

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

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

Oil Conservation Commission  
Santa Fe, New Mexico

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## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

June 13, 1962

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

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

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

Gentlemen:

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

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

Very truly yours,

*James E. Mathews*  
James E. Mathews  
District Land Agent

JEM:BG

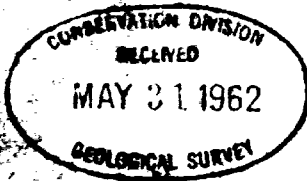
Enclosure



# SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

May 8, 1962



Subject Cabezon Unit  
Sandoval County,  
New Mexico

**BEST AVAILABLE COPY**

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

Through

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

Gentlemen:

The Unit Agreement for the Development and Operation of the Cabezon Unit Area, encompassing lands in Sandoval County, New Mexico, was approved by the Acting Director, United States Geological Survey, on December 5, 1961 and designated as Unit Agreement No. 14-68-0001-7820.

Shell Oil Company, as Unit Operator, drilled the Shell-Wright No. 41-26 well in the NE/4 NE/4 of Section 26, T. 17 N., R. 3 W., N.M.P.M. This well was completed and abandoned as a dry hole at a depth of 6952 feet in the pre-Cambrian granite on December 14, 1961. In accordance with Paragraph 9 of the Unit Agreement, the next well obligation will accrue six months from the completion date of the Shell-Wright well, or on June 14, 1962.

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

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

2

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


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

Very truly yours,

F. W. Mantker  
Division Land Manager

MEM:231

Date Approved JUN - 4 1963

  
Acting Director, U. S. Geological Survey

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NOT AVAILABLE COPY

June 8, 1962

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

Re: Cabezon Unit  
Sandoval County, New Mexico,  
Request for Six-Month Ex-  
tension in which to drill  
second Exploratory Well

Attention: Mr. F. W. Nantker

Gentlemen:

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

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

Very truly yours,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

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

ESW/mmz/v

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

Oil Conservation Commission  
Santa Fe, New Mexico



2407

MAIN OFFICE  
SHELL OIL COMPANY

1962 JUN 7 AM 12:00 24  
Post Office Box 1200 24  
Farmington, New Mexico

June 6, 1962

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

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

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

Gentlemen:

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

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

Very truly yours,

F. W. Nantker  
Division Land Manager

JEM:BG

Enclosure

Six-Month Extension Granted:

Date June 8, 1962

A. L. Porter, Jr.  
Secretary-Director

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



## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

May 8, 1962

Subject: Cabezon Unit  
Sandoval County,  
New Mexico

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

through

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

Gentlemen:

The Unit Agreement for the Development and Operation of the Cabezon Unit Area, encompassing lands in Sandoval County, New Mexico, was approved by the Acting Director, United States Geological Survey, on December 5, 1961 and designated as Unit Agreement No. 14-C8-0001-782C.

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

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

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

2

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

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

Very truly yours,

Original signed by  
F. W. NANTKER

F. W. Nantker  
Division Land Manager

JEM:BG





SHELL OIL COMPANY

MAIN OFFICE OCC  
1962 JUN 7 AM 8:24

Post Office Box 1200  
Farmington, New Mexico

June 6, 1962

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

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

Attention Mrs. Marion Rhea

Gentlemen:

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

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

Very truly yours,

F. W. Nantker  
Division Land Manager

JEM:BG

Enclosure

Six-Month Extension Granted:

Date \_\_\_\_\_

E. S. Johnny Walker  
Commissioner of Public Lands

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

← THIS COPY FOR

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MAIN OFFICE OCC

1962 MAR 7 AM 8:24

2407

March 6, 1962

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

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

Attention: Mr. F. W. Nantker

Gentlemen:

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

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

Very truly yours,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

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

ESW/wmr/v  
encl:

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# SHELL OIL COMPANY

MAIN OFFICE 0000 Post Office Box 1200  
Farmington, New Mexico

1962 DEC 15 AM

00  
December 3, 1962

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

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

Attention Mr. A. L. Porter

Gentlemen:

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

Very truly yours,

*James E. Mathews*

James E. Mathews  
District Land Agent

JEM:BG

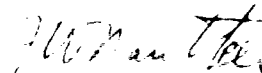
Enclosure

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

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

Very truly yours,




F. W. Gantker  
Division Land Manager

FWM:BG

Six-Month Extension Granted:

Date NOV 27 1962

  
Acting Director  
United States Geological Survey

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

Six-Month Extension Granted:

Date \_\_\_\_\_

E. S. Johnny Walker  
Commissioner of Public Lands

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

Six-Month Extension Granted:

Date \_\_\_\_\_

A. L. Porter, Jr.  
Secretary-Director

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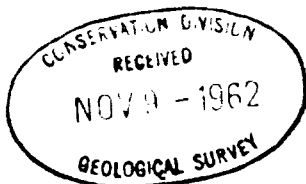


## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

October 24, 1962

BEST AVAILABLE COPY



Subject: Tablizon Unit  
Contract No. 14 08 0001 7510  
Sandoval County, New Mexico

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

Through

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

Gentlemen:

RECEIVED

OCT 24 1962

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

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

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

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## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

2407  
MAIN OFFICE OCC

1963 NOV 20 PM 1:25

November 19, 1963

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

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

Attention Mrs. Marian Rhea

Gentlemen:

On December 5, 1961, Arthur A. Baker, Acting Director of the United States Geological Survey, Washington, D. C., approved the Cabezon Unit and designated it No. 14-08-0001-7820. The Commissioner of Public Lands of the State of New Mexico granted their approval of this Unit on November 28, 1961. Further an approval of an expansion of this Unit was granted by said Acting Director on May 9, 1963 and said expansion was also approved by the Commissioner of Public Land of the State of New Mexico on the 16th day of April, 1963.

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

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

State of New Mexico  
Commissioner of Public Lands

MAIN OFFICE OCC

2

1963 NOV 20 PM 1:25

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

Very truly yours,

*James E. Mathews*  
for F. W. Nantker  
Division Land Manager

JEM:GL

Enclosures

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

2407  
BEST AVAILABLE COPY

HEAD OFFICE OGC

1963 NOV 27 PM 3:04

November 27, 1963

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

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

Attention: Mr. F. W. Nantker

Gentlemen:

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

This being a request by approximately ninety-six (96) percent of the total working interests of the Cabezon Unit, Sandoval County, New Mexico, for the termination of this Unit Agreement as provided for under Section 20 of the Cabezon Unit Agreement. We believe the effective date of the termination of the Cabezon Unit should be November 29, 1963, upon approval by the Commissioner of Public Lands and the Director of the United States Geological Survey, however, we wish to be immediately advised as to the effective date.



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

RECEIVED NOV 28 1963  
The Commissioner of Public Lands approves as of this date the termination of the Cabazon Unit Agreement, subject to like approval by the United States Geological Survey.

