Case No.

2407

Application, Transcripts, Small Exhibits, Etc.

BEST SVAILABLE COPY

2116

April 16, 1963

Shell Oil Company P. O. Box 1200 Farmington, New Mexico

27: 1. . 27 6 3

po - Engaraion Cabasca Unit Area, Sandoval County, New Moxico

Attention: Mr. F. W. Manthex

Gentlemen:

The Commissioner of Public Lands has approved as of April 16, 1963 the Expansion to the Cabezon Unit Area, Sandoval County, New Mexico.

We are enclosing five originally signed Certificates of Approval.

very truly yours.

E. S. JOHNNY WALKER COMMISSIONER OF PUBLIC LANDS,

BY: (Mrs.) Marian M Rhea, Supervisor Unit Division

ESW/mar/v engl:

cc: Oil Conservation Commission

U. S. Department of Interior Geological Survey Moswell, New Mexico Attention: Mr. John A. Anderson

. 14



Post Office Box 1200 Farmington, New Mexico

January 21, 1964

Subject: Cabezon Unit

No. 14-08-0001-7820

Sandoval County, New Mexico

BEST AVAILABLE COPY

State of New Mexico Commissioner of Public Lands Post Office Box 791 Santa Fe, New Mexico

Attention Mrs. Marian Rhea

Gentlemen:

Reference is made to your letter of Hovember 27, 1963 whereby the Commissioner of Public Lands approved the termination of the subject Unit as of November 29, 1963. In your letter you requested to be advised immediately as to the effective date given to this Unit by the United States Geological Survey. In this connection we are forwarding for your files an approved copy of the Request for Termination which was returned to us by the United States Geological Survey.

We feel that this copy will be sufficient for your use; if, however, you are in need of further information, please do not hesitate to contact us.

Very truly yours,

Original Signed by: James E. Mathews District Land Agent

JEM:GL

Enclosure

ue - State of New Mexico €THIS COPY FOR €TH Oil Conservation Commission Post Office Box 871 Santa Pe, Hew Mexico

OIL CONSERVATION COMMISSION F. C. BOX 871 SANTA FE. NEW MEXICO

2407

November 7, 1962

Shell Oil Company P. O. Box 1200 Farmington, New Mexico DEST AVAILABLE COPY

Attention: Mr. F. W. Nantaker

Re: Cabezon Unit Sandoval County, New Mexico

Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved a six month extension in which to commence the drilling of a second exploratory well on the Cabezon Unit, subject to like approval by the United States Geological Survey and the Commissioner of Public Lands of the State of New Mexico.

Approval is granted with the understanding that Shell Oil Company will take steps to terminate the Cabeson Unit if drilling obligations have not been fulfilled prior to June 14, 1963.

Two approved copies of the application for extension are returned herewith.

very truly yours,

A. L. PORTER, Jr., Secretary-Director

ALP/JEK/iq cc: United States Geological Survey - Roswell Commissioner of Public Lands ~ Santa Fe



Post Office Box 1200 Farmington, New Mexico

October 24, 1962

Subject: Cabezon Unit

Contract No. 14-08-0001-7820 Sandoval County, New Mexico

Director, United States Geological Survey Washington 25, D.C. HEST AVAILABLE COPY

Through

Supervisor, United States Geological Survey Drawer 1857 Roswell, New Mexico

Gentlemen:

On May 8, 1962 we directed a letter to the Director, United States Geological Survey, Washington 25, D.C., through the Supervisor, United States Geological Survey, Roswell, New Mexico, carboning the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission. By this letter we requested a six-month extension of time in which to meet our second well obligation under the subject Unit. This extension was granted by response from the United States Geological Survey dated June 4, 1952, and from the Commissioner of Public Lands and the Oil Conservation Commission dated June 8, 1962.

Recently we discussed with Mr. Anderson of the U.S.G.S., the drilling of a second well in the proposed Expanded Unit Area, but due to the unfavorable economic outlook and to the inauspicious time for auctioning our offshore acreage off Louisiana last March; our company finds itself strapped for money to do exploration drilling in the Rocky Mountain area when it is so heavily committed in the Louisiana offshore area. Consequently, we have been trying to promote this well by the use of outside capital and have to date found some encouragement.

Director, United States Geological Survey Through Supervisor. United States Geological Survey

In discussing this matter with Mr. Anderson in Santa Fe, we pointed this out to him and he suggested that we ask for an additional six-month extension on the Cabezon Unit with the provision that should we fail to secure the drilling of this well within the additional six-month period, we will take the necessary steps to terminate the Cabezon Unit.

Very truly yours,

W. Nantker FWN:BG Division Land Manager Six-Month Extension Granted: Date Acting Director United States Geological Survey cc - State of New Maxico Commissioner of Public Lands Santa Fe, New Mexico Six-Month Extension Granted: Date E. S. Johnny Walker Commissioner of Public Lands THIS COPY FOR cc - State of New Mexico Oil Conservation Commission

A. L. Porter, Jr. Secretary-Director

Santa Fe, New Mexico

Six-Month Extension Granted:

November 2, 1962

WAST AVAILABLE COPY

Shell Oil Company P. O. Box 1200 Farmington, New Mexico

> Re: Cabezon Unit, Sandoval County, New Mexico

Attention: Mr. Fred W. Nantker

(%

Gentlemen:

The Commissioner of Public Lands approves an additional six month extension on the Cabezon Unit in which to drill the second exploratory well on this unit. This extension would extend this obligation from December 14, 1962 to June 14, 1963.

If the obligation for drilling this well is not fullfilled within this aforementioned period it is our understanding that Shell Oil Company will follow the necessary procedure testerminate the Cabezon Unit.

We are returning one approved copy of your application for this extension.

Very truly yours,

E. S. JOHNEY WALKER COMMISSIONER OF PUBLIC LANDS

BY: (Mrs.) Karian M. Mas. Supervisor Unit Division

BSW/mmx/o

Shell Gil Company P. O. Bex 1200 Permington, How Mexico Movember 2, 1962 (page 2)

de: Mr. John A. Anderson Regional Cil A Con Supervisor United States Coological Survey Drawer 1857 Rosvell, May Mexico

Oil Conservation Commission Santa Fe, New Mexico

BEST AVAILABLE COPY



Post Office Box 1200 Farmington, New Mexico

June 13, 1962

Subject: Cabezon Unit

Contract No. 14-08-0001-7820 Sandoval County, New Mexico Request for Six-Month Extension

State of New Mexico Oil Conservation Commission Post Office Box 871 Santa Fe, New Mexico

Attention Mr. A. L. Porter, Jr. Secretary-Director

Gentlemen:

We enclose for your information and files a photocopy of the United States Geological Survey's approval of a six-month extension of the drilling obligation on the second exploratory well under said Unit.

Your most generous cooperation in connection with this extension is greatly appreciated.

Very truly yours,

James E. Mathews District Land Agent

new Emathers

JEM:BG

Enclosure



Post Office Box 1200 rarnington, Her Mexico

May 8, 1962

ENSERVATION DIVISION RECEIVED MAY 3 | 1962 GEOLOGICAL SURVE

Subject Caberon Unit Bandoval County, Leu Moxico

BEST AVAILABLE COPY

Dimerron United States thousand our larvey Washington II, D.C.

through

Supervisor, United States Geological Burvey Dieser 1857 Rosvell. New Mexico

Gentleunt:

The Unit Agreement for the Development and Operation of the Cabezon Sait Avea, encompassing lands in Sandoval County, May Maxico, was approved by the Acting Director, United States Chological Survey, on December 5, 1961 and designated as Unit Agreement No. 14-08-0001-7820.

This well was completed and abundoned as a dry hole at a depth of 6952 feet in the pre-Cembrian granite on December 14, 1961. In accordance with Paxagraph 9 of the Unit Agreement, the next well obligation will accrue six months from the completion date of the Shell-Wright well, or on June 14, 1961.

it was our intention to drill e second well to the north and west of the first location in the area of the proposed expension of this Unit to rest the second well obligation. However, due to an unfavorable financial position, our commany now finds that we will be unable to drill this well this rear to less we are able to promote a farmout of the area before that time: Further, we are still in the process of doing geophysical work in the erre which we would like to complete prior to doing any further drilling. In order to allow us sufficient time to complete our geophysical work or to Rind a suitable farmout prospect, we request a six-month extension in which

tre ted States reclogical Survey through israsor, miling Steiner Chological Corver

excess on small also allow as additional time to which money may become available to silow thell to drill this second well.

Type consideration and approval of this six-month extension of the mudation accruing under Paragraph 9 will be greatly appreciated.

Very truly yours,

arga dar

F, W. Hantker Division Land Manager

JUN - 4 1963

Acting Director, U. S. Geological Survey

BEST AVAILABLE COPY



June 8, 1962

Shell Oil Company P. O. Box 1200 Farmington, New Mexico

Pa: Cabezon Unit
Sandoval County, New Maxice,
Request for Six-Month Extension in which to drill
second Exploratory Well

Attention: Mr. F. W. Nantker

Gentlemen:

The Commissioner of Public Lands has of this date approved your request for a six months extension from June 14, 1962 to December 14, 1962, in which to comply with the provisions under Paragraph 9 of the Cabeson Unit Agreement. Our approval is subject to like approval by the U. S. Geological Survey and the Oil Conservation Commission.

We are enclosing one approved copy of your request for this extension.

Very truly yours,

E. S. JOHNNY WALKER CONSISSIONER OF FUBLIC LANDS

BY: (Mrs.) Marian M. Rhes, Supervisor Unit Division

ESW/mur/v cc: U. S. Geological Survey Roswell, New Mexico

> Oil Conservation Commission Santa Fe, New Mexico



USAN TON SHELL OIL COMPANY

Post Office Box 1200 21 Farmington, New Mexico

June 6, 1962

Subject: Cabezon Unit

Contract No. 14-08-0001-7820 Sandoval County, New Mexico Request for Six-Month Extension

Diate of New Mexico Oil Conseguation Commission Post Office Box 871 sente Fe, New Mexico

Attention Mr. A. L. Porter, Jr. Secretary-Director

Gentlemen:

As discussed in the recent telephone conversation between your Mr. Nutter and James E. Mathews of this office, we are requesting a six-month extension of the obligation accruing under Paragraph 9 of the Cabezon Unit, Contract No. 14-08-0001-7820, for the reasons set out in the enclosed letter which we have already submitted to the United States Geological Survey.

We would appreciate your keeping the contents of this letter confidential and if the Commission is in agreement with granting us this extension, we would appreciate your signing in the space provided and returning to us the duplicate copy of this letter or evidencing your approval in some other menner, subject to the approval of the United States Geological Survey and the Commissioner of Public Lands.

Very truly yours,

Division Land Manager

JEM:BG

Enclosure

Six-Month Extension Granted:

Porter,

Secretary-Director

- State of New Mexico Commissioner of Public Lands Santa Fe, New Mexico



Post Office Box 1200 Farmington, New Mexico

May 8, 1962

Subject Cabezon Unit Sandoval County, New Mexico

Director, United States Coological Survey Washington 25, D.C.

through

Supervisor, United States Geological Survey Drawer 1857 Roswell, New Mexico

Gentlemen:

The Unit Agreement for the Development and Operation of the Cabezon Unit Area encompassing lands in Sandoval County, New Mexico, was approved by the Acting Director, United States Geological Survey, on December 5, 1961 and designated as Unit Agreement No. 14-08-0001-7820.

Shell Oil Company, as Unit Operator, drilled the Shell-Wright No. 41-26 well in the NE/4 NE/4 of Section 26, T. 17 N., R. 3 W., N.M.P.M. This well was completed and abandoned as a dry hole at a depth of 6952 feet in the pre-Cambrian granite on December 14, 1961. In accordance with Paragraph 9 of the Unit Agreement, the next well obligation will accrue six months from the completion date of the Shell-Wright well, or on June 14, 1961.

It was our intention to drill a second well to the north and west of the first location in the area of the proposed expansion of this Unit to meet the second well obligation. However, due to an unfavorable financial position, our company now finds that we will be unable to drill this well this year unless we are able to promote a farmout of the area before that time. Further, we are still in the process of doing geophysical work in the area which we would like to complete prior to doing any further drilling. In order to allow us sufficient time to complete our geophysical work or to find a suitable farmout prospect, we request a six-month extension in which

2

to commence the drilling of the next well in the Unit. This six-month extension would also allow us additional time in which money may become evailable to allow Shell to drill this second well.

Your consideration and approval of this six-month extension of the obligation accruing under Paragraph 9 will be greatly appreciated.

Very truly yours,

Criginal signed by F. W. NANTKER

F. W. Nantker Division Land Manager

JEM:BG



SHELL OIL COMPANY TO FAR OUR

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BEST AVAILABLE COM

There of New Mexico Considerioner of Public Lands Foot Office For 791 Santa Fe. New Mexico

Attention Mrs. Marion Rhes

Lend onema

As discussed in the recent telephone convertation between your Mrs. Marion Rhez and James F. Mathews of this office, we are requesting a simumonth extension of the chilgation accruing under Paragraph 9 of the Cabezon Unit, Contract No. 14-48-4001-7800, for the reasons set out in the enclosed letter which we have already submitted to the United Sinces Caplogical Survey.

We would appreciate your seeping the contects of this letter confidential and if the land Commissioner is in agreement with greating we this extension, we would appreciate your signing in the space provided and returning to us the diplicate copy of this letter or evidencing your approval in some other manner, subject to the approval of the United States Groungies! Surveyend the Oil Conservation Commission.

Very truly yours.

F. W. Nantker Division Land Manager

Enclosure

JEM: EG

Six-Month Extension Granted:

Date

E. S. Johnny Walker Commissioner of Public Lands

cc - State of Pay Mexico Sil Conservation Commission Santa Fe, New Mexico THIS COPY FOR

1962 MAR 7 AH 1 24

March 6, 1962

Shell Oil Company P. O. Box 1200 Farmington, New Mexico

> Re: Proposed Expansion Cabezon Unit, Sandoval County, New Mexico

Attention: Mr. F. W. Nantker

Gentlemen:

The Commissioner of Public Lands has approved your Proposed Expansion of the Cabezon Unit Area, Sandoval County, New Mexico.

We are enclosing a copy designated as your "Notice of Proposed Expansion" on which has been noted Mr. Walker's approval.

Very truly yours,

E. S. JOHNNY WALKER COMMISSIONER OF PUBLIC LANDS

BY:

(Mrs.) Marian M. Rhea, Supervisor Unit Division

ESW/mmr/v encl:

2407



SHELL OIL COMPANY

Post Office Box 1200 Farmington, New Mexico

December 3, 1962

Subject: Cabezon Unit

Contract No. 14-08-0001-7820 Sandoval County, New Mexico

State of New Mexico Oil Conservation Commission Post Office Box 871 Santa Fe, New Mexico

Attention Mr. A. L. Porter

Gentlemen:

We enclose for your information and files a copy of our letter dated October 24, 1962, on which the United States Geological Survey has indicated their approval for a six-month extension of the drilling obligation on the second exploratory well under said Unit. The approval of this extension was granted on November 27, 1962.

Very truly yours,

ames E. mathews

James E. Mathews District Land Agent

JEM:BG

Enclosure

Post office Box 1200 Farmington New Mexico

October 24, 1960

Bublect.

Cabezon Unit Contract No. 14-08-0001-7820

Sandoval County, Nev Mexico

CONSERVATION DIVISION PECCIVED

NOV 9 - 1962

PEOLOGICAL SURVEY

Director, United States Geological Survey Washington 25, D.C.

Through

Supervisor, United States Geological Survey Drawer 1857 Roswell, New Mexico

Gentlemen.

OCT 2 1962

U. S. GEOLOGICAL SURVEY ROSWELL, NEW MEXICO

On May 8, 1962 we directed a letter to the Director, United 'States Geological Survey, Washington 25. D.C., through the Supervisor, United States Geological Survey, Roswell, New Mexico, carboning the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission. By this letter we requested a six-month extension of time in which to meet our second well obligation under the subject Unit. This extension was granted by response from the United States Geological Survey dated June 4, 1962, and from the Commissioner of Public Lands and the Oil Conservation Commission dated June 8, 1962.

Recently we discussed with Mr. Anderson of the U.S.G.S., the drilling of a second well in the proposed Expanded Unit Area, but due to the unfavorable economic outlook and to the inauspicious time for auctioning our offshore acreage off Louisiana last March; our company finds itself strapped for money to do exploration drilling in the Rocky Mountain area when it is so heavily committed in the Louisiana offshore area. Consequently, we have been trying to promote this well by the use of outside capital and have to date found some encouragement.

Director, United States Geological Survey Through Supervisor, United States Geological Survey

In discussing this matter with Mr. Anderson in Santa Fe, we pointed this out to him and he suggested that we ask for an additional six-month extension on the Cabezon Unit with the provision that should we fail to secure the drilling of this well within the additional sixmonth period, we will take the necessary steps to terminate the Cabezon Unit.

> · Very truly yours, F. W. Nantker Division Land Manager

> > BEST AVAILABLE COPY

FWH:BG Six-Month Extension Granted: NOV 271962 Acting Director United States Geological Survey cc - State of New Mexico Commissioner of Public Lands Santa Fe, New Mexico Six-Month Extension Granted: Date E. S. Johnny Walker Commissioner of Public Lands cc - State of New Mexico 011 Conservation commission Santa Fe. New Mexico Six-Month Extension Granted:

A. L. Porter, Jr. Secretary-Director



Post Office Box 12() 1033 NOV 20 MI 1 25 Farmington, New Mexico

November 19, 1963

Subject: Cabezon Unit

No. 14-08-0001-7820

Sandoval County, New Mexico Request for Termination

State of Now Mexico Commissioner of Public Lands Post Office Box 791 Santa For New Mexico

Attention Mrs. Marian Rhea

Gentlemen:

On December 5, 1961, Arthur A. Baker, Acting Director of the united States Geological Survey, Washington, D. C., approved the Cabezon Unit and decignated it No. 14-08-0001-7630. The Commissioner of Public lands of the State of New Mexico granted their approval of this Unit on November 28, 1961. Further an approval of an expansion of this Unit was granted by said Acting Director on May 9, 1963 and said expansion was also approved by the Commissioner of Public Land of the State of New Mexico on the 16th day of April, 1963.

The Shell Oil Company has drilled two unsuccessful tests on this Unit and we now feel that further exploration would be inadvisable. In this connection we are forwarding for your approval two copies of a Request for Termination and respectfully request that you grant your approval to this termination to be made effective as of the date of the approvil by the Commissioner of Public Lands.

You will note following examination of this paper that five of the working interest owners have executed this termination. If should be noted here, however, that these working interest owners represent approximately ninety-six percent of the total of the working interest involved.

If you are in agreement with the termination of this Unit, we would appreciate your furnishing us with at least three copies of your usual Certificate of Approval in order that we may have sufficient copies to forward to the United States Geological Survey when we request their formal approval. It should be noted here for your information that the Roswell office has indicated verbally that they have no objection to this termination.

Very truly yours,

James E. Mathews Jones. W. Nantker Division Land Manager

JEM:GL

Easlosures

CC. State of New Mexico (w/o enclosure)
Oli Conservation Commission
Post Office Box 871
Santa Fe, New Mexico
Attention A. L. Porter, Jr.
Secretary-Director

November 27, 1363

Shell Oil Company P. O. Box 1200 Parmington, New Mexico

Re: Cabezon Unit
Sandoval County, New Mexico
Request for Termination

Attention: Mr. F. W. Mantkor

Gentlemen:

This office has received by your letter dated November 19, 1963, an original and one copy of a document designated as "Request for Termination".

This being a request by approximately ninetysix (96) percent of the total working interests of the Cabezon Unit, Sandoval County, New Mexico, for the termination of this Unit Agreement as provided for under Section 20 of the Cabezon Unit Agreement. We believe the effective date of the termination of the Cabezon Unit should be November 29, 1963, upon approval by the Commissioner of Public Lands and the Director of the United States Geological Survey, however, we wish to be immediately advised as to the effective date. highli Oil Company Attention: Mr. P. W. Nantker Hovember 27, 1963 - page 2 -

The Commissioner of Public Lands approves as of this date the termination of the Cabezon Unit Agreement, abject to like approval by the United States Geological Survey.

Upon approval by the United States Geological Survey please furnish this office a fully approved application with the effective date of such termination shown.

Very truly yours,

E. S. JOHNNY WALKER COMMISSIONER OF PUBLIC LANDS

BY: (Mrs.) Marian M. Shea, Supervisor Unit Division

ESW/mar/v

United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico
Attention: Hr. John A. Anderson

Oil Conservation Commission P. O. Box 871 Santa Fe, New Mexico

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. 2407 Order No. R-2113

APPLICATION OF SHELL OIL COMPANY FOR APPROVAL OF THE CABEZON UNIT AGREEMENT, SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 25, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 3rd day of November, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Shell Oil Company, seeks approval of its proposed Cabeson Unit Agreement covering 22,742.57 acres, more or less, of Federal, State, and fee lands in Townships 16 and 17 North, Ranges 2, 3 and 4 West, Sandoval County, New Mexico.
- (3) That approval of the proposed Cabeson Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THERETORE ORDERED:

- (1) That the Cabeson Unit Agre ment is hereby approved.
- (2) That the Plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Cabeson Unit Area and such plan shall be known as the Cabeson Unit Agreement Plan.
- (3) That the Cobsern Unit Agreement Plan is bereity agreement in principle as a proper conservation measure; provided, because

-2-CASE No. 2407 Order No. R-2113

that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico relative to the supervision and control of operations for the exploration and development of any lands committed to the said Cabezon Unit, or relative to the production of oil and gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 16 NORTH, RANGE 2 W2ST
Section 6: Lots 1, 2, 3 and 4, and
that portion of the Ojc
del Espiritu Santo Grant
and the M. & S. Montoya
Grant which would be
included in Section 6 if
the United States Survey
were extended into said
grants.

TOWNSHIP 17 HORTH, RANGE 2 WEST

Section 18: W/ Section 19: M

W/2
HW/4, H/2 SW/4, Lots 1
and 2, and that portion
of the M. & S. Montoya
Grant which would be
included in the W/2 of
Section 19 if the United
States Survey were extended
into said grant.

Sections 30 and 31: Lots 1 and 2, and that portion of the M. & S. Montoya Grant which would be included in the W/2 of Sections 30 and 31 if the United States Survey were extended into said grant.

TOWNSHIP 16 MORTH, NAMES 3 WEST Sections 1 through 4: All

PORMSHIP 17 MORTH, MANGE 3 WEST Section 9: 8/3 Sections 10 through 17 and 19 through 36: All

Property of the second second

computating 32,742.57 acres, more or less.

-3-CASE No. 2407 Order No. R-2113

- (b) That the unit may be enlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.
- (5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Cabezon Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion of the unit area, the unit operator shall file with the Commission within 30 days of such action counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey and shall terminate <u>ipso facto</u> upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.
- (7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

> STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

THE TO MECERN Chairman

•

. S. WALKER, Momber

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

BE/

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE PATTER OF THE HEARING CALLED BY THE OIL CORSERVATION COMMISSION OF NEW MEXICO FOR THE PURPOSE OF COMSIDERING:

> CASE No. 2407 Order No. R-2113

APPLICATION OF SHELL OIL COMPANY FOR APPROVAL OF THE CABEZON UDIT AGREEMENT, SANDOVAL COUNTY, HEW HEXICO.

ORDER OF THE COUNTESTON

BY THE COMMISSION:

This cause came on for mearing at 9 o'clock a.m. on October 25, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the 'Cosmission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this Add day of November, 1961, the Commission, a quorum being present, having considered the application, the evidence addresd, and the recommendations of the Exeminer, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Shell Oil Company, seeks approval of its proposed Cabeson Unit Agreement covering 22,742.57 acres, more or less, of Federal, State, and fee lands in Townships 16 and 17 North, Ranges 2, 3 and 4 West, Sandoval County, New Mexico.
- (3) That approval of the proposed Cabezon Unit Agreement will in principle tend to promote the conservation of dil and gas and the prevention of waste.

17 18 THEASTONS ONDENSO:

- (1) That the Cabeson Unit Agreement is hereby approved.
- (2) That the Plan under which the unit area shall be operated shall be entraced in the Sorm of a unit agreement for the development and operation of the Cabeson Unit Area and such plan shall be known as the Cabeson Unit Agreement Flan.

-2-CASE No. 2407 Order No. R-2113

that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Maxico relative to the supervision and control of operations for the exploration and development of any lands committed to the said Cabeson Unit, or relative to the production of oil and gas therefrom.

