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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 5, 1964

EXAMINER HEARING

IN THE MATTER OF:

Application of the Pure Oil Company for a
unit agreement, Lea County, New Mexico.

Case No. 2983

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING



DEARNLEY, MEIER, WILKINS and CROWNOVER

General Court Reporting Service

Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691

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MR. NUTTER: The hearing will come to order, please.

We will call first, 2983.

MR. DURRETT: Application of The Pure Oil Company for a
unit agreement, Lea County, New Mexico.

MR. MORRIS: If the Examiner please, I am Richard Morris,
of Seth, Montgomery, Federici & Andrews, Santa Fe, appearing for
The Pure Oil Company. We will have two witnesses in this case.
Mr. White will testify with respect to land matters and Mr. Henry
will testify with respect to the geological aspects of the case.
Ask that they both stand and be sworn at this time.

(Witnesses sworn)



(Applicant's Exhibits marked at this time)

EDWARD B. WHITE,

called as a witness herein, having been first duly sworn on oath
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Will you please state your name, by whom you are employed,
and in what capacity?

A Edward B. White, District Land Agent for Pure Oil
Company.

Q Mr. White, have you previously testified before the
Commission or one of its examiners?

A No, I haven't.

Q Would you briefly state your educational background and
your experience in the oil business?

A I have a Business Administration degree from North Texas
University, and I have been employed by The Pure Oil Company for
approximately ten and a half years.

Q Are you familiar with the application of Pure in this
case, concerning the Brinninstool Unit agreement?

A Yes.

Q Did you do most of the land work on that unit?

A Yes.

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Q What is it that Pure seeks by this application?

A Unitization of approximately 17,237 acres of Federal and State land for the purpose of drilling a 16,300 foot Siluro-Devonian test.

Q Referring, if you will, to what has been marked as Exhibit Number One, would you state what that is, what it shows?

A That is a land plat showing the ownership of various oil and gas leases within the proposed unit area, the expiration dates and the owners of working interests under those leases in the unit area.

MR. PORTER: Mr. Morris, that is designated as Exhibit "A", I believe.

MR. MORRIS: It is also identified as, I believe, One, the official copy was marked as Exhibit One.

Q (By Mr. Morris) Where are these lands located as shown by this exhibit, Mr. White?

A In Lea County, New Mexico, in Township 23 South, Ranges 32 and 33 East, and 24 South, Ranges 32 East and 33 East.

Q And the unit boundary is outlined by the hachured marks?

A Hachured marks, yes, sir.

Q What type of land is involved in this unit?

A Only State and Federal land.

Q No fee land involved?

A No fee lands.

Q Referring now to what has been marked as Exhibit No. Two,



which is the unit agreement in this case. Is the unit area also shown as Exhibit "A" to this unit?

A That is correct.

Q On this Exhibit "A", there are various tract numbers, what do those tract numbers indicate?

A Each lease is given a tract number for identification purposes in the Exhibit "B" to the unit agreement, and it includes a description of the land, the serial number, the expiration date of the lease, the record title holder, all known overriding royalty and production payment owners under that lease, and the owner of the working interest as to this unit area under each lease.

Q Referring now to what has been marked as Exhibit Three, Mr. White, would you state who the working interests are in the proposed unit and the extent to which each of these working interests have committed their interest to the unit?

A In percentage?

Q In percentage, yes, sir.

A Gulf Oil Corporation is committed 23.8070 percent of the unit area, Continental Oil Company is committed 41.2066 percent of the unit area, Pure Oil Company is committed 18.2968 percent of the unit area, Marathon Oil Company is committed 5.5578 percent of the unit area, Richard Oil is committed to 2.5784 percent of the unit area, Bass is committed .7528 percent, Texaco is uncommitted 1.8562 percent, Richfield Oil Corporation is committed .1160 percent, British American Oil Producing Company committed .1160 percent,



International Oil and Gas Corporation uncommitted .2320 percent, Pennz Oil Company uncommitted .9281 percent, Jacqueline Landon committed 4.8731 percent.

Q Now, these working interests that you mention, what are the total percentages that are committed with respect to Federal and State lands?

A State lands represent 25.86060 percent, all working interests in the State land is committed. Federal acreage in the unit represents 74.1393 percent of the unit area, and 95.9311 percent of Federal acreage is committed.

Q With respect to the uncommitted tracts, are you still negotiating to attempt to secure their approval or ratification of the unit agreement?

A I think we made all the effort we can at this time. I would say they would be uncommitted with a possibility of them coming in under a subsequent joinder at a later date.

Q With these tracts uncommitted, will you still have effective control of the unit area?

A In our opinion, we have effective control.

Q Referring now to the other information shown on Exhibit Three, with respect to the overriding royalty interests and the production payments, have you contacted all of the owners of such interests within the unit area to attempt to secure their joinder or ratification of the unit agreement?



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A Yes.

Q And have you received favorable responses from a substantial number of those interests?

A Yes.

Q And those responses are as shown on Exhibit Three?

A That's correct.

Q Now, with respect to the royalty interests in this unit, Mr. White, have you contacted the USGS and have they given you any indication as to whether they will approve the unit?

A Yes, they have given us favorable inclination that they will approve the unit.

Q Have you contacted the State Land Office and have you received any indication from it?

A Yes.

Q Are Exhibits Four and Five, which I hand to you, Mr. White, are they respectively the indications of approval from the USGS and the State Land Office respectively?

A Yes.

Q Now, under the unit agreement itself, Mr. White, who will be the unit operators?

A The Pure Oil Company.

Q And what formations will be unitized?

A All formations lying below the top of Cherry Canyon down.

Q What is the reason for not unitizing the shallower formations?



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A There is some shallow production on some of the leases involved from the Upper Delaware Sand, which we felt would be impossible to get everyone to agree upon unitization, as to those shallower depths.

Q What drilling obligation do you have pursuant to the terms of the unit agreement?

A We have to drill a well to 16,300 feet, or production in commercial quantities at a lesser depth.

Q 16,300, that would enable you to adequately test what formation?

A The Siluro-Devonian formation.

Q Do you have anything further you wish to add to your testimony, Mr. White?

A No, sir, I don't believe so.

Q Were Exhibits One, Two and Three prepared by you or under your direction?

A Exhibits One, Two and Three were prepared by me or under my direction, yes, sir, that is correct.

Q And Exhibits Four and Five are the letters from the USGS and the State Land Office.

A Yes.

MR. MORRIS: We offer One through Five in evidence at this time.

MR. NUTTER: Pure's Exhibits One through Five will be admitted in evidence.



MR. MORRIS: That completes the direct examination of Mr. White.

* * * *

MR. NUTTER: Are there any questions of Mr. White?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. White, both of these letters from the Commissioner of Public Lands and from the USGS have requested certain changes to be made in the unit agreement. Have those changes been made in the unit agreement as submitted here in Exhibit Number Two?

A Yes, sir, they have.

Q Now, does the unit agreement contain the normal segregation clause for segregating the leases within and outside of the unit?

A Yes.

Q Is there a provision in the unit agreement for expansion or contraction of the unit area?

A Yes, there is.

MR. NUTTER: Any further questions of the witness? He may be excused.

* * * *

WILLIAM J. HENRY,

called as a witness herein, having been first duly sworn on oath was examined and testified as follows:

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DIRECT EXAMINATION

BY MR. MORRIS:

Q Please state your name, by whom you are employed, and in what capacity?

A My name is William J. Henry, employed by The Pure Oil Company as Exploration Geologist.

Q Where are you located, Mr. Henry?

A I presently live at Midland, Texas.

Q Have you previously testified before the Commission or one of its Examiners?

A No, I haven't.

Q Then, would you briefly give a statement of your educational training and your experience in the oil business?

A I graduated from Texas Technological College in 1952 and was employed immediately by Pure, and for the past six and a half years, I have worked geology in Southeast New Mexico for Pure.

Q Are you familiar with Pure's application in this case concerning the Brinninstool Unit agreement?

A Yes, I am.

Q Did you do the geological work on the unit?

A Yes, I did the geological work and under my direction, all of it.

Q Do you have an exhibit showing and reflecting this geological work that you have done?

A Yes, I do.

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Q Is that what has been marked as Exhibit Six in this case?

A Yes.

Q Would you refer to that exhibit, Mr. Henry, and point out the pertinent features of it?

A All right. Exhibit "B" is a general information map showing the land features and the existing production that is present in the area of the Brinninstool unit, deep unit. That is listed as my exhibit "B" in this case. Exhibit "C" - -

Q Now, before we leave Exhibit "B", if I may, Mr. Henry, what are all these dotted lines shown on it?

A The dotted lines that cross through with the little circles through the area of the unit are the lines of our seismic control.

Q Do you show any other type of control on this exhibit?

A Not geological control, no.

Q These lines crisscross the unit area, which are also shown outlined by the hachured lines?

A That's right.

Q Now, referring to what you have listed as Exhibit "C" there, if you will, please?

A Exhibit "C" is our structural map as mapped by the seismic data, which shows approximately 400 feet of structural enclosure, and the basis for our unit outline is from the lowest closing contour as shown on this Exhibit "C", as a minus 12,600 contour.



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Q Did you have any control in preparing this structural interpretation? This is on top of the Devonian?

A Mapped on the top of the Devonian, yes.

Q Did you have any control other than your seismic data?

A No.

Q In your opinion, Mr. Henry, does the proposed area of the Brinninstool Unit adequately cover the structure as you see it in this area?

A Yes, it does.

Q Do you have a tentative location for an initial test well in this area?

A Yes. The tentative location is in Section 36, being 1980 feet from the South line and 1980 from the East line, and in Township 23 South, Range 32 East, of Lea County, New Mexico.

Q Where would that put it on the structure as you see it at this time?

A It would put it on the crest of the structure.

Q A test well at that location would give you an adequate test of the structure?

A That's right, yes, sir.

Q Mr. Henry, would you care to make any general observations concerning the geology in this area, or perhaps refer to some of the written material that you have attached to Exhibit No. Six?

A All right. Yes, sir, I would. Exhibit "D" is a columnar section of the rock that we anticipate penetrating in our



test. We expect the top of the Devonian at 16,000 and total depth of 16,300, which will adequately test the Devonian formation. Exhibits "E" and "F" are electrical logs showing our correlation of the top of the Cherry Canyon, which we propose to unitize from down. There is no deep well control in the area. The deepest production, or the nearest production to this unit is in the Bell Lake Field, which is approximately six miles to the east.

Q Do you also have some written comments concerning the general geology of the area that is attached to the exhibit?

A Yes. The general geology in this report which is a synopsis of the geology of the area, which is attached.

Q I don't think we need to go into that since you do have it in written form.

A Written form and attached to the exhibit.

Q And attached to the exhibit. You also have an electrical log attached to this exhibit. What is that log and its significance?

A I have two logs. Exhibit "E", which is a log of the Mack Wilson Number One Continental Federal, which is located within the Brinninstool unit, which is the deepest well drilled in the Brinninstool Unit proposed area, which was drilled down to the Cherry Canyon formation, and tested the Cherry Canyon. It was completed as a dry hole. We have selected or used the top of the Cherry Canyon at 5923 in this log to unitize. The substances below this would be our reference marker for the top of the Cherry Canyon as shown on the Exhibit "E".