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

Very truly yours,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

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

ESW/mar/v

cc:

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

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

November 28, 1961

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

Re: Cabazon Unit  
Sandoval County,  
New Mexico

Gentlemen:

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

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

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

Very truly yours,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

ESW/mm/v

Encl:

cc: Oil Conservation Commission  
Santa Fe, New Mexico

U. S. Geological Survey  
Roswell, New Mexico

C  
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P  
Y

GOVERNOR  
EDWIN L. MECHEM  
CHAIRMAN

*State of New Mexico*  
**Oil Conservation Commission**

LAND COMMISSIONER  
E. S. JOHNNY WALKER  
MEMBER

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

P. O. BOX 871  
SANTA FE

November 3, 1961

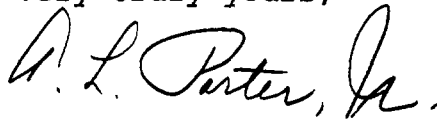
Re: Case No. 2407  
Order No. R-2113  
Applicant:  
Shell Oil Company

Mr. Oliver Seth  
Seth, Montgomery, Federici & Andrews  
Box 828  
Santa Fe, New Mexico

Dear Sir:

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

Very truly yours,



A. L. PORTER, Jr.  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC       

Aztec OCC x

OTHER



## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

September 11, 1961

*Case 7401*

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

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

Gentlemen:

Pursuant to the telephone conversation between your Messrs. Porter and Nutter and our Mr. Nantker, we earnestly request that you place our application for the Cabezon Unit Area on your calendar for the October 4, 1961 Examiner Hearing. We enclose land maps of the proposed Unit Area, which we intend to name the Cabezon Unit. The Unit will embrace a total of 22,742.57 acres, of which 17,846.03 are Federal, 3,207.72 State, and 1,638.82 Fee acreage.

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

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

Very truly yours,

*F. W. Nantker*

F. W. Nantker  
Division Land Manager

FWN:EG

Attachments

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EXHIBIT "A"

Proposed Cabezon Unit  
Sandoval County, New Mexico

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
1	Section 10: E/2 SW/4 Section 20: W/2 SW/4	160.00
1	Section 10: W/2 SW/4 Section 20: E/2 SW/4	160.00
2	Section 10: SE/4 Section 20: SE/4	320.00
3	Section 10: N/2	320.00
4	Section 27: NW/4	160.00
5	Section 13: SE/4 Section 24: N/2 Section 25: All Section 26: SW/4 SE/4, SE/4 SW/4 Section 35: N/2 NE/4	1280.00
6	Section 12: All	640.00
7	Section 19: SE/4 Section 34: E/2 SE/4	240.00
8	Section 9: SE/4 Section 28: SE/4	320.00
9	Section 9: SW/4 Section 19: Lots 1, 2, E/2 NW/4 Section 27: SW/4 Section 34: S/2 NW/4	560.00
10	Section 19: Lots 3, 4, E/2 SW/4 Section 28: SW/4 Section 34: W/2 SW/4	399.84
	<u>Township 16 North, Range 3 West, N.M.P.M.</u>	
11	Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 4: Lots 1, 2, 3, 4, S/2 N/2	
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
	Section 35: NW/4, S/2 NE/4, S/2	1532.20
12	Section 29: All Section 30: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All) Section 31: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All) Section 33: All	2559.68

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
13	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 4: S/2	320.00
14	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 24: SW/4 Section 26: SW/4 SW/4	200.00
15	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: NW/4	160.00
16	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 14: All Section 20: N/2 Section 22: All Section 25: N/2	1920.00
17	Section 11: E/2, SW/4, S/2 NW/4 Section 13: N/2 NW/4 Section 15: All Section 17: All Section 21: All	2560.00
18	Section 13: NE/4 NE/4, SE/4 NW/4 Section 23: NE/4 NE/4, SE/4 NW/4, SW/4 NW/4, SW/4 SW/4 Section 27: NW/4 NE/4, SE/4 NE/4	320.00
19	Section 11: NW/4 NW/4	40.00
20	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 13: E/2 W/2	160.00
21	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 13: SW/4 NW/4 Section 23: NW/4 NW/4, SE/4 SW/4 Section 27: SW/4 NE/4	160.00
22	Section 19: NE/4 Section 27: SE/4 Section 34: N/2 NW/4	400.00
23	Section 23: SE/4 NE/4, SE/4, E/2 SW/4 Section 26: NE/4	440.00
24	Section 13: NW/4 NE/4, S/2 NE/4, SW/4 Section 23: W/2 NE/4, SE/4 NW/4 Section 26: NW/4 SW/4 Section 27: NE/4 NE/4	480.00

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<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
25	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)	649.60
26	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: N/2 SW/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2 <u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: Lots 1, 2, 3, 4	296.54
27	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 11: NE/4 NW/4	40.00
28	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 6: The unsurveyed lands lying outside the M & S Montoya Grant and in the Cjo Del Espiritu Santa Grant:  Beginning at a point on the east boundary of the M & S Montoya Grant, from which the closing corner of Sections 7 and 8, T. 16 N., R. 2 W., N.M.P.M., bears 89°-58' W, 3.97 chains distant; thence along the east boundary of the M & S Montoya Grant as follows: N 7°-0' E 13.0 chains distant; N 87°-45' E 3.5 chains distant; N 49°-30' E 11.0 chains distant; N 25°-30' E 13.0 chains distant; N 65°-00' E 13.0 chains distant; N 45°-15' E 12.0 chains distant; N 60°-15' E 13.30 chains distant; N 29°-30' E 10.40 chains distant; thence south 61.50 chains to what will be, when surveyed, the corner of Sections 5, 6, 7 and 8, T. 16 N., R. 2 W., N.M.P.M.; thence west 56.03 chains to point of beginning.	196.06
29	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 25: All	640.00
30	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: E/2 NW/4	80.00
31	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: NE/4, SW/4 Section 32: NE/4, SW/4 <u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NE/4, SW/4	960.00
32	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: W/2 NW/4 Section 32: NW/4, SE/4	560.00

**ILLEGIBLE**

BEST AVAILABLE COPY

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
33	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 36: All	640.00
34	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 2: Lots 1, 2, 3, 4, S/2 W/2, S/2 (All)	647.72
35	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NE/4, SE/4	320.00
36	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 24: SE/4	160.00
37	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 34: NE/4, E/2 S/4, W/2 SE/4	320.00
38	Section 26: NE/4, E/2 S/4, W/2 SE/4, SE/4 SE/4	320.00
39	<u>Township 16 North, Range 2 West, N.M.P.M.</u> <u>Township 17 North, Range 2 West, N.M.P.M.</u> Beginning at the southeast corner of Lot 4, Section 8, T. 16 N., R. 2 W., N.M.P.M., thence north along the west boundary of the M & S Montoya Grant 249.01± chains to a point on the south line of Section 19, T. 17 N., R. 2 W., N.M.P.M.; thence east along south line of said Section 19 35.38± chains to the S 1/4 corner; thence south 167.63 chains; thence east 24.81 chains; thence south 19.55 chains to a point on the southeasterly boundary of the M & S Montoya Grant; thence S 29°-30' W 10.4 chains; thence S 60°-45' W 13.3 chains; thence S 45°-15' W 12.0 chains; thence S 65°-0' W 13.0 chains; thence S 25°-30' W 13.0 chains; thence S 49°-30' W 11.0 chains; thence S 87°-45' W 3.5 chains; thence S 70°-0' E 13.0 chains; thence N 89°-58' W 3.97 chains to the point of beginning.	888.82
	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 18: W/2 W/2	160.00
	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: Lots 3, 4	52.11

ILLEGIBLE





## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

BEST AVAILABLE COPY

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

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

through

Supervisor  
United States Geological Survey  
Roswell, New Mexico

Gentlemen:

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

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

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

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

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

ILLEGIBLE

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

2

through

Supervisor  
United States Geological Survey  
Roswell, New Mexico

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

Your earliest consideration of this Application is respectfully requested.

