

C93010875

UNIT AGREEMENT

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CASE 1087 EXHIBIT No. 1
6/22/56

for the

development and operation

of the

CARSON **UNIT AREA,**

COUNTY OF SAN JUAN,

STATE OF NEW MEXICO

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF
THE CARSON UNIT AREA
COUNTY OF SAN JUAN

STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 13th day of June, 1956, 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) 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 rules and regulations governing the leasing of restricted, allotted and Tribal Indian lands for oil and gas except allotments made to members of the five civilized tribes and Osage Indians in Oklahoma promulgated by the Secretary of the Interior (25 C.F.R. 189.24 (c)) under and pursuant to the Act of March 3, 1909, 35 Stat. 783, 25 U.S.C.

Section 396 a et seq., and the oil and gas leases covering such allotted Indian lands provide for the commitment of such leases and of leases covering executive order Indian lands to a cooperative or unit plan of development or operations; 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 Carson Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the ⁴purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

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

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

2. UNIT AREA. The following-described land is hereby designated

and recognized as constituting the unit area:

T. 25 N., R. 11 W., N.M.P.M.

All of Sections 5 to 8 inclusive; 17 to 20 inclusive;
29 to 32 inclusive.

T. 25 N., R. 12 W., N.M.P.M.

All of Sections 1 to 4 inclusive; 9 to 16 inclusive;
21 to 28 inclusive; 33 to 36 inclusive.

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

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as

"Director", or on demand of the State Land Commissioner after preliminary concurrence by the Director shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof preferably the first day of a month subsequent to the date of notice.

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

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

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

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

are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating-acreage basis, respectively, with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 10-year period.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to this agreement shall constitute land referred to herein as "unitized

land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

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

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

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but at any time, for any reason whatsoever, there is no Unit Operator until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before resignation or removal becomes

effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

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

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

selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State Land Commissioner at their election may declare this unit agreement terminated.

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

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating,

and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DISCOVERY WELL. Inasmuch as one or more wells capable of producing unitized substances in paying quantities (to wit: quantities sufficient to repay the cost of drilling and producing operations with a reasonable profit) from the Gallup sandstone have already been drilled, tested, and completed on committed lands, and several other wells within the unit area are in various stages of drilling, no initial test well for discovery shall be required under the terms of this unit agreement.

10. PLAN FOR FURTHER DEVELOPMENT AND OPERATION. Within 60 days from the effective date hereof, Unit Operator shall commence the drilling of a well at a location approved by the Supervisor if on Federal or Indian land, or the State Land Commissioner, if on State land. Four additional wells shall likewise be commenced, each not more than 90 days after the completion or plugging and abandonment of the preceding well. Unit Operator shall continue drilling diligently on each of said wells so commenced until four of such wells have tested the Gallup sandstone and the other well has tested the Dakota formation, unless the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal or Indian land, or the State Land Commissioner if on State land, that further drilling of such wells or any of them would be unwarranted or impracticable. Unit Operator shall not in any event be required to drill any of said wells to a depth in excess of 5600 feet. In the event Unit Operator does not obtain production in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) in any of said five wells, this agreement will automatically terminate at the expiration of ninety (90) days from the date of completion or abandonment of said fifth well. In

the event Unit Operator obtains a discovery in paying quantities in any of said five wells prior to a period of time expiring 90 days after the completion of the fifth well required in the foregoing, Unit Operator shall submit for the approval of the Supervisor, the State Land Commissioner, and the Commission an acceptable plan of development and operation for the unitized lands which, when approved by the Supervisor, the State Land Commissioner, and Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the State Land Commissioner, and the Commission a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the State Land Commissioner, and the Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling, and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the State Land Commissioner, and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. No wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor, the State Land Commissioner, and Commission shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well

capable of producing unitized substances in paying quantities, the Unit Operator shall within the month of completion if practicable or as soon thereafter as required by the Supervisor or the State Land Commissioner, submit for approval by the Director, the State Land Commissioner, and the Commission a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Supervisor, the State Land Commissioner, and the Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director, the State Land Commissioner, and the Commission. The participating area or areas so established and approved shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive, and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall

