

Case No.

1212

Application, Transcript,  
Small Exhibits, Etc.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
HOBBS, NEW MEXICO

CASE NO. 1212

TRANSCRIPT OF HEARING

February 27, 1957

DEARNLEY, MEIER & ASSOCIATES  
INCORPORATED  
GENERAL LAW REPORTERS  
ALBUQUERQUE, SANTA FE  
3-66-11 2-2211

NEW MEXICO OIL CONSERVATION COMMISSION

1000 W. Broadway

Hobbs, NEW MEXICO

REGISTER

HEARING DATE February 27, 1957 TIME: 10:00 a.m.

NAME:	REPRESENTING:	LOCATION:
Chas. H. Hill	Humboldt	Powell
M. B. Wilson	Great Western Oil Co.	Midland, Texas
Ben McGuire	Duval Sulphur & Petrol	Carlsbad
Don Proetz	P. C. A.	"
Jason K. Ketchum	Continental Oil Co.	Santa Fe, N.M.
W. C. T. Lyons	"	A. C. S. F. C. N. M.
E. D. Vinson	Continental Oil Co.	Hobbs, N.M.
"	"	Santa Fe, N.M.
E. C. Lannen	Mont. O. Co.	POHUKE, N.M.
Tom Wiersching	State Land Office	Santa Fe, N.M.
Ted Bulberry	"	" " " "
Lee McMillan	Humboldt & Ryg. Co.	Midland, Texas
Wm. V. _____	Wilson Oil Co.	_____
J. B. Allen	Wilson Oil Co.	Emery, N.M.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
HOBBS, NEW MEXICO  
FEBRUARY 27, 1957

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IN THE MATTER OF: :

CASE NO. 1212: Application of Humble Oil & Refining Company :  
for approval of its proposed Kinebeto Unit :  
Agreement located in San Juan County, New :  
Mexico, in accordance with Rule 507 of the :  
New Mexico Oil Conservation Commission State- :  
wide Rules and Regulations. Applicant, in :  
the above-styled cause, seeks an order grant- :  
ing approval of its proposed Kinebeto Unit :  
Agreement embracing 46,062.94 acres, more or :  
less, of federal, Indian, state and fee lands :  
situated in Townships 22 and 23 North, Range :  
10 West, San Juan County, New Mexico. :

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BEFORE:

Warren W. Mankin, Examiner.

T R A N S C R I P T    O F    P R O C E E D I N G S

MR. MANKIN: The hearing will come to order. First case on the docket is Case No. 1212.

MR. COOLEY: Application of Humble Oil & Refining Company for approval of its proposed Kinebeto Unit Agreement located in San Juan County, New Mexico, in accordance with Rule 507 of the New Mexico Oil Conservation Commission Statewide Rules and Regulations.

MR. HINKLE: If the Commission please, Clarence Hinkle of Horvey, Dow & Hinkle represents Humble Oil & Refining Company. We have two witnesses and set them up. I will have them sworn.

(Afternoon session.)

MR. HINKLE: If the Commission please, before going ahead with the case, we, in connection with the original application, filed three copies of the proposed unit agreement, for the Winnebago unit area; when this was submitted to the State Land Office for approval, they raised two objections to it, one in connection with the automatic elimination clause which was Section 2-3. That clause provides for the automatic elimination of all acreage from the unit that is not within a participating area, within five years after the first participating area is established except in such case where the operator is engaged in drilling operations at the end of the five year term in which case the time is extended so long as continuous drilling operations are continued for an additional five years, that is the way it was first presented to the Land Office and filed with this Commission. The Land Office thought that the time which it could be extended by continuous drilling was too long and we agreed to change that to seven years, that is the change which has been made in the form that was filed with the Commission, and with respect to that particular paragraph, or section. The other change which was raised by the Land Office was in connection with the segregation of leases, portions of which had been admitted to the unit and portions not admitted. We are in complete accord with the Land Office on segregation of leases which in effect, that the owner of a state lease would be required by contributing the acres to the unit in order to have that production on any part of the lease, whether it is a state lease or not, would extend to non-

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vided it was obtained before the expiration of the secondary term, or if drilling operations were in progress in either the lands inside the unit or outside the unit at the date of the expiration of the secondary term. That, in submitting the original agreement, that provision had been changed slightly so as to provide that if any part of the state lease was in a participating area within the unit, or any part that was outside was in communization agreement, or pooling arrangements, that it would be extended, that it would get the benefit of that, but the Land Office desired to have that provision taken out so the original segregation clause which has been customarily used was put back in, put into this form, and it takes the place of 10-K. That is Section 10-K. And what I would like to do at this time, is to substitute, or file with the Commission for substitution three copies of the prepared form with these changes which have been agreed to by the Commissioner of Public Lands.

MR. HANLIN: That will be acceptable.

MR. HANLIN: Now, if you have a minute, I would like to have identified the same as I have done.

(Held in Exhibit No. 1  
marked for identification)

ALL: I have identified the same as I have done.  
The same as I have done.  
Identified as a witness having been identified as a witness identified as a witness:  
as a witness:

BY: HANLIN:

Q State your name. A B. D. Holland.

Q By whom are you employed?

A Humble Oil & Refining Company.

Q In what capacity? A Geologist.

Q Have you ever testified before the New Mexico Oil Conservation Commission?

A No.

Q Are you a graduate geologist?

A Yes, I am.

Q From what school?

A B. S. from University of Texas and M. S. from University of Kansas.

Q What year did you graduate from Kansas?

A Kansas in 1956. June of '56.

Q Have you been practicing your profession since graduation?

A I have.

Q And have you been with the Humble since that time?

A The full time, yes, sir.

Q And has your work been in New Mexico?

A It has been geological geologist in the San Juan Basin for the full time.

Q Are you familiar with the uses and made a geologic study of the area in order to prepare a geologic map of it?

A Yes.

Q Do you know whether or not the Humble Oil & Refining Company made an application to the State of New Mexico to have an area suitable and proper for cultivation? They did.

Q Are you familiar in a general way with that application?

A Yes, I am.

Q Do you know whether or not the geological report was prepared by the Humble and filed in connection with that application?

A It was.

Q Did you have anything to do with the preparation of that report?

A I assisted Mr. D. A. Belknap with the preparation of the report.

Q Mr. Holland, please refer to Humble's Exhibit No. 1 and state what that is.

A This is the same report that was filed with Humble's application for the designation of Winebeto unit area.

Q And that is a report which you worked on and which you are familiar with?

A Yes, sir.

Q Where is this proposed -- where is the acreage in the proposed unit located, generally?

A Township 22 North, Range 12 East in San Juan County, New Mexico.

Q Approximately how many acres does it consist of?

A About thirty-five thousand acres, more or less.

Q Will you please describe briefly and state to the Commission what it shows, and what it is intended to show, and position it in detail, and explain to the Commission generally what it shows?

A This map shows the approximate location of the area in



which the Kinebeto unit is located, and regionally we think the subsurface structure is a dip to the north northeast about one hundred twenty feet per mile, and we have used the M S and B No. 1 Meyer well as the nearest correlative well, and our studies in that area indicate that any possible production will more than likely be from stratigraphic traps rather than structural traps and it is for this reason we feel, because the stratigraphic traps are harder to find and so forth and using our present geological and geophysical methods, they can't be located very accurately. That is the reason we feel that the best means of exploration would be a drilling program and we also feel the most economical way to conduct that drilling program would be to have a Federal drilling pool in the area so resources can be pooled among the drilling companies.

Q In other words, this is an area in which the subsurface condition cannot be readily ascertained from geophysical exploration particularly as to finding source beds and reservoirs for oil or gas, is that right?

A Yes, sir, that is the way we feel.

Q About the only way that you can prospect the area is by the drilling of wells?

A In your opinion, would it take several wells in this area to make sure you have found them all? A Yes, it would.

Q -- probably find a stratigraphic trap that might be oil reservoirs?

A In connection with this report, are there any recommendations

tions made as to the number of wells which should be drilled?

A Yes, there were four recommended wells to a depth of 5500 feet.

Q And what beds, formations would that penetrate, in your opinion, at that depth?

A That would, -- we feel like that would penetrate into the Morrison Jurassic sands, at least the first sands in the Jurassic Morrison.

Q Are there other possibilities of production above that?

A Well, the possible productive horizons, the three most probable, sand members of Mesa Verde, Cliff House and Point Lookout, the Gallup member of the Mancos formation and also the Dakota formation.

Q Those have been productive of oil and gas in the general area previously?

A Yes, they have.

Q Is there anything else in connection with the geology of this area that you desire to tell the Commission that you haven't already covered by your testimony that is contained in this report?

A No, sir, I don't think of anything.

Q Do you know whether or not the U.S.G.S. on the strength of the application did designate this as an area suitable for unitization?

A Yes they did.

Q And is that designation referred to an Exhibit A attached to the application, made a part of the application?

A Yes.

Q That designation was made by the acting director of the U.S.G.S. on October 11, 1956? A Yes.

MR. HINKLE: That is all from this witness.

MR. MANKIN: Mr. Holland, Mr. Hinkle had indicated by question to you that this unit contained approximately thirty-five thousand seven hundred some acres, would you refer to your notes again? I believe the application stated 46,062.94 acres, which is correct?

A I believe it's the forty-six thousand. I was probably confusing -- maybe the Tanner unit.

MR. HINKLE: If the Commission please, two cases, one is the Tanner, and I think the witness confused the two, Kinebeto is 46,062.94.

MR. MANKIN: So the application is correct. 46,062.94 acres? A Yes.

MR. MANKIN: Mr. Holland, you indicated there are three possible producing cases in this area. The Sand Harbor of New Verde, the Gallup, and what was the -- Kinebeto was the third?

A Yes, sir.

MR. HINKLE: Is it not correct that in all of these cases there have been oil productions from the sand which is the sandstone? Is that correct?

A Yes, sir. All of them have produced oil. That is correct, yes, sir.

MR. MANKIN: That is all, thank you very much.

knowledge of that?

Q Yes, sir. Are you speaking of maybe the <sup>pp</sup> lateral  
map?

A Yes, sir.

Q What is the grid number of that?

A HANLIN: At the present time there's no griding  
wells in this unit area, is that correct?

A That's correct. There has been one well drilled in the  
unit area, I believe that is the Great Western No. 1 well. There  
were no tests in that area, though they did receive some staining  
in their cores.

Q HANLIN: That was a good question. There have been  
at least two dry holes in this area which have been drilled. Can't  
you say that?

A That's right.

Q Now, I want to ask you in this unit area, are  
there any other wells which have been drilled?

A Yes, sir.

Q What are the names of those wells?

A The Great Western No. 1 well.

Q And the other well?

A The Great Western No. 2 well.

Q And the other well?

A The Great Western No. 3 well.

Q And the other well?

A The Great Western No. 4 well.

like there would more likely be oil. Probably the prime objective would be the Gallup sand, and it seems that the permeability of that sand is increased as you come toward the southwest, and as it gets more permeable, it produces oil, and into the northeast, up, -- well, it's up in El Paso's Sullivan wells, up in that area. I don't remember the exact location, those wells produce gas from the Gallup, but as they come to the southwest they seem to be oil producers. This Kinebeto unit area is in the general vicinity of the Bisti trend.

MR. MANKIN: Do you have knowledge that there has been gas production from the Bisti on southeast of the Carson unit?

A Yes, there has.

MR. MANKIN: In what was drilled as the Anderson-Frischard Begay, now known as the Sun Begay?

A Yes, there has.

MR. MANKIN: But you do feel that the Gallup in this Kinebeto area would be predominantly oil productive rather than gas?

A Yes.

MR. MANKIN: Is there other question of oil either in the Gallup or the Bisti?

MR. MANKIN: In the Gallup place, I am familiar with the Gallup sand, and I am familiar with the Bisti.

MR. MANKIN: I am familiar with the Gallup sand, and I am familiar with the Bisti. I am familiar with the Gallup sand, and I am familiar with the Bisti. I am familiar with the Gallup sand, and I am familiar with the Bisti.

(Voice of Mr. Mankin)

MR. HINKLE: Mr. Richardson.

R. M. RICHARDSON

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name.

A R. M. Richardson.

