

CASE 3011: Application of SHELL  
OIL CO. for approval of the  
WAGONTIRE UNIT AGREEMENT.

CASE NO.

3011

Application,  
TRANSCRIPTS,  
SMALL Exhibits  
ETC.

DRAFT

JMD/esr

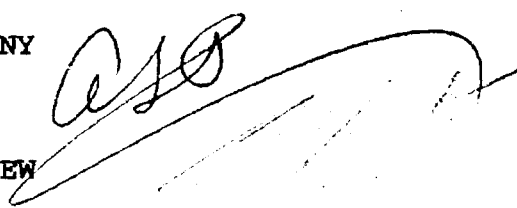
BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

 CASE No. 3011

Order No. R-2678

APPLICATION OF SHELL OIL COMPANY  
FOR APPROVAL OF THE WAGONTIRE  
UNIT AGREEMENT, EDDY COUNTY, NEW  
MEXICO.



ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 18, 1964, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this \_\_\_\_\_ day of March, 1964, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Shell Oil Company, seeks approval of the Wagontire Unit Agreement covering 8,054 acres, more or less, of State, Federal and Fee lands in Township 23 South, Range 23 East, NMPM, Eddy County, New Mexico.
- (3) That approval of the proposed Wagontire Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

- (1) That the Wagontire Unit Agreement is hereby approved.
- (2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

development and operation of the Wagontire Unit Area, and such plan shall be known as the Wagontire Unit Agreement Plan.

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

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

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 23 SOUTH, RANGE 23 EAST.

*Sections 4 through 9: All*  
*Section 10 through 18: All*  
*Section 19: N/2 and SE/4*  
*Sections 20 and 21: All*  
*Section 29: N/2*  
*Section 30: NE/4*

*8053.53*  
containing ~~8,054~~ acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Wagontire Unit Agreement within 30 days after the effective date thereof.

In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

3611

JUN 1 1955

JUN 27 1955

MAIL ROOM  
POST OFFICE BOX 1500  
MILWAUKEE, WIS.

Confidential:

On January 14, 1955, the Bureau of Land Management, Department of the Interior, advised the Bureau of Reclamation, Department of the Interior, that the Bureau of Land Management, Department of the Interior, is in possession of a copy of a letterhead memorandum, dated January 14, 1955, and captioned as above, which is being furnished to you for your information.

Enclosed is one copy of the letterhead memorandum for your records. We request that you furnish copies of this memorandum to each interested working interest owner, lessee, and lender at their last known address.

Sincerely yours,

H. L. ...  
For the Director

Enclosure

✓ cc: Roswell 2 (w/2 copies approved application)

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
March 18, 1964

REGULAR HEARING

IN THE MATTER OF:

Application of Shell Oil Company for a unit  
agreement, Eddy County, New Mexico.

Case No. 3011

BEFORE: Honorable Jack M. Campbell, Governor  
A. L. (Pete) Porter, Secretary-Director

TRANSCRIPT OF HEARING

**DEARNLEY-MEIER REPORTING SERVICE, Inc.**

FARMINGTON, N. M.  
PHONE 325-1182

SANTA FE, N. M.  
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ALBUQUERQUE, N. M.  
PHONE 243-6691



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BEFORE THE  
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Santa Fe, New Mexico  
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TRANSCRIPT OF HEARING

MR. PORTER: Case 3011

MR. DURRETT: Application of Shell Oil Company for a  
unit agreement, Eddy County, New Mexico.

MR. MORRIS: May it please the Commission, I am Richard  
Morris, of Seth, Montgomery, Federici and Andrews, of Santa Fe,  
New Mexico, appearing in this case on behalf of the applicant,  
Shell Oil Company. We will have two witnesses in this case. Mr.  
O. V. Lawrence will testify with respect to the land matters  
involved and Mr. Mark Robinson will testify with respect to the  
geological aspects of the case. I ask that they be sworn, please.





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(Witnesses sworn)

MR. PORTER: May I ask at this time if there are any other appearances in the case? Mr. Morris, you may proceed with your first witness.

O. V. LAWRENCE,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Lawrence, please state your name, by whom you are employed, in what capacity and where you are located?

A O. V. Lawrence, Shell Oil Company, Roswell Division Land Manager, Roswell, New Mexico.

Q Mr. Lawrence, have you previously testified before the New Mexico Oil Conservation Commission, or one of its examiners and had your qualifications as an expert witness in land matters accepted?

A I have.

Q Are you familiar with the application of Shell Oil Company in this case?

A I am.

MR. MORRIS: May Mr. Lawrence testify as an expert witness?



MR. PORTER: Yes, his qualifications are acceptable, Mr. Morris.

Q (By Mr. Morris) Mr. Lawrence, what is it that Shell seeks by the application in Case No. 3011?

A Approval of the Wagontire Unit area comprising 8,054 acres more or less in Township 23 South, Range 23 East, Eddy County, New Mexico.

Q I would refer you at the outset, Mr. Lawrence, to what has been marked as Exhibit Number One in this case, and ask you to state what that exhibits?

A It is a plat which is shown to be Exhibit A to the unit agreement, and it shows the proposed unit area.

Q Now, Exhibit One is the unit agreement itself; is that correct?

A I am sorry, I misunderstood how you have numbered the exhibits.

Q Exhibit One is the unit agreement for the Wagontire Unit area.

A All right, sir. Yes.

Q Then, attached to that exhibit is an exhibit, which is Exhibit A, a plat showing the outline of the unit area; is that correct?

A That is true, yes.

Q Referring to Exhibit A of the unit agreement, would you

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explain what that shows?

A Exhibit A is a plat showing the proposed unit area and it also has the outline of the unit. It shows the acreage in the unit being Federal, State and patented land. It is all coded on the exhibit. It also shows the number of Federal acreage involved which is 6,800.93, and State land is 640 and patented land is 560 acres. It also shows the tract numbers which are keyed into Exhibit B of the unit agreement.

Q Referring to that Exhibit B of the unit agreement, what does that show?

A Exhibit B shows the various tracts in the unit area. The description of the land covered by each tract, the working interest owner, the royalty owner, the overriding royalty owner, and, I believe that pretty well covers it.

Q Who are the working interest owners in this proposed unit?

A There are 11 working interest owners, being Shell, Union, L. C. Harris, Joseph Seagram, Jacqueline Anderson, Baird Oil Company, Mobil, Fehrman and Holt, Monsanto, Skelly and International Oil and Gas.

Q Of these working interests that you have just named, how many of them have committed their interest to the unit agreement?

A All of the working interests have already, or have agreed



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to commit their interest to the Wagontire Unit.

Q That would be with respect to Federal, State and patented lands?

A Yes, sir.

Q Concerning just the patented land for the moment, Mr. Lawrence, what is the status of the joinder of the royalty owners in those lands?

A All of the royalty owners have been contacted, and the royalty ownership is unfilled throughout the 660 acres of patented land. They are presently considering joining the unit.

Q Has the unit agreement been presented to the United States Geological Survey?

A Yes, sir, it has and the Director has given preliminary approval.

Q Has the unit agreement been presented to the New Mexico State Land Office?

A It has and it has been approved by the Unit Division as to form.

Q What is the form of the unit agreement, Mr. Lawrence?

A The form is that form which has been accepted by the Director, the Commissioner and also the Commission, where Federal, State and patented lands are involved.

Q Under the unit agreement, who is designated as the unit operator?



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A Shell Oil Company.

Q What formations are unitized?

A All formations are unitized in the unit area, as shown in Paragraph Three of the unit agreement.

Q As unit operator, what will be Shell's obligation, drilling obligation, under the unit agreement?

A The drilling obligation is covered under Paragraph Nine of the unit agreement, and briefly it states that a well is to be commenced within six months after the approval of the unit, and that the well is to be drilled to a depth of 3500 feet, or to test the Cisco Canyon for commercial production at a lesser depth.

Q Does the agreement contain any provisions concerning expansion or contraction of the unit area?

A It does have such a provision for expansion and contraction.

Q And under the terms of the unit agreement, what will be the effective date of the agreement?

A The effective date will be when it is approved by the Commissioner and the Director.

Q Was this unit agreement prepared by you or under your direction, Mr. Lawrence?

A It was.

MR. MORRIS: If the Commission please, we offer at this time Exhibit One, which is the unit agreement in this case, and



move its acceptance.

MR. PORTER: Without objection, the exhibit will be admitted.

MR. MORRIS: That is all I have from Mr. Lawrence at this time.

MR. PORTER: Does anyone have a question of Mr. Lawrence? The witness may be excused.

\* \* \* \*

M. L. ROBINSON,

called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Robinson, please state your name, by whom you are employed, in what capacity and where you are located?

A M. L. Robinson, Shell Oil Company, Roswell Division Exploration Manager, Roswell, New Mexico.

Q Mr. Robinson, have you testified previously before this Commission or one of its examiners, and had your qualifications as an expert witness in geological matters accepted?

A Yes, sir, I have.

Q Are you familiar with the geology concerned with Shell's application in this case?

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A Yes, sir, I am.

MR. MORRIS: Can Mr. Robinson testify as an expert witness in this case?

MR. PORTER: The Commission considers the witness qualified.

Q (By Mr. Morris) Mr. Robinson, if you would refer to what has been marked as Exhibit Number Two in this case, and would you state what that is, please?

A Yes, sir. The exhibit, which I believe is in front of the Governor or Mr. Porter, is a structure map, a seismic structure map which shows an anticline having 225 feet of closure, as mapped on seismic data at pre-Pennsylvanian level, which is somewhat below the objective, Cisco Canyon, we are proposing drilling to. However, this is the best map we could make in this area and based on our experience in this country, we feel it fairly depicts the structure configuration at the Cisco Canyon level where we plan to drill this test.

Q What control was available to you as the basis for preparing this structure map?

A This map is based on approximately a one mill grade work of seismic lines, that are indicated on the plat there in the black. There was no subsurface or surface information used in preparing this map. It is strictly a seismic interpretation.

Q Does your plat also show your proposed location for the



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initial well in this unit area?

A Yes, sir, it does. It indicates a location in the Northeast Quarter of the Southeast Quarter of Section 17, Township 23 South, Range 23 East. It is my opinion that a test at this location will fairly evaluate the Cisco Canyon production possibilities on the proposed unit.

Q If production should be obtained from this initial well, Mr. Robinson, will Shell Oil Company, as operator of the unit, have effective control of the productive area of the Cisco Canyon?

A Yes, sir. In my opinion, this unit fairly embraces the closure and enhances the potentially productive area.

Q What are the advantages of operating these lands under the unit form in this particular circumstance, Mr. Robinson?

A It will provide for orderly development and conservation of our natural resources of oil and gas.

Q Mr. Robinson, in your opinion, will approval of this application prevent waste and protect correlative rights?

A Yes, sir, in my opinion, it will.

