

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

APPLICATION OF HILCORP ENERGY  
COMPANY FOR AN EXCEPTION TO THE  
WELL DENSITY REQUIREMENTS OF THE  
GOBERNADOR PICTURED CLIFFS POOL,  
RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 25951

**NOTICE OF REVISED EXHIBITS**


Hilcorp Energy Company applicant in the above-referenced case, gives notice that it is filing Revised Exhibits in this case, as follows:

- Revised Exhibit Hearing Packet includes a typographical correction on **Hilcorp Exhibit No. B-2** to correct the legal description of an offsetting spacing unit to now read “T29N-R5W-Section 15 W/2”.
- **Hilcorp Exhibit No. F**: SJ 29-5 #61A (3003929759) Gobernador Recomplete Sundry, reflecting BLM/OCD 2018 sundry approval for recompletion of a well into the Pictured Cliffs formation, creating an approved 320-acre spacing unit that is the subject of this well density application.
- **Hilcorp Exhibit No. G**: Commission Order No. R-203, Case No. 418, reflecting that the Commission approved formation of the San Juan 29-5 Unit and expressly incorporated the San Juan 29-5 Unit Agreement as the plan for development and operation of the unit. *See* Sections 2 and 3 of Commission Order No. R-203 (stating the unit agreement “shall be, and hereby is, approved in principle as a proper conservation measure[.]”).

- **Hilcorp Exhibit No. H:** San Juan 29-5 Unit Agreement, reflecting that Section 11(a) provides that Mesaverde and shallower formations (including the Pictured Cliffs formation), shall be spaced on 320-acre drilling blocks comprised of either the W/2 or E/2 of each Section, thereby establishing the spacing for all wells in the subject formations within the unit area.
- **Hilcorp Exhibit No. I:** Division Director W.B. Macey letter dated 9/2/55 (referenced in Hilcorp Exhibit No. B at fn. 1 on page 2), identifying the San Juan 29-5 Unit, among other units, as being subject to stand-up 320-acre spacing for the Mesaverde and shallower formations, including the Pictured Cliffs, confirming the adoption of the 320-acre, stand-up spacing through Commission Order No. R-203.

Respectfully submitted,

**HOLLAND & HART LLP**

By:   
\_\_\_\_\_  
Adam G. Rankin  
Paula M. Vance  
A. Raylee Starnes  
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**ATTORNEYS FOR HILCORP ENERGY COMPANY**

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING APRIL 21, 2026**

**CASE NO. 25951**

*SAN JUAN 29-5 UNIT 61C GOBERNADOR PICTURES CLIFFS  
WELL DENSITY*

**RIO ARRIBA COUNTY, NEW MEXICO**



**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
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**CASE NO. 25951**

**TABLE OF CONTENTS**

- **Hilcorp Exhibit A:** Application
- **Hilcorp Exhibit B:** Self-Affirmed Statement of Rob Carlson, Landman
  - Hilcorp Exhibit B-1: Notice Area
  - Hilcorp *Revised* Exhibit B-2: Affected Parties
- **Hilcorp Exhibit C:** Self-Affirmed Statement of Shane Smith, Engineer
  - Hilcorp Exhibit C-1: Spacing Unit Overview and Targeted Reserves
  - Hilcorp Exhibit C-2: Original Gas in Place – Pictured Cliffs
  - Hilcorp Exhibit C-3: Cumulative Gas Produced – Pictured Cliffs
  - Hilcorp Exhibit C-4: Remaining Recoverable Gas – Pictured Cliffs
  - Hilcorp Exhibit C-5: Volumetric Analysis
- **Hilcorp Exhibit D:** Self-Affirmed Statement of Notice
- **Hilcorp Exhibit E:** Affidavit of Publication
- **Hilcorp Exhibit F:** SJ 29-5 #61A Gobernador Recomplete Sundry
- **Hilcorp Exhibit G:** Commission Order No. R-203
- **Hilcorp Exhibit H:** San Juan 29-5 Unit Agreement
- **Hilcorp Exhibit I:** Division Director W.B. Macey letter dated 9/2/55

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A  
Submitted by: Hilcorp Energy Company  
Hearing Date: April 21, 2026  
Case No. 25951

**APPLICATION OF HILCORP ENERGY  
COMPANY FOR AN EXCEPTION TO THE  
WELL DENSITY REQUIREMENTS OF THE  
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CASE NO. 25951

**APPLICATION**

Hilcorp Energy Company, (“Hilcorp”) (OGRID No. 372171), through its undersigned counsel, hereby files this application with the Oil Conservation Division for an order for an exception to the well density requirements of the Gobernador Pictured Cliffs (Gas) Pool (77440), Rio Arriba County, New Mexico. Specifically, Hilcorp seeks an exception to the well density requirements of Rule 19.15.15.10 NMAC for the Gobernador Pictured Cliffs (Gas) Pool to permit it to complete one additional Pictured Cliffs vertical gas well, making a total of two vertical gas wells within the same 320-acre, more or less, standard spacing and proration unit. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a 320-acre, more or less, standard spacing<sup>1</sup> and proration unit for the Gobernador Pictured Cliffs (Gas) Pool comprised of the E/2 of Section 9, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, in which the following vertical well was drilled and completed, and is currently producing:

a. San Juan 29 5 Unit 61A (API No. 30-039-29759), which is vertically drilled with a surface location in SW/4 SE/4 (Unit O) of said Section 9.

2. Rule 19.15.15.10 NMAC governs gas spacing unit size, well density, and well setbacks within the Gobernador Pictured Cliffs (Gas) Pool. Subsection C of said rule states that a

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<sup>1</sup> The spacing is standard, in accordance with Division Director approval, dated September 2, 1955.

shallow [vertical] gas well in New Mexico (those wells not covered by preceding portions of 19.15.15.10 NMAC) shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square that is a quarter section and a legal subdivision of the United States public land surveys and shall be located no closer than 660 feet to an outer boundary of the unit and no closer than 10 feet to a quarter-quarter section or subdivision inner boundary.

3. Subsection C of 19.15.15.11 NMAC specifies that the director may grant exceptions to the [limited] number of [vertical] wells per spacing unit after notice to all affected persons, as defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC, and opportunity for hearing.

4. Hilcorp now proposes to simultaneously dedicate and produce the following additional well within the same standard spacing and proration unit, at the following location:

- a. **San Juan 29 5 Unit 61C** (API No. 30-039-29758), a vertical well to be recompleted at a surface location in the SE/4 SE/4 (Unit P).

5. Hilcorp therefore requests that the Division enter an order granting an exception to the well density requirements of Rule 19.15.15.10 NMAC to authorize Hilcorp to simultaneously dedicate and produce the **San Juan 29 5 Unit 61C** (API No. 30-039-29758), within the standard spacing unit comprised of E/2 of Section 9, Township 29 North, Range 5 West, permitting the total number of vertical wells dedicated and producing within said spacing and proration unit to two.

6. Approval of this application will not impair the correlative rights of any other interest owner in the Gobernador Pictured Cliffs (Gas) Pool and will afford Hilcorp the opportunity to produce incremental reserves from this spacing unit, avoiding waste.

7. Approval of this application will be in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Hilcorp Energy Company requests that this application be set before an Examiner of the Oil Conservation Division on March 5, 2026, and, after notice and hearing as required by law, that the Division enter an order:

- A. Granting an exception to the well density requirements of Rule 19.15.15.10 NMAC for the Gobernador Pictured Cliffs (Gas) Pool (77440) permitting the total number of vertical wells dedicated and producing within this spacing and proration unit to two; and
- B. Authorizing Hilcorp to complete and produce the **San Juan 29 5 Unit 61C** (API No. 30-039-29758) from the Gobernador Pictured Cliffs (Gas) Pool.

Respectfully submitted,

HOLLAND & HART LLP

By: 

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**ATTORNEYS FOR HILCORP ENERGY COMPANY**

CASE \_\_\_\_\_: **Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Gobernador Pictured Cliffs (Gas) Pool, Rio Arriba County, New Mexico.** Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule 19.15.15.10 NMAC for the Gobernador Pictured Cliffs Pool (77440), Rio Arriba County, New Mexico, to permit it to complete and produce one additional Pictured Cliffs vertical gas well, the **San Juan 29 5 Unit 61C** (API No. 30-039-29758) with a surface hole location in the SE/4 SE/4 (Unit P), making a total of two vertical gas wells within the same 320-acre, more or less, standard spacing and proration unit in the E/2 of Section 9, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico. Said area is located approximately 35 miles east of Aztec, New Mexico.

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RIO ARRIBA COUNTY, NEW MEXICO.**

**CASE NO. 25951**

**SELF-AFFIRMED STATEMENT OF ROB CARLSON**

1. My name is Rob Carlson. I work for Hilcorp Energy Company (“Hilcorp”) as a Landman.

2. I have previously testified before the New Mexico Oil Conservation Division (“Division”) as an expert witness in petroleum land matters and my credentials have been accepted as a matter of record.

3. I am familiar with the application filed by Hilcorp in this case, and I am familiar with the status of the lands in the subject areas.

4. None of the affected parties in this case has indicated opposition, and therefore I do not expect any opposition at the hearing.

5. Hilcorp seeks an exception to the well density requirements of Rule 19.15.15.10 NMAC of the Gobernador Pictured Cliffs (Gas) Pool (77440) to permit it to complete one additional Pictured Cliffs vertical gas well, making a total of two vertical gas wells within the same 320-acre, more or less, standard spacing and proration unit.

6. Rule 19.15.15.10 NMAC governs gas spacing unit size, well density, and well setbacks within the Gobernador Pictured Cliffs (Gas) Pool. Subsection C of said rule states that a shallow [vertical] gas well in New Mexico (those wells not covered by preceding portions of

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: Hilcorp Energy Company  
Hearing Date: April 21, 2026  
Case No. 25951**

19.15.15.10 NMAC) shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square that is a quarter section and a legal subdivision of the United States public land surveys and shall be located no closer than 660 feet to an outer boundary of the unit and no closer than 10 feet to a quarter-quarter section or subdivision inner boundary.

7. Subsection C of 19.15.15.11 NMAC specifies that the director may grant exceptions to the [limited] number of [vertical] wells per spacing unit after notice to all affected persons, as defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC, and opportunity for hearing.

8. Hilcorp is the operator of a 320-acre, more or less, standard spacing<sup>1</sup> and proration unit for the Gobernador Pictured Cliffs (Gas) Pool comprised of the E/2 of Section 9, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, in which the following vertical well was drilled and completed, and is currently producing:

- a. San Juan 29 5 Unit 61A (API No. 30-039-29759), which is vertically drilled with a surface location in SW/4 SE/4 (Unit O) of said Section 9.

9. Hilcorp now proposes to simultaneously dedicate and produce the following additional well within the same standard spacing and proration unit, at the following location:

- a. **San Juan 29 5 Unit 61C** (API No. 30-039-29758), a vertical well to be recompleted at a surface location in the SE/4 SE/4 (Unit P).

10. Hilcorp therefore requests that the Division enter an order granting an exception to the well density requirements of Rule 19.15.15.10 NMAC to authorize Hilcorp to simultaneously dedicate and produce the **San Juan 29 5 Unit 61C** (API No. 30-039-29758), within the standard

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<sup>1</sup> The spacing is standard, in accordance with Division Director approval, dated September 2, 1955.

spacing unit comprised of the E/2 of Section 9, Township 29 North, Range 5 West, permitting the total number of vertical wells dedicated and producing within said spacing and proration unit to two.

11. The proposed simultaneous dedication of the proposed well will target development of incremental Gobernador Pictured Cliffs gas reserves in areas where there is not adequate gas drainage.

12. Pursuant to Division precedent, Hilcorp provided notice to all Division-designated operators in offsetting spacing units and offsetting 160-acre tracts. Where Hilcorp is the operator, Hilcorp identified all working interest owners in offsetting spacing units as affected parties requiring notice. In some offsetting spacing units, Hilcorp may own 100% of the working interest, in which case there are no affected parties to notice.

13. **Hilcorp Exhibit B-1** is an overview map identifying the location of the subject Gobernador Pictured Cliffs spacing unit to which the proposed well will be dedicated.

14. Exhibit B-1 also identifies the locations of the existing Gobernador Pictured Cliffs well as green circle and depicts the proposed well as a yellow star.

15. Exhibit B-1 also depicts the notice area, which is the outlined red and green area surrounding the subject spacing unit. Hilcorp has provided notice of this application to the operators within the notice area. In some instances, Hilcorp may be the operator of offsetting spacing units within the notice area, in which case notice of the application was provided to all the working interest owners within the notice area. In one instance, Hilcorp is not the operator of, nor an owner of working interest in, an offsetting spacing unit that is no longer producing, in which case Hilcorp confirmed the identity of the working interest owner therein through inquiry with the former operator, Dugan Production Company.

16. **Hilcorp Exhibit B-2** identifies the affected parties within the offsetting tracts/spacing units who are required to be noticed. I provided a list of all affected parties requiring notice to Holland & Hart LLP. All parties were locatable.

17. To the best of my knowledge, the addresses used to provide notice are valid and correct addresses which have been recently used by Hilcorp and at which mail has been received by the notice parties.

18. **Hilcorp Exhibits B-1 through B-2** were prepared by me or under my direction and supervision.

19. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

  
\_\_\_\_\_  
Rob Carlson

4/30/2026  
\_\_\_\_\_  
Date



NOTICED SPACING UNIT(S)	PRODUCING WELL API	OPERATOR	PARTY TYPE	PARTY NAME	ADDRESS 1	ADDRESS 2	CITY	STATE	ZIP
T29N-R5W-Sec. 9: NW/4	3003926542	HILCORP ENERGY COMPANY (Federal Unit Area)	WORKING INTEREST OWNER (PC PA)	NUEVIDA RESOURCES, LLC	ATTN: JIM BOB BYRD	332 CO. ROAD 3100	AZTEC	NM	87410
			WORKING INTEREST OWNER (PC PA) AGENCY	HILCORP SAN JUAN, LLC BUREAU OF LAND MANAGEMENT	NO NOTICE APPLICABLE ATTN: KYLE PARADIS				
T29N-R5W-Sec. 9: SW/4	N/A	HILCORP ENERGY COMPANY (Federal Unit Area)	WORKING INTEREST OWNER (PC PA)	NUEVIDA RESOURCES, LLC	ATTN: JIM BOB BYRD	332 CO. ROAD 3100	AZTEC	NM	87410
			WORKING INTEREST OWNER (PC PA) AGENCY	HILCORP SAN JUAN, LLC BUREAU OF LAND MANAGEMENT	NO NOTICE APPLICABLE ATTN: KYLE PARADIS				
T29N-R5W-Sec. 16: W/2	3003929681	HILCORP ENERGY COMPANY (Federal Unit Area)	WORKING INTEREST OWNER AGENCY	HILCORP SAN JUAN, LLC NEW MEXICO STATE LAND OFFICE	NO NOTICE APPLICABLE ATTN: BAYLEN LAMKIN	310 OLD SANTA FE TRAIL	SANTA FE	NM	87501
T29N-R5W-Sec. 16: E/2	3003930047	HILCORP ENERGY COMPANY (Federal Unit Area)	WORKING INTEREST OWNER AGENCY	HILCORP SAN JUAN, LLC NEW MEXICO STATE LAND OFFICE	NO NOTICE APPLICABLE ATTN: BAYLEN LAMKIN	310 OLD SANTA FE TRAIL	SANTA FE	NM	87501
T29N-R5W-Sec. 15: W/2	3003929896	HILCORP ENERGY COMPANY (Federal Unit Area)	WORKING INTEREST OWNER	HILCORP SAN JUAN, LLC	NO NOTICE APPLICABLE				
T29N-R5W-Sec. 10: SW/4	3003923054	HILCORP ENERGY COMPANY	WORKING INTEREST OWNER AGENCY	HILCORP SAN JUAN, LLC BUREAU OF LAND MANAGEMENT	NO NOTICE APPLICABLE ATTN: KYLE PARADIS	301 DINOSAUR TRAIL	SANTA FE	NM	87508
T29N-R5W-Sec. 10: NW/4	3003922044	HILCORP ENERGY COMPANY	WORKING INTEREST OWNER AGENCY	HILCORP SAN JUAN, LLC BUREAU OF LAND MANAGEMENT	NO NOTICE APPLICABLE ATTN: KYLE PARADIS	301 DINOSAUR TRAIL	SANTA FE	NM	87508
T29N-R5W-Sec. 3: SW/4	N/A - PLUGGED	DUGAN PRODUCTION COMPANY (Formerly)	WORKING INTEREST OWNER AGENCY	DUGAN PRODUCTION COMPANY BUREAU OF LAND MANAGEMENT	ATTN: TRUDY PINGREE ATTN: KYLE PARADIS	P.O. BOX 420 301 DINOSAUR TRAIL	FARMINGTON	NM	87499
T29N-R5W-Sec. 4: SE/4	3003922091	HILCORP ENERGY COMPANY	WORKING INTEREST OWNER AGENCY	HILCORP SAN JUAN, LLC BUREAU OF LAND MANAGEMENT	NO NOTICE APPLICABLE ATTN: KYLE PARADIS	301 DINOSAUR TRAIL	SANTA FE	NM	87508
T29N-R5W-Sec. 4: SW/4	N/A - PLUGGED	HILCORP ENERGY COMPANY (Federal Unit Area)	WORKING INTEREST OWNER (PC PA)	NUEVIDA RESOURCES, LLC	ATTN: JIM BOB BYRD	332 CO. ROAD 3100	AZTEC	NM	87410
			WORKING INTEREST OWNER (PC PA) AGENCY	HILCORP SAN JUAN, LLC BUREAU OF LAND MANAGEMENT	NO NOTICE APPLICABLE ATTN: KYLE PARADIS				

**CONDENSED LIST OF PARTIES NOTICED**

NUEVIDA RESOURCES, LLC	ATTN: JIM BOB BYRD	332 CO. ROAD 3100	AZTEC	NM	87410
DUGAN PRODUCTION COMPANY	ATTN: TRUDY PINGREE	P.O. BOX 420	FARMINGTON	NM	87499
BUREAU OF LAND MANAGEMENT	ATTN: KYLE PARADIS	301 DINOSAUR TRAIL	SANTA FE	NM	87508
NEW MEXICO STATE LAND OFFICE	ATTN: BAYLEN LAMKIN	310 OLD SANTA FE TRAIL	SANTA FE	NM	87501

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Revised Exhibit No. B-2  
 Submitted by: Hilcorp Energy Company  
 Hearing Date: April 21, 2026  
 Case No. 25951

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF HILCORP ENERGY,  
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RIO ARRIBA COUNTY, NEW MEXICO.**

**CASE NO. 25951**

**SELF-AFFIRMED STATEMENT OF SHANE SMITH**

1. My name is Shane Smith. I work for Hilcorp Energy Company (“Hilcorp”) as a reservoir engineer.
2. I have previously testified before the New Mexico Oil Conservation Division (“Division”) as an expert witness in reservoir engineering matters and my credentials have been accepted as a matter of record.
3. I am familiar with the application filed by Hilcorp in this case and have conducted an engineering study of the subject area and of the Gobernador Pictured Cliffs (Gas) Pool.
4. I used a decline curve analysis on existing wells to estimate ultimate recoveries for the subject spacing unit under the existing well density. I then compared the estimated ultimate gas recoveries against log-derived volumetric calculations for the original gas in place with the cumulative gas production in the spacing unit.
5. Using this approach, we identified areas, including the subject spacing unit, that have substantial remaining recoverable gas and lower-than-expected gas recoveries where additional well bores or well completions are necessary to adequately drain remaining gas reserves.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: Hilcorp Energy Company  
Hearing Date: April 21, 2026  
Case No. 25951

6. **Hilcorp Exhibit C-1** contains information relating to the subject spacing unit and the general location of the additional well proposed to be drilled and simultaneously dedicated within the subject spacing unit:

- a. **San Juan 29 5 Unit 61C** (API No. 30-039-29758), a vertical well to be recompleted at a surface location in the SE/4 SE/4 (Unit P).

7. This will be the second Gobernador Pictured Cliffs completion within the same 320-acre spacing and proration unit. I anticipate that it will help drain the Southern portion of the spacing unit.

8. **Hilcorp Exhibit C-2** is a basin-wide map reflecting Hilcorp's calculations for original gas in place across the Gobernador Pictured Cliffs (Gas) Pool. The warmer colors represent areas where there is more original gas in place. The cooler colors indicate areas where there is less original gas in place. The yellow star indicates the location of the subject well, which is in an area where Hilcorp calculated moderately high volumes of original gas in place.

9. **Hilcorp Exhibit C-3** is a map depicting the calculated cumulative gas production from the Gobernador Pictured Cliffs (Gas) Pool. The yellow star identifies the location of the subject well where there is relatively low cumulative gas production.

10. **Hilcorp Exhibit C-4** is a map depicting calculated remaining recoverable gas. The cooler colors indicate areas where there is relatively more remaining recoverable gas. The warmer colors reflect areas where there is relatively less remaining recoverable gas. The yellow star identifies the location of the subject well, which is in an area where Hilcorp calculated that there is remaining recoverable gas and relatively low cumulative production under the existing well density.

11. **Hilcorp Exhibit C-5** is a table that supports this volumetric analysis. The first column titled "Volumetric OGIP" reflects the calculated volumetric original gas in place on a section basis around the subject spacing unit. The column titled "CTD/RF%" shows the cumulative gas production to date on a section basis and the calculated recovery factor. The column titled "EUR/RF%" shows the estimated ultimate gas recovery and recovery factor calculated on a section basis. And the last column tabulates the total recoverable gas remaining on a section basis. I calculated the recoverable gas remaining within the subject spacing unit is approximately 16.9 Bcf.

12. I would expect recovery factors of approximately ~50% in a gas pool of this type. The relatively low recovery factors in Hilcorp Exhibit C-5 indicate that this area is not being sufficiently drained by the existing wells in the subject spacing unit under the existing well density and that additional well bores, or completions, are necessary to adequately drain the Gobernador Pictured Cliffs (Gas) Pool in this area.

13. Approval of Hilcorp's application is therefore necessary to drain the unrecovered gas reserves that will otherwise be left in place under the existing well density within the subject spacing unit.

14. In my opinion, granting this application will not impair the Gobernador Pictured Cliffs (Gas) Pool, and will be in the interest of conservation, the prevention of waste and will protect correlative rights.

15. **Hilcorp Exhibits C-1 through C-5** were prepared by me or under my direction and supervision.

16. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be

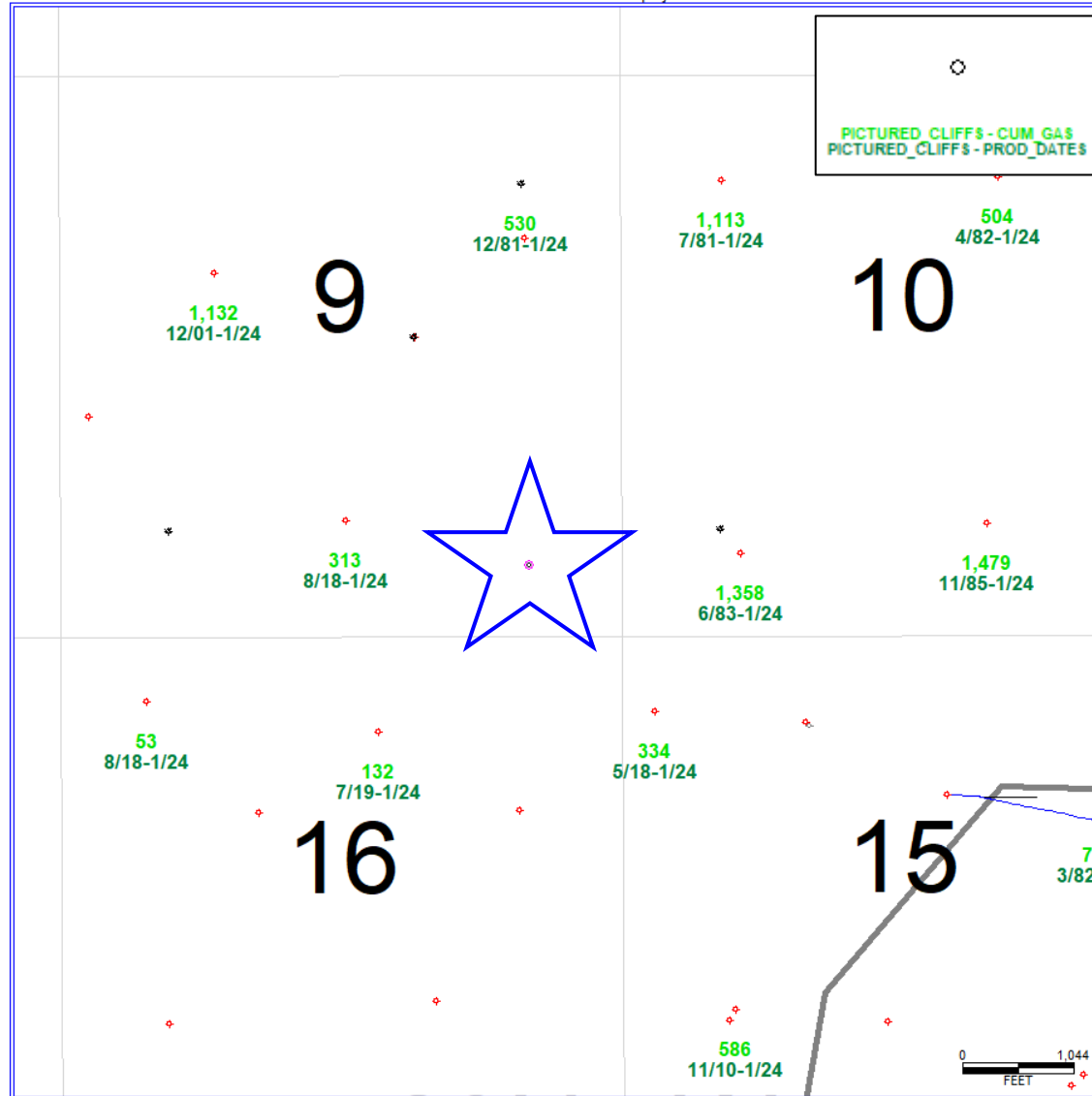
used as written testimony in this case. This statement is made on the date next to my signature below.