Q Where do you live, Mr. Richardson?

A Roswell, New Mexico.

Q Are you employed by the Humble Oil & Refining Company?

A Yes.

Q What capacity?

A Landman in charge of units and joint operations in New

Mexico.

Q Have you had anything to do with the preparation of the application to this Commission and the form of unit, for the approval of the Kinebeto unit area?

A Yes.

Q You are familiar with the application which has been filed by the Humble for approval?

A Yes.

Q Also familiar with the proposed form of unit agreement?

A Yes, Sir.

Q Regarding the area where in the land located that is involved?

A The area is located in the Kinebeto unit, located in the Township 22 North, Range 10 East, San Juan County, New Mexico.

of this 46,062.94 acres, there are 31,029.07 acres of Federal land, there are 8,638.33 acres of Indian allotted land, and 3,537.92 acres of State land, and 2,557.12 acres of fee land. The State land is 8.33 percent of the unit area, and the Federal land 67.36 percent of the unit area.

Q You have heard the previous testimony and are familiar with the designation of the U.S.G.S. attached to the application, showing that this area was designated as an area suitable and proper for unitization by U.S.G.S., on October 11, 1956, does this area cover all or substantially all of the area which is covered by the geological report --

A Yes.

Q -- which has been introduced in evidence here?

A Yes.

Q The form of, proposed form of unit agreement which has been filed, is that substantially the same form as previously used in connection with units of this kind?

A Yes, sir.

Q And has that form been approved by the U.S.G.S.?

A It has been accepted by the U.S.G.S.

Q Do you have whether or not it's been approved by the Commissioner of Public Lands?

A Yes, sir. The U.S.G.S. has submitted to the Commissioner of Public Lands, and he has previously advised that the form of unit agreement that has been approved has been approved.

Q And you are not aware of any other unit agreements that have been submitted to the Commissioner of Public Lands, but not been approved, but which have been submitted to the Commissioner of Public Lands?

to these changes as representative of the Land Office present, and that is his Land Office representative, and that's his understanding, too.

Now, who is designated as the unit operator in the agreement?

A Humble Oil & Refining Company.

Q Under the terms of the unit, are any wells required to be drilled?

A There are four wells required to be drilled within the unit area.

Q And what depth are those wells required to be drilled?

A They are Dakota tests at around 5,000 feet, there's a depth limit of 5,500 in the unit agreement, they are Dakota tests which will be around 5,000 feet.

Q And when is the first well to be commenced?

A Within six months after the effective date of the unit agreement.

Q And is there any time specified for the drilling of the subsequent three wells?

A Subsequent three wells are to be drilled within sixty days of completion of the first well, just continuous drilling. No more than sixty days between wells.

Q Now, should oil be discovered in the unit is approved oil and gas in paying quantities should be discovered, can you state whether or not in your opinion this would be in the interest of conservation and prevention of waste? A Yes, it would.



Q. Now, you would not say that the test was not a test of the machine, but a test of the man?

A. Yes.

BY MR. NANKIN: That is all, thank you. -- test

Q. Now, for this case, been the test of the machine?

A. Yes, we have tested the machine, and we have found that it is not a test of the machine.

Q. Are there any other tests?

A. Yes, there are four tests, the first is the test of the machine, the second is the test of the man, the third is the test of the machine, and the fourth is the test of the man.

Q. They are similar?

A. Yes, they are similar.

Q. Yes.

BY MR. NANKIN: That is all, thank you.

Q. Now, for this case, been the test of the machine?

# C E R T I F I C A T E

STATE OF NEW MEXICO )  
 : ss  
 COUNTY OF BERNALILLO )

I, THURMAN J. MOODY, Notary Public in and for the County of Bernalillo, 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 stenotype and reduced to typewritten transcript by me and/or under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

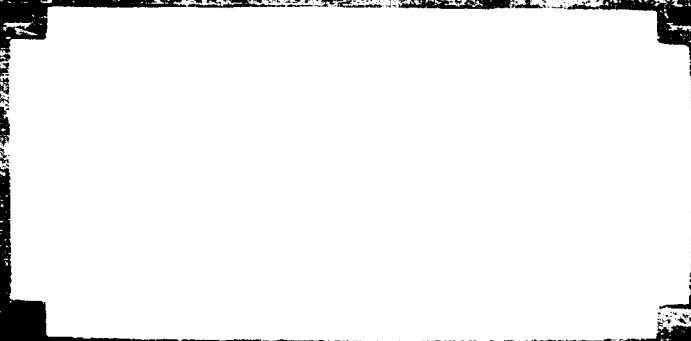
WITNESS my hand and seal, this, the 14th day of March, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Thurman J. Moody  
 Notary Public

My Commission Expires:

April 1, 1958.

February 27 1212  
 57  
 Wm. H. Martini



TO: DIRECTOR, UNITED STATES GEOLOGICAL SURVEY,  
WASHINGTON, D. C.

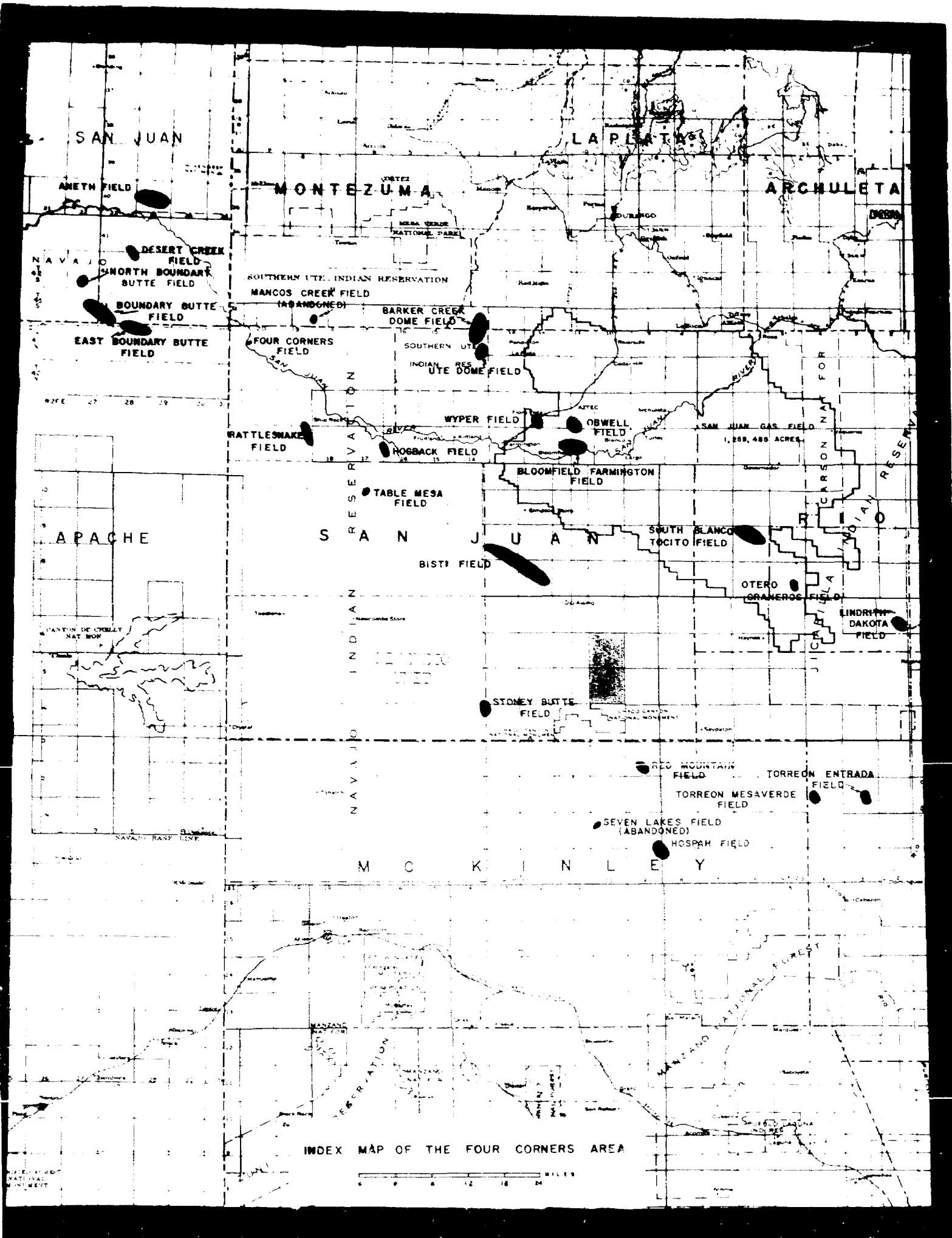
FROM: HUMBLE OIL & REFINING COMPANY, EXPLORATION DEPARTMENT,  
ROSWELL, NEW MEXICO

SUBJECT: REPORT ON THE GEOLOGY OF THE KINEBETO AREA, SAN JUAN  
COUNTY, NEW MEXICO

PURPOSE: THIS REPORT IS SUBMITTED TO SHOW THE SUBSURFACE GEOLOGY  
AND TO DEMONSTRATE THE NEED OF FORMING A FEDERAL EXPLORATION  
UNIT TO TEST THE KINEBETO AREA. IT IS BELIEVED THAT THE  
GEOLOGIC CONDITIONS ARE SUCH THAT THE ONLY REASONABLE METHOD  
OF EXPLORATION AND DEVELOPMENT IS BY MEANS OF AN APPROVED  
FEDERAL UNIT.

DATE: August, 1956

BEFORE THE  
OIL COMMISSION  
JUL 27 1956  
CASE 44-7-1212



REPORT ON THE KINEBETO AREA,  
SAN JUAN COUNTY,  
NEW MEXICO

INTRODUCTION

The location of the Kinebeto area is in Township 22 and 23 North, Range 10 West, San Juan County, New Mexico. It is proposed that one Federal Exploration Unit be established in these two townships for the purpose of exploration and development of oil and/or gas. This area is located on the south flank of the San Juan basin in the Bisti trend area (Exhibit "B"). Possible productive horizons are the Mesaverde, Gallup, Dakota, Entrada, Pennsylvanian, and Mississippian.

The approval of the requested unit will be in the interest of conservation and of scientific and orderly development of the oil and/or gas reservoirs that might be found within this unit.

RECOMMENDATIONS

It is recommended that the United States Geological Survey approve one Federal Exploration Unit in Township 22 and 23 North, Range 10 West, San Juan County, New Mexico, with the Humble Oil and Refining Company as unit operators. It is further recommended that this unit will be called the Kinebeto Unit.

As unit operators, Humble will drill four (4) 5,200-foot Cretaceous Dakota tests to cure the unit. In the event of production, Humble will develop and produce the field in an orderly manner consistent with modern and scientific drilling and production practices.

SUBSURFACE STRATIGRAPHY

The Cretaceous sediments for the most part are alternating blanket and off-shore bar sands, marine dark shales, and coals. The generalized stratigraphy can best be described from the section encountered by the M.S.B. Company No. 1 F. W. Meyer located in Section 13, Township 23 North, Range 11 West, San Juan County, New Mexico. This well was plugged and abandoned at 5,272 feet on March 27, 1954.

JURASSIC

Morrison: 202 feet. (Base not penetrated). White to tan sandstone and green to purple shales.

CRETACEOUS

Dakota: 120 feet. Medium grained sandstone with gray shale.

Graneros: 35 feet. Gray shale.

Greenhorn: 50 feet. Limey shale to shaly limestone.

Mancos: 1,730 feet. Dark gray to black shale with a sandstone buildup in the middle of the section.

Gallup: 250 feet. This sandstone buildup is referred to as the Gallup sandstone and is the oil producing zone in the Bisti area. This fine to medium grained sandstone is an off-shore bar sand which had a fluctuating shore line that covered the entire southern flank of the San Juan Basin. The productive trend of the Gallup appears to depend more on stratigraphy than structure. In areas where the permeability is low, gas production is found, as in the El Paso #1 Nelson (Section 8, Township 26 North, Range 12 West). Southwestward or shoreward the permeability increases due to the nearness to the source area. These sand buildups in the Mancos had a depositional trend of northwest-southeast over the entire south flank of the San Juan basin. A core taken from this same Gallup sandstone in the Meyer well exhibited seven feet of good oil show from 4,193 feet to 4,200 feet.