Q Was Exhibit Number Two prepared by you or under your direction?

A I am afraid I have gotten lost. That is Exhibit Two? Yes, sir.

MR. MORRIS: If the Commission please, we would offer Exhibit Two into evidence at this time, and ask that the Commission





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consider Exhibit Number Two as confidential since this is an exploratory unit. Mr. Robinson has indicated his name and address upon this exhibit, and would like to have it returned to him if that would be possible.

MR. PORTER: You mean you want to enter the exhibit, then withdraw it from the record?

MR. MORRIS: No, sir. We offer the exhibit for the evaluation by the Commission in arriving at an order to be entered in this case. However, after the order is entered, we would appreciate the exhibit being returned to Mr. Robinson and being held confidential while it is in the hands of the Commission.

GOVERNOR CAMPBELL: It sounds like to me that you want to have your cake and eat it, too. Can't you offer in evidence a description of some sort instead of offering this?

MR. MORRIS: Governor, in times passed, the Commission Staff has been interested in examining a plat of this sort in arriving at its own independent evaluation of whether the structure fairly covers the unit area and vice versa. However, if the Commission Staff would have no desire to make such an examination we would certainly be happy to withdraw the exhibit at this time and take it with us.

I might be able to be of some help to the Commission. In exploratory units, we customarily make this type of request, however, in this case, Mr. Robinson informs me that if the Commission



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would desire it, we would withdraw our qualified offer and just offer it as an exhibit in this case.

MR. PORTER: On that basis, it will be accepted, Mr. Morris, and made a part of the record.

MR. MORRIS: That's all I have to offer.

MR. PORTER: Thank you, sir. Does anyone have a question of Mr. Robinson? He may be excused.

Does anyone have anything further?

GOVERNOR CAMPBELL: It looks like that if it turns out to be a dry hole, he made a big mistake, would have a public record of it, I guess, public record of these engineers' mistakes.

MR. MORRIS: I have my suspicions.

MR. PORTER: The Commission will take the case under advisement.

\* \* \* \* \*



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STATE OF NEW MEXICO  
COUNTY OF BERNALILLO

I, ROY D. WILKINS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal of Office, this 23rd day of March, 1964.

*Roy D. Wilkins*  
NOTARY PUBLIC

My Commission Expires:  
September 6, 1967.



BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
March 18, 1964

REGULAR HEARING

IN THE MATTER OF:

Application of Shell Oil Company for a unit  
agreement, Eddy County, New Mexico.

Case No. 3011

BEFORE: Honorable Jack M. Campbell, Governor  
A. L. (Pete) Porter, Secretary-Director

TRANSCRIPT OF HEARING

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
March 13, 1964

REGULAR HEARING

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IN THE MATTER OF: )

Application of Shell Oil Company )  
for a unit agreement, Eddy County, )  
New Mexico. )

CASE NO. 3011

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BEFORE: Honorable Jack M. Campbell, Governor  
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(Witnesses sworn)

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Q Mr. Lawrence, have you previously testified before the New Mexico Oil Conservation Commission, or one of its examiners and had your qualifications as an expert witness in land matters accepted?

A I have.

Q Are you familiar with the application of Shell Oil Company in this case?

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MR. MORRIS: May Mr. Lawrence testify as an expert witness?



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Mr. Morris.

MR. PORTER: Yes, his qualifications are acceptable,

Q (By Mr. Morris) Mr. Lawrence, what is it that Shell seeks by the application in Case No. 3011?

A Approval of the Wagontire Unit area comprising 8,044 acres more or less in Township 23 South, Range 23 East, Eddy County, New Mexico.

Q I would refer you at the outset, Mr. Lawrence, to what has been marked as Exhibit Number One in this case, and ask you to state what that exhibits?

A It is a plat which is shown to be Exhibit A to the unit agreement, and it shows the proposed unit area.

Q Now, Exhibit One is the unit agreement itself; is that correct?

A I am sorry, I misunderstood how you have numbered the exhibits.

Q Exhibit One is the unit agreement for the Wagontire Unit area.

A All right, sir. Yes.

Q Then, attached to that exhibit is an exhibit, which is Exhibit A, a plat showing the outline of the unit area; is that correct?

A That is true, yes.

Q Referring to Exhibit A of the unit agreement, would you



explain what that shows?

A Exhibit A is a plat showing the proposed unit area and it also has the outline of the unit. It shows the acreage in the unit being Federal, State and patented land. It is all coded on the exhibit. It also shows the number of Federal acreage involved which is 6,800.53, and State land is 640 and patented land is 660 acres. It also shows the tract numbers which are keyed into Exhibit B of the unit agreement.

Q Referring to that Exhibit B of the unit agreement, what does that show?

A Exhibit B shows the various tracts in the unit area. The description of the land covered by each tract, the working interest owner, the royalty owner, the overriding royalty owner, and, I believe that pretty well covers it.

Q Who are the working interest owners in this proposed unit?

A There are 11 working interest owners, being Shell, Union L. C. Harris, Joseph Seagram, Jacqueline Anderson, Baird Oil Company, Mobil, Fehrman and Holt, Monsanto, Skelly and International Oil and Gas.

Q Of these working interests that you have just named, how many of them have committed their interest to the unit agreement?

A All of the working interests have already, or have agreed

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A Yes, sir.

Q Concerning just the patented land for the moment, Mr. Lawrence, what is the status of the joinder of the royalty owners in those lands?

A All of the royalty owners have been contacted, and the royalty ownership is unfiled throughout the 500 acres of patented land. They are presently considering joining the unit.

Q Has the unit agreement been presented to the United States Geological Survey?

A Yes, sir, it has and the Director has given preliminary approval.

Q Has the unit agreement been presented to the New Mexico State Land Office?

A It has and it has been approved by the Unit Division as to form.

Q What is the form of the unit agreement, Mr. Lawrence?

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A Shell Oil Company.

Q What formations are unitized?

A All formations are unitized in the unit area, as shown in Paragraph Three of the unit agreement.

Q As unit operator, what will be Shell's obligation, drilling obligation, under the unit agreement?

A The drilling obligation is covered under Paragraph Nine of the unit agreement, and briefly it states that a well is to be commenced within six months after the approval of the unit, and that the well is to be drilled to a depth of 8500 feet, or to test the Cisco Canyon or commercial production at a lesser depth.

Q Does the agreement contain any provisions concerning expansion or contraction of the unit area?

A It does have such a provision for expansion and contraction.

Q And under the terms of the unit agreement, what will be the effective date of the agreement?

A The effective date will be when it is approved by the Commissioner and the Director.

Q Was this unit agreement prepared by you or under your direction, Mr. Lawrence?

A It was.

MR. MORRIS: If the Commission please, we offer at this time Exhibit One, which is the unit agreement in this case, and



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MR. PORTER: Without objection, the exhibit will be admitted.

MR. MORRIS: That is all I have from Mr. Lawrence at this time.

MR. PORTER: Does anyone have a question of Mr. Lawrence? The witness may be excused.

\* \* \* \*

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Q Are you familiar with the geology concerned with Shell's application in this case?



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MR. MORRIS: Can Mr. Robinson testify as an expert witness in this case?

MR. PORTER: The Commission considers the witness qualified.

Q (By Mr. Morris) Mr. Robinson, if you would refer to what has been marked as Exhibit Number Two in this case, and would you state what that is, please?

A Yes, sir. The exhibit, which I believe is in front of the Governor or Mr. Porter, is a structure map, a seismic structure map which shows an anticline having 225 feet of closure, as mapped on seismic data at pre-Pennsylvanian level, which is somewhat below the objective, Cisco Canyon, we are proposing drilling to. However, this is the best map we could make in this area and based on our experience in this country, we feel it fairly depicts the structure configuration at the Cisco Canyon level where we plan to drill this test.

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Albuquerque, New Mexico

Phone 243-6691

consider Exhibit Number Two as confidential since this is an exploratory unit. Mr. Robinson has indicated his name and address upon this exhibit, and would like to have it returned to him if that would be possible.

MR. PORTER: You mean you want to enter the exhibit, then withdraw it from the record?

MR. MORRIS: No, sir. We offer the exhibit for the evaluation by the Commission in arriving at an order to be entered in this case. However, after the order is entered, we would appreciate the exhibit being returned to Mr. Robinson and being held confidential while it is in the hands of the Commission.

GOVERNOR CAMPBELL: It sounds like to me that you want to have your cake and eat it, too. Can't you offer in evidence a description of some sort instead of offering this?

MR. MORRIS: Governor, in times passed, the Commission Staff has been interested in examining a plat of this sort in arriving at its own independent evaluation of whether the structure fairly covers the unit area and vice versa. However, if the Commission Staff would have no desire to make such an examination we would certainly be happy to withdraw the exhibit at this time and take it with us.

I might be able to be of some help to the Commission. In exploratory units, we customarily make this type of request, however, in this case, Mr. Robinson informs me that if the Commission



would desire it, we would withdraw our qualified offer and just offer it as an exhibit in this case.

MR. PORTER: On that basis, it will be accepted. Mr. Morris, and made a part of the record.

MR. MORRIS: That's all I have to offer.

MR. PORTER: Thank you, sir. Does anyone have a question of Mr. Robinson? He may be excused.

Does anyone have anything further?

GOVERNOR CAMPBELL: It looks like that if it turns out to be a dry hole, he made a big mistake, would have a public record of it, I guess, public record of these engineers' mistakes.

MR. MORRIS: I have my suspicions.

MR. PORTER: The Commission will take the case under advisement.

\* \* \* \* \*

DEARNLEY, MEIER, WILKINS and CROWNOVER

General Court Reporting Service

Suite 1120 Simms Building

Albuquerque, New Mexico

Phone 243-6691



DEARNLEY, MEIER, WILKINS and CROWNOVER

General Court Reporting Service

Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691

STATE OF NEW MEXICO §  
COUNTY OF BERNALILLO §

I, ROY D. WILKINS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal of Office, this 23rd day of March, 1964.

*Roy D. Wilkins*  
NOTARY PUBLIC

My Commission Expires:  
September 6, 1967.





BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 3011  
Order No. R-2678

APPLICATION OF SHELL OIL COMPANY  
FOR APPROVAL OF THE WAGONTIRE  
UNIT AGREEMENT, EDDY COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 18, 1964, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of March, 1964, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Shell Oil Company, seeks approval of the Wagontire Unit Agreement covering 8,054 acres, more or less, of State, Federal and Fee lands in Township 23 South, Range 23 East, NMPM, Eddy County, New Mexico.
- (3) That approval of the proposed Wagontire Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

- (1) That the Wagontire Unit Agreement is hereby approved.
- (2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

development and operation of the Wagontire Unit Area, and such plan shall be known as the Wagontire Unit Agreement Plan.