  
\_\_\_\_\_  
Shane Smith

3.13.26  
\_\_\_\_\_  
Date



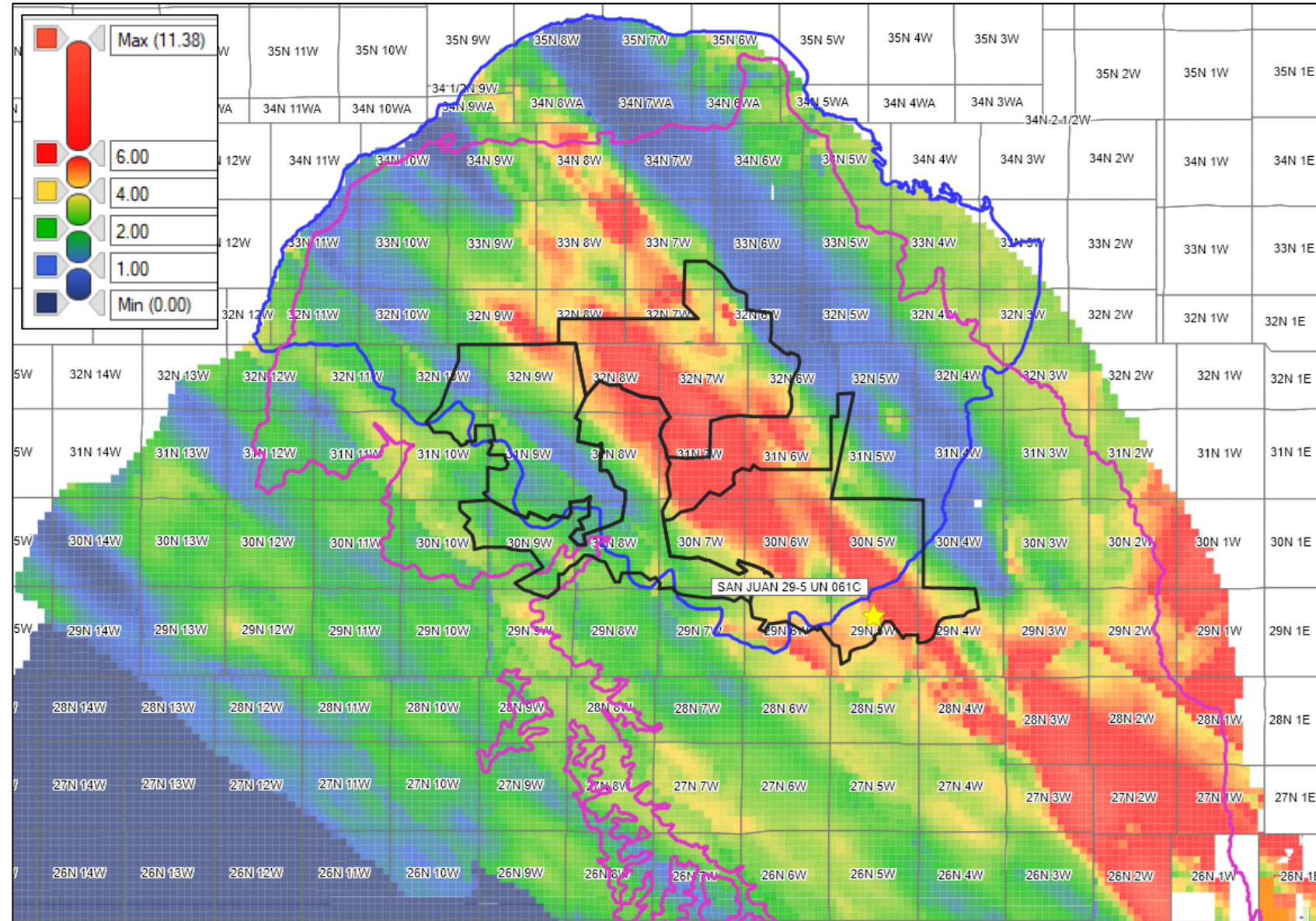
# Exhibit C-1: General Location



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. C-1  
 Submitted by: Hilcorp Energy Company  
 Hearing Date: April 21, 2026  
 Case No. 25951



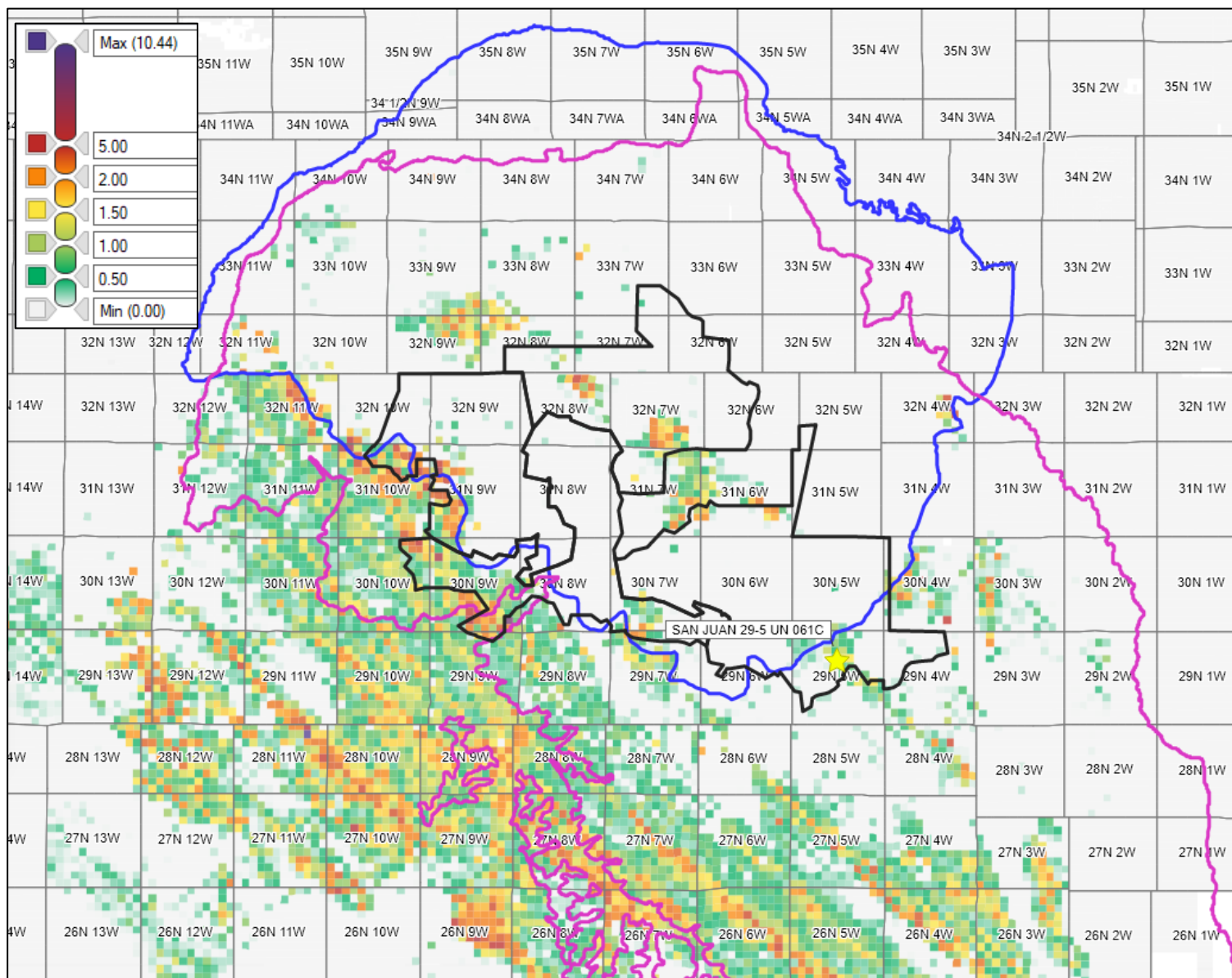
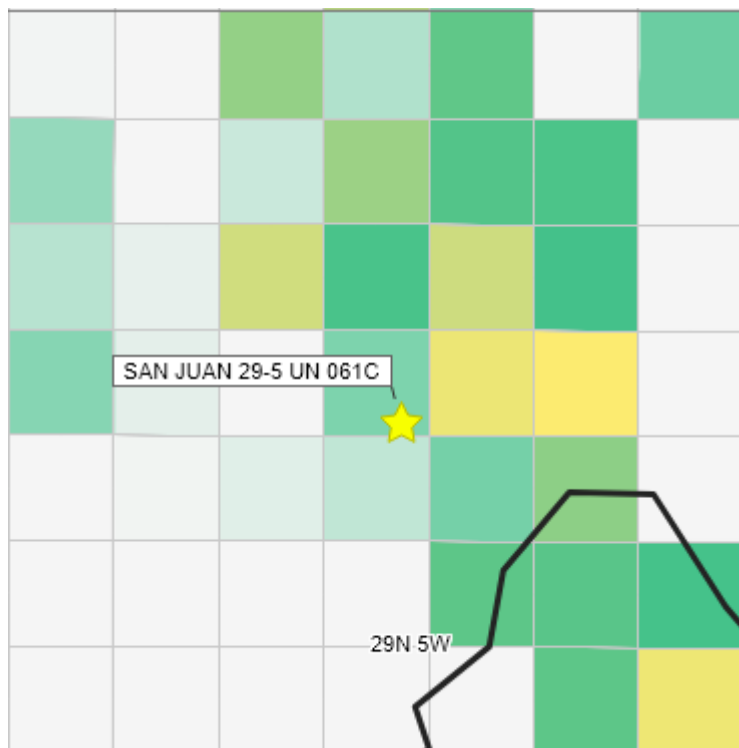
# Exhibit C-2: Basin Wide Map of PC OGIP



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. C-2  
 Submitted by: Hilcorp Energy Company  
 Hearing Date: April 21, 2026

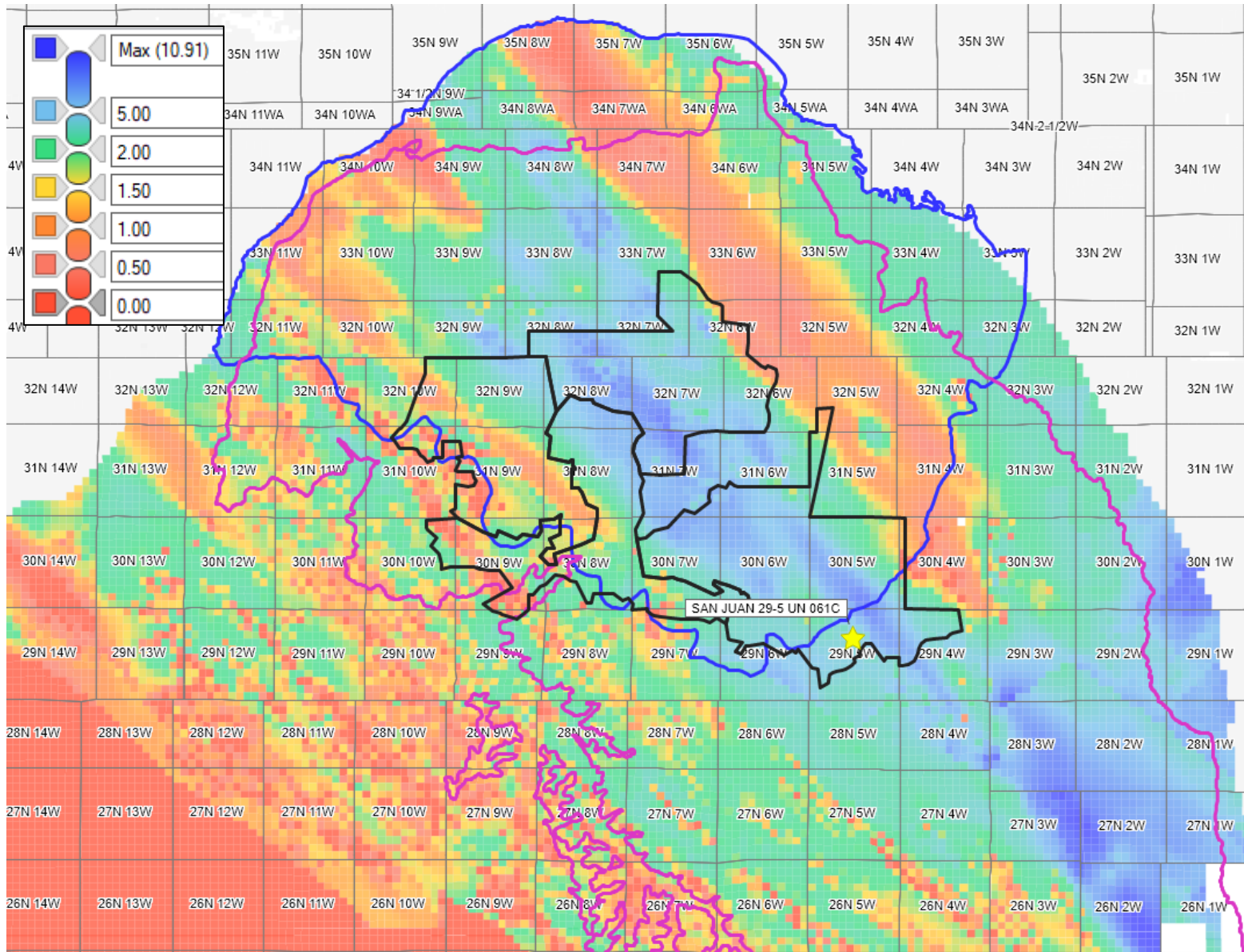
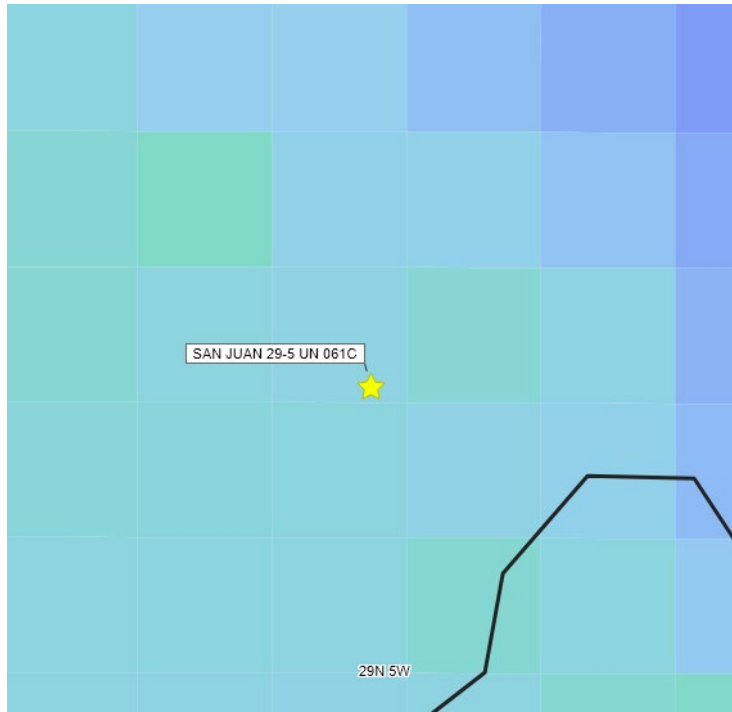


# Exhibit C-3: Map of Cum Gas in PC



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. C-3  
 Submitted by: Hilcorp Energy Company  
 Hearing Date: April 21, 2026  
 Case No. 25951

# Exhibit C-4: RRg



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. C-4  
 Submitted by: Hilcorp Energy Company  
 Hearing Date: April 21, 2026  
 Case No. 25951



# Exhibit C-5:

Section	Volumetric OGIP	CTD/RF%	EUR/RF%	RRg
29N-5W-9	18.87 BCF	1.975 BCF/10.5%	3.46 BCF/18.3%	16.9 BCF

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RIO ARRIBA COUNTY, NEW MEXICO.**

**CASE NO. 25951**

**SELF-AFFIRMED STATEMENT OF  
PAULA M. VANCE**

1. I am attorney in fact and authorized representative of Hilcorp Energy Company (“Hilcorp”), the Applicant herein. I have personal knowledge of the matter addressed herein and am competent to provide this self-affirmed statement.