Mesaverde: Point Lookout: 150 feet. Dominate sandstone section with alternating shales. Oil has been recovered on drill stem test from the Point Lookout in the Shell No. 1 Carson which is located in Section 24, Township 25 North, Range 12 West.

Menefee: 1,850 feet. Alternating shales, coals, and sandstones.

Cliff House: 85 feet. Tan to white quartz sandstone.

Lewis: 660 feet. Dark gray shale.

Pictured Cliffs: 140 feet. Medium grained white sandstone with gray shale stringers. This formation produces gas to the north and northeast in the 1,250,000 acre San Juan gas field.

Fruitland-Kirtland: 600 feet. Gray shales, coal stringers, and sandstones, undifferentiated.

#### SUBSURFACE STRUCTURE

On top of the Cretaceous Hospah sandstone which is about 100 feet above the Gallup, the region dip in the area is about 120 feet to the mile in a northeast by north direction (Exhibit "B"). Well control is so sparse that no local structural dips can be postulated from subsurface information.

#### ECONOMIC POSSIBILITIES

Those zones in the proposed Kinebeto unit outline area that will have the best possibilities for production of oil and/or gas are as follows:

(1) The interval from 4,900 feet to 5,100 feet (Dakota sandstone) carries hydrocarbons throughout the San Juan basin and could produce gas or oil from either a structural or stratigraphic trap.

(2) The Gallup sand buildup from 4,100 feet to 4,350 feet affords excellent reservoir condition. Production is present in the Bisti field some 14 miles to the northwest from this blanket sand. Excellent shows of oil have been reported from the H.S.B. No. 1 Meyer and production has been established in the Chaco Unit in the adjoining township to the east.



Production from the Gallup does not depend upon structure, but upon permeability and porosity. Subsurface and core information indicate that the Gallup is more permeable toward the southwest. This would also be true for the Mesaverde, Dakota, and other sands in the Mancos that have low permeabilities further north in the basin.

Only one well has been drilled in the unit outline area. This is the Great Western Drilling Company No. 1 Lucy English (Section 25, Township 23 North, Range 10 West). Oil stained cores were taken from the Gallup, but the intervals were not drill stem tested. As a matter of fact, no drill stem tests were reported for the well.

(3) The Point Lookout has recently yielded oil on a drill stem test in the Shell No. 1 Carson (Section 24, Township 25 North, Range 12 West).

#### PROJECTED DEPTHS

A projected depth of 5,200 feet will test the Cretaceous Dakota throughout the proposed unit outline. The following is a list of projected tops that could be expected:

CRETACEOUS	Pictured Cliffs	600 feet
	Cliff House	1,350
	Menefee	1,450
	Point Lookout	3,000
	Mancos	3,150
	Hospah	4,000
	Gallup	4,100
	Lower Mancos	4,350
	Greenhorn	4,900
	Graneros	4,950
	Dakota	4,980
JURASSIC	Morrison	5,100

#### PROPOSED DEVELOPMENT

If the Kinebeto Unit is approved, and unitization progresses to completion, the Humble Oil and Refining Company will drill four (4) wells to 5,200 feet or to the base of the Cretaceous Dakota, whichever is the shallower and thoroughly test all oil and gas shows encountered.


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All locations will be made subject to the approval of the State and United States Geological Survey.

If production is established, Humble will develop and produce the field in an orderly manner consistent with modern and scientific drilling and production techniques.

In the event of four initial dry holes, Humble will continue with additional exploration work, using information derived from the tests. This work will consist of further geological studies and/or geophysical surveying, and if the results of these studies indicate it is justified, an additional exploratory well or wells will be drilled.

Respectfully submitted,

  
B. A. Belknap

BAB:jj

August, 1956

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 3/17/57

CASE 1212

Hearing Date 10 AM @ Hotel 3/27/57 before WWS

My recommendations for an order in the above numbered cases are as follows:

OK to approve unit

includes Federal, Indian, Fee and  
State Lands.

Wm. W. S. S. S.  
Staff Member  
EXaminer

*Wm 3/6/57*  
*DS*

J. M. HERVEY 1974-1982  
HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE W. HUNKER, JR.  
HOWARD C. BRATTON  
S. B. CHRISTY IV  
J. PENROD TOLES  
LEWIS C. COX, JR.  
PAUL W. EATON, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
FIRST NATIONAL BANK BUILDING  
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510

March 5, 1957

Mr. Warren Mankin  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: Kinebeto Unit Agreement, Case #1212  
Tanner Unit Agreement, Case #1213

Dear Mr. Mankin:

I enclose two copies of letter which I have just received from the Commissioner of Public Lands under date of March 4 approving both the Tanner and Kinebeto Unit Agreements as to form. These are the forms which were substituted at the hearing in Hobbs on February 27 for the forms which were originally filed.

I thought perhaps you would like to have a copy of the letter for the files in these cases.

Yours sincerely,

HERVEY, DOW & HINKLE

BY: Clarence E. Hinkle

CEH:jjy  
Encl.

State of New Mexico  
OFFICE OF THE  
Commissioner of Public Lands



Santa Fe

RECEIVED  
HERVEY DOW & HINKLE  
March 4, 1957 NEW MEXICO

MURRAY E. MORGAN  
Commissioner  
In reply refer to:  
Unit Division

Hervay, Dow and Hinkle  
First National Bank Building  
Roswell, New Mexico

Re: Tanner and Kinabete  
Unit Agreements

Attention: Mr. Clarence E. Hinkle

Gentlemen:

This is to advise you that the above designated  
Unit Agreements as revised have been approved by  
our attorney as to form and context as of February 27,  
1957.

We wish to thank you for your consideration in  
this matter.

Very truly yours,

MURRAY E. MORGAN  
Commissioner of Public Lands

By: Ted Bilberry, Supervisor  
Oil and Gas Department

MEM:MMR/m

cc: OGC-Santa Fe  
USGS-Roswell

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 1212  
Order No. R-964

THE APPLICATION OF HUMBLE OIL  
AND REFINING COMPANY FOR THE  
APPROVAL OF ITS KINEBETO UNIT  
AGREEMENT EMBRACING 48,063 ACRES,  
MORE OR LESS, LOCATED IN TOWNSHIPS  
22 AND 23 NORTH, RANGE 10 WEST,  
NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock a.m. on February 27, 1957, at Hobbs, New Mexico, before Warren W. Mankin, 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 29<sup>th</sup> day of March, 1957, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Warren W. Mankin, and being fully advised in the premises,

FINDS:

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

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

IT IS THEREFORE ORDERED:

1. That this order shall be known as the

KINEBETO UNIT AGREEMENT ORDER

2. (a) That the project herein referred to shall be known as the Kinebeto Unit Agreement and shall hereinafter be referred to as the "Project."

(b) That the Plan by which the project shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Kinebeto Unit Area, referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the Kinebeto Unit Agreement Plan.

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

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

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 22 NORTH, RANGE 10 WEST, NMPM

Section 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)  
Section 2: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)  
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, S/2 (All)  
Section 5: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)  
Section 6: Lots 1, 2, 3, 4, 5, 6, 7, S/2 NE/4,  
SE/4 NW/4, E/2 SW/4, SE/4 (All)  
Section 7: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)  
Sections 8 thru 17: (All)  
Section 18: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)  
Section 19: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)  
Sections 20 thru 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)  
Sections 32 thru 36: All

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Section 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)  
Section 2: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)  
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, S/2 (All)  
Section 5: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)  
Section 6: Lots 1, 2, 3, 4, 5, 6, 7, S/2 NE/4,  
SE/4 NW/4, E/2 SW/4, SE/4 (All)  
Section 7: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)  
Sections 8 thru 17: All  
Section 18: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)  
Section 19: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)  
Sections 20 thru 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)  
Sections 32 thru 36: All

containing 48,068 acres, more or less.

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

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the Kinebeto Unit

Agreement within 30 days after the effective date thereof.

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


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

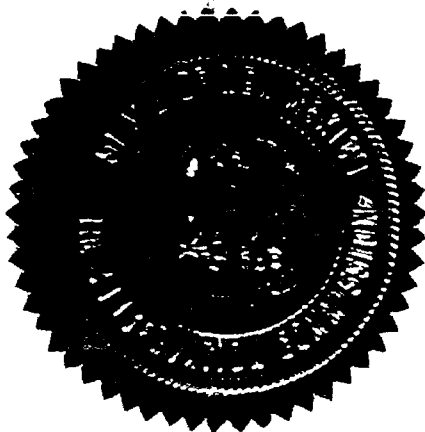
DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
EDWIN L. MECHAM, Chairman

  
MURRAY E. MORGAN, Member

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





BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

Case # 111

APPLICATION FOR APPROVAL OF KINEBETO  
UNIT AGREEMENT, SAN JUAN COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Comes the undersigned, Humble Oil & Refining Company,  
a corporation, with offices at Houston, Texas, and files herewith  
three copies of the proposed unit agreement for the development and  
operation of the Kinebeto Unit Area, San Juan County, New Mexico,  
and hereby makes application for the approval of said unit agreement  
as provided by law, and in support thereof, shows:

1. That the proposed unit area covered by said agreement  
embraces 46,062.94 acres, more or less, more particularly described  
as follows:

NEW MEXICO PRINCIPAL MERIDIAN

T. 22 N., R. 10 W., N.M.P.M.

Sec. 1: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 2: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 3: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 4: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 5: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 6: Lots 1,2,3,4,5,6,7, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ ,  
E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$  (All)  
Sec. 7: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 8 thru 17: All  
Sec. 18: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Sec. 19: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 20 thru 29: All  
Sec. 30: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Sec. 31: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 32 thru 36: All

T. 22 N., R. 11 W., N.M.P.M.

Sec. 1: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 2: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 3: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 4: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 5: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 6: Lots 1,2,3,4,5,6,7, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ ,  
E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$  (All)  
Sec. 7: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 8 thru 17: All

T. 23 N., R. 10 W., N.M.P.M. (Cont.)

Sec. 18: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Sec. 19: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 20 thru 29: All  
Sec. 30: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Sec. 31: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 32 thru 36: All

2. That of the lands embraced within the proposed unit area, 31,029.07 acres or 67.3623% are federal lands, 8,638.83 acres or 18.7545% are Indian allotted lands, 3,337.92 acres or 8.3319% are lands of the State of New Mexico, and 2,557.12 acres or 5.5513% are fee or privately owned lands. That said area has heretofore, on October 11, 1956, been designated by the Acting Director of the United States Geological Survey as an area suitable and proper for unitization, a copy of said designation being attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A".

3. That applicant is informed and believes, and upon such information and belief, states: That the proposed unit area covers a substantial part of the geological feature involved, and in the event of the discovery of oil or gas thereon, that said unit agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That Humble Oil & Refining Company is designated as the unit operator in said unit agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas, subject to all applicable laws and regulations. That said unit agreement provides for the drilling of core (1) test wells to depths sufficient to test the Dakota formation, the first of which is to be commenced within six (6) months after the effective date of the unit, and the other wells are to be drilled within a period of not more than sixty (60) days between the time of completion of one well and the completion of the next, and that the unit operator is not required to drill any of said wells to a depth greater than 10,000 feet.

5. That said unit agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the New Mexico Oil Conservation Commission, and it is believed that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said agreement, to the end that the maximum recovery will be obtained, and that said unit agreement is in the interest of the conservation of oil and gas and the prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes.

6. That application is being made for the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico.

7. That upon an order being entered by the New Mexico Oil Conservation Commission approving said unit agreement and after approval thereof by the Commissioner of Public Lands of the State of New Mexico and the Director of the United States Geological Survey, an approved copy thereof will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held to take up for approval of said unit agreement and that upon said hearing, said unit agreement be approved by the New Mexico Oil Conservation Commission in the interest of conservation and prevention of waste.

WITNESSED this 4<sup>th</sup> day of February, 1934.

Attest my hand and seal.

Commissioner of Public Lands.