Exhibit "F" is an electrical log of Continental's Bell Lake Number Seven, which is used just for correlation purposes in conjunction with our top of the Cherry Canyon.

Q Do you have anything further you wish to add to your testimony, Mr. Henry?

A I believe not, sir.

Q Well, was Exhibit Six, and all the various parts of it prepared by you or under your direction?

A Yes.

MR. MORRIS: At this time we offer Pure's Exhibit Six, with its various components, into evidence.

MR. NUTTER: Applicant's Exhibit Number Six will be admitted in evidence.

MR. MORRIS: That completes the examination of Mr. Henry.

* * * *

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Henry, Exhibit "F" here has nothing to do actually with this unit agreement itself?

A No, sir, just for correlation purposes only.

Q And the top of the unitized substances then would be at 5923?

A That's right, sir.

Q On Exhibit "E"?



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A That's right, sir.

Q This is the deepest well that was drilled in this unit?

A In the Brinninstool Unit area, yes, sir.

Q What was the total depth of that well?

A Some 64 or 6500 feet. I believe that is right, sir.

Tested the Cherry Canyon formation adequately, and completed as a dry hole.

Q In your opinion, does the outline of the unit area encompass any undue amount of acreage which would not be within the structure as you have depicted it with your seismic work?

A No, sir. We believe that the unit outline, as shown with our structural control, that all acreage is justified to be within the unit within the producing area.

Q And the first location will be 1980 from the South and East lines of Section 36?

A Yes, sir. 23 South, 32 East.

Q All right.

MR. NUTTER: Are there any other questions of Mr. Henry? He may be excused. Do you have anything further, Mr. Morris?

MR. MORRIS: No, sir, I don't.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2983? Take the case under advisement.

* * * * *

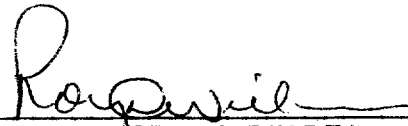


STATE OF NEW MEXICO §

COUNTY OF BERNALILLO §

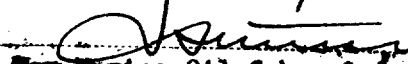
I, ROY D. WILKINS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal of Office, this 11th day of February, 1964.


NOTARY PUBLIC

My Commission Expires:
September 6, 1967.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 2983
heard by me on 2/5 1964

 Examiner
New Mexico Oil Conservation Commission

DEARNLEY, MEIER, WILKINS and CROWNOVER

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Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691



UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
OF THE BRINNINSTOOL DEEP UNIT AREA, LEA COUNTY,
NEW MEXICO

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Exhibits

EXHIBIT "A" - MAP OF UNIT AREA
EXHIBIT "B" - SCHEDULE OF OWNERSHIP IN LANDS

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF ALL LANDS IN THE
BRINNINSTOOL DEEP UNIT AREA, LEA COUNTY, NEW MEXICO

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|---------------------------------|---|-----------------|---|--|-------------------------|--|--|
| <u>FEDERAL LANDS</u> | | | | | | | |
| <u>T-23-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 1 | Sec. 24: SW/4 Sec. 25: N/2 NW/4, SW/4 NW/4 | 280 | LC-062887 3-31-65 | U.S.A. 12 $\frac{1}{2}$ % | Continental Oil Company | Helen B. Wehrli 1% L. N. Hagood 1 $\frac{1}{2}$ % Robert N. Enfield $\frac{1}{4}$ of 1% Thomas Allen $\frac{1}{4}$ of 1% Straus Baker \$1,000.00 per acre out of 3%. | Continental 100% |
| 2 | Sec. 28: W/2 Sec. 33: W/2, SE/4 | 800 | LC-063132-A 12-31-64 | U.S.A. 12 $\frac{1}{2}$ % | Continental Oil Company | Jay Galloway 5%, less production payment of \$1,000.00 per acre out of 3% to Straus Baker | Continental 100% |
| 3 | Sec. 24: E/2 Sec. 25: E/2, SW/4, SE/4 NW/4 Sec. 26: SW/4 Sec. 27: N/2, N/2 S/2, SE/4 SW/4, S/2 SE/4 | 1600 | LC-063228 HBP | U.S.A. 12 $\frac{1}{2}$ % | Continental Oil Company | Jewell E. Fields \$250.00 per acre pay- able out of 3/4 of 1% as to 1080 acres in Sections 24, 26 and 27; and \$125.00 per acre payable out of 3/8 of 1% as to 520 acres in Section 25. Faye L. Klein \$250.00 per acre payable out of 3/4 of 1% as to 1600 acres in Sections 24, 25, 26 and 27. Ralph C. Hart \$250.00 per acre payable out of 3/4 of 1% as to 680 acres in Sections 25 and 26. | Continental 100% |

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|-----------|---------------------|-----------------|---|--|------------------|---|--|
|-----------|---------------------|-----------------|---|--|------------------|---|--|

FEDERAL LANDS (Cont'd.)

T-23-S, R-32-E, N.M.P.M.

3 (Cont'd.)

George L. Buckles
\$250.00 per acre payable out of 3/4 of 1% as to 520 acres in Section 25.

Robert N. Enfield
\$125.00 per acre payable out of 3/8 of 1% as to 320 acres in Section 24; and \$62.50 per acre payable out of 3/16 of 1% as to 520 acres in Section 25.

Thomas Allen \$208.33 per acre payable out of 5/8 of 1% as to 320 acres in Section 24; \$62.50 per acre payable out of 3/16 of 1% as to 520 acres in Section 25; \$83.33 per acre payable out of 1/4 of 1% as to 160 acres in Section 26; \$125.00 per acre payable out of 3/8 of 1% as to 600 acres in Section 27; \$83.33 per acre payable out of 1/4 of 1% as to 600 acres in Section 27.

Randall F. Montgomery
\$125.00 per acre payable out of 3/8 of 1% as to 600 acres in Section 27 only; \$166.67 per acre payable out of 1/2 of 1% as to 1080 acres in Sections 24, 26 and 27.

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|---------------------------------|---|-----------------|---|--|-------------------------|---|--|
| FEDERAL LANDS (Cont'd.) | | | | | | | |
| T-23-S, R-33-E, N.M.P.M. | | | | | | | |
| 4 | Sec. 20: All Sec. 29: W/2, W/2 NE/4, NW/4 SE/4, E/2 E/2 | 1240 | LC-068680 3-31-65 | U.S.A. 12½% | Continental Oil Company | Minnie S. Levick 1½% Fred C. Rohrback 1% Pearl O. Pipkin 3/4 of 1% | Continental 100% |
| 5 | Sec. 19: All Sec. 21: All Sec. 28: All Sec. 30: Lots 1, 2, 3, 4, E/2 W/2, W/2 E/2, E/2 NE/4, NE/4 SE/4 | 2503.32 | LC-068848 HBP | U.S.A. 12½% | Continental Oil Company | I. J. Marshall \$375.00 per acre out of 1½% Pearl O. Pipkin \$375.00 per acre out of 1½% | Continental 100% |
| 6 | T-24-S, R-32-E, N.M.P.M. Sec. 10: SE/4 Sec. 11: NW/4, SE/4 Sec. 12: NW/4, SE/4 | 800 | NM-01917 HBP | U.S.A. 12½% | Gulf Oil Corporation | J. L. Briscoe ½ of 1%; Roland Rich Wooley \$1,000.00 per acre out of 5%, less ½ of 1% to J. L. Briscoe; Tom L. Ingram 2.18750% Eugene E. Nearburg 1.09375% Anna E. Nearburg 1.09375% | Gulf 100% |
| 7 | Sec. 3: NE/4 SW/4 Sec. 11: NE/4, SW/4 Sec. 12: NE/4, SW/4 | 680 | NM-02889 HBP | U.S.A. 12½% | Continental Oil Company | Marguerite Armitage Payne \$200.00 per acre out of 1%. | Continental 100% |
| 8 | Sec. 10: E/2 NE/4, SW/4 NE/4 | 120 | NM-02889-A 12-3-64 | U.S.A. 12½% | Gulf Oil Corporation | Marguerite Armitage Payne \$400.00 per acre out of 1%; and \$570.00 per acre out of 3%. | Gulf 100% |
| 9 | Sec. 10: NW/4 SW/4, E/2 SW/4 | 120 | NM-02889-B 12-3-64 | U.S.A. 12½% | The Pure Oil Company | Marguerite Armitage Payne 5% | Pure 100% |
| 10 | Sec. 10: NW/4 NE/4 | 40 | NM-02889-D 12-3-64 | U.S.A. 12½% | The Pure Oil Company | Robert G. Hanagan \$500.00 per acre out of 1%; Marguerite Armitage Payne \$400.00 per acre out of 1%, and \$570.00 per acre out of 3%. | Pure 100% |

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|---------------------------------|------------------------------------|-----------------|---|--|---|--|--|
| <u>FEDERAL LANDS (Cont'd.)</u> | | | | | | | |
| <u>T-24-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 11 | Sec. 10: SW/4 SW/4 | 40 | NM-02889-E 12-3-64 | U.S.A. 12½% | The Pure Oil Company | Ernest A. Hanson 5% | Pure 100% |
| <u>T-23-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 12 | Sec. 35: W/2 | 320 | NM-03226 HBP | U.S.A. 12½% | Texaco Inc., A. G. McCarver, J. B. Palmer | Bruce Alene Carlin 1½% Marguerite Armitage Payne \$385.00 per acre out of 2% A. G. McCarver and J. B. Palmer \$192.50 per acre out of 1¼% of 8/8 Ralph C. Hart 1½% | Texaco 50% Pennzoil Company 50% |
| 13 | Sec. 26: E/2, NW/4 Sec. 35: E/2 | 800 | NM-04465 HBP | U.S.A. 12½% | Pauline V. Trigg | Pauline V. Trigg 6.25% | Pure 100% |
| <u>T-24-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 14 | Sec. 4: S/2 | 320 | NM-015130 9-30-64 | U.S.A. 12½% | Marathon Oil Company | John H. Burton 1½% Josephine G. Antink 1½% | Marathon 100% |

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|---------------------------------|---|-----------------|---|--|---------------------------------------|---|--|
| <u>FEDERAL LANDS (Cont'd.)</u> | | | | | | | |
| <u>T-24-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 15 | Sec. 4: Lots 1, 2, 3, 4, S/2 N/2 | 318.48 | NM-015131-A 9-30-64 | U.S.A. 12 $\frac{1}{2}$ % | Gulf Oil Corporation | Eugenia V. Bate 3% | Gulf 100% |
| 16 | Sec. 10: NW/4 | 160 | NM-0268853 5-31-72 | U.S.A. 12 $\frac{1}{2}$ % | The Pure Oil Company | E. R. Richardson 5% | Pure 100% |
| <u>T-23-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 17 | Sec. 34: SW/4, W/2 SE/4, SE/4 SE/4 | 280 | NM-0356435 2-28-73 | U.S.A. 12 $\frac{1}{2}$ % | The Pure Oil Company | Mary Charlotte Cooper 5% | Pure 100% |
| 18 | Sec. 33: SE/4 SE/4 | 40 | NM-0362422 3-31-73 | U.S.A. 12 $\frac{1}{2}$ % | International Oil and Gas Corporation | None | International 100% |
| <u>T-24-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 19 | Sec. 1: Lots 1, 2, 3, SE/4 NW/4, S/2 NE/4, SE/4, E/2 SW/4 | 1078.35 | NM-0371175 4-30-73 | U.S.A. 12 $\frac{1}{2}$ % | The Pure Oil Company | Morris W. Newman and Robert J. Newman \$750.00 per acre out of 5% | Pure 100% |
| | Sec. 3: Lots 1, 2, 3, 4, S/2 N/2, SE/4, SE/4 SW/4, W/2 SW/4 | | | | | | |
| <u>T-23-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| 20 | Sec. 29: SW/4 SE/4 | 40 | NM-0393404 5-31-73 | U.S.A. 12 $\frac{1}{2}$ % | The Pure Oil Company | Yvonne McKnight 5% | Pure 100% |