Very truly yours,

SHELL OIL COMPANY



F. W. Nantker  
Division Land Manager

RLF:MPD

Attachments

ILLEGIBLE

---

SCHEDULE OF UNITED STATES OIL AND GAS LEASES

SF--080520	NM--030016
SF--080520-A	NM--040606
NM--03158	NM--046798
NM--06878	NM--050160
NM--010884	NM--055534
NM--010886-B	NM--056477
NM--011425	NM--057454
NM--011445	NM--061524
NM--012325	NM--061524-A
NM--018178	NM--072925
NM--021000	NM--081244
NM--023907	NM--082403
NM--023907-B	NM--0134986
NM--023907-C	NM--0150116
NM--023907-E	NM--0153820
NM--023913	NM--0161406
NM--023916	NM--0161407
NM--028170	NM--C161469
	NM--A0168898

SCHEDULE OF STATE OF NEW MEXICO LEASES

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

SCHEDULE OF PATENTED FEE LEASES

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



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

AUG 31 1961

Shell Oil Company  
Post Office Box 1200  
Farmington, New Mexico

Attention: Mr. F. W. Nanter

Gentlemen:

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

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

- T. 16 N., R. 3 W.  
All lands in secs. 5, 6, 7, 8, 17, and 18
- T. 16 N., R. 4 W.  
All lands in secs. 10 and 13

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

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

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

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

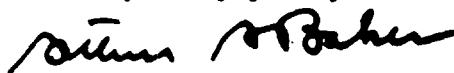
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BEST AVAILABLE COPY

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

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

Very truly yours,



Acting Director

BEST AVAILABLE COPY

ILLEGIBLE

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

SETH, MONTGOMERY, FEDERICI & ANDREWS

ATTORNEYS AND COUNSELORS AT LAW

301 DON GASPAR AVENUE

SANTA FE, NEW MEXICO

September 14, 1961

POST OFFICE BOX 828  
TELEPHONE YU 3-7315

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

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

Re: Cabezon Unit

Gentlemen:

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

In Township 17 North, Range 2 West, N.M.P.M.  
W $\frac{1}{2}$  of Sections 18, 19, 30 and 31

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

In Township <sup>?</sup>North, Range 4 West, N.M.P.M.  
All of Sections 25 and 36

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

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

and also

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

*Noted  
mailed  
9/17/61*

September 14, 1961

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

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

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

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

Very truly yours,

SHELL OIL COMPANY

By



OS:wcl

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

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

200389

September 14, 1961

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

NOT AVAILABLE

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

Re: Cabezon Unit

Gentlemen:

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

In Township 17 North, Range 2 West, N.M.P.M.  
W $\frac{1}{2}$  of Sections 18, 19, 30 and 31

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

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

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

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

and also

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

C  
O  
P  
Y



September 14, 1961

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

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

Very truly yours,

SHELL OIL COMPANY

By

OS:wel

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

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

RECEIVED  
SEP 15 1961



# SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

September 11, 1961

*Cabezon*

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

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

Gentlemen:

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

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

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

Very truly yours,

*F. W. Nantker*

F. W. Nantker  
Division Land Manager

FWN:BG

Attachments

BEST AVAILABLE COPY

## EXHIBIT "A"

Proposed Cabezon Unit  
Sandoval County, New Mexico

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
1	Section 10: E/2 SW/4 Section 20: W/2 SW/4	160.00
1	Section 10: W/2 SW/4 Section 20: E/2 SW/4	160.00
2	Section 10: SE/4 Section 20: SE/4	320.00
3	Section 10: N/2	320.00
4	Section 27: NW/4	160.00
5	Section 13: SE/4 Section 24: N/2 Section 25: All Section 26: SW/4 SE/4, SE/4 SW/4 Section 35: N/2 NE/4	1280.00
6	Section 12: All	640.00
7	Section 19: SE/4 Section 34: E/2 SE/4	240.00
8	Section 9: SE/4 Section 28: SE/4	320.00
9	Section 9: SW/4 Section 19: Lots 1, 2, E/2 NW/4 Section 27: SW/4 Section 34: S/2 NW/4	560.00
10	Section 19: Lots 3, 4, E/2 SW/4 Section 28: SW/4 Section 34: W/2 SW/4	399.84
	<u>Township 16 North, Range 3 West, N.M.P.M.</u>	
11	Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 4: Lots 1, 2, 3, 4, S/2 N/2	
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
	Section 35: NW/4, S/2 NE/4, S/2	1532.20
12	Section 29: All Section 30: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All) Section 31: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All) Section 33: All	2559.68

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
13	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 4: S/2	320.00
14	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 24: SW/4 Section 26: SW/4 SW/4	200.00
15	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: NE/4	160.00
16	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 14: All Section 20: N/2 Section 22: All Section 23: N/2	1920.00
17	Section 11: E/2, SW/4, S/2 NW/4 Section 13: N/2 NW/4 Section 15: All Section 17: All Section 21: All	2560.00
18	Section 13: NE/4 NE/4, SE/4 NW/4 Section 23: NE/4 NE/4, NE/4 NW/4, SW/4 NW/4, SW/4 SW/4 Section 27: NW/4 NE/4, SE/4 NE/4	320.00
19	Section 11: NW/4 NW/4	40.00
20	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 13: E/2 W/2	160.00
21	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 13: SW/4 NW/4 Section 23: NW/4 NW/4, N/4 SW/4 Section 27: SW/4 NE/4	160.00
22	Section 19: NE/4 Section 27: SE/4 Section 34: N/2 NW/4	400.00
23	Section 23: SE/4 NE/4, SE/4, E/2 SW/4 Section 26: NE/4	440.00
24	Section 13: NW/4 NE/4, S/2 NE/4, SW/4 Section 23: W/2 NE/4, SE/4 NW/4 Section 26: NW/4 SW/4 Section 27: NE/4 NE/4	480.00

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
25	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)	649.60
26	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: N/2 SW/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2 <u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: Lots 1, 2, 3, 4	296.54
27	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 11: NE/4 NW/4	40.00
28	<u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: The unsurveyed lands lying outside the M & S Montoya Grant and in the Cjo Del Espiritu Santa Grant:  Beginning at a point on the east boundary of the M & S Montoya Grant, from which the closing corner of Sections 7 and 8, T. 16 N., R. 2 W., N.M.P.M., bears 89°-58' W. 3.97 chains distant; thence along the east boundary of the M & S Montoya Grant as follows: N 7°-0' E 13.0 chains distant; N 87°-45' E 3.5 chains distant; N 49°-30' E 11.0 chains distant; N 25°-30' E 13.0 chains distant; N 65°-00' E 13.0 chains distant; N 45°-15' E 12.0 chains distant; N 60°-15' E 13.30 chains distant; N 29°-30' E 10.40 chains distant; thence south 61.50 chains to what will be, when surveyed, the corner of Sections 5, 6, 7 and 8, T. 16 N., R. 2 W., N.M.P.M.; thence west 56.03 chains to point of beginning.	196.06
29	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 25: All	640.00
30	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: E/2 NW/4	80.00
31	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: NE/4, SW/4 Section 32: NE/4, SW/4 <u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NE/4 SW/4	960.00
32	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: W/2 NW/4 Section 32: NW/4, SE/4	560.00