*R. M. Rabadan*

~~377~~  
1213

March 4, 1957

In reply refer to:  
Unit Division

Hervey, Dow and Hinkle  
First National Bank Building  
Roswell, New Mexico

Re: Tanner and Kinsbeto  
Unit Agreements

Attention: Mr. Clarence E. Hinkle

Gentlemen:

This is to advise you that the above designated Unit Agreements as revised have been approved by our attorney as to form and context as of February 27, 1957.

We wish to thank you for your consideration in this matter.

Very truly yours,

CURRAY C. MORGAN  
Commissioner of Public Lands

cc: Ted Dilberry, Supervisor  
Oil and Gas Department

LD:RFR/h

cc: OCC-Santa Fe  
USPS-Roswell

RECEIVED 600  
OCT 15 11 27 16

In reply refer to  
Scrip. Division

October 14, 1934

C  
O  
P  
Y

Humble Oil and Refining Company  
P. O. Box 1287  
Roswell, New Mexico

Re: Winemate No. 2  
San Juan County,  
New Mexico

Certification:

We have reports showing that well No. 2, Winemate, was  
plugged and abandoned September 23, 1934.

This well was drilled by J. L. Lame, Jr. an estimated  
agent for Humble Oil and Refining Company, for the 2, 3 and 4  
acres. The well was drilled to a depth of 1,000 feet.

The well was plugged and abandoned by the same party.

DOCKET EXAMINER HEARING FEBRUARY 27, 1957

New Mexico Oil Conservation Commission 10:00 a.m. Hobbs, New Mexico  
Oil Conservation Commission Office 1000 W. Broadway, Hobbs, New Mexico.

The following cases will be heard before Warren W. Mankin, Examiner.

- CASE 1212: Application of Humble Oil & Refining Company for approval of its proposed Kinebeto Unit Agreement located in San Juan County, New Mexico, in accordance with Rule 507 of the New Mexico Oil Conservation Commission Statewide Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting approval of its proposed Kinebeto Unit Agreement embracing 46,062.94 acres, more or less, of federal, Indian, state and fee lands situated in Townships 22 and 23 North, Range 10 West, San Juan County, New Mexico.
- CASE 1213: Application of Humble Oil & Refining Company for approval of its proposed Tanner Unit Agreement located in San Juan County, New Mexico, in accordance with Rule 507 of the New Mexico Oil Conservation Commission Statewide Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting approval of its proposed Tanner Unit Agreement embracing 35,751.16 acres, more or less, of federal, Indian and state lands located in Townships 23 and 24 North, Range 12 West, San Juan County, New Mexico.
- CASE 1214: Application of Great Western Drilling Company for a non-standard drilling and production unit in the South Carter-San Andres Oil Pool, Lea County, New Mexico, in exception to Rule 104 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order creating a 40 acre non-standard drilling and production unit in the South Carter-San Andres Oil Pool consisting of Lot 1 and the East 13.66 acres of the NE/4 NW/4 of Section 8, Township 18 South, Range 39 East, Lea County, New Mexico.
- CASE 1215: Application of Wilson Oil Company for an exception from the casing requirements in the Potash-Oil Area as established by Order R-111-A. Applicant, in the above-styled cause, seeks an order authorizing the following casing program, in lieu of the shallow zone casing requirements established by Order R-111-A, for its proposed well in the NE/4 NW/4 of Section 21, Township 20 South, Range 34 East, Lea County, New Mexico: 13-5/8 inch casing in top of the red bed to approximately 70 feet; 10-3/4 inch casing as cave string to about 700 feet; 8-5/8 inch casing, this being the water shut off string to about 1300 feet, but in any event below the water; 7 or 5 1/2 inch string to be set and cemented at a point selected by the operator above pay zone. The well location is on federal acreage and is to be drilled with cable tools and the first productive horizon is expected at 3605 feet.

-2-

Docket No. 7-57

CASE 1216:

Application of Continental Oil Company for a 320-acre non-standard gas proration unit in the Jalmat Gas Pool in exception to Rule 5 (a) of the Special Rules and Regulations for said pool. Applicant, in the above-styled cause, seeks an order approving a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 of Section 17, Township 24 South, Range 37 East, Lea County, New Mexico. Said unit to be dedicated to applicant's Jack "B-17" Well No. 3 located 990 feet from the North and East lines of said Section 17.

HERVEY, DOW & HINKLE  
ATTORNEYS AT LAW  
CLARENCE E. HERVEY  
WILLIAM DOW  
GEORGE H. HINKLE, JR.  
HOWARD L. BRANTON  
J. R. HINKLE, IV  
CLARENCE E. HERVEY  
LEWIS C. HINKLE  
PAUL W. HINKLE, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
FIRST NATIONAL BANK BUILDING  
ROSWELL, NEW MEXICO

February 4, 1937

TELEPHONE MAIN 2-5013

*Copy # 1212*

New Mexico Oil Conservation Commission  
Santa Fe  
New Mexico

Re: Application for Approval of Kinebeto Unit  
Agreement, San Juan County, New Mexico

Gentlemen:

We enclose herewith in triplicate Application of the Humble Oil & Refining Company for approval of the proposed Kinebeto Unit Agreement embracing lands in San Juan County, New Mexico. You will also find enclosed three copies of the proposed Unit Agreement.

The area described in the application has been designated by the U.S.G.S. as an area suitable and proper for unitization and the agreement has been approved as to form by the U.S.G.S. We are making application to the Commissioner of Public Lands for approval as to form and for approval of the unit after it has been approved by the Conservation Commission.

We would like to have this matter set down for hearing as soon as practicable and have no objections to having it set before an examiner at Hobbs. Please send us a copy of the notice as soon as prepared and ready for publication.

Yours very truly,

HERVEY, DOW & HINKLE

*Clarence E. Hervey*

CEH:j

cc: Mr. R. E. McCallister  
Comptroller of Public Lands  
U.S. G.S.  
Albuquerque, New Mexico  
cc: Mr. E. L. McCallister  
Comptroller of Public Lands  
U.S. G.S.  
Albuquerque, New Mexico





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
WASHINGTON 25, D. C.

OCT 11 1956

Humble Oil and Refining Co.  
P. O. Box 1287  
Roswell, New Mexico

Gentlemen:

Reference is made to your application filed on August 17, 1956, with the Oil and Gas Supervisor, Roswell, New Mexico, requesting the designation of 65,062.84 acres in San Juan County, New Mexico, as an area logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to the regulations of December 22, 1950, 30 CFR 226.3, the following land is designated as a logical unit area to be known as the Kinabete unit area:

SAN JUAN COUNTY, NEW MEXICO

<u>T. 22 N., E. 10 W., N.M.P.M.</u>	<u>Acres</u>
Sec. 1, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	639.36
Sec. 2, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	639.56
Sec. 3, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	640.72
Sec. 4, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	640.84
Sec. 5, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	641.00
Sec. 6, lots 1,2,3,4,5,6,7, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ (all)	638.64
Sec. 7, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	638.60
Secs. 8 thru 17, all	6,400.00
Sec. 18, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	638.96
Sec. 19, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	637.72
Secs. 20 thru 29, all	6,400.00
Sec. 30, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	637.24
Sec. 31, lots 1,2,3,4, S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ (all)	637.12
Secs. 32 thru 36, all	3,200.00

EXHIBIT "A"

<u>Section, Lots, S.E. 1/4, S.W. 1/4, E.F.M.</u>	<u>Acres</u>
Sec. 1, lots 1,2,3,4, S <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , S <sup>1</sup> / <sub>4</sub> (all)	638.40
Sec. 2, lots 1,2,3,4, S <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , S <sup>1</sup> / <sub>4</sub> (all)	637.92
Sec. 3, lots 1,2,3,4, S <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , S <sup>1</sup> / <sub>4</sub> (all)	639.60
Sec. 4, lots 1,2,3,4, S <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , S <sup>1</sup> / <sub>4</sub> (all)	640.36
Sec. 5, lots 1,2,3,4, S <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , S <sup>1</sup> / <sub>4</sub> (all)	639.76
Sec. 6, lots 1,2,3,4,5,6,7, S <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , S <sup>1</sup> / <sub>4</sub> (all)	636.72
Sec. 7, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	638.40
Sec. 8, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	640.00
Sec. 9, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	640.08
Sec. 10, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	640.08
Sec. 11, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	640.00
Sec. 12, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	640.72
Sec. 13, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	640.06
Sec. 14, lots 1,2,3,4, E <sup>1</sup> / <sub>4</sub> N <sup>1</sup> / <sub>4</sub> , E <sup>1</sup> / <sub>4</sub> (all)	640.00
Total	15,062.94

The proposed test program of drilling four wells within the unit area to depths sufficient to test the Dakota formation is acceptable.

Inasmuch as Indian lands are involved, the proposed form of agreement must be submitted for preliminary approval. The form should contain modifications heretofore approved as applicable to allotted Indian lands. Please mark all changes from the standard form on your proposed form and submit six copies of such form to the Oil and Gas Supervisor, Roswell, New Mexico, for preliminary approval by the Director after endorsement by the Indian office. Include exhibits A and B.

Very truly yours,

*A. H. Jordan*

Director

15-00000000

10 JUN 1959 PM 1:10

June 11, 1959

In re: Termination of Kinebeto Unit  
San Juan County, New Mexico

Commissioner of Public Lands  
P. O. Box 791  
Santa Fe, New Mexico

Attention: Unit Division

Dear Mrs. Rhea:

We are enclosing herewith two fully executed copies of the Application for Termination of the Kinebeto Unit. The Unit was terminated by Arthur A. Baker, Acting Director, on May 26, 1959, effective May 1, 1959.

By copy of this letter, we are also notifying the Oil Conservation Commission that the Unit has been officially terminated.

Yours very truly,

R. M. Richardson

RMR:ch

Encls.

cc: New Mexico Oil Conservation Commission  
Santa Fe, New Mexico  
Attention: Mr. Pete Porter

In reply refer to:  
Unit Division

April 17, 1959

C  
O  
P  
Y  
  
Humble Oil and Refining Company  
P. O. Box 1287  
Roswell, New Mexico

ATTENTION: Mr. Gene T. Oliver

Re: Termination of Kinebeto Unit  
San Juan County, New Mexico

Gentlemen:

We are enclosing herewith nine approved copies of Termination of Kinebeto Unit Agreement, San Juan County, New Mexico, which were approved by the Commissioner of Public Lands April 17, 1959.

This approval is effective as of the date of approval by the United States Geological Survey, therefore, we require a fully executed copy when full approval is obtained.

Very truly yours,  
MURRAY E. MORGAN  
Commissioner of Public Lands

BY:  
Ted Bilberry, Supervisor  
Oil and Gas Division'

MEM/MMK/m  
cc:

Three States Natural Gas Co.  
Honolulu Oil Corporation  
Petro-Atlas Corporation  
Great Western Drilling Co.  
Oil Conservation Commission

Texas Calgary Co.  
Ralph G. Lowe  
Sinclair O. & G. Co.

OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

April 1, 1957

Mr. Clarence Hinkle  
Hervey, Dow & Hinkle  
P.O. Box 547  
Roswell, New Mexico

Dear Sir:

On behalf of your client, Humble Oil & Refining Company, we enclose two copies of Order R-964 and R-965 issued March 29, 1957, by the Oil Conservation Commission in Cases 1212 and 1213, respectively, which were heard on February 27th at Hobbs.

Very truly yours,

A. L. Porter, Jr.  
Secretary - Director

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Encls.