2. The above-referenced application and notice of the hearing on this application was sent by certified mail to the locatable affected parties on the date set forth in the letter attached hereto.

3. The spreadsheet attached hereto contains the names of the parties to whom notice was provided.

4. The spreadsheet attached hereto contains the information provided by the United States Postal Service on the status of the delivery of this notice as of April 13, 2026.

5. I caused a notice to be published to all parties subject to these proceedings. An affidavit of publication from the publication’s legal clerk with a copy of the notice of publication is attached herein.

6. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. D  
Submitted by: Hilcorp Energy Company  
Hearing Date: April 21, 2026  
Case No. 25951**



\_\_\_\_\_  
Paula M. Vance

04/13/26

\_\_\_\_\_  
Date



**Paula M. Vance**  
**Associate**  
Phone (505) 988-4421  
Email pmvance@hollandhart.com

February 13, 2026

**VIA CERTIFIED MAIL**  
**CERTIFIED RECEIPT REQUESTED**

**TO: AFFECTED PARTIES**

**Re: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Gobernador Pictured Cliffs (Gas) Pool, Rio Arriba County, New Mexico: *San Juan 29 5 Unit 61C Well***

Ladies & Gentlemen:

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on March 5, 2026, and the status of the hearing can be monitored through the Division’s website at <https://www.emnrd.nm.gov/ocd/>.

**It is anticipated that hearings will be held in a hybrid format with both in-person and virtual participation options. The meeting will be held in the Pecos Hall Hearing Room at the Wendall Chino Building, 1st Floor, 1220 South St. Francis Ave., Santa Fe, New Mexico. To participate virtually in the hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>.**

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Rob Carlson at (832) 839-4596 or at rcarlson@hilcorp.com.

Sincerely,

Paula M. Vance  
**ATTORNEY FOR HILCORP ENERGY COMPANY**

T 505.988.4421 F 505.983.6043  
110 North Guadalupe, Suite 1, Santa Fe, NM 87501-1849  
Mail to: P.O. Box 2208, Santa Fe, NM 87504-2208  
www.hollandhart.com

Alaska	Montana	Utah
Colorado	Nevada	Washington, D.C.
Idaho	New Mexico	Wyoming



**Paula M. Vance**  
**Associate**  
Phone (505) 988-4421  
Email pmvance@hollandhart.com

April 1, 2026

**VIA CERTIFIED MAIL**  
**CERTIFIED RECEIPT REQUESTED**

**TO: AFFECTED PARTIES**

**Re: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Gobernador Pictured Cliffs (Gas) Pool, Rio Arriba County, New Mexico: San Juan 29 5 Unit 61C Well**

Ladies & Gentlemen:

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on May 7, 2026, and the status of the hearing can be monitored through the Division’s website at <https://www.emnrd.nm.gov/ocd/>.

**It is anticipated that hearings will be held in a hybrid format with both in-person and virtual participation options. The meeting will be held in the Pecos Hall Hearing Room at the Wendall Chino Building, 1st Floor, 1220 South St. Francis Ave., Santa Fe, New Mexico. To participate virtually in the hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>.**

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Rob Carlson at (832) 839-4596 or at rcarlson@hilcorp.com.

Sincerely,

Paula M. Vance  
**ATTORNEY FOR HILCORP ENERGY COMPANY**

T 505.988.4421 F 505.983.6043  
110 North Guadalupe, Suite 1, Santa Fe, NM 87501-1849  
Mail to: P.O. Box 2208, Santa Fe, NM 87504-2208  
www.hollandhart.com

Alaska	Montana	Utah
Colorado	Nevada	Washington, D.C.
Idaho	New Mexico	Wyoming

Hilcorp - San Juan 29-5 Unit 61C Gobernador Pictures Cliffs Well Density - Case no. 25951  
 Postal Delivery Report

9414811898765430013525	Nuevidsa Resources, LLC	Attn Jim Bob Byrd, 332 County Road 3100	Aztec	NM	87410-9532	Your item has been delivered to an agent for final delivery in AZTEC, NM 87410 on February 17, 2026 at 12:29 pm.
9414811898765430013501	Bureau of Land Management	620 E Greene St	Carlsbad	NM	88220-6292	Your item was delivered to an individual at the address at 11:10 am on February 20, 2026 in CARLSBAD, NM 88220.
9414811898765430013594	Bureau of Land Management, Att Kyle Paradis	301 Dinosaur Trl	Santa Fe	NM	87508-1560	Your item was delivered to the front desk, reception area, or mail room at 2:45 pm on February 17, 2026 in SANTA FE, NM 87508.
9414811898765430013549	New Mexico State Land Office, Attn Baylen Lamkin	310 Old Santa Fe Trl	Santa Fe	NM	87501-2708	Your item was picked up at the post office at 8:06 am on February 19, 2026 in SANTA FE, NM 87501.
9414811898765430013570	New Mexico State Land Office	PO Box 1148	Santa Fe	NM	87504-1148	Your item was picked up at the post office at 7:59 am on February 17, 2026 in SANTA FE, NM 87501.

**Tracking Number:**

**70170190000042847275**



Copy



Add to Informed Delivery

### Latest Update

Your item was picked up at the post office at 9:38 am on April 6, 2026 in FARMINGTON, NM 87401.

Santa Fe, New Mexico

Exhibit No. E

Submitted by: Hilcorp Energy Company

Hearing Date: April 21, 2026

Case No. 25951

# SANTA FE NEW MEXICAN

Founded 1849

**HOLLAND AND HART**  
110 N Guadalupe St Ste 1  
Santa Fe, NM 87501-1849

**ACCOUNT: S1200**  
**AD NUMBER: 113138**  
**TAG LINE LEGAL #94891**  
**P.O.#:**

**1 TIME(S) \$91.70**  
**AFFIDAVIT 10.00**  
**TAX 8.33**  
**TOTAL 110.03**

### AFFIDAVIT OF PUBLICATION

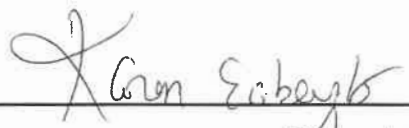
**STATE OF NEW MEXICO**  
**COUNTY OF SANTA FE**


I, Alejandra Molina, being first duly sworn declare and say that I am Legal Advertising Representative of THE SANTA FE NEW MEXICAN, a daily newspaper published in the English language, and having a general circulation in the Counties of Santa Fe, Rio Arriba, San Miguel, and Los Alamos, State of New Mexico and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 on Session Laws of 1937; that the Legal No 94891 a copy of which is hereto attached was published in said newspaper 1 day(s) between 02/16/2026 and 02/16/2026 and that the notice was published in the newspaper proper and not in any supplement; the first date of publication being on the 16th day of February, 2026 and that the undersigned has personal knowledge of the matter and things set forth in this affidavit.

ISI

\_\_\_\_\_  
LEGAL ADVERTISEMENT REPRESENTATIVE

Subscribed and sworn to before me on this 20th day of February, 2026

Notary   
Commission Expires: 3/19/29

  
STATE OF NEW MEXICO  
NOTARY PUBLIC  
KAREN E. ABEYTA  
COMMISSION # 2005802  
COMMISSION EXPIRES 03/19/2029

**LEGAL #94891****Legal Notice****(Publication)**

Case No. 25951: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Gobernador Pictured Cliffs (Gas) Pool, Rio Arriba County, New Mexico. Notice to all affected interest owners, including all heirs, devisees and successors of Nuevidsa Resources, LLC; Bureau of Land Management; and New Mexico State Land Office. The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearing 8:30 a.m. on March 5, 2026, to consider this application. The hearing will be conducted in a hybrid fashion, both in-person at the Energy, Minerals, Natural Resources Department, Wendell Chino Building, Pecos Hall, 1220 South St. Francis Drive, 1st Floor, Santa Fe, NM 87505 and via the WebEx virtual meeting platform. To participate in the hearings electronically, see the instructions posted on the docket for the hearing date: <https://www.emnrd.nm.gov/oed/hearing-info/> or contact Freya Tschantz, at [Freya.Tschantz@emnrd.nm.gov](mailto:Freya.Tschantz@emnrd.nm.gov). Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule 19.15.15.10 NMAC for the Gobernador Pictured Cliffs Pool (77440), Rio Arriba County, New Mexico, to permit it to complete and produce one additional Pictured Cliffs vertical gas well, the San Juan 29-5 Unit 61C (API No. 30-039-29758) with a surface hole location in the SE/4 SE/4 (Unit P), making a total of two vertical gas wells within the same 320-acre, more or less, standard spacing and proration unit in the E/2 of Section 9, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico. Said area is located approximately 35 miles east of Aztec, New Mexico.

PUB: Feb. 16, 2026

# SANTA FE NEW MEXICAN

Founded 1849

HOLLAND AND HART  
110 N Guadalupe St Ste 1  
Santa Fe, NM 87501-1849

ACCOUNT: S1200  
AD NUMBER: 116672  
TAG LINE LEGAL #95169  
P.O.#:

1 TIME(S) \$92.40  
AFFIDAVIT 10.00  
TAX 8.38  
TOTAL 110.78

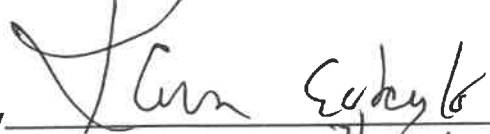
### AFFIDAVIT OF PUBLICATION

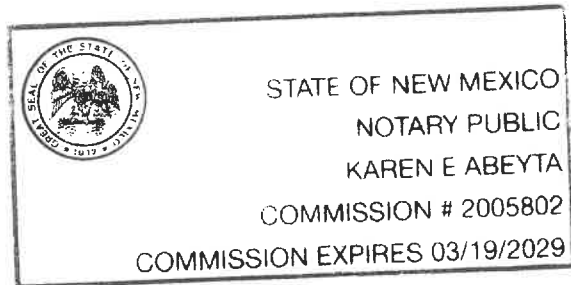
STATE OF NEW MEXICO  
COUNTY OF SANTA FE

I, Sebastian Garcia, being first duly sworn declare and say that I am Legal Advertising Representative of THE SANTA FE NEW MEXICAN, a daily newspaper published in the English language, and having a general circulation in the Counties of Santa Fe, Rio Arriba, San Miguel, and Los Alamos, State of New Mexico and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 on Session Laws of 1937; that the Legal No a copy of which is hereto attached was published in said newspaper 1 day(s) between 04/09/2026 and 04/09/2026 and that the notice was published in the newspaper proper and not in any supplement; the first date of publication being on the 09th day of April, 2026 and that the undersigned has personal knowledge of the matter and things set forth in this affidavit.

ISI   
LEGAL ADVERTISEMENT RESPRESENTATIVE

Subscribed and sworn to before me on this 10th day of April, 2026

Notary   
Commission Expires: 3/19/29



LEGAL #95169

**Legal Notice  
(Publication)**

**Case No. 25951: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Gobernador Pictured Cliffs (Gas) Pool, Rio Arriba County, New Mexico. Notice to all affected interest owners, including all heirs, devisees and successors of: Dugan Production Company.** The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearing 8:30 a.m. on April 21, 2026, to consider this application. The hearing will be conducted in a hybrid fashion, both in-person at the Energy, Minerals, Natural Resources Department, Wendell Chino Building, Pecos Hall, 1220 South St. Francis Drive, 1st Floor, Santa Fe, NM 87505 and via the WebEx virtual meeting platform. To participate in the hearings electronically, see the instructions posted on the docket for the hearing date: <https://www.emnrd.nm.gov/ocd/hearing-info/> or contact Freya Tschantz, at [Freya.Tschantz@emnrd.nm.gov](mailto:Freya.Tschantz@emnrd.nm.gov). Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule 19.15.15.10 NMAC for the Gobernador Pictured Cliffs Pool (77440), Rio Arriba County, New Mexico, to permit it to complete and produce one additional Pictured Cliffs vertical gas well, the San Juan 29 5 Unit 61C (API No. 30-039-29758) with a surface hole location in the SE/4 SE/4 (Unit P), making a total of two vertical gas wells within the same 320-acre, more or less, standard spacing and proration unit in the E/2 of Section 9, Township 29 North, Range 5 West, NMPM, Rio Arriba County, New Mexico. Said area is located approximately 35 miles east of Aztec, New Mexico.