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

HEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 16 NORTH, RANGE 2 WEST
Section 6: Lots 1, 2, 3 and 4, and
that portion of the Ojo
del Repiritu Sento Grant
and the M. & S. Nontoya
Grant which would be
included in Section 6 if
the United States Survey
were extended into said
grants.

TOWNSHIP 17 MOSTE, MANSS 2 WEST Section 18: W/2

Section 19: NM/4, N/2 SM/4, Lote 1 and 2, and that portion of the N. & S. Monteys Grant which would be included in the N/2 of Section 19 if the United States Survey were extended into said grant.

Sections 30 and 31: Lots 1 and 2, and that portion of the M. & 5. Montoya Grant which would be included in the W/2 of Sections 30 and 31 if the United States Survey were extended into said grant.

TORMANIP 16 MORTH, RAMES 3 MEST Sections 1 through 4: All

TOWNSHIP 17 MORTH, MANUE 3 WEST Section 9: 8/2 Sections 10 through 17 and 19 through 36: All

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constitute 20.742.67 teletic, made or like.

-3-CASE No. 2407 Order No. R-2113

- (b) That the unit may be anlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.
- (5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Cabeson Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion of the unit area, the unit operator shall file with the Commission within 30 days of such action counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey and shall terminate <u>ipso facto</u> upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.
- (7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DOME at Santa Fe, New Hemico, on the day and year hereinabove designated.

> STATE OF NAW MEXICO DIL COMSERVATION COMMISSION

EDNIN L. MECHEM. Chairman

E. S. WALDER, Manhar

A. E. DOSTER, St., Nochay & Sagnetary

3 B A L

402/

November 28, 1961

Shell 011 Company
PP. 0. Box 1200
Farmington, New Mexico

Re: Cabezon Unit Sandoval County, New Mexico

Gentlemen:

The Commissioner of Public Lands has approved the above designated as of November 28, 1961.

We are retaining one copy of this document and handing Mr. R. L. Freeman nine copies of this document together with a Temporary Receipt in the amount of \$190.00.

We will mail Official Receipt in the amount of \$190.00 at such time as it is issued by this office.

Very truly yours,

E. S. JOHNNY WALKER COMMISSIONER OF PUBLIC LANDS

ESW/wer/v

Encl:

cc: Oil Conservation Commission Santa Fe, New Mexico

> U. S. Geological Survey Roswell, New Mexico

GOVERNOR EDWIN L. MECHEM CHAIRMAN

State of New Mexico Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P, O, BOX 671 Santa Fe

November 3, 1961

Re	Case No. 2407 Order No. R-2113
Mr. Oliver Seth Seth, Montgomery, Federici & Andrew	Applicant:
Box 828	Shell Oil Company
Santa Fe, New Mexico	

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

Carbon copy of order also sent to:

Hobbs OCC ______

Artesia OCC _____

Aztec OCC _____

OTHER____

AND THE PROPERTY OF THE PROPER

form

DRAFT

JEW/esr October 30, 1961 Pla give of Order tura

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. 2407

Order No. R- 2/13

APPLICATION OF SHELL OIL COMPANY FOR APPROVAL OF THE CABEZON UNIT AGREEMENT, SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 25, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this <u>day of November</u>, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, <u>Daniel S. Nutter</u>, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Shell Oil Company, seeks approval Covering of its proposed Cabezon Unit Agreement with the unit area comprise of Federal, Stafe, and feet lands to 22,742.57 acres, more or less, in Townships 16 and 17 North, Ranges 2, 3 and 4 West, Sandoval County, New Mexico.
- (3) That approval of the proposed Cabezon Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE CHURRED:

- (1) That the Cabezon Unit Agreement is hereby approved.
- (2) That the Plan under which the unit area shall be contracted shall be embraced in the form of a unit agreement for the development and operation of the Cabezon Unit Area and such plans shall be known as the Cabezon Unit Agreement Plan.

- That the Cabezon Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico relative to the supervision and control of operations for the exploration and development of any lands committed to the said Cabezon Unit, or relative to the production of oil and gas therefrom.
 - (4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 16 NORTH, RANGE 2 WEST Section 6: Lots 1, 2, 3 and 4, and that portion of the Ojo del Espiritu Santo Grant and the M. & S. Montoya Grant which would be included in Section 6 lf the United States Survey were extended into said grants.

TOWNSHIP 17 NORTH, RANGE 2 WEST

Section 18:

NW/4, N/2 SW/4, Lots 1 Section 19: and 2, and that portion of the M. & S. Montoya Grant which would be included in the W/2 of Section 19 if the United States Survey were extended into said grant.

Lots 1 and 2, and Sections 30 and 31: that portion of the M. . S. Montoya Grant which wo ld be included in the W/2 of Section 30 if the United States Survey were extended into said grant.

TOWNSHIP 16 NORTH, RANGE 3 WEST Sections 1 through 4: All

TOWNSHIP 17 NORTH, RANGE 3 WEST Section 9: S/2 Sections 10 through 17 and 19 through 36: All

TOWNSELP 17 NORTH RANGE 4 WEST Sections 25 and 36:

comprising 22,742.57 acres, more or less.

(b) That the unit may be enlarged or contra said Plan; provided, however, that administrative approval expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.

- (5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Cabezon Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion of the unit area, the unit operator shall file with the Commission within 30 days of such action counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- of the Commission immediately in writing of such termination.
- (7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



Post Office Box 1200 Farmington, New Mexico

September 11, 1961

Subject: Cabenon Area

Proposed Cabezon Unit

Sandoval County, New Mexico

Every Co

Oil and Gas Conservation Commission (3) State of New Mexico State Land Office Building Santa Fe, New Mexico

Gontlemen:

Pursuant to the telephone conversation between your Messrs. Porter and Nutter and our Mr. Nantker, we earnestly request that you place our application for the Cabezon Unit Area on your calendar for the October 4, 1961 Examiner Hearing. We enclose land maps of the proposed Unit Area, which we intend to name the Cabezon Unit. The Unit will embrace a total of 22,742.57 acres, of which 17,846.03 are Federal, 3,207.72 State, and 1,688.82 Fee acreage.

We attach as Exhibit "A" hereto a description of the acreage which will be embraced in the Unit Area. We also attach three copies of the area aid depth letter which we received from the United States Geological Survey, which letter is in error as to the total acreage within the Unit. In addition, we enclose three copies of our Application for Approval of Designation of Unit Area.

Presently we will forward a copy of the Unit Agreement for your examination, and will be prepared to present our geologic data at the October 4th hearing.

Very truly yours,

Division Land Manager

FWN:BG

Attachments

BEST AVAILABLE COPY

Proposed Cabezon Unit Sendovel County, New Mexico

Tract lb.		Description	No Acres
	Township 17	North, Range 3 West, N.M.P.M.	
1	Section 10:		
•	Section 20:		160,00
1	Section 10:	W/2 SI/I	
1	Section 20:		160.00
	D0001011 201	~; ~ ~ · · · · · · · · · · · · · · · · ·	
2.	Section 10:		
	Section 202	512/4	320.00
3	Section 10:	71/2	320,00
4	Section 27:	MJ/4	160.co
5	Section 13:	SE/4	
	Section 24:	N/2	
	Section 25:		
	Section 26:		
	Section 35:		1280.00
	a)		640.00
6	Section 12:	All	640.00
?	Section 19:	SE/4	
	Section 34:		240.00
8	Section 9:	SE/4	
	Section 28:	SE/4	320.00
	Laction 201	en Marijanje. Marijanje	J~0800
9	Section 9:	SW/4	
-	Section 19:		
	Section 27:		
. 9	Section 342		560.00
40	Gantion 10a	Lots 3, 4, E/2 SW/4	
10	Section 19: Section 28:		
			399.84
- 1 ps	Section 34:	W/2 04/4	377004
	Towaship 16	North, Range 3 West, N.M.P.M.	
11	Section 3:	Lots 1, 2, 3, 4, 5/2 N/2, S/2 (All)	
	Section 4:	Iots 1, 2, 3, 4, 8/2 N/2	
	Township 37	Worth, Range 3 West, N.M.P.M.	
		Na/4, S/2 NE/4, S/2	1532.20
12	Section 293	ALI	
14	Section 30:	Iots 1, 2, 3, 4, E/2 W/2, E/2 (All)	
	Section 31:	Lots 1, 2, 3, 4, E/2 W/2, E/2 (ALL)	
	Seation 33:	All	2559.63
		-	

Treck do.	<u>Poscolotiou</u>	, Oktober
13	Tounghin 16 thath Hange 2 Moss. N.M.P.M. Section 4: 8/2	320.0 0
5. 4, 	Younghin 17 March, Renze 3 Most. A.M.P.M. Section 26: SW/A SW/A Section 26: SW/A SW/A	~~~~~ ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
	Township 17 Meetle, Hange 2 Peatle N.H.P.M. Section 19: 184/4	760.0 9 1
1 6	Tourship 1/ North, Parso 3 Mont, U.S.A.M. Section 14: All Section 20: 1/2 Section 22: All Section 23: 1/2	1 9 20 .0 0
17	Section 11: F/2. SH/6, F/2 RH/2, Section 13: 1/2 HH/4 Section 17: All Section 2): All	2560.00
18	Section 13: NE/4 NE/4, SE/4 NM/4 Section 23: NE/4 NE/4, NE/4 NM/4, SM/4 NM/4 SW/4 SM/4 Section 27: NM/4 NE/4, SE/4 NE/4	320,00
19	Section 11: NM/4 NM/4	40,00
50	Township 17 North, Range 2 West, N.M.P.M. Section 18: E/2 W/2	160 a 0 0
21	Township 17 North, Pange 3 Nest, N.M.P.M. Section 13: SW/4 NM/4 Section 23: NM/4 NM/4, NM/4 SW/4 Section 27: SW/4 NE/4	160,00
22	Section 19: NI/4 Section 27: SE/4 Section 34: N/2 NM/4	4.0 0,00
23	Section 23: SE/4 NE/4, SE/4, E/2 SW/4 Section 26: NE/4	440.00
24	Section 13: NV/4 NE/4, S/2 NE/4, SW/4 Section 23: W/2 NE/4, SE/4 NW/4 Section 26: NW/4 SW/4 Section 27: NE/4 NE/4	480.00

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25	Tounchio 16 Eppth, Force 3 Mact. H.M. P. J. Soction 1: Total, 2, 3, 4, 8/2 H/2, A/8 (113)	649 6 0
26	Township 17 North, Range 2 West, N.M.P.H. Section 19: N/2 SM/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2 Township 16 North, Range 2 West, N.M.P.M. Section 6: Lots 1, 2, 3, 4	296,54
27	Township 17 North, Rence 3 North, N.F.P.H. Section 11: 18/4 NM/4	40 ₃ 00
28	Povnskip 16 Merth, Rancy 2 Mest, M.H.P.M. Section 6: The unsurveyed lands lying extends M& E Monteya Grant and in the Cjo Espiritu Santa Grant:	
	Beginning at a point on the east boundary of the Montoya Grant, from which the closing corner of 7 and 8, T. 16 N., R. 2 M., N.W.P.M., bears 89°-3.97 chains distant; thence along the east bound the M & 8 Montoya Grant as follows: M 70°-0° M 13 distant; H 87°-45° E 3.5 chains distant; M 49°-31.0 chains distant; M 25°-30° E 13.0 chains distant; M 45°-45° E 12.0 distant; M 60°-15° E 13.0 chains distant; M 45°-45° E 12.0 distant; M 60°-15° E 13.30 chains distant; M 29° 10.40 chains distant; thence south 61.50 chains will be, when surveyed, the corner of Sections 5	fections 58: H. axy of O chains Cant; Cheins -30: E
	and 8, T. 16 N., R. 2 W., R.M.P.M.; thence west chains to point of beginning.	56.03
		196.06
29	Township 17 North, Range & West, N.M.P.H. Section 25: All	640 .0 0
30 .	Township 17 North, Range 3 West, N.M.P.M. Section 16: E/2 NW/4	80,00
31	Township 17 North, Bance 3 West, N.M.P.M. Section 16: NE/4, SW/4 Section 32: NE/4, SW/4 Township 17 North, Range 4 West, N.M.P.M. Section 36: NE/4 SW/4	%0 ,00
32	Township 17 North. Range 3 West. N.M.P.M. Section 16: W/2 MW/4 Section 32: NM/4, SE/4	560.00

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	ingungian 17 Kama, kang 8 Talik H.H.H.H. Pangkan 363 Sik	5 <i>80</i> -60
(Founding Ab Truch, Source & Truck, L.H. I.A. Scution 2: Lete 1, 2, 3, 4, 4/2 d/2, 5,2 f/32 f	1988 (19 2)
:	Ascusiniu in Angala, Anang Asamis, Herekaliji. Sociason 36: - IIIA, IIIA	330 00
,	Poverbio II Barbs, Prope 3 North Deligh. Colline II: Style	16% 65
	September 17 House, Renge 3 Tepto H. W. H Section 34: W./A, J. 2 TH/A, L. H. L. L.	320, 0)
5 5	Section 26: II/A, IN/A SU/A, I/A SP/A,	3 2 0. 00
5	Severabio 16 Merch. Benro 2 Mest. A.H. P.M. Soverior 17 Merch., Rongs 2 Hest. A.M.P.M.	

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Tourshin IV North, Rouse 2 Uses, A.M.P.M.
Engineing at the sembroart counce of total.
Engineing at the sembroart counce of total.
Section 6, T. 16 H., H. 2 H., H.M.P.M., thereo
north along the west boundary of the M & & Montoya.
Great 249.01; chains to a point on the south line
of Section 19, T. 17 H., R. 2 W., H.M.P.M.; thereo
cast along south line of said fection 19 35.38;
chains to the S I/A corner; thence south 167.67
encins; thence said 24.84 chains; thence count
19.88 chains to a point on the southeacterly
boundary of the M & & Fentoys Great; thence \$
290.30f U 10.4 chains; thence \$ 600.45f U 13.8 chains;
thence \$ 450.15f U 12.0 chains; thence \$ 650.00 U
13.0 chains; thence \$ 250.30f U 13.0 chains; thence
\$ 490.30f U 11.0 chains; thence \$ 570.45f U 3.5
chains; thence \$ 70.0f L 13.0 chains; thence U
890.58f U 3.97 chains to the point of beginning.

		888 ₈ 82
Tourship 17 E Section (6:	orth. Banse 2 West. E.M. 4/2 4/2	2. <u>60</u> .00
<u>Township 17 3</u> Section 19:	orth. Range 2 Mast. H.H.J Lots 3, 4	P.H. 52.11

Post Office Box 1200 Farmington, New Mexico

BEST AVAILABLE COPY

Subject: Cabezon Unit Area

Sandoval County, New Mexico Application for Designation of Unit Area and Preliminary Approval of Form of Unit Agreement

United States Geological Survey Vashington 25, D. C.

inrough

Oppervisor
United States Geological Survey
Roswell, New Mexico

Gentlemen:

Shell Oil Company hereby requests approval of Application for Designation of Unit Area and Preliminary Approval of Form of Unit Agreement For the above-captioned Unit.

The proposed Unit Area comprises 25,636.65 acres, of which 21,380.11 exces are Federal lands, 2,567.72 acres State of New Mexico lands and 1,688.82 acres patented fee lands. The Unit Area is outlined on the attached Land Owner-ship Map which shows the acresse in the tracts comprising the Unit Area. Also attached find a schedule listing in sequence the serial numbers of all Federal, intate and fee leases within the Unit Area.

We propose to drill a test well to a depth sufficient to penetrate the Cambrian rocks or to a depth of 7300 feet, whichever is the lesser, unless unitized substances in paying quantities are found at a lesser depth.

We are also requesting preliminary approval of the form of Unit Agreement and hereby advise you that we intend to follow the Standard Form as provided in 30 CFR 226.12 with currently required modifications pursuant to the Standard Form of Unit Agreement revised June, 1957. Such form will contain only such revisions as might be required by your office.

In justification of the proposed Unit, we attach in triplicate a Geological report prepared by E. G. Hoskins, District Geologist. A structure

Objector
Object States Geological Survey
Teshington 25, D. C.

through

Supervisor
United States Geological Survey
Respect, New Mexico

rap on the base of the Pennsylvanian structure (seismic) accompanies this report. We request that the information contained in the report and shown on the map be treated as confidential.

Your earliest consideration of this Application is respectfully requested.

Very truly yours,

SHELL OIL COMPANY

. W. Nantker

Division Land Manager

RLF:MPD

Attachments

SCHEDULE OF UNITED STATES OIL AND CAS LEASES

SF-080520	NM-03001.6
SF080520-A	nm-040606
NM03:158	NN-046798
NM-06878	NM0501.60
NM-010884	NM055534
NM010886-B	NM-056477
NM011425	NM-057454
NM-011445	NM-061524
NM-012325	NM-061.524-A
NM-018178	NM-072925
NM-021000	NM083244
NM-023907	NM-082403
NM-023907-B	NM-0134986
NM023907-0	NM-0150116
NM023907 B	NM-01.53820
NM-023913	NM0161406
NM-023916	NM-01.61407
NM-028170	NM0161469
	NM-40168898

SCHEDULE OF STATE OF NEW MEXICO LEASES

E-2291 E-9085 K-1448 K-1449 K-1496

SCHEDULE OF PATENT TO FEE LEASES

Goodner (C.)
Gurule, et al
Lovato (A.)
Montoya (M.&S.)



DEPARTMENT OF THE HERMON-

ANS \$ 1 1861

Shell Oil Company Post Office Box 1200 Farmington, New Mexico

Attention: Mr. F. W. Neather

Gentlemen:

Your application of July 26 filed with the 0il and Gas Supervisor, Roswell, New Mexico, requested the designation of 25,636.65 acres, more or less, Sandoval County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Lessing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3, (1961 reprint), the land requested, as outlined on your land map of the Cabezon unit, Sandoval County, New Mexico, is hereby designated as a logical unit area, provided, the following lands are omitted to more nearly conform to your presentation:

T. 16 N., R. 3 W.
All lands in secs. 5, 6, 7, 8, 17, and 18

T. 16 N., R. 4 W.
All lands in secs. 12 and 13

Consequently, the area here being designated contains 20,173.88 acres, more or less.

Any unit agreement submitted for the area designated should provide for the initial exploratory well to penetrate the Combrian rocks, or to a depth of 7,300 feet. The attached copy of the 1961 regaint of the standard form of unit agreement should be used, with only the fellowing modifications:

1. The "Fair Employment" section of the 1961 reprint should be replaced with the following new section:

"Nondiscrimination. In the performance of week under this agreement, the operator agrees to comply with the nondiscrimination provisions of Executive Cuter 10925 (26 F. R. 1977)."

2. The language required by the State of New Mixieo should be added appropriately.

In the absence of any other type of land requiring special provisions, or of any objections not now apparent, a daily executed agreement identical with said form, modified only as outlined above, will be approved if submitted in approvable status within a recommission of time. However, the right is received to dany agreement of any

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executed agreement submitted which, is the submitted, down monthly have the full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Oil and Cas Supervisor for approval, include the latest status of all acreigs. The format of the sample exhibits attached to the 1961 regrint of the standard form should be closely followed in preparation of Exhibits A and B.

Very truly yours,

Acting Director

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Comment of the state of the sta

J. O. SETH
A. K. MONTGOMERY
OLIVER SETH
WM- FEDERIC!
FRANK ANDREWS
FRED C. HANNAHS
GEORGE A. GRAHAM, JR.

SETH, MONTGOMERY, FEDERICI & ANDREWS

ATTORNEYS AND COUNSELORS AT LAW
301 OON GASPAR AVENUE
SANTA FE, NEW MEXICO

POST OFFICE BOX 828 TELEPHONE YU 3-7315

September 14, 1961

New Mexico Oil Conservation Commission Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr. Secretary-Director

Re: Cabezon Unit

Gentlemen:

Please consider this letter a request by Shell Oil Company for approval of the Cabezon Unit which is proposed by Shell to include the following described lands:

In Township 17 North, Range 2 West, N.M.P.M. W_2^1 of Sections 18, 19, 30 and 31

In Township 17 North, Range 3 West, N.M.P.M. S\frac{1}{2} of Section 9 and All of Sections 10 through 36, inclusive

In Township North, Range 4 West, N.M.P.M. All of Sections 25 and 36

In Township 16 North, Range 2 West, N.M.P.M. All of Section 6

In Township 16 North, Range 3 West, N.M.P.M. All of Sections 1, 2, 3 and 4

and also

Such portions of the M and S Montoya Grant and the Ojo del Espiritu Santo Grant which would be included in Sections 19, 30 and 31, Township 17 North, Range 2 West, N.M.P.M. and in Section 6, Township 16 North, Range 2 West, N.M.P.M. if the United States survey system were extended into the said grants.

Sald Sald

It is proposed that all formations be unitized, the unit area to include federal, state and fee lands.

It is proposed that the initial test well be drilled until the top of the Cambrian (Devonian) has been tested or a depth of 7300 feet reached.

The unit agreement is in the usual form and copies will be submitted to the Commission and to the Land Commissioner.

It would be appreciated if this matter could be set down for hearing.

Very truly yours,

SHELL OIL COMPANY

By Murseth

OS:wcl

cc: Mr. Leslie Kell
Shell Oil Company
1008 West 6th Street
Los Angeles 54, California

Mr. R. R. Robison Division Manager Shell Oil Company P. O. Box 1200 Farmington, New Mexico

September 14, 1961

New Mexico Oil Conservation Commission Santa Pe, New Mexico

Attention: Mr. A. L. Porter, Jr. Secretary-Director

Re: Cabezon Unit

C

Gentlemen:

Please consider this letter a request by Shell Oil Company for approval of the Cabeson Unit which is proposed by Shell to include the following described lands:

In Teemship 17 North, Range 2 West, N.H.P.H. We of Sections 18, 19, 30 and 31

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In Township North, Range 4 West, N.H.P.M. All of Sections 25 and 36

In Toumship 16 North, Range 2 West, M.M.P.M. All of Section 6

In Toumship 16 North, Nange 3 West, M.M.P.M. All of Sections 1, 2, 3 and 4

and also

Such pertions of the M and S Montoya Grant and the Ojo del Magistu Sauto Grant which would be included in Sections 19, 30 and 31, Termship 17 Morth, Mange 2 West, M.M.P.M. and in Section 6, Termship 16 Morth, Pange 2 West, M.M.P.M. if the United States survey system were extended into the said grants. It is proposed that all formations be unitised, the unit area to include federal, state and fee lands.

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The unit agreement is in the usual form and copies will be submitted to the Commission and to the Land Commissioner.

It would be appreciated if this matter could be set down for hearing.

Very truly yours, SHELL OIL COMPANY

By

CE : 100 1

ee: Mr. Leglie Kell Shell Oil Company 1008 West 6th Street Les Angeles 54, California

> Mr. R. R. Robison Myision Manager Shell Cil Suspany P. O. Nost 1886 Manager

September 14, 1961

SEST AVAILABLE COPY

1. 2389

New Mexico Oil Conservation Commission Santa Pe, New Mexico

Attention: Mr. A. L. Porter, Jr. Secretary-Director

Re: Cabeson Unit

Gentlemen:

Place consider this letter a request by Shell Oil Company for approval of the Cabeson Unit which is proposed by Shell to include the following described lands:

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In Toxiship North, Range 4 West, N.H.P.M. All of Sections 25 and 36

In Tomoship 16 North, Range 2 West, N.M.P.M. All of Section 6

In Toumship 16 North, Exage 3 West, N.M.P.M. All of Sections 1, 2, 3 and 4

and also

Such portions of the M and S Montoya Grant and the Ojo del Mapiritu Santo Grant which would be included in Sections 19, 30 and 31, Termship 17 North, Mange 2 West, M.M.P.M. and in Section 6, Township 16 Worth, Mange 2 West, M.M.P.M. if the United States survey system were extended into the said grants. C

It is proposed that all formations be unitised, the unit area to include federal, state and fee lands.

It is proposed that the initial test well be drilled until the top of the Cambrian (Devonian) has been tested or a depth of 7300 feet reached.

The unit agreement is in the usual form and copies will be submitted to the Commission and to the Land Commissioner.

It would be appreciated if this matter could be set down for hearing.