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|---|---|-----------------|---|---|--|---|--|
| <u>FEDERAL LANDS (Cont'd.)</u> | | | | | | | |
| <u>T-23-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 21 | Sec. 24: NW/4 | 160 | NM-0371379 4-30-73 | U.S.A. 12½% | Texaco Inc. | R. E. Boyle 5% | Texaco 100% |
| <u>T-23-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| 22 | Sec. 30: SE/4 SE/4 | 40 | NM-0406620 6-30-73 | U.S.A. 12½% | Richfield Oil Corporation and The British-American Oil Producing Company | None | Richfield 50% British-American 50% |
| <u>T-24-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 23 | Sec. 1: Lot 4, SW/4 NW/4, W/2 SW/4 | 159.49 | NM-0424870 8-31-68 (5 year competitive) | U.S.A. Sliding Scale Royalty - Schedule "B" | The Pure Oil Company | None | Pure 100% |
| <u>T-23-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 24 | Sec. 27: SW/4 SW/4 Sec. 28: E/2 Sec. 33: N/2 NE/4, SW/4 NE/4 Sec. 34: N/2, NE/4 SE/4 | 840 | NM-0433361 8-31-73 | U.S.A. 12½% | Jacqueline H. Langdon | None | Jacqueline H. Langdon 100% |
| <u>Twenty Four Federal Tracts. 12,779.64 Acres or 74.13937% of Unit Area.</u> | | | | | | | |
| <u>STATE LANDS</u> | | | | | | | |
| <u>T-23-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| 25 | Sec. 31: NE/4 | 160 | E-7840-1 2-16-64 | State of N.M. 12½% | Gulf Oil Corporation | None | Gulf 100% |

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|---------------------------------|-------------------------------------|-----------------|---|--|---|---|--|
| <u>STATE LANDS (Cont'd.)</u> | | | | | | | |
| <u>T-23-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 26 | Sec. 36: S/2 SW/4, N/2 SE/4, N/2 | 796.31 | E-8107 4-20-64 | State of N. M. 12½% | Gulf Oil Corporation | None | Gulf 100% |
| <u>T-23-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| | Sec. 31: Lots 3,4, E/2 SW/4, SE/4 | | | | | | |
| <u>T-24-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 27 | Sec. 2: Lots 1,2,3,4, S/2 NW/4, S/2 | 558.12 | E-8324 HBP | State of N. M. 12½% | Marathon Oil Company | None | Marathon 100% |
| 28 | Sec. 2: S/2 NE/4 | 80 | E-8324-1 HBP | State of N. M. 12½% | J. B. Palmer and A. G. McCarver, dba P-M Drilling Company | None | Marathon 100% |
| <u>T-24-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| 29 | Sec. 5: Lots 1,2,3,4 | 159.08 | E-8342-2 7-20-64 | State of N. M. 12½% | Perry R. Bass and Richardson Oils, Inc. | None | Perry R. Bass 25% Richardson Oils 75% |
| 30 | Sec. 5: SE/4 NE/4, S/2 | 360 | E-8438-2 8-17-64 | State of N. M. 12½% | Perry R. Bass and Richardson Oils, Inc. | None | Perry R. Bass 25% Richardson Oils 75% |
| 31 | Sec. 5: SW/4 NE/4, S/2 NW/4 | 120 | E-9142 6-21-65 | State of N. M. 12½% | The Pure Oil Company | None | Pure 100% |

| Tract No. | Description of Land | Number of Acres | Serial No. and Expiration Date of Lease | Basic Royalty and Ownership Percentage | Lessee of Record | Overriding Royalty or Production Payment and Percentage | Working Interest and Percentage Below Top of Cherry Canyon |
|---------------------------------|---------------------------------|-----------------|---|--|----------------------|---|--|
| STATE LANDS (Cont'd.) | | | | | | | |
| <u>T-23-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| 32 | Sec. 31: NE/4 NW/4 | 40 | K-1606-1 7-18-71 | State of N. M. 12 $\frac{1}{2}$ % | The Pure Oil Company | Robert G. Hanagan \$500.00 per acre out of 5% | Pure 100% |
| 33 | Sec. 32: All | 640 | K-1773 9-19-71 | State of N. M. 12 $\frac{1}{2}$ % | Gulf Oil Corporation | None | Gulf 100% |
| <u>T-24-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| 34 | Sec. 6: All | 634.72 | K-2952 12-18-72 | State of N. M. 12 $\frac{1}{2}$ % | Gulf Oil Corporation | None | Gulf 100% |
| 35 | Sec. 7: All | 633.40 | K-3018 1-15-73 | State of N. M. 12 $\frac{1}{2}$ % | Gulf Oil Corporation | None | Gulf 100% |
| <u>T-23-S, R-32-E, N.M.P.M.</u> | | | | | | | |
| 36 | Sec. 36: N/2 SW/4, S/2 SE/4 | 160 | K-3593 9-17-73 | State of N. M. 12 $\frac{1}{2}$ % | The Pure Oil Company | None | Pure 100% |
| <u>T-23-S, R-33-E, N.M.P.M.</u> | | | | | | | |
| 37 | Sec. 31: Lots 1,2, SE/4 NW/4 | 116.05 | K-3594 9-17-73 | State of N. M. 12 $\frac{1}{2}$ % | The Pure Oil Company | None | Pure 100% |

Thirteen State Tracts. 4457.68 Acres or 25.86063% of Unit Area.

TOTAL ALL LANDS 17,237.32 ACRES

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
BRINNINSTOOL DEEP UNIT AREA
LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 22nd day of January,
1964, by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto",

WITNESSETH:

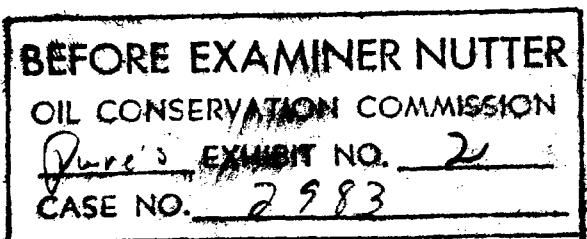
WHEREAS, the parties hereto are the owners of working, royalty, or
other oil and gas interests in the unit area subject to this agreement; and,

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,
as amended, 30 U.S.C. Secs. 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 develop-
ment 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. 7-11-39 N.M. Statutes 1953
Annotated) 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 Oil Conservation Commission of the State of New Mexico
is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as
amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter
168, Laws of 1949) to approve this agreement and the conservation provisions
hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the
Brinninstool Deep Unit Area covering the land hereinafter described to give
reasonably effective control of operations therein; and,



WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operations of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

1. 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 State of New Mexico and privately owned 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 of New Mexico are hereby accepted and made a part of this agreement.

2. UNIT AREA. The following-described land is hereby designated and recognized as constituting the unit area:

T-23-S, R-32-E, N.M.P.M.

Sec. 24: All
Sec. 25: All
Sec. 26: All
Sec. 27: All
Sec. 28: All
Sec. 33: All
Sec. 34: All
Sec. 35: All
Sec. 36: All

T-23-S, R-33-E, N.M.P.M.

Sec. 19: All
Sec. 20: All
Sec. 21: All
Sec. 28: All
Sec. 29: All
Sec. 30: All
Sec. 31: All
Sec. 32: All

T-24-S, R-32-E, N.M.P.M.

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 10: All
Sec. 11: All
Sec. 12: All

T-24-S, R-33-E, N.M.P.M.

Sec. 5: All
Sec. 6: All
Sec. 7: All

containing 17,237.32 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and one (1) copy thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission".

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion, or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Land Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Land Commissioner and the State Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

1 (c) Upon expiration of the 30-day period provided in the preceding 1
2 item (b) hereof, Unit Operator shall file with the Supervisor, the Land 2
3 Commissioner and the State Commission evidence of mailing of the notice of 3
4 expansion or contraction and a copy of any objections thereto which have been 4
5 filed with the Unit Operator, together with an application in sufficient 5
6 number, for approval of such expansion or contraction and with appropriate 6
7 joinders. 7

8 (d) After due consideration of all pertinent information, the 8
9 expansion or contraction shall, upon approval by the Director, the Land 9
10 Commissioner and the State Commission, become effective as of the date pre- 10
11 scribed in the notice thereof. 11

12 (e) All legal subdivisions of unitized lands (i.e., 40 acres by 12
13 Government survey or its nearest lot or tract equivalent in instances of 13
14 irregular surveys, however, unusually large lots or tracts shall be considered 14
15 in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the 15
16 purpose of elimination under this subsection), no parts of which are entitled 16
17 to be in a participating area within 5 years after the first day of the month 17
18 following the effective date of the first initial participating area estab- 18
19 lished under this unit agreement, shall be eliminated automatically from this 19
20 agreement, effective as of the first day thereafter, and such lands shall no 20
21 longer be a part of the unit area and shall no longer be subject to this 21
22 agreement, unless at the expiration of said 5-year period diligent drilling 22
23 operations are in progress on unitized lands not entitled to participation, 23
24 in which event all such lands shall remain subject hereto for so long as such 24
25 drilling operations are continued diligently, with not more than 90 days' 25
26 time elapsing between the completion of one such well and the commencement of 26
27 the next such well, except that the time allowed between such wells shall not 27
28 expire earlier than 30 days after the expiration of any period of time during 28
29 which drilling operations are prevented by a matter beyond the reasonable 29
30 control of unit operator as set forth in the section hereof entitled 30
31 "Unavoidable Delay"; provided that all legal subdivisions of lands not in a 31
32 participating area and not entitled to become participating under the appli- 32
33 cable provisions of this agreement within 10 years after said first day of 33
34 the month following the effective date of said first initial participating 34
35 area shall be eliminated as above specified. Determination of creditable 35

1 "Unavoidable Delay" time shall be made by unit operator and subject to approval 1
2 of the Director and the Land Commissioner. The unit operator shall, within 2
3 90 days after the effective date of any elimination hereunder, describe the 3
4 area so eliminated to the satisfaction of the Director and the Land 4
5 Commissioner and promptly notify all parties in interest. 5

6 If conditions warrant extension of the 10-year period specified in 6
7 this subsection 2 (e), a single extension of not to exceed 2 years may be 7
8 accomplished by consent of the owners of 90% of the current unitized working 8
9 interests and 60% of the current unitized basic royalty interests (exclusive 9
10 of the basic royalty interests of the United States), on a total-nonpartici- 10
11 pating-acreage basis, respectively, with approval of the Director, and the 11
12 Land Commissioner provided such extension application is submitted to the Land 12
13 Commissioner and the Director not later than 60 days prior to the expiration 13
14 of said 10-year period. 14