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UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE KINEBETO UNIT AREA  
COUNTY OF SAN JUAN, STATE OF NEW MEXICO  
NO. \_\_\_\_\_

OIL COMMISSION  
STATE OF NEW MEXICO  
CASE 1212 14

THIS AGREEMENT, made and entered into as of the 1<sup>st</sup> day of  
MARCH, 1957, 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. Sections 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 de-  
termined and certified by the Secretary of the Interior to be necessary or  
advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Chapter 88 Laws of 1943) to consent  
to and approve the development or operation of lands of the State of New Mexico  
under this Agreement; and

WHEREAS, the rules and regulations governing the leasing of restricted  
allotted and tribal Indian lands for oil and gas except allotments made to the  
members of the five civilized tribes and Osage Indians in Oklahoma, promulgated by  
the Secretary of the Interior (25 C.F.R. 189.24 (c) ) under and pursuant to the  
Act of March 3, 1907, 34 Stat. 783, 25 U.S.C. Section 396 and the Tribal Land  
Leasing Act of May 11, 1938, 52 Stat. 347, 25 U.S.C. Section 276a et seq.,  
and the rules and regulations governing said allotted and tribal Indian lands provide  
for the unit plan of development or a cooperative or unit plan of development or  
operation;

WHEREAS, the Oil Conservation Commission of the State of New Mexico is  
authorized by an Act of the Legislature (Chapter 72 Laws of 1935, as amended by  
Chapter 157, Laws of 1947, Chapter 166, Laws of 1941, and Chapter 166, Laws of  
1941) to approve the agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interest in the Kinebeto Unit Area covering the land hereinafter described to give reasonably effective control of operations thereon; and

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

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

1. ENABLING ACT AND REGULATIONS: The Mineral Leasing Act of February 25, 1920 as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to federal lands, provided such regulations are not inconsistent with the terms of this Agreement; as to Indian Lands, the Acts of March 3, 1909, and May 11, 1938, supra, and all valid pertinent regulations including operating and unit plan regulations heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement, provided such regulations are not inconsistent with the terms of this Agreement; and as to State of New Mexico lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations not inconsistent with the terms hereof or the laws of New Mexico are hereby accepted and made a part of this Agreement.

2. UNIT AREA: The following described land is hereby designated and recognized as constituting the Unit Area:

*Kinebeto*  
*Description:*

New Mexico Principal Meridian

T. 22 N., R. 10 W., N.M.P.M.

Sec. 1: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 2: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 3: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 4: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 5: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 6: Lots 1,2,3,4,5,6,7, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ N $\frac{1}{2}$ ,  
E $\frac{1}{2}$ S $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 7: Lots 1,2,3,4, E $\frac{1}{2}$ N $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 8 thru 17: All  
Sec. 18: Lots 1,2,3,4, E $\frac{1}{2}$ N $\frac{1}{2}$ , E $\frac{1}{2}$  (All)

T. 22 N., R. 10 W., N.M.P.M. (Con't)

Sec. 19: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 20 thru 29: All  
Sec. 30: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Sec. 31: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 32 thru 36: All

T. 23 N., R. 10 W., N.M.P.M.

Sec. 1: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 2: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 3: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 4: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 5: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$  (All)  
Sec. 6: Lots 1,2,3,4,5,6,7, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ ,  
E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$  (All)  
Sec. 7: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 8 thru 17: All  
Sec. 18: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Sec. 19: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 20 thru 29: All  
Sec. 30: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Sec. 31: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$  (All)  
Secs. 32 thru 36: All

containing 46,062.94 acres, more or less.

Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "State Commissioner", and not less than seven (7) copies of the revised exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the State Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission". The Commissioner of Indian Affairs shall hereafter be referred to as the "Indian Commissioner".

The above described unit area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement, or shall be contracted to exclude lands



not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the provisions of this Agreement. Such expansion or contraction shall be effected the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the State Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the State Commissioner and the State Commission, and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

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

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

(e) All legal subdivisions of unitized lands (i.e. 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this sub-section), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this Unit Agreement, shall be eliminated automatically from this Agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this Agreement, unless at the expiration of said five-year period

diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than ninety (90) days time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than thirty (30) days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this Agreement within seven (7) years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Commissioner and the Director. The Unit Operator shall, within ninety (90) days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Commissioner and the Director and promptly notify all parties in interest.

If conditions warrant extension of the seven (7) year period specified in this subsection 2(e), a single extension of not to exceed two (2) years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-acreage basis, respectively, with approval of the Commissioner and the Director, provided such extension application is submitted to the Commissioner and the Director not later than sixty (60) days prior to the expiration of said seven (7) year period.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES: All land committed to this Agreement shall constitute land referred to herein as "unitized land" or "land subject to this Agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this Agreement and herein are called "unitized substances".

4. UNIT OPERATOR: Humble Oil & Refining Company, a Texas corporation with offices at Houston, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this Agreement all interests in unitized substances vested in it as set forth in Exhibit "B" attached hereto and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

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

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

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

At any time a participating area established hereunder is in existence, the unit operator shall have the right to resign in like manner and subject to like

limitations as above provided, and removal because of default or failure may occur, but, at any time for any reason whatsoever there is no Unit Operator and until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners jointly shall be responsible for performance of the duties of Unit Operator, and shall, not later than thirty days before the resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

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

6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided, that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote are owned by one party to this Agreement, a concurring vote of sufficient additional working interest owners shall be required so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests in order to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State Commissioner at their election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid in the first instance by Unit Operator and such costs and expenses so paid by Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements, entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the unit operating agreement, this Unit Agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor prior to approval of this Agreement.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

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 six (6) months after the effective date hereof, Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on federal or Indian land, by the State Commissioner if on state land, or by the State Commission if on privately-owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and shall continue such drilling diligently until the Dakota formation has been tested, and shall thereafter continue the drilling of one well at a time until at least three additional wells have been drilled on the unit area to a depth sufficient to test the Dakota formation, with the elapse of not more than sixty (60) days between the time of the completion of one well and the commencement of the next, unless the Unit Operator shall have established to the satisfaction of the Supervisor, if on federal or Indian land, the State Commissioner if on state land, or the State Commission if on privately-owned land, that the further drilling of any well or wells would be unwarranted or impracticable; provided, however, if Unit Operator shall not in any event be required to drill any of said wells to a depth in excess of 5,500 feet.

After the completion of the four wells specified in the foregoing paragraph and 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, not allowing more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Supervisor if on federal or Indian land, the State Commissioner if on state land, or the State Commission if on privately-owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or to continue any drilling during

the period pending such resignation becoming effective in order to comply with the requirements of this section. After the completion of the four (4) wells referred to in the first paragraph of this section, the Director and State Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within six (6) months after the completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the State Commissioner and the State Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the State Commissioner and the State Commission shall constitute the further drilling and operating obligations of the Unit Operator under this Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the State Commissioner and the State Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plans submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the State Commissioner and the State Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the State Commissioner and the State Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this Agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development.

The Supervisor and State Commissioner are authorized to grant a reasonable extension of the six (6) months period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing oil or gas in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this Agreement, or such undrilled initial test wells specified in Section 9 above, or such as may be specifically approved by the Supervisor and the State Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall, within the month of completion, if practicable, or as soon thereafter as required by the Supervisor or the State Commissioner, submit for approval by the State Commissioner, the State Commission and the Director, a schedule based on subdivision of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule, on approval of the State Commissioner, the State Commission and the Director, to constitute a participating area, effective as of the date of completion of such well, or the effective date of this Unit Agreement, whichever is later. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided, to each unitized tract in the participating area so established, and said schedule shall govern the allocation from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances, or for any group thereof produced as a single zone or pool, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interest of the lands so to be combined and the approval of the State Commissioner, the State Commission and the Director. The participating area or areas so established and approved shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities, and the percentage of allocation shall also be revised



accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

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

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on federal and Indian land and of the State Commissioner as to wells drilled on state land, and the State Commission as to wells on privately-owned land, that a well drilled under this Agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among royalty interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS AND DRILLING OF WELLS NOT MUTUALLY AGREED UPON: Any party or parties hereto owning or controlling the working interests or a majority of the working interests in any unitized land having thereon a regular well location may, with the approval of the Supervisor as to federal or Indian land, and the State Commission as to state land and privately-owned land, and subject to the provisions of the unit operating agreement, at such party's sole risk, cost, and expense drill a well to test any formation for which a participating area has not been established or to test any

formation for which a participating area has been established if such location is not within said participating area, or drill any well not mutually agreed to by all interested parties, unless within ninety (90) days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this Agreement.

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

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

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

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

Royalty due the United States and the Indians shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized federal or Indian land as provided herein at the rates specified in the respective federal or Indian leases, or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

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

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

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

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

17. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this Agreement, including wells on adjacent unit areas, or with the consent of the Director or the State Commissioner, respectively, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for federal or Indian lands or as approved by the State Commissioner for state lands.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas of lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect. The parties hereto hereby consent that the Secretary as to Federal and Indian lands and the State Commissioner as to state leases shall and each by his signature hereof, or by the approval hereof by his duly authorized representative, do hereby affirm, alter, change, or revoke the drilling, producing, rental, royalty payments, and royalty requirements of federal, Indian and state leases committed hereto and the provisions in respect thereto to conform said requirements to this Agreement, and, without limiting the

generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

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

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States and the Indians, committed to this Agreement, which, by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this Agreement; provided, however, each such lease, sublease or contract, where not already extended by production, shall only be extended in the event unitized substances are capable of being produced from some part of the lands embraced in such lease committed to this agreement, or some part of said lands are committed to a participating area prior to the expiration of the primary term of such lease, sublease or contract. Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or applicable law, shall continue in full force and effect thereafter.

(e) Any federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this Agreement

shall continue in force beyond the term provided therein until the termination hereof. Any other federal or Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains subject hereto, provided that production is had in paying quantities under this Agreement prior to the expiration date of the term of such lease.

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

(g) The segregation of any federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Act, as amended by the Act of July 29, 1954, (68 Stat. 583, 585): "Any (federal) lease hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

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

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

20. EFFECTIVE DATE AND TERM: This Agreement shall become effective upon approval by the State Commissioner, the Indian Commissioner, and the Director, or their duly authorized representatives, as of the date of approval by the Director, and shall terminate five years after such date, unless (a) such date of expiration is extended by the Director and State Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extensions thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the Agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the Agreement is terminated with the approval of the Director and State Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the Agreement shall remain



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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any federal or state statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the State Commission to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the State Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this Agreement as to the quantity and rate of production in the absence of specific written approval thereof by the State Commission.

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

22. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture,

termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this contract are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

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

25. NO WAIVER OF CERTAIN RIGHTS: Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of

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

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

27. FAIR EMPLOYMENT: In connection with the performance of work under this Agreement, the Unit Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Unit Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The Unit Operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

28. LOSS OF TITLE: In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this Unit Agreement, so that such tract is not committed to this Unit Agreement, or the operation thereof hereunder becomes impractical as a result thereof, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to

federal, Indian and state land or leases, no payments of funds due the United States, Indians or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State shall be deposited as directed by the State Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this Agreement, the owner of the working interest in that tract may withdraw said tract from this Agreement by written notice to the Director, the State Commissioner and the Unit Operator prior to the approval of this Agreement by the Director. Any such tract not so withdrawn shall be considered as unitized, and any necessary adjustments of royalty occasioned by failure of the royalty and record owner to join will be for the account of the corresponding working interest owner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this Agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this Agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Prior to final approval hereof, joinder by any owner of a non-working interest must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the Unit Agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this Unit

Agreement. Except as may otherwise herein be provided, subsequent joinders to this Agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Commissioner and the State Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this Agreement unless objection to such joinder is duly made within sixty (60) days by the Director, State Commissioner or State Commission.

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and set opposite their respective names the date of execution.

