

Case No.

2407

Application, Transcripts,
Small Exhibits, Etc.

21101
MAY 1963

April 16, 1963

BEST AVAILABLE COPY

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

Re: Expansion Cabazon Unit
Area, Sandoval County,
New Mexico

Attention: Mr. F. W. Nantker

Gentlemen:

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

We are enclosing five originally signed Cert-
ificates of Approval.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS,

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

ESW/mmr/v
encl:

cc: Oil Conservation Commission

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



SHELL OIL COMPANY

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 November 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
James E. Mathews
District Land Agent

JEM:GL

Enclosure

cc - State of New Mexico ← THIS COPY FOR
Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

2407

November 7, 1962

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

BEST AVAILABLE COPY

Attention: Mr. F. W. Nantaker

Re: Cabazon 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 Cabazon 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 Cabazon 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/JHK/lq

cc: United States Geological Survey - Roswell
Commissioner of Public Lands - Santa Fe



SHELL OIL COMPANY

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.

BEST 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, 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

2

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,

F. W. Nantker

F. W. Nantker
Division Land Manager

FWN:BG

Six-Month Extension Granted:

Date _____

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
Oil Conservation Commission
Santa Fe, New Mexico

← THIS COPY FOR →

Six-Month Extension Granted:

Date Nov 7, 1962

A. L. Porter, Jr.

A. L. Porter, Jr.
Secretary-Director

November 2, 1962

BEST AVAILABLE COPY

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

Re: Cabazon Unit,
Sandoval County,
New Mexico

Attention: Mr. Fred W. Nantker

Gentlemen:

The Commissioner of Public Lands approves an additional six month extension on the Cabazon 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 fulfilled within this aforementioned period it is our understanding that Shell Oil Company will follow the necessary procedure to terminate the Cabazon Unit.

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

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

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

ESW/smr/c

Shell Oil Company
P. O. Box 1200
Farmington, New Mexico
November 2, 1962
(page 2)

cc: Mr. John A. Anderson
Regional Oil & Gas Supervisor
United States Geological Survey
Drawer 1857
Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

BEST AVAILABLE COPY



SHELL OIL COMPANY

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
James E. Mathews
District Land Agent

JEM:BG

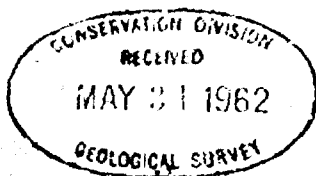
Enclosure



SHELL OIL COMPANY

Post Office Box 1800
Farmington, New Mexico

May 8, 1962



Subject Gaberon Unit
Sandoval County,
New Mexico

BEST AVAILABLE COPY

Director,
United States Geological 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 Gaberon 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 1/4 NE 1/4 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, 1962.

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

Director,
United States Geological Survey
through
USGS,
United States Geological Survey

2

To commence the drilling of the next well in the unit. This six-month extension will also allow an additional time in which money may become available to allow them to drill this second well.


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

Very truly yours,

F. W. Nantker
Division Land Manager

RECEIVED

Date Approved JUN - 4 1963


Acting Director, U. S. Geological Survey

BEST AVAILABLE COPY

TEST AVAILABLE COPY

June 8, 1962

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

Re: Cabazon Unit
Sandoval County, New Mexico,
Request for Six-Month Ex-
tension 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 Cabazon 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
COMMISSIONER OF PUBLIC LANDS

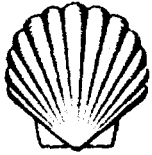
BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESW/mur/v

cc: U. S. Geological Survey
Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

C
O
P
Y



1407
SHELL OIL COMPANY

Post Office Box 1200 2.1
Farmington, New Mexico

June 6, 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:

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 manner, subject to the approval of the United States Geological Survey and the Commissioner of Public Lands.

Very truly yours,

F. W. Nantker
Division Land Manager

JEM:BG

Enclosure

Six-Month Extension Granted:

Date

June 8, 1962

A. L. Porter, Jr.
Secretary-Director

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



SHELL OIL COMPANY

Post Office Box 1400
Farmington, New Mexico

May 8, 1962

Subject Cabezon Unit
Sandoval County,
New Mexico

Director,
United States Geological 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-C8-0001-7820.

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, 1962.

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

Director,
United States Geological Survey
through
Supervisor,
United States Geological Survey

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 available 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,

Original signed by
F. W. NANTKER

F. W. Nantker
Division Land Manager

JEM:BC



SHELL OIL COMPANY

Post Office Box 1000
Santa Fe, New Mexico

RECEIVED 7 AM 11 24

Jan 6, 1960

Subject: Cabezon Unit
Contract No. 14-08-0001-7830
Socorro County, New Mexico
Request for six-month extension

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

Attention Mrs. Marion Rhee

Gentlemen:

As discussed in the recent telephone conversation between your
Mrs. Marion Rhee and James E. Matthews of this office, we are requesting a
six-month extension of the obligation accruing under Paragraph 2 of the
Cabezon Unit, Contract No. 14-08-0001-7830, 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 confi-
dential and if the Land Commissioner 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 manner, subject to the approval of the United States Geological Survey
and the Oil Conservation Commission.

Very truly yours,

F. W. Nantke
Division Land Manager

JEM:EG

Enclosure

Six-Month Extension Granted:

Date _____

E. S. Johnny Walker
Commissioner of Public Lands

cc - State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

← THIS COPY FOR →

BEST AVAILABLE COPY

MAIN OFFICE 601

1962 MAR 7 AM 10 20

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,

James E. Mathews

James E. Mathews
District Land Agent

JEM:BG

Enclosure



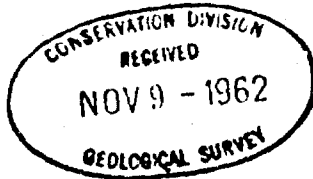
SHELL OIL COMPANY

Post Office Box 1200
Farmington New Mexico

October 24, 1962

BEST AVAILABLE COPY

Subject: Cabezon Unit
Contract No. 14-08-0001-7820
Sandoval County, New Mexico



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

Through

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

Gentlemen.

RECEIVED

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

2

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,

F. W. Nantker

F. W. Nantker
Division Land Manager

FWN:BG

Six-Month Extension Granted:

NOV 27 1962

Date _____

William A. Baker
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
Oil Conservation commission
Santa Fe, New Mexico

Six-Month Extension Granted:

Date _____

A. L. Porter, Jr.
Secretary-Director

BEST AVAILABLE COPY



SHELL OIL COMPANY

Post Office Box 1200
Farmington, New Mexico

November 19, 1963

Subject: Cabezon Unit
No. 14-08-0001-7820
Sandoval County, New Mexico
Request for Termination

State of New Mexico
Commissioner of Public Lands
Post Office Box 791
Santa Fe, 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 designated it No. 14-08-0001-7820. 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 approval 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. It should be noted here, however, that these working interest owners represent approximately ninety-six percent of the total of the working interest involved.

1969 NOV 20 PM 1:25

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
for *W. Nantker*
Division Land Manager

JEM:GL

Enclosures

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

NOT AVAILABLE EXHIBIT

NOV 27 PM 3 04

November 27, 1963

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

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

Attention: Mr. F. W. Hantker

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 ninety-six (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.

Shell Oil Company
Attention: Mr. F. W. Nantker
November 27, 1963
- page 2 -

The Commissioner of Public Lands approves as of this date the termination of the Cabezon Unit Agreement, subject 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. R. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

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

ESW/mar/v

cc:

United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico
Attention: Mr. 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. 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 Cabezon 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 oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Cabezon Unit Agreement 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 Cabezon Unit Area and such plan shall be known as the Cabezon Unit Agreement Plan.

(3) That the Cabezon Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however,

-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 WEST

Section 6: Lots 1, 2, 3 and 4, and that portion of the Ofc 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 NORTH, RANGE 2 WEST

Section 18: W/2

Section 19: NW/4, N/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 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

TOWNSHIP 17 NORTH, RANGE 4 WEST

Sections 28 and 36: All

comprising 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.

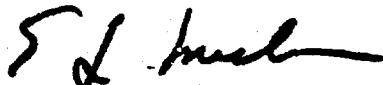
(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Cabezon Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion of the unit area, the unit operator shall file with the Commission 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 ipso facto 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.

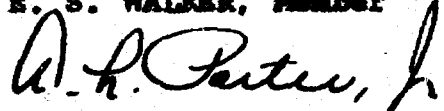
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



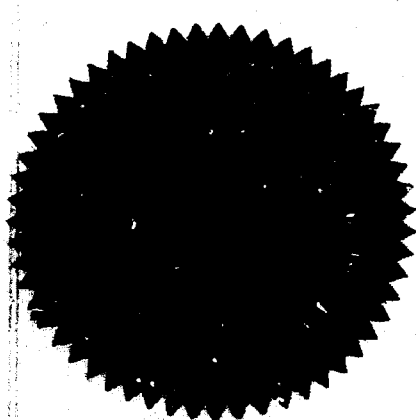
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



END/

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. 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 Cabezon 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 oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Cabezon Unit Agreement is hereby approved.

(2) That the Plan under which the unit area shall be operated shall be enclosed in the form of a unit agreement for the development and operation of the Cabezon Unit Area and such plan shall be known as the Cabezon Unit Agreement Plan.

(3) That the Cabezon Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however,

-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 Cabazon 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 if the United States Survey were extended into said grants.

TOWNSHIP 17 NORTH, RANGE 2 WEST

Section 18: W/2

Section 19: NW/4, N/2 SW/4, Lots 1 and 2, and that portion of the M. & S. Montoya 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. & S. Montoya Grant which would be included in the N/2 of Sections 30 and 31 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

TOWNSHIP 17 NORTH, RANGE 4 WEST

Sections 28 and 36: All

comprising 23,742.87 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 ipso facto 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

EDWIN L. MCKENZIE, Chairman

E. S. WALKER, Member

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

S E A L

cc/

November 28, 1961

Shell Oil Company
P. O. 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 hand-
ing 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/mar/v

Encl:

cc: Oil Conservation Commission
Santa Fe, New Mexico

U. S. Geological Survey
Roswell, New Mexico

C
O
P
Y

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 871
SANTA FE

November 3, 1961

Re: Case No. 2407
Order No. R-211?
Applicant:
Shell Oil Company

Mr. Oliver Seth
Seth, Montgomery, Federici & Andrews
Box 828
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.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC x

OTHER

Free
from
10/31
over
11/2

DRAFT

JEW/esr
October 30, 1961

Pls give copy of Order to Jim Kaptana

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 _____ 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. 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 Cabezon Unit Agreement ^{covering} ~~with the unit area comprised~~ ^{of Federal, State, and fee lands} ~~and~~ 22,742.57 acres, more or less, ^A 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 ORDERED:

(1) That the Cabezon Unit Agreement 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 Cabezon Unit Area and such plan shall be known as the Cabezon Unit Agreement Plan.

(3) 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 if the United States Survey were extended into said grants.

TOWNSHIP 17 NORTH, RANGE 2 WEST

Section 18: W/2

Section 19: NW/4, N/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 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

TOWNSHIP 17 NORTH, RANGE 4 WEST

Sections 25 and 36: All

comprising 22,742.57 acres, more or less.

(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 ~~the portion of~~ this order ~~relating to the approval of the Cabezon Unit Agreement~~ 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 ipso facto 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.



SHELL OIL COMPANY

Post Office Box 1200
Farmington, New Mexico

September 11, 1961

Subject: Cabezon Area
Proposed Cabezon Unit
Sandoval County, New Mexico

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. 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 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. Nantker
Division Land Manager

FWN:BG

Attachments

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EXHIBIT "A"

Proposed Cabezon Unit
Sandoval County, New Mexico

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
1	Section 10: E/2 SW/4 Section 20: W/2 SW/4	160.00
1	Section 10: W/2 SW/4 Section 20: E/2 SW/4	160.00
2	Section 10: SE/4 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 12: All	640.00
7	Section 19: SE/4 Section 34: E/2 SE/4	240.00
8	Section 9: SE/4 Section 28: SE/4	320.00
9	Section 9: SW/4 Section 19: Lots 1, 2, E/2 NW/4 Section 27: SW/4 Section 34: S/2 NW/4	560.00
10	Section 19: Lots 3, 4, E/2 SW/4 Section 28: SW/4 Section 34: W/2 SW/4	399.84
	<u>Township 16 North, Range 3 West, N.M.P.M.</u>	
11	Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 4: Lots 1, 2, 3, 4, S/2 N/2	
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
	Section 35: NW/4, S/2 NE/4, S/2	1532.20
12	Section 29: All Section 30: Lots 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) Section 33: All	2559.63

Track No.	Description	Area
13	Township 19 North, Range 3 West, N.M.P.M. Section 4: S/2	320.00
14	Township 19 North, Range 3 West, N.M.P.M. Section 24: SW/4 Section 26: SW/4 SW/4	200.00
15	Township 19 North, Range 2 West, N.M.P.M. Section 19: NW/4	160.00
16	Township 19 North, Range 3 West, N.M.P.M. Section 14: All Section 20: W/2 Section 22: All Section 23: W/2	1920.00
17	Section 11: E/2, SW/4, S/2 NW/4 Section 13: W/2 NW/4 Section 15: All Section 17: All Section 21: All	2560.00
18	Section 12: NE/4 NE/4, SE/4 NW/4 Section 23: NE/4 NE/4, NE/4 NW/4, SW/4 NW/4 Section 27: NW/4 NE/4, SE/4 NE/4	320.00
19	Section 11: NW/4 NW/4	40.00
20	Township 17 North, Range 2 West, N.M.P.M. Section 18: E/2 W/2	160.00
21	Township 17 North, Range 3 West, N.M.P.M. Section 13: SW/4 NW/4 Section 23: NW/4 NW/4, NW/4 SW/4 Section 27: SW/4 NE/4	160.00
22	Section 19: NE/4 Section 27: SE/4 Section 34: N/2 NW/4	400.00
23	Section 23: SE/4 NE/4, SE/4, E/2 SW/4 Section 26: NE/4	440.00
24	Section 13: NW/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

Tract No.	Description	Acres
25	Township 16 North, Range 3 West, N.M.P.M. Section 1: Lots 1, 2, 3, 4, 8/2 NW/4, SW/4 (12)	640.00
26	Township 17 North, Range 2 West, N.M.P.M. Section 19: N/2 SW/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, Range 3 West, N.M.P.M. Section 11: NE/4 NW/4	40.00
28	Township 16 North, Range 2 West, N.M.P.M. Section 6: The unsurveyed lands lying outside the M & S Montoya Grant and in the Cjo Del Espiritu Santa Grant: Beginning at a point on the east boundary of the M & S Montoya Grant, from which the closing corner of Sections 7 and 8, T. 16 N., R. 2 W., N.M.P.M., bears 89°-58' N, 3.97 chains distant; thence along the east boundary of the M & S Montoya Grant as follows: N 7°-0' E 13.0 chains distant; N 87°-45' E 3.5 chains distant; N 49°-30' E 11.0 chains distant; N 25°-30' E 13.0 chains distant; N 65°-00' E 13.0 chains distant; N 45°-15' E 12.0 chains distant; N 60°-15' E 13.30 chains distant; N 29°-30' E 10.40 chains distant; thence south 61.50 chains to what will be, when surveyed, the corner of Sections 5, 6, 7 and 8, T. 16 N., R. 2 W., N.M.P.M.; thence west 56.03 chains to point of beginning.	196.06
29	Township 17 North, Range 4 West, N.M.P.M. 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.M.P.M. Section 16: W/2 NW/4 Section 32: NW/4, SE/4	560.00

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Page	Description	Value
33	Township 17 North, Range 3 East, N.M.P.M. Section 25: All	645.00
34	Township 16 North, Range 2 East, N.M.P.M. Section 2: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12	645.12
35	Township 15 North, Range 4 East, N.M.P.M. Section 36: 1/4, 2/4	320.00
36	Township 17 North, Range 3 East, N.M.P.M. Section 24: 1/4	160.00
37	Township 17 North, Range 3 East, N.M.P.M. Section 34: 1/4, 1/2 1/4, 1/2 1/4	220.00
38	Section 26: 1/4, 1/2 1/4, 1/2 1/4, 1/2 1/4, 1/2 1/4, 1/2 1/4, 1/2 1/4, 1/2 1/4	220.00
39	Township 16 North, Range 2 East, N.M.P.M. Township 17 North, Range 2 East, N.M.P.M. Beginning at the southeast corner of lot 1, Section 6, T. 16 N., R. 2 E., N.M.P.M., thence north along the west boundary of the H & S Montoya Grant 249.01 chains to a point on the south line of Section 19, T. 17 N., R. 2 E., N.M.P.M.; thence east along south line of said Section 19 25.38 chains to the S 1/4 corner; thence south 167.67 chains; thence east 24.84 chains; thence south 19.23 chains to a point on the southeasterly boundary of the H & S Montoya Grant; thence S 29°-30' W 10.4 chains; thence S 60°-15' W 13.3 chains; thence S 45°-15' W 12.0 chains; thence S 65°-0' W 13.0 chains; thence S 25°-30' W 13.0 chains; thence S 49°-30' W 11.0 chains; thence S 67°-45' W 3.5 chains; thence S 7°-0' E 13.0 chains; thence N 39°-55' E 3.97 chains to the point of beginning.	885.82
	Township 17 North, Range 2 West, N.M.P.M. Section 18: N/2 E/2	160.00
	Township 17 North, Range 2 West, N.M.P.M. Section 19: Lots 3, 4	52.11



SHELL OIL COMPANY

Post Office Box 1200
Farmington, New Mexico

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

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

through

Supervisor
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 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 Ownership 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. Hoskins, District Geologist. A structure

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

2

through

Supervisor
United States Geological Survey
Roswell, New Mexico

up 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



F. W. Nantker
Division Land Manager

RLF:MPD

Attachments

SCHEDULE OF UNITED STATES OIL AND GAS LEASES

SF-080520	NM-030016
SF-080520-A	NM-040606
NM-031158	NM-046798
NM-06878	NM-050160
NM-010884	NM-055534
NM-010886-B	NM-056477
NM-011425	NM-057454
NM-011445	NM-061524
NM-012325	NM-061524-A
NM-018178	NM-072923
NM-021000	NM-081244
NM-023907	NM-082403
NM-023907-B	NM-0134986
NM-023907-C	NM-0150116
NM-023907-E	NM-0153820
NM-023913	NM-0161106
NM-023916	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.)



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C.

AUG 31 1961

Shell Oil Company
Post Office Box 1200
Farmington, New Mexico

Attention: Mr. F. W. Harther

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 Leasing 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 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 should 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 Mexico should 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 period of time. However, the right is reserved to deny approval of any

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executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Oil and Gas 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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J. O. SETH
A. K. MONTGOMERY
OLIVER SETH
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
GEORGE A. GRAHAM, JR.

SETH, MONTGOMERY, FEDERICI & ANDREWS
ATTORNEYS AND COUNSELORS AT LAW
301 DON 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 $\frac{1}{2}$ 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.

*Noted
Mailed
9/19/61
[Signature]*

September 14, 1961

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



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 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 $\frac{1}{2}$ of Sections 18, 19, 30 and 31

In Township 17 North, Range 3 West, N.M.P.M.
N $\frac{1}{2}$ 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 N 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.

C
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September 14, 1961

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

CS:uel

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 1530
Farmington, New Mexico

2389

September 14, 1961

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

BEST AVAILABLE COPY

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 $\frac{1}{2}$ 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 17 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 N 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.

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September 14, 1961

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

OS:wel

cc: Mr. Leslie Kell
Shell Oil Company
1004 West 6th Street
Los Angeles 54, California

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

BEST AVAILABLE COPY



SHELL OIL COMPANY

Post Office Box 1200
Farmington, New Mexico

September 11, 1961

Subject: Cabezon Area
Proposed Cabezon Unit
Sandoval County, New Mexico

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 Rutter 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 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. Nantker
Division Land Manager

FWN:BG

Attachments

BEST AVAILABLE COPY

EXHIBIT "A"

Proposed Cabezon Unit
Sandoval County, New Mexico

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
1	Section 10: E/2 SW/4 Section 20: W/2 SW/4	160.00
1	Section 10: W/2 SW/4 Section 20: E/2 SW/4	160.00
2	Section 10: SE/4 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: All	640.00
7	Section 19: SE/4 Section 34: E/2 SE/4	240.00
8	Section 9: SE/4 Section 28: SE/4	320.00
9	Section 9: SW/4 Section 19: Lots 1, 2, E/2 NW/4 Section 27: SW/4 Section 34: S/2 NW/4	560.00
10	Section 19: Lots 3, 4, E/2 SW/4 Section 28: SW/4 Section 34: W/2 SW/4	399.84
	<u>Township 16 North, Range 3 West, N.M.P.M.</u>	
11	Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 4: Lots 1, 2, 3, 4, S/2 N/2	
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
	Section 35: NW/4, S/2 NE/4, S/2	1532.20
12	Section 29: All Section 30: Lots 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) Section 33: All	2559.68

9	Township 16 North, Range 2 West, N.M.P.M. Section 19: All	160.00
13	Township 17 North, Range 3 West, N.M.P.M. Section 20: All Section 21: All & NW/4	200.00
14	Township 17 North, Range 2 West, N.M.P.M. Section 19: All	160.00
15	Township 17 North, Range 3 West, N.M.P.M. Section 12: All Section 20: N/2 Section 22: All Section 23: N/2	920.00
16	Section 11: E/2, SW/4, S/2 NW/4 Section 13: N/2 NW/4 Section 15: All Section 17: All Section 21: All	2560.00
18	Section 13: NE/4, NE/4, SW/4 NW/4 Section 23: NE/4, NE/4, NE/4 NW/4, SE/4 NW/4, SW/4 SW/4 Section 27: NW/4 NE/4, SE/4 NE/4	320.00
19	Section 11: NW/4 NW/4	40.00
20	Township 17 North, Range 2 West, N.M.P.M. Section 13: E/2 W/2	160.00
21	Township 17 North, Range 3 West, N.M.P.M. Section 13: SW/4 NW/4 Section 23: NW/4 NW/4, NW/4 SW/4 Section 27: SW/4 NE/4	160.00
22	Section 19: NE/4 Section 27: SE/4 Section 34: R/2 NW/4	400.00
23	Section 23: SE/4 NE/4, SE/4, E/2 SW/4 Section 26: NE/4	440.00
24	Section 13: NW/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

Tract No.	Description	No. Acres
25	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 1: Lots 1, 2, 3, 4, E/2 N/2, S/2 (all)	649.60
26	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: E/2 SW/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2 <u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: Lots 1, 2, 3, 4	296.54
27	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 11: NE/4 NW/4	40.00
28	<u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: The unsurveyed lands lying outside the N & S Montoya Grant and in the Ojo Del Espiritu Santa Grant: Beginning at a point on the east boundary of the N & S Montoya Grant, from which the closing corner of Sections 7 and 8, T. 16 N., R. 2 W., N.M.P.M., bears 89°-58' N, 3.97 chains distant; thence along the east boundary of the N & S Montoya Grant as follows: N 70°-0' E 13.0 chains distant; N 87°-45' E 3.5 chains distant; N 49°-30' E 11.0 chains distant; N 25°-30' E 13.0 chains distant; N 65°-00' E 13.0 chains distant; N 45°-15' E 12.0 chains distant; N 60°-45' E 13.30 chains distant; N 29°-30' E 10.40 chains distant; thence south 64.50 chains to what will be, when surveyed, the corner of Sections 5, 6, 7 and 8, T. 16 N., R. 2 W., N.M.P.M.; thence west 56.03 chains to point of beginning.	196.06
29	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 25: All	640.00
30	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: E/2 NW/4	80.00
31	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: NE/4, SW/4 Section 32: NE/4, SW/4 <u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NE/4 SW/4	960.00
32	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: W/2 NW/4 Section 32: E/4, SE/4	560.00

Tract No.	Description	No. Acres
33	Township 17 North, Range 2 West, H.M.P.M. Section 30: 1/2	640.00
34	Township 16 North, Range 2 West, H.M.P.M. Section 2: Lots 1, 2, 3, 4, 1/2 1/2, 1/2 1/2 (ADA)	647.72
35	Township 17 North, Range 4 West, H.M.P.M. Section 35: 1/4, 1/4	320.00
36	Township 17 North, Range 3 West, H.M.P.M. Section 24: 1/4	160.00
37	Township 17 North, Range 3 West, H.M.P.M. Section 34: 1/4, 1/2 1/4, 1/2 1/4	320.00
38	Section 26: 1/4, 1/4 1/4, 1/2 1/4, 1/4 1/4	320.00
39	Township 16 North, Range 2 West, H.M.P.M. Township 17 North, Range 2 West, H.M.P.M. Beginning at the southeast corner of lot A, Section 2, T. 16 N., R. 2 W., H.M.P.M., thence north along the west boundary of the M & S Montoya Grant 249.01; thence to a point on the south line of Section 19, T. 17 N., R. 2 W., H.M.P.M.; thence east along south line of said Section 19 35.38; thence to the S 1/4 corner; thence south 167.63 chains; thence east 24.84 chains; thence south 19.53 chains to a point on the southeasterly boundary of the M & S Montoya Grant; thence S 29°-30' W 10.4 chains; thence S 60°-45' W 13.3 chains; thence S 45°-15' W 12.0 chains; thence S 65°-0' W 13.0 chains; thence S 25°-30' W 13.0 chains; thence S 49°-30' W 11.0 chains; thence S 87°-45' W 3.5 chains; thence S 7°-0' W 13.0 chains; thence N 39°-53' W 3.97 chains to the point of beginning.	883.62
	Township 17 North, Range 2 West, H.M.P.M. Section 18: 1/2 1/2	160.00
	Township 17 North, Range 2 West, H.M.P.M. Section 19: Lots 3, 4	52.11



SHELL OIL COMPANY

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

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

rough

Supervisor
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 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 Ownership 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. Hoskins, District Geologist. A structure

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

2.

through
Supervisor
United States Geological Survey
Roswell, New Mexico

map 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



F. W. Nantker
Division Land Manager

RLF:MPD

Attachments

SCHEDULE OF UNITED STATES OIL AND GAS LEASES

SF-080520	NM-030016
SF-080520-A	IM-010606
NM-03058	NM-046798
NM-06878	NM-050160
NM-010884	NM-055534
NM-010886-B	NM-056477
NM-011425	NM-057454
NM-011445	NM-061524
NM-012325	IM-061524-A
NM-018178	NM-072925
NM-021000	IM-081244
NM-023907	NM-082403
NM-023907-B	NM-0134986
NM-023907-C	NM-0150116
NM-023907-E	NM-0153820
NM-023913	NM-0161106
NM-023916	NM-0161106
NM-028170	NM-0161167
	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.)