15 Any expansion of the unit area pursuant to this section which 15
16 embraces lands theretofore eliminated pursuant to this subsection 2 (e) shall 16
17 not be considered automatic commitment or recommitment of such lands. 17

18 3. UNITIZED LAND AND SUBSTANCES. All land committed to this Agree- 18
19 ment, as to all formations below the top of the Cherry Canyon Formation of the 19
20 Delaware Mountain Group of the Permian Age, encountered at a depth of 5923 20
21 feet in the Max Wilson #1 Continental-Federal well located 660' from the North 21
22 Line and 1980' from the West Line of Section 28, Twp. 23 South, Rge. 32 East, 22
23 N.M.P.M., as shown by the Lane Wells "Acoustilog" thereof dated February 2, 23
24 1963, shall constitute land referred to herein as "unitized land" or "land 24
25 subject to this agreement". All oil and gas in any and all formations lying 25
26 below the top of the said Cherry Canyon Formation, as shown by the said 26
27 "Acoustilog" of the said Max Wilson #1 Continental-Federal well, of the 27
28 unitized land are unitized under the terms of this agreement and are herein 28
29 called "unitized substances". 29

30 4. UNIT OPERATOR. The Pure Oil Company is hereby designated as 30
31 Unit Operator and by signature hereto as Unit Operator agrees and consents to 31
32 accept the duties and obligations of Unit Operator for the discovery, develop- 32
33 ment and production of unitized substances as herein provided. Whenever 33
34 reference is made herein to the Unit Operator, such reference means the Unit 34

Operator acting in that capacity and not as an owner of 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 an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, 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 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the Land Commissioner and State Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the State Commission as to State and privately owned 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.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but, in all 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 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 of Unit Operator shall not release Unit Operator from any liability for any 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 Director and the Land Commissioner.

1 The resignation or removal of Unit Operator under this agreement 1
2 shall not terminate its right, title, or interest as the owner of a working 2
3 interest or other interest in unitized substances, but upon the resignation 3
4 or removal of Unit Operator becoming effective, such Unit Operator shall 4
5 deliver possession of all equipment, materials, and appurtenances used in 5
6 conducting the unit operations and owned by the working interest owners to the 6
7 new duly qualified successor Unit Operator or to the owners thereof if no such 7
8 new Unit Operator is elected, to be used for the purpose of conducting unit 8
9 operations hereunder. Nothing herein shall be construed as authorizing 9
10 removal of any material, equipment and appurtenances needed for the preser- 10
11 vation of any wells. 11

12 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall 12
13 tender his or its resignation as Unit Operator, or shall be removed as here- 13
14 inabove provided, or a change of Unit Operator is negotiated by working 14
15 interest owners, the owners of the working interests in the participating 15
16 area or areas according to their respective acreage interests in such partici- 16
17 pating area or areas, or, until a participating area shall have been estab- 17
18 lished, the owners of the working interests according to their respective 18
19 acreage interests in all unitized land, shall by majority vote select a 19
20 successor Unit Operator: Provided, that, if a majority but less than 75 per 20
21 cent of the working interests qualified to vote are owned by one party to 21
22 this agreement, a concurring vote of one or more additional working interest 22
23 owners shall be required to select a new operator. Such selection shall not 23
24 become effective until: 24

25 (a) a Unit Operator so selected shall accept in writing the duties 25
26 and responsibilities of Unit Operator, and 26

27 (b) the selection shall have been filed with the Supervisor and 27
28 approved by the Land Commissioner. If no successor Unit Operator is selected 28
29 and qualified as herein provided, the Director and Land Commissioner at their 29
30 election may declare this unit agreement terminated. 30

31 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 31
32 Operator is not the sole owner of working interests, costs and expenses 32
33 incurred by Unit Operator in conducting unit operations hereunder shall be 33
34 paid and apportioned among and borne by the owners of working interests, all 34

1 in accordance with the agreement or agreements entered into by and between the 1
2 Unit Operator and the owners of working interests, whether one or more, 2
3 separately or collectively. Any agreement or agreements entered into between 3
4 the working interest owners and the Unit Operator as provided in this section, 4
5 whether one or more, are herein referred to as the "unit operating agreement". 5
6 Such unit operating agreement shall also provide the manner in which the 6
7 working interest owners shall be entitled to receive their respective propor- 7
8 tionate and allocated share of the benefits accruing hereto in conformity 8
9 with their underlying operating agreements, leases, or other independent con- 9
10 tracts, and such other rights and obligations as between Unit Operator and 10
11 the working interest owners as may be agreed upon by Unit Operator and the 11
12 working interest owners; however, no such unit operating agreement shall be 12
13 deemed either to modify any of the terms and conditions of this unit agree- 13
14 ment or to relieve the Unit Operator of any right or obligation established 14
15 under this unit agreement, and in case of any inconsistency or conflict 15
16 between the unit agreement and the unit operating agreement, this unit agree- 16
17 ment shall prevail. Three (3) true copies of any unit operating agreement 17
18 executed pursuant to this section should be filed with the Supervisor and 18
19 one (1) true copy with the Land Commissioner, prior to approval of this unit 19
20 agreement by the Director. 20

21 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 21
22 specifically provided herein, the exclusive right, privilege, and duty of 22
23 exercising any and all rights of the parties hereto which are necessary or 23
24 convenient for prospecting for, producing, storing, allocating, and distrib- 24
25 uting the unitized substances are hereby delegated to and shall be exercised 25
26 by the Unit Operator as herein provided. Acceptable evidence of title to said 26
27 rights shall be deposited with said Unit Operator and, together with this 27
28 agreement, shall constitute and define the rights, privileges, and obligations 28
29 of Unit Operator. Nothing herein, however, shall be construed to transfer 29
30 title to any land or to any lease or operating agreement, it being understood 30
31 that under this agreement the Unit Operator, in its capacity as Unit Operator, 31
32 shall exercise the rights of possession and use vested in the parties hereto 32
33 only for the purposes herein specified. 33

1 9. DRILLING TO DISCOVERY. Within 6 months after the effective 1
2 date hereof, the Unit Operator shall begin to drill an adequate test well at 2
3 a location approved by the Supervisor if on Federal land or by the Land 3
4 Commissioner if on State land, or by the State Commission if on privately 4
5 owned land, unless on such effective date a well is being drilled conformably 5
6 with the terms hereof, and thereafter continue such drilling diligently until 6
7 the Devonian formation has been tested or until at a lesser depth unitized 7
8 substances shall be discovered which can be produced in paying quantities 8
9 (to-wit: quantities sufficient to repay the costs of drilling and producing 9
10 operations, with a reasonable profit) or the Unit Operator at any time 10
11 establish to the satisfaction of the Supervisor if on Federal land, or the 11
12 Land Commissioner if on State land, or of the State Commission if on privately 12
13 owned land, that further drilling of said well would be unwarranted or 13
14 impracticable; provided, however, that Unit Operator shall not in any event 14
15 be required to drill said well to a depth in excess of 16,300 feet. Until 15
16 the discovery of a deposit of unitized substances capable of being produced 16
17 in paying quantities, the Unit Operator shall continue drilling diligently 17
18 one well at a time, allowing not more than 6 months between the completion 18
19 of one well and the beginning of the next well, until a well capable of 19
20 producing unitized substances in paying quantities is completed to the satis- 20
21 faction of said Supervisor if it be on Federal land or of the Land Commissioner 21
22 if on State land or the State Commission if on privately owned land or until 22
23 it is reasonably proved that the unitized land is incapable of producing 23
24 unitized substances in paying quantities in the formations drilled hereunder. 24
25 Nothing in this section shall be deemed to limit the right of the Unit 25
26 Operator to resign as provided in Section 5 hereof, or as requiring Unit 26
27 Operator to commence or continue any drilling during the period pending such 27
28 resignation becoming effective in order to comply with the requirements of 28
29 this section. The Director and Land Commissioner may modify the drilling 29
30 requirements of this section by granting reasonable extensions of time when, 30
31 in their opinion, such action is warranted. 31

32 Upon failure to comply with the drilling provisions of this section, 32
33 the Director and Land Commissioner may, after reasonable notice to the Unit 33
34 Operator, and each working interest owner, lessee, and lessor at their last 34
35 known addresses, declare this unit agreement terminated. 35

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and,

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Land Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Land Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as

1 may be specifically approved by the Supervisor and the Land Commissioner 1
2 shall be drilled except in accordance with a plan of development approved as 2
3 herein provided. 3

4 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 4
5 capable of producing unitized substances in paying quantities, or as soon 5
6 thereafter as required by the Supervisor or the Land Commissioner, the Unit 6
7 Operator shall submit for approval by the Director and the Land Commissioner 7
8 a schedule, based on subdivisions of the public-land survey or aliquot parts 8
9 thereof, of all unitized land then regarded as reasonably proved to be pro- 9
10 ductive of unitized substances in paying quantities; all lands in said 10
11 schedule on approval of the Director and the Land Commissioner to constitute 11
12 a participating area, effective as of the date of completion of such well or 12
13 the effective date of the unit agreement, whichever is later. The acreages 13
14 of both Federal and non-Federal lands shall be based upon appropriate 14
15 computations from the courses and distances shown on the last approved public- 15
16 land survey as of the effective date of the initial participating area. Said 16
17 schedule also shall set forth the percentage of unitized substances to be 17
18 allocated as herein provided to each unitized tract in the participating area 18
19 so established, and shall govern the allocation of production from and after 19
20 the date the participating area becomes effective. A separate participating 20
21 area shall be established in like manner for each separate pool or deposit of 21
22 unitized substances or for any group thereof produced as a single pool or zone, 22
23 and any two or more participating areas so established may be combined into 23
24 one with the consent of the owners of all working interests in the lands 24
25 within the participating areas so to be combined, on approval of the Director 25
26 and the Land Commissioner. The participating area or areas so established 26
27 shall be revised from time to time, subject to like approval, whenever such 27
28 action appears proper as a result of further drilling operations or otherwise, 28
29 to include additional land then regarded as reasonably proved to be productive 29
30 in paying quantities, or to exclude land then regarded as reasonably proved 30
31 not to be productive in paying quantities and the percentage of allocation 31
32 shall also be revised accordingly. The effective date of any revision shall 32
33 be the first of the month in which is obtained the knowledge or information 33
34 on which such revision is predicated, provided, however, that a more 34

1 appropriate effective date may be used if justified by the Unit Operator and 1
2 approved by the Director and the Land Commissioner. No land shall be 2
3 excluded from a participating area on account of depletion of the unitized 3
4 substances. 4

5 It is the intent of this section that a participating area shall 5
6 represent the area known or reasonably estimated to be productive in paying 6
7 quantities; but, regardless of any revision of the participating area, 7
8 nothing herein contained shall be construed as requiring any retroactive 8
9 adjustment for production obtained prior to the effective date of the 9
10 revision of the participating area. 10