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

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

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 23 SOUTH, RANGE 23 EAST

Sections 4 through 9: All  
Sections 16 through 18: All  
Section 19: N/2 and SE/4  
Sections 20 and 21: All  
Section 29: N/2  
Section 30: NE/4

containing 8,053.53 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Wagontire Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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

-3-  
CASE No. 3011  
Order No. R-2678

(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

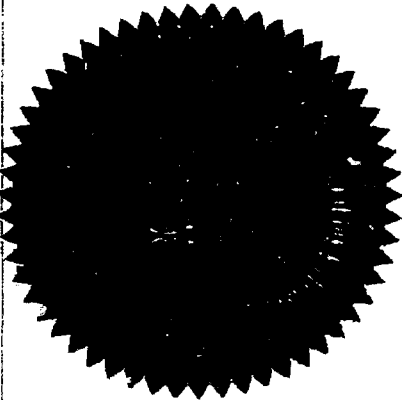
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

*E. S. Walker*  
E. S. WALKER, Member

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



esr/

GOVERNOR  
JACK M. CAMPBELL  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
C. E. JOHNNY WALKER  
MEMBER

P. O. BOX 871  
SANTA FE

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

March 18, 1964

Re: Case No. 3011  
Order No. R-2678  
Applicant:  
Shell Oil Company

Mr. Richard Morris  
Seth, Montgomery, Federici & Andrews  
Attorneys at Law  
Post Office Box 2397  
Santa Fe, New Mexico

Dear Sir:

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

Very truly yours,

Handwritten signature of A. L. Porter, Jr. in cursive script.

A. L. PORTER, Jr.  
Secretary-Director

ix/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Astoc OCC

OTHER

MAIN OFFICE OCC  
BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO 1934 FEB 23 PM 1 22

APPLICATION FOR APPROVAL OF  
WAGONTIRE UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

*200 304*

Comes the undersigned, Shell Oil Company, with offices at Midland, Texas, and files herewith one copy of the proposed Unit Agreement for the development and operation of the Wagontire Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by Law, and in support thereof, states:

1. That the proposed unit area covered by said agreement embraces 8,053.53 acres of land, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 23 South, Range 23 East

Sections 4, 5, 6, 7, 8, 9: All  
Sections 16, 17, 18: All  
Section 19: N $\frac{1}{2}$ , SE $\frac{1}{4}$   
Sections 20, 21: All  
Section 29: N $\frac{1}{2}$   
Section 30: NE $\frac{1}{4}$

Containing 8,053.53 acres, more or less.

2. That of the lands embraced within the proposed unit area, 640.00 acres are lands of the State of New Mexico; 6,853.53 acres are lands of the United States; and 560.00 acres are patented or fee lands.

3. That application is being made for the designation of said unit area and for the approval of the form of Unit Agreement by the Commissioner of Public Lands of the State of New Mexico.

4. That applicant is informed and believes, and upon such information

and belief states, that the proposed unit area contains all or substantially all of the geological feature involved, and that 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.

5. That Shell Oil 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 an initial test well to a depth sufficient to test the Cisco-Canyon Formation, but that applicant is not obligated to drill said well, in any event to a depth in excess of 8,500 feet.

6. That applicant believes 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 Unit Agreement, to the end that the maximum recovery will be obtained of unitized substances, and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Commission Statutes and regulations.

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 after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests

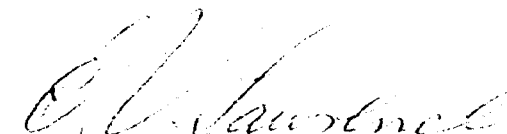
that a hearing be held before an examiner on the matter of the approval of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interests of conservation and the prevention of waste.

Dated this 24th day of February, 1964.

Respectfully submitted,

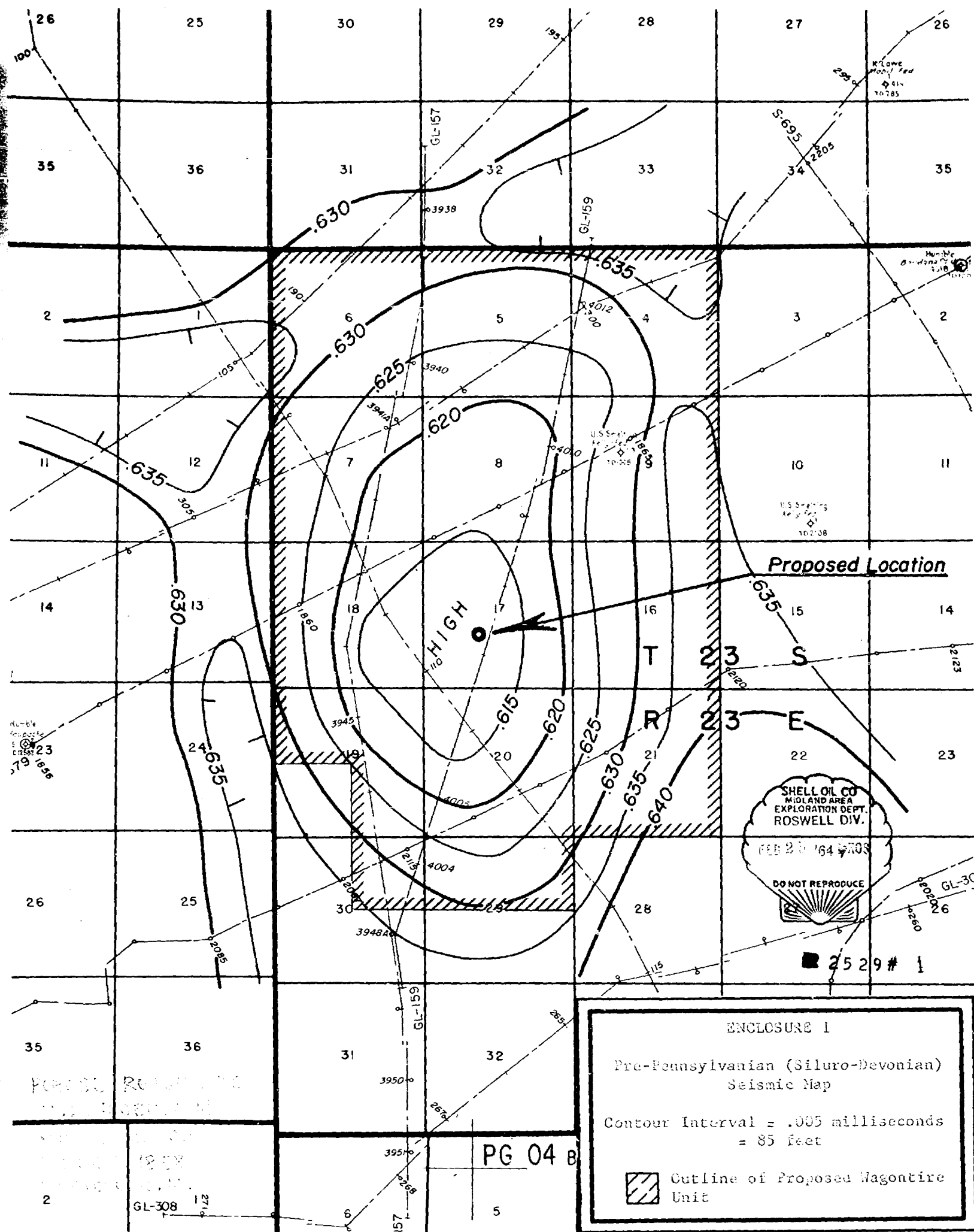
SHELL OIL COMPANY

By



O. V. Lawrence

Roswell Division Land Manager  
Roswell, New Mexico



Proposed Location

SHELL OIL CO  
MIDLAND AREA  
EXPLORATION DEPT.  
ROSWELL DIV.  
FEB 27 1964  
DO NOT REPRODUCE

2529# 1

ENCLOSURE I  
Pre-Pennsylvanian (Siluro-Devonian)  
Seismic Map  
Contour Interval = .005 milliseconds  
= 85 feet  
[Hatched Box] Outline of Proposed Wagontire Unit

RECORDED & INDEXED  
18 2X  
GL-308

PG 04 B



DOCKET: REGULAR HEARING - WEDNESDAY - MARCH 18, 1964

OIL CONSERVATION COMMISSION - 9 A. M. - MORGAN HALL, STATE LAND OFFICE BUILDING,  
SANTA FE, NEW MEXICO

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- ALLOWABLE: (1) Consideration of the oil allowable for April, 1964.
- (2) Consideration of the allowable production of gas for April, 1964, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1964.

CASE 2942 (De Novo): Application of Sunray DX Oil Company for the creation of new pool and for temporary pool rules, Lea County, New Mexico. Upon application of Sunray DX Oil Company, this case will be heard De Novo under the provisions of Rule 1220.

CASE 3011: Application of Shell Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Wagontire Unit Area comprising 8054 acres, more or less, of State, Federal and fee lands in Township 23 South, Range 23 East, Eddy County, New Mexico.

CASE 3012: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Eddy and Chaves Counties, New Mexico:

- a) CREATE A new gas pool for Morrow production, designated as the Cemetary-Morrow Gas Pool, and described as:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM  
SECTION 17: ALL

- b) CREATE A new oil pool for San Andres production, designated as the West Dayton-San Andres Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
SECTION 33: NW/4 NE/4

- c) CREATE A new gas pool for Morrow production, designated as the Loco Hills-Morrow Gas Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
SECTION 16: ALL

- d) CREATE A new gas pool for Morrow production, designated as the Riverside-Morrow Gas Pool, and described as:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
SECTION 31: ALL

- e) CREATE A new oil pool for Queen production, designated as the Sand Tank-Queen Pool, and described as:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
SECTION 7: NE/4 SE/4

- f) CREATE A new oil pool for Delaware production, designated as the Sulphate Draw-Delaware Pool, and described as:

Docket No. 8-64

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM  
SECTION 29: SE/4

- g) EXTEND the North Benson Queen-Grayburg Pool to include:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
SECTION 28: NW/4

- h) EXTEND the Indian Basin-Upper Pennsylvanian Gas Pool to include:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM  
SECTION 26: ALL

- i) EXTEND the Jackson-Abo Pool to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM  
SECTION 22: SE/4 NW/4

- j) EXTEND the Linda-San Andres Pool to include:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM  
SECTION 29: S/2 SE/4 and SE/4 SW/4  
SECTION 32: E/2 NE/4

CASE 3013: Northwestern New Mexico nomenclature case calling for an order extending certain existing pools in Rio Arriba, San Juan, and Sandoval Counties, New Mexico.