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C.

AUG 31 1961

Shell Oil Company
Post Office Box 1200
Farmington, New Mexico

BEST AVAILABLE COPY

Attention: Mr. F. W. Harther

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 Leasing 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 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 should be replaced with the following new sections:
"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 Mexico should 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 period of time. However, the right is reserved to deny approval of any

executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Oil and Gas 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,

William R. Baker

Acting Director

BEST AVAILABLE COPY



SHELL OIL COMPANY

Post Office Box 1200
Farmington, New Mexico

September 11, 1961

Subject: Cabezon Area
Proposed Cabezon Unit
Sandoval County, New Mexico

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. 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 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. Nantker
F. W. Nantker
Division Land Manager

PWN:BG

Attachments

EXHIBIT "A"

Proposed Cabezon Unit
Sandoval County, New Mexico

<u>Tract No.</u>	<u>Inscription</u>	<u>No. Acres</u>
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
1	Section 10: E/2 SW/4 Section 20: W/2 SW/4	160.00
1	Section 10: W/2 SW/4 Section 20: E/2 SW/4	160.00
2	Section 10: SE/4 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 12: All	640.00
7	Section 19: SE/4 Section 34: E/2 SE/4	240.00
8	Section 9: SE/4 Section 28: SE/4	320.00
9	Section 9: SW/4 Section 19: Lots 1, 2, E/2 NW/4 Section 27: SW/4 Section 34: S/2 NW/4	560.00
10	Section 19: Lots 3, 4, E/2 SE/4 Section 28: SW/4 Section 34: W/2 SW/4	399.84
	<u>Township 16 North, Range 3 West, N.M.P.M.</u>	
11	Section 3: Lots 1, 2, 3, 4, S/2 W/2, S/2 (All) Section 4: Lots 1, 2, 3, 4, S/2 W/2	
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
	Section 35: NW/4, S/2 NE/4, S/2	1532.20
12	Section 29: All Section 30: Lots 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) Section 33: All	2559.68

Tract No.	Description	Acres
13	Township 16 North, Range 3 West, N.M.P.M. Section 4: S/2	80.00
14	Township 17 North, Range 3 West, N.M.P.M. Section 24: SW/4 Section 26: SW/4, SE/4	200.00
15	Township 17 North, Range 2 West, N.M.P.M. Section 19: NE/4	160.00
16	Township 17 North, Range 3 West, N.M.P.M. Section 14: All Section 20: N/2 Section 22: All Section 26: N/2	1920.00
17	Section 11: T/2, SW/4, S/2 NE/4 Section 13: N/2 NE/4 Section 15: All Section 17: All Section 21: All	2560.00
18	Section 13: NE/4 NE/4, SE/4 NE/4 Section 23: NE/4 NE/4, NE/4 NW/4, SW/4 NE/4, SW/4 SW/4 Section 27: NW/4 NE/4, SE/4 NE/4	320.00
19	Section 11: NW/4, NE/4	40.00
20	Township 17 North, Range 2 West, N.M.P.M. Section 13: E/2 W/2	160.00
21	Township 17 North, Range 3 West, N.M.P.M. Section 13: SW/4 NE/4 Section 23: NW/4 NE/4, NW/4 SW/4 Section 27: SW/4 NE/4	160.00
22	Section 19: NE/4 Section 27: SE/4 Section 34: N/2 NW/4	400.00
23	Section 23: SE/4 NE/4, SE/4, E/2 SW/4 Section 26: NE/4	440.00
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Tract No.	Description	No. Acres
25	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 1: Lots 1, 2, 3, 4, S/2 N/2, E/2 (all)	649.60
26	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: N/2 SW/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2 <u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: Lots 1, 2, 3, 4	296.54
27	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 11: NE/4 NW/4	40.00
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29	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 25: All	640.00
30	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: E/2 NW/4	80.00
31	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: NE/4, SW/4 Section 32: NE/4, SW/4 <u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NE/4 SW/4	960.00
32	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: W/2 NW/4 Section 32: NW/4, SE/4	560.00

Tract No.	Description	Area
32	Township 17 North, Range 2 West, N.M.P.M. Section 14: 1/2	640.00
34	Township 16 North, Range 2 West, N.M.P.M. Section 21: 1/2, 1/2, 1/2, 1/2, 1/2, 1/2, 1/2, 1/2	640.00
35	Township 17 North, Range 2 West, N.M.P.M. Section 14: 1/2, 1/2	320.00
36	Township 17 North, Range 2 West, N.M.P.M. Section 24: 1/2	160.00
37	Township 17 North, Range 2 West, N.M.P.M. Section 34: 1/2, 1/2, 1/2, 1/2, 1/2, 1/2, 1/2, 1/2	320.00
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39	Township 16 North, Range 2 West, N.M.P.M. Township 17 North, Range 2 West, N.M.P.M. Beginning at the southeast corner of lot 1, Section 6, T. 16 N., R. 2 W., N.M.P.M., thence north along the west boundary of the M & S Montoya Grant 249.01 chains to a point on the south line of Section 19, T. 17 N., R. 2 W., N.M.P.M.; thence east along south line of said Section 19 35.38 chains to the S 1/4 corner; thence south 167.67 chains; thence east 24.84 chains; thence south 19.58 chains to a point on the southeasterly boundary of the M & S Montoya Grant; thence S 29° 30' W 10.4 chains; thence S 60° 45' W 12.3 chains; thence S 45° 45' W 12.0 chains; thence S 65° 0' W 13.0 chains; thence S 25° 30' W 13.0 chains; thence S 49° 30' W 11.0 chains; thence S 87° 45' W 3.5 chains; thence S 7° 0' W 13.0 chains; thence N 69° 53' W 3.97 chains to the point of beginning.	888.82
	Township 17 North, Range 2 West, N.M.P.M. Section 13: 1/2, 1/2	160.00
	Township 17 North, Range 2 West, N.M.P.M. Section 19: Lots 3, 4	52.11



SHELL OIL COMPANY

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

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

through

Supervisor
United States Geological Survey
Albuquerque, 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 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 Ownership 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 oil-bearing 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

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

through

Supervisor
United States Geological Survey
Albuquerque, New Mexico

Map 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



F. W. Nantker
Division Land Manager

RUF:MPD

Attachments

SCHEDULE OF UNITED STATES OIL AND GAS LEASES

SF-080520	NM-030056
SF-080520-A	NM-040606
NM-03158	NM-046798
NM-06878	NM-050160
NM-010884	NM-055534
NM-010886-B	NM-056477
NM-011425	NM-057454
NM-011445	NM-061524
NM-012325	NM-061524-A
NM-018178	NM-072925
NM-021000	NM-081244
NM-023907	NM-082403
NM-023907-B	NM-0134986
NM-023907-C	NM-0150116
NM-023907-E	NM-0153820
NM-023913	NM-0161406
NM-023916	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.)



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C.

AUG 31 1961

Shell Oil Company
Post Office Box 1200
Farmington, New Mexico

Attention: Mr. F. W. Nantner

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 Leasing 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 20,173.86 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 reprint should 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 Mexico should be added appropriately.

BEST AVAILABLE COPY

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 period of time. However, the right is reserved to deny approval of any

executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Oil and Gas 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,

Arthur M. Baker

Acting Director

BEST AVAILABLE COPY



SHELL OIL COMPANY

SHELL BUILDING
1008 WEST SIXTH STREET
LOS ANGELES 54, CALIFORNIA

TELEPHONE HUNTLEY 2-3131

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:

*Case File
Case 7407*

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

100-3469
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 Sath

OS:wal
enclosure

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

SETH, MONTGOMERY, FEDERICI & ANDREWS

ATTORNEYS AND COUNSELORS AT LAW

301 DON GASPAR AVENUE
SANTA FE, NEW MEXICO

September 21, 1961

POST OFFICE BOX 828
TELEPHONE YU 3-7315

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

OS:wcl
enclosure

*Blackburn
M. L. S. 10-11-61
JP*



CONTINENTAL OIL COMPANY

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

BEFORE EXAMINER NUTTER
OF CONSERVATION COMMISSION
Shell EXHIBIT NO. 2
CASE NO. 2407

Shell Oil Company
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 Operating Agreement is standard, Continental has no objections, 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 secure 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.

PLEASE direct any further correspondence concerning
this unit to Mr. William S. Schickantz at this address - FARMINGTON LAND
BUREAU

Very truly yours,

AUG 31 '961

George F. Maddox
Land Section
Durango Division

GFM-LRH
carbon copy to:
Mr. Paul Catterson
Denver, Colorado

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THE BRITISH-AMERICAN OIL PRODUCING COMPANY

DENVER 1, COLORADO

EXPLORATION DEPARTMENT

October 2, 1961

ADDRESS ALL CORRESPONDENCE TO
POST OFFICE BOX 180

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

ATTN: Mr. Fred Nantker
Division Land Manager

RE: 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 Cabezon 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 OIL PRODUCING
COMPANY

M. A. Church
M. A. Church
District Landman

FARMINGTON LAND
DIVISION

OCT 4 1961

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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,

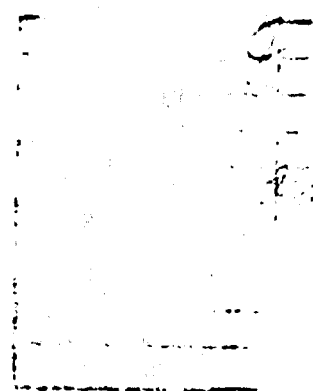
DELHI-TAYLOR OIL CORPORATION

Frank S. Wright

Frank S. Wright
Land Department

FSW:kkv

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TRANSMOUNTAIN PRODUCTION COMPANY

306 SAN JACINTO BUILDING

HOUSTON 2, TEXAS

September 11, 1961

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

Attention: Mr. R. W. Bentzer, Division Land Manager

Re: Proposed Gagezon Unit

Gentlemen:

In reply to your letter dated August 29, 1961, we
hereby consent to joining the proposed Gagezon Unit.

We own the lease on the NE 1/4, SW 1/4 and SW 1/4 of
Section 9, T-17-N, R-3-W, just outside of the proposed unit.
This lease number is NM-04472. Our assignment from Wasatch
Lease & Exploration Co., executed May 13, 1961, and filed
for approval, has not yet been approved. We would like to
include this in the unit, if 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-18-N, R-2-W, Section 10, SW 1/4,
NE 1/4, SE 1/4, SW 1/4 which, of course, we would not want
included in the unit.

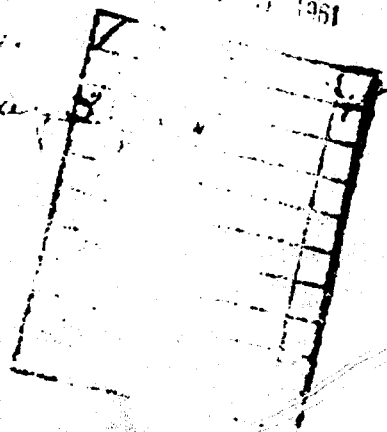
Your map shows in Section 11 the NW 1/4, SW 1/4, and SW 1/4
as number NM-036477. This should be NM-03477.

Yours very truly,

Ben L. Journey

Ben L. Journey

BLJ:jls



BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	1
CASE NO.	2407

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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 1st day of September, 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

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

1 control of operations therein; and

2 WHEREAS, it is the purpose of the parties hereto to conserve natural
3 resources, prevent waste, and secure other benefits obtainable through develop-
4 ment and operation of the area subject to this agreement under the terms, con-
5 ditions, and limitations herein set forth;

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

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February
11 25, 1920, as amended, supra, and all valid pertinent regulations, including
12 operating and unit plan regulations, heretofore issued thereunder or valid perti-
13 nent and reasonable regulations hereafter issued thereunder are accepted and made
14 a part of this agreement as to Federal lands, provided such regulations are not
15 inconsistent with the terms of this agreement; and as to non-Federal lands, the
16 oil and gas operating regulations in effect as of the effective date hereof
17 governing drilling and producing operations, not inconsistent with the terms
18 hereof or the laws of the State in which the non-Federal land is located, are
19 hereby accepted and made a part of this agreement.

20 2. UNIT AREA. The area specified on the map attached hereto marked
21 exhibit "A" is hereby designated and recognized as constituting the unit area,
22 containing 22,742.57 acres, more or less.

23 Exhibit "A" shows, in addition to the boundary of the unit area, the
24 boundaries and identity of tracts and leases in said area to the extent known to
25 the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the
26 extent known to the Unit Operator the acreage, percentage, and kind of ownership
27 of oil and gas interests in all land in the unit area. However, nothing herein
28 or in said schedule or map shall be construed as a representation by any party
29 hereto as to the ownership of any interest other than such interest or interests
30 as are shown in said map or schedule as owned by such party. Exhibits "A" and
31 "B" shall be revised by the Unit Operator whenever changes in the unit area re-
32 quire such revision necessary, or when requested by the Oil and Gas supervisor,

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

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

12 (a) Unit Operator, on its own motion or on demand of the Director of
13 the Geological Survey, hereinafter referred to as "Director", or on demand of the
14 State Land Commissioner after preliminary concurrence by the Director shall pre-
15 pare a notice of proposed expansion or contraction describing the contemplated
16 changes in the boundaries of the unit area, the reasons therefor, and the pro-
17 posed effective date thereof preferably the first day of a month subsequent to
18 the date of notice.

19 (b) Said notice shall be delivered to the Supervisor and the Commis-
20 sioner, and copies thereof mailed to the last known address of each working
21 interest owner, lessee, and lessor whose interests are affected, advising that
22 30 days will be allowed for submission to the Unit Operator of any objections.

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

29 (d) After due consideration of all pertinent information, the expan-
30 sion or contraction shall, upon approval by the Director and State Land Commis-
31 sioner, become effective as of the date prescribed in the notice thereof.

32 (e) All legal subdivisions of unitized lands (i.e., 40 acres by

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

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

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

4 Any expansion of the unit area pursuant to this section which embraces
5 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con-
6 sidered automatic commitment or recommitment of such lands.

7 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to
8 this agreement shall constitute land referred to herein as "unitized land" or
9 "land subject to this agreement". All oil and gas in any and all formations of
10 the unitized land are unitized under the terms of this agreement and herein are
11 called "unitized substances".

12 4. UNIT OPERATOR. SHELL OIL COMPANY, a Delaware corporation, is
13 hereby designated as Unit Operator and by signature hereto as Unit Operator
14 agrees and consents to accept the duties and obligations of Unit Operator for
15 the discovery, development, and production of unitized substances as herein
16 provided. Whenever reference is made herein to the Unit Operator, such refer-
17 ence means the Unit Operator acting in that capacity and not as an owner of
18 interest in unitized substances, and the term "working interest owner" when
19 used herein shall include or refer to Unit Operator as the owner of a working
20 interest when such an interest is owned by it.

21 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have
22 the right to resign at any time prior to the establishment of a participating
23 area or areas hereunder, but such resignation shall not become effective so as
24 to release Unit Operator from the duties and obligations of Unit Operator and
25 terminate Unit Operator's rights as such for a period of 6 months after notice
26 of intention to resign has been served by Unit Operator on all working interest
27 owners and the Director and State Land Commissioner, and until all wells then
28 drilled hereunder are placed in a satisfactory condition for suspension or
29 abandonment whichever is required by the Supervisor as to Federal lands and the
30 Commission as to State and privately-owned lands, unless a new Unit Operator
31 shall have been selected and approved and shall have taken over and assumed the
32 duties and obligations of Unit Operator prior to the expiration of said period.

1 Unit Operator shall have the right to resign in like manner and sub-
2 ject to like limitations as above provided at any time a participating area
3 established hereunder is in existence, but at any time, for any reason whatso-
4 ever, there is no Unit Operator until a successor Unit Operator is selected and
5 approved as hereinafter provided, the working interest owners shall be jointly
6 responsible for performance of the duties of Unit Operator, and shall not later
7 than 30 days before resignation or removal becomes effective appoint a common
8 agent to represent them in any action to be taken hereunder.

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

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

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

27 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
28 his or its resignation as Unit Operator or shall be removed as hereinabove
29 provided, or a change of Unit Operator is negotiated by working interest owners,
30 the owners of the working interests in the participating area or areas accord-
31 ing to their respective acreage interests in such participating area or areas.
32 or, until a participating area shall have been established, the owners of the

1 working interests according to their respective acreage interests in all uni-
2 tized land, shall by majority vote select a successor Unit Operator; provided,
3 that, if a majority but less than 75 per cent of the working interests qualified
4 to vote are owned by one party to this agreement, a concurring vote of one or
5 more additional working interest owners shall be required to select a new
6 operator. Such selection shall not become effective until (a) a Unit Operator
7 so selected shall accept in writing the duties and responsibilities of Unit
8 Operator, and (b) the selection shall have been approved by the Director and
9 State Commissioner. If no successor Unit Operator is selected and qualified as
10 herein provided, the Director and State Land Commissioner at their election may
11 declare this unit agreement terminated.

12 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit
13 Operator is not the sole owner of working interests, costs and expenses incurred
14 by Unit Operator in conducting unit operations hereunder shall be paid and
15 apportioned among and borne by the owners of working interests, all in accord-
16 ance with the agreement or agreements entered into by and between the Unit
17 Operator and the owners of working interests, whether one or more, separately or
18 collectively. Any agreement or agreements entered into between the working
19 interest owners and the Unit Operator as provided in this section, whether one
20 or more, are herein referred to as the "unit operating agreement". Such unit
21 operating agreement shall also provide the manner in which the working interest
22 owners shall be entitled to receive their respective proportionate and allocated
23 share of the benefits accruing hereto in conformity with their underlying oper-
24 ating agreements, leases, or other independent contracts, and such other rights
25 and obligations as between Unit Operator and the working interest owners as may
26 be agreed upon by Unit Operator and the working interest owners; however, no
27 such unit operating agreement shall be deemed either to modify any of the terms
28 and conditions of this unit agreement or to relieve the Unit Operator of any
29 right or obligation established under this unit agreement, and in case of any
30 inconsistency or conflict between the unit agreement and the unit operating
31 agreement, this unit agreement shall prevail. Three true copies of any unit
32 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.

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 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~~ 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 to the satisfaction of

and the State Land Commissioner
1 said Supervisor/or until it is reasonably proved that the unitized land is
2 incapable of producing unitized substances in paying quantities in the forma-
3 tions drilled hereunder. Nothing in this section shall be deemed to limit the
4 right of the Unit Operator to resign as provided in section 5 hereof, or as
5 requiring Unit Operator to commence or continue any drilling during the period
6 pending such resignation becoming effective in order to comply with the require-
and the State Land Commissioner
7 ments of this section. The Director/may modify the drilling requirements of
8 this section by granting reasonable extensions of time when, in his opinion,
9 such action is warranted.

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

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after
15 completion of a well capable of producing unitized substances in paying quanti-
and the State Land Commissioner
16 ties, the Unit Operator shall submit for the approval of the Supervisor/an
17 acceptable plan of development and operation for the unitized land which, when
and the State Land Commissioner
18 approved by the Supervisor/ shall constitute the further drilling and operating
19 obligations of the Unit Operator under this agreement for the period specified
20 therein. Thereafter, from time to time before the expiration of any existing
and the State Land Commissioner
21 plan, the Unit Operator shall submit for the approval of the Supervisor/a plan
22 for an additional specified period for the development and operation of the
23 unitized land. Any plan submitted pursuant to this section shall provide for
24 the exploration of the unitized area and for the diligent drilling necessary
25 for determination of the area or areas thereof capable of producing unitized
26 substances in paying quantities in each and every productive formation and shall
and the State Land Commissioner
27 be as complete and adequate as the Supervisor/may determine to be necessary for
28 timely development and proper conservation of the oil and gas resources of the
29 unitized area and shall (a) specify the number and locations of any wells to be
30 drilled and the proposed order and time for such drilling; and (b) to the extent
31 practicable specify the operating practices regarded as necessary and advisable
32 for proper conservation of natural resources. Separate plans may be submitted

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

13 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well cap-
14 able of producing unitized substances in paying quantities or as soon thereafter
15 as required by the Supervisor or the State Land Commissioner, the Unit Operator
16 shall submit for approval by the Director, the State Land Commissioner, and the
17 Commission a schedule, based on subdivisions of the public land survey or ali-
18 quot parts thereof, of all unitized land then regarded as reasonably proved to
19 be productive of unitized substances in paying quantities; all lands in said
20 schedule on approval of the Supervisor, the State Land Commissioner, and the
21 Commission to constitute a participating area, effective as of the date of
22 completion of such well or the effective date of this unit agreement, which-
23 ever is later. The acreages of both Federal and non-Federal lands shall be
24 based upon appropriate computations from the courses and distances shown on the
25 last approved public-land survey as of the effective date of the initial partic-
26 ipating area. Said schedule also shall set forth the percentage of unitized
27 substances to be allocated as herein provided to each unitized tract in the
28 participating area so established, and shall govern the allocation of production
29 from and after the date the participating area becomes effective. A separate
30 participating area shall be established in like manner for each separate pool or
31 deposit of unitized substances or for any group thereof produced as a single
32 pool or zone, and any two or more participating areas so established may be

1 combined into one with the consent of the owners of all working interests in
2 the lands within the participating areas so to be combined, on approval of the
3 Director, the State Land Commissioner, and the Commission. The participating
4 area or areas so established and approved shall be revised from time to time,
5 subject to like approval, whenever such action appears proper as a result of
6 further drilling operations or otherwise, to include additional land then re-
7 garded 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
9 of allocation shall also be revised accordingly. The effective date of any re-
10 vision shall be the first of the month in which is obtained the knowledge or
11 information on which such revision is predicated, provided, however, that a
12 more appropriate effective date may be used if justified by the Unit Operator
13 and approved by the Director. No land shall be excluded from a participating
14 area on account of depletion of the unitized substances.