11 In the absence of agreement at any time between the Unit Operator 11
12 and the Director and the Land Commissioner as to the proper definition or 12
13 redefinition of a participating area, or until a participating area has, or 13
14 areas have, been established as provided herein, the portion of all payments 14
15 affected thereby may be impounded in a manner mutually acceptable to the 15
16 owners of working interests, except royalties due the United States and the 16
17 State of New Mexico, which shall be determined by the Supervisor for Federal 17
18 lands and the Land Commissioner for State lands and the State Commission as 18
19 to privately owned lands and the amount thereof deposited, as directed by 19
20 the Supervisor and the Land Commissioner respectively, to be held as unearned 20
21 money until a participating area is finally approved and then applied as 21
22 earned or returned in accordance with a determination of the sum due as 22
23 Federal and State royalty on the basis of such approved participating area. 23

24 Whenever it is determined, subject to the approval of the Super- 24
25 visor, as to wells drilled on Federal land and of the Land Commissioner as 25
26 to wells drilled on State land and the State Commission as to wells on 26
27 privately owned lands, that a well drilled under this agreement is not 27
28 capable of production in paying quantities and inclusion of the land on which 28
29 it is situated in a participating area is unwarranted, production from such 29
30 well shall, for the purposes of settlement among all parties other than 30
31 working interest owners, be allocated to the land on which the well is 31
32 located so long as such land is not within a participating area established 32
33 for the pool or deposit from which such production is obtained. Settlement 33
34 for working interest benefits from such a well shall be made as provided in 34
35 the unit operating agreement. 35

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, and Land Commissioner and the State Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Land Commissioner as to State land, and the State Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's sole risk,

1 costs, and expense drill a well at such location on such land to test any 1
2 formation for which a participating area has not been established or to test 2
3 any formation for which a participating area has been established if such 3
4 location is not within said participating area, or drill any well not mutually 4
5 agreed to by all interested parties, unless within 90 days of receipt of 5
6 notice from said party of his intention to drill the well the Unit Operator 6
7 elects and commences to drill such a well in like manner as other wells are 7
8 drilled by the Unit Operator under this agreement. 8

9 If any well drilled as aforesaid by a working interest owner results 9
10 in production such that the land upon which it is situated may properly be 10
11 included in a participating area, such participating area shall be established 11
12 or enlarged as provided in this agreement and the well shall thereafter be 12
13 operated by the Unit Operator in accordance with the terms of this agreement 13
14 and the unit operating agreement. 14

15 If any well drilled as aforesaid by a working interest owner obtains 15
16 production in quantities insufficient to justify the inclusion in a partici- 16
17 pating area of the land upon which such well is situated, such well may be 17
18 operated and produced by the party drilling the same subject to the conserva- 18
19 tion requirements of this agreement. The royalties in amount or value of 19
20 production from any such well shall be paid as specified in the underlying 20
21 lease and agreements affected. 21

22 14. ROYALTY SETTLEMENT. The United States and any State and all 22
23 royalty owners who, under existing contract, are entitled to take in kind a 23
24 share of the substances now unitized hereunder produced from any tract, shall 24
25 hereafter be entitled to the right to take in kind their share of the unitized 25
26 substances allocated to such tract, and Unit Operator, or in case of the 26
27 operation of a well by a working interest owner as herein in special cases 27
28 provided for, such working interest owner, shall make deliveries of such 28
29 royalty share taken in kind in conformity with the applicable contracts, laws, 29
30 and regulations. Settlement for royalty interest not taken in kind shall be 30
31 made by working interest owners responsible therefor under existing contracts, 31
32 laws and regulations on or before the last day of each month for unitized 32
33 substances produced during the preceding calendar month; provided, however, 33

1 that nothing herein contained shall operate to relieve the lessees of any land 1
2 from their respective lease obligations for the payment of any royalties due 2
3 under their leases. 3

4 If gas obtained from lands not subject to this agreement is intro- 4
5 duced into any participating area hereunder, for use in repressuring, stimu- 5
6 lation of production, or increasing ultimate recovery, which shall be in 6
7 conformity with a plan first approved by the Supervisor, the Land Commissioner, 7
8 and the State Commission, a like amount of gas, after settlement as herein 8
9 provided for any gas transferred from any other participating area and with 9
10 due allowance for loss or depletion from any cause, may be withdrawn from the 10
11 formation into which the gas was introduced, royalty free as to dry gas, but 11
12 not as to the products extracted therefrom; provided that such withdrawal shall 12
13 be at such time as may be provided in the plan of operations or as may other- 13
14 wise be consented to by the Supervisor, the Land Commissioner and the State 14
15 Commission as conforming to good petroleum engineering practice; and provided 15
16 further, that such right of withdrawal shall terminate on the termination of 16
17 this unit agreement. 17

18 Royalty due the United States shall be computed as provided in the 18
19 operating regulations and paid in value or delivered in kind as to all 19
20 unitized substances on the basis of the amounts thereof allocated to unitized 20
21 Federal land as provided herein at the rates specified in the respective 21
22 Federal leases, or at such lower rate or rates as may be authorized by law or 22
23 regulation; provided, that for leases on which the royalty rate depends on the 23
24 daily average production per well, said average production shall be determined 24
25 in accordance with the operating regulations as though each participating area 25
26 were a single consolidated lease. 26

27 Royalty due on account of State and privately owned lands shall be 27
28 computed and paid on the basis of all unitized substances allocated to such 28
29 lands. 29

30 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 30
31 committed hereto shall be paid by working interest owners responsible therefor 31
32 under existing contracts, laws, and regulations, provided that nothing herein 32
33 contained shall operate to relieve the lessees of any land from their 33
34 respective lease obligations for the payment of any rental or minimum royalty 34

1 in lieu thereof due under their leases. Rental or minimum royalty for lands 1
2 of the United States subject to this agreement shall be paid at the rate 2
3 specified in the respective leases from the United States unless such rental 3
4 or minimum royalty is waived, suspended, or reduced by law or by approval of 4
5 the Secretary or his duly authorized representative. 5

6 Rentals on State of New Mexico lands subject to this agreement shall 6
7 be paid at the rates specified in the respective leases. 7

8 With respect to any lease on non-Federal land containing provisions 8
9 which would terminate such lease unless drilling operations were within the 9
10 time therein specified commenced upon the land covered thereby or rental paid 10
11 for the privilege of deferring such drilling operations, the rentals required 11
12 thereby shall, notwithstanding any other provision of this agreement, be 12
13 deemed to accrue and become payable during the term thereof as extended by 13
14 this agreement and until the required drilling operations are commenced upon 14
15 the land covered thereby or some portion of such land is included within a 15
16 participating area. 16

17 16. CONSERVATION. Operations hereunder and production of unitized 17
18 substances shall be conducted to provide for the most economical and efficient 18
19 recovery of said substances without waste, as defined by or pursuant to State 19
20 or Federal law or regulation. 20

21 17. DRAINAGE. The Unit Operator shall take appropriate and ade- 21
22 quate measures to prevent drainage of unitized substances from unitized land 22
23 by wells on land not subject to this agreement, or, with the consent of the 23
24 Director and the Land Commissioner, pursuant to applicable regulations pay a 24
25 fair and reasonable compensatory royalty. 25

26 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con- 26
27 ditions, and provisions of all leases, subleases, and other contracts relating 27
28 to exploration, drilling, development, or operations for oil or gas of lands 28
29 committed to this agreement are hereby expressly modified and amended to the 29
30 extent necessary to make the same conform to the provisions hereof, but other- 30
31 wise remain in full force and effect; and the parties hereto hereby consent 31
32 that the Secretary as to Federal leases and the Land Commissioner as to State 32
33 leases shall and each by his approval hereof, or by the approval hereof by his 33
34 duly authorized representative, does hereby establish, alter, change, or 34
35 revoke the drilling, producing, rental, minimum royalty, and royalty 35

1 requirements of Federal and State leases committed hereto and the regulations 1
2 in respect thereto to conform said requirements to the provisions of this 2
3 agreement, and, without limiting the generality of the foregoing, all leases, 3
4 subleases, and contracts are particularly modified in accordance with the 4
5 following: 5

6 (a) The development and operation of lands subject to this agree- 6
7 ment under the terms hereof shall be deemed full performance of all obligations 7
8 for development and operation with respect to each and every part or sep- 8
9 arately owned tract subject to this agreement, regardless of whether there is 9
10 any development of any particular part or tract of the unit area, notwith- 10
11 standing anything to the contrary in any lease, operating agreement or other 11
12 contract by and between the parties hereto, or their respective predecessors 12
13 in interest, or any of them. 13

14 (b) Drilling and producing operations performed hereunder upon any 14
15 tract of unitized lands will be accepted and deemed to be performed upon and 15
16 for the benefit of each and every tract of unitized land, and no lease shall 16
17 be deemed to expire by reason of failure to drill or produce wells situated 17
18 on the land therein embraced. 18

19 (c) Suspension of drilling or producing operations on all unitized 19
20 lands pursuant to direction or consent of the Secretary and the Land Com- 20
21 missioner, or their duly authorized representative, shall be deemed to 21
22 constitute such suspension pursuant to such direction or consent as to each 22
23 and every tract of unitized land. 23

24 (d) Each lease, sublease or contract relating to the exploration, 24
25 drilling, development or operation for oil or gas of lands, other than those 25
26 of the United States and State of New Mexico, committed to this agreement, 26
27 which, by its terms might expire prior to the termination of this agreement, 27
28 is hereby extended beyond any such term so provided therein so that it shall 28
29 be continued in full force and effect for and during the term of this agree- 29
30 ment. 30

31 (e) Any Federal lease for a fixed term of twenty (20) years or any 31
32 renewal thereof or any part of such lease which is made subject to this agree- 32
33 ment shall continue in force beyond the term provided therein until the termi- 33
34 nation hereof. Any other Federal lease committed hereto shall continue in 34

1 force beyond the term so provided therein or by law as to the land committed 1
2 so long as such lease remains subject hereto, provided that production is had 2
3 in paying quantities under this unit agreement prior to the expiration date 3
4 of the term of such lease, or in the event actual drilling operations are 4
5 commenced on unitized land, in accordance with the provisions of this agree- 5
6 ment, prior to the end of the primary term of such lease and are being 6
7 diligently prosecuted at that time such lease shall be extended for two years 7
8 and so long thereafter as oil or gas is produced in paying quantities in 8
9 accordance with the provisions of the Mineral Leasing Act Revision of 1960. 9

10 (f) Each sublease or contract relating to the operation and 10
11 development of unitized substances from lands of the United States committed 11
12 to this agreement, which by its terms would expire prior to the time at 12
13 which the underlying lease, as extended by the immediately preceding para- 13
14 graph, will expire, is hereby extended beyond any such term so provided 14
15 therein so that it shall be continued in full force and effect for and during 15
16 the term of the underlying lease as such term is herein extended. 16

17 (g) Any lease embracing lands of the State of New Mexico which is 17
18 made subject to this agreement, shall continue in force beyond the term pro- 18
19 vided therein as to the lands committed hereto until the termination hereof. 19

20 (h) The segregation of any Federal lease committed to this agree- 20
21 ment is governed by the following provision in the fourth paragraph of 21
22 Sec. 17 (j) of the Act, as amended by the Act of September 2, 1960 (74 Stat. 22
23 781, 784): "Any (Federal) lease heretofore or hereafter committed to any 23
24 such (unit) plan embracing lands that are in part within and in part outside 24
25 of the area covered by any such plan shall be segregated into separate leases 25
26 as to the lands committed and the lands not committed as of the effective 26
27 date of unitization: Provided, however, that any such lease as to the 27
28 nonunitized portion shall continue in force and effect for the term thereof 28
29 but for not less than two years from the date of such segregation and so long 29
30 thereafter as oil or gas is produced in paying quantities." 30