37561191\_v1

PUB: April 9, 2026

Form 3160-5  
(August 2007)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

FORM APPROVED  
OMB No. 1004-0137  
Expires: July 31, 2010

MAY 17 2013

5. Lease Serial No. **NMSF-078642**

**SUNDRY NOTICES AND REPORTS ON WELLS** Farmington Field Office or Tribe Name  
**Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.** Bureau of Land Management

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well  
 Oil Well  Gas Well  Other

7. If Unit of CA/Agreement, Name and/or No.

2. Name of Operator  
**Hilcorp Energy Company**

8. Well Name and No.  
**San Juan 29-5 Unit 61A**

3a. Address  
**382 Road 3100, Aztec, NM 87410**

3b. Phone No. (include area code)  
**505-599-3400**

9. API Well No.  
**30-039-29759**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
**Surface Unit O (SWSE) 1100' FSL & 2600' FEL, Sec. 9, T29N, R05W**

10. Field and Pool or Exploratory Area  
**Gobenedor PC/Blanco Mesaverde**

11. Country or Parish, State  
**Rio Arriba, New Mexico**

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input checked="" type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once Testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

**Hilcorp Energy Company plans to recomplete the subject well in the Pictured Cliffs formation and downhole commingle the existing Mesaverde with the Pictured Cliffs. Attached is the PC C102, recomplete procedure & wellbore schematic. The DHC application will be submitted and approved before the work proceeds. A closed loop system will be utilized.**

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico  
Exhibit No. F

Submitted by: Hilcorp Energy Company  
Hearing Date: April 21, 2026  
Case No. 25951

SEE ATTACHED  
FOR CONDITIONS  
OF APPROVAL

NMOC D

MAY 30 2018

DISTRICT III

Notify NMOC D 24 hrs  
prior to beginning  
operations

BLM'S APPROVAL OR ACCEPTANCE OF THIS  
ACTION DOES NOT RELIEVE THE LESSEE AND  
OPERATOR FROM OBTAINING ANY OTHER  
AUTHORIZATION REQUIRED FOR OPERATIONS  
ON FEDERAL AND INDIAN LANDS

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

**Etta Trujillo**

Title **Operations/Regulatory Technician - Sr.**

Signature

Date

**5-17-18**

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title **Petroleum Engineer**

Date **5/24/2018**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office **FFO**

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**District I**

1625 N. French Dr., Hobbs, NM 88240  
 Phone:(575) 393-6161 Fax:(575) 393-0720

**District II**

811 S. First St., Artesia, NM 88210  
 Phone:(575) 748-1283 Fax:(575) 748-9720

**District III**

1000 Rio Brazos Rd., Aztec, NM 87410  
 Phone:(505) 334-6178 Fax:(505) 334-6170

**District IV**

1220 S. St Francis Dr., Santa Fe, NM 87505  
 Phone:(505) 476-3470 Fax:(505) 476-3462

**State of New Mexico  
 Energy, Minerals and Natural  
 Resources**

**Oil Conservation Division  
 1220 S. St Francis Dr.  
 Santa Fe, NM 87505**

Form C-102  
 August 1, 2011  
 Permit 252308

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-039-29759	2. Pool Code 77440	3. Pool Name GOBERNADOR PICTURED CLIFFS (GAS)
4. Property Code 318837	5. Property Name SAN JUAN 29 5 UNIT	6. Well No. 061A
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6773

**10. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
O	9	29N	05W		1100	S	2600	E	RIO ARRIBA

**11. Bottom Hole Location If Different From Surface**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00 E/2			13. Joint or Infill		14. Consolidation Code			15. Order No.	

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

	<p><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: <i>Etta Trujillo</i>              Title: Operations/Regulatory Tech              Date: 5/11/2018</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: Jason C. Edwards              Date of Survey: 6/21/2005              Certificate Number: 15269</p>



**HILCORP ENERGY COMPANY**  
**SAN JUAN 29-5 UNIT 61A**  
**PICTURED CLIFFS RECOMPLETION SUNDRY**

**JOB PROCEDURES**

1. MIRU service rig and associated equipment; test BOP.
2. TOOH with 2 3/8" tubing set at 5,932'.
3. Set a 4-1/2" cast iron bridge plug at +/- 3,950' to isolate the Mesa Verde. Note: TOC at 3,232' by CBL.
4. Load the hole and pressure test the casing to frac pressure.
5. N/D BOP, N/U frac stack and test frac stack to frac pressure.
6. Perforate and frac the Pictured Cliffs in a single stage (Top Perforation @ 3,738'; Bottom Perforation @ 3,790').
7. Isolate frac stage with a composite bridge plug.
8. Nipple down frac stack, nipple up BOP and test.
9. TIH with a mill and drill out top Pictured Cliffs isolation plug.
10. Clean out to Mesa Verde isolation plug and, when water and sand rates are acceptable, flow test the Pictured Cliffs.
11. Drill out Mesa Verde isolation plug and cleanout to PBTD of 6,244'. TOOH.
12. TIH and land production tubing. Get a commingled Mesa Verde/Pictured Cliffs flow rate.



HILCORP ENERGY COMPANY  
SAN JUAN 29-5 UNIT 61A  
PICTURED CLIFFS RECOMPLETION SUNDRY

SAN JUAN 29-5 UNIT 61A - CURRENT WELLBORE SCHEMATIC

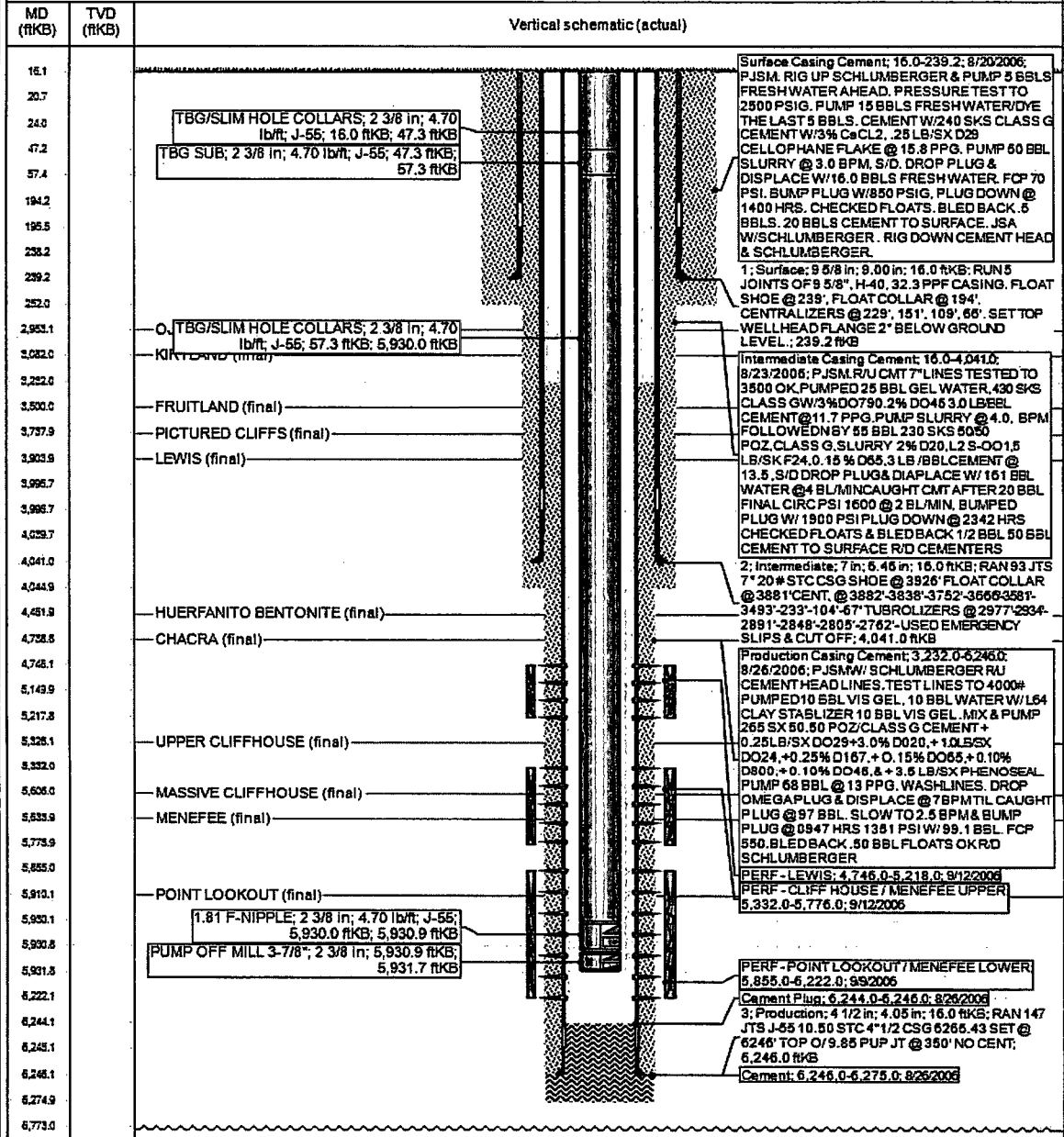


Current Schematic - Version 3

Well Name: SAN JUAN 29-5 UNIT #61A

API / UWI 3003929759	Surface Legal Location 009-029N-005W-0	Field Name MV	License No.	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 6,773.00	Original KB RT Elevation (ft) 6,789.00	KB-Ground Distance (ft) 16.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

Vertical, Original Hole, 5/3/2018 2:03:15 PM





## United States Department of the Interior



### BUREAU OF LAND MANAGEMENT

Farmington District Office  
6251 College Blvd. - Suite A  
Farmington, New Mexico 87402  
www.blm.gov/nm

## ***CASING REPAIR, WORKOVER, AND RECOMPLETION CONDITION OF APPROVAL***

1. If casing repair operations are needed, obtain prior approval from this office before commencing repairs.
2. If a CBL or other logs are run, provide this office with a copy.
3. After any casing repair operations, test cement squeeze to a minimum of 500# for 30 minutes with no more than 10 % pressure fall off in the 30 minutes test period. Provide test chart with your subsequent report of operations
4. A properly functioning BOP and related equipment must be installed prior to commencing workover, casing repair, and/or recompletion operations.
5. Contact this office at (505) 564-7750 prior to conducting any cementing operations

### ***SPECIAL STIPULATIONS:***

1. **Pits will be fenced during work-over operation.**
2. **All disturbance will be kept on existing pad.**
3. **All pits will be pulled and closed immediately upon completion of the recompletion and work-over activities.**
4. **Pits will be lined with an impervious material at least 12 mils thick.**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
OF NEW MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 418  
ORDER NO. R-203

IN THE MATTER OF THE APPLICATION OF  
PHILLIPS PETROLEUM COMPANY, A DELAWARE  
CORPORATION, FOR APPROVAL OF THE SAN  
JUAN 29-5 UNIT AGREEMENT, EMBRACING  
TOWNSHIP 29 NORTH, RANGE 5 WEST, NMPM,  
RIO ARriba COUNTY, NEW MEXICO CONTAINING  
22, 521.54 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION

This cause came on for hearing at 9 o'clock a. m. on October 15, 1952, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 20th day of October, 1952, the Commission, a quorum being present, having considered said application and the evidence introduced in support thereof and being fully advised in the premises,

FINDS:

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

(2) That the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

SECTION 1. That this order shall be known as the

SAN JUAN 29-5 UNIT AGREEMENT ORDER

SECTION 2. (a) That the project herein referred to shall be known as the San Juan 29-5 Unit Agreement, and shall hereafter be referred to as the "Project".

(b) That the plan by which the project shall be operated shall be embraced in the form of a unit agreement for the development and operation of the San Juan 29-5 Unit Area referred to in the Applicant's Application and filed with said application, and such plan shall be known as the San Juan 29-5 Unit Agreement Plan.

SECTION 3. That the San Juan 29-5 Unit Agreement Plan shall be, and hereby is, approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement this approval shall not be considered as waiving or relinquishing in any manner and rights, duties or obligations which are now, or may hereafter, be vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said San Juan 29-5 Unit Agreement, or relative to the production of oil or gas therefrom.

Page -2-  
Case No. 418  
Order No. R-203

SECTION 4. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

All of Township 29 North, Range 5 West

Total unit area: 22,521.80 Acres, more or less.

(b) The unit area may be enlarged or contracted as provided in said plan.

SECTION 5. That the unit operator shall file with the Commission an <sup>original</sup> executed or executed counterpart of the San Juan 29-5 Unit Agreement within 30 days after the effective date thereof.

SECTION 6. That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same and if the owner of a working interest by joinder in the related unit operating agreement. The Unit operator shall file with the Commission within 30 days a duplicate original of any such counterpart or ratification.

SECTION 7. That this order shall become effective upon approval of said unit agreement by the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commissioner in writing of such termination.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

GUY SHEPARD, Member

R. R. SPURRIER, Secretary

S E A L

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE SAN JUAN 29-5 UNIT AREA,  
COUNTY OF RIO ARRIBA,  
STATE OF NEW MEXICO

I-Sec. No. \_\_\_\_\_

This agreement entered into as of the 8<sup>th</sup> day of September, 1952, 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 Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 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 development or operation of any oil or gas pool, field, or like area, or any part thereof, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

Whereas the Commissioner of Public Lands of the State of New Mexico is authorized by an act of the Legislature (Chapter 88, Laws 1943, New Mexico Statutes 1941 Annotated, Sections 8-1138 to 8-1141) to consent to and approve the development or operation of lands of the State of New Mexico under this agreement; and

Whereas the Oil Conservation Commission of the State of New Mexico is authorized by an act of the Legislature (Chapter 72, Laws 1935, New Mexico Statutes 1941 Annotated, Sections 69-201 et seq.) to approve this agreement and the conservation provisions hereof; and

Whereas the parties hereto hold sufficient interests in the San Juan 29-5 Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. H  
Submitted by: Hilcorp Energy Company  
Hearing Date: April 21, 2026  
Case No. 25951  
5707

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

Now, therefore, in consideration of the premises and 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 act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of 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:

New Mexico Principal Meridian:

All of Township 29 North, Range 5 West,  
Rio Arriba County, containing 22,521.54  
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 "Commissioner," and not less than five copies of the revised exhibits shall be filed with the Supervisor and copies thereof shall be filed with the Commissioner and the New Mexico Oil Conservation Commission, hereinafter referred to as the "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, whenever such expansion is necessary or advisable to conform with the purposes of this agreement. Such expansion 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 Commissioner and/or the Commission, 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.

