

Opinion No. 54-5904

February 17, 1954

BY: RICHARD H. ROBINSON, Attorney General

TO: E. S. Walker Commissioner of Public Lands Santa Fe, New Mexico

{*344} In your letter dated February 4, 1954, you refer to Opinion No. 5806 pertaining to unit agreements and set forth a proposed section in State oil and gas unit agreements. You inquire whether this proposed section constitutes a segregation clause pursuant to the former opinion. You also inquire whether in the event production is established in a portion of the lease committed to the unit area, would such production extend the lease as to lands included in the lease but outside of the unit area.

In Opinion No. 5806 it was held that language similar to that appearing in 18-g of the form of unit agreement used by the Federal government would be sufficient to segregate the lands within a unit area from the lands outside the unit area although included in the same lease. This language, in substance, is as follows:

"Any lease having only a portion of its lands committed hereto shall be segregated as to the portions committed and the portions not committed, and the terms of such lease shall apply separately to such segregated portion commencing as of the effective date hereof. * * * *."

In our opinion, the proposed section to be included in unit agreements by the State accomplishes the same result as the foregoing language, which is substantially that contained in Section 18-g of the Federal forms, and is sufficient to constitute segregation between portions of a lease within the unit area and portions outside the unit area. In the event the portion inside the unit area is extended by drilling operations or production, such activity would not, under the terms of this proposed section, extend the lease as to lands outside the unit area.

By: C. C. McCulloh

Assist. Attorney General