31 (i) Any lease embracing lands of the State of New Mexico having 31
32 only a portion of its lands committed hereto, shall be segregated as to the 32
33 portion committed and the portion not committed, and the terms of such lease 33
34 shall apply separately to such segregated portions commencing as of the 34

1 effective date hereof; provided, however, notwithstanding any of the pro- 1
2 visions of this agreement to the contrary any lease embracing lands of the 2
3 State of New Mexico having only a portion of its lands committed hereto shall 3
4 continue in full force and effect beyond the term provided therein as to all 4
5 lands embraced in such lease, if oil or gas is discovered and is capable of 5
6 being produced in paying quantities from some part of the lands embraced in 6
7 such lease at the expiration of the secondary term of such lease; or if, at 7
8 the expiration of the secondary term, the Lessee or the Unit Operator is then 8
9 engaged in bona fide drilling or reworking operations on some part of the 9
10 lands embraced in such lease, the same, as to all lands embraced therein, 10
11 shall remain in full force and effect so long as such operations are being 11
12 diligently prosecuted, and if they result in the production of oil or gas, 12
13 said lease shall continue in full force and effect as to all of the lands 13
14 embraced therein, so long thereafter as oil or gas in paying quantities is 14
15 being produced from any portion of said lands. 15

16 19. COVENANTS RUN WITH LAND. The covenants herein shall be con- 16
17 strued to be covenants running with the land with respect to the interest of 17
18 the parties hereto and their successors in interest until this agreement 18
19 terminates, and any grant, transfer or conveyance, of interest in land or 19
20 leases subject hereto shall be and hereby is conditioned upon the assumption 20
21 of all privileges and obligations hereunder by the grantee, transferee, or 21
22 other successor in interest. No Assignment or transfer of any working 22
23 interest, royalty, or other interest subject hereto shall be binding upon 23
24 Unit Operator until the first day of the calendar month after Unit Operator 24
25 is furnished with the original, photostatic, or certified copy of the 25
26 instrument of transfer. 26

27 20. EFFECTIVE DATE AND TERM. This agreement shall become 27
28 effective upon approval by the Director and the Land Commissioner or their 28
29 duly authorized representatives as of the date of approval by the Director 29
30 and shall terminate five (5) years from said effective date unless: 30

31 (a) Such date of expiration is extended by the Director and the 31
32 Land Commissioner, or 32

33 (b) it is reasonably determined prior to the expiration of the 33
34 fixed term or any extension thereof that the unitized land is incapable of 34

1 production of unitized substances in paying quantities in the formations 1
2 tested hereunder and after notice of intention to terminate the agreement on 2
3 such ground is given by the Unit Operator to all parties in interest at their 3
4 last known addresses, the agreement is terminated with the approval of the 4
5 Director and Land Commissioner, or 5

6 (c) a valuable discovery of unitized substances has been made or 6
7 accepted on unitized land during said initial term or any extension thereof, 7
8 in which event the agreement shall remain in effect for such term and so long 8
9 as unitized substances can be produced in quantities sufficient to pay for the 9
10 cost of producing same from wells on unitized land within any participating 10
11 area established hereunder and, should production cease, so long thereafter 11
12 as diligent operations are in progress for the restoration of production or 12
13 discovery of new production and so long thereafter as the unitized substances 13
14 so discovered can be produced as aforesaid, or 14

15 (d) it is terminated as heretofore provided in this agreement. 15

16 This agreement may be terminated at any time by not less than 75 per 16
17 centum, on an acreage basis, of the owners of working interests signatory 17
18 hereto, with the approval of the Director and Land Commissioner; notice of 18
19 any such approval to be given by the Unit Operator to all parties hereto. 19

20 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director 20
21 is hereby vested with authority to alter or modify from time to time in his 21
22 discretion the quantity and rate of production under this agreement when such 22
23 quantity and rate is not fixed pursuant to Federal or State law or does not 23
24 conform to any state-wide voluntary conservation or allocation program, which 24
25 is established, recognized, and generally adhered to by the majority of 25
26 operators in such State, such authority being hereby limited to alteration or 26
27 modification in the public interest, the purpose thereof and the public 27
28 interest to be served thereby to be stated in the order of alteration or modi- 28
29 fication. Without regard to the foregoing, the Director is also hereby vested 29
30 with authority to alter or modify from time to time in his discretion the rate 30
31 of prospecting and development and the quantity and rate of production under 31
32 this agreement when such alteration or modification is in the interest of 32
33 attaining the conservation objectives stated in this agreement and is not in 33
34 violation of any applicable Federal or State law; provided, further, that no 34
35 such alteration or modification shall be effective as to any land of the State 35
36 of New Mexico as to the rate of prospecting and developing in the absence of 36
37 the specific written approval thereof by the Land Commissioner and as to any 37
38 lands of the State of New Mexico or privately owned lands subject to this 38
39 agreement as to the quantity and rate of production in the absence of specific 39
40 written approval thereof by the Commission. 40

1 Powers in this section vested in the Director shall only be exer- 1
2 cised after notice to Unit Operator and opportunity for hearing to be held 2
3 not less than 15 days from notice. 3

4 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the 4
5 working interest owners, nor any of them, shall be subject to any forfeiture, 5
6 termination or expiration of any right hereunder or under any leases or con- 6
7 tracts subject hereto, or to any penalty or liability on account of delay or 7
8 failure in whole or in part to comply with any applicable provisions thereof 8
9 to the extent that the said Unit Operator or the working interest owners, or 9
10 any of them, are hindered, delayed or prevented from complying therewith by 10
11 reason of failure of the Unit Operator to obtain, in the exercise of due dili- 11
12 gence, the concurrence of proper representatives of the United States and 12
13 proper representatives of the State of New Mexico in and about any matters or 13
14 things concerning which it is required herein that such concurrence be ob- 14
15 tained. The parties hereto, including the State Commission, agree that all 15
16 powers and authority vested in the State Commission in and by any provisions 16
17 of this agreement are vested in the State Commission and shall be exercised by 17
18 it pursuant to the provisions of the laws of the State of New Mexico and sub- 18
19 ject in any case to appeal or judicial review as may now or hereafter be 19
20 provided by the laws of the State of New Mexico. 20

21 23. APPEARANCES. Unit Operator shall, after notice to other 21
22 parties affected, have the right to appear for and on behalf of any and all 22
23 interests affected hereby before the Department of the Interior, the 23
24 Commissioner of Public Lands of the State of New Mexico and the New Mexico 24
25 Oil Conservation Commission and to appeal from orders issued under the 25
26 regulations of said Department, the State Commission or Land Commissioner or 26
27 to apply for relief from any of said regulations or in any proceedings rela- 27
28 tive to operations before the Department of the Interior, the Land Com- 28
29 missioner, or State Commission or any other legally constituted authority; 29
30 provided, however, that any other interested party shall also have the right 30
31 at his own expense to be heard in any such proceeding. 31

32 24. NOTICES. All notices, demands or statements required here- 32
33 under to be given or rendered to the parties hereto shall be deemed fully 33
34 given if given in writing and personally delivered to the party or sent by 34

1 effective as of the first day of the month following the filing with the 1
2 Supervisor, the Land Commissioner and the State Commission of duly executed 2
3 counterparts of all or any papers necessary to establish effective commitment 3
4 of any tract to this agreement unless objection to such joinder is duly made 4
5 within 60 days by the Director or the Land Commissioner; provided, however, 5
6 that as to State Lands such subsequent joinder must be approved by the Land 6
7 Commissioner. 7

8 30. COUNTERPARTS. This agreement may be executed in any number of 8
9 counterparts no one of which needs to be executed by all parties or may be 9
10 ratified or consented to by separate instrument in writing specifically 10
11 referring hereto and shall be binding upon all those parties who have executed 11
12 such a counterpart, ratification, or consent hereto with the same force and 12
13 effect as if all such parties had signed the same document and regardless of 13
14 whether or not it is executed by all other parties owning or claiming an 14
15 interest in the lands within the above-described unit area. 15

16 31. SURRENDER. Nothing in this agreement shall prohibit the exer- 16
17 cise by any working interest owner of the right to surrender vested in such 17
18 party in any lease, sub-lease, or operating agreement as to all or any part 18
19 of the lands covered thereby, provided that each party who will or might 19
20 acquire such working interest by such surrender or by forfeiture as hereafter 20
21 set forth, is bound by the terms of this agreement. 21

22 If as a result of any such surrender, the working interest rights as 22
23 to such lands become vested in any party other than the fee owner of the 23
24 unitized substances, said party shall forfeit such rights and no further bene- 24
25 fits from operation hereunder as to said land shall accrue to such party, 25
26 unless within ninety (90) days thereafter said party shall execute this agree- 26
27 ment and the unit operating agreement as to the working interest acquired 27
28 through such surrender, effective as though such land had remained continuously 28
29 subject to this agreement and the unit operating agreement. And in the event 29
30 such agreements are not so executed, the party next in the chain of title shall 30
31 be and become the owner of such working interest at the end of such ninety (90) 31
32 day period, with the same force and effect as though such working interest had 32
33 been surrendered to such party. 33

34 If as the result of any such surrender or forfeiture the working 34
35 interest rights as to such lands become vested in the fee owner of the unitized 35
36 substances, such owner may: 36

1 (1) Execute this agreement and the unit operating agreement as a 1
2 working interest owner, effective as though such land had remained continuously 2
3 subject to this agreement and the unit operating agreement. 3

4 (2) Again lease such lands but only under the condition that the 4
5 holder of such lease shall within thirty (30) days after such lands are so 5
6 leased execute this agreement and the unit operating agreement as to each 6
7 participating area theretofore established hereunder, effective as though such 7
8 land had remained continuously subject to this agreement and the unit operating 8
9 agreement. 9

10 (3) Operate or provide for the operation of such land independently 10
11 of this agreement as to any part thereof or any oil or gas deposits therein not 11
12 then included within a participating area. 12

13 If the fee owner of the unitized substances does not execute this 13
14 agreement and the unit operating agreement as a working interest owner or 14
15 again lease such lands as above provided with respect to each existing 15
16 participating area, within six (6) months after any such surrender or 16
17 forfeiture, such fee owner shall be deemed to have waived the right to execute 17
18 the unit operating agreement or lease such lands as to each such participating 18
19 area, and to have agreed, in consideration for the compensation hereinafter 19
20 provided, that operations hereunder as to any such participating area or areas 20
21 shall not be affected by such surrender. 21

22 For any period the working interest in any lands are not expressly 22
23 committed to the unit operating agreement as the result of any such surrender 23
24 or forfeiture, the benefits and obligations of operations accruing to such 24
25 lands under this agreement and the unit operating agreement shall be shared 25
26 by the remaining owners of unitized working interests in accordance with their 26
27 respective participating working interest ownerships in any such participating 27
28 area or areas, and such owners of working interests shall compensate the fee 28
29 owner of unitized substances in such lands by paying sums equal to the rentals, 29
30 minimum royalties, and royalties applicable to such lands under the lease in 30
31 effect when the lands were unitized, as to such participating area or areas. 31