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
33	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 36: All	640.00
34	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 2: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)	647.72
35	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NE/4, SE/4	320.00
36	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 24: SE/4	160.00
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	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 18: W/2 W/2	160.00
	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: Lots 3, 4	52.11



## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

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

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

through

Supervisor  
United States Geological Survey  
Roswell, New Mexico

Gentlemen:

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

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

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

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

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

ILLEGIBLE

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

2

through

Supervisor  
United States Geological Survey  
Roswell, New Mexico

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

Your earliest consideration of this Application is respectfully requested.

Very truly yours,

SHELL OIL COMPANY



F. W. Nantker  
Division Land Manager

RLF:MPD

Attachments

ILLEGIBLE



SCHEDULE OF UNITED STATES OIL AND GAS LEASES

SF--080520	NM--030016
SF--080520--A	NM--040606
NM--03158	NM--046798
NM--06878	NM--050160
NM--010884	NM--055534
NM--010886--B	NM--056477
NM--011425	NM--057454
NM--011445	NM--061524
NM--012325	NM--061524--A
NM--018178	NM--072925
NM--021000	NM--081244
NM--023907	NM--082403
NM--023907--B	NM--0134986
NM--023907--C	NM--0150116
NM--023907--E	NM--0153820
NM--023913	NM--0161406
NM--023916	NM--0161407
NM--028170	NM--C161469
	NM--A0168898

SCHEDULE OF STATE OF NEW MEXICO LEASES

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

SCHEDULE OF PATENTED FEE LEASES

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



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

AUG 31 1961

Snell Oil Company  
Post Office Box 1200  
Farmington, New Mexico

Attention: Mr. F. W. Hanther

Gentlemen:

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

1. 16 N., R. 3 W.  
All lands in secs. 5, 6, 7, 8, 17, and 18
1. 16 N., R. 4 W.  
All lands in secs. 12 and 13

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

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

Very truly yours,



Acting Director

BEST AVAILABLE COPY

ILLEGIBLE



# SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

September 11, 1961

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

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

Gentlemen:

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

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

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

Very truly yours,

*F. W. Nantker*  
F. W. Nantker  
Division Land Manager

FWN:BG

Attachments

**EXHIBIT "A"**

Proposed Cabezon Unit  
Sandoval County, New Mexico

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
1	Section 10: E/2 SW/4 Section 20: W/2 SW/4	160.00
1	Section 10: W/2 SW/4 Section 20: E/2 SW/4	160.00
2	Section 10: SE/4 Section 20: SE/4	320.00
3	Section 10: N/2	320.00
4	Section 27: NW/4	160.00
5	Section 13: SE/4 Section 24: N/2 Section 25: All Section 26: SW/4 SE/4, SE/4 SW/4 Section 35: N/2 NE/4	1280.00
6	Section 12: All	640.00
7	Section 19: SE/4 Section 34: E/2 SE/4	240.00
8	Section 9: SE/4 Section 28: SE/4	320.00
9	Section 9: SW/4 Section 19: Lots 1, 2, E/2 NW/4 Section 27: SW/4 Section 34: S/2 NW/4	560.00
10	Section 19: Lots 3, 4, E/2 SW/4 Section 28: SW/4 Section 34: W/2 SW/4	399.84
	<u>Township 16 North, Range 3 West, N.M.P.M.</u>	
11	Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All) Section 4: Lots 1, 2, 3, 4, S/2 N/2	
	<u>Township 17 North, Range 3 West, N.M.P.M.</u>	
	Section 35: NW/4, S/2 NE/4, S/2	1532.20
12	Section 29: All Section 30: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All) Section 31: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All) Section 33: All	2559.68

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
13	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 4: S/2	320.00
14	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 24: SW/4 Section 26: SW/4 SW/4	200.00
15	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: NW/4	160.00
16	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 14: All Section 20: N/2 Section 22: All Section 28: N/2	1920.00
17	Section 11: E/2, SW/4, S/2 NW/4 Section 13: <del>N/2</del> NW/4 Section 15: All Section 17: All Section 21: All	2560.00
18	Section 13: NE/4 NE/4, SE/4 NW/4 Section 23: NE/4 NE/4, SE/4 NW/4, SW/4 NW/4, SW/4 SW/4 Section 27: NW/4 NE/4, SE/4 NE/4	320.00
19	Section 11: NW/4 NW/4	40.00
20	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 13: E/2 W/2	160.00
21	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 13: SW/4 NW/4 Section 23: NW/4 NW/4, NW/4 SW/4 Section 27: SW/4 NE/4	160.00
22	Section 19: NE/4 Section 27: SE/4 Section 34: N/2 NW/4	400.00
23	Section 23: SE/4 NE/4, SE/4, E/2 SW/4 Section 26: NE/4	440.00
24	Section 13: NW/4 NE/4, S/2 NE/4, SW/4 Section 23: W/2 NE/4, SE/4 NW/4 Section 26: NW/4 SW/4 Section 27: NE/4 NE/4	480.00

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
25	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)	649.60
26	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: N/2 SW/4 Section 30: Lots 1, 2, Section 31: Lots 1, 2 <u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: Lots 1, 2, 3, 4	296.54
27	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 11: NE/4 NW/4	40.00
28	<u>Township 16 North, Range 2 West, N.M.P.M.</u> Section 6: The unsurveyed lands lying outside the M & S Montoya Grant and in the Ojo Del Espiritu Santa Grant:  Beginning at a point on the east boundary of the M & S Montoya Grant, from which the closing corner of Sections 7 and 8, T. 16 N., R. 2 W., N.M.P.M., bears 89°-58' W. 3.97 chains distant; thence along the east boundary of the M & S Montoya Grant as follows: N 7°-0' E 13.0 chains distant; N 87°-45' E 3.5 chains distant; N 49°-30' E 11.0 chains distant; N 25°-30' E 13.0 chains distant; N 65°-00' E 13.0 chains distant; N 45°-15' E 12.0 chains distant; N 60°-15' E 13.30 chains distant; N 29°-30' E 10.40 chains distant; thence south 61.50 chains to what will be, when surveyed, the corner of Sections 5, 6, 7 and 8, T. 16 N., R. 2 W., N.M.P.M.; thence west 56.03 chains to point of beginning.	196.06
29	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 25: All	640.00
30	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: E/2 NW/4	80.00
31	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: NE/4, SW/4 Section 32: NE/4, SW/4 <u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NE/4 SW/4	960.00
32	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 16: W/2 NW/4 Section 32: NW/4, SE/4	560.00