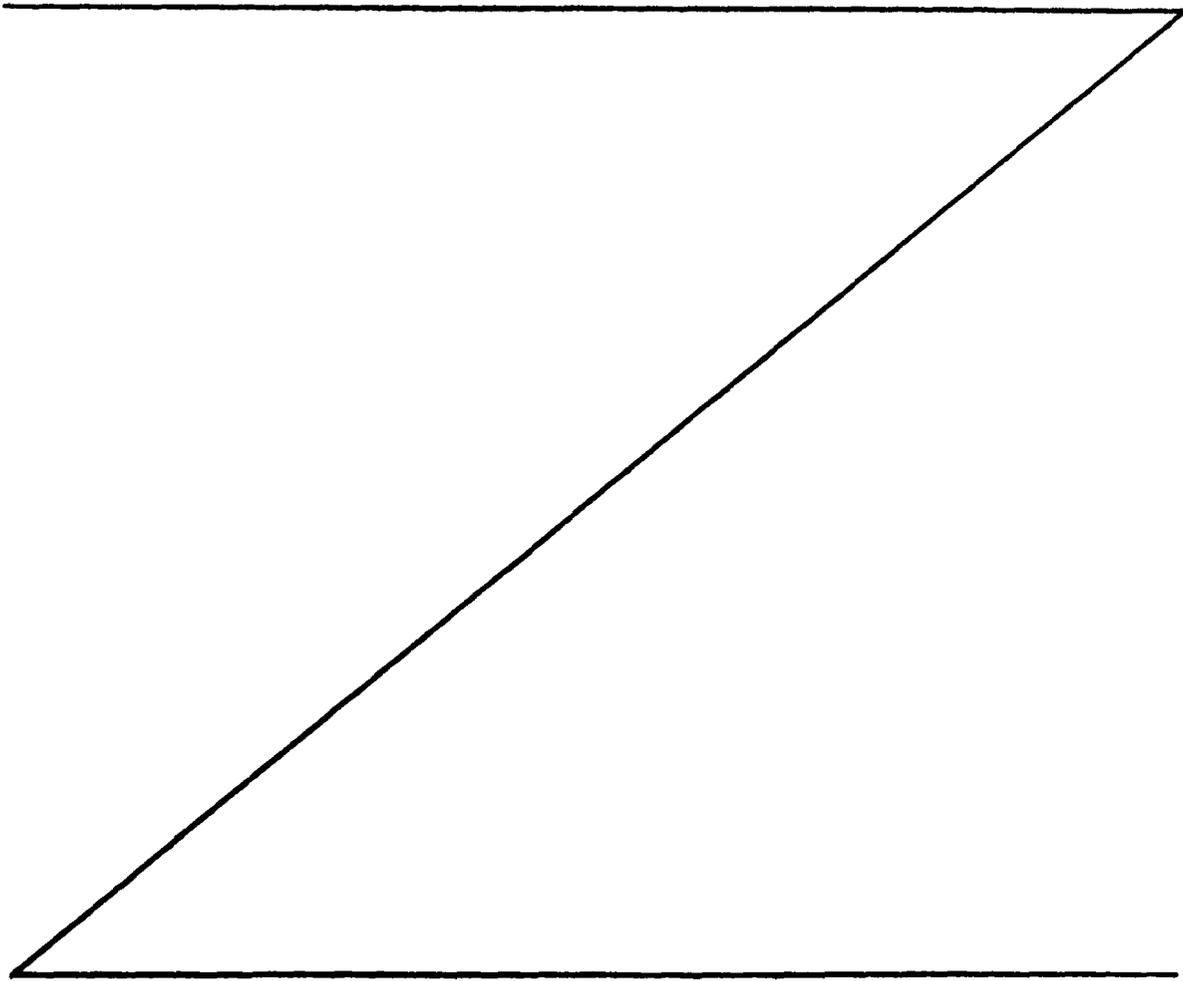
represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of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

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

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of

development approved by the Supervisor, the State Land Commissioner, and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part of tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as



constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

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

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

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

14. ROYALTY SETTLEMENT. The United States, the Indians, and the State of New Mexico and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working

interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefore under existing contracts, laws, and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

Royalty due on account of State and privately owned lands shall

be computed and paid on the basis of all unitized substances allocated to such lands.