32 Upon commitment of a working interest to this agreement and the unit 32
33 operating agreement as provided in this section, an appropriate accounting 33
34 and settlement shall be made, to reflect the retroactive effect of the 34

1 commitment, for all benefits accruing to or payments and expenditures made or 1
2 incurred on behalf of such surrendered working interest during the period 2
3 between the date of surrender and the date of recommitment, and payment of any 3
4 moneys found to be owing by such an accounting shall be made as between the 4
5 parties then signatory to the unit operating agreement and this agreement 5
6 within thirty (30) days after the recommitment. The right to become a party 6
7 to this agreement and the unit operating agreement as a working interest owner 7
8 by reason of a surrender or forfeiture as provided in this section shall not 8
9 be defeated by the nonexistence of a unit operating agreement and in the event 9
10 no unit operating agreement is in existence and a mutually acceptable agree- 10
11 ment between the proper parties thereto cannot be consummated, the Supervisor 11
12 may prescribe such reasonable and equitable agreement as he deems warranted 12
13 under the circumstances. 13

14 Nothing in this section shall be deemed to limit the right of 14
15 joinder or subsequent joinder to this agreement as provided elsewhere in this 15
16 agreement. The exercise of any right vested in a working interest owner to 16
17 reassign such working interest to the party from whom obtained shall be subject 17
18 to the same conditions as set forth in this section in regard to the exercise 18
19 of a right to surrender. 19

20 32. TAXES. The working interest owners shall render and pay for 20
21 their account and the account of the royalty owners all valid taxes on or 21
22 measured by the unitized substances in and under or that may be produced, 22
23 gathered and sold from the land subject to this contract after the effective 23
24 date of this agreement, or upon the proceeds or net proceeds derived therefrom. 24
25 The working interest owners on each tract shall and may charge the proper 25
26 proportion of said taxes to the royalty owners having interests in said tract, 26
27 and may currently retain and deduct sufficient of the unitized substances or 27
28 derivative products, or net proceeds thereof from the allocated share of each 28
29 royalty owner to secure reimbursement for the taxes so paid. No such taxes 29
30 shall be charged to the United States or the State of New Mexico or to any 30
31 lessor who has a contract with his lessee which requires the lessee to pay 31
32 such taxes. 32

33 33. NO PARTNERSHIP. It is expressly agreed that the relation of 33
34 the parties hereto is that of independent contractors and nothing in this 34

1 agreement contained, expressed or implied, nor any operations conducted here- 1
2 under, shall create or be deemed to have created a partnership or association 2
3 between the parties hereto or any of them. 3

4 IN WITNESS WHEREOF, the parties hereto have caused this agreement 4
5 to be executed and have set opposite their respective names the date of 5
6 execution. 6

UNIT OPERATOR AND WORKING INTEREST OWNER

THE PURE OIL COMPANY

Date: _____

By _____
Division Manager,
Southern Producing Division

Address: First City National Bank Bldg.
Houston 2, Texas

WORKING INTEREST OWNERS

GULF OIL CORPORATION

DATE: _____

By _____

ATTEST: _____

Address _____

CONTINENTAL OIL COMPANY

DATE: _____

By _____

ATTEST: _____

Address _____

MARATHON OIL COMPANY

DATE: _____

By _____

ATTEST: _____

Address _____

TEXACO INC.

DATE: _____

By _____

ATTEST: _____

Address _____

RICHARDSON OILS, INC.

DATE: _____

By _____

ATTEST: _____

Address _____

DATE: _____

PERRY R. BASS

Address _____

WORKING INTEREST OWNERS

RICHFIELD OIL CORPORATION

DATE: _____

By _____

ATTEST: _____

Address _____

THE BRITISH-AMERICAN OIL
PRODUCING COMPANY

DATE: _____

By _____

ATTEST: _____

Address _____

DATE: _____

JACQUELINE H. LANGDON

CHARLES C. LANGDON

INTERNATIONAL OIL AND GAS CORPORATION

DATE: _____

By _____

ATTEST: _____

Address _____

PENNZOIL COMPANY

DATE: _____

By _____
Vice President

ATTEST: _____

Address _____

STATE OF TEXAS }
 }
 } ss
COUNTY OF HARRIS }

The foregoing instrument was acknowledged before me this 24 day
of January, 1964, by C. W. Hancock, Division Manager, of the
Southern Producing Division of THE PURE OIL COMPANY, a Corporation, on behalf
of said Corporation.

My Commission Expires:

Jo Ann Brewer
Notary Public JO ANN BREWER

6-1-65

BRINNINSTOOL DEEP UNIT O.C.C. HEARING

17,237.32 Acres

1. Working Interest Owners:

| | | | |
|-------------------------------|-------------|----------|--------------|
| Gulf Oil Corporation | Committed | 23.8070% | of Unit Area |
| Continental | Committed | 41.2066% | " " " |
| Pure | Committed | 18.2968% | " " " |
| Marathon | Committed | 5.5578% | " " " |
| Richardson Oils | Committed | 2.2584% | " " " |
| Perry R. Bass | Committed | .7528% | " " " |
| Texaco Inc. | Uncommitted | 1.8562% | " " " |
| Richfield | Committed | .1160% | " " " |
| British-American | Committed | .1160% | " " " |
| International Oil & Gas Corp. | Uncommitted | .2320% | " " " |
| Pennzoil Company | Uncommitted | .9281% | " " " |
| Jacqueline Langdon | Committed | 4.8731% | " " " |

2. Percentage of State Acreage in Unit = 25.8606%

All Committed

3. Percentage of Federal Acreage in Unit = 74.1393%

95.9311% of Fed. Acs. committed.

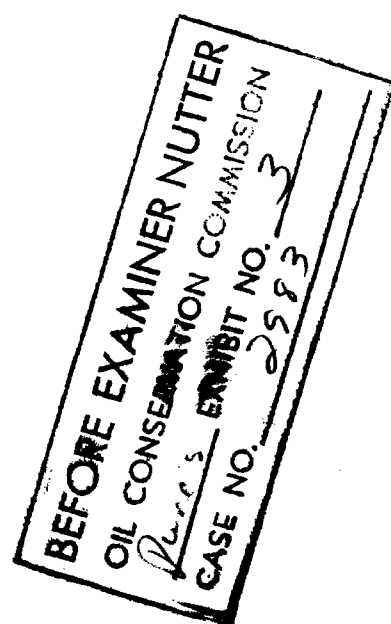
4. Number of Owners of ORRs and Prod. Payments = 36

28 Committed

8 Uncommitted (7 definite nos, 1 mailed to foreign countries that will probably commit.)

List of Owners of Overriding Royalty and Production Payment Owners and Status:

| <u>Owner</u> | <u>Status</u> |
|---------------------------|---------------|
| Helen B. Wehrli | Committed |
| L. N. Hagood | " |
| Thomas Allen | " |
| Robert N. Enfield | " |
| Jay Galloway | " |
| Saul Baker | " |
| Jewell E. Fields | " |
| Faye L. Klein | " |
| Ralph C. Hart | Uncommitted |
| George C. Buckles | " |
| Randall F. Montgomery | Committed |
| Minnie S. Levick | " |
| Fred C. Rohrback | " |
| I. J. Marshall | " |
| Pearl O. Pipkin | " |
| Roland Rich Woolley | " |
| J. L. Briscoe | " |
| Tom L. Ingram | " |
| Eugene E. Nearburg | " |
| Marguerite Armitage Payne | " |
| Robert G. Hanagan | " |
| Ernest A. Hanson | " |
| Bruce Alene Carlin | Uncommitted |
| A. G. McCarver | " |
| J. B. Palmer | " |
| Pauline V. Trigg | " |
| John H. Burton | Committed |
| Josephine G. Antink | Uncommitted |
| Eugenia Bate | Committed |
| E. R. Richardson | " |
| Mary Charlotte Cooper | " |
| Morris W. Newman | " |
| Robert J. Newman | Committed |
| Yvonne McKnight | Committed |
| R. E. Boyle | Uncommitted |



17,237.32 Acres

1. Working Interest Owners:

| | | | |
|-------------------------------|-------------|----------|--------------|
| Gulf Oil Corporation | Committed | 23.8070% | of Unit Area |
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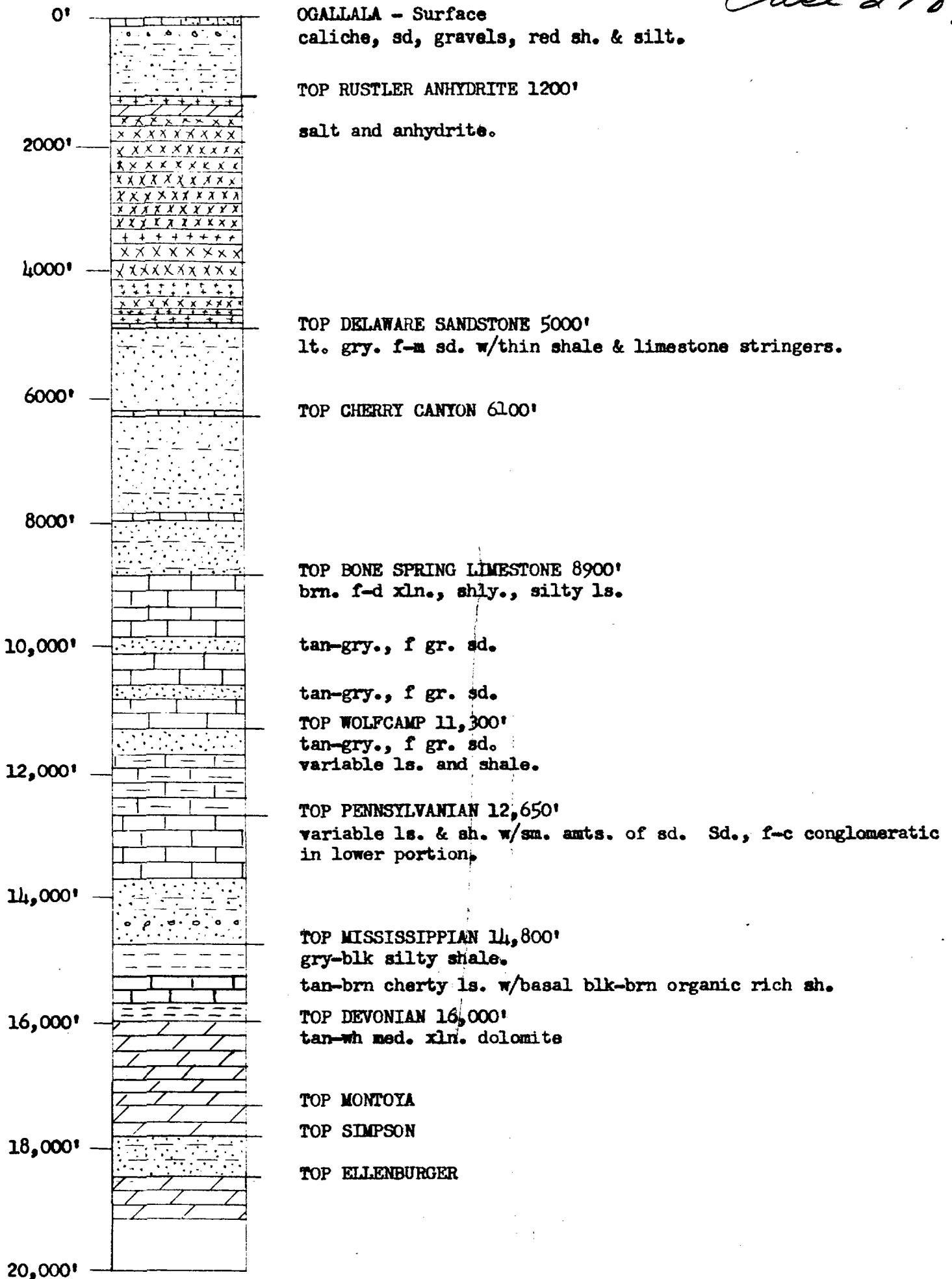
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|---------------------------|---------------|
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| L. N. Hagood | " |
| Thomas Allen | " |
| Robert N. Enfield | " |
| Jay Galloway | " |
| Saul Baker | " |
| Jewell E. Fields | " |
| Faye L. Klein | " |
| Ralph C. Hart | Uncommitted |
| George C. Buckles | " |
| Randall F. Montgomery | Committed |
| Minnie S. Levick | " |
| Fred C. Rohrback | " |
| I. J. Marshall | " |
| Pearl O. Pipkin | " |
| Roland Rich Woolley | " |
| J. L. Briscoe | " |
| Tom L. Ingram | " |
| Eugene E. Nearburg | " |
| Marguerite Armitage Payne | " |
| Robert G. Hanagan | " |
| Ernest A. Hanson | " |
| Bruce Alene Carlin | Uncommitted |
| A. G. McCarver | " |
| J. B. Palmer | " |
| Pauline V. Trigg | " |
| John H. Burton | Committed |
| Josephine G. Antink | Uncommitted |
| Eugenia Bate | Committed |
| E. R. Richardson | " |
| Mary Charlotte Cooper | " |
| Morris W. Newman | " |
| Robert J. Newman | Committed |
| Yvonne McKnight | Committed |
| R. E. Boyle | Uncommitted |