15 It is the intent of this section that a participating area shall
16 represent the area known or reasonably estimated to be productive in paying
17 quantities; but, regardless of any revision of the participating area, nothing
18 herein contained shall be construed as requiring any retroactive adjustment for
19 production obtained prior to the effective date of the revision of the partici-
20 pating area.

21 In the absence of agreement at any time between the Unit Operator and
22 the Director, the State Land Commissioner, and the Commission as to the proper
23 definition or redefinition of a participating area, or until a participating
24 area has, or areas have, been established as provided herein, the portion of all
25 payments affected thereon may be impounded in a manner mutually acceptable to
26 the owners of working interests, except royalties due the United States, and the
27 State of New Mexico, which shall be determined by the Supervisor for Federal
28 lands and the State Land Commissioner for State lands, and the amount thereof
29 deposited, as directed by the Supervisor and the State Land Commissioner, re-
30 spectively, to be held as unearned money until a participating area is finally
31 approved and then applied as earned or returned in accordance with a determin-
32 ation of the sum due as Federal and State royalty on the basis of such approved

1 participating area.

2 Whenever it is determined, subject to the approval of the Supervisor
3 as to wells on Federal land, and of the State Land Commissioner as to wells
4 drilled on State land, that a well drilled under this agreement is not capable
5 of production in paying quantities and inclusion of the land on which it is
6 situated in a participating area is unwarranted, production from such well shall
7 for the purposes of settlement among all parties other than working interest
8 owners, be allocated to the land on which the well is located so long as such
9 land is not within a participating area established for the pool or deposit from
10 which such production is obtained. Settlement for working interest benefits
11 from such a well shall be made as provided in the unit operating agreement.

12 12. ALLOCATION OF PRODUCTION. All unitized substances produced from
13 each participating area established under this agreement, except any part there-
14 of used in conformity with good operating practices within the unitized area for
15 drilling, operating, camp and other production or development purposes, for re-
16 pressuring or recycling in accordance with a plan of development approved by the
17 Supervisor, the State Land Commissioner, and the Commission, or unavoidably lost,
18 shall be deemed to be produced equally on an acreage basis from the several
19 tracts of unitized land of the participating area established for such pro-
20 duction and, for the purpose of determining any benefits accruing under this
21 agreement, each such tract of unitized land shall have allocated to it such
22 percentage of said production as the number of acres of such tract included in
23 said participating area bears to the total acres of unitized land in said par-
24 ticipating area, except that allocation of production hereunder for purposes
25 other than for settlement of the royalty, overriding royalty, or payment out of
26 production obligations of the respective working interest owners, shall be on
27 the basis prescribed in the unit operating agreement whether in conformity with
28 the basis of allocation herein set forth or otherwise. It is hereby agreed that
29 production of unitized substances from a participating area shall be allocated
30 as provided herein regardless of whether any wells are drilled on any particular
31 part of tract of said participating area. If any gas produced from one partici-
32 pating area is used for repressuring or recycling purposes in another partici-

1 pating area, the first gas withdrawn from such last-mentioned participating area
2 for sale during the life of this agreement shall be considered to be the gas so
3 transferred until an amount equal to that transferred shall be so produced for
4 sale and such gas shall be allocated to the participating area from which
5 initially produced as constituted at the time of such final production.

6 13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

7 Any party hereto owning or controlling the working interests in any unitized
8 land having thereon a regular well location may with the approval of the Super-
9 visor as to Federal land, and the State Land Commissioner as to State land, and
10 the Commission as to privately-owned land, if any, at such party's sole risk,
11 cost, and expense drill a well to test any formation for which a participating
12 area has not been established or to test any formation for which a participating
13 area has been established if such location is not within said participating area,
14 unless within 90 days of receipt of notice from said party of his intention to
15 drill the well the Unit Operator elects and commences to drill such well in like
16 manner as other wells are drilled by the Unit Operator under this agreement.

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

23 If any well drilled as aforesaid by a working interest owner obtains
24 production in quantities insufficient to justify the inclusion in a partici-
25 pating area of the land upon which such well is situated, such well may be
26 operated and produced by the party drilling the same subject to the conservation
27 requirements of this agreement. The royalties in amount or value of production
28 from any such well shall be paid as specified in the underlying lease and
29 agreements affected.

30 14. ROYALTY SETTLEMENT. The United States and the State of New
31 Mexico and all royalty owners who, under existing contract, are entitled to take
32 in kind a share of the substances now unitized hereunder produced from any tract

1 shall hereafter be entitled to the right to take in kind their share of the
2 unitized substances allocated to such tract, and Unit Operator, or in case of the
3 operation of a well by a working interest owner as herein in special cases pro-
4 vided for, such working interest owner, shall make deliveries of such royalty
5 share taken in kind in conformity with the applicable contracts, laws, and
6 regulations. Settlement for royalty interest not taken in kind shall be made by
7 working interest owners responsible therefore under existing contracts, laws,
8 and regulations, on or before the last day of each month for unitized substances
9 produced during the preceding calendar month; provided, however, that nothing
10 herein contained shall operate to relieve the lessees of any land from their
11 respective lease obligations for the payment of any royalties due under their
12 leases.

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

26 Royalty due the United States shall be computed as provided in the
27 operating regulations and paid in value or delivered in kind as to all unitized
28 substances on the basis of the amounts thereof allocated to unitized Federal
29 land as provided herein at the rates specified in the respective Federal leases,
30 or at such lower rate or rates as may be authorized by law or regulation; pro-
31 vided, that for leases on which the royalty rate depends on the daily average
32 production per well, said average production shall be determined in accordance

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

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

13 With respect to any lease on non-Federal land containing provisions
14 which would terminate such lease unless drilling operations were within the time
15 therein specified commenced upon the land covered thereby or rentals paid for the
16 privilege of deferring such drilling operations, the rentals required thereby
17 shall, notwithstanding any other provision of this agreement, be deemed to
18 accrue and become payable during the term thereof as extended by this agreement
19 and until the required drilling operations are commenced upon the land covered
20 thereby or some portion of such land is included within a participating area.
21 Rentals on State of New Mexico lands subject to this Agreement shall
22 be paid at the rates specified in the respective leases.

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

27 17. DRAINAGE. The Unit Operator shall take appropriate and adequate
28 measures to prevent drainage of unitized substances from unitized land by wells
29 on land not subject to this agreement or with the consent of the Director and
30 the State Land Commissioner pursuant to applicable regulations pay a fair and
31 reasonable compensatory royalty as determined by the Supervisor for Federal
32 lands, or as approved by the State Land Commissioner for State land.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con-
ditions, and provisions of all leases, subleases, and other contracts relating

1 to exploration, drilling, development, or operation for oil or gas of lands
2 committed to this agreement are hereby expressly modified and amended to the
3 extent necessary to make the same conform to the provisions hereof, but other-
4 wise to remain in full force and effect; and the parties hereto hereby consent
5 that the Secretary as to Federal leases and the State Land Commissioner as to
6 State leases, shall and by their approval hereof, or by the approval hereof by
7 their duly authorized representatives, do hereby establish, alter, change or
8 revoke the drilling, producing, rental, minimum royalty, and royalty require-
9 ments of Federal leases and State leases committed hereto and the regulations
10 in respect thereto to conform said requirements to the provisions of this agree-
11 ment, and, without limiting the generality of the foregoing, all leases, sub-
12 leases, and contracts are particularly modified in accordance with the following:

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

22 (b) Drilling and producing operations performed hereunder upon
23 any tract of unitized lands will be accepted and deemed to be per-
24 formed upon and for the benefit of each and every tract of unitized
25 land, and no lease shall be deemed to expire by reason of failure to
26 drill or produce wells situated on the land therein embraced.

27 (c) Suspension of drilling or producing operations on all
28 unitized lands pursuant to direction or consent of the Secretary and
29 the State Land Commissioner or their duly authorized representatives
30 shall be deemed to constitute such suspension pursuant to such direc-
31 tion or consent as to each and every tract of unitized land.

32 (d) Each lease, sublease or contract relating to the explor-

1 ation, drilling, development or operation for oil or gas of lands
2 other than those of the United States committed to this agreement,
3 which, by its terms might expire prior to the termination of this
4 agreement, is hereby extended beyond any such term so provided
5 therein so that it shall be continued in full force and effect for
6 and during the term of this agreement.

7 (e) Any Federal lease for a fixed term of twenty (20) years
8 or any renewal thereof or any part of such lease which is made sub-
9 ject to this agreement shall continue in force beyond the term
10 provided therein until the termination hereof. Any other Federal
11 lease committed hereto shall continue in force beyond the term so
12 provided therein or by law as to the committed land so long as such
13 lease remains subject hereto, provided that production is had in
14 paying quantities under this unit agreement prior to the expiration
15 date of the term of such lease, or in the event actual drilling
16 operations are commenced on unitized land, in accordance with the
17 provisions of this agreement, prior to the end of the primary term
18 of such lease and are being diligently prosecuted at that time,
19 such lease shall be extended for two years and so long thereafter
20 as oil or gas is produced in paying quantities in accordance with
21 the provisions of the Mineral Leasing Act Revision of 1960.

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

30 (g) The segregation of any Federal lease committed to this
31 agreement is governed by the following provision in the fourth
32 paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended

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

11 (h) Any lease, other than a Federal lease, having only a
12 portion of its lands committed hereto shall be segregated as to the
13 portion committed and the portion not committed, and the provisions
14 of such lease shall apply separately to such segregated portions
15 commencing as of the effective date hereof. In the event any such
16 lease provides for a lump-sum rental payment, such payment shall be
17 prorated between the portions so segregated in proportion to the
18 acreage of the respective tracts.

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

29 20. EFFECTIVE DATE OF TERM. This agreement shall become effective
30 upon approval by the Secretary or his duly authorized representative and shall
31 terminate on the expiration of five (5) years from the effective date of this
32 agreement unless (a) such date of expiration is extended by the Director and

1 State Land Commissioner, or (b) it is reasonably determined prior to the expir-
2 ation of the fixed term or any extension thereof that the unitized land is in-
3 capable of production of unitized substances in paying quantities in the forma-
4 tions tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest at their
6 last known addresses, the agreement is terminated with the approval of the
7 Director and State Land Commissioner, or (c) a valuable discovery of unitized
8 substances has been made or accepted on unitized land during said initial term
9 or any extension thereof, in which event the agreement shall remain in effect
10 for such term and so long as unitized substances can be produced in quantities
11 sufficient to pay for the cost of producing same from wells on unitized land
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
15 unitized substances so discovered can be produced as aforesaid, or (d) it is
16 terminated as heretofore provided in this agreement.

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

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

1 modification is in the interest of attaining the conservation objectives stated
2 in this agreement and is not in violation of any applicable Federal or State
3 law; provided, further, that no such alteration or modification shall be
4 effective as to any land of the State of New Mexico as to the rate of prospec-
5 ting and development in the absence of the specific written approval thereof by
6 the State Land Commissioner and as to any lands of the State of New Mexico or
7 privately-owned lands, if any, subject to this agreement as to the quantity and
8 rate of production in the absence of specific written approval thereof by the
9 State Commission.

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

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

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

30 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained
31 shall be construed as a waiver by any party hereto of the right to assert any
32 legal or constitutional right or defense as to the validity or invalidity of any

1 law of the State wherein said unitized lands are located, or of the United
2 States, or regulations issued thereunder in any way affecting such party, or as
3 a waiver by any such party of any right beyond his or its authority to waive.

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

14 26. NONDISCRIMINATION: In the performance of work under this agree-
15 ment the operator agrees to comply with the nondiscrimination provisions of
16 Executive Order 10925 (26 F. R. 1977).

17 27. LOSS OF TITLE. In the event title to any tract of unitized land
18 shall fail and the true owner cannot be induced to join in this unit agreement,
19 such tract shall be automatically regarded as not committed hereto and there
20 shall be such readjustment of future costs and benefits as may be required on
21 account of the loss of such title. In the event of a dispute as to title as to
22 any royalty, working interest, or other interests subject thereto, payment or
23 delivery on account thereof may be withheld without liability for interest until
24 the dispute is finally settled; provided, that, as to Federal and State land or
25 leases, no payments of funds due the United States or the State of New Mexico
26 should be withheld, but such funds of the United States shall be deposited as
27 directed by the Supervisor, and those due the State of New Mexico with the
28 Commissioner of Public Lands of the State of New Mexico, to be held as unearned
29 money, pending final settlement of the title dispute, and then applied as earned
30 or returned in accordance with such final settlement.

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

1 28. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
2 stantial interest in a tract within the unit area fails or refuses to subscribe
3 or consent to this agreement, the owner of the working interest in that tract
4 may withdraw said tract from this agreement by written notice to the Director,
5 the State Land Commissioner, and the Unit Operator prior to the approval of this
6 agreement by the Director. Any oil or gas interests in lands within the unit
7 area not committed hereto prior to submission of this agreement for final
8 approval may thereafter be committed hereto by the owner or owners thereof
9 subscribing or consenting to this agreement, and, if the interest is a working
10 interest, by the owner of such interest also subscribing to the unit operating
11 agreement. After operations are commenced hereunder, the right of subsequent
12 joinder, as provided in this section, by a working interest owner is subject
13 to such requirements or approvals, if any, pertaining to such joinder, as may
14 be provided for in the unit operating agreement. After final approval hereof
15 joinder by a non-working interest owner must be consented to in writing by the
16 working interest owner committed hereto and responsible for the payment of any
17 benefits that may accrue hereunder in behalf of such non-working interest.
18 Joinder by any owner of a non-working interest, at any time, must be accompan-
19 ied by appropriate joinder by the owner of the corresponding working interest
20 in order for the interest to be regarded as committed hereto. Joinder to the
21 unit agreement by a working-interest owner, at any time, must be accompanied
22 by appropriate joinder to the unit operating agreement, if more than one
23 committed working-interest owner is involved, in order for the interest to be
24 regarded as effectively committed to this unit agreement. Except as may
25 otherwise herein be provided subsequent joinders to this agreement shall be
26 effective as of the first day of the month following the filing with the
27 Supervisor, the State Land Commissioner, and the Commission of duly executed
28 counterparts of all or any papers necessary to establish effective commitment
29 of any tract to this agreement unless objection to such joinder is duly made
30 within 60 days by the Director, State Land Commissioner or Commission.

31 29. COUNTERPARTS. This agreement may be executed in any number of
32 counterparts no one of which needs to be executed by all parties or may be

1 ratified or consented to by separate instrument in writing specifically refer-
2 ring hereto and shall be binding upon all those parties who have executed such
3 a counterpart, ratification, or consent hereto with the same force and effect as
4 if all such parties had signed the same document and regardless of whether or
5 not it is executed by all other parties owning or claiming an interest in the
6 lands within the above-described unit area.

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

13 If as a result of any such surrender, the working interest rights as
14 to such lands become vested in any party other than the fee owner of the uni-
15 tized substances, said party shall forfeit such rights and no further benefits
16 from operations hereunder as to said land shall accrue to such party, unless
17 within ninety (90) days thereafter said party shall execute this agreement and
18 the unit operating agreement as to the working interest acquired through such
19 surrender, effective as though such land had remained continuously subject to
20 this agreement and the unit operating agreement. And in the event such agree-
21 ments are not executed, the party next in the chain of title shall be and
22 become the owner of such working interest at the end of such ninety (90) day
23 period, with the same force and effect as though such working interest had been
24 surrendered to such party.

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

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

31 (2) Again lease such lands but only under the condition that the
32 holder of such lease shall within thirty (30) days after such lands are

1 so leased execute this agreement and the unit operating agreement as to
2 each participating area theretofore established hereunder, effective as
3 though such land had remained continuously subject to this agreement and
4 the unit operating agreement.

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

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

17 For any period the working interest in any lands are not expressly
18 committed to the unit operating agreement as the result of any such surrender or
19 forfeiture, the benefits and obligations of operations accruing to such lands
20 under this agreement and the unit operating agreement shall be shared by the
21 remaining owners of unitized working interests in accordance with their respec-
22 tive participating working interest ownerships in any such participating area
23 or areas, and such owners of working interests shall compensate the fee owner
24 of unitized substances in such lands by paying sums equal to the rentals, mini-
25 mum royalties, and royalties applicable to such lands under the lease in effect
26 when the lands were unitized, as to such participating area or areas.

27 Upon commitment of a working interest to this agreement and the unit
28 operating agreement as provided in this section, an appropriate accounting and
29 settlement shall be made, to reflect the retroactive effect of the commitment,
30 for all benefits accruing to or payments and expenditures made or incurred on
31 behalf of such surrendered working interest during the period between the date
32 of surrender and the date of recommitment, and payment of any moneys found to

1 be owing by such an accounting shall be made as between the parties then signa-
2 tory to the unit operating agreement and this agreement within thirty (30) days
3 after the recommitment. The right to become a party to this agreement and the
4 unit operating agreement as a working interest owner by reason of a surrender or
5 forfeiture as provided in this section shall not be defeated by the nonexistence
6 of a unit operating agreement and in the event no unit operating agreement is an
7 existence and a mutually acceptable agreement between the proper parties thereto
8 cannot be consummated, the Supervisor and State Land Commissioner may prescribe
9 such reasonable and equitable agreement as they deem warranted under the
10 circumstances.

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

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

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

3 UNIT OPERATOR AND WORKING INTEREST
4 OWNER

5 SHELL OIL COMPANY

6 Witness: _____

By _____
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 54, California

7 Date: _____

8 WORKING INTEREST OWNERS

9 CONTINENTAL OIL CORPORATION

10 Witness: _____

By _____

11 Witness: _____

By _____

12 Date: _____

Address: P. O. Box 1121
Durango, Colorado

14 BRITISH AMERICAN OIL PRODUCING COMPANY

15 Witness: _____

By _____

16 Witness: _____

By _____

17 Date: _____

Address: Denver Club Building
P. O. Box 180
Denver, Colorado

20 TRANSMOUNTAIN PRODUCTION COMPANY

21 Witness: _____

By _____

22 Witness: _____

By _____

23 Date: _____

Address: 800 San Jacinto Building
Houston, Texas

25 ELIZABETH ANN ELLIOTT

26 Witness: _____

By _____

27 Date: _____

Address: P. O. Box 703
Roswell, New Mexico

29 DELHI-TAYLOR OIL CORPORATION

30 Witness: _____

By _____

31 Witness: _____

By _____

32 Date: _____

Address: 360 Denver Club Building
Denver, Colorado

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 Mexico

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.

Dated _____.

Director, United States Geological Survey

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 interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

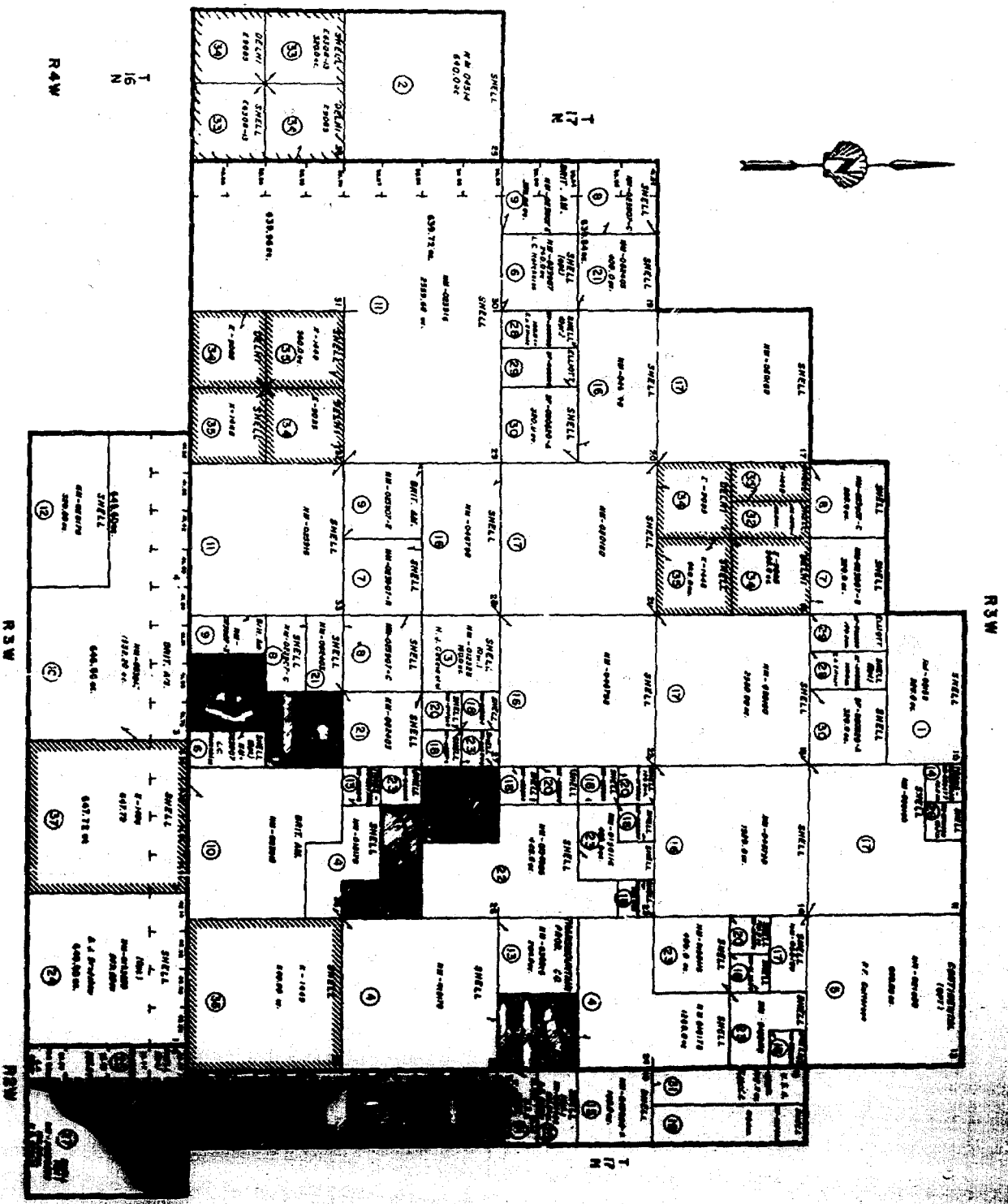
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (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 Certificate of Approval is executed, with seal affixed, this _____ day of _____, 19____.