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

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

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

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,

conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal and Indian leases and the State Land Commissioner as to State leases, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal or Indian leases and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

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

or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States, and the Indians, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal or Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (b) of the Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585): "Any [Federal] lease hereafter committed to any such [unit] plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such

lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

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

20. EFFECTIVE DATE OF TERM. This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate on the expiration of five (5) years from the effective date of this agreement unless (a) such date of expiration is extended by the Director and State Land Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their

last known addresses, the agreement is terminated with the approval of the Director and State Land Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or (d) it is terminated as heretofore provided in this agreement.

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal or State law or do not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification

shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the State Land Commissioner and as to any lands of the State of New Mexico or privately-owned lands, if any, subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the State Commission.

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

22. DETERMINATIONS BY UNIT OPERATOR AND REVIEW THEREOF. Whenever a determination is required to be made in order to carry out the express terms of this agreement and the agreement does not specify by whom such determination shall be made, the Unit Operator is hereby authorized to make the necessary determination subject to approval of the Director in the manner hereinafter provided. Notice of any such determination by the Unit Operator, accompanied by data in support thereof, shall be furnished to the Director through the Supervisor. If, after reviewing all the available evidence, the Director finds that the determination reviewed is incorrect, he shall advise the Unit Operator accordingly, stating the reasons therefor, and thereupon such determination shall be of no force and effect.

The Unit Operator shall then make a new determination in conformity with the finding of the Director or appeal to the Secretary as provided in the Operating Regulations. All determinations made by the Unit Operator pursuant to this section shall be effective unless and until altered, modified, or rescinded as herein provided.

Any party hereto shall have the right to request the Director (such request to be accompanied by appropriate supporting evidence) to review any determination made by the Unit Operator pursuant to this section not previously reviewed on appeal to the Secretary. Such request will be granted or denied in the discretion of the Director within 60 days after being received. If denied, the requesting party shall have the right to appeal to the Secretary. If the request for review is granted and

thereafter the Director finds that the determination should be altered, modified, or rescinded, the Unit Operator shall be advised accordingly and shall either comply with the finding of the Director or appeal to the Secretary.

23. CONFLICT OF SUPERVISION. Neither Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained.

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

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

as any such party may have furnished in writing to party sending the notice, demand or statement.

26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

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

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

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies

or raw materials.

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

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

30. NONJOINER AND SUBSEQUENT JOINER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the State Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. Joinder by a nonworking interest owner must be consented to in writing by the working

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

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

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

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party shall forfeit such rights and no further benefits from operations hereunder as to said land shall accrue to such party,

unless within ninety (90) days thereafter said party shall execute this agreement and the unit operating agreement as to the working interest acquired through such surrender, effective as though such land had remained continuously subject to this agreement and the unit operating agreement. And in the event such agreements are not so executed, the party next in the chain of title shall be and become the owner of such working interest at the end of such ninety (90) day period, with the same force and effect as though such working interest had been surrendered to such party.

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

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

(2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

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

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

For any period the working interest in any lands are not expressly

committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

Upon commitment of a working interest to this agreement and the unit operating agreement as provided in this section, an appropriate accounting and settlement shall be made, to reflect the retroactive effect of the commitment, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered working interest during the period between the date of surrender and the date of recommitment, and payment of any moneys found to be owing by such an accounting shall be made as between the parties then signatory to the unit operating agreement and this agreement within thirty (30) days after the recommitment. The right to become a party to this agreement and the unit operating agreement as a working interest owner by reason of a surrender or forfeiture as provided in this section shall not be defeated by the nonexistence of a unit operating agreement and in the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor and State Land Commissioner may prescribe such reasonable and equitable agreement as they deem warranted under the circumstances.