- a) EXTEND the South Blanco-Pictured Cliffs to include:

TOWNSHIP 23 NORTH, RANGE 2 WEST, NMPM  
SECTION 5: ALL  
SECTION 6: E/2  
SECTION 7: NE/4  
SECTION 8: ALL  
SECTION 9: ALL  
SECTION 15: NE/4  
SECTION 17: W/2  
SECTION 18: S/2  
SECTION 19: N/2

- b) EXTEND the Tapacito-Pictured Cliffs Pool to include:

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM  
SECTION 1: ALL  
SECTION 2: ALL  
SECTION 11: N/2  
SECTION 12: ALL

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM  
SECTION 25: ALL  
SECTION 35: ALL  
SECTION 36: ALL

Docket No. 8-64

c) EXTEND the Many Rocks-Gallup Oil Pool to include:

TOWNSHIP 31 NORTH, RANGE 16 WEST, NMPM  
SECTION 8: SW/4  
SECTION 16: SW/4 SW/4  
SECTION 21: NW/4 NW/4

TOWNSHIP 32 NORTH, RANGE 17 WEST, NMPM  
SECTION 27: SW/4 SW/4  
SECTION 34: E/2 NW/4



## SHELL OIL COMPANY

PETROLEUM BUILDING  
P. O. BOX 1509  
MIDLAND, TEXAS

May 26, 1964

Subject: Eddy County, New Mexico  
Wagontire Unit

U. S. Geological Survey  
P. O. Box 1857  
Roswell, New Mexico

Gentlemen:

Enclosed for your files on the Wagontire Unit No. 14-08-0001-8590 are six fully executed copies of Consent and Ratification of the Unit Agreement signed by J. F. Joyce II and covering Tracts 17, 18, 19 and 20 of said unit.

By carbon copy of this letter we are forwarding one copy each to the Commissioner of Public Lands and to the New Mexico Oil Conservation Commission for their records.

If anything else is required in connection with these Consent and Ratifications, please let us know.

Yours very truly,

F. W. Aldrich  
Title and Rental Division  
Land Department

FWA:PH

Enclosures

cc - Commissioner of Public Lands  
P. O. Box 791  
Santa Fe, New Mexico  
Attention Mrs. Marian Rhea

THIS COPY FOR → New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_ J. F. Joyce II  
\_\_\_\_\_  
\_\_\_\_\_ TRACTS 17 18 19 20  
\_\_\_\_\_

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said \_\_\_\_\_ (State) corporation.

My commission expires: \_\_\_\_\_ Notary Public

INDIVIDUAL

STATE OF New Mexico  
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 23rd day of March, 1964, by J. F. Joyce, II, a single man

My commission expires: \_\_\_\_\_ Notary Public  
Randolph M. Richardson  
12-8-66

ACCEPTANCE AND APPROVAL BY WORKING INTEREST OWNERS

We the undersigned Working Interest Owners do hereby accept and approve the foregoing Consent and Ratification pursuant to Section 29 of the Unit Agreement.

[Signature]  
By \_\_\_\_\_  
Date May 18, 1964

SHELL OIL COMPANY  
By [Signature]  
Date 4/20/64

MAIN OFFICE 000

1964 APR 10 AM 8:10

R. M. RICHARDSON  
OIL AND GAS LEASES - UNITIZATION  
FEDERAL - STATE - FEE  
P. O. BOX 819  
ROSWELL, NEW MEXICO  
April 9, 1964

OFFICE 505 622-8801  
RES. 505 622-7985

In Re: Lease No. 3011,  
Order No. R-2-70  
Wagonhire Unit Agreement  
Eddy County, New Mexico

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

Gentlemen,

On behalf of Shell Oil Company, I am herewith attaching one fully executed and approved copy of the Unit Agreement for the Development and Operation of the Wagonhire Unit Area, Eddy County, New Mexico.

This Agreement was approved by the Acting Director, U. S. G. S., under date of March 30, 1964.

In the event you need anything more in order to complete your file on this case, please do not hesitate to let us know.

Thank you.

Yours very truly,



R. M. Richardson

cc: Shell Oil Company

CERTIFICATION - DETERMINATION

No. 14.08.0001 8590

3011  
RECEIVED  
MAR 19 1964  
U. S. GEOLOGICAL SURVEY  
BOSWELL, NEW MEXICO

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 Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. Sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Wagontire Unit Area, Eddy County, New Mexico.

B. Certify and determine that the Unit Plan of Development and Operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of this agreement.

MAR 30 1964

DATE

*Arthur A. Baker*

Acting DIRECTOR, UNITED STATES  
GEOLOGICAL SURVEY

Wagontire Unit Agreement  
Eddy County, New Mexico

RECEIVED  
MAR 19 1964  
U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
WAGONTIRE UNIT AREA  
EDDY COUNTY, NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 24th day of February, 1964, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65, Volume 9, Part 2, 1953 Statutes) to approve this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the Wagontire Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and,

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



conditions and limitations herein set forth;

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 8,053.53 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, 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 Land Commissioner," and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the State Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

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

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

(b) Said notice shall be delivered to the Supervisor, the State Land 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 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the State Land 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 Land 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 subsection), no parts of which are entitled to be in a participating area within five 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 90 days time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay;" provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director and the State Land Commissioner. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

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

Any expansion of the unit area pursuant to this section which embraces lands thereto fore eliminated pursuant to this sub-section 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.** Shell Oil Company with offices at Midland, 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 them and agrees and consents to accept the duties and obligations of Unit Operator for 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 him.

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 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the State Land Commissioner and 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 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.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participation area established hereunder is in existence, but, in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, or a change of unit operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with the Supervisor and approved

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the State Land Commissioner, prior to approval of this unit agreement by the Director.

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 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the State Land 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 thereafter continue such drilling diligently until the Cisco-Canyon formation of Pennsylvanian age has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, or the State Land Commissioner if on State land, or of the State Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable; provided however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 8,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the State Land 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 the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and State Land

Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the State Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the State Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the State Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the State Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and location 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 the proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the State Land Commissioner. 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 Land Commissioner are authorized to grant a



reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the State Land Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

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 such completion, if practicable, or as soon thereafter as required by the Supervisor or the State Land Commissioner submit for approval by the Director and the State Land Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the State Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the State Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities,

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 and the State Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the State Land Commissioner as to wells drilled on State land and the State Commission as to wells on privately owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be

allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of

the Supervisor as to Federal land, the State Land Commissioner as to State Land, and the State Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and the State of New Mexico and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in 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 hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the State Land Commissioner, and the 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 Land 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 shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulations; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof

due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director and the State Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands or as approved by the State Land Commissioner for New Mexico 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 operations for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal Leases and the State Land Commissioner as to State leases shall and each

by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the State Land Commissioner or their duly authorized representative, 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 State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination

hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the land 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."



(i) Any lease embracing lands of the 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 provisions 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 oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 reworking 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 oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, so long thereafter as oil or gas in paying quantities is 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 Director and the State Land Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the State Land Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed

term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the circumstances set out hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and State Land Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and State Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

in this agreement and is not in violation of any applicable Federal or State law; provided further that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and developing in the absence of the specific written approval thereof by the State Land Commissioner and as to the 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 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 agreement 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 and on behalf of any and all interests affected hereby before the Department of Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the State Land Commissioner or State Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the State Land Commissioner or 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 or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or the ratification or consent hereof or to such other address as any such party may have furnished in writing to the 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. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (28 F.R. 6485), which are hereby incorporated by reference in this agreement.

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, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or

leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State of New Mexico shall be deposited as directed by the State Land 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 Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Land Commissioner and the 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; provided, however, that as to State Lands such subsequent joinder must be approved by the State Land Commissioner.

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.

ATTEST:

R. L. Neughton  
Assistant - Secretary

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

SHELL OIL COMPANY

By

J. V. Lindsey  
Address: P. O. Box 1509  
Midland, Texas 79704

UNIT OPERATOR AND WORKING INTEREST  
OWNER

1 3 11 18 19 20

ATTEST:

\_\_\_\_\_  
Secretary

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

By \_\_\_\_\_

Address \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

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

By \_\_\_\_\_

Address \_\_\_\_\_

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; provided, however, that as to State Lands such subsequent joinder must be approved by the State Land Commissioner.

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.

ATTEST:

\_\_\_\_\_  
Secretary

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

SHELL OIL COMPANY

By \_\_\_\_\_

Address: P. O. Box 1509  
Midland, Texas 79704

UNIT OPERATOR AND WORKING INTEREST  
OWNER

ATTEST:

\_\_\_\_\_  
Secretary

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

JOSEPH E. SEAGRAM & SONS, INC.

By James H. Seagram  
ATTORNEY-IN-FACT

Address \_\_\_\_\_

\_\_\_\_\_ 7

ATTEST:

\_\_\_\_\_  
Secretary

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

By \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

STATE OF TEXAS    )  
                          )  
COUNTY OF MIDLAND)

Before me, the undersigned authority, on this day personally appeared J. V. Lindsey, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney in Fact for Shell Oil Company, a Delaware corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Shell Oil Company in the capacity therein stated.

Given under my hand and seal of office this 13 day of March,  
1964.

My Commission Expires:  
June 1, 1965

Rosalyn Magee    Rosalyn Magee  
Notary Public in and for  
Midland County, Texas.



CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ Marion V. Harris  
\_\_\_\_\_ 24 12

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said \_\_\_\_\_ (State) corporation.

My commission expires: \_\_\_\_\_  
Notary Public

INDIVIDUAL

STATE OF NEW MEXICO  
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 6th day of MARCH, 1964, by L. C. Harris and Marion V. Harris,  
his wife

My commission expires: \_\_\_\_\_  
5-4-65  
Eleanor Delene Hall  
Notary Public

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
UNION OIL COMPANY OF CALIFORNIA  
By: John Hanson  
Attorney-in-Fact

CORPORATE

5 6 16

STATE OF Arizona  
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of March, 1964, by John Hanson who is Attorney-in-Fact of Union Oil Company of California, a California corporation, for and on behalf of said (State)

corporation.

My commission expires: June 1, 1965

Linda E. Stine  
Notary Public

INDIVIDUAL

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_

My commission expires: \_\_\_\_\_

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

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
JOSEPH E. SEAGRAM & SONS, INC.,  
*James H. Scott*  
ATTORNEY-IN-FACT

CORPORATE

STATE OF TEXAS  
COUNTY OF DALLAS

The foregoing instrument was acknowledged before me this 24th day of March, 1964, by James H. Scott who is Attorney-in-fact of Joseph E. Seagram & Sons, Inc., a Texas corporation, for and on behalf of said (State) corporation.

My commission expires:  
\_\_\_\_\_

*Cleta O. Swinney*  
Notary Public  
Cleta O. SWINNEY, Notary Public  
in and for Dallas County, Texas  
My Commission Expires June 1, 1965.

INDIVIDUAL

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_

My commission expires:  
\_\_\_\_\_

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

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

March 17, 1964

  
\_\_\_\_\_  
**Jacqueline Anderson**

\_\_\_\_\_  
**125 Petroleum Club Bldg.**  
**Denver, Colorado 80202**

**8**

CORPORATE

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is

\_\_\_\_\_ of \_\_\_\_\_, a

\_\_\_\_\_ corporation, for and on behalf of said

(State)

corporation.

