

TransOcean Oil, Inc.

1700 FIRST CITY EAST BUILDING
1111 FANNIN • HOUSTON, TEXAS 77002
713 - 654-2100

November 5, 1976

Director
United States Geological Survey
Washington, D. C. 20025

Attention: Area Oil and Gas Supervisor
United States Geological Survey
Drawer 1857
Roswell, New Mexico 88201

Re: Application for Designation
Proposed Unit Area and
Determination of Depth
of Test Well for the
French Unit Area
Catron County, New Mexico

Dear Sir:

TransOcean Oil, Inc. respectfully requests that the area outlined on the map enclosed herewith labeled Exhibit "A" be designated as a logical unit area pursuant to the unitization provisions of the Mineral Leasing Act, as amended.

In addition to the proposed unit boundary, Exhibit "A" shows the boundaries and identity of the various tracts and leases in the proposed unit area to extent of our present knowledge. The proposed unit area contains 27,491.91 acres of Federal lands, 4,578.08 acres of State lands, and 2,472.05 acres of Patented lands for the combined unit total of 34,542.04 acres, more or less.

It is requested that one well drilled to a depth of 4,500 feet, or 30 feet into the basement complex, whichever is the lesser depth, be approved for the proposed unit.

All owners of an oil and gas leasehold working interest have been advised of our plans to form the unit proposed hereby.

Upon approval hereof, TransOcean proposes to submit a standard form unit agreement (1968 Reprint) which will deviate from the standard form as follows:

1. Modify those provisions of the standard form to permit the inclusion of lands owned by the State of New Mexico. Those provisions to be modified and the modifications are attached as an addendum hereto.

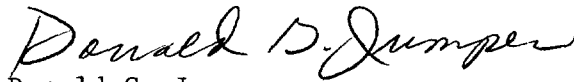
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To the best of our knowledge, there are no Federal lands within the proposed unit area requiring the inclusion of special provisions in the unit agreement.

In support of this application, we are submitting, in triplicate, a geological report with a map showing the structural conditions within the proposed unit area.

Yours very truly,

TRANSOCEAN OIL, INC.

A handwritten signature in cursive script, reading "Donald G. Jumper".

Donald G. Jumper
Land Operations Manager
Western Division

DGJ:cw

Encl.

cc: New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87501
Attention: Mr. Ray D. Graham

Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

EXHIBIT "B"

AREA and DEPTH APPLICATION
FRENCH UNIT AREA
CATRON COUNTY, NEW MEXICO

<u>Tract No.</u>	<u>Federal Serial Number</u>	<u>Effective Date of Lease</u>
1	NM 22219	4-1-75
2	NM 22233	4-1-75
3	NM 22234	4-1-75
4	NM 22235	4-1-75
5	NM 22236	4-1-75
6	NM 22240	4-1-75
7	NM 22297	4-1-75
8	NM 22298	4-1-75
9	NM 22299	4-1-75
10	NM 22315	4-1-75
11	NM 22317	4-1-75
12	NM 22319	4-1-75
13	NM 22321	4-1-75
14	NM 22322	4-1-75
15	NM 22488	7-1-75
16	NM 23689	9-1-75

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

_____ UNIT AREA

COUNTY OF _____

STATE OF NEW MEXICO

NO. _____

W I T N E S S E T H:

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.

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 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. Exhibits "A" and "3" 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 five (5) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with The

NOTE: Only those portions of the Agreement which modify the provisions of the model form have been included in this exhibit.

Land Commissioner and one (1) copy with The New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be 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, but only after preliminary concurrence by the Director and The Land Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reason 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 Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interest are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Supervisor, the Land Commissioner and the Conservation Commission, become effective as of the date prescribed in the notice thereof.

(e) The Unit Operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the working interests in the current nonparticipating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the Director and the Land Commissioner, provided such extension application is submitted to the Director and the Land Commissioner not later than 60 days prior to the expiration of said 10-year period.

3. UNITIZED LAND AND UNITIZED SUBSTANCES.

4. UNIT OPERATOR.

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 six months after notice of intention to resign has been served by Unit Operator on all working interests owners, the Supervisor, the Land Commissioner and Conservation 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 by the Conservation Commission as to State lands unless a new Unit operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The 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 as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor and the Land Commissioner.

6. SUCCESSOR UNIT OPERATOR. If no successor Unit Operator is selected and qualified as herein provided, the Director and the Land Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.

9. DRILLING TO DISCOVERY. within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land, or by the Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the entire San Andres Formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of a particular well would be unwarranted or impractical. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator

shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances if on Federal land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for 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 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 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.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Land Commissioner.

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 substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor and Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner, a schedule based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or desposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Land Commissioner. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effecitve date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner.

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States and the State of New Mexico shall be determined by the Supervisor and the Land Commissioner, respectively, and the amounts thereof shall be deposited, as directed by the Supervisor and the Land Commissioner to be held as unearned monies until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sums due as Federal royalty and State of New Mexico royalty, respectively, on the basis of such approved participating area.

Whenever it is determinated, subject to the approval of the Supervisor, as to wells drilled on Federal land and the Land Commissioner as to wells drilled on State land and of the Conservation Commission as to wells drilled on privately owned land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purpose of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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, the Land Commissioner and the Conservation Commission.

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 Conservation Commission as to privately owned land, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

14. ROYALTY SETTLEMENT. The United States, the State of New Mexico, and any royalty owner who, is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor, the Land Commissioner and the Conservation Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor, the Land Commissioner and the Conservation Commission, as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination date of this unit agreement.

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

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

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

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

17. DRAINAGE. The Unit Operator shall take such measures as the Supervisor and Land Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. To remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases, and the Land Commissioner as to State leases, shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to lands committed hereto with the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contract any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the

secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or re-working operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Land Commissioner or their duly authorized representative and shall terminate five (5) years from said effective date unless

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

(b) It is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Supervisor and Land Commissioner.

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. Provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission. . .

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator,

working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

24. NOTICES.

25. NO WAIVER OF CERTAIN RIGHTS.

26. UNAVOIDABLE DELAY. Determination of creditable "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of the Supervisor and the Land Commissioner.

27. NONDISCRIMINATION.

28. LOSS OF TITLE. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written

notice delivered to the Supervisor and the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Supervisor. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Land Commissioner and the Conservation Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Supervisor or Land Commissioner, provided, that as to State lands, all subsequent joinders must be approved by the Land Commissioner.

30. COUNTERPARTS.

31. SURRENDER.

32. TAXES. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

33. NO PARTNERSHIP.