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

32. TAXES. Any and all ad valorem taxes payable in respect to the working interests committed to this agreement (and upon Lease Burdens which are not payable by the owners thereof) or upon materials, equipment or other property acquired and held by Unit Operator hereunder, and any and all taxes

(other than income taxes) upon or measured by unitized substances produced from the unit area which are not payable by the purchaser or purchasers thereof or by the owner of Lease Burdens shall be paid by Unit Operator as and when due and payable. Apportionment of the costs incurred in the payment of taxes as between the working interest parties shall be in accordance with the provisions of the unit operating agreement. Each working interest party shall promptly furnish Unit Operator with copies of notices, assessments, levies or tax statements received by it pertaining to the taxes to be paid by Unit Operator. Unit Operator shall make such returns, reports and statements as may be required by law in connection with any taxes above provided to be paid by it and shall furnish copies to the parties upon request. Unit Operator shall notify the parties of any tax which it does not propose to pay before such tax becomes delinquent.

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

UNIT OPERATOR AND WORKING INTEREST
OWNER

SHELL OIL COMPANY

Witness:

Willed M. Crawford

By

M. S. Sheppard
Manager, Land Department

Date:

June 13, 1956

Address: 1008 West Sixth Street
Los Angeles 54
California

OTHER PARTIES

Witness: M. E. Boehmer

Date: 6-15-56

[Signature]

Address: 726 East Avenue Bldg - Dallas, Texas

Witness: M. E. Boehmer

Date: 6-15-56

[Signature]

Address: 936 East Avenue Bldg - Dallas, Texas

Witness: M. E. Boehmer

Date: 6-15-56

[Signature]

Address: Delrose Hotel - Dallas, Texas

Witness: John W. Finley

Date: 6-15-56

[Signature]

Address: 2831 Republic Bank Bldg Dallas, Texas

Witness: John W. Finley

Date: 6-15-56

[Signature]

Address: 4604 Park Lane Dallas, Texas

Witness: John A. Pace

Date: 6/15/56

[Signature]

Address: 1735 Republic Bank Bldg

Witness: J. M. Benah

Date: 6/15/56

[Signature]

Address: 2831 Rep. Bank Bldg Dallas, Texas

Witness: Patricia Hughes

Date: 6/17/56

[Signature]

Address: 2831 Republic Bank Bldg Dallas, Texas

Witness: _____

Date: _____

Address: N. B. Garner + Earnie Lou Garner

Witness: F. W. Nanth

Date: 6-19-56

1206 Texas St Midland, Texas

Witness: F. W. Nanth

Date: 6-19-56

Address: Leah B Dourley 606 W Staley Midland Texas

Witness: Marian M. Postidge

Date: 6/19/56

Address: Al C. Puckey Box 1681 Julie Fay West Midland, Texas

Witness: James A. O'Neill

Date: 6/19/56

Address: Reese Lane Box 832 Midland, Texas

Address: _____

OTHER PARTIES (Contd.)

Witness: F. W. Nantker
Date: 19 June 1956

Witness: _____
Date: _____

Witness: F. W. Nantker
Date: 6-19-56

Witness: F. W. Nantker
Date: 6-19-56

Witness: F. W. Nantker
Date: 6-19-56

Witness: K. D. Monkress
Date: 6-19-56

Witness: F. W. Nantker
Date: 6-19-56

Witness: K. D. Monkress
Date: 6-19-56

Witness: K. D. Monkress
Date: 6-19-56

Witness: Virginia B. Prebet
Date: 6-19-56

Witness: F. W. Nantker
Date: 6-19-56

Witness: F. W. Nantker
Date: 6-20-56

Witness: _____
Date: _____

Lucille B. Cleveland
Address: _____

Box 46 - Midland Texas
Address: _____

M. Mary Box 182
MIDLAND TEXAS
Address: Lucille C. Barron

Robert Murray Jackson ^{1201 Bedford}
^{Midland, Texas}
Address: _____

Gerald J. - Gerald
Elizabeth - Gerald
Address: Box 1885, Midland, Texas

J. F. Postelle
Address: Box 1267 Midland, Tex

Lillian B. Joubert
Address: Box 67 Midland and Tex

Mrs Jossie Postelle
J. F. Postelle
Address: Box 1267

Bertha K. Sill
Address: Box 1625 - Midland, Tex

Katherine B. Yarbrough
Address: Box 1471
MIDLAND, TEXAS

Hang Adams
Address: Box 713, Midland Texas

J. D. Abby
Kathryn D. Abby
Address: Box 1854, Midland, 1442

CONSENT

In consideration of the execution of the Unit Agreement for the development and operation of the CARSON Unit Area by SHELL OIL COMPANY, a Delaware Corporation, dated the 13th day of June, 195 , and now of record in Book , page , in the Office of the County Recorder of San Juan County, New Mexico, in