Commissioner of Public Lands
of the State of New Mexico

BEST AVAILABLE COPY



LEGEND

- ① TRACT BOUNDARY
- ▭ TRACTS TOTAL, FEDERAL ACRES
- ▨ TRACTS TOTAL, STATE OR N. H. ACRES
- ▩ TRACTS TOTAL, FEE ACRES
- ▧ TRACTS TOTAL, UNIT ACRES
- ALTERNATION
- OPTION

EXHIBIT A
CABEZON UNIT
FEDERAL, STATE, N. H. ACRES

EXHIBIT "B" - CABEZON UNITSandoval County, New Mexico

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. & Percentage</u>	<u>Working Interest & Percentages</u>
<u>FEDERAL LANDS</u>							
1.	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: N/2	320.00	NM-03158 April 1, 1952	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Willard W. Moyer - 3% Wilson Oil Co. - 2%	Shell Oil Company 100%
2.	T. 17 N., R. 4 W., N.M.P.M. Sec. 25: A11	640.00	NM-04514 July 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Roy L. Flood - 5%	Shell Oil Company 100%
3.	T. 17 N., R. 3 W., N.M.P.M. Sec. 27: NW/4	160.00	NM-012325 August 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Hazel J. Guccia - 80% George E. Conley - 20%	Hazel J. Guccia George Guccia George E. Conley - 5%	Shell Oil Company 100% *
4.	T. 17 N., R. 3 W., N.M.P.M. Sec. 13: SE/4 Sec. 24: N/2 Sec. 25: A11 Sec. 26: SW/4 SE/4, SE/4 SW/4 Sec. 35: N/2 NE/4	1280.00	NM-018178 July 1, 1955	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Anna Pickard - 5%	Shell Oil Company 100%
5.	T. 17 N., R. 3 W., N.M.P.M. Sec. 12: A11	640.00	NM-021000 April 1, 1956	U.S. - 12- $\frac{1}{2}$ %	Paul F. Catterson	Roy L. Riner - 5%	Continental Oil Company - 100% *
6.	T. 17 N., R. 3 W., N.M.P.M. Sec. 19: SE/4 Sec. 34: E/2 SE/4	240.00	NM-023907 February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Lester C. Hotchkiss Alpha L. Hotchkiss	Lester C. Hotchkiss Alpha L. Hotchkiss - 3%	Shell Oil Company 100% *
7.	T. 17 N., R. 3 W., N.M.P.M. Sec. 9: SE/4 Sec. 28: SW/4	320.00	NM-023907-B February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	R. E. McKenzie, Jr. 2%	Shell Oil Company 100%

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
8.	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	560.00	NM-023907-C February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Bruce Anderson - 3%	Shell Oil Company 100%
9.	T. 17 N., R. 3 W., N.M.P.M. Sec. 19: Lots 3,4, E/2 SW/4 Sec. 28: SW/4 Sec. 34: W/2 SW/4	399.84	NM-023907-E February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	British American Oil Producing Co.	George E. Conley - $\frac{3}{4}$ %	British American Oil Producing Co. 100%
10.	T. 16 N., R. 3 W., N.M.P.M. Sec. 4: Lots 1,2,3,4, S/2 N/2 Sec. 3: Lots 1,2,3,4, S/2 N/2, S/2 (A11)	1532.20	NM-023913 May 1, 1957	U.S. - 12- $\frac{1}{2}$ %	British American Oil Producing Co.	Vincent Guccia - $\frac{3}{4}$ %	British American Oil Producing Co. 100%
11.	T. 17 N., R. 3 W., N.M.P.M. Sec. 35: S/2 NE/4, NW/4, S/2 T. 17 S., R. 3 W., N.M.P.M. Sec. 29: A11 Sec. 30: Lots 1,2,3,4, E/2 W/2, E/2 (A11) Sec. 31: Lots 1,2,3,4, E/2 W/2, E/2 (A11) Sec. 33: A11	2559.68	NM-023916 May 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Marion V. Harris - $\frac{4}{7}$ %	Shell Oil Company 100%
12.	T. 16 N., R. 3 W., N.M.P.M. Sec. 4: S/2	320.00	NM-028170 July 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	R. E. McKenzie, Jr. 2%	Shell Oil Company 100%
13.	T. 17 N., R. 3 W., N.M.P.M. Sec. 24: SW/4 Sec. 26: SW/4 SW/4	200.00	NM-030016 December 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Transmountain Production Co.	Walter L. Morrison - Kathleen Morrison 5%	Transmountain Production Co. 100%
14.	T. 17 N., R. 3 W., N.M.P.M. Sec. 11: NW/4 NW/4	40.00	NM-036477 November 1, 1958	U.S. - 12- $\frac{1}{2}$ %	Transmountain Production Co.	Walter L. Morrison - Kathleen Morrison 5%	Transmountain Production Co. 100%

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
15.	T. 17 N., R. 2 W., N.M.P.M. Sec. 19: NW/4	160.00	NM-040606-A May 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Glady's Watford - 5%	Shell Oil Company 100%
16.	T. 17 N., R. 3 W., N.M.P.M. Sec. 14: All Sec. 20: N/2 Sec. 22: All Sec. 28: N/2	1920.00	NM-046798 August 1, 1958	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Gail B. Horne Clifford Wolfswinkel Alan Thomson John W. Moon - 5%	Shell Oil Company 100%
17.	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: All Sec. 17: All Sec. 21: All	2560.00	NM-050160 July 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	L. J. Borling - 5%	Shell Oil Company 100%
18.	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	320.00	NM-055534 October 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Jocune F. Augstman - $\frac{1}{4}$ of 1% Bruce Anderson Beard Oil Co. - 2 $\frac{1}{2}$ %	Shell Oil Company 100%
19.	T. 17 N., R. 2 W., N.M.P.M. Sec. 18: E/2 W/2	160.00	NM-057454 December 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Virginia L. Saunders 2-1/4% Michael S. Shearn - 3/4 of 1%	Shell Oil Company 100%
20.	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	160.00	NM-072925 May 1, 1960	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	W. W. Priest - 3%	Shell Oil Company 100%
21.	T. 17 N., R. 3 W., N.M.P.M. Sec. 19: NE/4 Sec. 27: SE/4 Sec. 34: N/2 NW/4	400.00	NM-082403 April 1, 1960	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Joan Chorney - 3%	Shell Oil Company 100%

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
22.	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	440.00	NM-0134986 April 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Ruth Ross & Thomas D. Chase - 2% Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
23.	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	480.00	NM-0150116 May 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	American Metal Climax, Inc. - 2% Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
24.	T. 16 N., R. 3 W., N.M.P.M. Sec. 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (A11)	649.60	NM-0153820 July 1, 1961	U.S. - 12- $\frac{1}{2}$ %	B. J. Bradshaw	B. J. Bradshaw - 5%	Shell Oil Company 100% *
25.	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	296.54	NM-0161406 July 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Anthony P. Hebner	Anthony P. Hebner - $\frac{1}{2}$ of 1%	Shell Oil Company 100% *
26.	T. 16 N., R. 2 W., N.M.P.M. Sec. 6: Lots 1, 2, 3, and 4 T. 17 N., R. 3 W., N.M.P.M. Sec. 11: NE/4 NW/4	40.00	NM-0161469 May 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Ruth Ross - 3%	Shell Oil Company 100%
27.	Portion of the Ojo del Espiritu 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.	196.06	NM-A0168898 App. filed April 14, 1961	U.S. - 12- $\frac{1}{2}$ %	Hoover H. Wright	Hoover H. Wright - 1%	Shell Oil Company 100% *

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
28.	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: E/2 SW/4 Sec. 20: W/2 SW/4	160.00	SF-080520 June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Elizabeth Ann Elliott 4%	Shell Oil Company 100% *
29.	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: W/2 SW/4 Sec. 20: E/2 SW/4	160.00	SF-080520 June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Elizabeth Ann Elliott 4%	Elizabeth Ann Elliott - 100% ✓
30.	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: SE/4 Sec. 20: SE/4	320.00	SF-080520-A June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Hoover H. Wright - 1% Ora R. Hall, Jr. - 4% 100%	Shell Oil Company
31.	T. 17 N., R. 2 W., N.M.P.M. Sec. 18: W/2 W/2 Sec. 19: Lots 1 and 2	212.11	SE-080520-A June 1, 1953 APPLICABLE SE-080520, 1961	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Ora R. Hall, Jr. - 4% 100%	Shell Oil Company 100% 70

Thirty-one (31) Federal Tracts - 17,846.03 acres or 78.47% of the Unit Area

STATE LANDS

32.	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: E/2 NW/4	80.00	OG-2291-1 March 18, 1958	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	Wayne J. Spears - 3%	Shell Oil Company 100%
33.	T. 17 N., R. 4 W., N.M.P.M. Sec. 36: NW/4, SE/4	320.00	E-6308-13 June 25, 1952	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	E. R. Richardson & F. R. Bryan - 1- $\frac{1}{2}$ % Levi A. Hughes & Francis T. Harvey - 3- $\frac{1}{2}$ %	Shell Oil Company 100%

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
34.	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: NE/4, SW/4 Sec. 32: NE/4, SW/4	960.00	E-9085 June 6, 1955	State of New Mexico - 12- $\frac{1}{2}$ %	Delhi-Taylor Oil Corporation	None	Delhi-Taylor Oil Corporation - 100%
35.	T. 17 N., R. 4 W., N.M.P.M. Sec. 36: NE/4, SW/4	560.00	K-1448 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
36.	T. 17 N., R. 3 W., N.M.P.M. Sec. 16: W/2 NW/4, SE/4 Sec. 32: NW/4, SE/4	640.00	K-1449 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
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)	647.72	K-1496 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%

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

FREE LANDS

38.	T. 17 N., R. 3 W., N.M.P.M. Sec. 24: SE/4	160.00	- March 17, 1961	Cass Goodner - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
39.	T. 17 N., R. 3 W., N.M.P.M. Sec. 34: NE/4, E/2 SW/4, W/2 SE/4	320.00	- March 17, 1961	Aporcio Gurule & Merajildo Gurule - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
40.	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	320.00	- March 16, 1961	Aporcio Lovato 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%

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

7.

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessor of Record</u>	<u>O.R.R. & Percentage</u>	<u>Working Interest & Percentage</u>
41.	Portion of the M. & S. 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.	888.82	April 24, 1961	25%	Zulema Miramon-Shell Oil Company	None	Shell Oil Company 100%
				25%	Elmer Burch -		
					Heirs of		
					Dr. Stevens T. Harris;		
					Mary Harris Mauldin		
					Lucie Harris Locke		
					Myra Harris Masters		
					Caroline Harris Henry		
				25%			

Four (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

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 2007

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 1st day of September, 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

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

1 control of operations therein; and

2 WHEREAS, it is the purpose of the parties hereto to conserve natural
3 resources, prevent waste, and secure other benefits obtainable through develop-
4 ment and operation of the area subject to this agreement under the terms, con-
5 ditions, and limitations herein set forth;

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

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February
11 25, 1920, as amended, supra, and all valid pertinent regulations, including
12 operating and unit plan regulations, heretofore issued thereunder or valid perti-
13 nent and reasonable regulations hereafter issued thereunder are accepted and made
14 a part of this agreement as to Federal lands, provided such regulations are not
15 inconsistent with the terms of this agreement; and as to non-Federal lands, the
16 oil and gas operating regulations in effect as of the effective date hereof
17 governing drilling and producing operations, not inconsistent with the terms
18 hereof or the laws of the State in which the non-Federal land is located, are
19 hereby accepted and made a part of this agreement.

20 2. UNIT AREA. The area specified on the map attached hereto marked
21 exhibit "A" is hereby designated and recognized as constituting the unit area,
22 containing 22,742.57 acres, more or less.

23 Exhibit "A" shows, in addition to the boundary of the unit area, the
24 boundaries and identity of tracts and leases in said area to the extent known to
25 the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the
26 extent known to the Unit Operator the acreage, percentage, and kind of ownership
27 of oil and gas interests in all land in the unit area. However, nothing herein
28 or in said schedule or map shall be construed as a representation by any party
29 hereto as to the ownership of any interest other than such interest or interests
30 as are shown in said map or schedule as owned by such party. Exhibits "A" and
31 "B" shall be revised by the Unit Operator whenever changes in the unit area rend-
32 er such revision necessary, or when requested by the Oil and Gas supervisor,

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

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

12 (a) Unit Operator, on its own motion or on demand of the Director of
13 the Geological Survey, hereinafter referred to as "Director", or on demand of the
14 State Land Commissioner after preliminary concurrence by the Director shall pre-
15 pare a notice of proposed expansion or contraction describing the contemplated
16 changes in the boundaries of the unit area, the reasons therefor, and the pro-
17 posed effective date thereof preferably the first day of a month subsequent to
18 the date of notice.

19 (b) Said notice shall be delivered to the Supervisor and the Commis-
20 sioner, and copies thereof mailed to the last known address of each working
21 interest owner, lessee, and lessor whose interests are affected, advising that
22 30 days will be allowed for submission to the Unit Operator of any objections.

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

29 (d) After due consideration of all pertinent information, the expan-
30 sion or contraction shall, upon approval by the Director and State Land Commis-
31 sioner, become effective as of the date prescribed in the notice thereof.

32 (e) All legal subdivisions of unitized lands (i.e., 40 acres by

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

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

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

4 Any expansion of the unit area pursuant to this section which embraces
5 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con-
6 sidered automatic commitment or recommitment of such lands.

7 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to
8 this agreement shall constitute land referred to herein as "unitized land" or
9 "land subject to this agreement". All oil and gas in any and all formations of
10 the unitized land are unitized under the terms of this agreement and herein are
11 called "unitized substances".

12 4. UNIT OPERATOR. SHELL OIL COMPANY, a Delaware corporation, is
13 hereby designated as Unit Operator and by signature hereto as Unit Operator
14 agrees and consents to accept the duties and obligations of Unit Operator for
15 the discovery, development, and production of unitized substances as herein
16 provided. Whenever reference is made herein to the Unit Operator, such refer-
17 ence means the Unit Operator acting in that capacity and not as an owner of
18 interest in unitized substances, and the term "working interest owner" when
19 used herein shall include or refer to Unit Operator as the owner of a working
20 interest when such an interest is owned by it.

21 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have
22 the right to resign at any time prior to the establishment of a participating
23 area or areas hereunder, but such resignation shall not become effective so as
24 to release Unit Operator from the duties and obligations of Unit Operator and
25 terminate Unit Operator's rights as such for a period of 6 months after notice
26 of intention to resign has been served by Unit Operator on all working interest
27 owners and the Director and State Land Commissioner, and until all wells then
28 drilled hereunder are placed in a satisfactory condition for suspension or
29 abandonment whichever is required by the Supervisor as to Federal lands and the
30 Commission as to State and privately-owned lands, unless a new Unit Operator
31 shall have been selected and approved and shall have taken over and assumed the
32 duties and obligations of Unit Operator prior to the expiration of said period.

1 Unit Operator shall have the right to resign in like manner and sub-
2 ject to like limitations as above provided at any time a participating area
3 established hereunder is in existence, but at any time, for any reason whatso-
4 ever, there is no Unit Operator until a successor Unit Operator is selected and
5 approved as hereinafter provided, the working interest owners shall be jointly
6 responsible for performance of the duties of Unit Operator, and shall not later
7 than 30 days before resignation or removal becomes effective appoint a common
8 agent to represent them in any action to be taken hereunder.

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

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

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

27 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
28 his or its resignation as Unit Operator or shall be removed as hereinabove
29 provided, or a change of Unit Operator is negotiated by working interest owners,
30 the owners of the working interests in the participating area or areas accord-
31 ing to their respective acreage interests in such participating area or areas,
32 or, until a participating area shall have been established, the owners of the

1 working interests according to their respective acreage interests in all uni-
2 tized land, shall by majority vote select a successor Unit Operator; provided,
3 that, if a majority but less than 75 per cent of the working interests qualified
4 to vote are owned by one party to this agreement, a concurring vote of one or
5 more additional working interest owners shall be required to select a new
6 operator. Such selection shall not become effective until (a) a Unit Operator
7 so selected shall accept in writing the duties and responsibilities of Unit
8 Operator, and (b) the selection shall have been approved by the Director and
9 State Commissioner. If no successor Unit Operator is selected and qualified as
10 herein provided, the Director and State Land Commissioner at their election may
11 declare this unit agreement terminated.

12 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit
13 Operator is not the sole owner of working interests, costs and expenses incurred
14 by Unit Operator in conducting unit operations hereunder shall be paid and
15 apportioned among and borne by the owners of working interests, all in accord-
16 ance with the agreement or agreements entered into by and between the Unit
17 Operator and the owners of working interests, whether one or more, separately or
18 collectively. Any agreement or agreements entered into between the working
19 interest owners and the Unit Operator as provided in this section, whether one
20 or more, are herein referred to as the "unit operating agreement". Such unit
21 operating agreement shall also provide the manner in which the working interest
22 owners shall be entitled to receive their respective proportionate and allocated
23 share of the benefits accruing hereto in conformity with their underlying oper-
24 ating agreements, leases, or other independent contracts, and such other rights
25 and obligations as between Unit Operator and the working interest owners as may
26 be agreed upon by Unit Operator and the working interest owners; however, no
27 such unit operating agreement shall be deemed either to modify any of the terms
28 and conditions of this unit agreement or to relieve the Unit Operator of any
29 right or obligation established under this unit agreement, and in case of any
30 inconsistency or conflict between the unit agreement and the unit operating
31 agreement, this unit agreement shall prevail. Three true copies of any unit
32 operating agreement executed pursuant to this section should be filed with the

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

3 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise
4 specifically provided herein, the exclusive right, privilege, and duty of exer-
5 cising any and all rights of the parties hereto which are necessary or conven-
6 ient for prospecting for, producing, storing, allocating, and distributing the
7 unitized substances are hereby delegated to and shall be exercised by the Unit
8 Operator as herein provided. Acceptable evidence of title to said rights shall
9 be deposited with said Unit Operator and, together with this agreement, shall
10 constitute and define the rights, privileges, and obligations of Unit Operator.
11 Nothing herein, however, shall be construed to transfer title to any land or to
12 any lease or operating agreement, it being understood that under this agreement
13 the Unit Operator, in its capacity as Unit Operator, shall exercise the rights
14 of possession and use vested in the parties hereto only for the purposes herein
15 specified.

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective date
17 hereof, the Unit Operator shall begin to drill an adequate test well at a
18 location approved by the Supervisor/ and the State Land Commissioner unless on such effective date a well is
19 being drilled conformably with the terms hereof, and thereafter continue such
20 drilling diligently until the top of the Cambrian ~~(Discovered)~~ formation has been
21 tested or until at a lesser depth unitized substances shall be discovered which
22 can be produced in paying quantities (to wit: quantities sufficient to repay
23 the costs of drilling, and producing operations, with a reasonable profit) or
24 the Unit Operator shall at any time establish to the satisfaction of the satis-
25 faction of the Supervisor/ and the State Land Commissioner that further drilling of said well would be unwar-
26 ranted or impracticable, provided, however, that Unit Operator shall not in any
27 event be required to drill said well to a depth in excess of 7,300 feet. Until
28 the discovery of a deposit of unitized substances capable of being produced in
29 paying quantities, the Unit Operator shall continue drilling diligently one
30 well at a time, allowing not more than 6 months between the completion of one
31 well and the beginning of the next well, until a well capable of producing
32 unitized substances in paying quantities is completed to the satisfaction of

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 quantities, the Unit Operator shall submit for the approval of the Supervisor/an acceptable plan of development and operation for the unitized land which, when 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 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 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

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

13 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well cap-
14 able of producing unitized substances in paying quantities or as soon thereafter
15 as required by the Supervisor or the State Land Commissioner, the Unit Operator
16 shall submit for approval by the Director, the State Land Commissioner, and the
17 Commission a schedule, based on subdivisions of the public land survey or ali-
18 quot parts thereof, of all unitized land then regarded as reasonably proved to
19 be productive of unitized substances in paying quantities; all lands in said
20 schedule on approval of the Supervisor, the State Land Commissioner, and the
21 Commission to constitute a participating area, effective as of the date of
22 completion of such well or the effective date of this unit agreement, which-
23 ever is later. The acreages of both Federal and non-Federal lands shall be
24 based upon appropriate computations from the courses and distances shown on the
25 last approved public-land survey as of the effective date of the initial partic-
26 ipating area. Said schedule also shall set forth the percentage of unitized
27 substances to be allocated as herein provided to each unitized tract in the
28 participating area so established, and shall govern the allocation of production
29 from and after the date the participating area becomes effective. A separate
30 participating area shall be established in like manner for each separate pool or
31 deposit of unitized substances or for any group thereof produced as a single
32 pool or zone, and any two or more participating areas so established may be

1 combined into one with the consent of the owners of all working interests in
2 the lands within the participating areas so to be combined, on approval of the
3 Director, the State Land Commissioner, and the Commission. The participating
4 area or areas so established and approved shall be revised from time to time,
5 subject to like approval, whenever such action appears proper as a result of
6 further drilling operations or otherwise, to include additional land then re-
7 garded 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
9 of allocation shall also be revised accordingly. The effective date of any re-
10 vision shall be the first of the month in which is obtained the knowledge or
11 information on which such revision is predicated, provided, however, that a
12 more appropriate effective date may be used if justified by the Unit Operator
13 and approved by the Director. No land shall be excluded from a participating
14 area on account of depletion of the unitized substances.

15 It is the intent of this section that a participating area shall
16 represent the area known or reasonably estimated to be productive in paying
17 quantities; but, regardless of any revision of the participating area, nothing
18 herein contained shall be construed as requiring any retroactive adjustment for
19 production obtained prior to the effective date of the revision of the partici-
20 pating area.

21 In the absence of agreement at any time between the Unit Operator and
22 the Director, the State Land Commissioner, and the Commission as to the proper
23 definition or redefinition of a participating area, or until a participating
24 area has, or areas have, been established as provided herein, the portion of all
25 payments affected thereby may be impounded in a manner mutually acceptable to
26 the owners of working interests, except royalties due the United States, and the
27 State of New Mexico, which shall be determined by the Supervisor for Federal
28 lands and the State Land Commissioner for State lands, and the amount thereof
29 deposited, as directed by the Supervisor and the State Land Commissioner, re-
30 spectively, to be held as unearned money until a participating area is finally
31 approved and then applied as earned or returned in accordance with a determin-
32 ation of the sum due as Federal and State royalty on the basis of such approved

1 participating area.

2 Whenever it is determined, subject to the approval of the Supervisor
3 as to wells on Federal land, and of the State Land Commissioner as to wells
4 drilled on State land, that a well drilled under this agreement is not capable
5 of production in paying quantities and inclusion of the land on which it is
6 situated in a participating area is unwarranted, production from such well shall
7 for the purposes of settlement among all parties other than working interest
8 owners, be allocated to the land on which the well is located so long as such
9 land is not within a participating area established for the pool or deposit from
10 which such production is obtained. Settlement for working interest benefits
11 from such a well shall be made as provided in the unit operating agreement.

12 12. ALLOCATION OF PRODUCTION. All unitized substances produced from
13 each participating area established under this agreement, except any part there-
14 of used in conformity with good operating practices within the unitized area for
15 drilling, operating, camp and other production or development purposes, for re-
16 pressuring or recycling in accordance with a plan of development approved by the
17 Supervisor, the State Land Commissioner, and the Commission, or unavoidably lost,
18 shall be deemed to be produced equally on an acreage basis from the several
19 tracts of unitized land of the participating area established for such pro-
20 duction and, for the purpose of determining any benefits accruing under this
21 agreement, each such tract of unitized land shall have allocated to it such
22 percentage of said production as the number of acres of such tract included in
23 said participating area bears to the total acres of unitized land in said par-
24 ticipating area, except that allocation of production hereunder for purposes
25 other than for settlement of the royalty, overriding royalty, or payment out of
26 production obligations of the respective working interest owners, shall be on
27 the basis prescribed in the unit operating agreement whether in conformity with
28 the basis of allocation herein set forth or otherwise. It is hereby agreed that
29 production of unitized substances from a participating area shall be allocated
30 as provided herein regardless of whether any wells are drilled on any particular
31 part of tract of said participating area. If any gas produced from one partici-
32 pating area is used for repressuring or recycling purposes in another partici-

1 pating area, the first gas withdrawn from such last-mentioned participating area
2 for sale during the life of this agreement shall be considered to be the gas so
3 transferred until an amount equal to that transferred shall be so produced for
4 sale and such gas shall be allocated to the participating area from which
5 initially produced as constituted at the time of such final production.

6 13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

7 Any party hereto owning or controlling the working interests in any unitized
8 land having thereon a regular well location may with the approval of the Super-
9 visor as to Federal land, and the State Land Commissioner as to State land, and
10 the Commission as to privately-owned land, if any, at such party's sole risk,
11 cost, and expense drill a well to test any formation for which a participating
12 area has not been established or to test any formation for which a participating
13 area has been established if such location is not within said participating area,
14 unless within 90 days of receipt of notice from said party of his intention to
15 drill the well the Unit Operator elects and commences to drill such well in like
16 manner as other wells are drilled by the Unit Operator under this agreement.

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

23 If any well drilled as aforesaid by a working interest owner obtains
24 production in quantities insufficient to justify the inclusion in a partici-
25 pating area of the land upon which such well is situated, such well may be
26 operated and produced by the party drilling the same subject to the conservation
27 requirements of this agreement. The royalties in amount or value of production
28 from any such well shall be paid as specified in the underlying lease and
29 agreements affected.

30 14. ROYALTY SETTLEMENT. The United States and the State of New
31 Mexico and all royalty owners who, under existing contract, are entitled to take
32 in kind a share of the substances now unitized hereunder produced from any tract,

1 shall hereafter be entitled to the right to take in kind their share of the
2 unitized substances allocated to such tract, and Unit Operator, or in case of the
3 operation of a well by a working interest owner as herein in special cases pro-
4 vided for, such working interest owner, shall make deliveries of such royalty
5 share taken in kind in conformity with the applicable contracts, laws, and
6 regulations. Settlement for royalty interest not taken in kind shall be made by
7 working interest owners responsible therefore under existing contracts, laws,
8 and regulations, on or before the last day of each month for unitized substances
9 produced during the preceding calendar month; provided, however, that nothing
10 herein contained shall operate to relieve the lessees of any land from their
11 respective lease obligations for the payment of any royalties due under their
12 leases.