Pure EX #3

Case 2983

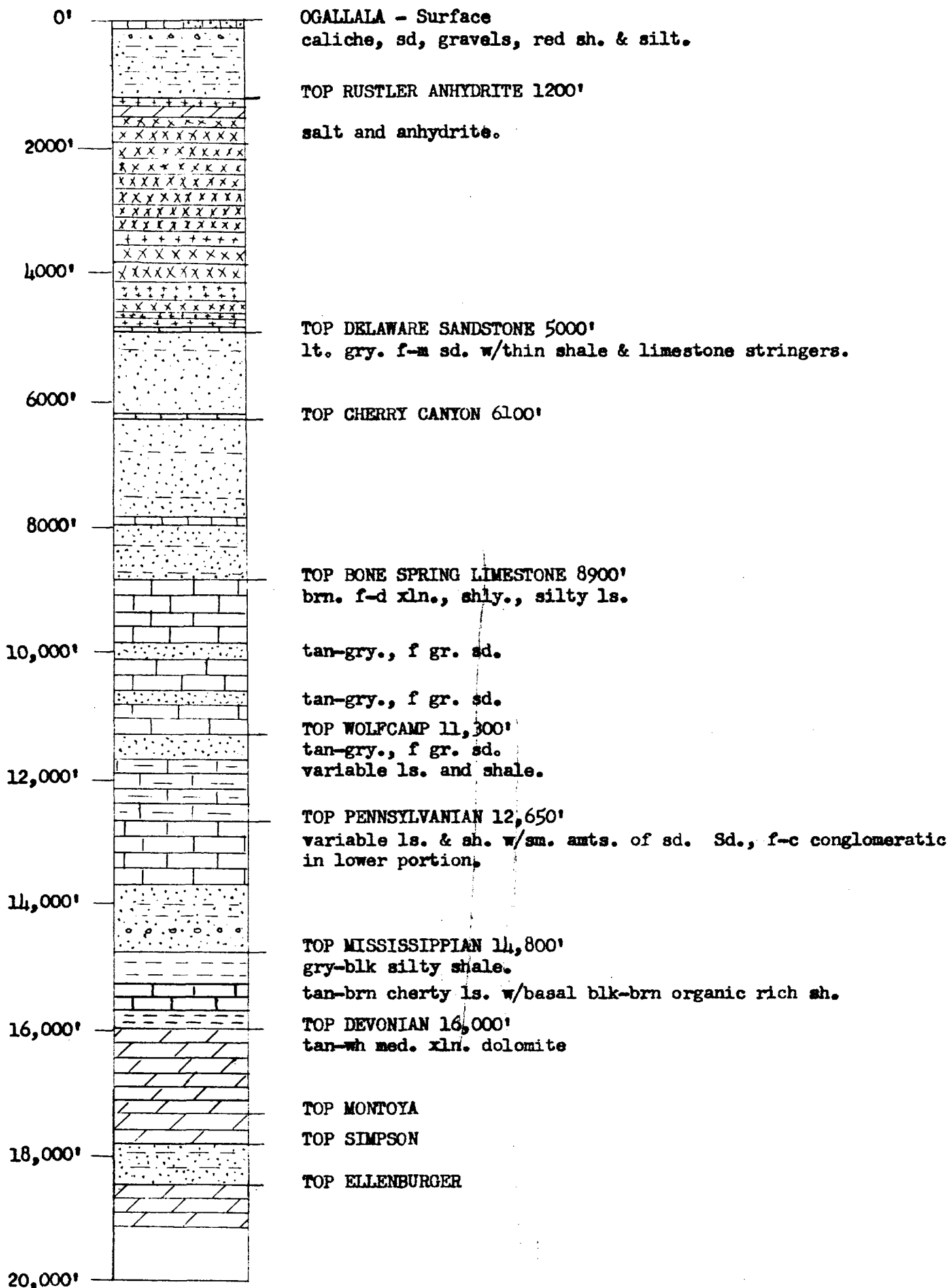


BRINNINSTOOL DEEP UNIT
Townships 23 and 24 South
Ranges 32 and 33 East
Lea County, New Mexico
Proposed 16,300' Devonian Test
Columnar Section

Vert. Scale
1" = 2000'

EXHIBIT "D"

13 January 1964



BRINNINSTOOL DEEP UNIT
Townships 23 and 24 South
Ranges 32 and 33 East
Lea County, New Mexico
Proposed 16,300' Devonian Test
Columnar Section

Vert. Scale
1" = 2000'

EXHIBIT "D"

13 January 1964

EXHIBIT "A"

Attached to geological report for designation
of unit area. Application dated January 13, 1964,
for the Brinninstool Unit Area.

GAMMA RAY - SONIC CORRELATION LOG
Continental Oil Company
Bell Lake Unit #1
660' FNL & 660' FEL
Section 1, T-24-S, R-33-E
Lea County, New Mexico

| SCHLUMBERGER WELL SURVEYING CORPORATION | | | |
|---|-------------------|--|----|
| COMPANY: CONTINENTAL OIL COMPANY | | Other Surveys | |
| WELL: BELL LAKE UNIT #1 | | Location of Well | |
| FIELD: UNDESIGNATED | | 660' FROM N/L 660' FROM E/L | |
| LOCATION: SEC. 1, T. 24 S. R. 33 E. | | Elevation K.B. 3625 D.F. 3640 or G.L. 3600 | |
| COUNTY: LLA | STATE: NEW MEXICO | | |
| Log Depth: Measured From KB 19 Ft. above GL | | | |
| RUN No. 08E | IWD | | |
| Date 1-12-64 | 5 23 61 | | |
| First Reading 11:08 | 11:08 | | |
| Last Reading 11:08 | 6000 | | |
| Feet Measured 37 | 5680 | | |
| Csg. Schlum 37 | 6000 | | |
| Csg. Driller 37 | 6000 | | |
| Depth Reached 603 | 11600 | | |
| Bottom Driller 600 | 11600 | | |
| Mud Nat. 11:08 | 6EL | | |
| Dens. 11:08 | 30 | 35 | |
| Mud Resist. 71 | 25 | 90 | F |
| Res. BHT 105 | 15 | 155 | F |
| pH 2.5 | 2.5 | | |
| Wtr. Loss CC 30 min | 21 | CC 30 min | F |
| RMF | 25 | 75 | F |
| Bit Size | | | |
| Spacing: T1 R 2 R To 5298 | To 6000 | To 11600 | To |
| Opr. Rig Time 4 HOURS | 2520 HOURS | | |
| Truck No. 5527 | MOBBS | | |
| Recorded By ROUSH | KILSON | | |
| Witness R. E. ONE | RENT | | |

Reproduced By
West Texas Electrical Log Service
Dallas 2, Texas

REFERENCE W 951H

COMPLETION RECORD



ILLEGIBLE

SPUD DATE

COMP DATE

EXHIBIT "E"

Attached to geological report for designation of unit area. Application dated January 13, 1964 for the Brinningstool Unit Area.

GAMMA RAY - ACOUSTIC CORRELATION LOG

Max Wilson

Continental Federal #1

660' FNL & 1980' FWL

Section 28, T-23-S, R-32-E

Lea County, New Mexico

| WELLS | | Acoustic Log | |
|--------------------------|--------------------------------|---------------------------|----------------|
| PRE NO. | COMPANY MAX WILSON | | |
| | WELL CONTINENTAL FEDERAL NO. 1 | | |
| | FIELD WILDCAT | | |
| | COUNTY LEA | STATE NEW MEXICO | |
| | LOCATION: 660' FNL & 1980' FWL | | Other Services |
| | SEC. 28 TWP. 23-S. R. 32-E | E. 3700 D/F | |
| Permanent Datum | GROUND LEVEL | Rev. 3687 | KB |
| Log Measured from | GROUND LEVEL | Pt. Above Permanent Datum | DF |
| Drilling Measured from | GROUND LEVEL | | GA 3687 |
| Date | 2/2/63 | | |
| Run No. | ONE | | |
| Depth-Driller | 5463 | | |
| Depth-Logger | 5463 | | |
| Bottom Logged Interval | 5458 | | |
| Top Logged Interval | SURFACE | | |
| Logging-Driller | 5 5/8 325 | | |
| Logging-Logger | | | |
| Bit Size | 7 7/8" | | |
| Type Fluid in Hole | DEL-SALT-GE | | |
| Density and Viscosity | 10.6 35 | | |
| pH and Fluid Loss | | | |
| Source of Sample | PIT | | |
| Run @ Mean Temp. | 050 @ 70 °F | | |
| Run @ Mean Temp. | 038 @ 70 °F | | |
| Run @ Mean Temp. | 060 @ 70 °F | | |
| Source of Ref and Rec | MEAS | | |
| Run @ 800 | 03 @ 115 °F | | |
| Time Run Ctr. | | | |
| Mean Rec. Temp. Deg. F. | 115 °F | | |
| Equip. Mfg. and Location | X-900/HOBBS | | |
| Recorded By | SCHLOTTERBACK | | |
| Witnessed By | MR. WHITE | | |

Reproduced By

West Texas Electrical Log Service

Dallas 2, Texas

REFERENCE W3158M



12

COMPLETION RECORD

SPUD DATE

COMP DATE