOD ASSOCIATES, INC.  
FOR A HEARING DE NOVO IN CASE NO. 2615,  
ORDER NO. R-2304, APPLICATION OF AZTEC OIL  
& GAS COMPANY FOR A WATERFLOOD PROJECT,  
ROBINSON POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing de novo at 9 o'clock a.m. on October 18, 1962, at Farmington, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 21st day of November, 1962, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, is the operator of certain leases comprising, in part, the following-described acreage in Lea and Eddy Counties, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM  
Section 36: E/2 SE/4 and SW/4 SE/4

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM  
Section 30: SW/4 SE/4  
Section 31: W/2, W/2 E/2, and SE/4 SE/4

(3) That the applicant seeks permission to institute a secondary recovery project in the Robinson Grayburg-San Andres Pool on the above-described acreage, by the injection of water into the Grayburg formation through the following-described wells:

State "RC" Well No. 1, Unit L, Section 31, Township  
16 South, Range 32 East;

State "RC" Well No. 3, Unit P, Section 36, Township  
16 South, Range 31 East;  
State "R" Well No. 3, Unit N, Section 31, Township  
16 South, Range 32 East;  
Brinson Federal Well No. 1, Unit F, Section 31,  
Township 16 South, Range 32 East;  
Brinson Federal Well No. 3, Unit B, Section 31,  
Township 16 South, Range 32 East; and  
Humble State "A" Well No. 3, Unit J, Section 31,  
Township 16 South, Range 32 East.

(4) That although Aztec Oil & Gas Company's proposed pattern for water injection wells may be out of phase with a previously established pattern to the west, such rearrangement of pattern is necessary to provide adequate protection of correlative rights.

(5) That the pattern as proposed by Aztec Oil & Gas Company, including the later conversion of two additional wells to water injection, should result in a thorough and efficient sweep of the oil in the subject area, thereby allowing the ultimate recovery of otherwise unrecoverable oil.

(6) That the applicant should be permitted to institute a waterflood project on the above-described acreage by the conversion to water injection of the above-described wells; provided, however, that applicant's State "RC" Well No. 2, located in Unit I of Section 36, Township 16 South, Range 31 East, NMPM, Eddy County, New Mexico, and its State "R" Well No. 3, located in Unit C of Section 31, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, should also be converted to water injection when the efficiency of sweep by previously authorized water injection wells would be augmented thereby.

(7) That the Commission, after notice and hearing, should order additional wells placed on water injection if it is determined that such action is necessary in order to protect correlative rights and prevent waste.

(8) That the wells on the subject leases have reached an advanced stage of depletion and should be classified as "stripper" wells; that, accordingly, the subject project should be governed by the waterflood provisions of Rule 701.

IT IS THEREFORE ORDERED:

(1) That Aztec Oil & Gas Company is hereby authorized to institute a waterflood project in the Robinson Grayburg-San Andres Pool, Lea and Eddy Counties, New Mexico, by the injection of water into the Grayburg formation through the following-described wells:

State "RC" Well No. 1, Unit L, Section 31, Township  
16 South, Range 32 East;

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State "RC" Well No. 3, Unit P, Section 36, Township 16 South, Range 31 East;  
State "R" Well No. 3, Unit N, Section 31, Township 16 South, Range 32 East;  
Brinson Federal Well No. 1, Unit F, Section 31, Township 16 South, Range 32 East;  
Brinson Federal Well No. 3, Unit B, Section 31, Township 16 South, Range 32 East; and  
Humble State "A" Well No. 3, Unit J, Section 31, Township 16 South, Range 32 East.

(2) That Aztec Oil & Gas Company shall convert its State "RC" Well No. 2, located in Unit I of Section 36, Township 16 South, Range 31 East, NMPM, Eddy County, New Mexico, and its State "R" Well No. 3, located in Unit C of Section 31, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, to water injection when the efficiency of sweep of the above-described injection wells will be augmented thereby.

(3) That the project area for said waterflood project shall comprise the following-described acreage:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM  
Section 36: E/2 SE/4 and SW/4 SE/4

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM  
Section 30: SW/4 SE/4  
Section 31: W/2, W/2 E/2, and SE/4 SE/4

subject to approval by the Regional Supervisor of the United States Geological Survey and the Commissioner of Public Lands for the State of New Mexico.

(4) That the subject waterflood project shall be governed by the provisions of Rule 701.

(5) That Order No. R-2304 entered by the Commission on August 13, 1962, is hereby superseded.

(6) 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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

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

S E A L

esr/

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. 2734  
Order No. R-2417

APPLICATION OF AZTEC OIL & GAS COMPANY  
FOR APPROVAL OF THE AZTEC-ROBINSON WATER-  
FLOOD UNIT AGREEMENT, LEA AND EDDY COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on January 23, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, 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 1st day of February, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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-Robinson Waterflood Unit Agreement covering 682.48 acres, more or less, of State and Federal lands in Township 16 South, Ranges 31 and 32 East, NMPM, Lea and Eddy Counties, New Mexico.

(3) That approval of the proposed Aztec-Robinson Waterflood 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-Robinson Waterflood 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 development and operation of the Aztec-Robinson Waterflood Unit

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CASE No. 2734  
Order No. R-2417

Area, and such plan shall be known as the Aztec-Robinson Waterflood Unit Agreement Plan.

(3) That the Aztec-Robinson Waterflood 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-Robinson Waterflood Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

LEA AND EDDY COUNTIES, NEW MEXICO

TOWNSHIP 16 SOUTH, RANGE 31 EAST

Section 36: E/2 SE/4 and SW/4 SE/4

TOWNSHIP 16 SOUTH, RANGE 32 EAST

Section 30: SW/4 SE/4

Section 31: W/2, W/2 E/2 and  
SE/4 SE/4

containing 682.48 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-Robinson Waterflood 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 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.

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CASE No. 2734  
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DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M Campbell*

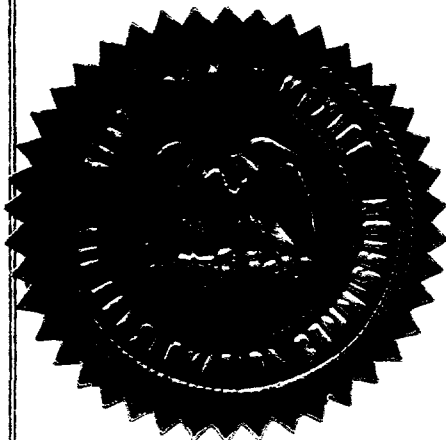
JACK M. CAMPBELL, Chairman

*E. S. Walker*

E. S. WALKER, Member

*A. L. Porter, Jr.*

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



esr/