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

26 Royalty due the United States shall be computed as provided in the
27 operating regulations and paid in value or delivered in kind as to all unitized
28 substances on the basis of the amounts thereof allocated to unitized Federal
29 land as provided herein at the rates specified in the respective Federal leases,
30 or at such lower rate or rates as may be authorized by law or regulation; pro-
31 vided, that for leases on which the royalty rate depends on the daily average
32 production per well, said average production shall be determined in accordance

1 shall hereafter be entitled to the right to take in kind their share of the
2 unitized substances allocated to such tract, and Unit Operator, or in case of the
3 operation of a well by a working interest owner as herein in special cases pro-
4 vided for, such working interest owner, shall make deliveries of such royalty
5 share taken in kind in conformity with the applicable contracts, laws, and
6 regulations. Settlement for royalty interest not taken in kind shall be made by
7 working interest owners responsible therefore under existing contracts, laws,
8 and regulations, on or before the last day of each month for unitized substances
9 produced during the preceding calendar month; provided, however, that nothing
10 herein contained shall operate to relieve the lessees of any land from their
11 respective lease obligations for the payment of any royalties due under their
12 leases.

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

26 Royalty due the United States shall be computed as provided in the
27 operating regulations and paid in value or delivered in kind as to all unitized
28 substances on the basis of the amounts thereof allocated to unitized Federal
29 land as provided herein at the rates specified in the respective Federal leases,
30 or at such lower rate or rates as may be authorized by law or regulation; pro-
31 vided, that for leases on which the royalty rate depends on the daily average
32 production per well, said average production shall be determined in accordance

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

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

13 With respect to any lease on non-Federal land containing provisions
14 which would terminate such lease unless drilling operations were within the time
15 therein specified commenced upon the land covered thereby or rentals paid for the
16 privilege of deferring such drilling operations, the rentals required thereby
17 shall, notwithstanding any other provision of this agreement, be deemed to
18 accrue and become payable during the term thereof as extended by this agreement
19 and until the required drilling operations are commenced upon the land covered
20 thereby or some portion of such land is included within a participating area.
21 Rentals on State of New Mexico lands subject to this Agreement shall
be paid at the rates specified in the respective leases.

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

25 17. DRAINAGE. The Unit Operator shall take appropriate and adequate
26 measures to prevent drainage of unitized substances from unitized land by wells
27 on land not subject to this agreement or with the consent of the Director and
28 the State Land Commissioner pursuant to applicable regulations pay a fair and
29 reasonable compensatory royalty as determined by the Supervisor for Federal
30 lands, or as approved by the State Land Commissioner for State land.

31 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con-
32 ditions, and provisions of all leases, subleases, and other contracts relating

1 to exploration, drilling, development, or operation for oil or gas of lands
2 committed to this agreement are hereby expressly modified and amended to the
3 extent necessary to make the same conform to the provisions hereof, but other-
4 wise to remain in full force and effect; and the parties hereto hereby consent
5 that the Secretary as to Federal leases and the State Land Commissioner as to
6 State leases, shall and by their approval hereof, or by the approval hereof by
7 their duly authorized representatives, do hereby establish, alter, change or
8 revoke the drilling, producing, rental, minimum royalty, and royalty require-
9 ments of Federal leases and State leases committed hereto and the regulations
10 in respect thereto to conform said requirements to the provisions of this agree-
11 ment, and, without limiting the generality of the foregoing, all leases, sub-
12 leases, and contracts are particularly modified in accordance with the following:

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

22 (b) Drilling and producing operations performed hereunder upon
23 any tract of unitized lands will be accepted and deemed to be per-
24 formed upon and for the benefit of each and every tract of unitized
25 land, and no lease shall be deemed to expire by reason of failure to
26 drill or produce wells situated on the land therein embraced.

27 (c) Suspension of drilling or producing operations on all
28 unitized lands pursuant to direction or consent of the Secretary and
29 the State Land Commissioner or their duly authorized representatives
30 shall be deemed to constitute such suspension pursuant to such direc-
31 tion or consent as to each and every tract of unitized land.

32 (d) Each lease, sublease or contract relating to the explor-

1 ation, drilling, development or operation for oil or gas of lands
2 other than those of the United States committed to this agreement,
3 which, by its terms might expire prior to the termination of this
4 agreement, is hereby extended beyond any such term so provided
5 therein so that it shall be continued in full force and effect for
6 and during the term of this agreement.

7 (e) Any Federal lease for a fixed term of twenty (20) years
8 or any renewal thereof or any part of such lease which is made sub-
9 ject to this agreement shall continue in force beyond the term
10 provided therein until the termination hereof. Any other Federal
11 lease committed hereto shall continue in force beyond the term so
12 provided therein or by law as to the committed land so long as such
13 lease remains subject hereto, provided that production is had in
14 paying quantities under this unit agreement prior to the expiration
15 date of the term of such lease, or in the event actual drilling
16 operations are commenced on unitized land, in accordance with the
17 provisions of this agreement, prior to the end of the primary term
18 of such lease and are being diligently prosecuted at that time,
19 such lease shall be extended for two years and so long thereafter
20 as oil or gas is produced in paying quantities in accordance with
21 the provisions of the Mineral Leasing Act Revision of 1960.

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

30 (g) The segregation of any Federal lease committed to this
31 agreement is governed by the following provision in the fourth
32 paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended

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

11 (h) Any lease, other than a Federal lease, having only a
12 portion of its lands committed hereto shall be segregated as to the
13 portion committed and the portion not committed, and the provisions
14 of such lease shall apply separately to such segregated portions
15 commencing as of the effective date hereof. In the event any such
16 lease provides for a lump-sum rental payment, such payment shall be
17 prorated between the portions so segregated in proportion to the
18 acreage of the respective tracts.

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

29 20. EFFECTIVE DATE OF TERM. This agreement shall become effective
30 upon approval by the Secretary or his duly authorized representative and shall
31 terminate on the expiration of five (5) years from the effective date of this
32 agreement unless (a) such date of expiration is extended by the Director and

1 State Land Commissioner, or (b) it is reasonably determined prior to the expir-
2 ation of the fixed term or any extension thereof that the unitized land is in-
3 capable of production of unitized substances in paying quantities in the forma-
4 tions tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest at their
6 last known addresses, the agreement is terminated with the approval of the
7 Director and State Land Commissioner, or (c) a valuable discovery of unitized
8 substances has been made or accepted on unitized land during said initial term
9 or any extension thereof, in which event the agreement shall remain in effect
10 for such term and so long as unitized substances can be produced in quantities
11 sufficient to pay for the cost of producing same from wells on unitized land
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
15 unitized substances so discovered can be produced as aforesaid, or (d) it is
16 terminated as heretofore provided in this agreement.

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

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

1 modification is in the interest of attaining the conservation objectives stated
2 in this agreement and is not in violation of any applicable Federal or State
3 law; provided, further, that no such alteration or modification shall be
4 effective as to any land of the State of New Mexico as to the rate of prospec-
5 ting and development in the absence of the specific written approval thereof by
6 the State Land Commissioner and as to any lands of the State of New Mexico or
7 privately-owned lands, if any, subject to this agreement as to the quantity and
8 rate of production in the absence of specific written approval thereof by the
9 State Commission.

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

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

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

30 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained
31 shall be construed as a waiver by any party hereto of the right to assert any
32 legal or constitutional right or defense as to the validity or invalidity of any

1 law of the State wherein said unitized lands are located, or of the United
2 States, or regulations issued thereunder in any way affecting such party, or as
3 a waiver by any such party of any right beyond his or its authority to waive.

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

14 26. NONDISCRIMINATION: In the performance of work under this agree-
15 ment the operator agrees to comply with the nondiscrimination provisions of
16 Executive Order 10925 (26 F. R. 1977).

17 27. LOSS OF TITLE. In the event title to any tract of unitized land
18 shall fail and the true owner cannot be induced to join in this unit agreement,
19 such tract shall be automatically regarded as not committed hereto and there
20 shall be such readjustment of future costs and benefits as may be required on
21 account of the loss of such title. In the event of a dispute as to title as to
22 any royalty, working interest, or other interests subject thereto, payment or
23 delivery on account thereof may be withheld without liability for interest until
24 the dispute is finally settled; provided, that, as to Federal and State land or
25 leases, no payments of funds due the United States or the State of New Mexico
26 should be withheld, but such funds of the United States shall be deposited as
27 directed by the Supervisor, and those due the State of New Mexico with the
28 Commissioner of Public Lands of the State of New Mexico, to be held as unearned
29 money, pending final settlement of the title dispute, and then applied as earned
30 or returned in accordance with such final settlement.

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

1 28. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
2 stantial interest in a tract within the unit area fails or refuses to subscribe
3 or consent to this agreement, the owner of the working interest in that tract
4 may withdraw said tract from this agreement by written notice to the Director,
5 the State Land Commissioner, and the Unit Operator prior to the approval of this
6 agreement by the Director. Any oil or gas interests in lands within the unit
7 area not committed hereto prior to submission of this agreement for final
8 approval may thereafter be committed hereto by the owner or owners thereof
9 subscribing or consenting to this agreement, and, if the interest is a working
10 interest, by the owner of such interest also subscribing to the unit operating
11 agreement. After operations are commenced hereunder, the right of subsequent
12 joinder, as provided in this section, by a working interest owner is subject
13 to such requirements or approvals, if any, pertaining to such joinder, as may
14 be provided for in the unit operating agreement. After final approval hereof
15 joinder by a non-working interest owner must be consented to in writing by the
16 working interest owner committed hereto and responsible for the payment of any
17 benefits that may accrue hereunder in behalf of such non-working interest.
18 Joinder by any owner of a non-working interest, at any time, must be accompan-
19 ied by appropriate joinder by the owner of the corresponding working interest
20 in order for the interest to be regarded as committed hereto. Joinder to the
21 unit agreement by a working-interest owner, at any time, must be accompanied
22 by appropriate joinder to the unit operating agreement, if more than one
23 committed working-interest owner is involved, in order for the interest to be
24 regarded as effectively committed to this unit agreement. Except as may
25 otherwise herein be provided subsequent joinders to this agreement shall be
26 effective as of the first day of the month following the filing with the
27 Supervisor, the State Land Commissioner, and the Commission of duly executed
28 counterparts of all or any papers necessary to establish effective commitment
29 of any tract to this agreement unless objection to such joinder is duly made
30 within 60 days by the Director, State Land Commissioner or Commission.

31 29. COUNTERPARTS. This agreement may be executed in any number of
32 counterparts no one of which needs to be executed by all parties or may be

1 ratified or consented to by separate instrument in writing specifically refer-
2 ring hereto and shall be binding upon all those parties who have executed such
3 a counterpart, ratification, or consent hereto with the same force and effect as
4 if all such parties had signed the same document and regardless of whether or
5 not it is executed by all other parties owning or claiming an interest in the
6 lands within the above-described unit area.

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

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

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

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

31 (2) Again lease such lands but only under the condition that the
32 holder of such lease shall within thirty (30) days after such lands are

1 so leased execute this agreement and the unit operating agreement as to
2 each participating area theretofore established hereunder, effective as
3 though such land had remained continuously subject to this agreement and
4 the unit operating agreement.

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

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

17 For any period the working interest in any lands are not expressly
18 committed to the unit operating agreement as the result of any such surrender or
19 forfeiture, the benefits and obligations of operations accruing to such lands
20 under this agreement and the unit operating agreement shall be shared by the
21 remaining owners of unitized working interests in accordance with their respec-
22 tive participating working interest ownerships in any such participating area
23 or areas, and such owners of working interests shall compensate the fee owner
24 of unitized substances in such lands by paying sums equal to the rentals, mini-
25 mum royalties, and royalties applicable to such lands under the lease in effect
26 when the lands were unitized, as to such participating area or areas.

27 Upon commitment of a working interest to this agreement and the unit
28 operating agreement as provided in this section, an appropriate accounting and
29 settlement shall be made, to reflect the retroactive effect of the commitment,
30 for all benefits accruing to or payments and expenditures made or incurred on
31 behalf of such surrendered working interest during the period between the date
32 of surrender and the date of recommitment, and payment of any moneys found to

1 be owing by such an accounting shall be made as between the parties then signa-
2 tory to the unit operating agreement and this agreement within thirty (30) days
3 after the recommitment. The right to become a party to this agreement and the
4 unit operating agreement as a working interest owner by reason of a surrender or
5 forfeiture as provided in this section shall not be defeated by the nonexistence
6 of a unit operating agreement and in the event no unit operating agreement is in
7 existence and a mutually acceptable agreement between the proper parties thereto
8 cannot be consummated, the Supervisor and State Land Commissioner may prescribe
9 such reasonable and equitable agreement as they deem warranted under the
10 circumstances.

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

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

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

3 UNIT OPERATOR AND WORKING INTEREST
4 OWNER

5 SHELL OIL COMPANY

6 Witness: _____

By _____
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 54, California

7 Date: _____

8 WORKING INTEREST OWNERS

9 CONTINENTAL OIL CORPORATION

10 Witness: _____

By _____

11 Witness: _____

By _____

12 Date: _____

Address: P. O. Box 1121
Durango, Colorado

14 BRITISH AMERICAN OIL PRODUCING COMPANY

15 Witness: _____

By _____

16 Witness: _____

By _____

17 Date: _____

Address: Denver Club Building
P. O. Box 180
Denver, Colorado

20 TRANSMOUNTAIN PRODUCTION COMPANY

21 Witness: _____

By _____

22 Witness: _____

By _____

23 Date: _____

Address: 800 San Jacinto Building
Houston, Texas

25 ELIZABETH ANN ELLIOTT

26 Witness: _____

By _____

27 Date: _____

Address: P. O. Box 703
Roswell, New Mexico

29 DELHI-TAYLOR OIL CORPORATION

30 Witness: _____

By _____

31 Witness: _____

By _____

32 Date: _____

Address: 360 Denver Club Building
Denver, Colorado

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IN WITNESS 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

Witness: _____
Date: _____

By _____
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 54, California

WORKING INTEREST OWNERS
CONTINENTAL OIL CORPORATION

Witness: _____
Witness: _____
Date: _____

By _____
By _____
Address: P. O. Box 1121
Durango, Colorado

BRITISH AMERICAN OIL PRODUCING COMPANY

Witness: _____
Witness: _____
Date: _____

By _____
By _____
Address: Denver Club Building
P. O. Box 130
Denver, Colorado

TRANSMOUNTAIN PRODUCTION COMPANY

Witness: _____
Witness: _____
Date: _____

By _____
By _____
Address: 800 San Jacinto Building
Houston, Texas

ELIZABETH ANN ELLIOTT

Witness: _____
Date: _____

By _____
Address: P. O. Box 703
Roswell, New Mexico

DELHI-TAYLOR OIL CORPORATION

Witness: _____
Witness: _____
Date: _____

By _____
By _____
Address: 360 Denver Club Building
Denver, Colorado

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 Mexico

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.

Dated _____.

Director, United States Geological Survey

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 interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

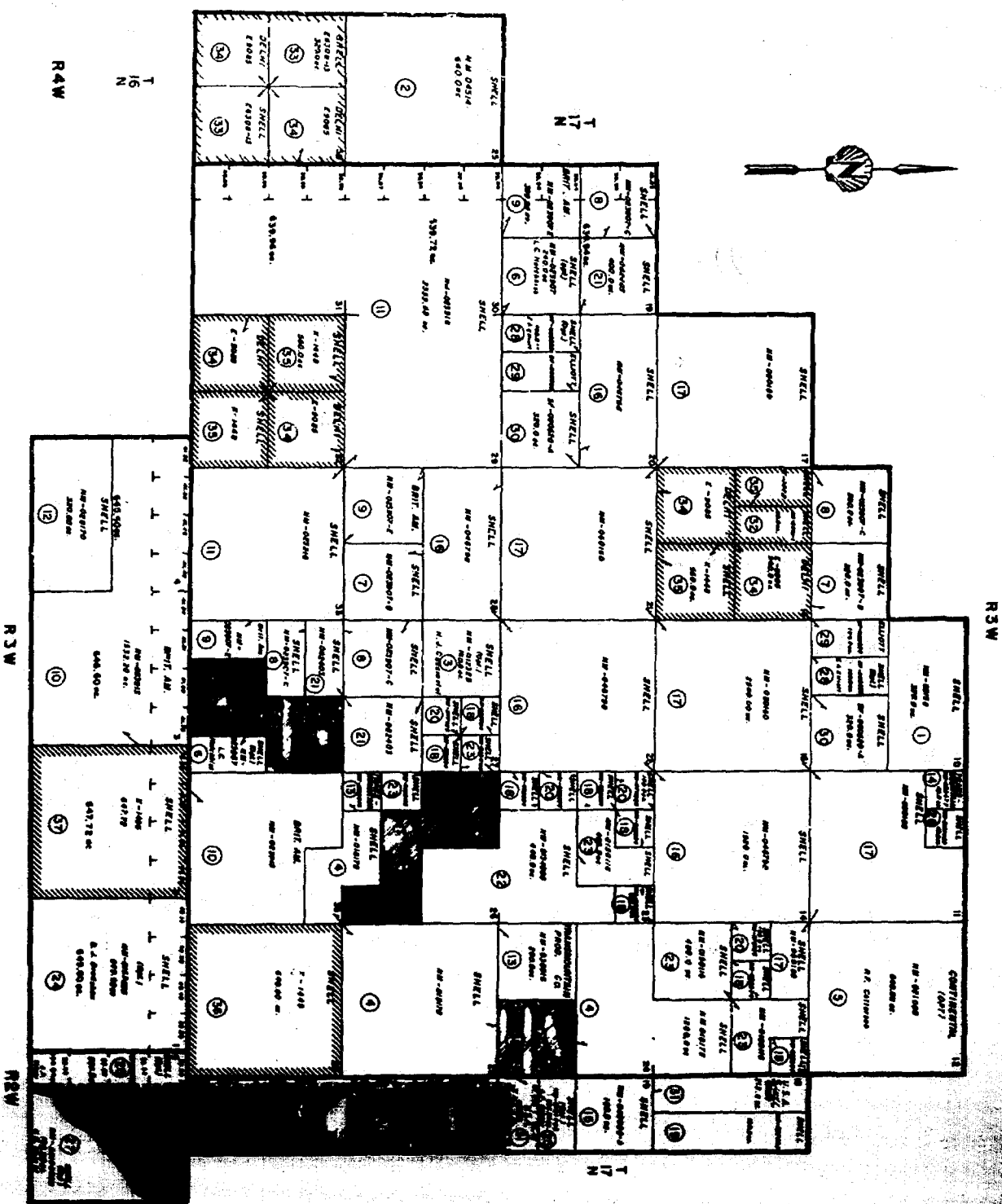
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (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 Certificate of Approval is executed, with seal affixed, this _____ day of _____, 19____.

Commissioner of Public Lands
of the State of New Mexico

BEST AVAILABLE COPY



LEGEND

- ① TRACT NUMBERS
- ▬ 1784.03 TOTAL FEDERAL ACRES
- ▬ 320.72 TOTAL STATE OF N. MEX. ACRES
- ▬ 168.02 TOTAL FEE ACRES
- ▬ 327.93 TOTAL UNIT ACRES
- ABANDONED -
- OPT - OPTION

EXHIBIT A
CABEZON UNIT
SARASOTA, FLA., N. MEX.

EXHIBIT "B" - CABEZON UNIT

Sandoval County, New Mexico

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentages
<u>FEDERAL LANDS</u>							
1.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 10: N/2	320.00	NM-03158 April 1, 1952	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Willard W. Moyer - 3% Wilson Oil Co. - 2%	Shell Oil Company 100%
2.	✓ T. 17 N., R. 4 W., N.M.P.M. Sec. 25: A11	640.00	NM-04514 July 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Roy L. Flood - 5%	Shell Oil Company 100%
3.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 27: NW/4	160.00	NM-012325 August 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Hazel J. Cuccia - 80% George E. Conley - 20%	Hazel J. Cuccia George Cuccia George E. Conley - 3%	Shell Oil Company 100% *
4.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 13: SE/4 Sec. 24: N/2 Sec. 25: A11 Sec. 26: SW/4 SE/4, SE/4 SW/4 Sec. 35: N/2 NE/4	1280.00	NM-018178 July 1, 1955	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Anna Pickard - 5%	Shell Oil Company 100%
5.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 12: A11	640.00	NM-021000 April 1, 1956	U.S. - 12- $\frac{1}{2}$ %	Paul F. Catterson	Roy L. Riner - 5%	Continental Oil Company - 100% *
6.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 19: SE/4 Sec. 34: E/2 SE/4	240.00	NM-023907 February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Lester C. Hotchkiss Alpha L. Hotchkiss	Lester C. Hotchkiss Alpha L. Hotchkiss - 3%	Shell Oil Company 100% *
7.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 9: SE/4 Sec. 28: SE/4	320.00	NM-023907-B February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	R. E. McKenzie, Jr. 2%	Shell Oil Company 100%

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
8.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 9: SW/4 Sec. 19: Lots 1, 2, E/2 NW/4 Sec. 27: SW/4 Sec. 34: S/2 NW/4	560.00	NM-023907-C February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Bruce Anderson - 3%	Shell Oil Company 100%
9.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 19: Lots 3, 4, E/2 SW/4 Sec. 28: SW/4 Sec. 34: W/2 SW/4	399.84	NM-023907-E February 1, 1957	U.S. - 12- $\frac{1}{2}$ %	British American Oil Producing Co.	George E. Conley - 3 $\frac{1}{2}$ %	British American Oil Producing Co. 100%
10.	<u>T. 16 N., R. 3 W., N.M.P.M.</u> Sec. 4: Lots 1, 2, 3, 4, S/2 N/2 Sec. 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (A11)	1532.20	NM-023913 May 1, 1957	U.S. - 12- $\frac{1}{2}$ %	British American Oil Producing Co.	Vincent Cuccia - 3 $\frac{1}{2}$ %	British American Oil Producing Co. 100%
11.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 35: S/2 NE/4, NW/4, S/2 <u>T. 17 S., R. 3 W., N.M.P.M.</u> Sec. 29: A11 Sec. 30: Lots 1, 2, 3, 4, E/2 W/2, E/2 (A11) Sec. 31: Lots 1, 2, 3, 4, E/2 W/2, E/2 (A11) Sec. 33: A11	2559.68	NM-023916 May 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Marion V. Harris - 4%	Shell Oil Company 100%
12.	<u>T. 16 N., R. 3 W., N.M.P.M.</u> Sec. 4: S/2	320.00	NM-028170 July 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	R. E. McKenzie, Jr. 2%	Shell Oil Company 100%
13.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 24: SW/4 Sec. 26: SW/4 SW/4	200.00	NM-030016 December 1, 1957	U.S. - 12- $\frac{1}{2}$ %	Transmountain Production Co.	Walter L. Morrison Kathleen Morrison 5%	Transmountain Production Co. 100%
14.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 11: NW/4 NW/4	40.00	NM-036477 November 1, 1958	U.S. - 12- $\frac{1}{2}$ %	Transmountain Production Co.	Walter L. Morrison Kathleen Morrison 5%	Transmountain Production Co. 100%

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

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. & Percentage</u>	<u>Working Interest & Percentage</u>
15.	✓ <u>T. 17 N., R. 2 W., N.M.P.M.</u> Sec. 19: NW/4	160.00	NM-040606-A May 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Gladys Watford - 5%	Shell Oil Company 100%
16.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 14: All Sec. 20: N/2 Sec. 22: All Sec. 28: N/2	1920.00	NM-046798 August 1, 1958	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Gail B. Horne Clifford Wolfswinkel Alan Thomson John W. Moon - 5%	Shell Oil Company 100%
17.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 11: E/2, SW/4, S/2 NW/4 Sec. 13: N/2 NW/4 Sec. 15: All Sec. 17: All Sec. 21: All	2560.00	NM-050160 July 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	L. J. Borling - 5%	Shell Oil Company 100%
18.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> 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	320.00	NM-055534 October 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Joanne F. Augstman - $\frac{1}{4}$ of 1% Bruce Anderson Beard Oil Co. - 2 $\frac{1}{2}$ %	Shell Oil Company 100%
19.	✓ <u>T. 17 N., R. 2 W., N.M.P.M.</u> Sec. 18: E/2 W/2	160.00	NM-057454 December 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Virginia L. S. Sanders 2-1/4% Michael S. Shearn - 3/4 of 1%	Shell Oil Company 100%
20.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 13: SW/4 NW/4 Sec. 23: NW/4 NW/4, NW/4 SW/4 Sec. 27: SW/4 NE/4	160.00	NM-072925 May 1, 1960	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	W. W. Pilesc - 3%	Shell Oil Company 100%
21.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 19: NE/4 Sec. 27: SE/4 Sec. 34: N/2 NW/4	400.00	NM-082403 April 1, 1960	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Joan Chorney - 3%	Shell Oil Company 100%