Very truly yours,

By

Course

ee: Mr. Leelie Kell Shell Oil Gompany 1006 West 6th Street Lee Angeles 54, California

> Nr. R. R. Robison Division Manager Shell Oll Company P. C. Dex 1200 Fermington, Now Mexico

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Post Office Box 1200 Farmington, New Mexico

September 11, 1961

Subject: Cabezon Area

Proposed Cabeson Unit Sandoval County, New Mandico

Oil and Gas Conservation Commission (3) State of New Mexico State Land Office Building Santa Fe, New Mexico

Gentlemen:

Pursuant to the telephone conversation between your Mesers. Porter and Mutter and our Mr. Nantker, we earnestly request that you place our application for the Cabezon Unit Area on your calendar for the October 4, 1961 Examiner Hearing. We enclose land maps of the proposed Unit Area, which we intend to name the Cabezon Unit. The Unit will embrace a total of 22,742.57 acres, of which 17,846.03 are Federal, 3,207.72 State, and 1,688.92 Fee acreage.

We attach as Exhibit "A" hereto a description of the acreage which will be embraced in the Unit Area. We also attach three copies of the area and depth letter which we received from the United States Geological Survey, which letter is in error as to the total acreage within the Unit. In addition, we enclose three copies of our Application for Approval of Designation of Unit Area.

Presently we will forward a copy of the Unit Agreement for your examination, and will be prepared to present our geologic data at the October 4th hearing.

Very truly yours,

F. W. Mantker

Division Land Manager

At-tachments

FUN: BG

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EXHIBIT "A"

Proposed Cabezon Unit Sandoval County, New Mexico

Tract No.		Description	No. Acras
	Township 17	North, Range 3 West, N.M.P.M.	
1		E/2 SW/4	
• •	Section 20:		160.00
i	Section 10:	W/2 SH/4	
	Section 20:	E/2 SW/4	160.00
2	Section 10:		
	Section 20:	SE/4	320.00
3	Section 10:	N/2	320.00
4	Section 27:	NW/4	160.00
5	Section 13:	SE/4	
	Section 24:	N/2	
	Section 25:	All	
	Section 26:	SW/4 SE/4, SE/4 SW/4	
	Section 35:	N/2 NE/4	1280.00
6	Section 1 1	A11	640.00
7	Section 19:	SE/4	
	Section 34:	E/2 SE/4	240.00
8	Section 9:	58/1	
•	Section 28:		320.00
	00012011 201	——————————————————————————————————————	J20800
⁵ .9	Section 9:	SW/4	
		Lots 1, 2, E/2 Ni/4	
	Section 27:	SW/4	
	Section 34:	S/2 Nu;4	560.00
10	Section 19:	Lots 3, 4, E/2 SW/4	
	Section 28:	SN/4	
	Section 34:	W/2 SW/4	399.84
		Morth, Range 3 West, N.M.P.M.	
11		Lots 1, 2, 3, 4, 8/2 11/2, 8/2 (A11)	
	Section 4:	Lots 1, 2, 3, 4, 8/2 N/2	
	Township 17		
	Section 35:	194/4, S/2 MS/4, S/2	1532.20
12	Section 29:	All .	
	Section 30:	Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)	
•	Section 313	Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)	
	Section 33:	All	2559.68

Owell, My		
33 .	Trunchie de Fride describitor distribuit.	,9.) 1 ±
»A,	Tempohio (P. Bordo) Henry 3 desemble 1.7 1. Section 26: CHA Section 26: All A 50/A	2.C. 9.
15	Tourship III Barbay Supple 2 February Rd 2.45. Section 19: 10:00	160,4
s. 6 .	Township 15 Bris. Forse 3 West. [J.7.h. Section 124 All Section 20: M/2 Section 22: All Section 23: M/2	1986,00
19	Section 71: F/2. SU/4, S/2 MI/2 Socian 13: 8/2 W/4 Section 15: ALA Section 17: ALA Section 2:4 ALA	2560.00
18	Section 13: NE/A, NE/A, SE/A, NM/A Section 23: NE/A, NE/A, NM/A, SM/A IM/A, SW/A, SM/A Section 27: NM/A DE/A, SE/A, NE/A	320,00
19	Section 31: 181/4 NA/4	¿0, 00
20	Township 17 North. Bange 2 Mest. N.M.P.N. Section 13: E/2 W/2	1,160,00
21	Township 17 North, Range 3 Nest, R.M.P.M. Section 13: SW/4 RM/4 Section 23: RM/4 RM/4, NM/4 SW/4 Section 27: SW/4 RE/4	160₅∞
22	Section 19: ME/4 Section 27: SE/4 Section 34: N/2 Na/4	400.00
23	Section 23: SE/4 NE/4, SE/4, E/2 SN/4, Section 26: NE/4	440,00
24	Section 13: NM/4 NE/4, S/2 NE/4, SM/4 Section 23: NM/4 NE/4, SE/4 NM/4 Section 26: NM/4 SW/4	
	Section 27: NE/4 NE/4	480.00

Treet No.	lanovirádon	No. Acces
2 5	Tourship 16 Sorib. Pance 3 Nost, H.N.P.H. Section 1: Tobs 1, 2, 3, 4, 8,8 N/2. S/H (80)	.) 649.60
26	Township 17 North, Range 2 West, N.H.P.M. Section 19: N/2 SN/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2	
	Township 16 North, Range 2 Mest. N.M.P.M. Section o: Lots 1, 2, 3, 4	296,54
27	Tourship 17 Earth, Panse 3 Most, R.M.P.M. Section 11: NE/4 NE/4	40,00
28	Povnship 16 North, Range 2 Vest, N.N.P.M. Section 6: The unsurveyed Lands lying outside M & S Hontoya Grant and in the Cjo Espiritu Santa Grant:	the Dol
	Beginning at a point on the east boundary of the Montoya Grant, from which the closing corner of 7 and 8, T. 16 N., R. 2 N., N.M.P.N., bears 8933.97 chains distant; thence along the east bounthe M & S Montoya Grant as follows: M 70-01 E 1	fections -58f W. daiy of 3.0 chains
	distant; N 87°-45° E 3.5 chains distant; N 49°-11.0 chains distant; N 25°-30° E 13.0 chains distant; N 65°-15° E 12 distant; N 60°-15° E 13.30 chains distant; N 29°-15° E 10.40 chains distant; thence south 61.50 chains will be, then surveyed, the corner of Sections and 8, T. 16 N., R. 2 W., N.M.P.M.; thence west chains to point of beginning.	stant; CO chains C-30° E to what 5, 6, 7
	enatus to pour of pagameng.	196.06
29	Township 17 North, Range A West, N.H.P.M. Section 25: All	6,0.00
30	Township 17 North, Range 3 West, N.N.P.M. Section 16: E/2 M/4	80 .00
31	Township 17 North, Range 3 West, N.M.P.M. Section 16: NE/A, SW/A Section 32: NE/A, SW/4 Township 17 North, Range A West, N.M.P.M.	
	Section 36: NE/4 SH/4 Township 17 North, Range 3 kg, v, N.M.P.M.	960,00
32	Section 16: W/2 MH/4 Section 32: N./4, SE/4	560.00

	<u>Postunios de la companya del companya del companya de la companya</u>	ijla, lenget
33	ingunskyp (7 Forgin, brand & Moste Million) Contion 36: All	640. co
34	Mourolite 16 History, Bows 3 Most, Nath M. Soction 2: Koto 1, 2, 3, 7, 8/2 H/2, 8/2 (AM	.) 6427.792
35	Tourship 17 Harring Romas A Ropt, H.A.P. M. Caction 35: [HM/4, CI/A	320 00
36	Toursian 47 North, Henry 3 Verk, B.H.P.M. Featien 24: SN/A	160, 60
37	Township 17 Horth, Brace 3 Mask, A.M.P.M., Scenion 34: W.M., R.2 SH.M., N.2 SW.M.	380,40
3 8	Section 26: FE/A, FR/A SE/A, F/2 SE/A, SE/A, SE/A SE/A	320,00
39	Township 18 Horth, Reps. 2 Heat, Hd. R. H. Boynship 18 Horth, Peace 2 Heat, Hd. R. M. Beginning of the south ast course of tot A. Section 6, T. 16 N., R. 2 H., M.M.P.M., thence north along the west boundary of the M & Hont Grant 249.01; chains to a point on the south lind of Section 19, T. 17 H., R. 2 V., H.M.P.M.; the cast along south line of said fection 19 35.38% chains to the S 1/A corner; thence south 167.69 chains; thence cast 24.84 chains; thence south 19.88 chains to a point on the southeasterly boundary of the M & Hontoya Grant; thence S 290-301 N 10.4 chains; thence S 600-451 N 13.3 thence S 450-151 N 12.0 chains; thence S 650-01 13.0 chains; thence S 250-301 N 13.0 chains; thence S 250-301 N 13.0 chains; thence S 70-01 N 13.0 chains; thence S 70-301 N 13.0 chains; thence S 70-301 N 13.0 chains; thence S 70-301 N 13.0 chains; thence S 70-51 N 13.0 chains; thence S 70-51 N 13.0 chains; thence S 70-51 N 13.0 chains; thence N 70-51 N 13.0 chains	ekeins; ekeins;
	Township 17 North, Ronce 2 Meet, M.N.P.M. Sention 18: W/2 W/2	,, 160 ,00
	Tourship 17 North, Renge 2 West, R.H.P.M. Soction 19: Lots 3, 4	52,11

Post Office Box 1200 Farmington, New Mexico

Subject: Cabezon Unit Area

Sandoval County, New Mexico Application for Designation of Unit Area and Preliminary Approval of Form of Unit Agreement

Locator
United States Geological Survey
Vashington 25, D. C.

rough

Supervisor Spited States Geological Survey Reswell, New Mexico

Gentilomen:

Shell Oil Company hereby requests approval of Application for Designation of Unit Area and Preliminary Approval of Form of Unit Agreement for the above-captioned Unit.

The proposed Unit Area comprises 25,636.65 acres, of which 21,380.11 acres are Federal lands, 2,567.72 acres State of New Mexico lands and 1,688.82 acres patented fee lands. The Unit Area is outlined on the attached Land Owner-shap Map which shows the acreage in the tracts comprising the Unit Area. Also attached find a schedule listing in sequence the serial numbers of all Federal, state and fee leases within the Unit Area.

We propose to drill a test well to a depth sufficient to penetrate the Cambrian rocks or to a depth of 7300 feet, whichever is the lesser, unless unitized substances in paying quantities are found at a lesser depth.

We are also requesting preliminary approval of the form of Unit Agreement and hereby advise you that we intend to follow the Standard Form as provided in 30 CFR 226.12 with currently required modifications pursuant to the Standard Form of Unit Agreement revised June, 1957. Such form will contain only such revisions as might be required by your office.

In justification of the proposed Unit, we attach in triplicate a Geological report prepared by E. G. Roskins, District Geologist. A structure

Strector
Fined States Geological Survey
Machington 25, D. C.

through

United States Geological Survey Hoswell, New Mexico

report. We request that the information contained in the report and shown on the map be treated as confidential.

Your earliest consideration of this Application is respectfully requested.

Very truly yours,

SHELL OIL COMPANY

F. W. Mantker

Division Land Manager

RLF:MPD

Attachments

SCHEDULE OF UNITED STATES OIL AND CAS LEASES

3F-080520	MM-030016
SF-080°20-4	100,0606 MI
NM -033.58	NM-046798
NM-06878	NM-050260
NM-010884	NM-035534
NM-010886-B	NM-0564'77
NM-013.425	NM -057454
NM-011445	NM -061524
MM-012325	1M-067.524-A
NM-018178	NM-0729.25
NM-021000	IM-081244
NM-023907	NM -082403
NM-023907-B	NM-0134986
NM-023907-0	NM-0150116
NM023907E	NM-0153820
NM-023913	NM official OB
NM-023916	NM-Oax
NM-028170	NM-0161.46y
	NM-A0168898

SCHEDULE OF STATE OF NEW MEXICO LEASES

E-2291 E-9085 K-1448 K-1449 K-1496

SCHEDULE OF PATENTED FEE LEASES

Goodner (C.)
Gurule, et al
Lovato (A.)
Montoya (M.&S.)



DEFARTMENT OF THE HOUSE OF



AND 3 1 1981

Shell Oil Company Post Office Box 1200 Farmington, New Mexico

BEST AVAILABLE GOPY

Attention: Mr. F. W. Manther

Gentlemen:

Your application of July 26 filed with the Oil and Gas Supervisor, Roswell, New Mexico, requested the designation of 25,636.65 acres, more or less, Sandoval County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Lessing Act, as smended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3, (1961 reprint) the land requested, as outlined on your land map of the Cabezon unit, Bandoval County, New Mexico, is hereby designated as a logical unit area, provided, the following lands are omitted to more nearly conform to your presentation:

T. 16 N., R. 3 W.
All lands in secs. 5, 6, 7, 8, 17, and 18

1. 16 N., R. 4 W.
All lands in secs. 12 and 13

Consequently, the area here being designated contains 20,173.86 acres, more or less.

Any unit agreement submitted for the area designated should provide for the initial exploratory well to penetrate the Cambrian rocks, or to a depth of 7,300 feet. The attached copy of the 1961 reprint of the standard form of unit agreement should be used, with only the following modifications:

- 1. The "Fair Employment" section of the 1961 require section be replaced with the following new section:
 "Nondiscrimination. In the performance of work under this agreement, the operator agrees to comply with the nondiscrimination provisions of Executive Order 10925 (26 F. R. 1977)."
- 2. The language required by the State of New Mixies chould be added appropriately.

In the absence of any other type of land requiring special provisions, or of any objections not now apparent, a duly executed agreement identical with said form, modified only as outlined above, will be approved if submitted in approvable status within a recommission of time. However, the right is received to day agreement of the

executed agreement submitted which, is our embles, does not have the full count theat of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Oil and Cas Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attended to the 1961 reprint of the standard form should be closely followed in preparation of Exhibits A and B.

Very truly yours,

Acting Director

BEST AVAILABLE COPY



Post Office Fox 1200 Farmington, New Mexico

September 11, 1961

Subjects Cabezon Area

Proposed Cabezon Unit Candoval County, New Notice

Oil and Gas Conservation Commission (3) State of New Mexico State Land Office Building Santa Fe, New Mexico

Gentlemen:

Pursuant to the telephone conversation between your Messrs. Porter and Nutter and our Mr. Nanther, we earnestly request that you place our application for the Cabezon Unit Area on your calendar for the October 4, 1961 Examiner Hearing. We enclose land maps of the proposed Unit Area, which we intend to name the Cabezon Unit. The Unit will embrace a total of 22,742.57 acres, of which 17,846.03 are Federal, 3,207.72 State, and 1,688.62 Fee acreage.

We attach as exhibit "A" hereto a description of the acreage which will be embraced in the Unit Area. We also attach three copies of the area and depth letter which we received from the United States Geological Survey, which letter is in error as to the total acreage within the Unit. In addition, we enclose three copies of our Application for Approval of Designation of Unit Area.

Presently we will forward a copy of the Unit agreement for your examination, and will be prepared to present our geologic data at the October 4th hearing.

Very truly yours.

F. W. Mantker

Division Land Manager

PHN:BG

Attachments

EXHIBIT "A"

Proposed Cabezon Unit Sandovel County, New Mexico

Tract No o	<u>P</u>	ecription	No. Acres
	Township 17 No	orth, Range 3 West, N.M.P.M.	
1	Section 10: E		
•	Section 20: W		160,00
		•	
្ប	Section 10: W	1/2 SH/4	
	Section 20: E		160.00
2	Section 10: S	SE/4	
•	Section 20: S	E/4	320.00
3	Section 10: K	1/2	320°00
	-	•	
4	Section 27: N	N/4,	160.00
5	Section 13: S		
į.		1/2	
	Section 25: A	III	
	Section 201 S	W/4 SE/4, SE/4 SW/4	4000 00
	Section 35: N	/2 NE/4	1280.00
6	Section 12: A	11	640.00
· ·	D000202 (~ 0	-da-ob	040.00
7	Section 19: S	E/L	
,	Section 34: E	E/4 2/2 SE/4	240.00
•		,	
8	Section 9: S	B/4	
	Section 28: S		320.00
9	Section 9: S	W/4	
	Section 19: L	ots 1, 2, E/2 NW/4	
	Section 27: S	W/4	
	Section 34: S	/2 NH/4	560.00
10	Section 19: L	ots 3, 4, E/2 St./4	
	Section 28: S		
4	Section 34: W	/2 SW/4	399.84
	Marcanhia 46 Mar	and the Dames of the state of the Date	
44		rth, Range 3 West, N.M.P.M.	
11		ote 1, 2, 3, 4, S/2 W/2, S/2 (All)	
	Section 4: L	ots 1, 2, 3, 4, 8/2 M/2 rth. Range 3 West. N.M.P.M.	
		1/4, S/2 NE/4, S/2	1522 20
• • •	COUNTRY IV. M	when one mainte only	1532.20
12	Section 29: A	13	
		ots 1, 2, 3, 4, E/2 W/2, E/2 (111)	·
•		ots 1, 2, 3, 4, E/2 W/2, E/2 (All)	
91		11	2559.68

Tract Wa		Resolution	AlexArdin.
\$3	<u>Township 16</u> Section 41	Harth, Sarge 3 Yest, H.M.Y.H. 8/2	4 20 0.00
14	Tounghie 17 Section 24: Seation 25:		200,00
(5	Township () Section 19:	Astria. Rapso 2 Dest. H.H.P.K. MJ//	9 60,0 61
† 6	Township () Section 14: Section 20: Section 22: Section 23:	19/3 11/5	4920 .0 0
17	Section 11: Section 13: Section 15: Section 17:	11/2 181/4 Ale Ale	25/2 22
18	Section 23: Section 23:	ue/4 ue/4, ee/4 ue/4. ve/4 ue/4, re/4 ue/4, su/4 ue/4.	2560.00
	Section 27:	84/4 54/4 14/4 18/4, 55/4 18/4	320,00
19	Section 11:	1M 1/4, 1M/4,	40,00
20	Township 17 Section 13:	North Range 2 Vess, N.M.P.M. E/2 W/2	160,00
21	Section 13:	M/4 M/4, NH/4 5N/4	160。∞
22	Section 19: Section 37: Section 34:	NE/4 SE/4 N/2 Na/4	400°00
23	Section 23: Section 26:	SE/4 NE/4, SE/4, E/2 SW/4 NE/4	440 .00
24	Section 13: Section 23: Section 26: Section 27:	N:/4 NE/4, S/2 NE/4, SV/4 W/2 NE/4, SE/4 HW/4 NM/4 SW/4 NE/4 NE/4	480.00

Ivant liga	Panacintina	Ho Aeras
25	Tounghin 16 North, Rouge 3 West, E.M.P. I. Section 1: Lots 1, 2, 3, 4, 8/2 N/2, 8/2 (All)	649,60
26	Township :7 North, Lange 2 West, H.M.P.M. Section 19: N/2 SN/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2 Township 16 North, Rance 2 West, H.M.P.N. Section 6: Lots 1, 2, 3, 4	296.54
27	Township 17 North, Range 3 Nest, N.M.P.M. Section 11: NM/4 NM/4	%0°00
28	Township 16 North, Pange 2 Nest, H.H.P.M. Section 6: The unsurveyed Lands lying outside to M & S Montoya Grant and in the Oje D Espiritu Santa Grant:	
	Beginning at a point on the east boundary of the Montoya Grant, from which the closing corner of F 7 and 8, T. 16 N., R. 2 W., N.M.F M., bears 89°-5 3.97 chains distant; thence along the east bounda the M & 8 Montoya Grant as follows: N 7°-0' E 13. distant; N 87°-45' E 3.5 chains distant; N 49°-30' E 13.0 chains distant; N 25°-30' E 13.0 chains distant N 65°-00' E 13.0 chains distant; N 45°-15' E 12.0 distant; N 60°-15' E 13.30 chains distant; N 29°-10.40 chains distant; thence south 61.50 chains twill be, when surveyed, the corner of Sections 5, and 8, T. 16 N., R. 2 W., N.M.P.M.; thence west 5 chains to point of beginning.	ections 84 W. TY of 0 chains 4 E ent; chains 304 E 0 what 6, 7
29	Township 17 North, Range 4 West, N.M.P.H. Section 25: All	640.00
30	Township 17 North, Range 3 West, N.M.P.M. Section 16: E/2 NW/4	80.00
31	Township 17 North, Range 3 West, N.M.P.M. Section 16: NE/4, SW/4 Section 32: NE/4, SW/4 Township 17 North, Range 4 West, N.M.P.M. Section 36: NE/4 SW/4	960.00
32	Township 17 North, Range 3 West, N.H.P.M. Section 16: W/2 MW/4 Section 32: NW/4, SE/4	560.00

Trees No.		No Saxe
3,2	<u>Menaroleko (M. Portin), merendele ingila da dalah Ma.</u> Mangkabangan dan	640,00
34	Tourskie 36 Krain, yn ei ei Gree, H.H. F.M., Fretion 2: Table (12, 112, 12, 12, 12, 12, 12, 12)	687,72
33	Ysmushin 19 Marks - Nargay Valle Sagatalla Section 36: - 1974, 200	320.00
36	Younghis 17 decis, heny 2 long a Hour Re Section 24: SHM	160,40
37	Torrishin 17 kmir. Haras Files, Zulik, d. Saetion 34: Wilk, Bur Sirk, d. & Silv	320,00
- 38	Section 26: FB/A, FB/A SB/A, F/2 88/A,	320. co
39	Township 16 March. Rence 2 Mast. N.s. 1. H. Township 17 March. Rence 2 Mast. M.M.P.M. Engliming at the southeast course of low a Section 6. T. 16 M., R. 2 M., E.M.P.M., thence north slong the wast boundary of the M.S. Mantoya Grant 249.01; whains to a point on the south kine of Section 19, T. 17 H., R. 2 M., H.M.P.M.; thence cast clong south line of said footion 19 35138; chains to the S. 1/4 corner; thence south 167.69 chains; thence cast 24.84 chains; thence south 19.88 chains to a point on the southcasterly boundary of the M.S. Montoya Grant; thence S. 297.301 M 10.4 chains; thence S. 60°-45! M 13.3 chains thomas S. 45°-15! M 72.0 chains; thence S. 65°-0! M 13.0 chains; thence S. 25°-30! H 13.0 chains; thence S. 49°-30! M 11.0 chains; thence S. 87°-45! M 3.5 chains; thence S. 7°-0! K 13.0 chains; thence N. 69°-53! M 3.97 chains to the point of beginning.	-
	Township 17 Hornin, Range 2 West, M.H.P.M. Section 18: W/2 W/2	160.00
	Township 17 North, Range 2 West, N.H.P.M. Section 19: Lots 3, 4	52.11

Post Office Box 1200 Farmington, New Mexico

Subject: Cabezon Unit Area

Sandoval County, New Mexico Application for Designation of Unit Area and Preliminary

Approval of Form of Unit Agreement

thed States Geological Survey enistanton 25, D. C.

k==:ugh

To BEVISOR

Lited States Geological Survey

acted L. New Mexico

. Ulemen:

Shell Oil Company hereby requests approval of Application for Designation of Unit Area and Preliminary Approval of Form of Unit Agreement for the above-captioned Unit.

The proposed Unit Area comprises 25,636.65 acres, of which 21,380.11 are Federal lands, 2,567.72 acres State of New Mexico lands and 1,688.82 patented fee lands. The Unit Area is outlined on the attached Land Ownerthip Map which shows the acreage in the tracts comprising the Unit Area. Also stached find a schedule listing in sequence the serial numbers of all Federal, state and fee leases within the Unit Area.

We propose to drill a test well to a depth sufficient to penetrate the Cambrian rocks or to a depth of 7300 feet, whichever is the lesser, unless that tized substances in paying quantities are found at a lesser depth.

We are also requesting preliminary approval of the form of Unit sg sement and hereby advise you that we intend to follow the Standard Form as regulard in 30 CFR 226.12 with currently required modifications purquant to the Standard Form of Unit Agreement revised June, 1957. Such form will contain only such revisions as might be required by your office.

In justification of the proposed Unit, we attach in triplicate a beological report prepared by E. G. Hoskins, District Geologist. A structure Telegration States Geological Survey Cashington 25, B. C.

dguoch:

Supervisor
Costed States Geological Survey
Footed New Mexico

on the base of the Pennsylvanian structure (seismic) accompanies this export. We request that the information contained in the report and shown on the map be treated as confidential.

Your earliest consideration of this Application is respectfully acquested.