HUMBLE OIL & REFINING COMPANY

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

UNIT OPERATOR AND WORKING INTEREST OWNER

Date \_\_\_\_\_

Address \_\_\_\_\_

Date \_\_\_\_\_

Address \_\_\_\_\_

Date \_\_\_\_\_

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Date \_\_\_\_\_

Address \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1957, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ Corporation, on behalf of said Corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1957, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ Corporation, on behalf of said Corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1957, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ Corporation, on behalf of said Corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1957, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ Corporation, on behalf of said Corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1957, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ Corporation, on behalf of said Corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

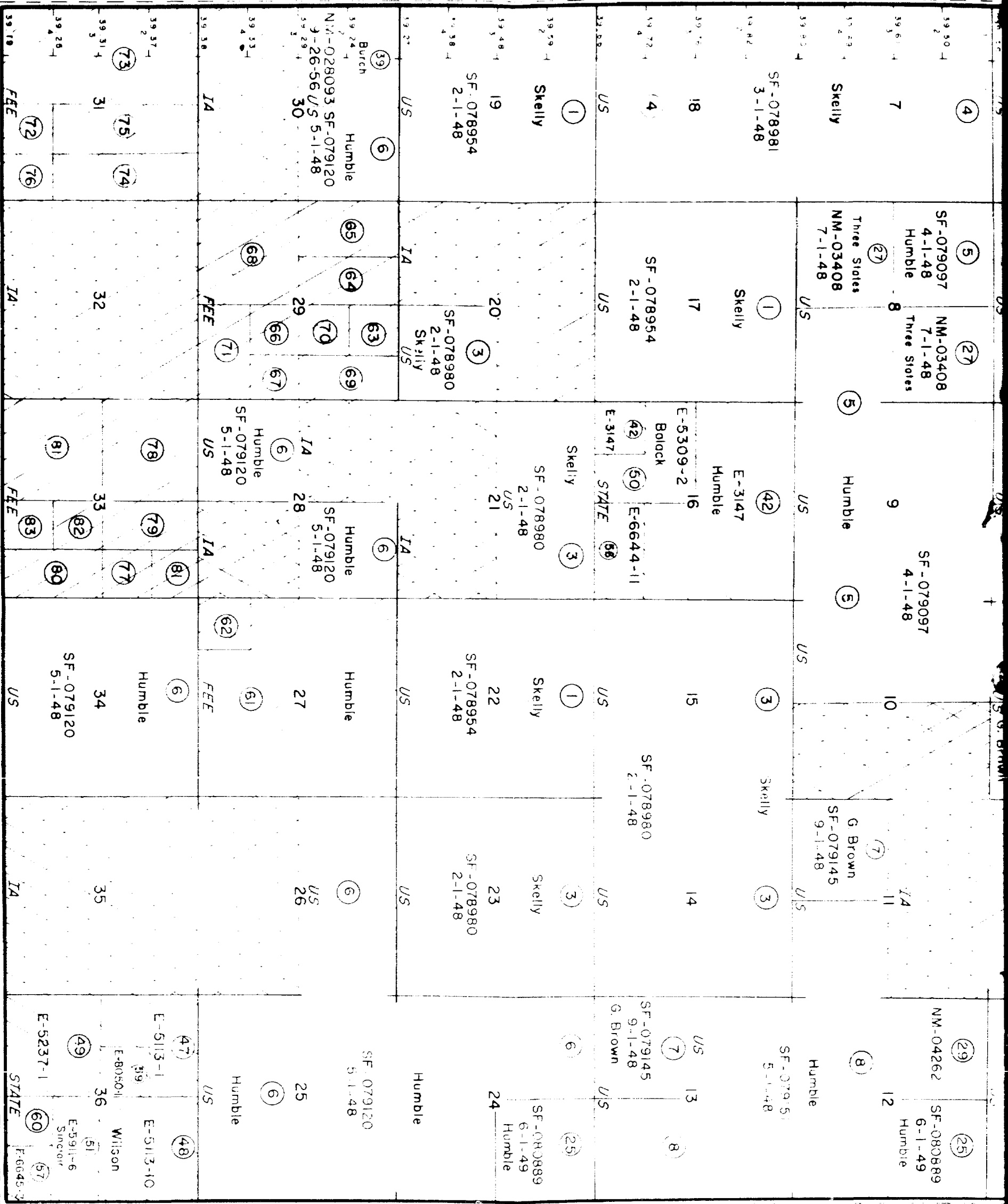
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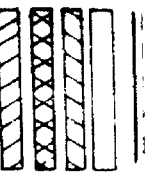




39 91	4	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
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LEGEND



Unit Outline Tract Number  
 Federal Land 31,029.07 Acres  
 State of New Mexico Land 3,837.92 Acres  
 Allotted Indian Land 8,638.93 Acres  
 Fee Land 2,537.12 Acres  
 Total 46,062.94 Acres

R IOW

KINEBETO UNIT AREA  
 San Juan County, New Mexico

EXHIBIT "A"

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP  
OF ALL LANDS WITHIN THE KINEBETO UNIT AREA, TOWNSHIPS 22  
AND 23 NORTH, RANGE 10 WEST, SAN JUAN COUNTY, NEW MEXICO

Tract Number	Description	No. of Acres	Ser. No. & Date of Lease or Application	Basic Royalty & Percentage	Lessors of Record	Overriding Royalty & Percentage	Working Interest & Percentage
1.	T-22-N, R-10-W Sec. 19: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ (All)	1917.72	SF-078954 2-1-48	USA 12 $\frac{1}{2}$ %	Skelly Oil Company	None	Skelly Oil Company
	Sec. 17: All Sec. 22: All						
2.	T-23-N, R-10-W Sec. 1: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ (All)	636.88	SF-078958 3-1-48	USA 12 $\frac{1}{2}$ %	F. D. Jernigan	Frank A. Melton R. S. McGruder	3 $\frac{1}{2}$ % 2 $\frac{1}{2}$ % Southern Union Gas Co. 1/2 to base Tracto, all below Al Green, all 1/4 to base Tracto
3.	T-22-N, R-10-W Sec. 14: All Sec. 15: All Sec. 20: SE $\frac{1}{4}$ Sec. 21: N $\frac{1}{2}$ Sec. 23: All	2400.00	SF-078980 2-1-48	USA 12 $\frac{1}{2}$ %	Skelly Oil Company	None	Skelly Oil Company
4.	T-22-N, R-10-W Sec. 7: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ (All) Sec. 18: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$ , E $\frac{1}{2}$ (All)	1277.56	SF-078981 3-1-48	USA 12 $\frac{1}{2}$ %	Roose P. Fullerton	None	Skelly Oil Company

EXHIBIT 10 (Continued)

5.	T-22-N, R-10-W Sec. 3: Lots 3,4, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 4: Lots 1,2, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ Sec. 5: NW $\frac{1}{4}$ , SE $\frac{1}{4}$ Sec. 9: All Sec. 10: W $\frac{1}{2}$	1920.91	SF-079097 4-1-48	USA 12 $\frac{1}{2}$ %	Louis M. Walker	Louis M. Walker and Geraldine D. Walker	Portio Oil & Refining Company
6.	T-22-N, R-10-W Sec. 24: NE $\frac{1}{4}$ , SE $\frac{1}{4}$ Sec. 25: All Sec. 26: NE $\frac{1}{4}$ Sec. 28: NE $\frac{1}{4}$ , SW $\frac{1}{4}$ Sec. 30: NE $\frac{1}{4}$ Sec. 34: All	2560.00	SF-079120 5-1-48	USA 12 $\frac{1}{2}$ %	Alton L. Fritts	Jessie Maude Keys	Humble Oil & Refining Company
7.	T-22-N, R-10-W Sec. 3: SE $\frac{1}{4}$ Sec. 5: S $\frac{1}{2}$ Sec. 11: SW $\frac{1}{4}$ Sec. 13: SW $\frac{1}{4}$	600.00	SF-079145 9-1-48	USA 12 $\frac{1}{2}$ %	Grace W. Brown (1/2) T. H. McElvain (2/5) Maybelle W. Waller (1/10)	None	Grace W. Brown 1/2 T. H. McElvain 2/5 Maybelle W. Waller 1/10
8.	T-22-N, R-10-W Sec. 3: Lots 1,2, S $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 11: SE $\frac{1}{4}$ Sec. 12: S $\frac{1}{2}$ Sec. 13: E $\frac{1}{2}$ , NW $\frac{1}{4}$	1120.26	SF-079151 5-1-48	USA 12 $\frac{1}{2}$ %	Alton L. Fritts	Baylis L. and Thelma Graham	Thelma Oil & Refining Company

PROPERTY - B (Continued)

<p>T-22-N, R-10-W            Sec. 4: Lots 3 and 4, S<math>\frac{1}{2}</math>NW<math>\frac{1}{4}</math>,            SW<math>\frac{1}{4}</math>            Sec. 5: Lots 1,2,3,4, S<math>\frac{1}{2}</math>NW<math>\frac{1}{4}</math>            Sec. 6: Lots 1,2,3,4,5,6,7,            E<math>\frac{1}{2}</math>SW<math>\frac{1}{4}</math>, SE<math>\frac{1}{4}</math>SW<math>\frac{1}{4}</math>, S<math>\frac{1}{2}</math>NE<math>\frac{1}{4}</math>,            SE<math>\frac{1}{4}</math></p>	1280.01	SF-079151-A 5-1-48	USA 12 $\frac{1}{2}$ %	Maurice McGuire	Baylis L. and Thelma Graham	1 $\frac{1}{2}$ %	Retro-Atlas Corporation
<p>10. T-23-N, R-10-W            Sec. 10: All            Sec. 11: All            Sec. 20: All            Sec. 29: All</p>	2560.00	SF-079159 4-1-48	USA 12 $\frac{1}{2}$ %	J. V. Fritts	Dudley Brand and Susie L. Brand	2%	Exceller Oil Company
<p>11. T-23-N, R-10-W            Sec. 5: Lots 1,2,3,4,            S<math>\frac{1}{2}</math>NW<math>\frac{1}{4}</math>, S<math>\frac{1}{2}</math> (All)            Sec. 33: All</p>	1279.76	SF-079176 7-1-48	USA 12 $\frac{1}{2}$ %	Great Western Drilling Company	None		Great Western Drilling Company
<p>12. T-23-N, R-10-W            Sec. 12: W<math>\frac{1}{2}</math>, E<math>\frac{1}{2}</math>SE<math>\frac{1}{4}</math></p>	400.00	SF-079507 9-1-48	USA 12 $\frac{1}{2}$ %	Elvan G. Woodward	None		Southern Union Gas Company 1/2 to base Tocco, all below Al Green, Dr., 1/2 to base Tocco
<p>13. T-23-N, R-10-W            Sec. 12: W<math>\frac{1}{2}</math>SE<math>\frac{1}{4}</math>            Sec. 13: N<math>\frac{1}{2}</math>NW<math>\frac{1}{4}</math></p>	240.00	SF-079507 9-1-48	USA 12 $\frac{1}{2}$ %	Elvan G. Woodward	Grace Kramer Ernest 2 $\frac{1}{2}$ %		Southern Union Gas Company

EXHIBIT "B" (Continued)

14.	<u>T-23-N, R-10-W</u> Sec. 13: $S\frac{1}{2}NW\frac{1}{4}$	160.00	SF-079507 9-1-48	USA 12 $\frac{1}{2}\%$	Elvan G. Woodward	Grace Kramer Ernest	5%	Southern Union Gas Company 1/2 to base Tociro, all below Al Greer, Jr., 1/2 to base Tociro
15.	<u>T-23-N, R-10-W</u> Sec. 13: $S\frac{1}{2}$ Sec. 31: Lots 1, 2, $E\frac{1}{2}NW\frac{1}{4}$ , NE $\frac{1}{4}$	640.50	SF-079608 9-1-48	USA 12 $\frac{1}{2}\%$	R. F. Townsend (Trustee)	R. F. Townsend (Trustee)	5%	Humble Oil & Refining Company
16.	<u>T-23-N, R-10-W</u> Sec. 28: $SW\frac{1}{4}$	160.00	SF-079628 8-1-48	USA 12 $\frac{1}{2}\%$	Kathryn B. Richardson	Ruby F. Wallace	5%	Humble Oil & Refining Company
17.	<u>T-23-N, R-10-W</u> Sec. 17: All	640.00	SF-079667 8-1-48	USA 12 $\frac{1}{2}\%$	Kathryn B. Richardson	San Juan Basin Pool	5%	Humble Oil & Refining Company
18.	<u>T-23-N, R-10-W</u> Sec. 8: $SE\frac{1}{4}$	160.00	SF-079667-A 8-1-48	USA 12 $\frac{1}{2}\%$	Kathryn B. Richardson	A. G. Mayer (Trustee) San Juan Basin Pool	5%	Humble Oil & Refining Company
19.	<u>T-23-N, R-10-W</u> Sec. 7: Lots 1, 2, $E\frac{1}{2}NW\frac{1}{4}$ , $E\frac{1}{4}$ Sec. 8: $N\frac{1}{2}$ , $SW\frac{1}{4}$ Sec. 14: All Sec. 30: Lots 1, 2, $E\frac{1}{2}NW\frac{1}{4}$ , NE $\frac{1}{4}$	1918.98	SF-079673 9-1-48	USA 12 $\frac{1}{2}\%$	Herman A. Bishop Joe J. Klabuzuba	Herman A. Bishop and Ogal Bishop, Joe J. Klabuzuba and Leontine Klabuzuba	5%	Humble Oil & Refining Company