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
22.	✓ 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	440.00	NM-0134986 April 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Ruth Ross & Thomas D. Chace - 2% Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
23.	✓ 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	480.00	NM-0150116 May 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	American Metal Climax, Inc. - 2 $\frac{1}{2}$ % Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
24.	✓ T. 16 N., R. 3 W., N.M.P.M. Sec. 1: Lots 1,2,3,4, S/2 N/2, S/2 (A11)	649.60	NM-0153820 July 1, 1961	U.S. - 12- $\frac{1}{2}$ %	B. J. Bradshaw	B. J. Bradshaw - 5%	Shell Oil Company 100% *
25.	✓ 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	296.54	NM-0161406 July 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Anthony P. Hebner	Anthony P. Hebner - $\frac{1}{2}$ of 1%	Shell Oil Company 100% *
26.	✓ T. 16 N., R. 2 W., N.M.P.M. Sec. 6: Lots 1,2,3, and 4 T. 17 N., R. 3 W., N.M.P.M. Sec. 11: NE/4 NW/4	40.00	NM-0161469 May 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Ruth Ross - 3%	Shell Oil Company 100%
27.	✓ Portion of the Ojo del Espiritu 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.	196.06	NM-A0168898 App. filed April 14, 1961	U.S. - 12- $\frac{1}{2}$ %	Hoover H. Wright	Hoover H. Wright - 1%	Shell Oil Company 100% *

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
28.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 10: E/2 SW/4 Sec. 20: W/2 SW/4	160.00	SF-080520 June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Elizabeth Ann Elliott 4%	Shell Oil Company 100% *
29.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 10: W/2 SW/4 Sec. 20: E/2 SW/4	160.00	SF-080520 June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Elizabeth Ann Elliott 4%	Elizabeth Ann Elliott - 100%
30.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 10: SE/4 Sec. 20: SE/4	320.00	SF-080520-A June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Hoover H. Wright - 1% Ora R. Hall, Jr. - 4%	Shell Oil Company 100%
31.	✓ T. 17 N., R. 2 W., N.M.P.M. Sec. 18: W/2 W/2 Sec. 19: Lots 1 and 2	212.11	SP-080520 June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Ora R. Hall, Jr. - 4%	Shell Oil Company 100%

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

STATE LANDS

32.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 16: E/2 NW/4	80.00	OG-2291-1 March 18, 1958	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	Wayne J. Spears - 3%	Shell Oil Company 100%
33.	✓ T. 17 N., R. 4 W., N.M.P.M. Sec. 36: NW/4, SE/4	320.00	E-6308-13 June 25, 1952	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	E. R. Richardson & F. R. Bryan - 1- $\frac{1}{2}$ % Levi A. Hughes & Francis T. Harvey - 3- $\frac{1}{2}$ %	Shell Oil Company 100%

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
34.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 16: NE/4, SW/4 Sec. 32: NE/4, SW/4	960.00	E-9085 June 6, 1955	State of New Mexico - 12- $\frac{1}{2}$ %	Delhi-Taylor Oil Corporation	None	Delhi-Taylor Oil Corporation - 100%
35.	✓ T. 17 N., R. 4 W., N.M.P.M. Sec. 36: NE/4, SW/4	560.00	K-1448 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
36.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 16: W/2 NW/4, SE/4 Sec. 32: NW/4, SE/4	640.00	K-1449 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
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)	647.72	K-1496 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
Slx (6) State Tracts - 3,207.72 acres or 14.10% of the Unit Area							
FREE LANDS							
38.	✓ T. 17 N., R. 3 W., N.M.F.M. Sec. 24: SE/4	160.00	" March 17, 1961	Cass Goodner - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
39.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 34: NE/4, E/2 SW/4, W/2 SE/4	320.00	" March 17, 1961	Aporico Gurule & Merajildo Gurule - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
40.	✓ 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	320.00	" March 16, 1961	Aporcio Lovato 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%

EXHIBIT "3" - CABEZON UNIT
Sandoval County, New Mexico (Cont'd.)

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. & Percentage</u>	<u>Working Interest & Percentage</u>
41.	✓ Portion of the M. & S. 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.	888.82	- April 24, 1961	Zulema Miramon- 50% Elmer Burch - 25%	Shell Oil Company	None	Shell Oil Company 100%
	Heirs of Dr. Stevens T. Harris; Mary Harris Mauldin Lucile Harris Locke Myra Harris Masters Caroline Harris Henry 25%						

Four (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

CERTIFICATION -- DETERMINATION

14-08-0001 7820

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 Mexico

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.

Dated DEC - 5 1961

William S. Baker

Acting Director, United States Geological Survey

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

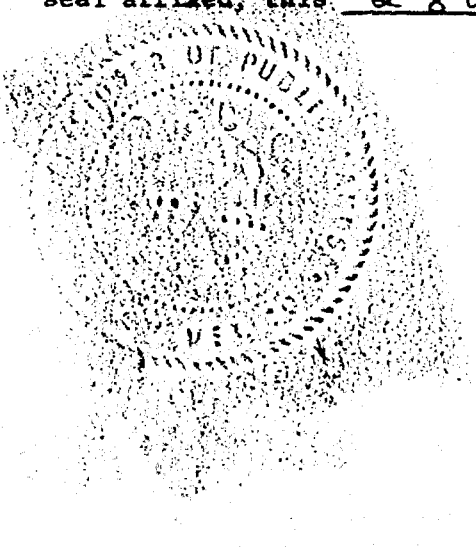
CABEZON UNIT AGREEMENT

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 September 1, 1961, 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 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 Certificate of Approval is executed, with seal affixed, this 28th day of November, 1961.


E. Mueller
Commissioner of Public Lands
of the State of New Mexico

UNIT AGREEMENT

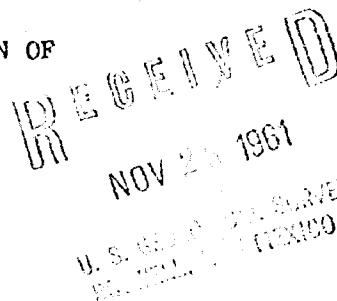
FOR THE DEVELOPMENT AND OPERATION OF

THE CABEZON UNIT AREA

COUNTY OF SANDOVAL

STATE OF NEW MEXICO

No. _____



THIS AGREEMENT, entered into as of the 1st day of September, 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

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

1 control of operations therein; and

2 WHEREAS, it is the purpose of the parties hereto to conserve natural
3 resources, prevent waste, and secure other benefits obtainable through develop-
4 ment and operation of the area subject to this agreement under the terms, con-
5 ditions, and limitations herein set forth;

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

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February
11 25, 1920, as amended, supra, and all valid pertinent regulations, including
12 operating and unit plan regulations, heretofore issued thereunder or valid perti-
13 nent and reasonable regulations hereafter issued thereunder are accepted and made
14 a part of this agreement as to Federal lands, provided such regulations are not
15 inconsistent with the terms of this agreement; and as to non-Federal lands, the
16 oil and gas operating regulations in effect as of the effective date hereof
17 governing drilling and producing operations, not inconsistent with the terms
18 hereof or the laws of the State in which the non-Federal land is located, are
19 hereby accepted and made a part of this agreement.

20 2. UNIT AREA. The area specified on the map attached hereto marked
21 exhibit "A" is hereby designated and recognized as constituting the unit area,
22 containing 22,742.57 acres, more or less.

23 Exhibit "A" shows, in addition to the boundary of the unit area, the
24 boundaries and identity of tracts and leases in said area to the extent known to
25 the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the
26 extent known to the Unit Operator the acreage, percentage, and kind of ownership
27 of oil and gas interests in all land in the unit area. However, nothing herein
28 or in said schedule or map shall be construed as a representation by any party
29 hereto as to the ownership of any interest other than such interest or interests
30 as are shown in said map or schedule as owned by such party. Exhibits "A" and
31 "B" shall be revised by the Unit Operator whenever changes in the unit area rend-
32 er such revision necessary, or when requested by the Oil and Gas supervisor,

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

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

12 (a) Unit Operator, on its own motion or on demand of the Director of
13 the Geological Survey, hereinafter referred to as "Director", or on demand of the
14 State Land Commissioner after preliminary concurrence by the Director shall pre-
15 pare a notice of proposed expansion or contraction describing the contemplated
16 changes in the boundaries of the unit area, the reasons therefor, and the pro-
17 posed effective date thereof preferably the first day of a month subsequent to
18 the date of notice.

19 (b) Said notice shall be delivered to the Supervisor and the Commis-
20 sioner, and copies thereof mailed to the last known address of each working
21 interest owner, lessee, and lessor whose interests are affected, advising that
22 30 days will be allowed for submission to the Unit Operator of any objections.

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

29 (d) After due consideration of all pertinent information, the expan-
30 sion or contraction shall, upon approval by the Director and State Land Commis-
31 sioner, become effective as of the date prescribed in the notice thereof.

32 (e) All legal subdivisions of unitized lands (i.e., 40 acres by

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

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

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

4 Any expansion of the unit area pursuant to this section which embraces
5 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con-
6 sidered automatic commitment or recommitment of such lands.

7 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to
8 this agreement shall constitute land referred to herein as "unitized land" or
9 "land subject to this agreement". All oil and gas in any and all formations of
10 the unitized land are unitized under the terms of this agreement and herein are
11 called "unitized substances".

12 4. UNIT OPERATOR. SHELL OIL COMPANY, a Delaware corporation, is
13 hereby designated as Unit Operator and by signature hereto as Unit Operator
14 agrees and consents to accept the duties and obligations of Unit Operator for
15 the discovery, development, and production of unitized substances as herein
16 provided. Whenever reference is made herein to the Unit Operator, such refer-
17 ence means the Unit Operator acting in that capacity and not as an owner of
18 interest in unitized substances, and the term "working interest owner" when
19 used herein shall include or refer to Unit Operator as the owner of a working
20 interest when such an interest is owned by it.

21 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have
22 the right to resign at any time prior to the establishment of a participating
23 area or areas hereunder, but such resignation shall not become effective so as
24 to release Unit Operator from the duties and obligations of Unit Operator and
25 terminate Unit Operator's rights as such for a period of 6 months after notice
26 of intention to resign has been served by Unit Operator on all working interest
27 owners and the Director and State Land Commissioner, and until all wells then
28 drilled hereunder are placed in a satisfactory condition for suspension or
29 abandonment whichever is required by the Supervisor as to Federal lands and the
30 Commission as to State and privately-owned lands, unless a new Unit Operator
31 shall have been selected and approved and shall have taken over and assumed the
32 duties and obligations of Unit Operator prior to the expiration of said period.

1 Unit Operator shall have the right to resign in like manner and sub-
2 ject to like limitations as above provided at any time a participating area
3 established hereunder is in existence, but at any time, for any reason whatso-
4 ever, there is no Unit Operator until a successor Unit Operator is selected and
5 approved as hereinafter provided, the working interest owners shall be jointly
6 responsible for performance of the duties of Unit Operator, and shall not later
7 than 30 days before resignation or removal becomes effective appoint a common
8 agent to represent them in any action to be taken hereunder.

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

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

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

27 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender
28 his or its resignation as Unit Operator or shall be removed as hereinabove
29 provided, or a change of Unit Operator is negotiated by working interest owners,
30 the owners of the working interests in the participating area or areas accord-
31 ing to their respective acreage interests in such participating area or areas,
32 or, until a participating area shall have been established, the owners of the

1 working interests according to their respective acreage interests in all uni-
2 tized land, shall by majority vote select a successor Unit Operator; provided,
3 that, if a majority but less than 75 per cent of the working interests qualified
4 to vote are owned by one party to this agreement, a concurring vote of one or
5 more additional working interest owners shall be required to select a new
6 operator. Such selection shall not become effective until (a) a Unit Operator
7 so selected shall accept in writing the duties and responsibilities of Unit
8 Operator, and (b) the selection shall have been approved by the Director and
9 State Commissioner. If no successor Unit Operator is selected and qualified as
10 herein provided, the Director and State Land Commissioner at their election may
11 declare this unit agreement terminated.

12 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit
13 Operator is not the sole owner of working interests, costs and expenses incurred
14 by Unit Operator in conducting unit operations hereunder shall be paid and
15 apportioned among and borne by the owners of working interests, all in accord-
16 ance with the agreement or agreements entered into by and between the Unit
17 Operator and the owners of working interests, whether one or more, separately or
18 collectively. Any agreement or agreements entered into between the working
19 interest owners and the Unit Operator as provided in this section, whether one
20 or more, are herein referred to as the "unit operating agreement". Such unit
21 operating agreement shall also provide the manner in which the working interest
22 owners shall be entitled to receive their respective proportionate and allocated
23 share of the benefits accruing hereto in conformity with their underlying oper-
24 ating agreements, leases, or other independent contracts, and such other rights
25 and obligations as between Unit Operator and the working interest owners as may
26 be agreed upon by Unit Operator and the working interest owners; however, no
27 such unit operating agreement shall be deemed either to modify any of the terms
28 and conditions of this unit agreement or to relieve the Unit Operator of any
29 right or obligation established under this unit agreement, and in case of any
30 inconsistency or conflict between the unit agreement and the unit operating
31 agreement, this unit agreement shall prevail. Three true copies of any unit
32 operating agreement executed pursuant to this section should be filed with the

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

3 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise
4 specifically provided herein, the exclusive right, privilege, and duty of exer-
5 cising any and all rights of the parties hereto which are necessary or conven-
6 ient for prospecting for, producing, storing, allocating, and distributing the
7 unitized substances are hereby delegated to and shall be exercised by the Unit
8 Operator as herein provided. Acceptable evidence of title to said rights shall
9 be deposited with said Unit Operator and, together with this agreement, shall
10 constitute and define the rights, privileges, and obligations of Unit Operator.
11 Nothing herein, however, shall be construed to transfer title to any land or to
12 any lease or operating agreement, it being understood that under this agreement
13 the Unit Operator, in its capacity as Unit Operator, shall exercise the rights
14 of possession and use vested in the parties hereto only for the purposes herein
15 specified.

16 9. DRILLING TO DISCOVERY. Within 6 months after the effective date
17 hereof, the Unit Operator shall begin to drill an adequate test well at a
18 location approved by the Supervisor and the State Land Commissioner, unless on
19 such effective date a well is being drilled conformably with the terms hereof,
20 and thereafter continue such drilling diligently until the top of the Cambrian
21 formation has been tested or until at a lesser depth unitized substances shall
22 be discovered which can be produced in paying quantities (to wit: quantities
23 sufficient to repay the costs of drilling, and producing operations, with a
24 reasonable profit) or the Unit Operator shall at any time establish to the sat-
25 isfaction of the Supervisor and the State Land Commissioner that further drill-
26 ing of said well would be unwarranted or impracticable, provided, however, that
27 Unit Operator shall not in any event be required to drill said well to a depth
28 in excess of 7,300 feet. Until the discovery of a deposit of unitized sub-
29 stances capable of being produced in paying quantities, the Unit Operator shall
30 continue drilling diligently one well at a time, allowing not more than 6 months
31 between the completion of one well and the beginning of the next well, until a
32 well capable of producing unitized substances in paying quantities is completed

1 to the satisfaction of said Supervisor and the State Land Commissioner or until
2 it is reasonably proved that the unitized land is incapable of producing unitized
3 substances in paying quantities in the formations drilled hereunder. Nothing in
4 this section shall be deemed to limit the right of the Unit Operator to resign
5 as provided in section 5 hereof, or as requiring Unit Operator to commence or
6 continue any drilling during the period pending such resignation becoming effec-
7 tive in order to comply with the requirements of this section. The Director and
8 the State Land Commissioner may modify the drilling requirements of this section
9 by granting reasonable extensions of time when, in their opinion, such action is
10 warranted.

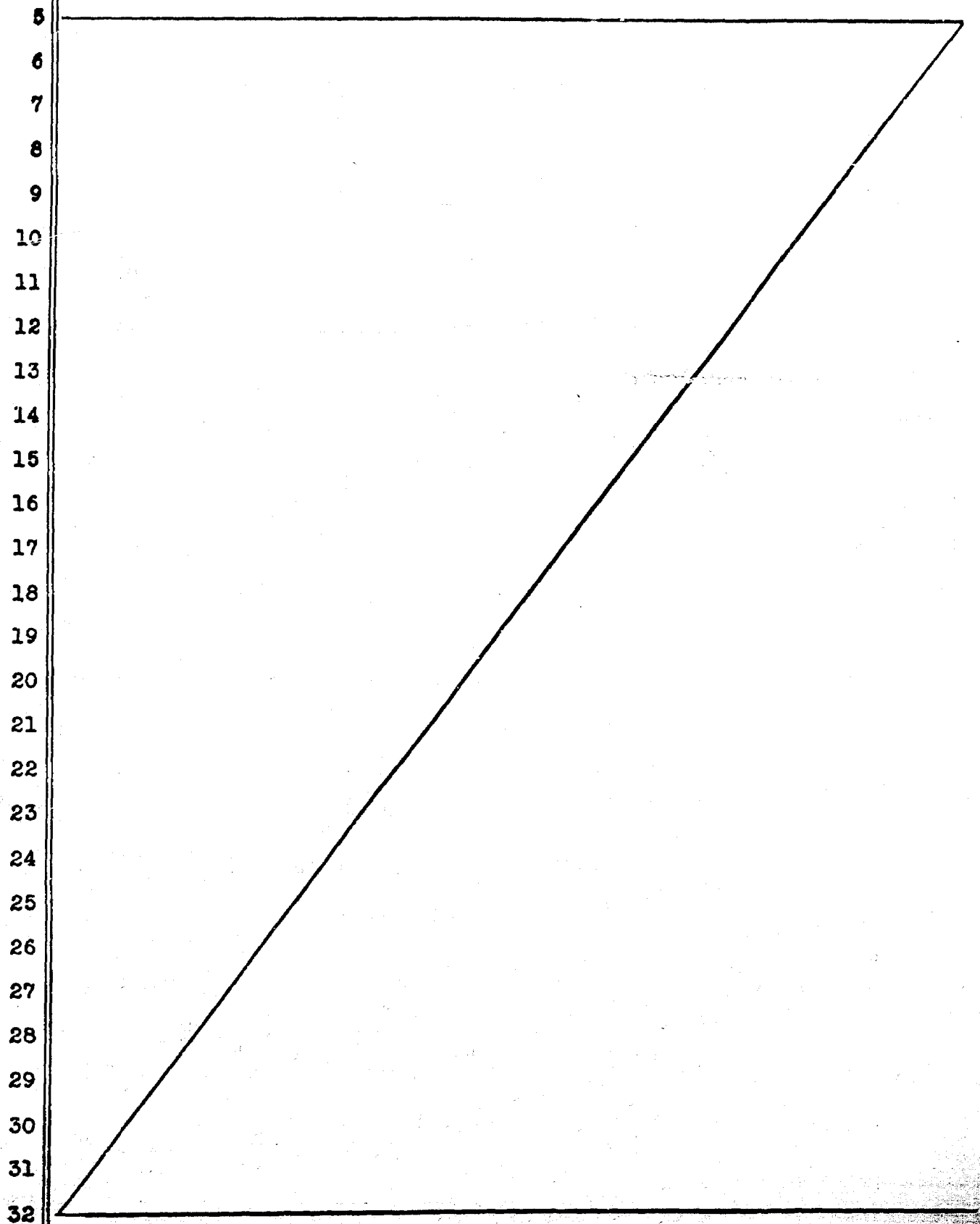
11 Upon failure to comply with the drilling provisions of this section,
12 the Director may, after reasonable notice to the Unit Operator, and each working
13 interest owner, lessee, and lessor at their last known addresses, declare this
14 unit agreement terminated.

15 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after
16 completion of a well capable of producing unitized substances in paying quanti-
17 ties, the Unit Operator shall submit for the approval of the Supervisor and the
18 State Land Commissioner an acceptable plan of development and operation for the
19 unitized land which, when approved by the Supervisor and the State Land Commis-
20 sioner shall constitute the further drilling and operating obligations of the
21 Unit Operator under this agreement for the period specified therein. Thereafter,
22 from time to time before the expiration of any existing plan, the Unit Operator
23 shall submit for the approval of the Supervisor and the State Land Commissioner
24 a plan for an additional specified period for the development and operation of
25 the unitized land. Any plan submitted pursuant to this section shall provide for
26 the exploration of the unitized area and for the diligent drilling necessary for
27 determination of the area or areas thereof capable of producing unitized sub-
28 stances in paying quantities in each and every productive formation and shall be
29 as complete and adequate as the Supervisor and the State Land Commissioner may
30 determine to be necessary for timely development and proper conservation of the
31 oil and gas resources of the unitized area and shall (a) specify the number and
32 locations of any wells to be drilled and the proposed order and time for such

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

17 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well cap-
18 able of producing unitized substances in paying quantities or as soon thereafter
19 as required by the Supervisor or the State Land Commissioner, the Unit Operator
20 shall submit for approval by the Director, the State Land Commissioner, and the
21 Commission a schedule, based on subdivisions of the public land survey or ali-
22 quot parts thereof, of all unitized land then regarded as reasonably proved to
23 be productive of unitized substances in paying quantities; all lands in said
24 schedule on approval of the Supervisor, the State Land Commissioner, and the
25 Commission to constitute a participating area, effective as of the date of
26 completion of such well or the effective date of this unit agreement, which-
27 ever is later. The acreages of both Federal and non-Federal lands shall be
28 based upon appropriate computations from the courses and distances shown on the
29 last approved public-land survey as of the effective date of the initial partic-
30 ipating area. Said schedule also shall set forth the percentage of unitized
31 substances to be allocated as herein provided to each unitized tract in the
32 participating area so established, and shall govern the allocation of production

1 from and after the date the participating area becomes effective. A separate
2 participating area shall be established in like manner for each separate pool or
3 deposit of unitized substances or for any group thereof produced as a single
4 pool or zone, and any two or more participating areas so established may be



1 combined into one with the consent of the owners of all working interests in
2 the lands within the participating areas so to be combined, on approval of the
3 Director, the State Land Commissioner, and the Commission. The participating
4 area or areas so established and approved shall be revised from time to time,
5 subject to like approval, whenever such action appears proper as a result of
6 further drilling operations or otherwise, to include additional land then re-
7 garded as reasonably proved to be productive in paying quantities, or to exclude
8 land then regarded as reasonably proved not to be productive^{in paying quantities}, and the percentage
9 of allocation shall also be revised accordingly. The effective date of any re-
10 vision shall be the first of the month in which is obtained the knowledge or
11 information on which such revision is predicated, provided, however, that a
12 more appropriate effective date may be used if justified by the Unit Operator
13 and approved by the Director. No land shall be excluded from a participating
14 area on account of depletion of the unitized substances.

15 It is the intent of this section that a participating area shall
16 represent the area known or reasonably estimated to be productive in paying
17 quantities; but, regardless of any revision of the participating area, nothing
18 herein contained shall be construed as requiring any retroactive adjustment for
19 production obtained prior to the effective date of the revision of the partici-
20 pating area.

21 In the absence of agreement at any time between the Unit Operator and
22 the Director, the State Land Commissioner, and the Commission as to the proper
23 definition or redefinition of a participating area, or until a participating
24 area has, or areas have, been established as provided herein, the portion of all
25 payments affected thereby may be impounded in a manner mutually acceptable to
26 the owners of working interests, except royalties due the United States, and the
27 State of New Mexico, which shall be determined by the Supervisor for Federal
28 lands and the State Land Commissioner for State lands, and the amount thereof
29 deposited, as directed by the Supervisor and the State Land Commissioner, re-
30 spectively, to be held as unearned money until a participating area is finally
31 approved and then applied as earned or returned in accordance with a determin-
32 ation of the sum due as Federal and State royalty on the basis of such approved

1 participating area.