(b) Said notice shall be delivered to the Supervisor and Commissioner and/or the 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.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, Commissioner and the Commission evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator.

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

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

3. Unitized substances.

All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. Unit Operator.

Phillips Petroleum Company, a Delaware corporation with offices at Bartlesville, Oklahoma, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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 anytime 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, Commissioner and the 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 Commission as to other 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 provided, however, 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 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 Commissioner.

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

6. Successor unit operator.

Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the owners

of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. Accounting provisions and unit operating agreement.

Costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements, entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions

of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section shall be filed with the Supervisor.

8. Rights and obligations of Unit Operator.

Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. Drilling to discovery.

Within 60 days after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location selected by it and approved by the Supervisor if on Federal land or the Commission if on State or Patented land unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mesaverde formation has been tested or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land or the Commissioner if on State land or the Commission if on patented land that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 6,000 feet. Within 30 days

following completion of the aforesaid initial test-well upon the unit area, Unit Operator shall commence the drilling of an additional well and shall thereafter continue drilling operations on the unit area, with not more than 30 days of elapsed time between the completion of one well and the commencement of the next succeeding well, until an aggregate of five wells commenced after May 10, 1952 (whether commenced before or after the effective date of this agreement), shall have been drilled thereon to said depth at locations selected by Unit Operator and approved by the Supervisor if on Federal land or the Commissioner if on State land or the Commission if on patented land so spaced over the unit area as to determine so far as may be practicable the productive acreage and gas reserves in the Mesaverde and shallower formations underlying said unit area.

In addition to the foregoing, within one year from the effective date hereof the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, Commissioner, or Commission, respectively, unless on or before such first anniversary of the effective date hereof operations for the drilling of a well to test the Dakota formation shall have been commenced on the area approved by the United States Geological Survey for the San Juan 29-6, San Juan 30-5, San Juan 30-6 unit agreements, and thereafter shall continue such drilling diligently until the Dakota formation has been tested or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land or the Commissioner if on State land or patented land that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said Dakota test well to a depth in excess of 8,500 feet, provided, that, in the event said Dakota test well shall be a dry hole at its total depth, it shall then be considered as one of the five test wells required in the preceding paragraph of this Section 9.

In the event none of the wells drilled pursuant to the above specified drilling program results in obtaining production in paying quantities, then upon completion of the above-outlined drilling program until the discovery of a deposit of unitized substances capable of being

produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land, or the Commissioner if on State land, or the 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 formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. Plan of further development and operation.

Within 6 months after completion of a well capable of producing unitized substances in paying quantities or within 6 months after completion of the drilling program outlined in Section 9 above, whichever is the later date, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner and the Commission, 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, the Commissioner and the Commission, 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 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, the Commissioner and the Commission 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 locations 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, the Commissioner and the Commission. Said plan or 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 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 and the drilling program outlined in Section 9 above, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor, the Commissioner and the Commission, shall be drilled except in accordance with a plan of development approved as herein provided.

11. Participation after discovery.

(a) MESAVERDE AND SHALLOWER FORMATIONS. That portion of the unit area lying above the base of the Mesaverde formation is hereby divided into Drilling Blocks containing 320 acres each, more or less, which Drilling Blocks shall constitute one-half sections, by government survey, the sections being divided by a line running north and south in such manner that each Drilling Block shall be either the East Half (E/2) or the West Half (W/2) of each given section, provided, however, that in any instances of irregular surveys that portion of a section which most nearly constitutes either the East Half (E/2) or the West Half (W/2) shall constitute a Drilling Block even though

its acreage may be irregular, and provided further that any irregular strips or small tracts shall attach to the adjacent Drilling Blocks to which they most logically attach within the limitations for Drilling Blocks as herein set forth, and provided further that in the event any portion of the area subject to this agreement is not surveyed, Unit Operator shall project the survey from the nearest established government survey points for the purposes of this agreement.

Upon completion of a well capable of producing unitized substances from the Mesaverde or shallower formations or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall determine whether said well is capable of producing unitized substances in paying quantities and shall advise the Supervisor, the Commissioner and the Commission of its conclusion in that regard, giving the data upon which its conclusion is based and identifying the Drilling Block upon which said well is located. Protests against said conclusion may be filed with the Director, the Commissioner and the Commission within 15 days thereafter but unless the Director, the Commissioner or the Commission shall, within 30 days after the filing of the original statement of conclusion by Unit Operator, disapprove of such conclusion, the decision <sup>- of commission</sup> of Unit Operator shall thereafter be binding upon the parties hereto. If any such well is determined to be capable of producing unitized substances in paying quantities, all of the land in the Drilling Block shall constitute the participating area for the formation from which the well is producing effective as of the date of first production. Unit Operator shall prepare a schedule setting forth the percentage of unitized substances to be allocated, as herein provided, to each unitized tract in the participating area so established, and upon approval thereof by the Director, the Commission and Commissioner said schedule shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof producing as a single pool or zone, and all of the provisions of this section of this agreement shall be considered as applicable separately for each such participating area. It is hereby agreed for the purposes of this agreement that all wells completed for production in the Fruitland formation shall be regarded as producing from

*- of commission*

*Initial P/A*

a single zone or pool and all wells completed for production in the Pictured Cliffs formation shall be regarded as producing from a single zone or pool, and all wells completed for production in the Mesaverde group shall be regarded as producing from a single zone or pool. Additional Drilling Blocks, subject to any limitations elsewhere set out in this agreement, shall be admitted to the participating area on the first day of the month following the month in which it has been established that a well capable of production of unitized substances in paying quantities has been drilled on any such Drilling Block, and the percentage of allocation shall be revised accordingly, in which event all of the production prior to the effective date of admission of such drilling block to the participating area shall be credited solely to the account of that particular block. For the purposes hereof, it shall be deemed that the capability of a well to produce unitized substances in paying quantities has been established when so determined by the Unit Operator and when notice of such determination shall have been delivered to the Supervisor, the Commissioner and the Commission, which notice includes the data upon which the determination is based and identifies the Drilling Block upon which the well is located, subject to the right of any interested party to protest in writing against said determination to the Unit Operator, the Director, the Commissioner and the Commission within 15 days thereafter, however, in any event, such determination shall become effective within 30 days from the date thereof unless disapproved within said 30-day period by the Director, Commissioner, or Commission. In the event such determination is not upheld and changed conditions subsequently warrant, a new determination based on new showings and a new effective date may be submitted and processed in the same manner as aforesaid. No land shall be excluded from a participating area on account of depletion of the unitized substances.

In the event that any Drilling Block is admitted to a participating area as hereinabove provided when it lies directly north, south, east, or west of any Drilling Block already included in said participating area, and where there is one, but only one intervening Drilling Block on which no well has then been drilled, said intervening Drilling Block shall also be admitted to said participating area at the same time, in the same manner and subject to the same conditions as the Drilling Block which is then admitted to such participating area by reason of the completion of a well thereon capable of producing unitized

substances in paying quantities. In such event, the drilling of a well on such undrilled intervening Drilling Block shall be commenced, within one year from the effective date of said Drilling Block's inclusion in the participating area, unless said time be extended by the Director, Commissioner, and Commission, and shall be continued with due diligence to the depth necessary to test the horizon from which production is secured in said participating area.

If the initial well on any Drilling Block is not capable of production in paying quantities and at a later date a well is drilled on such Drilling Block which is capable of production of unitized substances in paying quantities, then that portion of the Drilling Block considered to be capable of production in paying quantities by reasonable geologic inference shall be admitted to the participating area upon recommendation of the Unit Operator and approval of the Director, the Commissioner and the Commission. If geologic inference is not applicable, the forty-acre tract by government survey, existing or projected, on which the producible well is drilled and all other untested forty-acre tracts or lots approximating 40 acres lying within the Drilling Block shall be admitted to the participating area.

If any Drilling Block, or portion thereof, on which a well has been drilled is not included in a participating area, conformably with the provisions of this agreement, and thereafter should become capable of production in paying quantities by reason of repressuring or other methods of secondary recovery, such Drilling Block or portion thereof shall be admitted to the applicable participating area on recommendation of the Unit Operator and approval thereof as provided for the inclusion of lands in a participating area in the preceding paragraph hereof.

Regardless of any revision of the participating area, and except as herein elsewhere specifically provided, there shall be no retroactive adjustment for production obtained prior to the effective date of any such revision of the participating area.

Whenever it is determined, in the manner provided in this agreement, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the Drilling Block on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among royalty interest owners, be allocated to the Drilling Block on which the well is located so long as such land is not within a 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.

(b) FROM FORMATIONS BELOW THE MESAVERDE. Upon completion of a well capable of producing unitized substances from formations lying below the base of the Mesaverde in paying quantities, or as soon thereafter as required by the Supervisor and Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission, a schedule based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director, the Commissioner, and the Commission to constitute a participating area, effective as of the date of first production. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective.

A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director, the Commissioner, and the Commission. (The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. 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, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this subsection (b) that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of revision of the participating area.

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells on Federal land, the Commissioner as to wells on State land, and the Commission as to patented 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 purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a 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 and Commissioner, 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 or 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 and drilling of wells not mutually agreed upon.

Any party or parties hereto owning or controlling the working interests or a majority of the working interests in any unitized land having thereon a regular well location may, with the approval of the Supervisor as to Federal land, the Commissioner as to State land and the Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's sole risk, cost, 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, or drill any well not mutually agreed to by all interested parties, 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 well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement, and the party or parties paying the cost of drilling such well shall be reimbursed as provided in the unit operating agreement for the cost of drilling such well, and the well shall thereafter be operated by Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains

production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. Royalty Settlement.

The United States and the State of New Mexico and all royalty owners who, under existing contracts, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws, and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land

as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulations; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

15. Rental settlement.

Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases, or may be reduced or suspended upon the order of the Commissioner pursuant to applicable laws and regulations.

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

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 appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, including wells on adjacent unit areas, or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands or as approved by the Commissioner for State lands.

18. Leases and contracts conformed and extended.

The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the 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, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall

be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary (or his duly authorized representative) and the Commissioner or with the approval of the Commission shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto, provided unitized substances are discovered in paying quantities within the unit area prior to the expiration date of the primary term of such lease.

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

(g) Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between

the portions so segregated in proportion to the acreage of the respective tracts.

(h) Parties hereto, each as to its interest in the unit area, hereby grant to Unit Operator necessary surface rights to cover use of any portion of the surface of the unit area reasonably necessary for operations hereunder.

19. Covenants run with land.

The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working interest, royalty or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. Effective date and term.

This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate on June 1, 1956, unless (a) such date of expiration is extended by the Director and 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 Director and Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i. e., in this

particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or (d) it is terminated as heretofore provided in this agreement.

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

21. Rate of prospecting, development, and production.

All production and the disposal thereof shall be in conformity with allocations, allotment and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; 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 development 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.

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

22. Automatic Elimination.

Notwithstanding any other provisions of this agreement, any lease, no portion of which is included within a participating area within 7 years after the first sale of unitized substances from any lands subject to this agreement, shall be automatically eliminated from this agreement and said lease, and the lands covered thereby shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 7 year period drilling operations are in progress on such lease, in which event the lands covered by such lease shall remain subject hereto and within said unit area for so long as such drilling operations are continued diligently and, so long thereafter as such lands or any portion thereof may be included in a participating area hereunder. Inasmuch as any elimination under this section is automatic, the Unit Operator shall, within 90 days after any such elimination hereunder, describe the area so eliminated, and promptly notify all parties in interest.

23. 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 said 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 Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised 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.

24. Appearances.

Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Department of the Interior and the Commission and to appeal from orders issued under the regulations of said Department and/or Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the 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.

25. Notices.

All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

26. No waiver of certain rights.

Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party; or as a waiver by any such party of any right beyond his or its authority to waive.

27. Unavoidable delay.

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

28. Fair employment.

The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin, and an identical provision shall be incorporated in all subcontracts.

29. Loss of title.

In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. 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 land 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 shall be deposited as directed by the 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.

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

30. 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 to the Director, the Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any such tract not so withdrawn shall be considered as unitized, and any necessary adjustments of royalty occasioned by failure of the royalty and record owner to join will be for the account of the corresponding working interest owner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Prior to final approval hereof, joinder by any owner of a non-working interest must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. 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 and Commissioner 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 Director or Commissioner.

31. Counterparts.

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

32. Surrender.

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

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party shall forfeit such rights and no further benefits from operations hereunder as to said land shall accrue to such party, unless within ninety (90) days thereafter said party shall execute this agreement and the unit operating agreement as to the working interest acquired through such surrender, effective as though such land had remained continuously subject to this agreement and the unit operating agreement. And in the event such agreements are not so executed, the party next in the chain of title shall be and become the owner of such working interest at the end of such ninety (90) day period, with the same force and effect as though such working interest had been surrendered to such party.

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

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

(2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

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

If the fee owner of the Unitized substances does not execute this agreement and the unit operating agreement as a working interest owner or again lease such lands as above provided, within six (6) months after any such surrender or forfeiture, such fee owner shall be deemed to have waived the right to execute the unit operating agreement or lease such lands, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder shall not be affected by such surrender.