EXHIBIT "B" (Continued)

20.	T-23-N, R-10-W Sec. 9: SE $\frac{1}{4}$ Sec. 16: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 19: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 21: SE $\frac{1}{4}$ Sec. 22: N $\frac{1}{2}$ Sec. 30: E $\frac{1}{2}$ SW $\frac{1}{4}$	1040.52	SF-079675 9-1-48	USA 12 $\frac{1}{2}$ %	W. T. Waggoner, Jr. A. B. Wharton, Jr. E. P. Waggoner	E. P. Waggoner and Helen Buck Waggoner A. B. Wharton, Jr. and Lula Judd Wharton W. T. Waggoner, Jr. and Mary Beth Waggoner	.875%	Humble Oil & Refining Company
21.	T-23-N, R-10-W Sec. 9: SW $\frac{1}{4}$ Sec. 30: Lots 3, 4, SE $\frac{1}{4}$	400.74	SF-079675-A 9-1-48	USA 12 $\frac{1}{2}$ %	Kathryn B. Richardson	F. W. Mayer and Flora E. Mayer	5'	Humble Oil & Refining Company
22.	T-23-N, R-10-W Sec. 15: E $\frac{1}{2}$ , SW $\frac{1}{4}$ Sec. 19: E $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ Sec. 21: N $\frac{1}{2}$ , SW $\frac{1}{4}$ Sec. 27: N $\frac{1}{2}$ Sec. 28: NE $\frac{1}{4}$	1680.00	SF-079676 9-1-48	USA 12 $\frac{1}{2}$ %	E. P. Waggoner A. B. Wharton, Jr. W. T. Waggoner, Jr.	E. P. Waggoner and Helen Buck Waggoner A. B. Wharton, Jr. and Lula Judd Wharton W. T. Waggoner, Jr. and Mary Beth Waggoner	.875%	Humble Oil & Refining Company
23.	T-23-N, R-10-W Sec. 19: Lots 3, 4, SE $\frac{1}{4}$	239.82	SF-079676-A 9-1-48	USA 12 $\frac{1}{2}$ %	Kathryn B. Richardson	F. W. Mayer and Flora E. Mayer	5'	Humble Oil & Refining Company
24.	T-22-N, R-10-W Sec. 1: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ (All)	639.36	SF-060028 3-1-48	USA 12 $\frac{1}{2}$ %	Estate of R. S. McGruder	Estate of R. S. McGruder	5'	Konsanto Chemicals Company



EXHIBIT "B" (Continued)

25.	T-22-N, R-10-W Sec. 12: NE $\frac{1}{4}$ Sec. 24: NE $\frac{1}{4}$	320.00	SF-080689 6-1-49	USA 12 $\frac{1}{2}$ %	Kathryn B. Richardson	Paul C. Farrant and Wells Driveway Service	Drilling Company
26.	T-23-N, R-10-W Sec. 12: NE $\frac{1}{4}$ Sec. 24: NE $\frac{1}{4}$	320.00	SF-080690 6-1-49	USA 12 $\frac{1}{2}$ %	Southern Union Gas Company	Paul C. Farrant and Wells Driveway Service	Drilling Company
27.	T-22-N, R-10-W Sec. 8: NE $\frac{1}{4}$ , SW $\frac{1}{4}$	320.00	NM-03408 2-1-46	USA 12 $\frac{1}{2}$ %	Madge Jones	A. V. Fetter and Dorothy Tripp Fetter Madge Jones	Drilling Company
28.	T-23-N, R-10-W Sec. 16: SE $\frac{1}{4}$ Sec. 7: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$	319.40	NM-03417 7-1-46	USA 12 $\frac{1}{2}$ %	Madge Jones	A. V. Fetter and Dorothy Tripp Fetter Madge Jones	Drilling Company
29.	T-22-N, R-10-W Sec. 12: NW $\frac{1}{4}$	160.00	NM-04262 Application 11-22-50	USA 12 $\frac{1}{2}$ %	J. V. Fritts (Lease not issued Indian Allotment pending)		
30.	T-23-N, R-10-W Sec. 34: All	640.00	NM-011497 11-1-53	USA 12 $\frac{1}{2}$ %	Great Western Drilling Company	Gladys V. Fetter, \$1000 per acre out of 5%	Great Western Drilling Company
31.	T-23-N, R-10-W Sec. 34: E $\frac{1}{2}$	320.00	NM-012675 11-1-53	USA 12 $\frac{1}{2}$ %	Great Western Drilling Company	Lucy M. English, \$1000 per acre out of 5%	Great Western Drilling Company

EXHIBIT "B" (Continued)

32.	<u>T-23-N, R-10-W</u> Sec. 28: NW $\frac{1}{4}$	160.00	NM-013484 1-1-54	USA 12 $\frac{1}{2}$ %	Honolulu Oil Corporation	Woodlan F. Saunders	3%	Honolulu Oil Corporation
33.	<u>T-23-N, R-10-W</u> Sec. 3: S $\frac{1}{2}$ Sec. 31: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$	639.56	NM-015013 8-1-54	USA 12 $\frac{1}{2}$ %	Honolulu Oil Corporation	Herschel L. Copelan	2 1/2%	Honolulu Oil Corporation
34.	<u>T-23-N, R-10-W</u> Sec. 22: S $\frac{1}{2}$	320.00	NM-015487 11-1-54	USA 12 $\frac{1}{2}$ %	Kathryn B. Richardson	H. O. Langston and Lucy E. Langston	5%	Humble Oil & Refining Company
35.	<u>T-23-N, R-10-W</u> Sec. 24: SW $\frac{1}{2}$	160.00	NM-015490 Application 7-2-54	USA 12 $\frac{1}{2}$ %	Vincent Cuccia (Lease not issued)			
36.	<u>T-23-N, R-10-W</u> Sec. 18: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$	319.82	NM-015490-A Application	USA 12 $\frac{1}{2}$ %	Honolulu Oil Corporation (Lease Not Issued)			
37.	<u>T-23-N, R-10-W</u> Sec. 6: Lots 1, 2, 3, 4, 5, 6, 7, SE $\frac{1}{4}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$	636.72	NM-018396	USA	Honolulu Oil Corporation	Lamar Lunt	5%	Honolulu Oil Corporation

EXHIBIT "B" (Continued)

38.	<u>T-23-N, R-10-W</u> Sec. 24: SE $\frac{1}{4}$	160.00	NM-018737 8-1-55	USA 12 $\frac{1}{2}$ %	Great Western Drilling Company	Lamar Lunt	5%	Great Western Drilling Company
39.	<u>T-22-N, R-10-W</u> Sec. 30: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$	158.53	NM-028093 1-1-57	USA 12 $\frac{1}{2}$ %	J. A. Burch	J. L. Burch	5%	Tidewater Oil Company

39 Federal Tracts Containing 31,029.07 Acres, or 67,3623 of Total Area

\* Some Federal Leases are held under Option Agreement.

INDIAN ALLOTTED LAND

DESCRIPTION

NO. OF ACRES

THE FOLLOWING LANDS ARE NOT UNDER OIL AND GAS LEASES AND OWNERSHIP CANNOT BE DETERMINED AT THIS TIME. TRACT NUMBERS HAVE NOT BEEN ASSIGNED. SECTIONS HAVE NOT BEEN DIVIDED INTO ALLOTMENTS.

T-23-N, R-10-W

Sec. 3: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$ (N $\frac{1}{2}$ )	319.60
Sec. 4: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ (All)	640.96
Sec. 9: N $\frac{1}{2}$	320.00
Sec. 15: NW $\frac{1}{4}$	160.00
Sec. 23: All	640.00
Sec. 24: NW $\frac{1}{4}$	160.00
Sec. 25: W $\frac{1}{2}$	320.00
Sec. 26: All	640.00
Sec. 27: S $\frac{1}{2}$	320.00
Sec. 28: SE $\frac{1}{4}$	160.00
Sec. 35: All	640.00

T-22-N, R-10-W

Sec. 2: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ (All)	639.56
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INDIAN ALLOTTED LANDS (Continued)

Sec. 10: E $\frac{1}{2}$	160.00
Sec. 11: N $\frac{1}{2}$	320.00
Sec. 20: N $\frac{1}{2}$ , SW $\frac{1}{4}$	480.00
Sec. 21: S $\frac{1}{2}$	320.00
Sec. 26: S $\frac{1}{2}$	320.00
Sec. 28: NW $\frac{1}{4}$ , SE $\frac{1}{4}$	316.71
Sec. 30: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$	640.00
Sec. 32: All	640.00
Sec. 35: All	

TOTAL - 8,638.83 Acres - Indian Allotted Land - 18.7545% of Unit Area

STATE LANDS

41.	T-23-N, R-10-W Sec. 36: NE $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	B-11122-1 H. B. F. 3-20-44	State 12 $\frac{1}{2}$ %	Standard Oil Company of Texas	None	Standard Oil Company of Texas
42.	T-23-N, R-10-W Sec. 16: N $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 32: NW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ Sec. 36: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SE $\frac{1}{2}$ NE $\frac{1}{4}$	960.00	E-3147 12-10-49	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	None	Humble Oil & Refining Company
43.	T-23-N, R-10-W Sec. 36: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$	200.00	E-4776-2 12-4-50	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	W. L. Brimhall George Foster Al Greer, Jr. Ray Atekison Harold Montgomery Richard W. Kranawitter James A. Tadlock Gilbert Arculeta	Humble Oil & Refining Company
44.	T-23-N, R-10-W Sec. 2: S $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 16: S $\frac{1}{2}$ N $\frac{1}{2}$ , NW $\frac{1}{2}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 32: SE $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{4}$	600.00	E-4778-2 12-4-50	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	W. L. Brimhall George Foster Al Greer, Jr. Ray Atekison Harold Montgomery Richard W. Kranawitter James A. Tadlock Gilbert Arculeta	Humble Oil & Refining Company

45.	<u>T-23-N, R-10-W</u> Sec. 36: NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$	320.00	E-4912-5 12-29-50	State 12 $\frac{1}{2}$ %	Three States Natural Gas Company	Charles B. Consales	45	Three States Natural Gas Company
46.	<u>T-23-N, R-10-W</u> Sec. 2: S $\frac{1}{4}$ N $\frac{1}{4}$ Sec. 16: N $\frac{1}{4}$ N $\frac{1}{4}$ Sec. 32: NE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$	520.00	E-4912-9 12-29-50	State 12 $\frac{1}{2}$ %	Honolulu Oil Corporation	None		Honolulu Oil Corporation
47.	<u>T-22-N, R-10-W</u> Sec. 36: N $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$	120.00	E-5113-1 4-4-51	State 12 $\frac{1}{2}$ %	Myrtle V. Curtis	None		Myrtle V. Curtis
48.	<u>T-22-N, R-10-W</u> Sec. 36: NE $\frac{1}{4}$	160.00	E-5113-10 4-4-51	State 12 $\frac{1}{2}$ %	Rose F. Wilson and Herschel L. Blazer	None		Rose F. Wilson and Herschel L. Blazer
49.	<u>T-22-N, R-10-W</u> Sec. 36: SW $\frac{1}{4}$	160.00	E-5237-2 5-15-51	State 12 $\frac{1}{2}$ %	E. R. Richardson	None		E. R. Richardson
50.	<u>T-22-N, R-10-W</u> Sec. 16: N $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	120.00	E-5309-3 6-11-51	State 12 $\frac{1}{2}$ %	Petro-Atlas Corp.	None		Petro-Atlas Corp.
51.	<u>T-22-N, R-10-W</u> Sec. 36: N $\frac{1}{2}$ SE $\frac{1}{4}$	60.00	E-5911-6 1-22-52	State 12 $\frac{1}{2}$ %	Sinclair Oil & Gas Company	None		Sinclair Oil & Gas Company