2 Whenever it is determined, subject to the approval of the Supervisor
3 as to wells on Federal land, and of the State Land Commissioner as to wells
4 drilled on State land, that a well drilled under this agreement is not capable
5 of production in paying quantities and inclusion of the land on which it is
6 situated in a participating area is unwarranted, production from such well shall
7 for the purposes of settlement among all parties other than working interest
8 owners, be allocated to the land on which the well is located so long as such
9 land is not within a participating area established for the pool or deposit from
10 which such production is obtained. Settlement for working interest benefits
11 from such a well shall be made as provided in the unit operating agreement.

12 12. ALLOCATION OF PRODUCTION. All unitized substances produced from
13 each participating area established under this agreement, except any part there-
14 of used in conformity with good operating practices within the unitized area for
15 drilling, operating, camp and other production or development purposes, for re-
16 pressuring or recycling in accordance with a plan of development approved by the
17 Supervisor, the State Land Commissioner, and the Commission, or unavoidably lost,
18 shall be deemed to be produced equally on an acreage basis from the several
19 tracts of unitized land of the participating area established for such pro-
20 duction and, for the purpose of determining any benefits accruing under this
21 agreement, each such tract of unitized land shall have allocated to it such
22 percentage of said production as the number of acres of such tract included in
23 said participating area bears to the total acres of unitized land in said par-
24 ticipating area, except that allocation of production hereunder for purposes
25 other than for settlement of the royalty, overriding royalty, or payment out of
26 production obligations of the respective working interest owners, shall be on
27 the basis prescribed in the unit operating agreement whether in conformity with
28 the basis of allocation herein set forth or otherwise. It is hereby agreed that
29 production of unitized substances from a participating area shall be allocated
30 as provided herein regardless of whether any wells are drilled on any particular
31 part of tract of said participating area. If any gas produced from one partici-
32 pating area is used for repressuring or recycling purposes in another partici-

1 pating area, the first gas withdrawn from such last-mentioned participating area
2 for sale during the life of this agreement shall be considered to be the gas so
3 transferred until an amount equal to that transferred shall be so produced for
4 sale and such gas shall be allocated to the participating area from which
5 initially produced as constituted at the time of such final production.

6 13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

7 Any party hereto owning or controlling the working interests in any unitized
8 land having thereon a regular well location may with the approval of the Super-
9 visor as to Federal land, and the State Land Commissioner as to State land, and
10 the Commission as to privately-owned land, if any, at such party's sole risk,
11 cost, and expense drill a well to test any formation for which a participating
12 area has not been established or to test any formation for which a participating
13 area has been established if such location is not within said participating area,
14 unless within 90 days of receipt of notice from said party of his intention to
15 drill the well the Unit Operator elects and commences to drill such well in like
16 manner as other wells are drilled by the Unit Operator under this agreement.

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

23 If any well drilled as aforesaid by a working interest owner obtains
24 production in quantities insufficient to justify the inclusion in a partici-
25 pating area of the land upon which such well is situated, such well may be
26 operated and produced by the party drilling the same subject to the conservation
27 requirements of this agreement. The royalties in amount or value of production
28 from any such well shall be paid as specified in the underlying lease and
29 agreements affected.

30 14. ROYALTY SETTLEMENT. The United States and the State of New
31 Mexico and all royalty owners who, under existing contract, are entitled to take
32 in kind a share of the substances now unitized hereunder produced from any tract,

1 shall hereafter be entitled to the right to take in kind their share of the
2 unitized substances allocated to such tract, and Unit Operator, or in case of the
3 operation of a well by a working interest owner as herein in special cases pro-
4 vided for, such working interest owner, shall make deliveries of such royalty
5 share taken in kind in conformity with the applicable contracts, laws, and
6 regulations. Settlement for royalty interest not taken in kind shall be made by
7 working interest owners responsible therefore under existing contracts, laws,
8 and regulations, on or before the last day of each month for unitized substances
9 produced during the preceding calendar month; provided, however, that nothing
10 herein contained shall operate to relieve the lessees of any land from their
11 respective lease obligations for the payment of any royalties due under their
12 leases.

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

26 Royalty due the United States shall be computed as provided in the
27 operating regulations and paid in value or delivered in kind as to all unitized
28 substances on the basis of the amounts thereof allocated to unitized Federal
29 land as provided herein at the rates specified in the respective Federal leases,
30 or at such lower rate or rates as may be authorized by law or regulation; pro-
31 vided, that for leases on which the royalty rate depends on the daily average
32 production per well, said average production shall be determined in accordance

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

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

13 With respect to any lease on non-Federal land containing provisions
14 which would terminate such lease unless drilling operations were within the time
15 therein specified commenced upon the land covered thereby or rentals paid for the
16 privilege of deferring such drilling operations, the rentals required thereby
17 shall, notwithstanding any other provision of this agreement, be deemed to
18 accrue and become payable during the term thereof as extended by this agreement
19 and until the required drilling operations are commenced upon the land covered
20 thereby or some portion of such land is included within a participating area.
21 Rentals on State of New Mexico lands subject to this agreement shall be paid at
22 the rates specified in the respective leases.

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

27 17. DRAINAGE. The Unit Operator shall take appropriate and adequate
28 measures to prevent drainage of unitized substances from unitized land by wells
29 on land not subject to this agreement or with the consent of the Director and
30 the State Land Commissioner pursuant to applicable regulations pay a fair and
31 reasonable compensatory royalty as determined by the Supervisor for Federal
32 lands, or as approved by the State Land Commissioner for State land.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con-
ditions, and provisions of all leases, subleases, and other contracts relating

1 to exploration, drilling, development, or operation for oil or gas of lands
2 committed to this agreement are hereby expressly modified and amended to the
3 extent necessary to make the same conform to the provisions hereof, but other-
4 wise to remain in full force and effect; and the parties hereto hereby consent
5 that the Secretary as to Federal leases and the State Land Commissioner as to
6 State leases, shall and by their approval hereof, or by the approval hereof by
7 their duly authorized representatives, do hereby establish, alter, change or
8 revoke the drilling, producing, rental, minimum royalty, and royalty require-
9 ments of Federal leases and State leases committed hereto and the regulations
10 in respect thereto to conform said requirements to the provisions of this agree-
11 ment, and, without limiting the generality of the foregoing, all leases, sub-
12 leases, and contracts are particularly modified in accordance with the following:

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

22 (b) Drilling and producing operations performed hereunder upon
23 any tract of unitized lands will be accepted and deemed to be per-
24 formed upon and for the benefit of each and every tract of unitized
25 land, and no lease shall be deemed to expire by reason of failure to
26 drill or produce wells situated on the land therein embraced.

27 (c) Suspension of drilling or producing operations on all
28 unitized lands pursuant to direction or consent of the Secretary and
29 the State Land Commissioner or their duly authorized representatives
30 shall be deemed to constitute such suspension pursuant to such direc-
31 tion or consent as to each and every tract of unitized land.

32 (d) Each lease, sublease or contract relating to the explor-

1 ation, drilling, development or operation for oil or gas of lands
2 other than those of the United States committed to this agreement,
3 which, by its terms might expire prior to the termination of this
4 agreement, is hereby extended beyond any such term so provided
5 therein so that it shall be continued in full force and effect for
6 and during the term of this agreement.

7 (e) Any Federal lease for a fixed term of twenty (20) years
8 or any renewal thereof or any part of such lease which is made sub-
9 ject to this agreement shall continue in force beyond the term
10 provided therein until the termination hereof. Any other Federal
11 lease committed hereto shall continue in force beyond the term so
12 provided therein or by law as to the committed land so long as such
13 lease remains subject hereto, provided that production is had in
14 paying quantities under this unit agreement prior to the expiration
15 date of the term of such lease, or in the event actual drilling
16 operations are commenced on unitized land, in accordance with the
17 provisions of this agreement, prior to the end of the primary term
18 of such lease and are being diligently prosecuted at that time,
19 such lease shall be extended for two years and so long thereafter
20 as oil or gas is produced in paying quantities in accordance with
21 the provisions of the Mineral Leasing Act Revision of 1960.

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

30 (g) The segregation of any Federal lease committed to this
31 agreement is governed by the following provision in the fourth
32 paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended

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

11 (h) Any lease, other than a Federal lease, having only a
12 portion of its lands committed hereto shall be segregated as to the
13 portion committed and the portion not committed, and the provisions
14 of such lease shall apply separately to such segregated portions
15 commencing as of the effective date hereof. In the event any such
16 lease provides for a lump-sum rental payment, such payment shall be
17 prorated between the portions so segregated in proportion to the
18 acreage of the respective tracts.

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

29 20. EFFECTIVE DATE OF TERM. This agreement shall become effective
30 upon approval by the Secretary or his duly authorized representative and shall
31 terminate on the expiration of five (5) years from the effective date of this
32 agreement unless (a) such date of expiration is extended by the Director and

1 State Land Commissioner, or (b) it is reasonably determined prior to the expir-
2 ation of the fixed term or any extension thereof that the unitized land is in-
3 capable of production of unitized substances in paying quantities in the forma-
4 tions tested hereunder and after notice of intention to terminate the agreement
5 on such ground is given by the Unit Operator to all parties in interest at their
6 last known addresses, the agreement is terminated with the approval of the
7 Director and State Land Commissioner, or (c) a valuable discovery of unitized
8 substances has been made or accepted on unitized land during said initial term
9 or any extension thereof, in which event the agreement shall remain in effect
10 for such term and so long as unitized substances can be produced in quantities
11 sufficient to pay for the cost of producing same from wells on unitized land
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
15 unitized substances so discovered can be produced as aforesaid, or (d) it is
16 terminated as heretofore provided in this agreement.

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

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

1 modification is in the interest of attaining the conservation objectives stated
2 in this agreement and is not in violation of any applicable Federal or State
3 law; provided, further, that no such alteration or modification shall be
4 effective as to any land of the State of New Mexico as to the rate of prospec-
5 ting and development in the absence of the specific written approval thereof by
6 the State Land Commissioner and as to any lands of the State of New Mexico or
7 privately-owned lands, if any, subject to this agreement as to the quantity and
8 rate of production in the absence of specific written approval thereof by the
9 State Commission.

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

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

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

30 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained
31 shall be construed as a waiver by any party hereto of the right to assert any
32 legal or constitutional right or defense as to the validity or invalidity of any

1 law of the State wherein said unitized lands are located, or of the United
2 States, or regulations issued thereunder in any way affecting such party, or as
3 a waiver by any such party of any right beyond his or its authority to waive.

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

14 26. NONDISCRIMINATION: In the performance of work under this agree-
15 ment the operator agrees to comply with the nondiscrimination provisions of
16 Executive Order 10925 (26 F. R. 1977).

17 27. LOSS OF TITLE. In the event title to any tract of unitized land
18 shall fail and the true owner cannot be induced to join in this unit agreement,
19 such tract shall be automatically regarded as not committed hereto and there
20 shall be such readjustment of future costs and benefits as may be required on
21 account of the loss of such title. In the event of a dispute as to title as to
22 any royalty, working interest, or other interests subject thereto, payment or
23 delivery on account thereof may be withheld without liability for interest until
24 the dispute is finally settled; provided, that, as to Federal and State land or
25 leases, no payments of funds due the United States or the State of New Mexico
26 should be withheld, but such funds of the United States shall be deposited as
27 directed by the Supervisor, and those due the State of New Mexico with the
28 Commissioner of Public Lands of the State of New Mexico, to be held as unearned
29 money, pending final settlement of the title dispute, and then applied as earned
30 or returned in accordance with such final settlement.

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

1 28. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-
2 stantial interest in a tract within the unit area fails or refuses to subscribe
3 or consent to this agreement, the owner of the working interest in that tract
4 may withdraw said tract from this agreement by written notice to the Director,
5 the State Land Commissioner, and the Unit Operator prior to the approval of this
6 agreement by the Director. Any oil or gas interests in lands within the unit
7 area not committed hereto prior to submission of this agreement for final
8 approval may thereafter be committed hereto by the owner or owners thereof
9 subscribing or consenting to this agreement, and, if the interest is a working
10 interest, by the owner of such interest also subscribing to the unit operating
11 agreement. After operations are commenced hereunder, the right of subsequent
12 joinder, as provided in this section, by a working interest owner is subject
13 to such requirements or approvals, if any, pertaining to such joinder, as may
14 be provided for in the unit operating agreement. After final approval hereof
15 joinder by a non-working interest owner must be consented to in writing by the
16 working interest owner committed hereto and responsible for the payment of any
17 benefits that may accrue hereunder in behalf of such non-working interest.
18 Joinder by any owner of a non-working interest, at any time, must be accompan-
19 ied by appropriate joinder by the owner of the corresponding working interest
20 in order for the interest to be regarded as committed hereto. Joinder to the
21 unit agreement by a working-interest owner, at any time, must be accompanied
22 by appropriate joinder to the unit operating agreement, if more than one
23 committed working-interest owner is involved, in order for the interest to be
24 regarded as effectively committed to this unit agreement. Except as may
25 otherwise herein be provided subsequent joinders to this agreement shall be
26 effective as of the first day of the month following the filing with the
27 Supervisor, the State Land Commissioner, and the Commission of duly executed
28 counterparts of all or any papers necessary to establish effective commitment
29 of any tract to this agreement unless objection to such joinder is duly made
30 within 60 days by the Director, State Land Commissioner or Commission.

31 29. COUNTERPARTS. This agreement may be executed in any number of
32 counterparts no one of which needs to be executed by all parties or may be

1 ratified or consented to by separate instrument in writing specifically refer-
2 ring hereto and shall be binding upon all those parties who have executed such
3 a counterpart, ratification, or consent hereto with the same force and effect as
4 if all such parties had signed the same document and regardless of whether or
5 not it is executed by all other parties owning or claiming an interest in the
6 lands within the above-described unit area.

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

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

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

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

31 (2) Again lease such lands but only under the condition that the
32 holder of such lease shall within thirty (30) days after such lands are

1 so leased execute this agreement and the unit operating agreement as to
2 each participating area theretofore established hereunder, effective as
3 though such land had remained continuously subject to this agreement and
4 the unit operating agreement.

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

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

17 For any period the working interest in any lands are not expressly
18 committed to the unit operating agreement as the result of any such surrender or
19 forfeiture, the benefits and obligations of operations accruing to such lands
20 under this agreement and the unit operating agreement shall be shared by the
21 remaining owners of unitized working interests in accordance with their respec-
22 tive participating working interest ownerships in any such participating area
23 or areas, and such owners of working interests shall compensate the fee owner
24 of unitized substances in such lands by paying sums equal to the rentals, mini-
25 mum royalties, and royalties applicable to such lands under the lease in effect
26 when the lands were unitized, as to such participating area or areas.

27 Upon commitment of a working interest to this agreement and the unit
28 operating agreement as provided in this section, an appropriate accounting and
29 settlement shall be made, to reflect the retroactive effect of the commitment,
30 for all benefits accruing to or payments and expenditures made or incurred on
31 behalf of such surrendered working interest during the period between the date
32 of surrender and the date of recommitment, and payment of any moneys found to

1 be owing by such an accounting shall be made as between the parties then signa-
2 tory to the unit operating agreement and this agreement within thirty (30) days
3 after the recommitment. The right to become a party to this agreement and the
4 unit operating agreement as a working interest owner by reason of a surrender or
5 forfeiture as provided in this section shall not be defeated by the nonexistence
6 of a unit operating agreement and in the event no unit operating agreement is in
7 existence and a mutually acceptable agreement between the proper parties thereto
8 cannot be consummated, the Supervisor and State Land Commissioner may prescribe
9 such reasonable and equitable agreement as they deem warranted under the
10 circumstances.

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

17 31. TAXES. The working interest owners shall render and pay for
18 their account and the account of the royalty owners all valid taxes on or
19 measured by the unitized substances in and under or that may be produced,
20 gathered and sold from the land subject to this contract after the effective
21 date of this agreement, or upon the proceeds or net proceeds derived therefrom.
22 The working interest owners on each tract shall and may charge the proper pro-
23 portion of said taxes to the royalty owners having interests in said tract, and
24 may currently retain and deduct sufficient of the unitized substances or deriv-
25 ative products, or net proceeds thereof from the allocated share of each royalty
26 owner to secure reimbursement for the taxes so paid. No such taxes shall be
27 charged to the United States or the State of New Mexico or to any lessor who has
28 a contract with his lessee which requires the lessee to pay such taxes.
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IN WITNESS 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
By W. Sheppard
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 54, California

Witness: _____
Date: _____

WORKING INTEREST OWNERS
CONTINENTAL OIL CORPORATION

By _____
By _____
Address: P. O. Box 1121
Durango, Colorado

Witness: _____
Witness: _____
Date: _____

BRITISH AMERICAN OIL PRODUCING COMPANY

By _____
By _____
Address: Denver Club Building
P. O. Box 180
Denver, Colorado

Witness: _____
Witness: _____
Date: _____

TRANSMOUNTAIN PRODUCTION COMPANY

By _____
By _____
Address: 800 San Jacinto Building
Houston, Texas

Witness: _____
Witness: _____
Date: _____

ELIZABETH ANN ELLIOTT

By _____
Address: P. O. Box 703
Roswell, New Mexico

Witness: _____
Date: _____

DELHI-TAYLOR OIL CORPORATION

By _____
By _____
Address: 360 Denver Club Building
Denver, Colorado

Witness: _____
Witness: _____
Date: _____

IN WITNESS 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

Witness: _____

By _____
Manager, Land Department

Date: _____

Address: 1008 West Sixth Street
Los Angeles 54, California

WORKING INTEREST OWNERS

~~XXXXXXXXXXXXXXXXXXXX~~
CONTINENTAL OIL COMPANY

Witness: _____

By W. E. Thrash Attorney in Fact *WET*

Witness: _____

By _____

Date: NOV 20 1961

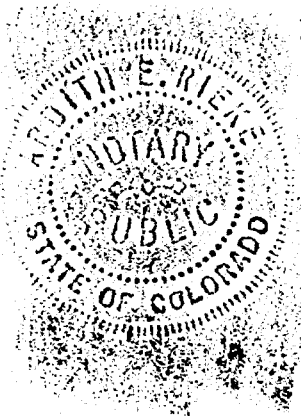
Address: ~~XXXXXXXXXXXX~~ 1755 Glenora Place
Denver, Colorado 80202

STATE OF COLORADO)
CITY &) ss.
COUNTY OF DENVER)

On this 21st day of November, 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 Delaware 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 10-10-64.

Witness my hand and official seal.



Judith E. Riecke
Notary Public (Signature)

Notary's Name (Typed or Printed)

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

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

UNIT OPERATOR AND WORKING INTEREST OWNER
SHELL OIL COMPANY

Witness: _____
Date: _____

By _____
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 54, California

WORKING INTEREST OWNERS
CONTINENTAL OIL CORPORATION

Witness: _____
Witness: _____
Date: _____

By _____
By _____
Address: P. O. Box 1121
Durango, Colorado

THE BRITISH AMERICAN OIL PRODUCING COMPANY

Witness: June E. Sheppard
Witness: Beverly A. Roberts
Date: November 22, 1961

By Charles E. Loy
ATTORNEY-IN-FACT
Address: ~~Denver Club Building~~
~~P. O. Box 180~~ P. O. BOX 749
~~Denver, Colorado~~ DALLAS, TEXAS

TRANSMOUNTAIN PRODUCTION COMPANY

Witness: _____
Witness: _____
Date: _____

By _____
By _____
Address: 800 San Jacinto Building
Houston, Texas

ELIZABETH ANN ELLIOTT

Witness: _____
Date: _____

By _____
Address: P. O. Box 703
Roswell, New Mexico

DELHI-TAYLOR OIL CORPORATION

Witness: _____
Witness: _____
Date: _____

By _____
By _____
Address: 360 Denver Club Building
Denver, Colorado

IN WITNESS 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

Witness: _____

Date: _____

By _____
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 54, California

WORKING INTEREST OWNERS
CONTINENTAL OIL CORPORATION

Witness: _____

Witness: _____

Date: _____

By _____
By _____
Address: P. O. Box 1121
Durango, Colorado

BRITISH AMERICAN OIL PRODUCING COMPANY

Witness: _____

Witness: _____

Date: _____

By _____
By _____
Address: Denver Club Building
P. O. Box 180
Denver, Colorado

TRANSMOUNTAIN PRODUCTION COMPANY

Witness: Quint Rogers

Witness: Joyce Hadden

Date: November 28, 1961

By J. W. Cunningham
President
By Robert L. Pappas
Assistant Secretary
Address: 800 San Jacinto Building
Houston, Texas

ELIZABETH ANN ELLIOTT

Witness: _____

Date: _____

By _____
Address: P. O. Box 703
Roswell, New Mexico

DELHI-TAYLOR OIL CORPORATION

Witness: _____

Witness: _____

Date: _____

By _____
By _____
Address: 360 Denver Club Building
Denver, Colorado

IN WITNESS 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

Witness: _____

Date: _____

By _____
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 24, California

WORKING INTEREST OWNERS

CONTINENTAL OIL CORPORATION

Witness: _____

Witness: _____

Date: _____

By _____
By _____
Address: P. O. Box 1121
Durango, Colorado

BRITISH AMERICAN OIL PRODUCING COMPANY

Witness: _____

Witness: _____

Date: _____

By _____
By _____
Address: Denver Club Building
P. O. Box 180
Denver, Colorado

TRANSMOUNTAIN PRODUCTION COMPANY

Witness: _____

Witness: _____

Date: _____

By _____
By _____
Address: 800 San Jacinto Building
Houston, Texas

ELIZABETH ANN ELLIOTT

Witness: _____

Date: _____

By Elizabeth Ann Elliott
Address: P. O. Box 703
Roswell, New Mexico

DELHI-TAYLOR OIL CORPORATION

Witness: _____

Witness: _____

Date: _____

By _____
By _____
Address: 360 Denver Club Building
Denver, Colorado

IN WITNESS 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

Witness: _____

Date: _____

By _____
Manager, Land Department
Address: 1008 West Sixth Street
Los Angeles 54, California

WORKING INTEREST OWNERS
CONTINENTAL OIL CORPORATION

Witness: _____

Witness: _____

Date: _____

By _____

By _____

Address: P. O. Box 1121
Durango, Colorado

BRITISH AMERICAN OIL PRODUCING COMPANY

Witness: _____

Witness: _____

Date: _____

By _____

By _____

Address: Denver Club Building
P. O. Box 180
Denver, Colorado

TRANSMOUNTAIN PRODUCTION COMPANY

Witness: _____

Witness: _____

Date: _____

By _____

By _____

Address: 800 San Jacinto Building
Houston, Texas

ELIZABETH ANN ELLIOTT

Witness: _____

Date: _____

By _____

Address: P. O. Box 703
Roswell, New Mexico

DELHI-TAYLOR OIL CORPORATION

Witness: Juliane Neese

Witness: Brissila C. Walling

Date: 11-22-61

By [Signature]

Vice President

By [Signature]

Assistant Secretary

Address: 360 Denver Club Building

Denver, Colorado

in consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Willard H. Moyer
Willard H. Moyer

Witness _____

By Ethel L. Moyer
Ethel L. Moyer

Date _____

Address Post Office No. 393
Santa Fe, New Mexico

As to Tract No. 1

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

WILSON OIL COMPANY

By W. Wilson President

By _____

Address Post Office Box 627
Santa Fe, New Mexico

As to Tract No. 1

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, New Mexico, by
Shall Oil Company, as Unit Operator, and the approval thereof by the Secretary of
the Interior or his duly authorized representative, dated _____ day of
_____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or infused shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By _____

Roy L. Flood
Roy L. Flood

Witness _____

By _____

Date _____

Address 611 North Missouri
Roswell, New Mexico

As to Tract No. 2

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

and execution of the Unit Agreement for the development and operation of the _____ Oil Area, Garfield County, State of New Mexico, by Shell Oil Company, a Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the ____ day of _____ September _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area hereby defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Hazel J. Cuccia
Hazel J. Cuccia

Witness _____

By George Cuccia
George Cuccia

Date _____

Address 33 West I Street
Ontario, California

As to Tract No. 3

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

In witness whereof of the execution of the Unit Agreement for the development and operation of the Caberon Unit A. A. Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____ By George E. Conley

Witness _____ By _____

Date _____ Address Post Office Box 611
Santa Fe, New Mexico

As to Tract Nos. 3 and 9

Witness _____ By _____

Witness _____ By _____

Date _____ Address _____

As to Tract No. _____

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____ By Anna Pickard
Anna Pickard

Witness _____ By _____

Date _____ Address 1251 Avenida, N.
Albuquerque, New Mexico

As to Tract No. 4

Witness _____ By _____

Witness _____ By _____

Date _____ Address _____

As to Tract No. _____

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Chavez Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness

Effie-Lu Russell

By

Roy L. Miner
Roy L. Miner

Witness

Ellen Steward

By

Date

Nov. 17, 1961

Address

Stacy Building
Wichita Falls, Texas

As to Tract No. 5

Witness

By

Witness

By

Date

Address

As to Tract No.