Very truly yours,

SHELL OIL COMPANY

F. W. Nantker

Division Land Manager

RIF:MPD

Carrie 12

Abbachments

SCHEDULE OF UNITED STATES OIL AND GAS LEASES

SF080520	NM-030056
8F-080520-A	MA-040606
NM-03158	NM-046798
NM-06878	NM~050160
NM-010884	NM-055534
NM-010886-B	NM-056477
NM-011425	NM-057454
NM011445	NM-061524
NM-012325	NM061.524 A
NM-018178	NM-072925
NM-021000	NM-081244
NM-023907	NM-082403
NM023907~B	NM0134986
NM-023907~C	NM-0150116
NM023907 E	NM-01.53820
NM-023913	NM0161406
NM023916	NM-0161407
NM-028170	NM-0161469
	NM-A0168898

SCHEDULE OF STATE OF NEW MEXICO LEASES

E-2291 E-9085 K-1448 K-1449 K-1496

SCHEDULE OF PATENTED FEE LEASES

Goodner (C.)
Gurule, et al
Lovato (A.)
Montoya (M.&S.)



CHARTMENT OF THE MINISTERS

AND 31 1991

Shell Oil Company Post Office Box 1200 Farmington, New Mexico

Attention: Mr. F. W. Manther

Gentlemen:

Your application of July 26 filed with the Oil and Gas Supervisor, Roswell, New Mexico, requested the designation of 25,636.65 acres, more or less, Sandoval County, New Mexico, as logically subject to exploration and development under the unititation provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 256.3, (1961 reprint), the land requested, as outlined on your land map of the Cabezon unit, Sandoval County, New Mexico, is hereby designated as a logical unit area, provided, the following lands are omitted to more nearly conform to your presentation:

T. 16 N., R. 3 W.
All lands in secs. 5, 6, 7, 8, 17, and 18

T. 16 N., R. 4 W.
All lands in secs. 12 and 13

Consequently, the area here being designated contains 20,173.86 agree, more or less.

Any unit agreement submitted for the area designated should provide for the initial exploratory well to penetrate the Cambrian rocks, or to a depth of 7,300 feet. The attached copy of the 1961 reprint of the standard form of unit agreement should be used, with only the following modifications:

1. The "Fair Employment" section of the 1961 reprint checks be replaced with the following new section:

"Nondiscrimination. In the performance of week under this agreement, the operator agrees to comply with the nondiscrimination provisions of Executive Order 10925 (26 F. R. 1977)."

2. The language required by the State of New Mixieo chould be added appropriately.

In the absence of any other type of land requiring special provisions, or of any objections not now apparent, a duly executed agreement identical with said form, modified only as outlined above, will be approved if submitted in approvable status within a reasonable provided of time. However, the right is reserved to damy agreement of any

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have the full considerat of sufficient lands to afford affective

When the executed agreement is transmitted to the Oil and Cas Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1961 reprint of the standard form should be closely followed in preparation of Exhibits A and B.

Very truly yours,

Acting Director

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SHELL BUILDING
1008 WEST SIXTH STREET
LOS ANGELES 54, CALIFORNIA

TELEPHONE HUNTLEY 2-3131

Ose Jile

September 20, 1961

New Mexico Oil and Gas Conservation Commission State of New Mexico State Land Office Building Santa Fe, New Mexico

Attention: Mr. Nutter

Gentlemen:

Attached for your information is a copy of the proposed Cabezon Agreement. This Agreement is sent to you as stated in the letter dated September 11, 1961 from our Mr. F. W. Nantker in our Farmington office.

Yours very truly,

For M. W. Sheppard, Jr. Manager, Land Department

HAT:isu

Attachment

September 21, 1961

New Maxico Oil Conservation Commission State Land Office Building Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr. Secretary-Director

Re: Cabezon Unit Shell Cil Company Sandoval County

Gentlemen:

Shell Oil Company has filed application for approval of Cabeson Unit Agreement. The matter is set down for hearing on October 4, 1961.

We have enclosed with this letter a copy of the proposed Unit Agreement.

Very truly yours,

Oliver Sete

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Jack 2407 SETH, MONTGOMERY, FEDERICI & ANDREWS ATTORNEYS AND COUNSELORS AT LAW A. K. MONTGOMERY OLIVER SETH WM. FEDERIGI 301 DON GASPAR AVENUE SANTA FE NEW MEXICO POST OFFICE BOX 828 FRANK ANDREWS TELEPHONE YU 3-7315 FRED C. HANNAHS September 21, 1961 GEORGE A. GRAHAM, JR.

New Mexico Oil Conservation Commission State Land Office Building Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Secretary-Director

Re:

Cabezon Unit Shell Oil Company Sandoval County

Gentlemen:

Shell Oil Company has filed application for approval of Cabezon Unit Agreement. The matter is set down for hearing on October 4, 1961.

We have enclosed with this letter a copy of the proposed Unit Agreement.

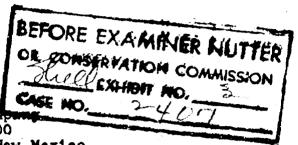
Very truly yours,

Oliver Seth e

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CONTINENTAL OIL COMPANY



P. C. Box 1121 Durango, Colorado August 30, 1961

P. C. Box 1200 Farmington, New Mexico

Attention of Mr. F. W. Nantker

Gentlemen:

Re: Proposed Cabezon Unit Sandoval County, New Mexico

We have your letter of August 29, 1961, along with the map showing the outline of the captioned unit. It appears that the only Continental lease to be embraced by this unit is New Mexico-021000 (our Option 5360). This option also covers the S/2 of Section 1 which lies outside the unit, and of course will be segregated upon final approval of the unit.

Providing everything in the Unit Agreement and Unit Oversting Agreement is standard, Continental has no projections, at the Division level here, to joining the proposed unit.

We were somewhat surprised that you intended to secure final approval before obtaining our joinder to the unit. It is our feeling that perhaps you meant that you would recure our joinder after receiving preliminary approval from Washington. At any rate, at such time as you forward the Working Interest Owner pages, we would appreciate receiving at least three copies each of the Unit Agreement and Unit Operating Agreement.

lease direct any further correspondence concerning this unit to Mr. William S. Schicktanz at this address FARMINGTON LAND

Very truly yours,

AUG 31 '961

GFM-IRH carbon copy to: Mr. Paul Catterson Denver, Colorado George F. Maddox Land Section Durango Division



THE BRITISH - AMERICAN OU PRODUCING COMPANY

SENGLAS C. MING. . NO DENVER I, COLORADO

EXPLORATION DEPARTMENT

October 2, 1961

ADDRESS ALL CORRESPONDENCE TO POST OFFICE BOX 180

Sheli Oll Company P. O. Box 1200 rarmington, New Mexico

ATTN: Mr. Fred Nantker Division Land Manager

PE: Cabezon Unit

SANDOVAL COUNTY, NEW MEXICO

Gentlemen:

This will confirm our telephone advisement of September 29, 1961, wherein we advised you that British-American will make the requested Acreage Contribution to you in support of your proposed Cambrian test, estimated total depth of 7300 feet, to be located in the NE NE of Section 26-17N-3W.

Also, this is to advise that we will commit our interest to and join your proposed Catezon Unit. Accordingly, we ask that when the unit and operating units have been prepared you forward sufficient copies to this office for our further handling.

Yours very truly,

THE BRITISH-AMERICAN DIL PRODUCING YMARMCS

District Landman

ARMEDICA LAND L....6. 3.1

MAC/IL

FRANK O. ELLIOTT BOX 703 ROSWELL, NEW MEXICO September 6, 1961

PHONE MAIN 2-5840

Shell Oil Company Box 1200 Farmington, New Mexico

Attention: F. W. Nantker

Re: Proposed Cabezon Unit

Dear Fred:

With reference to your letter of August 29, 1961 addressed to Elizabeth Ann Elliott, please be advised that subject to our approval of the pertinent data placed in various blanks of the forms as outlined in your letter, we give our pre-liminary approval towards joining the above referenced Unit.

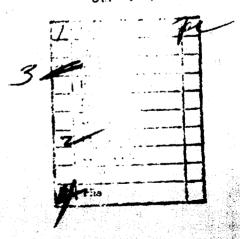
Very truly yours,

Frank O. Elliot

FOE/nc

FARTAMATAN LAND

SEP 7 (98)



DELHI-TAYLOR OIL CORPORATION FIDELITY UNION TOWER DALLAS 1. TEXAS

September 29, 1961

Shell Oil Company P. O. Box 1200 Farmington, New Mexico

Re: Proposed Cabezon Unit
Sandoval County, New Mexico

Gentlemen:

Reference is made to your letter of August 29, 1961, requesting our preliminary approval toward joining the subject unit. This letter will serve to convey Delhi-Taylor's preliminary approval, subject, of course, to our acceptance of the necessary agreements pertinent thereto.

Sincerely yours,

DELHI-TAYLOR OIL CORPORATION

Frank S. Wright Land Department

FSW: kkv

TRANSMOUNTAIN PRODUCTION COMPANY

G SAN JACINTO BUILDING
HOUSTON 2, TEXAS

Story to the control of the state of

The Post 1200 Familiation, New Year

Attention: Mr. Y. W. Nactker, Division Land Manager

But Proposed Categon Unit

Gentlemen:

per In reply to your letter dates when it is, 1961, we tereby consent to joining the proposes Torenge Brit.

We own the lease on the Ne, how, A and Sw/Arryk at Section 9, T-17-N, R-3-W, just ordside of the proposal unit. This lease number is NM-C44572. Our assignment from Wasaten Lease & Exploration Co., executed Nay 13, 1961, and filed for approval, has not yet been approved. We would like to include this in the next, sif it is possible for you to do so. This is not a requirement to secure our joining the unit as proposed. We will join even if this acreage is omitted. The lease also covers T-10-N, R-2-W, Section 197 3/25W/W, NE/MSW/4, SF/4NW/4 which, of course, we writh a twent included

as number NM-056477. This should be NM-056477.

Yours very truly.

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EXHORIT I

BEFORE	EXAMINER NUTTER
OIL CONS	ERVATION COMMISSION
	EXHIBIT NO.

CASE NO.

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF

THE CABEZON UNIT AREA
COUNTY OF SANDOVAL
STATE OF NEW MEXICO

No.

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THIS AGREEMENT, entered into as of the <u>lst</u> day of <u>September</u>

1961, by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto",

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of 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 (Chap. 88, Laws 1943, as amended, Laws 1961 ch 176 #1) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

WHENEAS, the parties hereto hold sufficient interests in the Cabezon
Unit Area covering the land hereinafter described to give reasonably effective

case established by the

control of operations therein; and

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

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

- 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unic plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.
- 2. UNIT AREA. The area specified on the map attached hereto marked exhibit "A" is hereby designated and recognized as constituting the unit area, containing 22,742.57 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to 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 resider such revision necessary, or when requested by the Oil and Gas supervisor,

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hereinafter referred to as "Supervisor", or the Commissioner of Public Lands, hereinafter referred to as "State Land Commissioner", and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the State Land Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be affected 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 State Land Commissioner after preliminary concurrence by the Director shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof preferably the first day of a month subsequent to the date of notice.
- (b) Said notice shall be delivered to the Supervisor and the Commissioner, 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 and State Land Commissioner evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator together with an application in sufficient numbers for approval of such expansion or contraction, and with appropriate joinders.
- (d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director and State Land Commissioner, become effective as of the date prescribed in the notice thereof.
 - (e) All legal subdivisions of unitized lands (i.e., 40 acres by

Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection) no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the explration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-

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acreage basis, respectively, with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 10-year period.

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

- 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". 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. <u>UNIT OPERATOR</u>. SHELL OIL COMPANY, a Delaware corporation, 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 any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director and State Land Commissioner, 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 Fede al lands and the Commission as to State and privately-owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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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 at any time, for any reason whatsoever, there is no Unit Operator 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 resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and State Land 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, or a change of Unit Operator is negotiated by working interest owners, 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 State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State Land Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, 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 should be filed with the

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- 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 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a and the State Land Commissioner location approved by the Supervisor, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the top of the Cambrian (December) formation has been tested or witil at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the satis-and the State Land Commissioner faction of the Supervisor/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 7,300 feet. 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

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and the State Land Commissioner
said Supervisor 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 requireand the State Land Commissioner
ments of this section. The Director/may modify the drilling requirements of
this section by granting reasonable extensions of time when, in his opinion,
such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director 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 quantiand the Star Land Commissioner ties, the Unit Operator shall submit for the approval of the Supervisor/an acceptable plan of development and operation for the unitized land which, when and the State Land Commissioner approved by the Supervisor 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 and the State Land Commissioner plan, the Unit Operator shall submit for the approval of the Supervisor/a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall and the State Land Commissioner be as complete and adequate as the Supervisor/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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the State Land Commissioner, the Unit Operator shall submit for approval by the Director, the State Land 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 Supervisor, the State Land Commissioner, and the Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to Sallocated 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

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. L 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 State Land Commissioner, and the Commission. The participating area or areas so established and approved 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, or to exclude land then regarded as reasonably proved not to be productive, 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, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section 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 the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director, the State Land 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 theret 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 for Federal lands and the State Land Commissioner for State lands, and the amount thereof deposited, as directed by the Supervisor and the State Land 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.

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participating area.

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Whenever it is determined, subject to the approval of the Supervisor as to wells on Federal land, and of the State Land Commissioner as to wells drilled on State 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, the State Land Commissioner, and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part of tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another partici-

- 12 -

pating 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.

Any party hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, and the State Land Commissioner as to State land, and the Commission as to privately-owned land, if any, 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, 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 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 contract, 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 therefore under existing contracts, laws, and regulations, on or before the last day of each month for unitized substances produced during the praceding 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 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, the State Land Commissioner, and the Commission, 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, the State Land Commissioner, and the Commission 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 regulation; 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.

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with the operating regulations as though each participating area were a single consolidated lease.

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.

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. Rentals on State of New Mexico lands subject to this Agreement shall be paid at the next specified in the respective deases 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. <u>DRAINAGE</u>. 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 or with the consent of the Director and the State Land Commissioner pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands, or as approved by the State Land Commissioner for State land.
- 18. <u>LEASES AND CONTRACTS CONFORMED AND EXTENDED</u>. 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 State Land Commissioner as to State leases, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal leases 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 and the State Land Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.
 - (d) Each lease, sublease or contract relating to the explor-

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- (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 lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term or such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.
- (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) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended

by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

- (h) Any lease, other than a Federal 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 provisions 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.
- 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. <u>EFFECTIVE DATE OF TERM.</u> This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate on the expiration of five (5) years from the effective date of this agreement unless (a) such date of expiration is extended by the Director and

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State Land Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the forma-3 tions 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 State Land Commissioner, or (c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect 9 for such term and so long as unitized substances can be produced in quantities 10 sufficient to pay for the cost of producing same from wells on unitized land 11 12 within any participating area established hereunder and, should production 13 cease, so long thereafter as diligent operations are in progress for the restor-14 ation 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 15 16 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 State Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

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modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 State Land Commissioner and as to any lands of the State of New Mexico or privately-owned lands, if any, subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the State 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. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands, and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the State Land Commissioner 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 State Land Commissioner or 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.
- 23. 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.
- 24. 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

- 25. 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.
- 26. NONDISCRIMINATION: In the performance of work under this agreement the operator agrees to comply with the nondiscrimination provisions of Executive Order 10925 (26 F. R. 1977).
- 27. 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 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 those due the State of New Mexico with the Commissioner of Public Lands of the State of New Mexico, 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.

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29. COUNTERPARTS. This agreement may be executed in any number of counterparts to one of which needs to be executed by all parties or may be

within 60 days by the Director, State Land Commissioner or Commission.

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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.

30. <u>SURRENDER</u>. 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, sublease, 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 caid 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 checkenged, 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

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so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, 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 with respect to each existing participating area, 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 as to each such participating area, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder as to any such participating area or areas 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 in any such participating area or areas, 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, and 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

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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 nonexistence of a unit operating agreement and in the event no unit operating agreement is n existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor and State Land Commissioner my prescribe such reasonable and equitable agreement as they deem warranted under the circumstances.

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.

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

1	IN WITNESS WHEREOF, the parties	hereto ha	we executed this agreement
2	on the date set opposite their respective	signature	8.
3		UNIT OPER	ATOR AND WORKING INTEREST OWNER
4	•	SHELL OIL	COMPANY
5	Witness:	Ву	
6	Date:	Manage Address:	r, Land Department 1008 West Sixth Street Los Angeles 54, California
8		WORKING 1	NTEREST OWNERS
9		CONTINENT	AL OIL CORPORATION
0	Witness:	Ву	
.1	Witness:		
.2	Date:	Address:	P.:00:Box 1121 Durango, Colorado
4		BRITISH A	MERICAN OIL PRODUCING COMPAN
5	Witness:	Ву	
6	Witness:	Ву	
8	Date:	Address:	Denver Club Building P. O. Box 180 Denver, Colorado
9		TRANSMOUN'	TAIN PRODUCTION COMPANY
1	Witness:	Ву	
2	Witness:	Ву	
3	Date:	Address:	800 San Jacinto Building Houston, Texas
4		· .	
5	<u> </u>		ANN ELLIOTT
6		Ву	
7	Date:	Address:	P. O. Box 703 Roswell, New Mexico
8		Delhi-Tayı	LOR OIL CORPORATION
9			
0			
2		Address:	360 Denver Club Building "Denver, Colorado
	[10] [10] [10] [10] [10] [10] [10] [10]	ji ne shariye,	

CERTIFICATION -- DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Cabezon Unit Area, State of New Marries

- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

						
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CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CABEZON UNIT AGREEMENT

	There having b	een presente	d to the und	ersigned Comm	issioner of	Public
Lands of th	he State of Ne	w Mexico for	examination	, the attache	d Agreement	for the
development	t and operation	n of acreage	which is de	scribed withi	n the attach	ied
Agreement,	dated			, which has b	een executed	or is
to be execu	uted by partie	s owning and	holding oil	and gas leas	es and royal	ty inter-
	d under the pr					
	sioner finds:	•	-		Ţ	

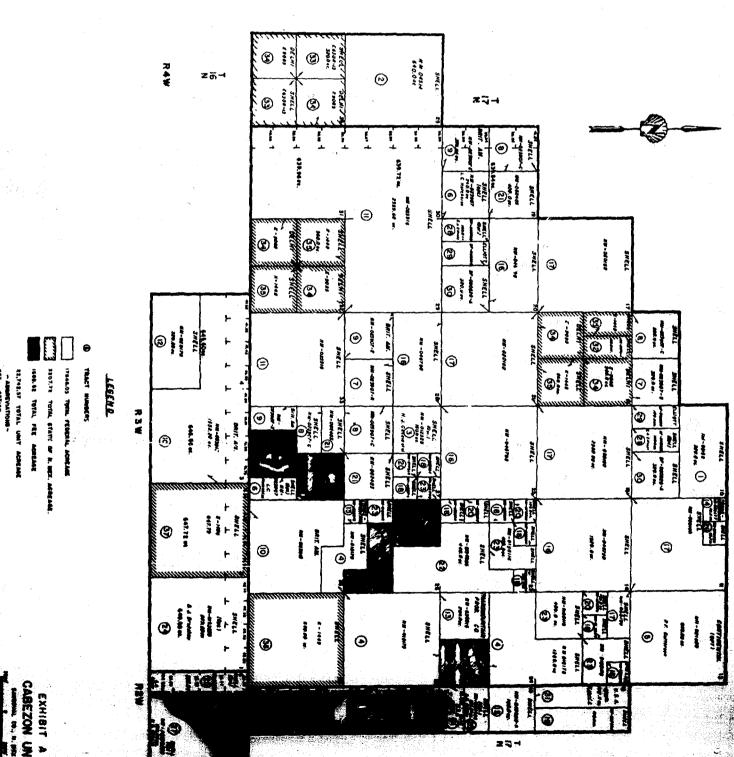
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

	IN	WITNESS	WHEREOF,	this	Cer	tificate	of	Approval	is	executed,	with
sea1	affixed,	this _		day	of					, 19	•

Commissioner of Public Lands of the State of New Mexico

NAME ON



R3W

EXHIBIT "B" - CABEZON UNIT

Sandoval County, New Mexico

14. <u>T. 1</u> Sec.	13. <u>T. 1</u> Sec. Sec.	12. <u>T. 1</u> Sec.	11. T. 1. Sec. Sec. Sec.	Sec.	10. <u>T. 1</u> Sec. Sec.	9. T. 1 Sec. Sec. Sec.	8. T. 1 Sec. Sec. Sec. Sec.	No. Des
17 N., R. 3 W., N.M.P.M. c. 11: NW/4 NW/4	17 N., R. 3 W., N.M.P.M. 24: SW/4 . 26: SW/4 SW/4	16 N., R. 3 W., N.M.P.M. 4: S/2	17 S., R. 3 W., N.M.P.M. 29: All 30: Lots 1,2,3,4, E/2 W/2, E/2 (All) 31: Lots 1,2,3,4, E/2 W/2, E/2 (All) 8/2 (All)	17 N., R. 3 W., N.M.P.M. . 35: S/2 NE/4, NW/4, S/2	16 N., R. 3 W., N.M.P.M. 4: Lots 1,2,3,4, S/2 N/2 3: Lots 1,2,3,4, S/2 N/2, S/2 (All)	17 N., R. 3 W., N.M.P.M. 19: Lots 3,4, E/2 SW/4 28: SW/4 . 34: W/2 SW/4	17 N., R. 3 W., N.M.P.M. 9: SW/4 19: Lots 1,2, E/2 NW/4 27: SW/4 27: SW/4	Description of Land
40.00	200.00	320.00	2559.68		1532.20	399.84	560.00	No. of Acres
NM-036477 November 1, 1958	NM-030016 December 1, 1957	NM-028170 July 1, 1957	NM-023916 May 1, 1957		NM-023913 May 1, 1957	NM-023907-E February 1, 1957	NW 123907-C Rebruary 1, 1957	Serial No. & Date of Lease
U.S 12-12	U.S 12-1/2	U.S 12-12	U.S 12-17		U.S 12-1/2	U.S 12-17	U.S 12-37	Basic Royalty & Percentage
Transmountain Production Co.	Transmountain Production Co.	Shell 011 Company	Shell Oil Company		British American Oil Producing Co.	British American Oil Producing Co.	Shell Oil Company	Lessee of Record
Walter L. Morrison Eathleen Morrison 5%	walter L. Morrison Lathleen Morrison 5%	R. E. McKenzie, Jr.	Marion V. Harris - 4%		Vincent Guccia -	George E. Conley -	Bruce Anderson - 3%	O.R.R. & Percentage
Transmountsin Production Co. 1007	Transmountain Production Co. 1007	Shell 041 G-:	8ha11 011 Company 1007		British American 011 Producing Co. 1007	British American V. Oll Froducing Co. 100%		forking Interest

21.	20.	19.	18.	17.	16.	15.	Tract
T. 17 N., R. 3 W., N.M.P.M. Sec. 19: NE/4 Sec. 27: SE/4 Sec. 34: N/2 NW/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 13: SW/4 NW/4 Sec. 23: NW/4 NW/4, NW/4 SW/4 Sec. 27: SW/4 NE/4	T. 17 N., R. 2 W., N.M.P.M. Sec. 18: E/2 W/2	T. 17 N., R. 3 W., N.M.P.M. Sec. 13: NE/4 NE/4, SE/4 NW/4, Sec. 23: NE/4 NE/4, NE/4 NW/4, Sw/4 NW/4, SW/4 SW/4 Sec. 27: NW/4 NE/4, SE/4 NE/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 11: E/2, SW/4, S/2 NW/4 Sec. 13: N/2 NW/4 Sec. 15: A11 Sec. 17: A11 Sec. 21: A11	T. 17 N., R. 3 W., N.M.P.M. Sec. 14: All Sec. 20: N/2 Sec. 22: All Sec. 28: N/2	T. 17 N., R. 2 W., N.M.P.M. Sec. 19: NW/4	Description of Land
400.00	160.00	160.00	320.00	2560.00	1920.00	160.00	No. of Acres
NM-082403 April 1, 1960	NM-072925 May 1, 1960	NM-057454 December 1, 1959	NM-055534 October 1, 1959	NM-050160 July 1, 1959	NM-046798 August 1, 1958	NM-040606-A May 1, 1959	Serial No. & Date of Lease
u.s 12-12	υ.s 12- ½%	U.S 12-1%	U.S 12-%%	u.s 12-3%	u.s 12-12	U.S 12-37	Basic Royalty & Percentage
Shell Oil Company	Shell Oil Company	Shell Oil Company	Shell Oil Company	Shell 011 Company	Shell Oll Company	Shell 011 Company	Lessee of Record
Joan Cherney - 3%	W. W. Priest - 3%	Virginia L. Saunders 2-1/47 Micheal S. Shearn - 3/4 of 1%	Jozine F. Augstman - k of 1% Bruce Anderson Beard Oil Co 2k%	L. J. Boring - 5%	Gail B. Horne Clifford Wolfswinkel Alan Thomson John W. Moon - 5%	Gladys Watford ~ 5%	O.R.R. & Parcentage
She11 100%	She 11 100%	10% 10%	2007 1007	100% 100%	100%	1007	6 76E
Shell 011 Company 100%	Shell Oll Company 100%	011 Company	O11 Company			011 (4) (4) (4) (4) (4)	Working Interest & Parcentages

27.	26.	-	25.	24.	8	22.	Tract
Portion of the Ojo del Espiritu 196. Santo Grant which would be included in Sec. 6, T. 16 N., R. 2 W., N.M.P.M., if the U.S. Survey were extended into said grant.	T. 17 N., R. 3 W., N.M.P.M. Sec. 11: NE/4 NW/4	T. 16 N., R. 2 W., N.M.P.M. Sec. 6: Lots 1,2,3, and 4	T. 17 N., R. 2 W., N.M.P.M. Sec. 19: N/2 SW/4 Sec. 30: Lots 1 and 2 Sec. 31: Lots 1 and 2	T. 16 N., R. 3 W., N.M.P.M. Sec. 1: Lots 1,2,3,4, S/2 N/2, S/2 (All)	T. 17 N., R. 3 W., N.M.P.M. Sec. 13: NW/4 NE/4, S/2 NE/4, SW/4 Sec. 23: W/2 NE/4, SE/4 NW/4 Sec. 26: NW/4 SW/4 Sec. 27: NE/4 NE/4	Sec. 23: SE/4 NE/4, SE/4, E/2 SW/4 Sec. 26: NE/4	Description of Land
196.06 uded .M.P.M., d into	40.00		296.54	, 649.60	~ 480.00	440.00	No. of Acres
NM-A0168898 App. filed April 14, 1961	NM-0161469 May 1, 1961		NM-0161406 July 1, 1961	NM-0153820 July 1, 1961	NM-0150116 May 1, 1961	NM-0134986 April 1, 1961	Serial No. & Date of Lease
u.s 12-37	U.S 12-3%		U.S 12-17	U.S 12-3%	U.S 12-17	U.S 12-17	Basic Royalty 6: Percentage
Hoover H. Wright	Shell Oil Company		Anthony P. Hebner	B. J. Bradshaw	Shell Oil Company	Shell Oil Company	Lessee of Record
Hoover H. Wright	Ruth Ross - 3%		Anthony P. Hebner -	B. J. Bradshaw - 5%	American Metal Climax, Inc 2%% Hoover H. Wright & Betty Ruth Wright - 2%	Ruth Ross & Thomas D. Chace - 2% Hoover H. Wright & Betty Ruth Wright - 2%	O.R.R. & Percentage
Shell 011 0	Shell 011 0		95-e11 011 0	100% - 1001 d	100 %	100% 100% 04.0	Working Incomes

EXHIBIT "B" - CABEZON UNIT Sandoval County, New Mexico (Cont'd.)