<u>Tract No.</u>	<u>Description</u>	<u>No. Acres</u>
33	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 36: All	640.00
34	<u>Township 16 North, Range 3 West, N.M.P.M.</u> Section 2: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)	647.72
35	<u>Township 17 North, Range 4 West, N.M.P.M.</u> Section 36: NW/4, SE/4	320.00
36	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 24: SE/4	160.00
37	<u>Township 17 North, Range 3 West, N.M.P.M.</u> Section 34: NE/4, E/2 SE/4, W/2 SE/4	320.00
38	Section 26: NW/4, NE/4 NW/4, E/2 SE/4, SE/4 SE/4	320.00
39	<u>Township 16 North, Range 2 West, N.M.P.M.</u> <u>Township 17 North, Range 2 West, N.M.P.M.</u> Beginning at the southeast corner of Lot 4, Section 6, T. 16 N., R. 2 W., N.M.P.M., thence north along the west boundary of the M & S Montoya Grant 249.01± chains to a point on the south line of Section 19, T. 17 N., R. 2 W., N.M.P.M.; thence east along south line of said Section 19 35.38± chains to the S 1/4 corner; thence south 167.63 chains; thence east 24.3± chains; thence south 19.88 chains to a point on the southeasterly boundary of the M & S Montoya Grant; thence S 29°-30' W 10.4 chains; thence S 60°-45' W 13.3 chains; thence S 45°-15' W 12.0 chains; thence S 65°-0' W 13.0 chains; thence S 25°-30' W 13.0 chains; thence S 49°-30' W 11.0 chains; thence S 87°-45' W 3.5 chains; thence S 7°-0' W 13.0 chains; thence N 89°-58' W 3.97 chains to the point of beginning.	888.82
	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 18: W/2 W/2	160.00
	<u>Township 17 North, Range 2 West, N.M.P.M.</u> Section 19: Lots 3, 4	52.11





## SHELL OIL COMPANY

Post Office Box 1200  
Farmington, New Mexico

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

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

through

Supervisor  
United States Geological Survey  
Socorro, New Mexico

Attorneys:

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

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

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

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

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

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

2

through

Supervisor  
United States Geological Survey  
Roswell, New Mexico

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

Your earliest consideration of this Application is respectfully requested.

Very truly yours,

SHELL OIL COMPANY



F. W. Nantker  
Division Land Manager

WLF:MPD

Attachments

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SCHEDULE OF UNITED STATES OIL AND GAS LEASES

SF-080520	NM-030016
SF-080520-A	NM-040606
NM-03158	NM-046798
NM-06878	NM-050160
NM-010884	NM-055534
NM-010886-B	NM-056477
NM-011425	NM-057454
NM-011445	NM-061524
NM-012325	NM-061524-A
NM-018178	NM-072925
NM-021000	NM-081244
NM-023907	NM-082403
NM-023907-B	NM-0134986
NM-023907-C	NM-0150116
NM-023907-E	NM-0153820
NM-023913	NM-0161406
NM-023916	NM-0161407
NM-028170	NM-0161469
	NM-A0168898

SCHEDULE OF STATE OF NEW MEXICO LEASES

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

SCHEDULE OF PATENTED FEE LEASES

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



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

AUG 31 1961

Shell Oil Company  
Post Office Box 1200  
Farmington, New Mexico

Attention: Mr. F. W. Hantker

Gentlemen:

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

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

- T. 16 N., R. 3 W.  
All lands in secs. 5, 6, 7, 8, 17, and 18
- T. 16 N., R. 4 W.  
All lands in secs. 11 and 13

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

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

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

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

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

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

Very truly yours,



Acting Director

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# SHELL OIL COMPANY

SHELL BUILDING  
1008 WEST SIXTH STREET  
LOS ANGELES 54, CALIFORNIA

TELEPHONE HUNTLEY 2-3131

September 20, 1961

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

Attention: Mr. Nutter

Gentlemen:

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

Yours very truly,

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

HAT:isu

Attachment

*Case File  
Cover 2401*

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

SETH, MONTGOMERY, FEDERICI & ANDREWS

ATTORNEYS AND COUNSELORS AT LAW

301 DON GASPAR AVENUE

SANTA FE, NEW MEXICO

September 21, 1961

*Case 2407*

POST OFFICE BOX 828  
TELEPHONE YU 3-7315

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

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

Re: Cabezon Unit  
Shell Oil Company  
Sandoval County

Gentlemen:

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

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

Very truly yours,

*Oliver Seth*

OS:wcl  
enclosure

*Robert M. Smith*  
*10-11-61*  
*JP*

September 21, 1961

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

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

Re: Cabezon Unit  
Shell Oil Company  
Sandoval County

Gentlemen:

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

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

Very truly yours,

*Oliver Seta*

OS:wcl  
enclosure

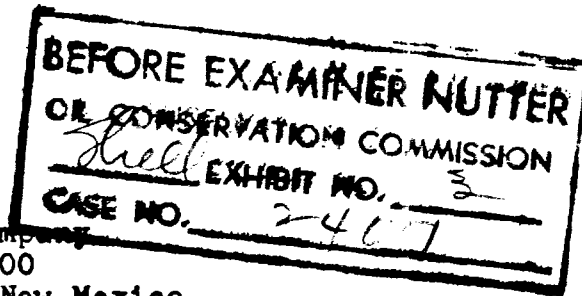
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# CONTINENTAL OIL COMPANY

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



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

Attention of Mr. F. W. Nantker

**Gentlemen:**

Re: Proposed Cabezon Unit  
Sandoval County, New Mexico

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

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

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

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

Very truly yours,

AUG 31 '961

George F. Maddox  
Land Section  
Durango Division

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

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[illegible]

EXHIBIT 2 - (2)

**THE BRITISH-AMERICAN OIL PRODUCING COMPANY**

DENVER 1, COLORADO

EXPLORATION DEPARTMENT

October 2, 1961

ADDRESS ALL CORRESPONDENCE TO  
POST OFFICE BOX 180

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

ATTN: Mr. Fred Nantker  
Division Land Manager

RE: Cabezon Unit  
SANDOVAL COUNTY, NEW MEXICO


Gentlemen:

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

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

Yours very truly,

THE BRITISH-AMERICAN OIL PRODUCING  
COMPANY

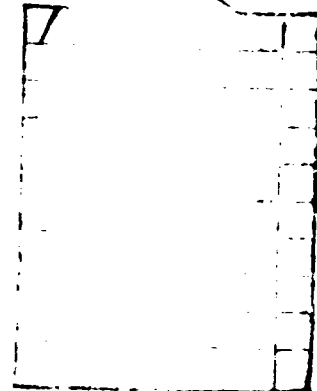
  
M. A. Church  
District Landman

FARMINGTON LAND  
DIVISION

OCT 11 1961

MAC/lb

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

September 29, 1961

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

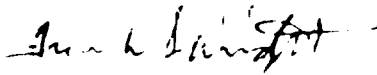
Re: Proposed Cabezon Unit  
Sandoval County, New Mexico

Gentlemen:

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

Sincerely yours,

DELHI-TAYLOR OIL CORPORATION



Frank S. Wright  
Land Department

FSW:kkv

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TRANSMOUNTAIN PRODUCTION COMPANY

300 SAN JACINTO BUILDING

HOUSTON 2, TEXAS

1000 10th St.  
P. O. Box 1200  
Farmington, New Mex.