My commission expires:

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

INDIVIDUAL

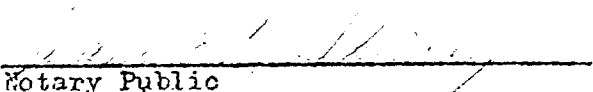
STATE OF **COLORADO**

COUNTY OF **DENVER**

The foregoing instrument was acknowledged before me this 17th day of March, 1964, by Jacqueline Anderson - stating that this is

her sole and separate property

My commission expires:  
**September 9, 1967**

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

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

★ W. M. Beard Mrs. Jess McBee, John M. Beard,  
& Emily Jo Watts, d/b/a BEARD OIL COMPANY

By W. M. Beard  
W. M. Beard, Acting individually & as attorney-in-fact  
for Mrs. Jess McBee, John M. Beard & Emily Jo Watts

9

\*Power of Attorney previously filed in NM 0315901-Oklahoma.  
CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said \_\_\_\_\_ (State) corporation.

My commission expires: \_\_\_\_\_

Notary Public

INDIVIDUAL

STATE OF Oklahoma  
COUNTY OF Oklahoma

The foregoing instrument was acknowledged before me this 10th day of March, 1964, by W. M. Beard

My commission expires: \_\_\_\_\_

Suzanne Dodson  
Notary Public

1/12/68.

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

SOCOMY MOBIL OIL COMPANY, INC.

Kenneth F. Keller  
Attorney-in-fact

CORPORATE

10

STATE OF Texas  
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 17th day of March, 1964, by Kenneth F. Keller who is Attorney-in-fact of SOCOMY MOBIL OIL COMPANY, INC., a New York corporation, for and on behalf of said (State)

corporation.  
My commission expires:

June 1, 1965

Doris B. Jones  
Notary Public

DORIS B. JONES, Notary Public  
in and for Midland County, Texas

INDIVIDUAL

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_

My commission expires:

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

NOTARY PUBLIC  
MIDLAND COUNTY, TEXAS  
EXERCISING LANDS IN BIRD COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Bird County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the aforesaid Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

CORPORATE

13

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ corporation, for and on behalf of said \_\_\_\_\_ (State) corporation.

My commission expires: \_\_\_\_\_  
Notary Public

INDIVIDUAL

STATE OF TEXAS  
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 19th day of MARCH, 1964, by ROBERT D. HOLT, HELEN JOAN HOLT and F. H. FURMAN

My commission expires: 6-1-65  
Notary Public in and for  
Midland County, Texas

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST: \_\_\_\_\_  
*J. K. Kowalski*  
Assistant Secretary

INTERNATIONAL OIL & GAS CORPORATION  
By *M. E. Spittler*  
Vice President  
14

CORPORATE

STATE OF COLORADO  
COUNTY OF DENVER

The foregoing instrument was acknowledged before me this 11th day of March, 1964, by M. E. SPITLER who is Vice President of INTERNATIONAL OIL & GAS CORPORATION, a Delaware corporation, for and on behalf of said (State) corporation.

My commission expires: April 9, 1966

*Joseph P. ...*  
Notary Public

INDIVIDUAL

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_.

My commission expires: \_\_\_\_\_

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



CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ <sup>WPC</sup> **SKELLY OIL COMPANY**  
BY W.F. Bailey  
**Attorney in Fact** 17

Approved as to Form

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said (State) corporation.

My commission expires: \_\_\_\_\_  
Notary Public

INDIVIDUAL

STATE OF OKLAHOMA  
COUNTY OF TULSA

The foregoing instrument was acknowledged before me this 20th day of March, 1964, by W.F. BAILEY as Attorney in Fact on behalf of SKELLY OIL COMPANY.

My commission expires: \_\_\_\_\_  
Aug 24, 1967  
Notary Public Louise N. Lavin

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ Howard H. Jennings  
Peggy P. Jennings  
1 2 7

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My commission expires: \_\_\_\_\_  
Notary Public

INDIVIDUAL

STATE OF Texas  
COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 9<sup>th</sup> day of March, 1964, by Howard H. Jennings and Peggy P. Jennings, his wife.

My commission expires: June 1, 1965  
Lou Anna Crocker  
Notary Public

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

UNITED STATES SMELTING REFINING  
AND MINING COMPANY

By J. V. Neuman, Jr.  
J. V. Neuman, Jr. Vice President  
and General Manager, Oil Operations

CORPORATE

1 2 3 4 11 12

H/S

STATE OF TEXAS  
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 9<sup>th</sup> day of March, 1964, by J. V. NEUMAN, JR. who is Vice President and General Manager, Oil Operations of UNITED STATES SMELTING REFINING AND MINING COMPANY, a Maine corporation, for and on behalf of said (State)

corporation.  
My commission expires: June 1, 1965

Leslie J. Gregory  
Notary Public  
Leslie J. Gregory  
Notary Public  
Eddy County, New Mexico

INDIVIDUAL

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_

My commission expires: \_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ *Everett E. Taylor*  
\_\_\_\_\_ *Regina L. Taylor*  
\_\_\_\_\_ 3 4 11 12

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said (State) corporation.

My commission expires: \_\_\_\_\_  
Notary Public

INDIVIDUAL

STATE OF NEW MEXICO  
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 6 day of March, 1964, by Everett E. Taylor, joined by his wife, Regina L. Taylor.

My commission expires: \_\_\_\_\_  
*Vega L. Stovall*  
Notary Public  
April 23, 1966

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

**ATTEST:**  
\_\_\_\_\_  
*Roger L. Campbell*  
Assistant Secretary

**ELK OIL COMPANY**  
\_\_\_\_\_  
By: *James T. Jennings*  
President  
3 4 11 12

CORPORATE

STATE OF NEW MEXICO  
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 19<sup>th</sup> day of March, 1964, by James T. Jennings who is President of Elk Oil Company, a New Mexico (State) corporation, for and on behalf of said corporation.

My commission expires:  
10-20-65

*Bette Lee Lewis*  
Notary Public

INDIVIDUAL

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_

My commission expires:  
\_\_\_\_\_

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

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ *John F. Younger*  
\_\_\_\_\_ *Charlene S. Younger*  
\_\_\_\_\_ 5

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said (State) corporation.

My commission expires: \_\_\_\_\_  
Notary Public

INDIVIDUAL

STATE OF Texas  
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 6th day of March, 1964, by John F. Younger and Charlene S. Younger

My commission expires: \_\_\_\_\_  
*Phyllis Bunnstrand*  
Notary Public  
June 1, 1965

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ *George S. Turner*  
\_\_\_\_\_ *Edna K. Turner*  
\_\_\_\_\_ **6**

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said \_\_\_\_\_ (State) corporation.

My commission expires: \_\_\_\_\_

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

INDIVIDUAL

STATE OF TEXAS  
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 6th day of March, 1964, by George S. Turner  
Edna K. Turner, his wife,

My commission expires: \_\_\_\_\_

*Elwood Hisey*  
\_\_\_\_\_  
Notary Public

June 1, 1965

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ *E. White*  
\_\_\_\_\_ *Blanche V. White*  
\_\_\_\_\_ 7

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said (State) corporation.

My commission expires: \_\_\_\_\_  
Notary Public

INDIVIDUAL

STATE OF NEW MEXICO  
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 5th day of March, 1964, by Emmett D. White and Blanche V. White, his wife

My commission expires: \_\_\_\_\_  
*Lettie L. Hughes*  
Notary Public  
July 20, 1966



CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Ralph Nix*  
*Frances Nix*  
\_\_\_\_\_  
\_\_\_\_\_

10

CORPORATE

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, for and on behalf of said (State) corporation.

My commission expires: \_\_\_\_\_

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

INDIVIDUAL

STATE OF NEW MEXICO  
COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 3rd day of March, 1964, by Ralph Nix and Frances Nix, his wife.

My commission expires: \_\_\_\_\_

*Alfred Lee Williams*  
\_\_\_\_\_  
Notary Public

1-12-68

CONSENT AND RATIFICATION  
WAGONTIRE UNIT AGREEMENT  
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Wagontire Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 24th day of February, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Wagontire Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
MONSANTO CHEMICAL COMPANY

*FR*  
*Me*  
BY Frank Richardson  
Attorney-in-Fact

CORPORATE

15

STATE OF Texas  
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 30<sup>th</sup> day of March, 1964, by Frank Richardson who is Attorney-in-Fact of Monsanto Chemical Company, a Delaware corporation, for and on behalf of said (State) corporation.

My commission expires:  
June 1, 1965

Deborah A. Norton  
Notary Public

INDIVIDUAL

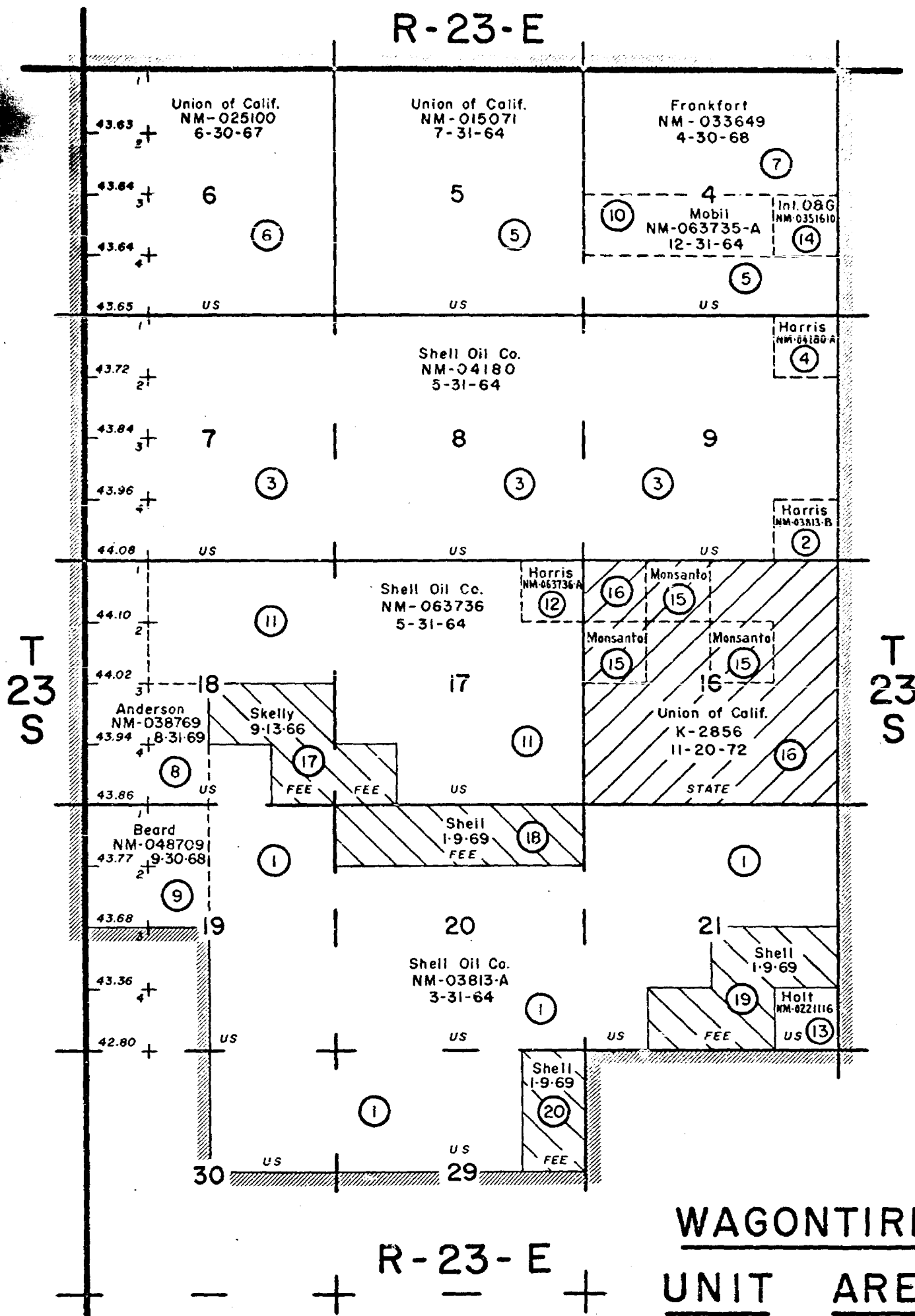
STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_