31.	30.	29.	28.	Tract
T. 17 N., R. 2 W., N.M.P.M. Sec. 18: W/2 W/2 Sec. 19: Lots 1 and 2	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: SE/4 Sec. 20: SE/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: W/2 SW/4 Sec. 20: E/2 SW/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: E/2 SW/4 Sec. 20: W/2 SW/4	Description of Land
212.11	320.00	160.60	160.00	No. of Acres
Sept. 25, 1961	SF-030520-A June 1, 1953	SF-080520 June 1, 1953	SF-080520 June 1, 1953	Serial No. & Date of Lease
23 3 ci sis. 23 2.	บ.ร 12- 3 %	U.S 12-½%	U.S 12-12	Basic Royalty & Percentage
Z.M. CONSINCIHAM	Shell Oil Company	Elizabeth Ann Elliott	Elizabeth Ann Elliott	Lessee of Record
IN COMMINIMAN 3 %	Hoover H. Wright - 17 Ora R. Hall, Jr 47	t Hoover H. Wright - E 17 E Elizabeth Ann Elliott Frank O. Elliott -	t Hoover H. Wright - 8 1% 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	O.R.R. & Percentage
04 00/ Com	17 Sag 1 011 Company 47 1007	Elizabenh Ammy	Shell oil Company	Working Interest

Thirty-one (31) Federal Tracts - 17,846.03 acres or 78,47% of the Unit Area

£+	33.	32.	
ec. 30: N#/4, 35/4	T. 17 N., R. 4 W., N.M.P.M.	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: E/2 NW/4	STATE LANDS
	320.00	80.00	
June 25, 1952	E-6308-13	OG-2291-1 March 18, 1958	
Mexico : 12-1/27	State of Nev	State of New Mexico - 12-17	e e
	Shell Oil Company	Shell Oil Company	
F. R. Bryan - 1-47 Levi A. Hughas & Francis T. Harvey - 3-47	R. R. Richardson &	Wayne J. Spears -	
	Shell Off Company	Shell 011 Company 100%	

Shell Oil Company 1007 Shell Oil Company 1007 Shell Oil Company		None None	Shell Oil Company Shell Oil Company Shell Oil Company	State of New Mexico - 12-3% Mexico - 12-3% Mexico - 12-3% Aporico Gurule & Merejildo	K-1496 May 16, 1961 the Unit Area the Unit Area 1961 March 17,	647.72 14.10% of 160.00 320.00	37. T. 16 N., R. 3 W., N.M.P.M. Sec. 2: Lots 1,2,3,4, S/2 N/2, S/2 (All) Six (6) State Tracts - 3,207.72 acres or FEE LANDS FEE LANDS Sec. 24: SE/4 39. T. 17 N., R. 3 W., N.M.P.M. Sec. 34: NE/4, E/2 SW/4, Sec. 34: NE/4, E/2 SW/4,	37. Stx (6)
Shell Oil Company 100% Shell Oil Company 100%		None	Shell Oil Company Shell Oil Company	State of New State of New Mexico - 12-3%	K-1448 May 16, 1961 K-1449 May 16, 1961	560.00	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: W/2 NW/4, SE/4 Sec. 32: NW/4, SE/4 T. 17 . R. 3 W., N.M.P.M. Sec. 36: All	35. 36.
Delhi-Taylor 011 Corporation - 100		None	Delhi-Taylor 011 Corporation	State of New Mexico - 12-1%	E-9085 June 6, 1955	960.00	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: NE/4, SW/4 Sec. 32: NE/4, SW/4 T. 17 N., R. 4 W., N.M.P.M. Sec. 36: NE/4, SW/4	ž.
Working Interest	& Fercentage	0. R. R.	Lessee of Record	Basic Royalty & Percentage	Serial No. & Date of Lease	No. of Acres	Description of Land	Tract

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T. 17 N., R. 3 W., N.M.P.H. Sec. 26: NW/4, NE/4 SW/4, N/2 SE/4, SE/4 SE/4

320.00

March 16, 1961

Aporcio Lovato Shell 0il Company 12-17

None

Shell Oil Company 100%

								41.	fract
		0 9 5 5 5 7 5 7 5 7 5 7 5 7 5 7 5 7 5 7 5	Survey were extended into said	R. 2 W., N.M.P.M., if the U.S.	N.M.P.M., and Section 6, T. 16 N.,	19. 30 and 31. T. 17 N. R. 2	Montoya Grant which would be	Portion of the M. & S.	Description of Land
	•		፞		6 Z.			888.82	No. of Acres
		ú				+70+	April 24,	•	Serial No. & Date of Lease
25%	Myra Harris Masters	Lucie Harris Locke	Stevens	Heirs of	à	257	50%	Zulema Miramon-	Basic Royalty
o Herry	sters • Henry	ocke	T. Harris					- Shell Oil Company	Lessee of Record
								None	O.R.R. & Percentage
								Shell Oll Conva	Working Interes & Percentages

Pour (4) Fee Tracts - 1,688.82 acres or 7.43% of the Unit Area

* - Subject to Option Agreements

Total Forty-one (41) Tracts - 22,742.57 acres in Unit Area

CXIIIBIT 1

BEFORE	EXAMIN	IER	NUTTER
OIL CONS	ERVATION	CO	MMISSION

UNIT AGREEMENT

CASE NO.

FOR THE DEVELOPMENT AND OPERATION OF

THE CABEZON UNIT AREA
COUNTY OF SANDOVAL
STATE OF NEW MEXICO

No.____

THIS AGREEMENT, entered into as of the <u>lst</u> day of <u>September</u>

1961, by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto",

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of 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 (Chap. 88, Laws 1943, as amended, Laws 1961 ch 176 #1) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHERRAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Cabezon
Unit Area covering the land bereinafter described to give reasonably effective

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control of operations therein; and

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

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

- 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of Pcbruary 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-vederal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.
- 2. UNIT AREA. The area specified on the map attached hereto marked exhibit "A" is hereby designated and recognized as constituting the unit area, containing 22,742.57 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to 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,

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hereinafter referred to as "Supervisor", or the Commissioner of Public Lands, hereinafter referred to as "State Land Commissioner", and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the State Land Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be affected 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 State Land Commissioner after preliminary concurrence by the Director shall propare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof preferably the first day of a month subsequent to the date of notice.
- (b) Said notice shall be delivered to the Supervisor and the Commissioner, 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 and State Land Commissioner evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator together with an application in sufficient numbers for approval of such expansion or contraction, and with appropriate joinders.
- (d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director and State Land Commissioner, become effective as of the date prescribed in the notice thereof.
 - (e) All legal subdivisions of unitized lands (i.e., 40 acres by

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Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection) no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands 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 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-

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acreage basis, respectively, with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 10-year period.

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

- 3. <u>UNITIZED LAND AND UNITIZED SUBSTANCES</u>. All lands committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". 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. <u>UNIT OPERATOR</u>. SHELL OIL COMPANY, a Delaware corporation, 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 any time prior to the establishment of a participating area or areas Lereunder, but such resignar on 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 and State Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the Commission as to State and privately-owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

 Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but at any time, for any reason whatsoever, there is no Unit Operator 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 resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

Not ing 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, or a change of Unit Operator is negotiated by working interest owners, 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 State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State Land Commissioner at their election may declare this unit agreement terminated.

ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, 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 should be filed with the

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- 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, righther 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.
- DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a and the State Land Commissioner location approved by the Supervisor, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the top of the Cambrian (Decorporation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the satisand the State Land Commissioner faction of the Supervisor/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 7,300 feet. 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

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and the State Land Commissioner said Supervisor 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/may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director 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 quantiand the State Land Commissioner ties, the Unit Operator shall submit for the approval of the Supervisor/an acceptable plan of development and operation for the unitized land which, when and the State Land Commissioner approved by the Supervisor / 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 and the State Land Commissioner plan, the Unit Operator shall submit for the approval of the Supervisor/a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall and the State Land Commissioner be as complete and adequate as the Supervisor 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

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11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the State Land Commissioner, the Unit Operator shall submit for approval by the Director, the State Land 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 Supervisor, the State Land Commissioner, and the Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. 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

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combined into one with the consent of the owners of all working interests in 1 the lands within the participating areas so to be combined, on approval of the Director, the State Land Commissioner, and the Commission. The participating area or areas so established and approved 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, or to exclude 8 land then regarded as reasonably proved not to be productive, 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 11 infer. tion on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating 14 area on account of depletion of the unitized substances.

It is the intent of this section 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 the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director, the State Land 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 for Federal lands and the State Land Commissioner for State lands, and the amount thereof deposited, as directed by the Supervisor and the State Land 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

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participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells on Federal land, and of the State Land Commissioner as to wells drilled on State 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.

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

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pating 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.

Any party hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, and the State Land Commissioner as to State land, and the Commission as to privately-owned land, if any, 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, 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 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 contract, 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 therefore 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 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, the State Land Commissioner, and the Commission, 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, the State Land Commissioner, and the Commission 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 regulation; 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

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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 therefore 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 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, the State Land Commissioner, and the Commission, 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, the State Land Commissioner, and the Commission 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 regulation; 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

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with the operating regulations as though each participating area were a single consolidated lease.

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.

With respect to any lease on non-Pederal 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 'his 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. Rentals on State of New Mexico lands subject to this Agreement shall be paid at the rate New Mexico lands subject to this Agreement shall be paid at the rate New Mexico lands subject to the lass agreement shall be 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 Pederal law or regulation.

- 17. <u>DRAINAGE</u>. 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 or with the consent of the Director and the State Land Commissioner pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands, or as approved by the State Land Commissioner for State land.
- 18. <u>LEASES AND CONTRACTS CONFORMED AND EXTENDED</u>. 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 State Land Commissioner as to State leases, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal leases 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 and the State Land Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.
 - (d) Each lease, sublease or contract relating to the explor-

ation, 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 lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.
- (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) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (i) of the Mineral Leasing Act, as amended

by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

- (h) Any lease, other than a Federal 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 provisions 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 provated between the portions so segregated in proportion to the acreage of the respective tracts.
- 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. <u>EFFECTIVE DATE OF TERM.</u> This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate on the expiration of five (5) years from the effective date of this agreement unless (a) such date of expiration is extended by the Director and

1 2 3 7 8 9 10 11 12 within any participating area established hereunder and, should production 13 14 ation of production or discovery of new production and so long thereafter as the 15 unitized substances so discovered can be produced as aforesaid, or (d) it is

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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 State Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

terminated as heretofore provided in this agreement.

State Land Commissioner, or (b) it is reasonably determined prior to the expir-

ation of the fixed term or any extension thereof that the unitized land is in-

capable of production of unitized substances in paying quantities in the forma-

tions 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 State Land Commissioner, or (c) a valuable discovery of unitized

substances has been made or accepted 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 quantities

cease, so long thereafter as diligent operations are in progress for the restur-

sufficient to pay for the cost of producing same from wells on unitized land

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

modification is in the interest of attaining the conscrvation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 State Land Commissioner and as to any lands of the State of New Mexico or privately-owned lands, if any, subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the State Commission.

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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. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands, and the New Mexico Oil Conservation Commission and to appeal from Orders issued under the regulations of said Department, the State Land Commissional or Commission, or to apply for relief from any of said regulations or in any processings relative to operations before the Department of the Interior, the State Land Commissioner or 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.
- 23. NOTICES. All notices, desards 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.
- 24. 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

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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.

- 25. 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.
- 26. NONDISCRIMINATION: In the performance of work under this agreement the operator agrees to comply with the nondiscrimination provisions of Executive Order 10925 (26 F. R. 1977).
- 27. 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 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 those due the State of New Mexico with the Commissioner of Public Lands of the State of New Mexico, 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.

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28. NONJOINDER 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 State Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. 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. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Land Commissioner, and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, State Land Commissioner or Commission.

29. 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.

30. 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, sublease, 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 as to each participating area theretofore established hereunder, 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 with respect to each existing participating area, 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 as to each such participating area, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder as to any such participating area or areas 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 in any such participating area or areas, 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, and 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 nonexistence 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 State Land Commissioner my prescribe such reasonable and equitable agreement as they deem warranted under the circumstances.

Nothing in this section shall to deemed to limit the right of joinder

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.

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

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IN WITNESS WHEREOF, the p	arties hereto have executed this agreement
on the date set opposite their resp	ective signatures.
	UNIT OPERATOR AND WORKING INTEREST OWNER
	SHELL OIL COMPANY
Witness:	Ву
Date:	Manager, Land Department
	WORKING INTEREST OWNERS
	CONTINENTAL OIL CORPORATION
Witness:	Ву
Witness:	Ву
ate:	Address: P.::0: Box 1121 Durango, Colorado
	BRITISH AMERICAN OIL PRODUCING COMPAN
itness:	Ву
itness:	Ву
ite:	Address: Denver Club Building P. O. Box 180 Denver, Colorado
	TRANSMOUNTAIN PRODUCTION COMPANY
itness:	Ву
itness:	Ву
ite:	Address: 800 San Jacinto Building Houston, Texas
	ELIZABETH ANN ELLIOTT
ltness:	Ву
ité.	Address: P. O. Box 703 Roswell, New Mexico
	The state of the s
	DELHI-TAYLOR OIL CORPORATION
itness:	By
litness:	By
Date:	Address: 360 Denver Club Building Denver, Colorado

IN WITNESS WHEREOF, the parti	les hereto have executed this agreement
on the date set opposite their respecti	ve signatures.
	UNIT OPERATOR AND WORKING INTEREST OWNER
	SHELL OIL COMPANY
itness:	Ву
te:	Manager, Land Department Address: 1008 West Sixth Street Los Angeles 54, Californi
	WORKING INTEREST OWNERS
	CONTINENTAL OIL CORPORATION
tness:	Ву
tness:	Ву
ate:	Address: PO. Box 1121 Durango, Colorado
	BRITISH AMERICAN OIL PRODUCING COM
itness:	Ву
itness:	Ву
ate:	Address: Denver Club Building P. O. Box 130 Denver, Colorado
	TRANSMOUNTAIN PRODUCTION COMPANY
itness:	Ву
itness:	Ву
Pate:	Address: 800 San Jacinto Building Houston, Texas
	ELIZABETH ANN ELLIOTT
itness:	Ву
ate:	Address: P. O. Box 703 Roswell, New Mexico
	DELHI-TAYLOR OIL CORPORATION
Vitness:	Ву
litness:	Ву
Date:	Address: 360 Denver Club Building

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CERTIFICATION -- DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Cabezon
Unit Area, State of How Marries

- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, sental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

	Director Helded Chater Confesion Comme
Dated	***************************************

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CABEZON UNIT AGREEMENT

There having been presented to the undersigned Commissioner of Public
Lands of the State of New Mexico for examination, the attached Agreement for the
development and operation of acreage which is described within the attached
Agreement, dated, which has been executed or is
to be executed by parties owning and holding oil and gas leases and royalty inter-
ests in and under the property described, and upon examination of said Agreement,
the Commissioner finds:

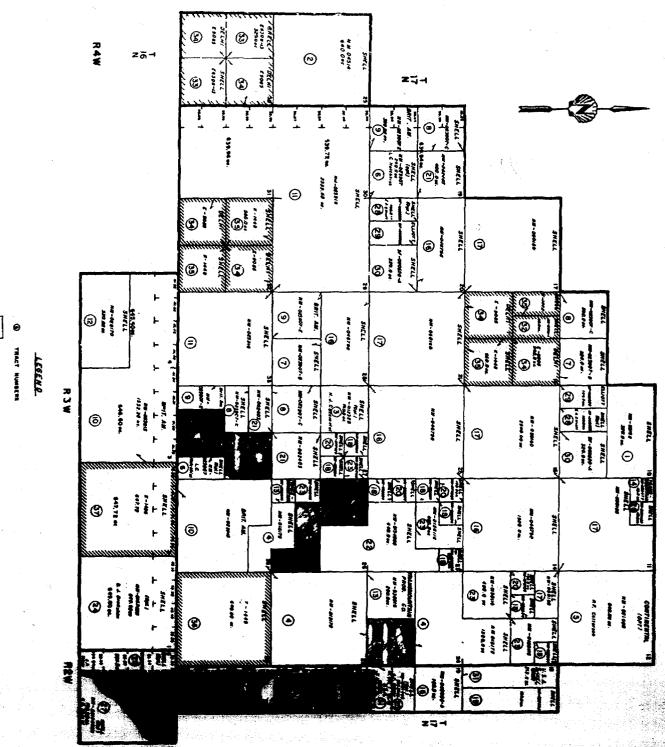
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

	IN	WITNESS	WHEREOF,	this	Cer	tificate	of	Approval	is	executed,	with
seal	affixed,	this _		day	of					, 19	

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Commissioner of Public Lands of the State of New Mexico DEST AVAILABLE COPY



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EXHIBIT "B" - CABEZON UNIT

Sandoval County, New Mexico

7.	6.	5	4.	ω •	2.		Tract
\(\text{T. 17 N., R. 3 W., N.M.P.M.} \) \(\text{Sec. 9: SE/4} \) \(\text{Sec. 28: SE/4} \)	VT. 17 N., R. 3 W., N.M.P.M. Sec. 19: SE/4 Sec. 34: E/2 SE/4	7. 17 N., R. 3 W., N.M.P.M. Sec. 12: All	T: 17 N., R. 3 W., N.M.P.M. Sec. 13: SE/4 Sec. 24: N/2 Sec. 25: All Sec. 26: SW/4 SE/4, SE/4 SW/4 Sec. 35: N/2 NE/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 27: NW/4	T. 17 N., R. 4 W., N.M.P.M. Sec. 25: All	V T. 17 N., R. 3 W., N.M.P.M. Sec. 10: N/2	Description of Land FEDERAL LANDS
320.00	240.00	640.00	1280.00	160.00	640.00	320.00	No. of Acres
NM-023907-B February 1, 1957	NH-023907 February 1, 1957	NM-021000 April 1, 1956	MM-018178 July 1, 1955	NM-012325 August 1, 1953	NM-04514 July 1, 1953	NM-03158 April 1, 1952	Serial No. & Date of Lease
u.s 12 4%	u.s 12- 1 %	u.s 12-17	U.S 12-37	U.S 12-1/27	U.S 12-1%	U.S 12-1/2%	Basic Royalty & Percentage
Shell Oil Company	Lester C. Hotchkiss Alpha L. Hotchkiss	Paul F. Catterson	Shell 011 Company	Hazel J. Cuccia - 80% George R. Conley - 20%	Shell Oll Company	Shell 011 Company	Lessee of Record
R. E. McKenzie, Jr. 2%	Lester C. Hotchkiss Alpha L. Hotchkiss - 3%	Roy L. Riner - 5%	Anna Pickard - 5%	Hazel J. Cuccia George Cuccia George E. Conley -	Roy L. Flood - 57	Willard W. Moyer - 37 Wilson Oil Co 2%	O.R.R. & Percentage
Shell Oil Company 199%	100% - 11 Company	Continental Oll Company - 100% *	Shell 011 Company	Shell Oil Company	Shell Oil Company	7. Shell 011 Company	Working Interest & Percentages

Transmountain Production Co. 1007	Walter L. Morrison Kathleen Morrison 5%	Transmountain Production Co.	U.S 12-1%	NM-036477 November 1, 1958	40_00	Sec. 11: NW/4 NW/4	14.	
Transmountsin Production Co. 100%	Walter L. Morrison Kathleen Morrison 5%	Transmountain Production Co.	U.S 12-17	NM-030016 December 1, 1957	200.00	\(\frac{T.}{17} \text{ N., R. 3 W., N.M.P.M.} \) \(\text{Sec. 24: SW/4} \) \(\text{Sec. 26: SW/4 SW/4} \)	, J3.	
She 11 011 Company 1007	R. E. McKenzie, Jr. 2%	Shell Oil Company	U.S 12-17	NM-028170 July 1, 1957	320.00	VI. 16 N., R. 3 W., N.M.P.M. Sec. 4: S/2	12.	
	Marion V. Harris - 4%	Shell Oil Company	U.S 12-47	NM-023916 May 1, 1957	2559.68	\(\frac{\text{T. 17 S., R. 2 W., N.M.P.M.}}{\text{Sec. 29: All}} \) \(\text{Sec. 30: Lots 1,2,3,4, E/2 W/2, E/2 (All)} \) \(\text{Sec. 31: Lots 1,2,3,4, E/2 W/2, E/2 (All)} \) \(\text{Sec. 33: All} \)	11.	
						$\sqrt{\text{T. 17 N., R. 3 W., N.M.P.M.}}$ Sec. 35: S/2 NE/4, NW/4, S/2		
Sefficial American 011 Producting Co. 100%	Vincent Cuccia -	Brivish American Oil Producing Co.	U.S 12-17	NM-023913 May 1, 1957	1532.20	T. 16 N., R. 3 W., N.H.P.M. Sec. 4: Lots 1,2,3,4, S/2 N/2 Sec. 3: Lots 1,2,3,4, S/2 N/2, Sec. 3: S/2 (A11)	10.	
Brigish Amazings 011 Producing Go. 1007	George E. Conley -	British American Oil Producing Co.	u.s 12-17	NM-023907-E February 1, 1957	399.84	\frac{\frac{1}{1}. 17 \text{ N., R. 3 W., N.M.P.M.}}{\text{Sec. 19: Lots 3,4, E/2 SW/4}} \text{Sec. 28: SW/4} \text{Sec. 34: W/2 SW/4}	9	
2007 011 00 party	Bruce Anderson - 3%	Shell Oil Company	U.S 12-17	NM-023907-C February 1, 1957	560.00	T. 17 N. R. 3 W. N. M.P.M. Sec. 9: SW/4 Sec. 19: Lots 1,2, E/2 NW/4 Sec. 27: SW/4 Sec. 34: S/2 NW/4	∞	
Working Interest.	O.R.R. & Percentage	Lessee of Record	Basic Royalty	Serial No. & Date of Lease	of Acres	Description of Land	Tract	
The second secon								

EXHIBIT 'B" - CABEZON UNIT
Sandoval County, New Mexico (Cont'd.)