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

Upon commitment of a working interest to this agreement and the unit operating agreement as provided in this section, an appropriate accounting and settlement shall be made, to reflect the retroactive effect of the commitment, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered working interest during the period between the date of surrender and the date of recommitment, and payment of any moneys found to be owing by such an accounting shall be made as between the parties then signatory to the unit operating agreement and this agreement within thirty (30) days after the recommitment. The right to become a party to this agreement and the unit operating agreement as a working interest owner by reason of a surrender or forfeiture as provided in this section shall not be defeated by the non-existence of a unit operating agreement and in the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor and Commissioner may prescribe such reasonable and equitable agreement as they deem warranted under the circumstance.

Nothing in this section shall be deemed to limit the right of joinder or subsequent joinder to this agreement as provided elsewhere in this agreement.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

OPERATOR

PHILLIPS PETROLEUM COMPANY *ay*

Date: SEP 8 1952

By *[Signature]*  
Vice President

*RJR*

*ATS*

Attest:

Address: Bartlesville, Oklahoma

*[Signature]*  
Assistant Secretary

WORKING INTEREST OWNERS

PHILLIPS PETROLEUM COMPANY *ay*

Date: SEP 8 1952

By *[Signature]*  
Vice President

*RJR*

*ATS*

Attest:

Address: Bartlesville, Oklahoma

*[Signature]*  
Assistant Secretary

EL PASO NATURAL GAS COMPANY

Date: SEP 16 1952

By *[Signature]*  
Vice President

Attest:

Address: Bassett Tower,  
El Paso, Texas

*[Signature]*  
Assistant Secretary

GENERAL AMERICAN OIL COMPANY OF TEXAS

Date: SEP 17 1952

By [Signature]  
Vice President

Attest:

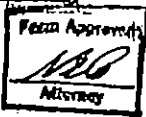
Address: Dallas, Texas

[Signature]  
Assistant Secretary

SUNRAY OIL CORPORATION

Date: OCT 27 1952

By [Signature]  
Vice President



Attest:

Address: P. O. Box 2039  
Philtower Building  
Tulsa, Oklahoma

[Signature]  
Assistant Secretary

SOUTHERN PETROLEUM EXPLORATION, INC.

Date: Sept 26 1952

By [Signature]  
Vice President

Attest:

Address: White Building  
Roswell, New Mexico

[Signature]  
Assistant Secretary

STANOLIND OIL AND GAS COMPANY

Date: OCT 10 1952

By [Signature]  
Vice President



Attest:

Address: Fair Building  
Fort Worth, Texas

[Signature]  
Assistant Secretary

WOOD RIVER OIL & REFINING CO., INC.

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

By *[Signature]*  
Vice President

Address: 321 W. Douglas  
Fifth Floor K.F.H. Building  
Wichita, Kansas

Attest: *[Signature]*  
Assistant Secretary

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

Address: 1010 N. Dustin  
Farmington, New Mexico

\_\_\_\_\_  
Tom Bolack

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

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

\_\_\_\_\_  
Forrest B. Miller

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

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

\_\_\_\_\_  
Hazel Bolack

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

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

\_\_\_\_\_

*[Handwritten mark]*

EXHIBIT "B" SAN JUAN UNIT 29-5, RIO ARriba COUNTY, NEW MEXICO

PAGE 1

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS</u>							
1.	T-29-N, R-5-W Sec. 7: E/2, Lots 1,2,3, N/2 NW/4 Sec. 18: SW/4, W/2 NW/4, SE/4 NW/4	788.50	Santa Fe 078277 7-1-49 5 yrs.	U.S.A. 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All(1)
2.	T-29-N, R-5-W Sec. 17: All Sec. 18: E/2 Sec. 20: N/2	1,280.00	Santa Fe 078281 2-1-48 5 yrs.	U.S.A. 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All (1)
3.	T-29-N, R-5-W Sec. 19: All Sec. 30: SE/4 SE/4  Sec. 29: N/2, SW/4 Sec. 31: N/2 NW/4, NE/4 NE/4	1,280.00	Santa Fe 078282 3-1-48 5 yrs.	U.S.A. 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 4.0% (As to acreage in Sec. 19 and 30)  Total ORRI Committed 4.5% (As to acreage in Sec. 29 and 31)	El Paso Natural Gas Co. All (1)
4.	T-29-N, R-5-W Sec. 6: SW/4 Sec. 8: SE/4	320.00	Santa Fe 078305 5-1-51 5 yrs.	U.S.A. 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All (1)
4a	T-29-N, R-5-W Sec. 33: W/2 NE/4	80.00	New Mexico 011348 5-1-51	U.S.A. 12 1/2% All	Tom Bolack	Total ORRI Committed 5.0%	<u>To Base of Mesaverde formation:</u> El Paso Natural Gas Co. 1/2 Tom Bolack 1/2 <u>Below Base of Mesaverde</u> <u>formation:</u> Tom Bolack All

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS</u> (continued)							
4b	<u>T-29-N, R-5-W</u> Sec. 31: N/2 SE/4, NE/4 SW/4	120.00	New Mexico 011348 5-1-48 5 yrs.	U.S.A. <del>12/2</del> All	Tom Bolack	None	Tom Bolack All
4c	<u>T-29-N, R-5-W</u> Sec. 33: E/2 NW/4	80.00	New Mexico 011348-A 5-1-48 5 yrs.	U.S.A. <del>12/2</del> All	American Petrofina Company of Texas	None	American Petrofina Company of Texas All
5.	<u>T-29-N, R-5-W</u> Sec. 5: Lots 1,2,3, 4, S/2 N/2	322.24	Santa Fe 078343 6-1-47 10 yrs.	U.S.A. <del>12/2</del> All	El Paso Natural Gas Co.	Total ORRI Committed 4.5%	El Paso Natural Gas Co. All (1)
6	<u>T-29-N, R-5-W</u> Sec. 6: Lots 1,2,3, 4, S/2 N/2, SE/4 Sec. 8: N/2	800.88	Santa Fe 078410 2-1-48 5 yrs.	U.S.A. <del>12/2</del> All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All (1)
6a	<u>T-29-N, R-5-W</u> Sec. 31: S/2 SE/4, SE/4 SW/4	120.00	Santa Fe 078410-A 2-1-48 5 yrs.	U.S.A. <del>12/2</del> All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	<u>Oil Rights</u> General American Oil Company of Texas All <u>Gas Rights</u> El Paso Natural Gas Co. All*
7	<u>T-29-N, R-5-W</u> Sec. 34: SE/4 SW/4, S/2 SE/4, NE/4 SE/4, SE/4 NE/4	200.00	Santa Fe 078412 2-1-48 5 yrs.	U.S.A. <del>12/2</del> All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	<u>Oil Rights</u> General American Oil Company of Texas All <u>Gas Rights</u> El Paso Natural Gas Co. All*

\*EPNG Co's interest reduces to 3/4 after payout of General American production payment and Gen. Amer. will then own 1/4 W/I.

Revised Effective July 1, 1962.

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (continued)</u>							
8	T-29-N, R-5-W Sec. 5: N/2 SW/4, SE/4 Sec. 9: SE/4 Sec. 10: NE/4	560.00	Santa Fe 078642 5-1-48 5 yrs.	U.S.A. 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All(1)
	Eliminated from the Unit Area						
10	Eliminated from the Unit Area						
11	Eliminated from the Unit Area						
12	T-29-N, R-5-W Sec. 25: All Sec. 26: All Sec. 35: All Sec. 36: All	2,379.36	Santa Fe 078917 7-1-48 5 yrs.	U.S.A. 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All (1)
13	T-29-N, R-5-W Sec. 23: W/2, SE/4, S/2 NE/4, NE/4 NE/4	600.00	Santa Fe 079033 5-1-48 5 yrs.	U.S.A. 12 1/2% All	Sunray DX Oil Co.	Total ORRI Committed 3.0%	<u>To Base of Mesaverde formation:</u> <u>Gas Rights</u> El Paso Natural Gas Co. All (2) <u>Oil Rights</u> Sunray DX Oil Company All <u>Below Base of Mesaverde</u> <u>formation:</u> Sunray Mid-Continent Oil Company All
14	Eliminated from the Unit Area						
15	T-29-N, R-5-W Sec. 30: N/2, N/2 S/2 S/2 SW/4	560.00	Santa Fe 079851 7-1-49 5 yrs.	U.S.A. 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 4.5%	El Paso Natural Gas Co. All (1)
16	T-29-N, R-5-W Sec. 22: S/2 SE/4	80.00	Santa Fe 079944 10-1-48 5 yrs.	U.S.A. 12 1/2%	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All (1)

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
16a	T-29-N, R-5-W Sec. 27: SW/4	160.00	New Mexico 011349 10-1-48 5 yrs.	U.S.A. <del>12/2</del> All	Tom Bolack	Total ORRI Committed 5.0%	<u>To Base of Mesaverde formation:</u> El Paso Natural Gas Co. 1/2 Tom Bolack 1/2 <u>Below the Base of Mesaverde formation:</u> Tom Bolack All
ib	T-29-N, R-5-W Sec. 27: S/2 NW/4, NE/4	240.00	New Mexico 011349-A 10-1-48 5 yrs.	U.S.A. <del>12/2</del> All	American Petrofina Company of Texas	None	American Petrofina Company of Texas All
16c	T-29-N, R-5-W Sec. 27: SE/4	160.00	New Mexico 011349-B 10-1-48 5 yrs.	U.S.A. <del>12/2</del> All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All
17	T-29-N, R-5-W Sec. 5: S/2 SW/4 Sec. 9: SW/4 Sec. 15: S/2 Sec. 22: N/2 NE/4, SE/4 NE/4	680.00	Santa Fe 080069 9-1-49 5 yrs.	U.S.A. <del>12/2</del> All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All (1)
a	T-29-N, R-5-W Sec. 33: E/2 E/2, W/2 SE/4	240.00	New Mexico 011350 9-1-49 5 yrs.	U.S.A. <del>12/2</del> All	Hazel Bolack	Total ORRI Committed 5.0%	<u>To Base of Mesaverde formation:</u> El Paso Natural Gas Co. 1/2 Tom Bolack 1/2 <u>Below Base of Mesaverde formation:</u> Tom Bolack All

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
FEDERAL LANDS (continued)							
17b	T-29-N, R-5-W Sec. 33: S/2 SW/4 Sec. 34: W/2 W/2, NE/4 NW/4, N/2 NE/4	360.00	New Mexico 011350-A 9-1-49 5 yrs.	U.S.A. 12 <sup>1</sup> / <sub>2</sub> % All	American Petrofina Company of Texas	None	American Petrofina Company of Texas All
8	T-29-N, R-5-W Sec. 9: N/2	320.00	Santa Fe 080179 5-1-48 5 yrs.	U.S.A. 12 <sup>1</sup> / <sub>2</sub> % All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All(1)
19	Eliminated from the Unit Area						
20	T-29-N, R-5-W Sec. 4: Lots 3,4, S/2 NW/4, SW/4	321.60	Santa Fe 081114 6-1-47 10 yrs.	U.S.A. 12 <sup>1</sup> / <sub>2</sub> % All	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All (1)
21	T-29-N, R-5-W Sec. 8: SW/4 Sec. 20: S/2 Sec. 28: N/2 NW/4, SW/4 NW/4, S/2 SW/4	1,280.00	New Mexico 03188 2-1-48 5 yrs.	U.S.A. 12 <sup>1</sup> / <sub>2</sub> % All	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All (1)
	Sec. 21: W/2, W/2 NE/4, NW/4 SE/4*					*Total ORRI Committed 5.0%	
	Sec. 29: SE/4*						

25 Federal Tracts - 13,332.58 acres or 76.83% of Unit Area.

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
STATE LANDS							
22	T-29-N, R-5-W Sec. 16: NW/4, N/2 SW/4 Sec. 32: W/2 NW/4	320.00	E-289-3 5-2-45 10 yrs.	State of New Mexico $1\frac{1}{2}\%$ All	Southern Petroleum Exploration Inc.	None	Southern Petroleum Exploration Inc. All
22a	T-29-N, R-5-W Sec. 32: E/2 SE/4	80.00	E-289-35 5-2-45 10 yrs.	State of New Mexico $1\frac{1}{2}\%$ All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All(1)
22b	T-29-N, R-5-W Sec. 2: Lots 1,2 S/2 N/2, SW/4, NW/4 SE/4	444.67	E-289-34 5-2-45 10 yrs.	State of New Mexico $1\frac{1}{2}\%$ All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All(1)
22c	T-29-N, R-5-W Sec. 16: W/2 NE/4, SE/4 SW/4, SE/4 Sec. 32: NE/4, SE/4 NW/4, W/2 SW/4	560.00	E-289-36 5-2-45 10 yrs.	State of New Mexico $1\frac{1}{2}\%$ All	El Paso Natural Gas Co.	Total ORRI Committed 5.0% (4)	El Paso Natural Gas Co. All (1)
22d	T-29-N, R-5-W Sec. 16: E/2 NE/4, SW/4 SW/4 Sec. 32: NE/4 NW/4	160.00	E-289-31 5-2-45 10 yrs.	State of New Mexico $1\frac{1}{2}\%$ All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All(1)
22e	T-29-N, R-5-W Sec. 2: Lots 3,4	84.17	E-289-32 5-2-45 10 yrs.	State of New Mexico $1\frac{1}{2}\%$ All	El Paso Natural Gas Co.	Total ORRI Committed 5.0% (4)	El Paso Natural Gas Co. All(1)
22f	T-29-N, R-5-W Sec. 2: S/2 SE/4	80.00	E-289-33 5-2-45 10 yrs.	State of New Mexico $1\frac{1}{2}\%$ All	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	El Paso Natural Gas Co. All(1)

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
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STATE LANDS (continued)