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

Witness: Ann Jusko J. Ralph Stewart
Address: J. Ralph Stewart
Witness: Ann Jusko Viola Stewart
Address: Viola Stewart
Date: Address: P. O. Box 1254

STATE OF TEXAS)
)
COUNTY OF TOM GREEN)

On this 18th day of June, 1956, before me personally appeared J. Ralph Stewart and wife, Viola Stewart, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

In witness whereof, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

Evelyn S. Graham
NOTARY PUBLIC EVELYN S. GRAHAM
Tom Green County, Texas

My commission expires June 1, 1957.

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

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Carson Unit Area, San Juan County, New Mexico dated _____ day of _____, 1956, in which the Shell Oil Company, a corporation, is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said Agreement, the Commissioner finds:

- (a) That such Agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the Agreement is in other respects for the best interest of the State;
- (d) That the Agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the Agreement on an acreage basis as specified in the Agreement.

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

IN WITNESS WHEREOF, this certificate of approval is executed as of this _____ day of _____, 1956.

Commissioner of Public Lands of the
State of New Mexico

CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under the Allotted Land Mineral Leasing Act of March 3, 1909, (35 Stat. 783, 25 U.S.C. Sec. 396) as to certain restricted allotted Indian lands and delegated to the Commissioner of Indian Affairs by Departmental Order 2508 of January 11, 1949 (14 Fed. Reg. 258-260) and

Pursuant to the authority vested in the Secretary of the 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. 4.6111, 12 F.R. 6784, we do hereby:

A. Approve the attached agreement for the development and operation of the Carson 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.

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

Dated:

Commissioner of Indian Affairs

Dated:

Director, United States Geological Survey.

(Shell Land Manager)
(New Mexico & Wyoming)

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On this 13th day of June, 1956,

before me appeared M. W. Sheppard, Jr., to me personally known, who, being by me duly sworn, did say that he is the Manager, Land Department, Los Angeles Office of Shell Oil Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said M. W. Sheppard, Jr. acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and official seal this 13th day of June, A.D. 1956.

Mildred M. Crawford

Notary Public in and for said
County and State

My Commission expires

Dec. 31, 1958

STATE OF Texas)
COUNTY OF Dallas) ss.

On this 15 day of June, 19 56 before me personally appeared

G. E. HALL and CHRISTINE B. HALL, his wife
and _____, his wife
and C. B. YARBROUGH, his wife

to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Given under my hand and seal this 15 day of June 19 56.

Elaine Heldon
Notary Public

My Commission Expires 6-1-57

Residing at Dallas, Texas

STATE OF Texas)
COUNTY OF Dallas) ss.

On this 15 day of June, 19 56 before me personally appeared

Robert Minis and _____, his wife
Frank A. Schulty and Henrietta E. Schulty, his wife
Robert S. Phillips and Faivel M. Phillips, his wife

to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Given under my hand and seal this 15 day of June 19 56.

John W. Finley
Notary Public

My Commission Expires 6-1-57

Residing at Dallas Texas

STATE OF Texas)
COUNTY OF Dallas) ss.

On this 15th day of June, 1956 before me

personally appeared

Betty Jean Mudge and _____, ~~his~~ wife
_____ and _____, ~~his~~ wife
_____ and _____, ~~his~~ wife

to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged that ~~they~~ ^{she} executed the same as ~~their~~ ^{her}
free act and deed.

Given under my hand and seal this 15th day of June
1956.

Dixie Virginia Branch
Notary Public

My Commission Expires

June 1, 1957

Residing at Dallas, Texas

STATE OF Texas)
COUNTY OF Dallas) ss.

On this 18 day of June, 1956 before me

personally appeared

E. W. Mudge Jr. and _____, his wife
_____ and _____, his wife
_____ and _____, his wife

to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged that they executed the same as their
free act and deed.

Given under my hand and seal this 18 day of June
1956.