My commission expires:

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

# R-23-E



## WAGONTIRE UNIT AREA

Eddy County, N.M.

### EXHIBIT "A"

○	TRACT NUMBER			
	UNIT OUTLINE			
	FEDERAL LAND	6,853.53 ACRES	85.10 %	
	STATE LAND	640.00 ACRES	7.95 %	
	PATENTED LAND	560.00 ACRES	6.95 %	
		<b>8,053.53 ACRES</b>		

**EXHIBIT "B"**  
**SCHEDULE SHOWING OWNERSHIP OF ALL LANDS WITHIN**  
**THE UNIT AREA - WACONTIRE UNIT AREA**  
**EDDY COUNTY, NEW MEXICO**

Tract No.	Description	Number of Acres	Lease Serial No. & Expiration Date	Basic Royalty & Percentage	Lessees of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
<b>FEDERAL LANDS</b>							
1.	T-23-S, R-23-E Sec. 18; S <sup>1</sup> SW <sup>1</sup> Sec. 19; E <sup>1</sup> Sec. 20; S <sup>1</sup> NE <sup>1</sup> , S <sup>1</sup> Sec. 21; NE <sup>1</sup> , NE <sup>1</sup> SW <sup>1</sup> S <sup>1</sup> SW <sup>1</sup> Sec. 29; NE <sup>1</sup> NE <sup>1</sup> , NW <sup>1</sup> Sec. 30; NE <sup>1</sup>	1680.00	NM-03813-A 3-31-64	USA 12 $\frac{1}{2}$ %	Shell Oil Company	All Peggy P. Jennings 3% U. S. Smelting Ref- ining & Mining Company 2%	Shell Oil Company All
2.	T-23-S, R-23-E, Sec. 9; SE <sup>1</sup> SE <sup>1</sup>	40.00	NM-03813-E 3-31-64	USA 12 $\frac{1}{2}$ %	L. C. Harris	All Peggy P. Jennings 3% U. S. Smelting Ref- ining & Mining Company 2%	L. C. Harris All
3.	T-23-S, R-23-E, Sec. 7; All Sec. 8; All Sec. 9; NE <sup>1</sup> , NE <sup>1</sup> SE <sup>1</sup> , SE <sup>1</sup> NE <sup>1</sup> , NE <sup>1</sup> SW <sup>1</sup>	1855.60	NM-04180 5-31-64	USA 12 $\frac{1}{2}$ %	Shell Oil Company	All Elk Oil Company 1 $\frac{1}{2}$ % Everett E. Taylor 1 $\frac{1}{2}$ % U. S. Smelting Ref- ining & Mining Company 2%	Shell Oil Company All
4.	T-23-S, R-23-E, Sec. 9; NE <sup>1</sup> NE <sup>1</sup>	40.00	NM-04180-A 5-31-64	USA 12 $\frac{1}{2}$ %	L. C. Harris	All Elk Oil Company 1 $\frac{1}{2}$ % Everett E. Taylor 1 $\frac{1}{2}$ % U. S. Smelting Ref- ining & Mining Company 2%	L. C. Harris All
5.	T-23-S, R-23-E, Sec. 4; S <sup>1</sup> SW <sup>1</sup> Sec. 5; All	800.00	NM-015071 7-31-64	USA 12 $\frac{1}{2}$ %	Union Oil Company of California	All George D. Riggs \$500 per acre out of 3% John F. Younger .25%	Union Oil Co. of California All

6.	T-23-S, R-23-E, Sec. 6; All	654.56	NM-025100 6-30-67	USA 12 1/2%	Union Oil Co. of California	All	Neil H. Willis \$500 per acre out of 3% George S. Turner. 25%	Union Oil Co. of California	All
7.	T-23-S, R-23-E, Sec. 4; NE 1/2	320.00	NM-033649 4-30-68	USA 12 1/2%	Joseph E. Seagrams & Sons, Inc.	All	E. D. White \$500 per acre out of 3% Howard W. Jennings 1%	Joseph E. Seagrams & Sons, Inc.	All
<p>Note: This lease was a portion of the assets of Texas Pacific Coal &amp; Oil Co., sold to Joseph E. Seagrams &amp; Sons, Inc. The Oil Payment reserved and sold in the transaction is not shown herein.</p>									
8.	T-23-S, R-23-E, Sec. 18; Lots 1, 2, 3, 4, E 1/2 SW 1/4	255.92	NM-038769 8-31-69	USA 12 1/2%	Jacqueline Anderson	All	None	Jacqueline Anderson	All
9.	T-23-S, R-23-E, Sec. 19; Lots 1, 2, E 1/2 NW 1/4	167.45	NM-048709 9-30-68	USA 12 1/2%	Beard Oil Company	All	None	Beard Oil Company	All
10.	T-23-S, R-23-E, Sec. 4; NE SW 1/4, NW 1/4 SE 1/4	120.00	NM-053735-A 12-31-64	USA 12 1/2%	Socony Mobil Oil Company, Inc.		Ralph Nix .75% David Miller 1.25%	Socony Mobil Oil Company, Inc.	All
11.	T-23-S, R-23-E, Sec. 17; NW 1/4, SE 1/4, NE SW 1/4, SE SW 1/4, NW 1/4 NE 1/4, SE SW 1/4, Sec. 18; NE 1/4, E 1/2 NW 1/4	200.00	NM-063736 5-31-64	USA 12 1/2%	Shell Oil Company	All	Elk Oil Company 1 1/3% Everett E. Taylor 1 1/3% U. S. Smelting Ref- & Mining Company 2%	Shell Oil Company	All
12.	T-23-S, R-23-E, Sec. 17; NE 1/4 NW 1/4	40.00	NM-063736-A 5-31-64	USA 12 1/2%	L. C. Harris	All	Elk Oil Company 1 1/3% Everett E. Taylor 1 1/3% U. S. Smelting Ref- & Mining Company 2%	L. C. Harris	All
13.	T-23-S, R-23-E, Sec. 21; SE 1/4 SE 1/4	40.00	NM-0221116 1-31-72	USA 12 1/2%	F. E. Fuhrman Robert B. Eolt	5/8 3/8	None	F. E. Fuhrman Robert B. Eolt	5/8 3/8

14. R-23-S, R-23-E 40.00 MM-0351610 USA International Oil None International Oil  
Sec. 4; NE $\frac{1}{4}$ SE $\frac{1}{4}$  2-28-73 12 $\frac{1}{2}$ % & Gas Co. All & Gas Co. All

14 Tracts, Federal Lands, 6,853.53 Acres, 85.10% of the Unit Area

STATE OF NEW MEXICO LANDS

15. R-23-S, R-23-E 120.00 E-10172-1 State Monsanto Chemical None Monsanto Chemical  
Sec. 16; NE $\frac{1}{4}$ NW $\frac{1}{4}$  6-19-66 12 $\frac{1}{2}$ % Company All Company All  
SW $\frac{1}{4}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$

16. R-23-S, R-23-E 520.00 K-2856 State Union Oil Co. of None Union Oil Co. of  
Sec. 16; S $\frac{1}{2}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$  11-20-'72 12 $\frac{1}{2}$ % California All California All

2 Tracts, State of New Mexico Lands, 640.00 acres, 7.95% of the Unit Area

PATENTED (FEE) LANDS

17. R-23-S, R-23-E 160.00 Lease 1 J. F. Joyce II 4.899% Skelly Oil Co. All None Skelly Oil Co. All  
Sec. 17; SW $\frac{1}{4}$ SW $\frac{1}{4}$  9-13-66 Mary Frances 2.239%  
Sec. 18; NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$  June Joyce Kugeler 2.237%

Lease 2 Quitar Trust Estate\* 1.562%  
9-13-66 Estate of C. P. Pardue .781%

Lease 3 Bruce D. Pardue .391%  
9-13-66 Maurice D. Pardue .391%  
Total 12,500 $\frac{3}{8}$  = 1/8

18. T-23-S, R-23-E  
Sec. 20; ~~M&M~~

160.00

Lease 1  
1-9-69

Guitar Trust Estate\*

1.562%

Shell Oil Company

All

None

Shell Oil Company

Lease 2  
1-9-69

J. F. Joyce II

4.899%

Lease 3  
1-9-69

Estate of C. P. Pardue  
Bruce D. Pardue  
Maurice P. Pardue

.781%  
.391%  
.391%

Lease 4  
1-9-69

June Joyce Kugeler

2.237%

Lease 5  
1-9-69

Mary Frances Merchant

2.239%

Total 12.500% = 1/8

19. T-23-S, R-23-E  
Sec. 21; ~~M&M~~, ~~S&M~~, ~~S&M~~  
~~S&M~~

160.00

Leases  
1,2,3,4,5  
1-9-69

Basic Royalty ownership and  
percentages same as Tract 18  
above.

Shell Oil Company

All

None

Shell Oil Company

All

20. T-23-S, R-23-E  
Sec. 29; ~~E&M~~

80.00

Leases  
1,2,3,4,5  
1-9-69

Basic Royalty ownership and  
percentages same as Tracts 18  
and 19 above.

Shell Oil Company

All

None

Shell Oil Company

All

Note: Although the Basic Ownership of Tracts  
18, 19, & 20 is the same, each tract is  
covered by 5 separate leases (total 15)  
all expiring 1-9-69.