52. T-23-N, R-10-W  
Sec. 2: Lots 1, 2, 3, 4

157.92

E-6644-7  
11-14-52

State  
12 $\frac{1}{2}$ %

Great Western Drilling  
Company

J. O. Lilly 1 $\frac{1}{2}$ %  
William Cutler .4 $\frac{3}{8}$ %  
Daniel P. Nolting .8 $\frac{1}{2}$ %  
Coyte J. White .4 $\frac{1}{2}$ %  
Oliver Marianetti .4 $\frac{3}{8}$ %  
Paul R. Nolting .4 $\frac{3}{8}$ %  
Hugo Giomi .4 $\frac{3}{8}$ %  
Charles Giomi .4 $\frac{3}{8}$ %  
William Mansfield .8 $\frac{1}{2}$ %

Great Western Drilling  
Company

53. T-23-N, R-10-W  
Sec. 2: NE $\frac{1}{4}$ SW $\frac{1}{4}$

40.00

E-6644-7  
11-14-52

State  
12 $\frac{1}{2}$ %

Great Western Drilling  
Company

Gaston F. Factor 1 $\frac{1}{2}$ %  
J. O. Lilly 1 $\frac{1}{2}$ %  
William Cutler .4 $\frac{3}{8}$ %  
Daniel P. Nolting .8 $\frac{1}{2}$ %  
Coyte J. White .4 $\frac{1}{2}$ %  
Oliver Marianetti .4 $\frac{3}{8}$ %  
Paul R. Nolting .4 $\frac{3}{8}$ %  
Hugo Giomi .4 $\frac{3}{8}$ %  
Charles Giomi .4 $\frac{3}{8}$ %

Great Western Drilling  
Company

54. T-23-N, R-10-W  
Sec. 2: NW $\frac{1}{4}$ SW $\frac{1}{4}$

40.00

E-6644-7  
11-14-52

State  
12 $\frac{1}{2}$ %

Great Western Drilling  
Company

Wilbur B. Finch 1 $\frac{1}{2}$ %  
J. O. Lilly 1 $\frac{1}{2}$ %  
William Cutler .3 $\frac{3}{8}$ %  
Daniel I. Nolting .6 $\frac{1}{2}$ %  
Coyte J. White .3 $\frac{3}{8}$ %  
Oliver Marianetti .3 $\frac{3}{8}$ %  
Paul R. Nolting .3 $\frac{3}{8}$ %  
Hugo Giomi .3 $\frac{3}{8}$ %  
Charles Giomi .3 $\frac{3}{8}$ %  
William Mansfield .6 $\frac{1}{2}$ %

Great Western Drilling  
Company



55.	T-23-N, R-10-W Sec. 2: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	E-6644-7 11-14-52	State 12 $\frac{1}{2}$ %	Great Western Drilling Company	J. Noble Hankins J. O. Lilly William Cutter Daniel F. Nolting Coytte J. White Oliver Marianetti Paul R. Nolting Hugo Giomi Charles Giomi William Mansfield	1 $\frac{1}{2}$ % 1 $\frac{1}{2}$ % . $\frac{3}{8}$ % . $\frac{6}{8}$ % . $\frac{3}{8}$ % . $\frac{3}{8}$ % . $\frac{3}{8}$ % . $\frac{3}{8}$ % . $\frac{3}{8}$ % . $\frac{6}{8}$ %	Great Western Drilling Company
56.	T-22-N, E-10-W Sec. 16: SE $\frac{1}{4}$ SE $\frac{1}{4}$	60.00	E-6644-11 11-14-52	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	J. Noble Hankins William Mansfield	1 $\frac{1}{2}$ % 4 $\frac{1}{8}$ %	Humble Oil & Refining Company
57.	T-22-N, E-10-W Sec. 34: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	E-6644-5-3 11-17-52	State 12 $\frac{1}{2}$ %	Hulda E. Beckman	None		Hulda E. Beckman
58.	T-23-N, E-10-W Sec. 2: NE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	E-7095 5-8-53	State 12 $\frac{1}{2}$ %	Fred C. Koch	None		Fred C. Koch
59.	T-22-N, E-10-W Sec. 36: SE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	E-8050-1 3-31-54	State 12 $\frac{1}{2}$ %	Ralph G. Lowe	None		Ralph G. Lowe
60.	T-22-N, R-10-W Sec. 36: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	OG-67 7-19-56	State 12 $\frac{1}{2}$ %	Texas Calgary Company	None		Texas Calgary Company

15 State of New Mexico Tracts Containing 3,837.92 Acres - 8,3319 of Unit Area

FEE LAND

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Ser. No. &amp; Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty &amp; Percentage</u>	<u>Working Interest &amp; Percent (all unless noted)</u>	
61.	<u>T-22-N, R-10-W</u> Sec. 27: N $\frac{1}{2}$ , N $\frac{3}{4}$ S $\frac{1}{2}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	600.00	Fee 5-29-56	Gallup Camerco Coal Company	All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
62.	<u>T-22-N, R-10-W</u> Sec. 27: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	Fee	Gallup Camerco Coal Company	All	Nct leased		
63.	<u>T-22-N, R-10-W</u> Sec. 29: NW $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	Fee 10-18-55	Marion L. Akerman Ollie W. Stevenson	1/2 1/2	Humble Oil & Refining Company	Walter L. Morrison 5%	Humble Oil & Refining Company
64.	<u>T-22-N, R-10-W</u> Sec. 29: E $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	Fee 11-20-55	Estate of Jessie S. Young	All	Humble Oil & Refining Company	Walter L. Morrison 5%	Humble Oil & Refining Company
65.	<u>T-22-N, R-10-W</u> Sec. 29: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	Fee 9-29-55	Nellie T. Amick and Harry R. Amick	All	Humble Oil & Refining Company	Walter L. Morrison 5%	Humble Oil & Refining Company
66.	<u>T-22-N, R-10-W</u> Sec. 29: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	Fee 8-16-56	J. B. Estes and Ruby O. Estes	All	Humble Oil & Refining Company	None	Humble Oil & Refining Company

67.	<u>T-22-N, R-10-W</u> <u>Sec. 29: NE<math>\frac{1}{4}</math>SE<math>\frac{1}{4}</math></u>	40.00	Fee 7-2-56	Henry A. Kiker and Kathleen Kiker	All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
68.	<u>T-22-N, R-10-W</u> <u>Sec. 29: SW<math>\frac{1}{4}</math></u>	160.00	Fee	Willett Majors	All	T. H. McElvain	None	T. H. McElvain
69.	<u>T-22-N, R-10-W</u> <u>Sec. 29: E<math>\frac{1}{2}</math>NE<math>\frac{1}{4}</math></u>	80.00	Fee	Edward Sargent	All	T. H. McElvain	None	T. H. McElvain
70.	<u>T-22-N, R-10-W</u> <u>Sec. 29: SW<math>\frac{1}{4}</math>NE<math>\frac{1}{4}</math></u>	40.00	Fee 1-22-53	Ben Case	All	Noah Spatter	None	Noah Spatter
71.	<u>T-22-N, R-10-W</u> <u>Sec. 29: S<math>\frac{1}{2}</math>SE<math>\frac{1}{4}</math></u>	80.00	Fee	Estate of John C. Leonard	All	Not Leased		
72.	<u>T-22-N, R-10-W</u> <u>Sec. 31: SW<math>\frac{1}{4}</math>SE<math>\frac{1}{4}</math></u>	40.00	Fee 8-7-56	Laura Lee Riffel and Ben R. Riffel	All	Humble Oil & Refining Company	None	Humble Oil & Refining Company
73.	<u>T-22-N, R-10-W</u> <u>Sec. 31: Lots 1, 2, 3, 4, E<math>\frac{1}{2}</math>W<math>\frac{1}{2}</math></u>	317.12	Fee	First National Bank of Raton Jessie Maude Keyes L. R. Taft R. F. Taft	1/2 1/4 1/8 1/8	T. H. McElvain	None	T. H. McElvain

74.	T-22-N, R-10-W Sec. 31: E $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	Fee 1-22-53	Noah Spatter	All	Noah Spatter	None	Noah Spatter
75.	T-22-N, R-10-W Sec. 31: W $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	120.00	Fee 1-22-53	Noah Spatter Henry Henrikson Archibald Dry	9/10 1/20 1/20	Noah Spatter	None	Noah Spatter
76.	T-22-N, R-10-W Sec. 31: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	Fee	Edward Sargent	All	T. H. McElvain	None	T. H. McElvain
77.	T-22-N, R-10-W Sec. 33: SE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	Fee 12-19-55	Annie Lou Darden	All	Humble Oil & Refining Company	Walter L. Morrison 5%	Humble Oil & Refining Company
78.	T-22-N, R-10-W Sec. 33: NW $\frac{1}{4}$	160.00	Fee 11-22-55	Estate of H. L. Bickley	All	Humble Oil & Refining Company	Walter L. Morrison 5%	Humble Oil & Refining Company
79.	T-22-N, R-10-W Sec. 33: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	Fee 1-16-56	First Church of Christ, Scientist Estate of Max G. Smigelow	1/2 1/2	Humble Oil & Refining Company	Walter L. Morrison 5%	Humble Oil & Refining Company
80.	T-22-N, R-10-W Sec. 33: E $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	Fee 10-15-55	Ernst Ruth	All	Humble Oil & Refining Company	Walter L. Morrison 5%	Humble Oil & Refining Company

81.	T-22-N, R-10-W Sec. 33: SW $\frac{1}{4}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	Fee	Saul A. Yager Marian Yager M. E. Gimp Morris Mizel Sam Mizel	1/4 1/4 1/4 1/8 1/8	Not Leased	
82.	T-22-N, R-10-W Sec. 33: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	Fee 1-22-53	Henry Henriksen Archibald Dry Noah Spatter	1/20 1/20 9/10	Noah Spatter	None Noah Spatter
83.	T-22-N, R-10-W Sec. 33: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	Fee 1-22-53	Noah Spatter	All	Noah Spatter	None Noah Spatter

23 Tracts Fee - Containing 2,557.12 Acres -- 5.5513% of Unit Area

TOTALS:

39 Federal Tracts	31,029.07 Acres	67.3623% of Unit Area
Indian Allotted Land	8,638.83 Acres	18.7545% of Unit Area
15 State of New Mexico Tracts	3,837.92 Acres	8.3319% of Unit Area
23 Fee Tracts	2,557.12 Acres	5.5513% of Unit Area
TOTAL	46,062.94 Acres	100% of Unit Area

KINEBETO UNIT AREA -- SAN JUAN COUNTY, NEW MEXICO

CERTIFICATE OF APPROVAL  
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO  
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION  
OF KINEBETO UNIT AREA, COUNTY OF SAN JUAN, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Kinebeto Unit Area, San Juan County, New Mexico, dated \_\_\_\_\_, 1957, in which Humble Oil & Refining Company is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area 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 field;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the agreement is in other respects for the best interest of the State;
- (d) That the agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement.

NOW THEREFORE, by virtue of the authority conferred upon me by the Laws of the State of New Mexico, 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 above referred to Kinebeto Unit Agreement as to the lands of the State of New Mexico committed thereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said Agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the unit area will be extended, insofar as necessary, to coincide with the term of said Unit Agreement, and in the event the term of said Unit Agreement shall be extended as provided therein, such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this certificate of approval is executed as of this the \_\_\_\_\_ day of \_\_\_\_\_, 1957.

\_\_\_\_\_  
Commissioner of Public Lands of the  
State of New Mexico

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of Interior under the allotted Mineral Leasing Act of March 3, 1909, 35 Stat. 783, 25 U. S. C. sec. 396 and the Tribal Land Mineral Leasing Act of May 11, 1938, 52 Stat. 347, 25 U. S. C. secs. 396a, et seq., as to certain restricted and allotted Indian lands and delegated to the Commissioner of Indian Affairs by Departmental Order No. 2508 of January 11, 1949, 14 F. R. 258-260, and

Pursuant to the authority vested in the Secretary of Interior as to Federal lands, 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, we do hereby:

A. Approve the attached agreement for the development and operation of the Kinebeto Unit Area, San Juan County, 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, and royalty requirements of all Indian leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

D. 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.

\_\_\_\_\_  
Commissioner of Indian Affairs

Dated \_\_\_\_\_

\_\_\_\_\_  
Director, United States Geological Survey

Dated \_\_\_\_\_