21.	20.	19.	18.	17.	16.	15.	Tract
VI. 17 N., R. 3 W., N.M.P.M. Sec. 19: NE/4 Sec. 27: SE/4 Sec. 34: N/2 NW/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 13: SW/4 NW/4 Sec. 23: NW/4 NW/4, NW/4 SW/4 Sec. 27: SW/4 NE/4	\(\frac{\text{T. 17 N., R. 2 W., N.M.P.M.}}{\text{Sec. 18: E/2 W/2}} \)	T. 17 N., R. 3 W., N.M.P.M. Sec. 13: NE/4 NE/4, SE/4 NW/4, Sec. 23: NE/4 NE/4, NE/4 NW/4, Sec. 27: NW/4 NW/4, SW/4 SW/4 Sec. 27: NW/4 NE/4, SE/4 NE/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 11: E/2, SW/4, S/2 NW/4 Sec. 13: N/2 NW/4 Sec. 15: A11 Sec. 17: A11 Sec. 21: A11	T. 17 N., R. 3 W., N.M.P.M. Sec. 14: All Sec. 20: N/2 Sec. 22: All Sec. 28: N/2	T. 17 N., R. 2 W., N.M.P.M. Sec. 19: NW/4	Description of Land
400.00	160.00	160.00	320.00	2560.00	1920.00	160.00	No. of Acres
NM-082403 April l, 1960	NM-072925 May 1, 1960	NM-057454 December 1, 1959	NM-055534 October 1, 1959	NM-050160 July 1, 1959	NM-046798 August 1, 1958	NM-040606-A May 1, 1959	Serial No. & Date of Lease
u.s 12-47	u.s 12-½%	u.s 12-47	U.S 12-3%	u.s 12-12	u.s 12-½%	U.S 12-17	Basic Royalty & Percentage
Shell Oil Company	Shell Oil Company	Shell Oil Company	Shell Oil Compa vy	Shell Oil Company	Shell 011 Company	Shell 011 Company	Lessee of Record
Joan Chorney - 3%	W. W. Priest - 3%	Virginia L. S. unders 2-1/47 Micheal S. Shearn - 3/4 of 1%	Joanne P. Augatman - k of 1% Bruce Anderson Beard Oil Co 2k%	L. J. Boring - 5%	Gail B. Horne Clifford Wolfswinkel Alan Thomson John W. Moon - 5%	Gladys Watford - 5%	O.R.R. & Percentage
Shell 1007	1007	35-111 1007	She11 1007	She11 100%	100% 1.00%	1007 Effetts	S Par
Shell Oil Company	She 11 011 Company 1007	She 11 011 Company 1007	011 Company	Of 1 Company		Sheil 011 Company	Working Interpet

27.	26.		25.	24.	23.	22.	Tract
Portion of the Ojo del Espiritu 196. Santo Grant which would be included in Sec. 6, T. 16 N., R. 2 W., N.M.P.M., if the U.S. Survey were extended into said grant.	/T. 17 N., R. 3 W., N.M.P.M. Sec. 11: NE/4 NW/4	T. 16 N., R. 2 W., N.M.P.M. Sec. 6: Lots 1,2,3, and 4	T. 17 N., R. 2 W., N.M.P.M. Sec. 19: N/2 SW/4 Sec. 30: Lots 1 and 2 Sec. 31: Lots 1 and 2	T. 16 N., R. 3 W., U.M.P.M. Sec. 1: Lots 1,2,3,4, S/2 N/2, S/2 (All)	Sec. 13: NW/4 NE/4, S/2 NE/4, Sec. 13: NW/4 NE/4, S/2 NE/4, Sec. 23: W/2 NE/4, SE/4 NW/4 Sec. 26: NW/4 SW/4 Sec. 27: NE/4 NE/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 23: SE/4 NE/4, SE/4, E/2 SW/4 Sec. 26: NE/4	Description of Land
Espiritu 196.06 be included 2 W., N.M.P.M., extended into	40.00		296.54	649.60 2,	480.00	440.00	No. of Acres
NM-A0168898 App. filed April 14, 1961	NM-0161469 May 1, 1961		NM-0161406 July 1, 1961	NM-0153820 July 1, 1961	NM-0150116 May 1, 1961	NM-0134986 April 1, 1961	Serial No. & Date of Lease
U.S 12-12%	u.s 12-1%		U.S 12-½%	U.S 12-17	U.S 12-12%	U.S 12-3%	Basic Royalty & Percentage
Hoover H. Wright	Shell Oil Company		Anthony P. Hebner	B. J. Bradshaw	Shell Oil Company	Shell Oil Company	Lessee of Record
Hoover H. Wright - 1%	Ruth Ross - 3%		Anthony P. Hebner - k of 1%	B. J. Bradshaw - 5%	American Metel Climax, Inc 2%% Hoover H. Wright & Betty Ruth Wright - 2%	Ruth Ross & Thomas D. Chace - 2% Hoover H. Wright & Betty Ruth Wright - 2%	O.R.R. & Percentage
Shell 011 Company 1007 *	Shell 011 Company 100%		Shell Oil Company 100% *	She 11 011 Company 1007 *	She 11 011 Company 100%	Sine 11 Oil Company	Working Interest

EXHIBIT "B" - CABEZON UNIT Sandoval County, New Mexico (Cont'd.)

Shert or comby	TH. CONNINGHAM	E ET CHANNESHAN	6/ U.S. 122 8	38/7, 25, 1961	212.11	T. 17 N., R. 2 W., N.M.P.M. Sec. 18: W/2 W/2 Sec. 19: Lots 1 and 2	31.
Shall 011 Company 100%	Hoover H. Wright - 1% Shell Ora R. Hall, Jr 4% 100%	Shell Oil Company	U.S 12-12%	S?-080520-A June 1, 1953	320.00	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: SE/4 Sec. 20: SE/4	30. •
Elizabeth Amm Elliott - 100%	Hoover H. Wright - 1% Elizabeth Ann Elliot Frank O. Elliott - 4%	Elizabeth Ann Elliott	u.Ś 12-3%	SF-080520 June 1, 1953	160.00	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: W/2 SW/4 Sec. 20: E/2 SW/4	29.
Shell Oil Company	Hoover H. Wright 1% Elizabeth Ann Elliot 4%	Elizabeth Ann Elliott	U.S 12-17	SF-080520 June 1, 1953	160.00	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: E/2 SW/4 Sec. 20: W/2 SW/4	28.
Working Interest	O.R.R. & Percentage	Lessee of Record	Basic Royalty & Percentage	Serial No. & Date of Lease	No. of Acres	Description of Land	Tract No.

Thirty-one (31) Federal Tracts - 17,846.03 acres or 78,47% of the Unit Area

	STATE
	LANDS
•	Ο,

	33. $\sqrt{\frac{\text{T. 17 N., R. 4 W., N.M.P.M.}}{\text{Sec. 36: NW/4, SE/4}}}$	32. / T. 17 N., R. 3 W., N.M.P.M. Sec. 16: E/2 NW/4	Orith Tantoo
	320.00	80.00	
•	E-6308-13 June 25, 1952	0G-2291-1 March 18, 1958	
	State of New Mexico - 12-17	State of New Mexico - 12-3%	
	Sheli Oil Company	Shell 011 Company	
Francis T. Harvey -	E. R. Richardson & F. R. Bryan - 1-47	Wayne J. Spears -	
	Shell 011 Company 100%	Shall Oil Company	

			•		
37.	36.	35.		¥.	Tract
\(\frac{\text{T. 16 N., R. 3 W., N.M.P.M.}}{\text{Sec. 2: Lots 1,2,3,4, S/2 N/2,}} \)	T. 17 N., R. 3 W., N.M.P.M. Sec. 36: All	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: W/2 NW/4, SE/4 Sec. 32: NW/4, CE/4	T. 17 N., R. 4 W., N.M.P.M. Sec. 36: NE/4, SW/4	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: NE/4, SW/4 Sec. 32: NE/4, SW/4	Description of Land
647.72	640.00	560.00		960,00	No. of Acres
K-1496 May 16, 1961	K-1449 May 16, 1961	K-1448 May 16, 1961	2	E-9085 June 6, 1955	Serial No. & Date of Lease
State of New Mexico - 12-17	State of New Mexico - 12-47	State of New Mexico - 12-1%	***	State of New Mexico - 12-3%	Basic Royalty & Percentage
Shell Oil Company	Shell 011 Company	Shell Oil Company		Delhi-Taylor 011 Corporation	Lessee of Record
None	None	None		None	O.R.R. & Percentage
Shell 011 Company 100%	Shell Oll Company	Shell Oil Company		Delhi-Taylor 011 Corporation - 100:	Working Interest

Six (6) State Tracts - 3,207.72 acres or 14.10% of the Unit Area

40.	39.	3 8 .	
T. 17 N., R. 3 W., N.M.P.M. Sec. 26: NW/4, NE/4 SW/4, N/2 SE/4, SE/4 SE/4	$\sqrt{\frac{\text{T. 17 N., R. 3 W., N.M.P.M.}}{\text{Sec. 34: NE/4, E/2 SW/4,}}}$	Sec. 24: SE/4	FEE LANDS
320.00	320.00	160.00	
March 16, 1961	March 17, 1961	March 17, 1961	
Aporcio Lovato 12-12	Aporico Gurule & Merejildo Gurule - 12-17	Cass Goodner -	
io Lovato Shell Oil Company	Aporico Gurule Shell Oil Company & Merejildo Gurule - 12-4%	Shell Oil Company	
None	None	None	
Shell Oll Company	Shell Oil Company	Shell 011 Company	

EXHIBIT "B" - CABEZON UNIT Sandoval County, New Mexico (Cont'd.)

41.	Tract
Montoya Grant which would be included in the W/2 of Sections 19, 30 and 31, T. 17 N., R. 2 W., N.M.P.M., and Section 6, T. 16 N., R. 2 W., N.M.P.M., if the U.S. Survey were extended into said grant.	Description of Land
888.82 0 W., 16 N., 1d	No. of Acres
April 24, 1961	Serial No. & Date of Lease
Zulema Miramon- Shell 50% Elmer Burch - 25% Heirs of Dr. Stevens T. Harris Mary Harris Mauldin Lucie Harris Locke Myra Harris Masters Caroline Harris Henry 25%	Basic Royalty & Percentage
- Shell Oil Company Harris uldin ocke sters s Henry	Lessee of Record
None	0. K.R.
	O.R.R. & Percentage
700 7 100 7	Working

011 Company

Four (4) Fee Tracts - 1,688.82 acres or 7.43% of the Unit Area

Total Forty-one (41) Tracts - 22,742.57 acres in Unit Area

^{* -} Subject to Option Agreements

CERTIFICATION -- DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. sec. 4.611, 12 F. R. 6784, I do hereby:

- A. Approve the attached agreement for the development and operation of the Cabezon
 Unit Area, State of New Marrices
- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, sental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or sevoked to conform with the terms and conditions of this agreement.

	*	Acting Disease History Confesion Committee	
		Doller A Baker	
Dated	DEC - 5	1901	

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CABEZON UNIT AGREEMENT

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated School 1, 195, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gun in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 2 8 th day of houseles, 1961.

Commissioner of Public Lands of the State of New Mexico

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF

THE CABEZON UNIT AREA

COUNTY OF SANDOVAL

STATE OF NEW MEXICO

No.

THIS AGREEMENT, entered into as of the <u>lst</u> day of <u>September</u>

1961, 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 are subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of 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 (Chap. 88, Laws 1943, as amended, Laws 1961 ch 176 \$1) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Cabezon.

Unit Area covering the land hereinafter described to give reasonably effective

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control of operations therein; and

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

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

- 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.
- 2. UNIT AREA. The area specified on the map attached hereto marked exhibit "A" is hereby designated and recognized as constituting the unit area, containing 22,742.57 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to 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,

- 2 -

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hereinafter referred to as "Supervisor", or the Commissioner of Public Lands, hereinafter referred to as "State Land Commissioner", and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the State Land Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

- (a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the State Land Commissioner after preliminary concurrence by the Director shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof preferably the first day of a month subsequent to the date of notice.
- (b) Said notice shall be delivered to the Supervisor and the Commissioner, 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 and State Land Commissioner evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator together with an application in sufficient numbers for approval of such expansion or contraction, and with appropriate joinders.
- (d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director and State Land Commissioner, become effective as of the date prescribed in the notice thereof.
 - (e) All legal subdivisions of unitized lands (i.e., 40 acres by

- 3 -

Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection) no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands 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 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

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If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-

acreage basis, respectively, with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 10-year period.

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

- 3. <u>UNITIZED LAND AND UNITIZED SUBSTANCES</u>. All lands committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". 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. <u>UNIT OPERATOR</u>. SHELL OIL COMPANY, a Delaware corporation, 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.
- the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been server by Unit Operator on all working interest owners and the Director and State Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the Commission as to State and privately-owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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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 at any time, for any reason whatsoever, there is no Unit Operator 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 resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

The Unit Operator may, upon default or failure in the performance of its duties or ouligations 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 State Land 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, or a change of Unit Operator is negotiated by working interest owners, 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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, 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 should be filed with the

Supervisor, and one true copy with the State Land Commissioner, prior to approval of this agreement.

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- 8. RICHTS 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 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor and the State Land Commissioner, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the top of the Cambrian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor and the State Land Commissioner 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 7,300 feet. 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

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to the satisfaction of said Supervisor and the State Land Commissioner 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 the State Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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Upon failure to comply with the drilling provisions of this section, the Director 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, the Unit Operator shall submit for the approval of the Supervisor and the State Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the State Land Commissioner shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the State Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the State Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such

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drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the State Land Commissioner. Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interest 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 the State Land Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the State Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

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PARTICIPATION AFTER DISCOVERY. Upon completion of a well cap-11. able of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the State Land Commissioner, the Unit Operator shall submit for approval by the Director, the State Land 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 Supervisor, the State Land Commissioner, and the Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. 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

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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 State Land Commissioner, and the Commission. The participating area or areas so established and approved 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, or to exclude Ÿ land then regarded as reasonably proved not to be productive, and the percentage of allocation shall also be revised accordingly. The effective date of any re-vision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section 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 the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director, the State Land 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 for Federal lands and the State Land Commissioner for State lands, and the amount thereof deposited, as directed by the Supervisor and the State Land 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

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Whenever it is determined, subject to the approval of the Supervisor as to wells on Federal land, and of the State Land Commissioner as to wells drilled on State 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, the State Land Commissioner, and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part of 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.

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Any party hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, and the State Land Commissioner as to State land, and the Commission as to privately-owned land, if any, 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, 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 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 contract, 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 nerein 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 therefore 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 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, the State Land Commissioner, and the Commission, 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, the State Land Commissioner, and the Commission 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 regulation; 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

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with the operating regulations as though each participating area were a single consolidated lease.

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 there of 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.

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

- 16. <u>CONSERVATION</u>. 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.
- measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement or with the consent of the Director and the State Land Commissioner pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands, or as approved by the State Land Commissioner for State land.
- 18. <u>LEASES AND CONTRACTS CONFORMED AND EXTENDED</u>. The terms, conditions, and provisions of all leases, subleases, and other contracts relating

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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 State Land Commissioner as to State leases, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal leases 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 and the State Land Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.
 - (d) Each lease, sublease or contract relating to the explor-

ation, 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 lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.
- (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) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended

by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

- (h) Any lease, other than a Federal 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 provisions 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.
- 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 OF TERM. This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate on the expiration of five (5) years from the effective date of this agreement unless (a) such date of expiration is extended by the Director and

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State Land Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and State Land Commissioner, or (c) a valuable discovery of unitized substances has been made or accepted 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 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 State Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 State Land Commissioner and as to any lands of the State of New Mexico or privately-owned lands, if any, subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the State 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. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands, and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the State Land Commissioner 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 State Land Commissioner or 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.
- 23. 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.
- 24. 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

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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.

- 25. 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.
- 26. NONDISCRIMINATION: In the performance of work under this agreement the operator agrees to comply with the nondiscrimination provisions of Executive Order 10925 (26 F. R. 1977).
- 27. 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 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 those due the State of New Mexico with the Commissioner of Public Lands of the State of New Mexico, 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.

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NONJOINDER 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 State Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. 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. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Land Commissioner, and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, State Land Commissioner or Commission.

29. 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.

30. 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, sublesse, 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 as to each participating area theretofore established hereunder, 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 with respect to each existing participating area, 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 as to each such participating area, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder as to any such participating area or areas 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 in any such participating area or areas, 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, and 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 nonexistence 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 State Land Commissioner my prescribe such reasonable and equitable agreement as they deem warranted under the circumstances.

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.

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

1	IN WITNESS WHEREOF, the parties	hereto ha	ve executed this agreement
2	on the date set opposite their respective	signature	S.
3		UNIT OPERA	ATOR AND WORKING INTEREST OWNER
4		SHELL OIL	COMPANY
5	Witness:	By_11	WShelpara
6	Date:	Manager	1008 West Saxth Street Los Angeles 54, California
8		WORKING IN	NTEREST OWNERS
9		CONTINENTA	AL OIL CORPORATION
10	Witness:	Ву	
11	Witness:		
12		Address:	P.60; Box 1121 Durango, Colorado
14		BRITISH AM	ERICAN OIL PRODUCING COMPAN
15	Witness:	Ву	· · · · · · · · · · · · · · · · · · ·
16			
17 18	Date:		Denver Club Building P. O. Box 180 Denver, Colorado
50 F 8		TRANSMOUNT	AIN PRODUCTION COMPANY
21	Witness:	Ву	
22		Ву	
23	Date:		800 San Jacinto Building Houston, Texas
24		ri tzareth	ANN ELLIOTT
25			
95			P. 0. Box 703
27	bate:		Roswell, New Mexico
28 29		DELHI-TAYL	OR OIL CORPORATION
30	Witness:	Ву	
31			
32		Address:	360 Denver Club Building Denver, Colorado

IN WITHESS WEERSCO and parties hereto have executed this agreement on the date set opposite their respective signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

On this day of , 1961, before me, the undersigned Notary Public, personally appeared M. E. THRASH, personally known to me to be and who, being by me duly sworn, did say that he is the person who is described in the within and foregoing instrument as Attorney in Fact of CONTINENTAL OIL COMPANY, a Delawere corporation, and who, as such Attorney in Fact, subscribed, signed and executed said instrument and he duly acknowledged to me that as such Attorney in Fact he subscribed, signed and executed said instrument as his free and voluntary act and deed on behalf of and as the free and voluntary act and deed of said CONTINENTAL OIL COMPANY, as principal, and for the purposes therein contained and by authority of a resolution of its Board of Directors.

My commission expires 10-10-10-10-

Witness my hand and official seal.

Notary Public (Signature)

Notary's Name (Typed or Printed)

Denver, Colorado Notary's Residence (Typed or Printed)

THE PROBLEM MODE TO SEE PART	ies hereto have executed this agreement
on the take was apposite to an appect	ive signatures.
	UNIT OPERATOR AND WORKING INTEREST OWNER
	SHELL OIL COMPANY
W. Eness.	By Manager, Land Department
Date:	Manager, Land Department Address: 1008 West Sixth Street Los Angeles 54, California
	WORKING INTEREST OWNERS
	CONTINENTAL OIL CORPORATION
Witness.	Ву
Withes:	Ву
Date:	Address: P. O. Box 1121 Durango, Colorado
• • • • • • • • • • • • • • • • • • •	HEBRITISH AMERICAN OIL PRODUCING COMPANY
Witness: Quene & Sheppard	By Island E Soy
Witness: Beverley a. Robert	By ATTORNEY-IN-FACT
Witness: June & Sheppard Witness: Buesley a. Roberto Date: November 22, 1961	Address: Denver Club Building P. O. Box 160 P. O. BOX Denver, Colorado DALLAS, Till
	TRANSMOUNTAIN PRODUCTION COMPANY
Witness:	Ву
Witness:	Ву
Date:	Address: 800 San Jacinto Building Houston, Texas
	ELIZABETH ANN ELLIOTT
Witness:	Ву
Date:	Address: P. O. Box 703 Roswell, New Mexico
	DELHI-TAYLOR OIL CORPORATION
litness:	Ву
	Ву
Vitness:	
Date:	Address: 360 Denver Club Building Denver, Colorado

15 DIFFERS WARRED | 1 % parties hereto have executed this agreement on the data not opposite their respective signatures. UNIT OPERATOR AND WORKING INTEREST OWNER SHELL OIL COMPANY By Manager, Land Department Address: 1008 West Sixth Street We allowed the second of the s Date los Angeles 54, California WORKING INTEREST OWNERS CONTINENTAL OIL CORPORATION Witness. By Ву Witness: Address: P. O. Box 1181 Date: Durango, Colorado BRITISH AMERICAN OIL PRODUCING COMPANY Witness: Ву Witness: Date: Address: Denver Club Building P. O. Box 180 Denver, Colorado TRANSMOUNTAIN PRODUCTION COMPANY Witness: Ву____ Address: 800 San Jacinto Buildi Houston, Texas ELIZABETH ANN ELLIOTT Witness: By____ Address: P. O. Box 703 Date: Roswell, New Mexico DELHI-TAYLOR CIL CORPORATION

Ву

Ву___

Address: 360 Denver Club Building

Denver, Colorado

Witness:

Witness:

Date:

on the auto set opposite their respective signatures.

	UNIT OPERATOR AND WESTING INTEREST OWNER
	SHELL OIL COMPANY
Withest:	By Manager, Land Department
Dates	Manager, Land Department Address: 1008 West Sixth Street Los Angelas 54, California
	WORKING INTEREST OWNERS
	CONTINENTAL OIL CORPORATION
Witness:	By
Witness:	Ву
Date:	Address: P. O. Box 1121 Durange, Colorado
	BRITISH AMERICAN OIL PRODUCING COMPANY
Witness:	Ву
Witness:	Ву
Date:	Address: Denver Club Building P. O. Box 180 Denver, Colorado
	TRANSMOUNTAIN PRODUCTION COMPANY
Witness:	Ву
Witness:	Ву
Date:	Address: 800 San Jacinto Building Houston, Texas
	ELIZABETH ANN ELLIOTT
Witness:	By Elizabeth Ann Gelliott
Date:	Address: P. O. Box 703 Roswell, New Mexico
	DELHI-TAYLOR OIL CORPORATION
Witness:	Ву
Witness:	Ву
Date:	Address: 360 Denver Club Building Denver, Colorado

IN WITHERS WHEREOF, the parties hereto have executed this agreement on the date set opposite their respective signatures.