4 Patented (Fee) Tracts, 560.00 Acres, 6.95% of the Unit Area.

Recapitulation:  
14 Tracts Federal Land  
2 " State  
4 " Patented "  
20 Tracts

6,853.53 Acres,  
640.00 " "  
560.00 " "  
8,053.53 Acres

85.10% of the Unit Area.  
7.95% " " "  
6.95% " " "  
100.00%

\* Guitar Trust Estate: By,  
Repps B. Guitar and Earl B. Guitar  
Individually and as Attorneys-in-Fact  
for Virginia Guitar Wiherspoon,  
Catherine Guitar Woods, Laura Guitar  
Belcker, John Guitar, Jr., Mary Guitar  
Polk and Ruth Guitar Alexander.

BY COMMISSIONER

There having been a...  
Lands of the State...  
ent for the...  
cribed within the...  
ich has been executed...  
holding oil and gas...  
property described, and upon...  
missioner finds:

- (a) That such agreement... conservation of oil and gas... utilization of... in said...
- (b) That under the... of New Mexico will receive... the recoverable oil or gas in place... lands in the area.
- (c) That each beneficiary... of New Mexico will receive... able share of the recoverable... under its lands within the area.
- (d) That such agreement is in other... the best interests of the... to state lands.

NOW, THEREFORE, by virtue of the... under Sections 7-11-39, 7-11-40, 7-11-41... Statutes Annotated 1953 Compilation, 1, the... of Public Lands of the State of New Mexico, the... properly conserving the oil and gas... consent to and approve the said Agreement, and... lands of the State of New Mexico... the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is... with seal affixed, this 20th day of March 1962.

*[Signature]*  
Commissioner of Public Lands  
of the State of New Mexico



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 3011  
ORDER NO. R-2678

APPLICATION OF SHELL OIL COMPANY  
FOR APPROVAL OF THE WAGONTIRE  
UNIT AGREEMENT, EDDY COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 18, 1964, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18<sup>th</sup> day of March, 1964, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Shell Oil Company, seeks approval of the Wagontire Unit Agreement covering 8,054 acres, more or less, of state, Federal and Fee lands in Township 23 South, Range 23 East, N34E, Eddy County, New Mexico.
- (3) That approval of the proposed Wagontire Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

- (1) That the Wagontire Unit Agreement is hereby approved.
- (2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

development and operation of the Magentire Unit Area, and such plan shall be known as the Magentire Unit Agreement.

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

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

NEW MEXICO PARCELS MAP SHEET

ROBY COUNTY, NEW MEXICO  
TOWNSHIP 23 NORTH, RANGE 23 WEST  
Sections 4 through 9: All  
sections 16 through 18: All  
section 19: 1/2 and SE/4  
sections 20 and 21: All  
section 29: 1/2  
section 30: SE/4

containing 8,053.53 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Magentire Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

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

-3-

CRBS No. 3011  
Order No. R-2678

(7) That jurisdiction of this cause be retained for the entry of such further orders as the commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

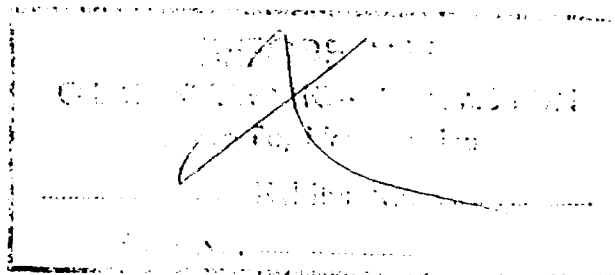
A. L. POWERS, Jr., Member & Secretary

S E A L

esr/

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

Applic. Exhibit No. 1  
Case No. 3011



UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
WAGONTIRE UNIT AREA  
EDDY COUNTY, NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 24th day of February, 1964, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65, Volume 9, Part 2, 1953 Statutes) to approve this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the Wagontire Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and,

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

**Conditions and Unit Operator**

NOW, REFERRED TO

herein contained, the

interests in the

as follows:

1. Exhibit "A" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage of interest of oil and gas interests in all land in the State of Texas, herein and in any schedule of any kind, as to the ownership of any interests other than such interest as interests shown in said map or schedule is owned by the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage of interest of oil and gas interests in all land in the State of Texas, herein and in any schedule of any kind, as to the ownership of any interests other than such interest as interests shown in said map or schedule is owned by the Unit Operator. Exhibit "C" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage of interest of oil and gas interests in all land in the State of Texas, herein and in any schedule of any kind, as to the ownership of any interests other than such interest as interests shown in said map or schedule is owned by the Unit Operator.

2. Unit AREA. The area covered by the Unit Operator shall be that area shown on the map attached hereto as Exhibit "A" and on any schedule of any kind, as to the ownership of any interests other than such interest as interests shown in said map or schedule is owned by the Unit Operator.

Exhibit "A" shows, in addition to the acreage, percentage of interest of oil and gas interests in all land in the State of Texas, herein and in any schedule of any kind, as to the ownership of any interests other than such interest as interests shown in said map or schedule is owned by the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage of interest of oil and gas interests in all land in the State of Texas, herein and in any schedule of any kind, as to the ownership of any interests other than such interest as interests shown in said map or schedule is owned by the Unit Operator. Exhibit "C" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage of interest of oil and gas interests in all land in the State of Texas, herein and in any schedule of any kind, as to the ownership of any interests other than such interest as interests shown in said map or schedule is owned by the Unit Operator.

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

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

(b) Said notice shall be delivered to the Supervisor, the State Land 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 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the State Land 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 Land 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 subsection), no parts of which are entitled to be in a participating area within five 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 90 days time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay;" provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director and the State Land Commissioner. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

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

Any expansion of the unit area pursuant to this section which embraces lands thereto fore eliminated pursuant to this sub-section 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.** Shell Oil Company with offices at Midland, 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 them and agrees and consents to accept the duties and obligations of Unit Operator for 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 him.

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 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the State Land Commissioner and 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 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.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participation area established hereunder is in existence, but, in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.



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

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, or a change of unit operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided that, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with the Supervisor and approved

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. The Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the State Land Commissioner, prior to approval of this unit agreement by the Director.

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 each party hereto, and

however, shall be construed to transfer title to any land or interest therein.

operating agreement, it being understood that under this agreement the Unit

Operator, in its capacity as Unit Operator, shall exercise the right of possession

and use vested in the parties hereto only for the purposes herein provided.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on Federal land or by the State Land 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 thereafter continue such drilling diligently until the Glenflyn formation of Pennsylvanian age has been tested or until at a least depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land, or the State Land Commissioner if on State land, or of the State Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable; provided however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 3,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the State Land 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 the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and State Land

Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the State Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the State Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the State Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the State Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and location 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 the proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the State Land Commissioner. 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 Land Commissioner are authorized to grant a

reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the State Land Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

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 such completion, if practicable, or as soon thereafter as required by the Supervisor or the State Land Commissioner submit for approval by the Director and the State Land Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the State Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the State Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities,

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 and the State Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the State Land Commissioner as to wells drilled on State land and the State Commission as to wells on privately owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be

allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of

the Supervisor as to Federal land, the State Land Commissioner as to State Land, and the State Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and the State of New Mexico and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in 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 hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the State Land Commissioner, and the 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 Land 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 shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulations; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof

due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director and the State Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands or as approved by the State Land Commissioner for New Mexico 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 operations for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the State Land Commissioner as to State leases shall and each

by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the State Land Commissioner or their duly authorized representative, 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 State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination

hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the land 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."

(1) Any lease embracing lands of the 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 provisions 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 oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease 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 reworking 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 oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, so long thereafter as oil or gas in paying quantities is 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 Director and the State Land Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the State Land Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed

of unit (b) ...  
and after ...  
by the Unit ...  
the agreement ...  
Commissioner, or

(c) a ...  
on unutilized land ...  
event the agreement ...  
substances ...  
producing ...  
hereunder and, should production ...  
are in progress ...  
and so long, hereafter, as the ...  
as aforesaid, or

(d) It is ...  
agreement may be terminated at any time by not less than 90 ...  
acreage basis, of the ...  
approval of the Director and State Land Commissioner; notice of any such approval  
to be given by the Unit operator to all parties hereto.

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

in this agreement and is not in violation of any applicable Federal or State law; provided further that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and developing in the absence of the specific written approval thereof by the State Land Commissioner and as to the 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 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 agreement 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 and on behalf of any and all interests affected hereby before the Department of Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the State Land Commissioner or State Commission or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the State Land Commissioner or 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 or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or the ratification or consent hereof or to such other address as any such party may have furnished in writing to the 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. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (28 F.R. 6485), which are hereby incorporated by reference in this agreement.

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, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or



leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State of New Mexico shall be deposited as directed by the State Land 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 Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Land Commissioner and the 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; provided, however, that as to State Lands such subsequent joinder must be approved by the State Land Commissioner.

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.

ATTEST:

\_\_\_\_\_  
Secretary

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

SHELL OIL COMPANY

By \_\_\_\_\_

Address: P. O. Box 1509  
Midland, Texas 79704

UNIT OPERATOR AND WORKING INTEREST  
OWNER

ATTEST:

\_\_\_\_\_  
Secretary

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

By \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

ATTEST:

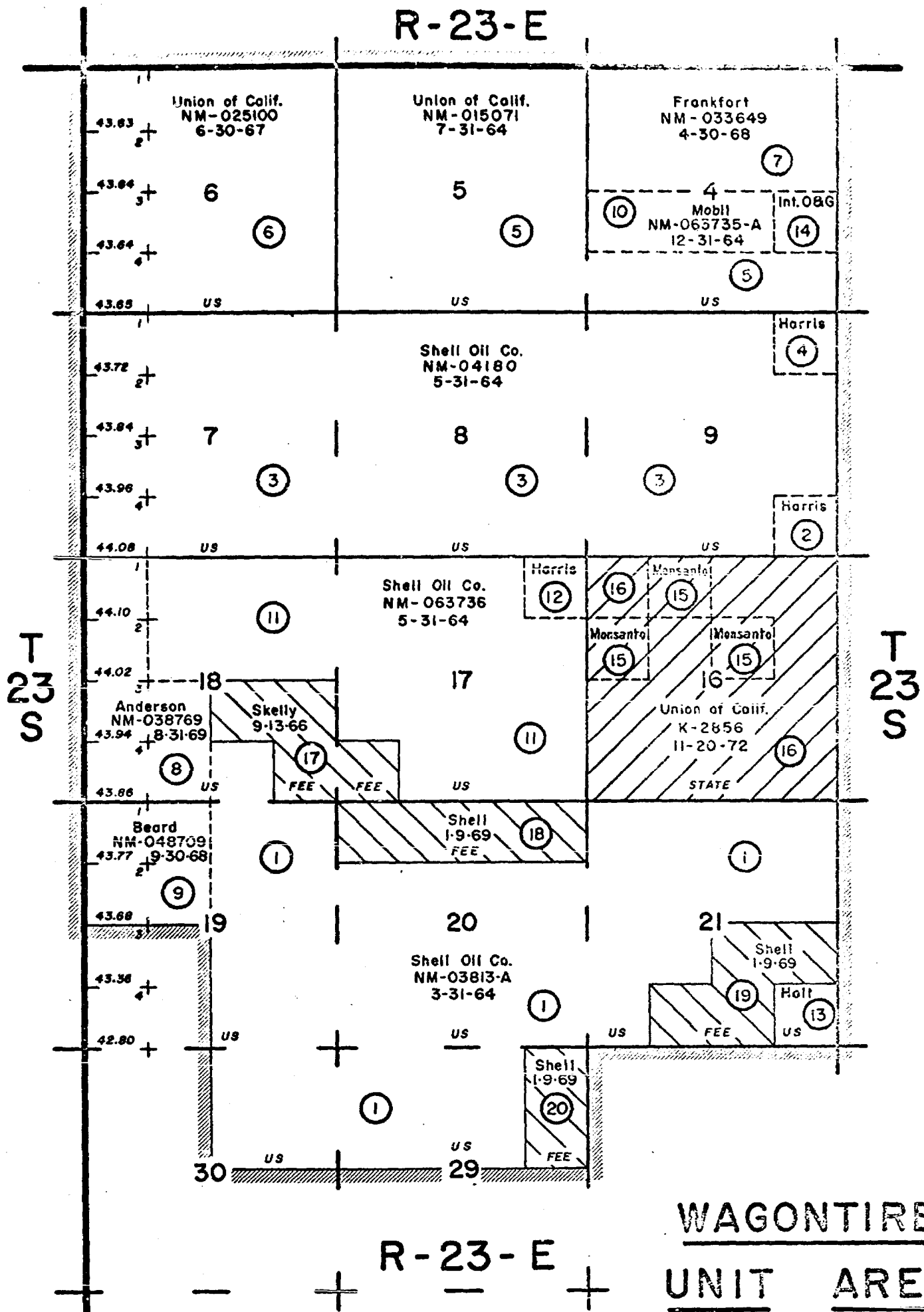
\_\_\_\_\_  
Secretary

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

By \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_



WAGONTIRE  
UNIT AREA

Eddy County, N.M.

EXHIBIT "A"

○	TRACT NUMBER			
▨	UNIT OUTLINE			
▭	FEDERAL LAND	6,853.53	ACRES	85.10 %
▨	STATE LAND	640.00	ACRES	7.95%
▨	PATENTED LAND	560.00	ACRES	6.95 %
		<u>8,053.53</u>	<u>ACRES</u>	

EXHIBIT "B"  
 SCHEDULED SPORTING OWNERSHIP OF ALL LANDS WITHIN  
 THE UNIT AREA - MAGONVILLE UNIT AREA  
 EDDY COUNTY, NEW MEXICO

Tract No.	Description	Number of Acres	Lease Serial No. & Expiration Date	Basis		Overriding Royalty & Percentage	Working Interest & Percentage
				Royalty & Percentage	Lessee of Record & Percentage		
<u>FEDERAL LANDS</u>							
1.	T-23-S, R-23-E Sec. 18; SW <sup>1</sup> SE <sup>4</sup> Sec. 19; E <sup>1</sup> Sec. 20; S <sup>1</sup> SW <sup>1</sup> , S <sup>1</sup> Sec. 21; N <sup>1</sup> , MSW <sup>1</sup> , SW <sup>1</sup> SE <sup>4</sup> Sec. 29; NE <sup>1</sup> NE <sup>1</sup> , NW <sup>1</sup> Sec. 30; NE <sup>1</sup>	1600.00	NM-02813-A 3-31-64	USA 12 $\frac{1}{2}$ %	Shell Oil Company All	Peggy P. Jennings U.S. Smelting Ref- ining & Mining Company 3%	Shell Oil Co. All
2.	T-23-S, R-23-E Sec. 9; SE <sup>1</sup> SE <sup>4</sup>	40.00	NM-02813-B 3-31-64	USA 12 $\frac{1}{2}$ %	L. C. Harris All	Peggy P. Jennings U.S. Smelting Ref- ining & Mining Company 3%	L. C. Harris All
3.	T-23-S, R-23-E Sec. 7; All Sec. 8; All Sec. 9; NE <sup>1</sup> , NE <sup>1</sup> SE <sup>1</sup> , SE <sup>1</sup> NE <sup>1</sup> , NE <sup>1</sup> SE <sup>1</sup>	1855.60	NM-04180 5-31-64	USA 12 $\frac{1}{2}$ %	Shell Oil Company All	Esther L. Kelly Everett E. Taylor U.S. Smelting Ref- ining & Mining Company 1 $\frac{1}{2}$ % 1 $\frac{1}{2}$ % 2%	Shell Oil Co. All
4.	T-23-S, R-23-E Sec. 9; NE <sup>1</sup> NE <sup>1</sup>	40.00	NM-04180-A 5-31-64	USA 12 $\frac{1}{2}$ %	L. C. Harris All	Esther L. Kelly Everett E. Taylor U. S. Smelting Ref- ining & Mining Company 1 $\frac{1}{2}$ % 1 $\frac{1}{2}$ % 2%	L. C. Harris All
5.	T-23-S, R-23-E Sec. 4; SE <sup>1</sup> Sec. 5; All	890.00	NM-025071 7-31-64	USA 12 $\frac{1}{2}$ %	Union Oil Co. of California All	George H. Wiggs, 3500 acre out of 3500 John F. Younger .25%	Union Oil Co. of California All

Sec. of Int.

Sec. of Int.

Union Oil Co. of California

1931

Union Oil Co. of California

1931

Union Oil Co. of California All

Union Oil Co. of California

1931

Union Oil Co. of California

1931

Joseph S. Sargent & Sons, Inc. All

J. J. Wells \$500  
W. W. Jennings 1%  
Joseph S. Sargent & Sons, Inc. 25%  
The Oil Company  
The Oil Company  
The Oil Company

Joseph S. Sargent & Sons, Inc. All

Sec. of Int.

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Sec. of Int.

Sec. of Int.

Union Oil Co. of California

1931

Union Oil Co. of California

1931

Union Oil Company All

Union Oil Co. of California

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Union Oil Co. of California

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Union Oil Co. All

Union Oil Co. of California

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Union Oil Co. of California

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Union Oil Co. All

Union Oil Co. of California

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Union Oil Co. of California

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Union Oil Co. of California

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Union Oil Co. All

Union Oil Co. of California

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Union Oil Co. of California

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Union Oil Co. All

13. R-23-S, R-23-S  
Sec. 21, SE-334

Union Oil Co. of California

1931

Union Oil Co. of California

1931

Union Oil Co. All

14. T-23-S, R-23-E  
Sec. 4; NE $\frac{1}{4}$ SE $\frac{1}{4}$

40.00

MM-0351610  
2-28-73

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

International Oil  
& Gas Co. ALL

None

International Oil  
& Gas Co.

ALL

14 Tracts, Federal Lands, 6,853.53 Acres, 85.10% of the Unit Area

STATE OF NEW MEXICO LANDS

15. T-23-S, R-23-E  
Sec. 16; NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$

120.00

E-10172-1  
6-19-66

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

Monsanto Chemical  
Company ALL

None

Monsanto Chemical  
Company

ALL

16. T-23-S, R-23-E  
Sec. 16; S $\frac{1}{2}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ ,  
SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$ ,  
SE $\frac{1}{4}$ NE $\frac{1}{4}$

520.00

K-2856  
11-20-72

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

Union Oil Co. of  
California ALL

None

Union Oil Co. of  
California

ALL

2 Tracts, State of New Mexico Lands, 640.00 acres, 7.95% of the Unit Area

PATENTED (FREE) LANDS

17. T-23-S, R-23-E  
Sec. 17; SW $\frac{1}{4}$ SW $\frac{1}{4}$   
Sec. 18; NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$

160.00

Lease 1  
9-13-66

J. F. Joyce II  
Mary Frances  
Merchant  
June Joyce Kugeler

4.899%  
Skelly Oil Co. ALL

None

Skelly Oil Co.

ALL

Lease 2  
9-13-66

Quitar Trust Estate\*  
Estate of C. P.  
Pardue

1.562%  
.781%

Lease 3  
9-13-66

Bruce D. Pardue  
Maurice D. Pardue

.391%  
.391%

Total

12.500% = 1/8

18. T-23-S, R-23-E 160.00 Lease 1 Guitar Trust Estate\* 1.562% Shell Oil Company All None Shell Oil Company All  
Sec. 20; ~~M<sub>1</sub>W<sub>2</sub>~~ 1-9-69

Lease 2 J. F. Joyce II 4.899%

Lease 3 Estate of C. P. Pardue .781%  
 Bruce D. Pardue .391%  
 Maurice P. Pardue .391%

Lease 4 June Joyce Kugeler 2.237%

Lease 5 Mary Frances Merchant 2.239%

Total 12.500% = 1/8

19. T-23-S, R-23-E 160.00 Leases Basic Royalty ownership end Shell Oil Company All None Shell Oil Company All  
Sec. 21; ~~M<sub>1</sub>SW<sub>1</sub>~~, SW<sub>1</sub>SE<sub>1</sub>, SW<sub>1</sub>SE<sub>1</sub>, 1,2,3,4,5 percentages same as Tract 18  
~~SE<sub>1</sub>SW<sub>1</sub>~~ 1-9-69 above.

20. T-23-S, R-23-E 80.00 Leases Basic Royalty ownership end Shell Oil Company All None Shell Oil Company All  
Sec. 29; ~~E<sub>1</sub>NE<sub>1</sub>~~ 1,2,3,4,5 percentages same as Tracts 18  
~~E<sub>1</sub>NE<sub>1</sub>~~ 1-9-69 and 19 above.

Note: Although the Basic Ownership of Tracts 18, 19, & 20 is the same, each tract is covered by 5 separate leases (total 15) all expiring 1-9-69.

4 Patented (Fee) Tracts, 560.00 Acres, 6.95% of the Unit Area.

Recapitulation:

14 Tracts Federal Land	6,853.53 Acres,	85.10% of the Unit Area.
2 " State	640.00 " "	7.95% " " "
4 " Patented "	560.00 " "	6.95% " " "
<u>20 Tracts</u>	<u>8,053.53 Acres</u>	<u>100.00%</u>

\* Guitar Trust Estate: By, Repps B. Guitar and Earl B. Guitar Individually and as Attorneys-in-fact for Virginia Guitar Witherspoon, Catherine Guitar Woods, Laura Guitar Belcher, John Guitar, Jr., Mary Guitar Polk and Ruth Guitar Alexander.