CONSENT

In full execution of the execution of the Unit Agreement for the development and operation of the Cebazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approved this by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Paul F. Catterson
Paul F. Catterson

Witness _____

By Mary E. Catterson
Mary E. Catterson

Date _____

Address P. O. Box 58
Evergreen, Colorado

As to Tract No. 5

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

In execution of the execution of the Unit Agreement for the development and operation of the Chilazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Arthur C. Hatchman
Arthur C. Hatchman

Witness _____

By Alpha L. Hatchman
Alpha L. Hatchman

Date _____

Address 4949 North Van Ness Boulevard
Fresno 4, California

As to Tract No. 0

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness

Chas. P. Brannon

By

D. P. Lickenzle, Jr.

Witness

Mr. Chas. A. Brannon

By

Chas. P. Lickenzle

Date

November 24, 1961

Address

P. O. Box 75
Fort Sumner, New Mexico

As to Tract No. 7 and 12

Witness

By

Witness

By

Date

Address

As to Tract No.

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Gabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness C. Murphy By Bruce Anderson

Witness C. Murphy By Jacqueline Anderson

Date Nov. 15, 1961 Address 930 Petroleum Club Building
Denver 2, Colorado

As to Tracts No. 8, 18

Witness _____ By _____

Witness _____ By _____

Date _____ Address _____

As to Tract No. _____

CONSENT

In compliance with the execution of the Unit Agreement for the development and operation of the [redacted] Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By

Vincent Cuccia

Witness _____

By

Louise Cuccia

Date _____

Address P. O. Box 247
Ontario, California

As to Tract No. 10

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19 __, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Marion V. Harris
Marion V. Harris

Witness _____

By Lawrence C. Harris
Lawrence C. Harris

Date _____

Address P. O. Box 1714
Roswell, New Mexico

As to Tract No. 11

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

CONSENT

In the presence of the execution of the Unit Agreement for the development and operation of the Sandoval Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness Charles Peterson By Walter L. Harrison
Walter L. Harrison

Witness Ellie L. Muelles By Kathleen Harrison
Kathleen Harrison

Date Nov 14, 1961

Address 1120 Vermont Street
Houston, Texas

As to Tract No. 13 and 14

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness Alma Caldwell

By Gladys Hatford
Gladys A. Hatford

Witness _____

By _____

Date 11-20-61

Address 1010 South Coast Building
Houston 2, Texas

As to Tract No. 15

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Gail B. Horne
Gail B. Horne and Georgina Horne
Georgina Horne

Witness _____

By Alan Thomson Josephine Thomson
Alan Thomson and Josephine Thomson

Date _____

Address 7 West Pepper
Mesa, Arizona

As to Tract No. 16

Witness _____

By John W. Moon Marion E. Moon
John W. Moon and Marion E. Moon

Witness _____

By Clifford M. Wolfswinkel Eleanor M. Wolfswinkel
Clifford Wolfswinkel and
Eleanor M. Wolfswinkel

Date _____

Address 7 West Pepper
Mesa, Arizona

As to Tract No. 16

CONSENT

BEST AVAILABLE COPY

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness M. M. Miller

By E. J. Boring
E. J. Boring

Witness _____

By _____

Date Nov 15, 1961

Address P. O. Box 788
Santa Fe, New Mexico

As to Tract No. 17

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

BEST AVAILABLE COPY

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness

E. Putnam

By

Joanne F. Angstman
Joanne F. Angstman

Witness

By

Date

November 20, 1961

Address

930 Petroleum Club Building
Denver 2, Colorado

As to Tract No. 13

Witness

By

Witness

By

Date

Address

As to Tract No.

BEST AVAILABLE COPY

CONSENT

Consent of the execution of the Unit Agreement for the development and operation of the Cameron Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

BEARD OIL COMPANY

Witness Satherine Dodson

By W M Beard
Partner

Witness Satherine Dodson

By John M. Beard
Partner

Date November 20, 1961

Address Suite 466, Cameron Building
2915 Classen Boulevard
Oklahoma City, Oklahoma
As to Tract No. 18

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

NOT AVAILABLE COPY

In the execution of the execution of the Unit Agreement for the development and operation of the Lebanon Unit Area, Federal County, New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or infused shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness Anthony J. Ellison - E.P.Ter. By Michael S. Shearn
Michael S. Shearn

Witness _____ By _____

Date 11-22-61 Address P. O. Box 543
Roswell, New Mexico

As to Tract No. 19

Witness _____ By _____

Witness _____ By _____

Date _____ Address _____

As to Tract No.

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Virginia L. Saunders
Virginia L. Saunders

Witness _____

By _____

Date _____

Address 1442 Seville Road
Santa Fe, New Mexico

As to Tract No. 19

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

BEST AVAILABLE COPY

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the La Oza Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area herein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness W. R. Bottey

By H. W. Priest
H. W. Priest

Witness W. R. Bottey

By Helen B. Priest
Helen B. Priest

Date Nov 21 / 1961

Address 1716 Norton Place
Steubenville, Ohio

As to Tract No. 20

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

in consideration of the execution of the Unit Agreement for the development and operation of the Gabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Ruth Ross
Ruth Ross

Witness _____

By _____

Date _____

Address Post Office Box 743
Santa Fe, New Mexico

As to Tract Nos. 22 and 26

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

Consent to the execution of the Unit Agreement for the development and operation of the Lubizon Unit Area, Sandoval County, State of New Mexico, by _____, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ 1st _____ day of _____ September _____, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By James H. Wright
James H. Wright

Witness _____

By Betty Ruth Wright
Betty Ruth Wright

Date _____

Address P. O. Box 2124
Santa Fe, New Mexico

As to Tract No. 22, 23, 27, 29, 30 and 31

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

In consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

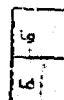
the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

NEW The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness William B. Hunter
Assistant Secretary

AMERICAN METAL OIL CO., INC.

By W. E. Hargis
MANAGER, OIL DIVISION



Witness _____

By _____

Date _____

Address 330 Columbine Building
1845 Sherman Street
Denver 3, Colorado

As to Tract No. 23

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

In re: Execution of the execution of the Unit Agreement for the development and operation of the [redacted] Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1941, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness J. W. Schaar By B. J. Bradshaw
B. J. Bradshaw

Witness L. A. Jensen By F. J. Bradshaw
F. J. Bradshaw

Date 11-17-41 Address 337 Pierpont Avenue
Salt Lake City, Utah
As to Tract No. 24

Witness _____ By _____

Witness _____ By _____

Date _____ Address _____
As to Tract No. _____

It was the intention of the execution of the Unit Agreement for the development and operation of the Mesquite Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness <u>Don N. Balrock</u>	By <u>A. P. Hebrer</u> A. P. Hebrer
Witness <u>Don N. Balrock</u>	By <u>Rene Horta Hebrer</u> Rene Horta Hebrer

Date <u>Nov 21-1961</u>	Address <u>4317 Vantage Avenue</u> <u>North Hollywood, California</u>
-------------------------	--

As to Tract No. 20

Witness _____	By _____
Witness _____	By _____

Date _____	Address _____
------------	---------------

As to Tract No. _____

2000017

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness Beverly J. Pilant

By I. H. Cunningham
I. H. Cunningham

Witness Beverly J. Pilant

By Bernal C. Cunningham
Bernal C. Cunningham

Date November 16, 1961

Address 810 Midland Savings Building
Denver 2, Colorado

As to Tract No. 28

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

In the execution of the provisions of the Unit Agreement for the development and operation of the [redacted] Unit in the [redacted] County, [redacted] State of New Mexico, by Shell Oil Company, as Unit Operator and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the [redacted] day of [redacted], 19 [redacted], receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By _____

Elizabeth Ann Elliott
Elizabeth Ann Elliott

Witness _____

By _____

Frank J. Elliott
Frank J. Elliott

Date _____

Address P. O. Box 703
Roswell, New Mexico

As to Tract No. 29 and 30

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

In confirmation of the execution of the Unit Agreement for the development and operation of the Hobson Unit in Sandoval County, New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, by the receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By _____

Ora R. Hall, Jr.

Witness _____

By _____

Edna Ione Hall

Date _____

Address _____

1734
P. O. Box 1801
Roswell, New Mexico

As to Tract No. 31

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No.

In consideration of the execution of the Unit Agreement for the development and operation of the Cebazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness Nadine L. Turner By E. R. Richardson
E. R. Richardson

Witness Nadine L. Turner By Nathryn B. Richardson
Nathryn B. Richardson

Date Nov 16, 1961 Address 2929 Monte Vista, N.E.
Albuquerque, New Mexico

As to Tract No. 33

Witness _____ By _____

Witness _____ By _____

Date _____ Address _____

As to Tract No.

in consideration of the execution of the Unit Agreement for the development and operation of the Gabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of November, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness Madeline L. Turner

By

F. R. Bryan
F. R. Bryan

Witness Madeline L. Turner

By

Jo Claire Bryan
Jo Claire Bryan

Date Nov 16, 1961

Address 3010 Monte Vista Blvd., N.E.
Albuquerque, New Mexico

As to Tract No. 33

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

In consideration of the execution of the Unit Agreement for the development and operation of the Caboron Unit Area, San Diego County, California, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Levi A. Hughes
Levi A. Hughes

Witness _____

By _____

Date _____

Address _____

As to Tract No. 33

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

In consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit A in San Diego County, State of California, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Francis L. Harvey
Francis L. Harvey

Witness _____

By _____

Date _____

Address _____

As to Tract No. 33

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No.

Consent of the execution of the Unit Agreement for the development and operation of the [redacted] Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, its Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1951, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area then defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____ By Cass Goodner
Cass Goodner

Witness _____ By _____

Date _____ Address San Ysidro, New Mexico

As to Tract No. 30

Witness _____ By _____

Witness _____ By _____

Date _____ Address _____

As to Tract No. _____

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Cabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the _____ day of _____, 19____, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Aparicio Curule
Aparicio Curule

Witness _____

By Lucy Curule
Lucy Curule

Date _____

Address Box 416
Cuba, New Mexico

As to Tract No. 38

Witness _____

By Herajildo Curule
Herajildo Curule

Witness _____

By Corine Curule
Corine Curule

Date _____

Address Box 416
Cuba, New Mexico

As to Tract No. 39

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement for the development and operation of the Cabazon land area, Garfield County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1941, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Archie Lovato
Archie Lovato

Witness _____

By _____

Date _____

Address Cabazon Route
Cuba, New Mexico

As to Tract No. 40

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

in consideration of the execution of the Unit Agreement for the development and operation of the Gilezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 1961, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness *[Signature]*
1008 W. 1st St
LA Calif

By *[Signature]*
Zulema Miramon

Witness _____

By _____

Date Nov. 17, 1961

Address 2455 Eastlake Avenue
Los Angeles 31, California

As to Tract No. 41

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the San Juan Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness Paul G. Brown

By Lucie Harris Locke
Lucie Harris Locke

Witness _____

By _____

Date _____

Address 401 Southern Street
Corpus Christi, Texas

As to Tract No. 41

Witness _____

By _____

Witness _____

By _____

Date _____

Address _____

As to Tract No. _____

~~SECRET~~

In consideration of the execution of the Unit Agreement for the development and operation of the Sabazon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Myra Harris Masters
Myra Harris Masters

Witness _____

By Wiley Masters
Wiley Masters

Date _____

Address 6208 Amherst Street
Metairie, Louisiana

As to Tract No. 11

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the Cabezon Unit Area, Sandoval County, State of New Mexico, by Shell Oil Company, as Unit Operator, and the approval thereof by the Secretary of the Interior or his duly authorized representative, dated the 1st day of September, 19 61, receipt of a copy of which is hereby acknowledged,

the undersigned owners of lands or interests in lands or royalties or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his particular ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, approve and adopt the terms of said Unit Agreement and any modifications thereof approved by the Secretary of the Interior, or his duly authorized representative, as applicable to said several lands and interests, agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

The undersigned also authorize Unit Operator to attach this Consent to the execution copies of said Unit Agreement.

Witness _____

By Carolene Harris Henry
Carolene Harris Henry

Witness _____

By Hugh Henry
Hugh Henry

Date _____

Address 9017 Broadway
Houston City, Texas

As to Tract No. 41

Witness _____

By _____

Witness _____

By _____

Date _____

Address

As to Tract No.

Sandoval County, New Mexico

Sandoval County, New Mexico

<u>Serial No. & Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. & Percentage</u>	<u>Working Interest & Percentage</u>
NM-09188 August 1, 1952	U.S. - 12- 1/2 %	Shell Oil Company	William W. Meyer - 2% Wilson Oil Co. - 2%	Shell Oil Company 100%
NM-04916 July 1, 1953	U.S. - 12- 1/2 %	Shell Oil Company	Roy L. Fink - 3%	Shell Oil Company 100%
NM-012325 August 1, 1953	U.S. - 12- 1/2 %	Hazel V. Quetta - 80% George E. Conley - 20%	Hazel V. Quetta George Quetta George E. Conley - 5%	Shell Oil Company 100%**
NM-018178 July 1, 1955	U.S. - 12- 1/2 %	Shell Oil Company	Anna Pickard - 5%	Shell Oil Company 100%
NM-021000 April 1, 1956	U.S. - 12- 1/2 %	Paul F. Caterson	Ray L. Blum - 1%	Continental Oil Company - 100% *
NM-029907 February 1, 1957	U.S. - 12- 1/2 %	Lester O. Hotchkiss Alpha L. Hotchkiss	Lester O. Hotchkiss Alpha L. Hotchkiss - 3%	Shell Oil Company 100% **
NM-009097-2 February 1, 1957	U.S. - 12- 1/2 %	Shell Oil Company	B. R. McFarland, Jr. 2%	Shell Oil Company 100%

Section	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	G.R.R. & Percentage	Working Interest & Percentage
Sec. 18, T. 2 N., R. 10 E., S. 1 N. 1/2	160.00	NM-040606-A May 1, 1959	U.S. - 12-1/2%	Shell Oil Company	Cladya Watford - 5%	Shell Oil Company 100%
Sec. 18, T. 2 N., R. 10 E., S. 1 N. 1/2	160.00	NM-040606-A August 1, 1958	U.S. - 12-1/2%	Shell Oil Company	Gail B. Horne Clifford Wolfswinkel Alad Thomson John W. Moon - 5%	Shell Oil Company 100%
Sec. 18, T. 2 N., R. 10 E., S. 1 N. 1/2	160.00	NM-050160 July 1, 1959	U.S. - 12-1/2%	Shell Oil Company	L. J. Borzug - 5%	Shell Oil Company 100%
Sec. 18, T. 2 N., R. 10 E., S. 1 N. 1/2	160.00	NM-055504 October 1, 1959	U.S. - 12-1/2%	Shell Oil Company	Joanne F. Angstrom - 1/2 of 1/2 Bruce Anderson Beard Oil Co. - 2 1/2%	Shell Oil Company 100%
Sec. 18, T. 2 N., R. 10 E., S. 1 N. 1/2	160.00	NM-057154 December 1, 1959	U.S. - 12-1/2%	Shell Oil Company	Virginia L. Saunders 2-1/4% Michael S. Shearn - 3/4 of 1/2	Shell Oil Company 100%
Sec. 18, T. 2 N., R. 10 E., S. 1 N. 1/2	160.00	NM-072925 May 1, 1960	U.S. - 12-1/2%	Shell Oil Company	W. V. Fiest - 5%	Shell Oil Company 100%
Sec. 18, T. 2 N., R. 10 E., S. 1 N. 1/2	160.00	NM-082403 April 1, 1960	U.S. - 12-1/2%	Shell Oil Company	John Cheney - 5%	Shell Oil Company 100%

Section	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentage
Section 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100	NM-0150116 May 1, 1961	U.S. - 12- 1/2 %	Shell Oil Company	Ruth Ross & Thomas D. Chace - 2% Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
	NM-0150116 May 1, 1961	U.S. - 12- 1/2 %	Shell Oil Company	American Metal Climax, Inc. - 2% Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
Section 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100	NM-0150820 July 1, 1961	U.S. - 12- 1/2 %	B. J. Bradshaw	B. J. Bradshaw - 3%	Shell Oil Company 100% **
	NM-0161106 July 1, 1961	U.S. - 12- 1/2 %	Anthony F. Weber	Anthony F. Weber - 1/2 of 1%	Shell Oil Company 100% **
Section 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100	NM-0161169 May 2, 1961	U.S. - 12- 1/2 %	Shell Oil Company	Ruth Ross - 3%	Shell Oil Company 100%
	NM-0161169 May 2, 1961	U.S. - 12- 1/2 %	Hoover H. Wright	Hoover H. Wright - 1%	Shell Oil Company 100% **

Section	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee or Record	O.R.R. & Percentage	Working Interest & Percentage
Section 30 & 31 Northern 1/4 of Section 30 Section 31 of T. 1 N. 36 E. 10 W. 10 S. 30 & 31, County, New Mexico S. 30 & 31, County, New Mexico S. 30 & 31, County, New Mexico	833.682 1061	April 26, 1961	50% 25% 25%	Zulema Wrennon-Shell Oil Company Elmer Boyce Being of Dr. Stevens T. Harris Mary Harris Mauldin Lucile Harris Locke Myra Harris Masters Caroline Harris Henry	None	Shell Oil Company 100%

Total 1,666.52 acres or 7.43% of the Unit Area

Special Agreement

The undersigned hereby agree to sell the above described S. 30 & 31 Oil Company to the owner of said land.

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, seeks approval 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. KELL: We would like to submit and mark for identifi-
cation 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

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sworn, was examined and testified as follows:

EXAMINATION

BY MR. KELL:

Q Would you state your name, please.

A Ernest Hoskins.

Q 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.

Q 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

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Cabezon Unit area?

A Yes.

MR. KELL: 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

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

A I believe I have covered this.

Q 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 Cambrian 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 objectives 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.

Q 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.

Q 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?



EXAMINATION

BY MORRIS:

Q 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?

A I have no material I can divulge at this time.

Q 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?

A 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

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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?

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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 control.

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



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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



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changes will be in the body of the Agreement.

Q 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 Township 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.



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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.

Q 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



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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.

Q (By Mr. Kell) Does the Unit Agreement contain a segregation provision?

A Yes, it does.

Q Does it provide for the fair allocation of all unit production?

A In my opinion, yes.

Q Does it contain adequate provision for subsequent joinder.

A Yes, it does.

Q In your opinion will the State of New Mexico and all other beneficiaries receive a fair share of the Unit production?

A That is my opinion.

Q Does the Unit Agreement provide that the Commissioner of Public Lands as well as the USGS must approve either the



establishment or revision of a participating area?

A That's correct.

Q Is the primary purpose of this Unit Agreement unitization pursuant to promoting conservation?

A That's right.

Q Will it, in your opinion, accomplish this purpose?

A 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?

A 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:

Q While these five haven't signed the agreement, they have all consented to join?

A 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

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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. KELL: No, sir.

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

If not, the case will be taken under advisement.

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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.

Thomas F. Horne
 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. *2407* heard by me on *10/25*, 19*61*.
[Signature], Examiner
 New Mexico Oil Conservation Commission

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OFFICE OF THE COMMISSIONER
SANTA FE, NEW MEXICO
October 20, 1961

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, seeks approval 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.
2497

BEFORE: Don A. Nutter, Examiner.

TRANSCRIPT OF HEARING

EXAMINER NUTTER: We will call Case No. 2497.

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. KELL: We would like to submit and mark for identifi-
cation 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

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BY MR. KELLY:

Q Now let me ask you, Mr. Kelly, is it correct that you are presently employed by Shell Oil Company, a subsidiary of the Shell Oil Company?

A Yes, that is correct. Is your present position with Shell Oil Company?

Q And you are in charge of the district in charge of their petroleum operations in western New Mexico, Arizona and the southern portions of Utah and Colorado.

Q Now have you ever been testified before this Commission?

A No, I have not.

Q 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



Coburn Unit area.

Yes.

Mr. Kell: Are the data in this location acceptable?

MR. KELL: Yes.

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

In the southeast corner of the San Juan Basin, Mr. Kell has reconnoitered 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



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the delay in drilling the well. Is it correct to call

A Yes, I am familiar with it.

Q Now, the Unitization Agreement is a Unit Agreement?

A Yes, it is.

Q In your opinion, does the drilling here enable you to receive acreage?

A Yes.

Q It would also include excess acreage?

A No.

Q Does it contain adequate provision for expansion and concentration or necessary dry lease 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 Cambria 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 objectives 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 Cabazon Unit Agreement will promote the conserva-



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Q. in oil and gas and improve water?

A. Yes, this is my opinion.

Q. Do you have an opinion as to how under the allocation of production for the State of New Mexico, the other beneficiaries of such production will receive a fair and equitable share of the proceeds?

A. Yes, I do, under this plan.

Q. Do you feel that utilization will result in the best utilization of renewable energy?

A. Yes, I do.

Q. When do you expect the completion of the initial well?

A. Within thirty days.

Q. Do you have a location of that well?

A. Yes.

Q. 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 East, NPM 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?



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THE WITNESS: Yes, it has.

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

MR. KELL: Since it has been submitted to the UGGS 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



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willing to return the exhibit to you at the time the hearing de novo or otherwise in this case is decided.

Mr. KILL: Fine.

Recess and Return:

Q Now about this fault, how deep and how in this area of approximately 100 feet, how far northward?

A That's correct.

Q So, this is the southeast flank of the fault?

A The southeast corner of the area.

Q Your primary objective is the Pennsylvanian and Medera formation?

A Yes, at between 7000 and 7100 feet. It is of the order of fourteen or fifteen hundred thick.

Q Under the Unit here, 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?



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In our opinion, no. This is an interpretation.

This Unit Agreement is designed to cover this structure.

Approximately how many feet of closure do you have on the structure?

Approximately 300 feet based on our recent anti-rail control.

and the proposed location?

The apex of the structure.

EXAMINER: Now, 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



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changes will be in the body of the Agreement.

Q 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 Township 16 North, Ranges 2 and 3 West and Township 17 North, Ranges 2 and 3 and 4 West, all NMFLM, 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.



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Q And State acreage?

A 3,207.72 acres; 14.1 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.

Q 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



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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.

Q (By Mr. Kell) Does the Unit Agreement contain a segregation provision?

A Yes, it does.

Q Does it provide for the fair allocation of all unit production?

A In my opinion, yes.

Q Does it contain adequate provision for subsequent joinder.

A Yes, it does.

Q In your opinion will the State of New Mexico and all other beneficiaries receive a fair share of the Unit production?

A That is my opinion.

Q Does the Unit Agreement provide that the Commissioner of Public Lands as well as the USGS must approve either the



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establishment or revision of a participating area?

A That's correct.

Q Is the primary purpose of this Unit Agreement unitization pursuant to promoting conservation?

A That's right.

Q Will it, in your opinion, accomplish this purpose?

A 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?

A 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:

Q While these five haven't signed the agreement, they have all consented to join?

A 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. KELL: No, sir.

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

If not, the case will be taken under advisement.

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STATE OF NEW MEXICO)
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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.

Thomas F. Horne
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. 2407 heard by me on 10/25, 1961.

William, Examiner
New Mexico Oil Conservation Commission



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