23 Eliminated from the Unit Area

7 State Tracts - 1,728.84 acres or 9.96 of Unit Area.

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
PATENTED LANDS							
24	T-29-N, R-5-W Tract 37 Sec. 7: Lot 4 Sec. 18: NE/4 NW/4	171.50	4-16-49 7 yrs.	J. Felix Gomez & wife, Ophelia M. Gomez 12 1/2% All	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All (1)
25	Eliminated from the Unit Area						
26	T-29-N, R-5-W Sec. 15: NW/4	160.00	4-11-46 10 yrs. 4-11-49 7 yrs. 4-28-50 6 yrs.	William H. McCarty & Lupe B. McCarty 3.125% Charles W. McCarty 3.125% Jose E. Gomez 6.250% Total 12.500%	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All (1)
27	T-29-N, R-5-W Sec. 21: E/2 NE/4 Sec. 22: W/2 NW/4	160.00	4-10-46 10 yrs.	M. A. Trujillo .15723% Charles A. McCarty 5.26730% William H. McCarty 3.93082% M. M. Jenkins 1.57233% United Properties, Inc. 1.41509% Cecil L. Lanier .15723% Total 12.50000%	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All (1)

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
PATENTED LANDS (Continued)							
27	(continued) El Paso Natural Gas Company (1) owns full working interest in lease covering one acre out of SW/C of W/2 NW/4 Section 22, T-29-N, R-5-W Lease data as follows:						
			Dated: 5-6-53				
			Term: 10 yrs.				
			Basic Royalty and Percentage:	Charles W. McCarty - 6.250%			
				Abel Garcia & Isabelle Garcia - 3.125%			
				Eulemia Martinez & Frank Martinez - 3.125%			
			ORRI:	None			
28	T-29-N, R-5-W Sec. 21: E/2 SE/4 Sec. 28: E/2 NE/4	160.00 (5)			Wilton M. Fisher Unleased		Wilton M. Fisher All
29	T-29-N, R-5-W Sec. 28: SE/4, N/2 SW/4, SE/4 NW/4, SW/4 NE/4	320.00	4-10-46 10 yrs. 11-19-52 5 yrs.	Estate of Pablo Candelaria, deceased, & Eulogia Candelaria, his widow 1.5625% Jose E. Armijo & Jane S. Armijo, his wife, 6.2500% Oralia Casaus, a minor 4.6875%	El Paso Natural Gas Co.	Total ORRI Committed 2.50%	El Paso Natural Gas Co. All(1)
			Total	12.5000%			
30	T-29-N, R-5-W Sec. 30: SW/4 SE/4 Sec. 31: W/2 NE/4, SE/4 NE/4, SE/4 NW/4, N/2 SW/4 NW/4	220.00	4-16-46 10 yrs.	Wallace B. Horn & Cora B. Horn 6.25000% Forrest B. Miller .78125% Mabelle M. Miller .78125%	El Paso Natural Gas Co.	Total ORRI Committed 4.0%	El Paso Natural Gas Co. All(1)

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
30	(continued)				T. H. McElvain, Jr. .78125% Catherine F. McElvain .78125% J. William McElvain <u>3.12500%</u> Total 12.50000%		
1	T-29-N, R-5-W Sec. 34: SE/4 NW/4, SW/4 NE/4, NW/4 SE/4, NE/4 SW/4 less 32 acres in the South- west corner	128.00	12-16-46 10 yrs.		William H. McCarty & Lupe B. McCarty, his wife, 2.9296880% Homer L. Johnson & Jessie F. Johnson 1.9531250% United Properties, Inc. of St. Paul, Minnesota 3.5156250% Charles W. McCarty 2.2287500% Wesley T. McCarty 1.4821870% Cecil L. Lanier <u>.3906250%</u> Total 12.5000000%	Total ORRI Committed 3.0%	El Paso Natural Gas Co. All(1)
32	T-29-N, R-5-W Sec. 34: 32 acres out of the South- west corner of the NE/4 SW/4	32.00	12-16-46 10 yrs.		William H. McCarty & Lupe B. McCarty 6.250000% Wesley T. McCarty 2.109375% Charles W. McCarty <u>4.140625%</u> Total 12.500000%	Total ORRI Committed 3.0%	El Paso Natural Gas Co. All(1)

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
PATENTED LANDS (continued)							
33	T-29-N, R-5-W Sec. 31: W/2 SW/4, S/2 SW/4 NW/4	100.00	4-16-46 10 yrs.	Wallace B. Horn 6.25% Forrest B. Miller 6.25% Total 12.50%	Rock Island Oil and Refining Co., Inc.	None	Rock Island Oil and Refining Co., Inc. 3/4 American Petrofina Company of Texas 1/4
4	T-29-N, R-5-W Sec. 32: E/2 SW/4, W/2 SE/4	160.00	4-26-48 10 yrs.	Estefanita G. Abeyta, wife of Juan J. Abeyta 12.5%	El Paso Natural Gas Co.	None	To Base of Mesaverde formation: El Paso Natural Gas Co. All(3) Below Base of Mesaverde formation: Pan American Petroleum Corp. All
35	T-29-N, R-5-W Sec. 33: W/2 NW/4, N/2 SW/4	160.00	5-5-51 5 yrs: 4-9-51 10 yrs.	Charles W. McCarty 1.953125% Wesley T. McCarty 1.953125% John R. Anderson 3.906250% M. M. Jenkins (also known as Mrs. Minnie Jenkins) 3.125000% J. V. Fritts 1.562500% Total 12.500000%	El Paso Natural Gas Co.	Total ORRI Committed 5.0%	To Base of Mesaverde formation: El Paso Natural Gas Co. All(6) Below Base of Mesaverde formation: T. H. McElvain 1/4 Ruth M. Vaughan 1/6 Carl R. McElvain 1/6 J. Wm. McElvain 1/6 Forrest B. Miller 1/8 Mabelle M. Miller 1/8
36	Eliminated from the Unit Area						
37	T-29-N, R-5-W Sec. 21: SW/4 SE/4 Sec. 28: NW/4 NE/4	80.00	9-4-53 5 yrs.	Andrea Trujillo Lucero 12.50%	El Paso Natural Gas Co.	None	El Paso Natural Gas Co. All(1)

Revised Effective July 1, 1962

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
PATENTED LANDS (continued)							
38	T-29-N, R-5-W Sec. 22: SW/4, E/2 NW/4, SW/4 NE/4, N/2 SE/4, less 3 acres out of NW/4 SE/4, NE/4 SW/4 Sec. 27: N/2 NW/4	437.00	6-11-52 10 yrs.	Edith H. Payne & Carroll T. Payne 6.25% Horace F. McKay, Jr. & Elmyra K. McKay 6.25% Total 12.50%	El Paso Natural Gas Co.	None	El Paso Natural Gas Co. All(1)
	T-29-N, R-5-W 3 acres, being one acre situated as follows:	3.00	10-6-52 10 yrs.	Bernard T. Espelage, Bishop of Gallup 12.5%	El Paso Natural Gas Co.	None	El Paso Natural Gas Co. All(1)

Beginning 630 feet east of the northwest corner of the N/2 SE/4 of Section 22, in Township 29 North, Range 5 West, N.M.P.M., thence 210 feet east, thence 210 feet south, thence 210 feet west, thence 210 feet north to place of beginning, containing one acre of land, more or less in said Section 22; on this one acre is situated a cemetery dedicated to Santo Nino; it being the intent to lease the land described in Warranty Deed dated March 22, 1924, which deed was recorded in Book 22-A at Page 618 of Rio Arriba County Records; and two acres of land situated as follows: Beginning at the northwest corner of the N/2 SE/4 of Section 22, in Township 29 North, Range 5 West, N.M.P.M., thence 420 feet south, thence 210 feet west, thence 420 feet north, thence 210 feet east to place of beginning, containing two acres, more or less, of land in said Section 22; on these two acres of land is built a Catholic Church dedicated to Santo Nino; it being the intent to lease land described in Warranty Deed dated March 22, 1924, which deed was recorded in Book 22-A at Page 617 of Rio Arriba County Records; containing three acres, more or less.

13 Patented Tracts - 2,291.50 acres or 13.21% of Unit Area.

- (1) El Paso Natural Gas Company's Working Interest is subject to a Sliding Scale ORRI as to gas production and an ORRI of 82.5% of all oil produced and saved when average oil production is in excess of 15 barrels per day, in favor of Phillips Petroleum Company. As to Dakota and deeper formations, El Paso Natural Gas Company's interest is subject to that certain Agreement, as amended, dated April 21, 1960, by and between Phillips Petroleum Company and El Paso Natural Gas Company.
- (2) El Paso Natural Gas Company's Working Interest is subject to a Sliding Scale ORRI in favor of Sunray Oil Corporation as to gas production and an ORRI of 33 1/3% of all liquid hydrocarbons recovered or extracted from gas produced.
- (3) El Paso Natural Gas Company's Working Interest is subject to a Sliding Scale ORRI as to gas production and an ORRI of 82.5% of all oil produced and saved when average oil production is in excess of 15 barrels per day, in favor of Pan American Petroleum Corporation.
- (4) Payable until total payment of \$500 net mineral acre received.

Tract No.	Description	Number of Acres	Number, Date and Term of Lease	Basic Royalty and Percentage	Lessee of Record	ORRI and Percentage	Working Interest and Percentage
(5)	Acreage is unleased; however, as to the Mesaverde Formation production the E/2 SE/4 of Section 21, Township 29 North, Range 5 West has been communitized with San Juan 29-5 Unit #46-21 Well and the E/2 NE/4 of Section 28, Township 29 North, Range 5 West has been communitized with San Juan 29-5 Unit #40-28 Well.						
(6)	El Paso Natural Gas Company's Working Interest is subject to a Sliding Scale ORRI as to gas production and an ORRI of 82.5% of all oil produced and saved when average oil production is in excess of 15 barrels per day, in favor of T. H. McElvain.						

Revised Effective July 1, 1962

PAGE 14

RECAPITULATION

<u>Land</u>	<u>Acres in Unit</u>	<u>Percentage of Unit Area</u>
Federal	13,332.58	76.83%
State	1,728.84	9.96%
Patented	2,291.50	13.21%
	<hr/>	<hr/>
Total of Unit Area	17,352.92	100.00%

Note: Tracts 9, 10, 11, 14, 19, 23, 25 and 36 have been eliminated from the Unit Area.

Tract 28, being 160.00 acres of the above listed Patented lands, not committed to the Unit.

Revised Effective July 1, 1962

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Mesaverde NSP

September 2, 1955

Pacific Northwest Pipeline Company  
 Simms Building  
 Albuquerque, New Mexico

Gentlemen:

Reference is made to the formation of non-standard gas proration units within the defined limits of approved unit agreements in the Blanco Mesaverde Gas Pool, in which the drilling blocks were specified, outlined and defined in said unit agreement.

It is the opinion of the Commission that the question of proration units, both standard and non-standard, was taken up at the time that the unit agreement in which the drilling blocks were specifically defined was heard by the Commission, and that the proration units within such unit agreement were formed and approved at the time that the unit agreement was approved and therefore require no further approval by the Commission. In addition, the plan of development submitted by each unit operator to the Commission each year further defines the area which may be dedicated to a well for proration purposes and the approval of such plan of development by the Commission in our opinion grants approval to any proration unit formed as a result of such drilling.

Effective the 1st of September, all that will be required for proration units formed in the defined areas of a unit agreement in which the drilling blocks have been specified and outlined is the submittal of the Form C-104 and the official Commission Gas Well Plat to the Oil Conservation Commission district office at Aztec, New Mexico. The

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. 1  
 Submitted by: Hilcorp Energy Company  
 Hearing Date: April 21, 2026  
 Case No. 25951

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2-

Following statement should be included on both C-104 and the Gas Well that when the proration unit is other than the standard 320 acre unit or the Blanco-Mesaverde Pool: "Irregular size of this proration unit within the \_\_\_\_\_ unit agreement was made necessary by variations in the legal sub-division."

There is attached to this letter a list of the unit agreements in which the drilling blocks are specified and which would qualify for the exception outlined above.

Very truly yours,

W. B. MACEY,  
Secretary-Director

WBM/ir

Attachment

*note - an original of this letter was also sent to Phillips Petroleum and El Paso Natural*

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UNIT

Rosa	No drilling blocks specified
Lindrith	" " " "
Huerfano	" " " "
Allison	" " " "
Gallegos Canyon	" " " "
Huerfano	" " " "
Rincon	" " " "
NE Blasco	" " " "
Cox Canyon	" " " "
Blasco Unit	" " " "

SJ 30-5 No drilling blocks specified below base of Mesaverde  
E/2 & W/2 320-acre drilling blocks for Mesaverde & shallower.

" 29-5 Same as SJ 30-5 →

" 29-6 Same as SJ 30-5

" 32-7 Same as SJ 30-5

" 32-8 Same as SJ 30-5

" 31-6 Same as SJ 30-5

" 32-5 Same as SJ 30-5

" 30-6 Same as SJ 30-5

" 32-9 Same as SJ 30-5

" 27-5 Same as SJ 30-5

" 29-4 Same as SJ 30-5

" 30-4 Same as SJ 30-5

" 27-4 Same as SJ 30-5

" 28-4 Same as SJ 30-5

" 29-7 " " " "

SJ 28-4 No drilling blocks specified below base of Mesaverde  
N/2 & S/2 320-acre drilling blocks for Mesaverde & Shallower.

" 28-5 Same as SJ 28-4

" 28-6 E/2 & W/2 320-acre drilling blocks for Mesaverde & shallower.  
Provided further that Secs. 7 through 12, T 28N, R 6W shall each constitute complete drilling blocks.

SJ 28-7 No drilling blocks specified below base of Mesaverde.  
E/2 & W/2 320-acre drilling blocks Mesaverde and shallower.  
Amendment to unit agreement approved OCC 7-25-55 provides:  
Secs. 7 through 12, T 28N, R 7W and N/2 Sec. 27, T 27N, R 7W,  
each shall be complete & complete drilling blocks for the Mesaverde and shallower, and NW/4 Sec. 27, T 27N, R 7W shall be considered a reserved drilling block.

Canyon Largo E/2 & W/2 320-acre drilling blocks - no formations specified.