Attention: Mr. E. W. Johnson, Divisional Engineer

San Juan District Unit

Gentlemen:

In reply to your letter of 10/10/51, we hereby consent to the proposed lease.

We own the lease on the 1/4 Sec. 17, T-17-N, R-10-W, Section 9, T-17-N, R-10-W, San Juan District, New Mexico. This lease number is NM-0164. The lease was executed by the Wasatch Lease & Exploration Co., executed by E. W. Johnson, and filed for approval, has not yet been approved. We will consent to include this in the 1/4 Sec. 17, T-17-N, R-10-W, San Juan District. This is not a requirement for the proposed lease. We will consent to the proposed lease. The lease also covers 1/4 Sec. 17, T-17-N, R-10-W, Section 9, T-17-N, R-10-W, San Juan District, New Mexico. The lease also covers 1/4 Sec. 17, T-17-N, R-10-W, Section 9, T-17-N, R-10-W, San Juan District, New Mexico.

Very truly yours,  
as number NM-0164. This is a copy of the lease.

Very truly yours,

E. W. Johnson

San Juan District

BJJ:j

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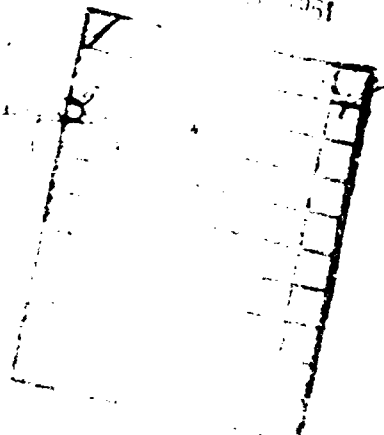


EXHIBIT I

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	EXHIBIT NO. <u>1</u>
CASE NO. <u>2407</u>	

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UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF

THE CABEZON UNIT AREA

COUNTY OF SANDOVAL

STATE OF NEW MEXICO

No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of September, 1961, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 88, Laws 1943, as amended, Laws 1961 ch 176 #1) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

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

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

1 control of operations therein; and

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1 participating area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

UNIT OPERATOR AND WORKING INTEREST  
OWNER  
  
SHELL OIL COMPANY  
  
By \_\_\_\_\_  
Manager, Land Department  
Address: 1008 West Sixth Street  
Los Angeles 54, California

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

WORKING INTEREST OWNERS  
  
CONTINENTAL OIL CORPORATION  
  
By \_\_\_\_\_  
By \_\_\_\_\_  
Address: P. O. Box 1121  
Durango, Colorado

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

BRITISH AMERICAN OIL PRODUCING COMPANY  
  
By \_\_\_\_\_  
By \_\_\_\_\_  
Address: Denver Club Building  
P. O. Box 180  
Denver, Colorado

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

TRANSMOUNTAIN PRODUCTION COMPANY  
  
By \_\_\_\_\_  
By \_\_\_\_\_  
Address: 800 San Jacinto Building  
Houston, Texas

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

ELIZABETH ANN ELLIOTT  
  
By \_\_\_\_\_  
Address: P. O. Box 703  
Roswell, New Mexico

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

DELHI-TAYLOR OIL CORPORATION  
  
By \_\_\_\_\_  
By \_\_\_\_\_  
Address: 360 Denver Club Building  
Denver, Colorado

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

## **CERTIFICATION -- DETERMINATION**

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

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

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

Dated \_\_\_\_\_.

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Director, United States Geological Survey



CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CABEZON UNIT AGREEMENT

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

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

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Commissioner of Public Lands  
of the State of New Mexico

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- ABBREVIATIONS -  
 OPT - OPTION

SANDOVAL CO., N. MEX.

EXHIBIT "B" - CABEZON UNIT  
Sandoval County, New Mexico

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

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

2.

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

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

3.

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

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

4.

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. &amp; Percentage</u>	<u>Working Interest &amp; Percentages</u>
22.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 23: <u>SE/4 NE/4, SE/4, E/2 SW/4</u> Sec. 26: <u>NE/4</u>	440.00	NM-0134986 April 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Ruth Ross & Thomas D. Chace - 2% Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
23.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 13: <u>NW/4 NE/4, S/2 NE/4, SW/4</u> Sec. 23: <u>W/2 NE/4, SE/4 NW/4</u> Sec. 26: <u>NW/4 SW/4</u> Sec. 27: <u>NE/4 NE/4</u>	480.00	NM-0150116 May 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	American Metal Climax, Inc. - 2 $\frac{1}{2}$ % Hoover H. Wright & Betty Ruth Wright - 2%	Shell Oil Company 100%
24.	<u>T. 16 N., R. 3 W., N.M.P.M.</u> Sec. 1: <u>Lots 1,2,3,4, S/2 N/2, S/2 (A11)</u>	649.60	NM-0153820 July 1, 1961	U.S. - 12- $\frac{1}{2}$ %	B. J. Bradshaw	B. J. Bradshaw - 5%	Shell Oil Company 100% *
25.	<u>T. 17 N., R. 2 W., N.M.P.M.</u> Sec. 19: <u>N/2 SW/4</u> Sec. 30: <u>Lots 1 and 2</u> Sec. 31: <u>Lots 1 and 2</u>	296.54	NM-0161406 July 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Anthony P. Hebner	Anthony P. Hebner - $\frac{1}{2}$ of 1%	Shell Oil Company 100% *
26.	<u>T. 16 N., R. 2 W., N.M.P.M.</u> Sec. 6: <u>Lots 1,2,3, and 4</u> <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 11: <u>NE/4 NW/4</u>	40.00	NM-0161469 May 1, 1961	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Ruth Ross - 3%	Shell Oil Company 100%
27.	Portion of the Ojo del Espiritu Santo Grant which would be included in Sec. 6, T. 16 N., R. 2 W., N.M.P.M., if the U.S. Survey were extended into said grant.	196.06	NM-A0168898 App. filed April 14, 1961	U.S. - 12- $\frac{1}{2}$ %	Hoover H. Wright	Hoover H. Wright - 1%	Shell Oil Company 100% *



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

6.