	UNIT OPERATOR AND WORKING INTEREST OWNER
	SHELL OIL COMPANY
DICHESS:	Ву
ates	Manager, Land Department Address: 1008 West Sixth Street Los Angeles 54, California
	WORKING INTEREST OWNERS
	CONTINENTAL OIL CORPORATION
itness:	By
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ate:	Address: P. O. Box 1121 Durango, Colorado
	BRITISH AMERICAN OIL PRODUCING COMPANY
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ate:	Address: Denver Club Building P. O. Box 180 Denver, Colorado
	TRANSMOUNTAIN PRODUCTION COMPANY
tness:	Ву
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ate;	Address: 800 San Jacinto Building Houston, Texas
	ELIZABETH ANN ELLIOTT
tness:	Ву
ate:	Address: P. O. Box 703 Roswell, New Mexico
	DELHI-TAYLOR OIL CORPORATION
tness: Quliene Deese	By Plant Vice Presidents
tness: Druible C. Walling	By Jatherine Willer
ite: 11-32-61	Acsistant Secretary Address: 360 Denver Club But 45,000 Denver, Colorado

sa mostider ation of the execus	ion of the Unit Agreement for the development
and operation of the Cabezon Unit Area,	Sandoval County, State of Mew Mexico, by
Shell De Company, as Unit Operator, and	the approval thereof by the Secretary of
the Interior or his duty authorized repr	esentative, dated the lst day of
September , 1961 , rec	eipt of a copy of which is hereby acknowledged,
in production covered by said Unit Agree his particular ownership or interest, co the Unit Area therein defined, approve a any modifications thereof approved by the authorized representative, as applicable that the drilling and development require which their several rights and interests performed by performance of the provision ment for or delivery of (whichever may be the proceeds of gas duly made upon the bear agreement to the particular lands to which	the said several lands and interests, agree ements of all lesses and other contracts in are created or defined shall be deemed fully as of said Unit Agreement, and agree that payer required under prior agreements) oil and of asis of production allocated under said Unit ch such rights or interests apply, regardless astitute full performance of all such obligations
The undersigned also authorize execution copies of said Unit Agreement.	Unit Operator to attach this Consent to the
Witness	By Willard W. Moyer
	Villard V. Hoyer
Witness	By Ethel L. Moyer
	thel. L. Hoyer
Date	Address Foot USTS on Do. 393
	As to Tract No. 1
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Witness	By we not the second of the se
Date	Address

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in consideration of the execution	n of the Unit Agreement for the development
and operation of the Cabezon Unit Arma, Sa	ndoval County, State of New Mexico, by
Shell Oil Company, as Unit Operator, and t	he approval thereof by the Georgiany of
the Interior or his duly authorized repres	intetive, dated the day of
19 H., recei	pt of a copy of which is hereby acknowledged,
In production covered by said Unit Agreeme his particular overship or interest, consider Unit Area therein defined, approve and any modifications thereof approved by the authorized representative, as applicable to that the drilling and development requirem which their several rights and interests approved by performance of the provisions ment for or delivery of (whichever may be the proceeds of gas duly made upon the base Agreement to the particular lands to which of actual production therefrom, shall conside the undersigned existing under such lead	ent to the inclusion of haid lands within adopt the terms of said Unit Agreement and Secretary of the interior, or his duly o said several lands and interests, agree ents of all leases and other contracts in re created or defined shall be deemed fully of said Unit Agreement, and agree that pay- required under prior agreements) oil and of is of production allocated under said Unit such rights or interests apply, regardless titute full performance of all such obligations
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Date	Address Fot Office Fox 127 Lanta Fe, New Mexico
	As to Tract No. 1
Witness	Ву
Witness	Ву
Date	Address

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and operation of the Caberon Unit As as Se	andoval County, That I have Areco, by
Shell Off Company, as Unit Operators and	he approved the set by the Pessetary of
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The undersigned also authorise U execution copies of said Unit Agreement.	init Operator to alledo this Consent to the.
Witness	By Koy Love Hood
Witness	Ву
Date	Address fil bouth Hissouri Roswell, New Mexico
	As to Tract No. 2
Witness	Ву
Witness	By
Date	Address

A Committee of the Comm	of the Unit Agreement for the development
and deems high or as a second public A had, Second	rioval County, State of New Mexico, by
Shell Collespany, a think Colonies, and the	me approval thereof by the Scopetary of
the Interior or bis duty setteplize' represe	entative, dated the <u>lst</u> day of
September . 10 63 . nese:	pt of a copy of which is hereby acknowledged,
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The undersigned also authorize Un execution copies of said Unit Agreement.	it Operator to attach this Consent to the
Witness	By Casal Queera Curea
Witness	By Jersey Ciercing
Date	Address 330 West I Street
:	As to Tract No. 3
Witness	Ву
Witness	Ву
Date	Address

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and operation of the Caberon Unit A was Se	andoval County, State of The Mexico, by
Shell Oil Company, as Unit Operator, and	the approval thereof by the Secretary of
the interior or his duly authorized repres	entative, dated the day of
19 cocet	ipt of a copy of which is hereby acknowledged,
in production covered by said Unit Agreems his particular ownership or interest, consthe Unit Area therein defined, approve and any modifications thereof approved by the authorized representative, as applicable that the drilling and development requirem which their several rights and interests a performed by performance of the provisions ment for or delivery of (whichever may be the proceeds of gas duly made upon the bas Agreement to the particular lands to which	so said several lands and interests, agreements of all lesses and other contracts in are created or defined shall be deemed fully of said Unit Agreement; and agree that payrequired under prior agreements) oil and of its of production allocated under said Unit a such rights or interests apply, regardless stituts full performance of all such obligations
The undersigned also authorize texecution copies of said Unit Agreement.	Smit Operator to attach this Consent to the
Witness	By CD CO
	George E. Conley
Witness	By
A SALE AND MICHAEL STATE AND ADDRESS AND A	
Date	Address Fort Office Fox # C-11 Santa Fe, Now Hexico
	As to Tract Nos. 3 and 9
Witness	Ву
Witness	By
Date	Address
Date	Address

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end operation of the Cabezon Unit Ac a, Sa	ndoval Courty, state of the Washo, by
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Witness	By Ames Fickary
Witness	Ву
Date	Address 1251 Abouts, Was Readen
	As to Tract No. 4
Witness	Ву
Witness	By
	A 22-17-18-18-18-18-18-18-18-18-18-18-18-18-18-
Date	Address 200

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In complete tion of the execution	of the Unit Agreement for the development
and operation of the Tabezon Unit Area, San	doval County, State of New Mexico, by
Shell Oil Company, as Unit Operator, and th	e approval thereof by the Sometary of
the Interior or his July authorized represe	ntative, dated the <u>lst</u> day of
September , 19 61 , recei	pt of a copy of which is hereby acknowledged,
the undersigned owners of lamis or interest in production covered by said Unit Agreemen his particular ownership or interest, conse the Unit Area therein defined, approve and any modifications thereof approved by the Sauthorized representative, as applicable to that the drilling and development requirement which their several rights and interests are performed by performance of the provisions ment for or delivery of (whichever may be rethe proceeds of gas duly made upon the basis Agreement to the particular lands to which of actual production therefrom, shall constitute undersigned existing under such lease	t hereby severally, each to the extent of nt to the inclusion of said lands within adopt the thems of said Unit Agreement and ecretary of the Interior, or his duly said several lands and interests, agreents of all leases and other contracts in ecreated or defined shall be deemed fully of said Unit Agreement, and agree that payequired under prior agreements) oil and of sof production allocated under said Unit such rights or interests apply, regardless itute full performance of all such obligations
The undersigned also authorize Un execution copies of said Unit Agreement. Witness Edie - Lu Russell	By Roy Linear Lewer
Witness Helew Steward	Ву
Date	Address Stulcy Building Sichita Falls, Texas
	As to Tract No. 5
Witness	Ву
Witness	Ву
Date	Address

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and operation of the cabezon Unit Ass. 3s.	ndavai Country, State to San Maxico, by
Shell Oil Company, as Unit Operator, and to	he approval that got by the Geenetary of
the Interface or his duly authorized representation	entative, datad the Rev day of
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The undersigned also authorize Unexecution copies of said Unit Agreement.	nit Operator to attach this Consent to the
Witness	By Tauf & Catterson By Mary & Catterson Carry & Catterson
Date	Address P. O. Box 58 Evergreen, Colorado
	As to Tract No. 5
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Date	Address

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and operation of the dilezon Wolt Area, San	ndoval County, State of New Mexico, by
Shell Oil Company, Dait Operator, and the	e approval thereof by the Sessetury of
the Interior of mis duly authorized represe	ntative, dated the late day of
September , 19 61 , recei	pt of a copy of which is hereby acknowledged,
ment for or delivery of (whichever may be r the proceeds of gas duly made upon the basi Agreement to the particular lands to which	t hereby severally, each to the extent of nt to the inclusion of said lands within adopt the terms of said Unit Agreement and ecretary of the Interior, or his duly said several lands and interests, agree nts of all leases and other contracts in e created or defined shall be deemed fully of said Unit Agreement, and agree that payequired under prior agreements) oil and of s of production allocated under said Unit such rights or interests apply, regardless itute full performance of all such obligations
The undersigned also authorize Un execution copies of said Unit Agreement.	it Operator to attach this Consent to the
Witness	By Lecture C. Hetchico
Witness	By alpha h Hatchurk Alpha L. Botchiles
Date	Address 1949 North Van Nese Bouleverd Prospo 1, California
	As to Tract No.
Witness	Ву
Witness	Ву
Date	Address

in consideration of the execunto	m of the Unit Agreement for the development
and vectation of the Caberon Unit Area, Sa	adovai County, State of Max Merrio, by
Shell til Company, as Unit Operator, and t	he approval thereof by the Teoretary of
the lover or his duly authorized repres	entative, dated the lat day of
September , 19 61, recei	pt of a copy of which is hereby acknowledged,
In production covered by said Unit Agreement his particular ownership or interest, consiste Unit Area therein defined, approve and any modifications thereof approved by the sauthorized representative, as applicable to that the drilling and development requirement their several rights and interests a performed by performance of the provisions ment for or delivery of (whichever may be the proceeds of gas duly made upon the basis Agreement to the particular lands to which	ent to the inclusion of said lands within adopt the terms of said Unit Agreement and Secretary of the Interior, or his duly o said several lands and interests, agree ents of all lesses and other contracts in re-created or defined shall be deemed fully of said Unit Agreement, and agree that pay-required under prior agreements) oil and of is of production allocated under said Unit such rights or interests apply, regardless titute full performance of all such obligation
The undersigned also authorize Unexecution copies of said Unit Agreement. Witness Witness	nit Operator to attach this Consent to the
Witness Mrs. Clark a Branum	By Agent P. Ichemate
Date November 24, 1961	Address P. C. Sox 75 Fort Summer, New Monico
	As to Tract No. 7 and 12
Witness	Bv
W. I. Olice D. C. Commission of the Commission o	By
Witness	By
Date	Address

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and operation of the Cabezon That A	sa, Sandoval Councy, Met in No. Serico, by
Shell and company, as Unit Operator,	and the approval thereof by the resectary of
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Witness () May My	By Bruce Andorson
a Much	
Witness	By Manuellin Andrews
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en a para a mana de como en esta del del del de	Address 930 Potroloum Club Puilding
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Date Nov. 15/46/	Address 930 Potroleum Club Pailaing Donver 2, Colorado As to Tracts No. 3, 18
Date Nov. 15/961	Address 930 Potroleum Club Publiding Derwor 2, Colorado As to Tracts No. 8,18
Date Nov. 15 1461 Witness	Address 930 Potrolem: Club Pullaing Derwor 2, Colorado As to Tracts No. 8, 18
Date Nov. 15/46/	Address 930 Potroleum Club Pailaing Donver 2, Colorado As to Tracts No. 3, 18

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and operation of the tempor that Arma, San	doval County, State of New Maxico, by
Shell Gil Company, on total Openator, and the	e approval thereof by the Secretary of
the Interior or bi-duty anthorized represen	ntative, dated the <u>lst</u> day of
September . 19 61 resei	ol of a copy of which is hereby acknowledged,
the undersigned orders of lards or interests in production cowned by haid Unit Agreementhis particular owner ship on interest, conserthe Unit Area therein is fined, approve and any modifications thereof approved by the Searthorized representative, as applicable to that the drilling and development requirementhic their several rights and interests are performed by performance of the provisions of ment for or delivery of (whichever may be rethe proceeds of gas duly made upon the basis Agreement to the particular lands to which so factual production therefrom, shall constitute the undersigned existing under such lease	t hereby severally, each to the extent of at to the inclusion of said lands within adopt the terms of said Unit Agreement and excetary of the Interior, or his duly said several lands and interests, agree ats of all leases and other contracts in a created or defined shall be deemed fully of said Unit Agreement, and agree that payequired under prior agreements) cil and of a of production allocated under said Unit such rights or interests apply, regardless tute full performance of all such obligations
The undersigned also authorize Uniexecution copies of said Unit Agreement.	at Operator to attach this Consent to the
Witness	Vincent Cuccia
	f · p
Williams	By Xouse Wood
	marga electa
Date	Address P. O. Dox 247 Cnterio, California
	As to Tract No. 10
Witness	Ву
Witness	Бу
Date	Address

CONSENT

In consideration of the execution	on of the Unit Agreement for the development
and operation of the Cabezon Unit Area, Sa	indoval County, State of New Mexico, by
Shell Otl Company, as Unit Operator, and t	he approval thereof by the Secretary of
the Interior or his duly authorized repres	entative, dated the het day of
19 il, recei	pt of a copy of which is hereby acknowledged,
in production covered by said Unit Agreeme his particular ownership or interest, consthe Unit Area therein defined, approve and any modifications thereof approved by the authorized representative, as applicable that the drilling and development requirem which their several rights and interests a performed by performance of the provisions ment for or delivery of (whichever may be the proceeds of gas duly made upon the bas Agreement to the particular lands to which	ent to the inclusion of said lands within adopt the terms of said Unit Agreement and Secretary of the Interior, or his duly o said several lands and interests, agree ents of all lesses and other contracts in re-created or defined shall be deemed fully of said Unit Agreement, and agree that pay-required under prior agreements) oil and of is of production allocated under said Unit such rights or interests apply, regardless titute full performance of all such obligations
execution copies of said Unit Agreement.	nit Operator to attach this Consent to the By Marion 2. Havin
Witness	Marioa V. Herris
Witness	By aum c, Ani
	Lawrence C. Harris
Date	Address P. O. Box 1719 Roswell, New Mexico
	As to Tract No. 11
Witness	Ву
	and the second of the second o
Witness	By
	*
Date	Address

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and openation of our discusses this Area, Sand	doval County, State of New Mexico, by
Shell O'. Company, to Unit Operator, and the	approval thereof by the Secretary of
the Interior or bis duty authorized represen	etative, dated the <u>lst</u> day of
September , 19 61 , receip	ot of a copy of which is hereby acknowledged,
the undersigned owners of lands or interests in production covered by said Unit Agreement his particular ownership or interest, consenthe Unit Area therein refined, approve and a any modifications thereof approved by the Se authorized representative, as applicable to that the drilling and development requiremen which their several rights and interests are performed by performance of the provisions of ment for or delivery of (whichever may be rethe proceeds of gas duly made upon the basis Agreement to the particular lands to which sof actual production therefrom, shall constitute the undersigned existing under such lease	hereby severally, each to the extent of it to the inclusion of said lands within dopt the terms of said Unit Agreement and cretary of the Interior, or his duly said several lands and interests, agree ts of all leases and other contracts in created or defined shall be deemed fully f said Unit Agreement, and agree that payquired under prior agreements) oil and of of production allocated under said Unit uch rights or interests apply, regardless tute full performance of all such obligation
The undersigned also authorize Uniexecution copies of said Unit Agreement.	t Operator to attach this Consent to the
Witness Charlett Teterron	isalton the american
Witness Ellie L. Muelles	By Kathleen Marrison Rathleen iterrison
Date May 18, 1961	Address 1/20 Vernont Street Houston, Demas
	As to Tract No. 13 and 14
Witness	Ву
Vitness	Ву
Date	Address

DASENT

In consideration of the asombion	of the Unit Agreement for the development
and operation of the Cabezon Unit Area, Sand	loval County, State of New Mexico, by
Shell Oil Company, as Unit Operator, and the	approval thereof by the Secretary of
the Interior on his duly authorized represen	tative, dated the <u>lst</u> day of
September , 19 61 , receip	ot of a copy of which is hereby acknowledged,
to the undersigned existing under such lease	hereby severally, each to the extent of to the inclusion of said lands within dopt the terms of said Unit Agreement and cretary of the Interior, or his duly said several lands and interests, agree ts of all leases and other contracts in created or defined shall be deemed fully f said Unit Agreement, and agree that payquired under prior agreements) oil and of of production allocated under said Unit uch rights or interests apply, regardless tute full performance of all such obligations
execution copies of said Unit Agreement. Witness Almae Caldwell	7
Witness	Ву
Date	Address 1010 South Coast Building Houston 2, Texas
	As to Tract No. 15
Witness	Ву
Witness	Ву
Date	Address

COMBENT

In consideration of the executi	on of the Unit Agreement for the development
and operation of the Cabezon Unit Acea, S	Sandoval County, State of New Mexico, by
Shell GA: Company, as Unit Operator, and	the approval thereof by the Secretary of
the Interior or his duly authorized repre	sentative, dated the day of
, 19 , rece	ipt of a copy of which is hereby acknowledged,
in production covered by said Unit Agreem his particular ownership or interest, con the Unit Area therein defined, approve an any modifications thereof approved by the authorized representative, as applicable that the drilling and development require which their several rights and interests performed by performance of the provision ment for or delivery of (whichever may be the proceeds of gas duly made upon the bandgreement to the particular lands to which	to said several lands and interests, agree ments of all leases and other contracts in are created or defined shall be deemed fully s of said Unit Agreement, and agree that payrequired under prior agreements) oil and of sis of production allocated under said Unit h such rights or interests apply, regardless stitute full performance of all such obligations
The undersigned also authorize execution copies of said Unit Agreement.	Unit Operator to attach this Consent to the
Witness	By Gail B. Horne and Georgina Horne
Witness	By the Change Sysphine Thomson Alan Thomson and Josephine Thomson
Date	Address 7 West Pepper
	Mesa, Arizona As to Tract No. 16
Witness	By John W. Moon and Marion E. Moon
Witness	By Cliffact Class because Clifford Wolfswinkel and Clifford Wolfswinkel
Date	Address 7 West Pepper Mesa, Arizona
	As to Tract No. 16

In consideration of the execution	on of the Unit Agreement for the development
and operation of the Cabezon Unit Area, Sa	ndoval County, State of New Mexico, by
Shell Old Company, as Unit Operator, and t	he approval thereof by the Secretary of
the Interior or his duly authorized repres	entative, dated the 1st day of
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in production covered by said Unit Agreeme his particular ownership or interest, consthe Unit Area therein defined, approve and any modifications thereof approved by the authorised representative, as applicable that the drilling and development requirem which their several rights and interests a performed by performance of the provisions ment for or delivery of (whichever may be the proceeds of gas duly made upon the bas Agreement to the particular lands to which	ent to the inclusion of said lands within adopt the terms of said Unit Agreement and Secretary of the Interior, or his duly o said several lands and interests, agree ents of all leases and other contracts in re-created or defined shall be deemed fully of said Unit Agreement, and agree that payrequired under prior agreements) oil and of is of production allocated under said Unit such rights or interests apply, regardless titute full performance of all such obligations.
The undersigned also authorise Unit Agreement.	nit Operator to attach this Consent to the
Witness M. M. Miller	By Seloning
Witness	Ву
Date	Address P. O. Box 780 Santa Fe, Best Nexico
	As to Tract No. 17
Witness	By
Witness	Ву
Date .	Address

In consideration of the executi	on of the Unit Agreement for the development
and operation of the Cabezon Unit Area, S	andoval County, State of New Mexico, by
Shell GLI Company, as Unit Operator, and	the approval thereof by the Secretary of
the Interior or his duly authorized repre	sentative, dated the 186 day of
5000 3 rece	ipt of a copy of which is hereby acknowledged,
in production covered by said Unit Agreem his particular ownership or interest, con the Unit Area therein defined, approve an any modifications thereof approved by the authorized representative, as applicable that the drilling and development require which their several rights and interests performed by performance of the provision ment for or delivery of (whichever may be the proceeds of gas duly made upon the backgreement to the particular lands to which	to said several lands and interests, agreements of all leases and other contracts in are created or defined shall be deemed fully s of said Unit Agreement, and agree that payrequired under prior agreements) oil and of sis of production allocated under said Unit h such rights or interests apply, regardless stitute full performance of all such obligations.
The undersigned also authorize execution copies of said Unit Agreement.	Unit Operator to attach this Consent to the By Jounne F. Angstman
Charles Williams	Jounne F. Angstman
Witness	Ву
Date Hay in had 20 91	Address 930 Petroleum Club Building Denver 2, Colorado
	As to Tract No. 13
Witness .	By
	and the control of th
Witness	By
Deté	Address

PERT AVAILABLE COPY

Date November 20, 1961 Witness	Address Suite 466, Cameron Building 2915 Classen Boulevard Chiahora City, Oklahoma As to Tract No. 18 By
Witness Satherne Dodson Date November 20, 1961 Witness	Address Suite 466, Cameron Building 2915 Classen Boulevard (klahoma City, Oklahoma As to Tract No. 18
Date November 20, 1961	Address Suite 466, Cameron Building 2915 Classen Boulevard Cklahora City, Oklahora As to Tract No. 18
Date November 20, 1961	Address Suite 466, Cameron Building 2915 Classen Boulevard Cklahoma City, Oklahoma As to Tract No. 18
	Address Suite 466, Cameron Building 2915 Classen Boulevard Vklahova City, Oklahova
	Address Suite 466, Cameron Building 2915 Classen Boulevard Vklahova City, Oklahova
	Address Suite 466, Cameron Building 2915 Classen Boulevard
	By John Band Pertner
Witness Satherine Dodson	By And m. Band
Witness Satherne Dodson	By WM Beard Partner
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	nit Operator to attach this Consent to the
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the undersigned owners of lands or interest	
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the undersigned owners of lands or interest	ipt of a copy of which is hereby acknowledged,
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the Interior on his duly authorized representation of his duly authorized representation of the undersigned owners of lands or interest	ne approval thereof by the Secretary of entative, dated the <u>lst</u> day of ipt of a copy of which is hereby acknowledged,

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The undersigned also authorize	Unit Operator to attach this Consent to the
execution copies of said Unit Agreement.	
execution copies of said Unit Agreement. Vitness Abrathy J. Ellian - E. P. T.C.	By Michael S. Shearn By
execution copies of said Unit Agreement. Vitness a Grathy J. Ellian - E. P. Te.	
vitness abrathy fillian - EP. Te.	By Address P. O. Box 9043
vitness abrathy J. Ellian - E. P. Te. Vitness Vitness Vitness	Address P. O. Box 5/43 Roswell, New Mexico
execution copies of said Unit Agreement.	Address P. O. Box 5/43 Roswell, New Mexico As to Tract No. 19

Shell Old Company, as Unit Operator, and the Interior or his duly authorized repres	the approval thereof by the Secretary of entative, dated the lated day of
the interior or his duly authorized repres	entative, dated the lat day of
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	pt of a copy of which is hereby acknowledged,
in production covered by said Unit Agreements particular ownership or interest, consisted Unit Area therein defined, approve and any modifications thereof approved by the authorized representative, as applicable that the drilling and development requirements their several rights and interests a performed by performance of the provisions ment for or delivery of (whichever may be the proceeds of gas duly made upon the bas Agreement to the particular lands to which	sadopt the terms of said Unit Agreement and Secretary of the Interior, or his duly so said several lands and interests, agreements of all leases and other contracts in the created or defined shall be deemed fully of said Unit Agreement, and agree that payrequired under prior agreements) oil and of its of production allocated under said Unit such rights or interests apply, regardless attitute full performance of all such obligation
execution copies of said Unit Agreement.	By Tuginia L. Saunders
Witness	By Marina A. Dawnder
	VANGALISE DE L'EUMINED
Witness	Ву
	The state of the s
Date	Address 1442 Seville Road Santa Fe, New Mexico
Date	Address 1442 Scville Road
	Address 1442 Seville Road Santa Fe, New Hexico
Date Witness	Address 1442 Seville Road Santa Fe, New Hexico As to Tract No. 19
Witness	Address 14/2 Seville Road Santa Fe, New Hexico As to Tract No. 19
	Address 1442 Seville Road Santa Fe, New Hexico As to Tract No. 19
Witness	Address 1442 Seville Road Santa Fe, New Hexico As to Tract No. 19 By
Witness	Address 14/2 Seville Road Santa Fe, New Hexico As to Tract No. 19
Witness	Address 1442 Seville Road Santa Fe, New Hexico As to Tract No. 19 By