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. &amp; Percentage</u>	<u>Working Interest &amp; Percentages</u>
34.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> <u>Sec. 16: NE/4, SW/4</u> <u>Sec. 32: NE/4, SW/4</u>	960.00	E-9085 June 6, 1955	State of New Mexico - 12- $\frac{1}{2}$ %	Delhi-Taylor Oil Corporation	None	Delhi-Taylor Oil Corporation - 100%
35.	<u>T. 17 N., R. 4 W., N.M.P.M.</u> <u>Sec. 36: NE/4, SW/4</u>	560.00	K-1448 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
36.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> <u>Sec. 16: W/2 NW/4, SE/4</u> <u>Sec. 32: NW/4, SE/4</u>	640.00	K-1449 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
37.	<u>T. 16 N., R. 3 W., N.M.P.M.</u> <u>Sec. 2: Lots 1,2,3,4, S/2 N/2, S/2 (A11)</u>	647.72	K-1496 May 16, 1961	State of New Mexico - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%

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

FEE LANDS

38.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> <u>Sec. 24: SE/4</u>	160.00	- March 17, 1961	Cass Goodner - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
39.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> <u>Sec. 34: NE/4, E/2 SW/4, W/2 SE/4</u>	320.00	- March 17, 1961	Aporicio Gurule & Merelido Gurule - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
40.	<u>T. 17 N., R. 3 W., N.M.P.M.</u> <u>Sec. 26: NW/4, NE/4 SW/4, N/2 SE/4, SE/4 SE/4</u>	320.00	- March 16, 1961	Aporicio Lovato 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%



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

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

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

\* - Subject to Option Agreements

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

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

EXHIBIT NO. 1CASE NO. 2407

## UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF

THE CABEZON UNIT AREA

COUNTY OF SANDOVAL

STATE OF NEW MEXICO

No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of September, 1961, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 88, Laws 1943, as amended, Laws 1961 ch 176 #1) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

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

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

1 control of operations therein; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

1 participating area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

UNIT OPERATOR AND WORKING INTEREST  
OWNER  
  
SHELL OIL COMPANY

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

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

WORKING INTEREST OWNERS  
  
CONTINENTAL OIL CORPORATION

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

By \_\_\_\_\_  
By \_\_\_\_\_  
Address: P. O. Box 1121  
Durango, Colorado

BRITISH AMERICAN OIL PRODUCING COMPANY

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

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

TRANSMOUNTAIN PRODUCTION COMPANY

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

By \_\_\_\_\_  
By \_\_\_\_\_  
Address: 800 San Jacinto Building  
Houston, Texas

ELIZABETH ANN ELLIOTT

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

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

DELHI-TAYLOR OIL CORPORATION

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

By \_\_\_\_\_  
By \_\_\_\_\_  
Address: 360 Denver Club Building  
Denver, Colorado

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

UNIT OPERATOR AND WORKING INTEREST  
OWNER

SHELL OIL COMPANY

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

WORKING INTEREST OWNERS

CONTINENTAL OIL CORPORATION

By \_\_\_\_\_

By \_\_\_\_\_

Address: P. O. Box 1121  
Durango, Colorado

BRITISH AMERICAN OIL PRODUCING COMPANY

By \_\_\_\_\_

By \_\_\_\_\_

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

TRANSMOUNTAIN PRODUCTION COMPANY

By \_\_\_\_\_

By \_\_\_\_\_

Address: 800 San Jacinto Building  
Houston, Texas

ELIZABETH ANN ELLIOTT

By \_\_\_\_\_

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

DELHI-TAYLOR OIL CORPORATION

By \_\_\_\_\_

By \_\_\_\_\_

Address: 360 Denver Club Building  
Denver, Colorado

## CERTIFICATION -- DETERMINATION

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

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

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

Dated \_\_\_\_\_.

---

Director, United States Geological Survey

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CABEZON UNIT AGREEMENT

---

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

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

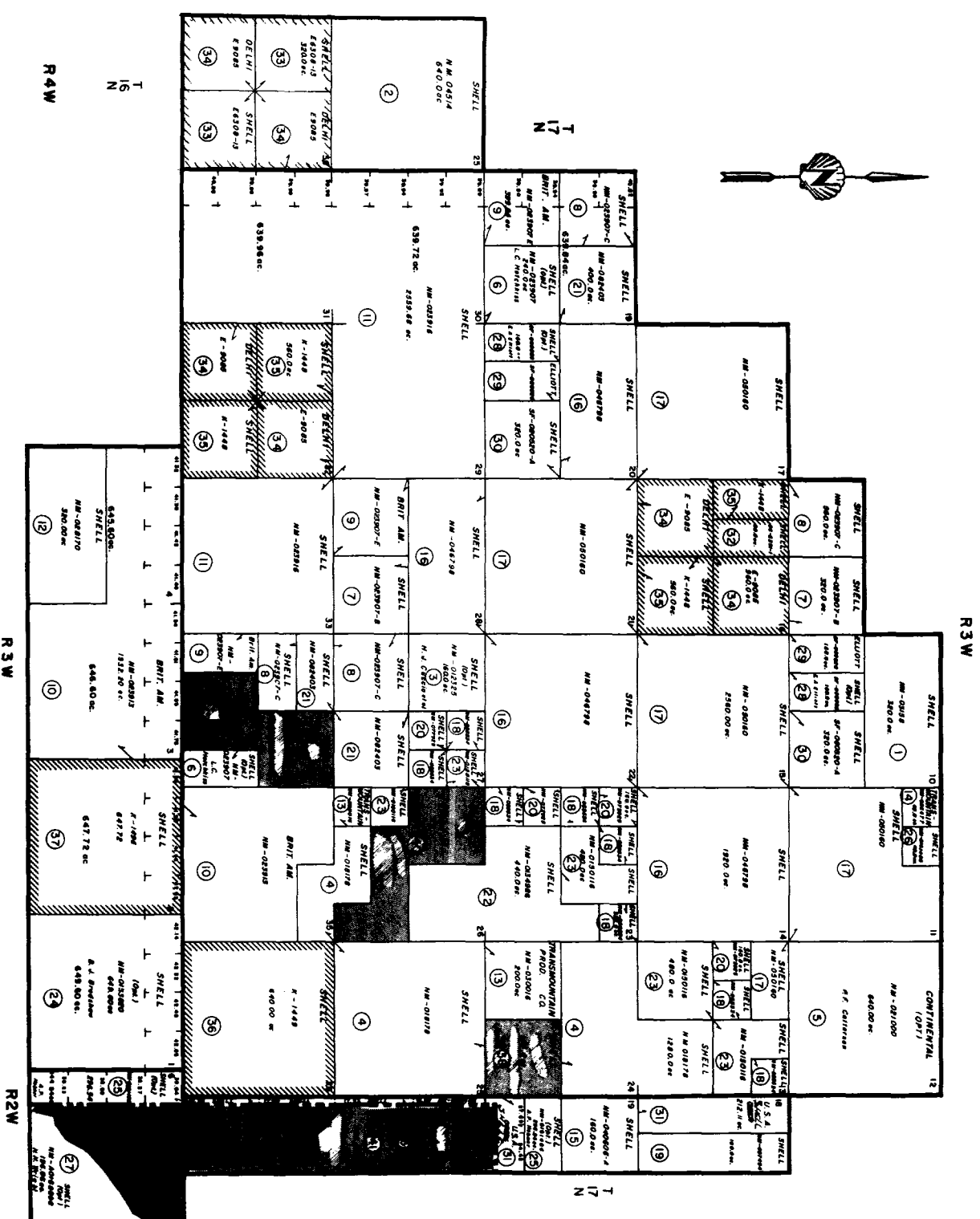
NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

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Commissioner of Public Lands  
of the State of New Mexico

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LEGEND

**① TRACT NUMBERS**

17846.05	TOTAL FEDERAL ACREAGE
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3207.72 TOTAL STATE OF N. MEX. ACREAGE

1600.02 TOTAL FEE ACRES

22,742.57 TOTAL UNIT ACREAGE

- APPLICABLE VIOLATIONS -  
OPT - OPTION

EXHIBIT A  
CABEZON UNIT

**SANDOVAL CO., N. MEX.**



EXHIBIT "B" - CABEZON UNIT

Sandoval County, New Mexico

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. &amp; Percentage</u>	<u>Working Interest &amp; Percentages</u>
<u>FEDERAL LANDS</u>							
1. ✓	T. 17 N., R. 3 W., N.M.P.M. Sec. 10: N/2	320.00	NM-03158 April 1, 1952	U.S. - 12-½%	Shell Oil Company	Willard W. Moyer - 3% Wilson Oil Co. - 2%	Shell Oil Company 100%
2. ✓	T. 17 N., R. 4 W., N.M.P.M. Sec. 25: All	640.00	NM-04514 July 1, 1953	U.S. - 12-½%	Shell Oil Company	Roy L. Flood - 5%	Shell Oil Company 100%
3. ✓	T. 17 N., R. 3 W., N.M.P.M. Sec. 27: NW/4	160.00	NM-012325 August 1, 1953	U.S. - 12-½%	Hazel J. Cuccia - 80% George E. Conley - 20%	Hazel J. Cuccia George Cuccia George E. Conley - 5%	Shell Oil Company 100% *
4. ✓	T. 17 N., R. 3 W., N.M.P.M. Sec. 13: SE/4 Sec. 24: N/2 Sec. 25: All Sec. 26: SW/4 SE/4, SE/4 SW/4 Sec. 35: N/2 NE/4	1280.00	NM-018178 July 1, 1955	U.S. - 12-½%	Shell Oil Company	Anna Pickard - 5%	Shell Oil Company 100%
5. ✓	T. 17 N., R. 3 W., N.M.P.M. Sec. 12: All	640.00	NM-021000 April 1, 1956	U.S. - 12-½%	Paul F. Catterson	Roy L. Riner - 5%	Continental Oil Company - 100% *
6. ✓	T. 17 N., R. 3 W., N.M.P.M. Sec. 19: SE/4 Sec. 34: E/2 SE/4	240.00	NM-023907 February 1, 1957	U.S. - 12-½%	Lester C. Hotchkiss Alpha L. Hotchkiss	Lester C. Hotchkiss Alpha L. Hotchkiss - 3%	Shell Oil Company 100% *
7. ✓	T. 17 N., R. 3 W., N.M.P.M. Sec. 9: SE/4 Sec. 28: SE/4	320.00	NM-023907-B February 1, 1957	U.S. - 12-½%	Shell Oil Company	R. E. McKenzie, Jr. 2%	Shell Oil Company 100%

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

2.

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

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

3.

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>O.R.R. &amp; Percentage</u>	<u>Working Interest &amp; Percentages</u>
15.	✓ <u>T. 17 N., R. 2 W., N.M.P.M.</u> Sec. 19: NW/4	160.00	NM-040606-A May 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Gladys Watford - 5%	Shell Oil Company 100%
16.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 14: A11 Sec. 20: N/2 Sec. 22: A11 Sec. 28: N/2	1920.00	NM-046798 August 1, 1958	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Gail B. Horne Clifford Wolfswinkel Alan Thomson John W. Moon - 5%	Shell Oil Company 100%
17.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 11: E/2, SW/4, S/2 NW/4 Sec. 13: N/2 NW/4 Sec. 15: A11 Sec. 17: A11 Sec. 21: A11	2560.00	NM-050160 July 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	L. J. Boring - 5%	Shell Oil Company 100%
18.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 13: NE/4 NE/4, SE/4 NW/4 Sec. 23: NE/4 NE/4, NE/4 NW/4, SW/4 NW/4, SW/4 SW/4 Sec. 27: NW/4 NE/4, SE/4 NE/4	320.00	NM-055534 October 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Joanne F. Augstman - $\frac{1}{2}$ of 1% Bruce Anderson Beard Oil Co. - 2 $\frac{1}{2}$ %	Shell Oil Company 100%
19.	✓ <u>T. 17 N., R. 2 W., N.M.P.M.</u> Sec. 18: E/2 W/2	160.00	NM-057454 December 1, 1959	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Virginia L. Saunders 2-1/4% Micheal S. Shearn - 3/4 of 1%	Shell Oil Company 100%
20.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 13: SW/4 NW/4 Sec. 23: NW/4 NW/4, NW/4 SW/4 Sec. 27: SW/4 NE/4	160.00	NM-072925 May 1, 1960	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	W. W. Priest - 3%	Shell Oil Company 100%
21.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> Sec. 19: NE/4 Sec. 27: SE/4 Sec. 34: N/2 NW/4	400.00	NM-082403 April 1, 1960	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Joan Chorney - 3%	Shell Oil Company 100%

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

4.

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

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

Tract No.	Description of Land	No. of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage	Lessee of Record	O.R.R. & Percentage	Working Interest & Percentages
28.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 10: E/2 SW/4 Sec. 20: W/2 SW/4	160.00	SF-080520 June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Elizabeth Ann Elliott 4%	Shell Oil Company 100% *
29.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 10: W/2 SW/4 Sec. 20: E/2 SW/4	160.00	SF-080520 June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Elizabeth Ann Elliott	Hoover H. Wright - 1% Elizabeth Ann Elliott Frank O. Elliott - 4%	Elizabeth Ann Elliott - 100%
30.	✓ T. 17 N., R. 3 W., N.M.P.M. Sec. 10: SE/4 Sec. 20: SE/4	320.00	SF-080520-A June 1, 1953	U.S. - 12- $\frac{1}{2}$ %	Shell Oil Company	Hoover H. Wright - 1% Ora R. Hall, Jr. - 4%	Shell Oil Company 100%
31.	✓ T. 17 N., R. 2 W., N.M.P.M. Sec. 18: W/2 W/2 Sec. 19: Lots 1 and 2	212.11	<del>OG-2291-1</del> March 18, 1958 APPR. 10/15/76 SEPT. 25, 1961	U.S. - 12- $\frac{1}{2}$ %	IMC OIL COMPANY	IMC OIL COMPANY	IMC OIL COMPANY 100%

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

STATE LANDS

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

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

6.

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

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

FEE LANDS

38.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> ✓ <u>Sec. 24: SE/4</u>	160.00	- March 17, 1961	Cass Goodner - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
39.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> ✓ <u>Sec. 34: NE/4, E/2 SW/4, W/2 SE/4</u>	320.00	- March 17, 1961	Aporico Gurule & Merejildo Gurule - 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%
40.	✓ <u>T. 17 N., R. 3 W., N.M.P.M.</u> ✓ <u>Sec. 26: NW/4, NE/4 SW/4, N/2 SE/4, SE/4 SE/4</u>	320.00	- March 16, 1961	Aporcio Lovato 12- $\frac{1}{2}$ %	Shell Oil Company	None	Shell Oil Company 100%

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

7.

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

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

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\* - Subject to Option Agreements

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

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CERTIFICATION -- DETERMINATION

14-08-0001 7820

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

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

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

Dated DEC - 5 1961

*William M. Baker*

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Acting Director, United States Geological Survey



CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CABEZON UNIT AGREEMENT

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There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated September 1, 1961, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 28th day of November, 1961.



C. C. C. C. C.  
Commissioner of Public Lands  
of the State of New Mexico