OBSENT

In consideration of the exercision	of the Unit Agreement for the development
and operation of the the ezon Wall Arma, San	loval County, State of New Mexico, by
Shell Of Company, as Unit Operator, and the	e approval thereof by the Sermetary of
the Interior on his duly authomized represer	ntative, dated the <u>lst</u> day of
September . 19 61 . receip	ot of a copy of which is hereby acknowledged,
the undersigned owners of lands or interests in production cowered by said Unit Agreement his particular ownership or interest, consert the Unit Area therefor defined, approve and a any modifications thereof approved by the Se authorized representative, as applicable to that the drilling and development requirement which their several rights and interests are performed by performance of the provisions of ment for or delivery of (whichever may be rethe proceeds of gas duly made upon the basis Agreement to the particular lands to which sof actual production therefrom, shall constitute the undersigned existing under such lease	thereby severally, each to the extent of at to the inclusion of said lands within adopt the terms of said Unit Agreement and cretary of the Interior, or his duly said several lands and interests, agree ats of all leases and other contracts in created or defined shall be deemed fully of said Unit Agreement, and agree that payquired under prior agreements) oil and of of production allocated under said Unit uch rights or interests apply, regardless tute full performance of all such obligation
The undersigned also authorize Uniexecution copies of said Unit Agreement.	t Operator to attach this Consent to the
Witness W. Rothyfo	By Aut ruist
Witness W. Rollage	By Males 13 Prest Bolon B. Priest
Date 100 21 / 86/	Address 1716 Norton Place Steudenville, Chic
	As to Tract No. 20
Witness	Ву
Witness	Ву
Date	Address

on coass orginal of the execution	on of the Unit Agreement for the development
and operation of the Cabezon Unit Assa, Se	andoval County, State of Dec Mexico, by
Shell (41 company, as Unit Operator, and	the approval thereof by the incretary of
the Inserior or his duly authorized repres	sentative, dated the lat day of
Coptember , 19 61 recei	ipt of a copy of which is hereby acknowledged,
in production govered by said Unit Agreeme his particular ownership or interest, cons the Unit Area therein defined, approve and any modifications thereof approved by the authorized representative, as applicable t that the drilling and development requirem which their several rights and interests a performed by performance of the provisions ment for or delivery of (whichever may be the proceeds of gas duly made upon the bas Agreement to the particular lands to which	secretary of the interior, or his duly so said several fands and interests, agreements of all leases and other contracts in are created or defined shall be deemed fully sof said Unit Agreement, and agree that payrequired under prior agreements) oil and of sis of production allocated under said Unit a such rights or interests apply, regardless stitute full performance of all such obligations
The undersigned also authorize U execution copies of said Unit Agreement.	Init Operator to attach this Consent to the
Witness	By Puth Rose
Witness	By Ruth Rose
Witness	
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magical for the training and the last and magical segments are not the first attention arms applicate that has been about the continuer	Auth Lauc
Witness	By Address Foot Chico Fox 243
Witness	Address Fort Lifting hex 243 There has Leaden
Witness	Address Fort Lifting hex 243 There has Leaden
Witness	Address Port Tables Fox 743 Tools Nos Tools Tools As to Tract Nos 22 and 26
Witness	Address Port Tables Fox 743 Tools Nos Tools Tools As to Tract Nos 22 and 26
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and the executive	n of the Unit Agreement for the development
and operior can be subjected that weaks to	andoval touety, State of Mar Mersico, by
Shelt cessary, an Unit Operator, and t	the approval thereof by the Secretary of
the lane, or or his duly authorized repres	entative, dated the list day of
September , 1961 , reces	pt of a copy of which is hereby acknowledged,
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The undersigned also authorize U execution copies of said Unit Agreement.	hit Operator to attach this Consent to the
Wi.tness	(By James Allhylit
Witness	By Beth Ruth Wingle
	Society many management
Date	Address % Cox 2124 Coxico
and the second of the second o	As to Tract No. 22, 23, 27, 29, 33 and 31
Witness	By
Witness	By
Date	Address

In consideration of the execut	ion of the Unit Agreement for the devel	lopment
and operation of the Cabezon Unit Acea,	Sandoval County, State of New Mexico, 1	у
Shell Gal Company, as Unit Operator, and	the approval thereof by the Secretary	of "and
the Interior or his duly authorized repre	esentative, dated the day	of
, 19 , rece	eipt of a copy of which is hereby acknowledge	wledged
the undersigned owners of lands or interest in production covered by said Unit Agreer his particular ownership or interest, conthe Unit Area therein defined, approve as any modifications thereof approved by the authorized representative, as applicable that the drilling and development require which their several rights and interests performed by performance of the provision ment for or delivery of (whichever may be the proceeds of gas duly made upon the bear expensed to the particular lands to which the particu	ment hereby severally, each to the extensent to the inclusion of said lands wind adopt the terms of said Unit Agreement of Secretary of the Interior, or his dult to said several lands and interests, as ments of all leases and other contract are created or defined shall be deemed as of said Unit Agreement, and agree the required under prior agreements) oil asis of production allocated under said the such rights or interests apply, regardstitute full performance of all such of eases or other contracts.	ent of thin ent and y agree in fully at payand of Unit rdless bligation
CTYRST	ASERICAN NEWAL CLIPAX, INC.	o the
Assistant Secretary	MANAGER, OIL CIVISION	
Witness	By)
Date	Address 330 Columbine Building 1845 Sherman Street Denver 3, Colorado	• • • • • • • • • • • • • • • • • • •
	As to Tract No. 23	1 2 %
Witness	Ву	······································
Witness	By	
"- VIIGOD		
Date	Address	

and operations of the See sizes . I. i. Adda, S	andowal County: State of New Maxico, by
Shell Cil Coupany, at Unit Operator, and	the approval thereof by the Secretary of
the Interior or his duly sufferized repres	sentative, dated the <u>lst</u> day of
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execution copies of haid Julib Agreement.	Init Operator to attach this Consent to the
316	BOBILI
Witness (1000maac)	By B. J. Bradshaw
	By J. J. Bradeline By J. J. Bradeline
Witness h. O. January	
Witness h. O. January	By To And Co. Address 337 Prorport Avenue
Witness	By K. J. Bredster Address 337 Plorport Avenue out Lose City, Utah
Witness <u>h. U. January</u> Date <u>11-17-61</u>	Address 33? Plarpost Avenue alt Lake City, Utah As to Tract No. 24

easy that of the Unit Agreement for the development

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and operation of the Tomozon truly 2000, ban	doval County, State of New Mexico, by
Shell of two spaces, on Unit Operators, and the	a approval thereof by the Scoretury of
the intertion or his duly suthorized represent	itative, dated the <u>lst</u> day of
September: 17 (1. recei	ot of a copy of which is hereby acknowledged,
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The undersigned also authorize Uniexecution copies of said Unit Agreement.	t Operator to attach this Consent to the
Witness Down Balcock Witness Down Balcock	By Mine Hotel Hobber
Date 20-1961	Address 4917 Vantage Avenua North Hollywood, California
	As to Tract No. 20
Witness	Ву
Witness	Ву
Date	Address
	As to Tract No.

. In coadqueration of the execution	n of the Unit Agreement for the development
and operation of the Cabezon Unit Acoa, Sa	ndoval County, State of New Mexico, by
Shell Onl Company, as Unit Operator, and t	he approval thereof by the Secretary of
the Interior or his duly authorized repres	entative, dated the day of
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The undersigned also authorize Usexecution copies of said Unit Agreement.	nit Operator to attach this Consent to the
Witness Burry J. Vilant	By Off Succession
Witness Burry J. Pilant	By Blood C. Cunninghan Berval C. Cunninghan
Date November 16,1961	Address 810 Midland Savings Suilding Denver 2, Colorado
	As to Tract No. 28
Witness	By
Witness	By
en grande de la companya de la comp Reference de la companya de la comp	
Date	Address

Sept. 200

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and operation of the Sabetan Unit as no Se	maloval County, the County Sextro, by
Shell fall Company, an Unit Operator and	the Epperoral the art by the Secretary of
the Intercores bis duly authorized a pres	entstive, dote. The garage day of
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execution copies of said Unit Agreement.	init Operator to steach this Consent to the
Witness	By Christish Son Elliott 11 Enboth Am Elliott (1) Oll A
Witness	Prace 0. Ellion
Date	Address P. O. Box 703 Roswell, New Mexico
	As to Tract No. 29 and 30
Witness	By
Witness	By
Date	Address
THE STATE OF THE S	
	As to Tract No.

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and operation of the Coberon Unit & s. S	sadoval County, It to the Mexico, by
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the Interior or big duly authorized rigge	sentation, doubt the light way of
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	Unit Operator to attach this Consent to the
Witness	By Cra R. Hall, Sr.
	ora v. mull, ur.
Witness	By Edu Jon Hell
	Edna Ione Hall
Date	Address F. O. Box 1981
	Roswell, New Mexico
	As to Tract No. 31
Witness	By
Witness	Ву
THE OLICES IN	The sequential participations against the St. Co. Which is the second of the second constitution of th
Date	Address

Witness Dadine L. Jumer By Children Witness Madine L. Jumer By Landry Blackardson Testing De Higherdson Address 200 Amte Vista, M. M. Albuquerque, New Mexico As to Tract No. 33	in owned wention of the executio	n of the Unit Agreement for the development
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Date Nov. 16 1961 Address 2929 Honte Vista, Helio Albuquerque, New Mexico As to Tract No. 33 Witness By	Witness Gadine L. Jumer	By Olhindron E. R. Hichardson
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and operation of the Ceberon Unit As a, Sa	ndeval County, Thats of the Mexico, by
Shell Doj Company, as Unit Operator, and the	he approval the coof by the Secretary of
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Date <u>Nov [6, 196]</u>	Address 3010 Monte Vista Bivd., M.E. Albuquerque, Dav Mexico
	As to Tract No. 33
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and operation of the Caberon United as Sa	ndoval Courty, Italian - No. Workto, by
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Shell Ois toppony, in This Operation, and th	ne approval thereof by the Secretary of
the Interior of hig duly sufferfield represe	entative, dated the <u>lst</u> day of
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and operation of the Cabezon Unit Area, Sa	andoval County, State of New Mexico, by
Shell Oil Company, as Unit Operator, and t	the approval thereof by the Secretary of
the Interior or his duly authorized repres	centative, dated the Net day of
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Witness	By Sparces Durule
	Aparelo Curulo
Witness	By Lucy Genule
AND AND COMPARISON OF A PROPER STORY, AND	By Lucy Gurulo
Date	Address Box 416 Cubs, Now Mondo
$oldsymbol{\lambda}$	As to Tract No. 3
Witness	By Meresilda Dunle
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and a second control of the second control o	Corine Curule
Date	Address Box 410 Onbs, New Mexico
	As to Tract No. 39

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ditness	Apareio Levato
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Date	Address Coberon Route Cube, New Mexico
5. 9	As to Tract No. 40
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and operation of the Colezon Built Acea, San	doval County, State of New Mexico, by
Shell Die Tompany, as Unit Operator, and th	e approval thereof by the Secretary of
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The undersigned also authorize Unexecution copies of said Unit Agreement.	it Operator to attach this Consent to the
Witness Motelly Witness St	By Julima Miramon
Witness	В у
Date	Address 2455 Eastlake Avenue Los Angeles 31, California
	As to Tract No. 41
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deration of the execution of the Unit Agreement for the development

and operation of the Se seon Unit fries S	andoval County, State of New Mexico, by
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Witness	By Cally Martens
	water masters
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	As to Tract No. 111
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EXHIBIT "B" - CABEZON UNIT

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FARMINGTON, N. M. PHONE 325-1182

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 25, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Shell Oil Company for approval of the Cabezon Unit Agreement, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeksapproval of the Cabezon Unit Agreement embracing 22,743 acres, more or less, of State, fee and Federal lands in Townships 16 and 17 North, Ranges 2, 3 and 4 West, Sandoval County, New Mexico.

CASE NO. 2407

BEFORE: Dan S. Nutter, Examiner.

TRANSCRIPT OF HEARING

EXAMINER NUTTER: We will call Case No. 2407.

MR. MORRIS: Application of Shell Oil Company for approval of the Cabezon Unit Agreement, Sandoval County, New Mexico.

MR. SETH: Oliver Seth appearing on behalf of the Applicant. Associated with me is Leslie Kell.

MR. XELL: We would like to submit and mark for identification Exhibits 1 and 2, copies of the revised Unit Agreement for the Cabezon area. Changes were made at the request of the Commissioner of Public Lands office with the approval of the USGS which we will cover in the testimony of the witnesses.

ERNEST HOSKINS

called by and on behalf of the Applicant, having been first duly



BUOUEROUE, N. M. HONE 243.6691 sworn, was examined and testified as follows:

EXAMINATION

BY MR. KELL:

- Q Would you state your name, please.
- A Ernest Hoskins.
- O By whom are you employed?
- A Shell Oil Company.
- Q What is your present position with Shell Oil Company?
- A I am district geologist of the Farmington district in charge of their petroleum explorations in western New Mexico, Arizona and the southern portions of Utah and Colorado.
 - Q You have not previously testified before this Commission?
 - A No, I have not.
- 0 Would you state briefly, then, your educational background?
 - A I received a BS degree from Stanford University in 1949.
- Q Since then, what experience have you had in the oil industry?
- A Since being employed by Shell as a geologist for four years with Shell I spent largely in field geology in central California. The second four years I spent in their Bakersfield office doing a variety of surface geology assignments. Since 1957, the fall of '57, I have been assigned as district geologist in Farmington.
 - Q Have you made a study of the geology in the proposed



VICE, Inc.

ALBUQUERQUE, N. M. PHONE 243-6691 Cabezon Unit area?

A Yes.

MR. FrLL: Are the witness's qualifications acceptable? EXAMINER NUTTER: Yes.

Q (By Mr. Kell) Would you state generally the geological work that has thus far been done in the Unit area?

A In the southeast corner of the San Juan Basin Shell has reconnaissanced the general area which indicates a regional dip or inclination of the sediments of approximately 150 feet per mile to the northwest. Reconnaissance in the Unit area indicates a principle objective depth an anticlinal structure the outlines of which are defined by the proposed boundaries. The principle objective based on our regional stratigraphic studies of well control is the marine carbonate section of the Pennsylvanian Medera formation which should occur at between the interval of 5600 and 7100 feet Apex location within the proposed Unit.

A secondary objective is, in our opinion, in the strata which is a well developed sandstone having some history of production from the so-called medium field approximately twelve miles to the north of this Unit. The crustaceous sandstone which is produced in the areas north of this Unit, in the central basin, are not expected to have developed sufficient to yield commercial quantities of hydrocarbons.

Q Do you have any other general observations concerning



the geology within the Unit area that you propose to test?

- A I believe I have covered this.
- O Are you familiar with the Cabezon Unit Agreement?
- A Yes, I am.
- Q In your opinion, does the Unit area embrace productive acreage?
 - A Yes.
 - Q It does not include excess acreage?
 - A No.
- Q Does it contain adequate provision for expansion and concentration as necessity may arise in the Unit area?
 - A Yes, it does.
- Q Are you familiar with the drilling obligation which is assumed under Section 9 of the Unit Agreement?
 - A Yes, I am.
 - Q Generally, what is that obligation?
- A Shell is to drill a well to the Cambriam to 7300 feet or for commercial production at a shallower depth at a satisfactory location to the Commission.
- Q From your prior testimony as to the depth of the various chjectives involved, you feel 7300 feet would enable you to obtain a good test?
 - A In my opinion, this is most adequate.
- Q Is it your opinion that the Unitization Agreement
 pursuant to the Cabezon Unit Agreement will promote the conserva-



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tion of oil and gas and prevent waste?

- A Yes, this is my opinion.
- O Do you have an opinion as to - under the allocation of production formula the State of New Mexico and all other beneficiaries of land will receive their fair and equitable share of reserves?
 - A They will, under this plan.
- Q Do you feel that unitization will result in the best utilization of reservoir energy?
 - A Yes, I do.
- Q When do you contemplate completion of the initial unit well?
 - A Within thirty days.
 - Q Do you have a location of that well?
 - A Yes.
 - O Can you tell us roughly within a quarter section?
- A The northeast quarter of the northeast quarter of Section 26, Township 17 North, Range 3 West, NMPM and that stands for New Mexico Prime Meridian.
- Q Is it your opinion that the Agreement, the Unit Agreement, will be in the best interest of the State of New Mexico?
 - A That is my opinion.

MR. KELL: That's all the direct examination I have.

EXAMINER NUTTER: Are there any questions of the

witness?

ALBUQUERQUE,



RVICE, Inc.

EXAMINATION

BY MORRIS:

Mr. Hoskins, do you have any material available showing the structure in this area or do you feel you cannot divulge it at this time?

I have no material I can divulge at this time.

It makes it pretty hard for the Commission to make a determination on its own as to whether the Unit covers the geology structure, doesn't it?

Yes it might. I may add that the USGS has seen our structural interpretation and have approved the outline.

MR. KELL: We have some preliminary information along those lines to make available to the Commission. It has been made available to the Public Land Office?

THE WITNESS: Yes, it has.

EXAMINER NUTTER: If you have anything to substantiate the boundaries of the Unit's State, fee or Federal lands, if you have anything to substantiate the boundary with relation to the structure we would appreciate it.

MR. KELL: Since it has been submitted to the USGS and also to the Commission of Public Lands, I think we'll offer the contour as our Exhibit No. 2.

Do you have that?

THE WITNESS: Yes.

EXAMINER NUTTER: Mr. Kell, we would be perfectly



ALBUQUERQUE, N. M. PHONE 243-6631 willing to return this Exhibit to you at such time as the time for hearing de novo or rehearing in this case is decided.

MR. KELL: Fine.

EXAMINATION

BY EXAMINER NUTTER:

- Q You stated that there was a general regional dip in this area of approximately 150 feet per mile to the northwest?
 - A That's correct.
 - Q So, this is the southeast flank of the basin?
 - A The southeast corner of the west end.
- Q Your primary objective is the Pennsylvanian and Medera formation?
- A Yes. At between 5600 and 7100 feet. It is on the order of fourteen or fifteen hundred thick.
- Q Under the Unit Agreement it is a maximum depth of 7300 feet?
 - A That's correct.
- Q That would certainly take in this Pennsylvanian and Medera?
 - A Yes.
 - Q And your secondary objective is the Entrada sandstone?
 - A Yes.
 - Q At what depth?
 - A 3300 feet.
 - Q There is no crustaceous development?



- A In our opinion, no. This is commercial production.
- Q This Unit Agreement is designed to cover this structure.

 Approximately how many feet of closure do you have on the structure?
- A Approximately 300 feet based on our recent semi-detail centrol.
 - Q And the proposed location?
 - A The Apex of the structure.

EXAMINER NUTTER: Are there any further questions of Mr. Hoskins?

He may be excused.

(Witness excused.)

RICHARD L. FREEMAN

called as a witness by and on behalf of the Applicant, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELL:

- Q Would you state your name.
- A Richard L. Freeman.
- Q Your employer?
- A Shell Oil Company.
- Q What is your position with Shell?
- A District land agent. I cover the same territory

 Mr. Hoskins testified to which would include the Cabezon Unit

 Agreement.
 - Q Are you familiar with the Cabezon Unit Agreement and



the land status?

- A Yes, I am.
- Q Who is the designated Unit?
- A Shell Oil Company.
- Q Does this Unit cover all formations of the unitized lands?
 - A It identifies all formations.
- Q Is the Unit Agreement, generally speaking in a form which has been previously approved by the Oil Conservation Commission and the Commission of Public Lands?
 - A Yes.
- Q I mentioned earlier at the request of the office of the Commission of Public Lands that changes were made in the form previously filed with the Commission. Would you in a general way cover these changes that were made?
- A Yes. At the request of the Commissioner of Public Lands office, we attempted through talking to the USGS in Washington and Roswell to obtain acception of these changes which we were finally able to do only yesterday morning and therefore we have interlineated these changes in Articles 9 and 10. Article 9 is drilling to discoveries. Article 10 is plan of further development and operation. There was one additional change in Article 15 wherein at the request of the Commissioner of Public Lands office we added a sentence relating to State rentals and when the Unit is finally submitted, executed, of course, these



changes will be in the body of the Agreement.

- O These changes are acceptable to Shell?
- A Yes.
- Q And with these changes that you indicate have been approved by the USGS, the Agreement is now in acceptable form insofar as the Commissioner of Public Lands office is concerned?
 - A Yes, they have stated that to us.
- Q Now, has the USGS previously given approval to the Unit boundaries?
 - A Yes.
- Q Do you also have a concurrence from the Commissioner of Public Lands office as to the proposed Unit boundaries?
 - A Yes, we have.
- Q Approximately what is the size of the Unit area in terms of acreage?
 - A The Unit area contains 22,742 acres and some fraction.
 - Q In what Township and Range are these?
- A The Unit lies in Toonship 16 North, Ranges 2 and 3 West and Township 17 North, Ranges 2 and 3 and 4 West, all NMPM, in Sandoval County, New Mexico.
- Q With regard to the status of lands within the Unit area, could you tell us the approximate percentage of, first, the Federal acreage?
- A Yes, the Federal acreage is 17,846 acres comprising 78.47 per cent of the entire Unit area.



- Q And State acreage?
- A 3,207.72 acres; 14.1 or per cent of the Unit area.
- Q And what is the fee or privately owned acreage?
- A 1,688, comprising 7.43 per cent of the Unit area.
- Q As of this date we are just - As I understand it, the Agreement has not yet been submitted for execution?
 - A No, it hasn't.
- Q That was due to making the authorized changes and getting the agreement of the Public Lands office and the USGS on these changes?
- A That's correct. We expect these changes to be put in the body of the Unit Agreement within the week.
- What percentage of the working interest within the Unit area does Shell Oil own?
- A Shell Oil controls through lease and option 82.71 per cent of the Unit area.
- Q Do these various leases and options and similar agreements which Shell has covering the acreage provide that other parties will join in a unit of the type contemplated here?
 - A That is correct.
- Q Have you had any other contact with representatives of the other working interest owners who have land?
- A Yes. There are five other working interest other than Shell, British American, Continental, Trans Mountain Oil Company, Delti Taylor and Elizabeth L. White, and we have contacted all



these people. We have proposed to them the type of unit which is the general statutory form with such changes as the State might request the divided type unit operating agreement, and all of these parties have replied in the affirmative, that they will join our Unit subject only to insertion of terms in the operating agreement. I have copies of these letters here indicating the approval which would bring us up to 100 per cent of the Unit area.

MR. KELL: I would like to mark these for identification as Exhibit 3, the letters from the other working interest owners indicating general approval of the Unit Agreement.

- (By Mr. Kell) Does the Unit Agreement contain a segregation provision?
 - Yes, it does.
- Does it provide for the fair allocation of all unit production?
 - In my opinion, yes.
- Q Does it contain adequate provision for subsequent joinder.
 - Yes, it does.
- In your opinion will the State of New Mexico and all other beneficiaries receive a fair share of the Unit production?
 - That is my opinion.
- Does the Unit Agreement provide that the Commissioner of Public !ands as well as the USGS must approve either the



establishment or revision of a participating area?

- A That's correct.
- Is the primary purpose of this Unit Agreement unitization pursuant to promoting conservation?
 - Α That's right.
 - Will it, in your opinion, accomplish this purpose?
 - А Yes, it will.
- Q What is your opinion as to whether or not approval of this Unit Agreement would be in the best interest of the State?

In my opinion, the approval of the Unit Agreement would definitely be in the best interest of the State.

MR. KELL: That's all the direct examination I have of this witness.

EXAMINER NUTTER: Are there any questions of Mr. Freeman?

EXAMINATION

BY EXAMINER NUTTER:

- While these five haven't signed the agreement, they have all consented to join?
- That is correct. They have given their approval to join.

EXAMINER NUTTER: That's all. Thank you.

MR. KELL: I move at this time for admission into evidence Shells' Exhibit 3.

EXAMINER NUTTER: Applicant's Exhibit 3 will be admitted



in evidence.

Are there any further questions of Mr. Freeman? He may be excused.

(Witness excused.)

EXAMINER NUTTER: Do you have anything further,

Mr. Kell?

MR. KÉLL: No, sir.

EXAMINER NUTTER: Are there any further statements in Case No. 2407?

If not, the case will be taken under advisement.



STATE OF NEW MEXICO SS COUNTY OF SAN JUAN

I, THOMAS F. HORNE, Court Reporter, in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

My Commission expires:

10-2-65

I do hereby certify that the foregoing 18 a complete record of the proceeding the Examiner hearing Examiner

New Mexico Oil Conservation Commission



on Charles Wilder Code, Wind anto Fe, New Jexico October W., 1961

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FARMINGTON, N. M. PHONE 325.1182

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DEARNLEY-MEIER REPORTING SERVICE, Inc.

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ALBUQUERQUE, N. M. PHONE 243.6691

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EXAMINATION

BY EXAMINER NUTTER:

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MR. KELL: I move at this time for admission into evidence Shells! Exhibit 3.

EXAMINER NUTTER: Applicant's Exhibit 3 will be admitted



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He may be excused.

(Witness excused.)

EXAMINER NUTTER: Do you have anything further, Mr. Kell?

MR. KELL: No, sir.

EXAMINER NUTTER: Are there any further statements

in Case No. 2407?

If not, the case will be taken under advisement.

ALBUOVEROUE, N. M. PHONE 243 6691 STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

RMINGTON, N. M.

I, THOMAS F. HORNE, 'ourt Reporter, in and for the County of San Juan, State of New Mexico, de'hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

Notary Public

My Commission expires:

10-2-65

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No.

New Mexico Oil Conservation Commission

HONE 243 6(3)



CASE 2407: Application of Shell for approval of the CABEZON UNIT AGREEMENT - SANDOVAL COUNTY, N. MEX.