John W. Finlay
Notary Public

My Commission Expires

6-1-57

Residing at Dallas, Texas

STATE OF Texas)
COUNTY OF Midland) ss.

On this 19 day of June, 1956 before me

personally appeared

N. B. Garner and Carnie Lou Garner, his wife
REESE CLEVELAND and ROZELLE B. CLEVELAND, his wife
Harry Adams and _____, his wife

to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged that they executed the same as their
free act and deed.

Given under my hand and seal this 19 day of June
1956.

Grace L. Hoffman
Notary Public

~~Notary Public~~ AND
~~Notary Public~~

Grace L. Hoffman, Notary Public
for and for Midland, County, Texas

My Commission Expires
6-1-57

Residing at Midland, Texas

STATE OF Texas)
COUNTY OF Midland) ss.

On this 19 day of June, 1956 before me

personally appeared

Hal C. Peca and Josie Fay Peca, his wife
_____ and _____, his wife
_____ and _____, his wife

to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged that they executed the same as their
free act and deed.

Given under my hand and seal this 19 day of June
1956.

Marian M. Partridge
Notary Public

My Commission Expires
6-1-57

Residing at Midland, Texas

STATE OF Texas)
COUNTY OF Dallas) ss.

The foregoing instrument was acknowledged before me this
15 day of June, 1956 by _____

Notary Public in and for said
County and State.

My Commission expires _____

STATE OF Texas)
COUNTY OF Midland) ss.

The foregoing instrument was acknowledged before me this
19th day of June, 1956 by
Ralph Lowe

Betty Rice
Notary Public in and for said
County and State.

Betty Rice
Notary Public, in and for
~~Midland County, Texas~~
My Commission expires June 1, 1957

My Commission expires _____

STATE OF Texas)
COUNTY OF Midland) ss.

The foregoing instrument was acknowledged before me this
19th day of June, 1956 by
Leah B. Downey, widow of F. J. Downey

Marian M. Partridge
Notary Public in and for said
County and State.

My Commission expires 6-1-57

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this
19 day of JUNE, 1956 by

R. A. Barron &
Lucille C. Barron, his wife

Ruth Brumby
Notary Public in and for said
County and State.

NOTARY
MIDLAND COUNTY TEXAS

My Commission expires JUNE 15 1957

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this
19 day of JUNE, 1956 by

Ruth Brumby
Notary Public in and for said
County and State.

NOTARY
MIDLAND COUNTY TEXAS

My Commission expires JUNE 15 1957

STATE OF Texas)
COUNTY OF Midland) ss.

The foregoing instrument was acknowledged before me this
19th day of June, 1956 by

Katherine B. Yarbrough

V. Fickett V. FICKETT
Notary Public in and for said
County and State.

My Commission expires 6-1-57

STATE OF Texas
COUNTY OF Midland

On this the 19 day of June, 1956
before me personally appeared ~~Walter Fitz Gerald & Elizabeth Fitz Gerald~~
hus wife; J.R. Martin & Lucille Martin, his wife
to me personally known to be the person 5 described in
and who executed the foregoing instrument, and acknowledged that
they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and
official seal on the day and year in this certificate first above
written.

Keith Johnson
Notary Public in and for _____
County _____ TEXAS

My commission expires 6-1-57.

STATE OF Texas
COUNTY OF Midland

On this the 19 day of June, 1956
before me personally appeared ~~Walter Powell & Lillian Powell his wife; J.F.~~
Postelle & Jessie Postelle, his wife; P.O. Sill & Bertha Sill, his wife
to me personally known to be the person 5 described in
and who executed the foregoing instrument, and acknowledged that
they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and
official seal on the day and year in this certificate first
above written.

Keith Johnson
Notary Public in and for _____
County _____

My commission expires 6-1-57.

STATE OF Texas)
COUNTY OF Midland) ss.

The foregoing instrument was acknowledged before me this
21 day of June, 1956 by

J. C. Ashby & Kathryn D. Ashby, his wife

Jean Skene
Notary Public in and for said
County and State.

My Commission expires June 1, 1957

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____ by _____

Notary Public in and for said
County and State.

My Commission expires _____

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____ by _____

Notary Public in and for said
County and State.

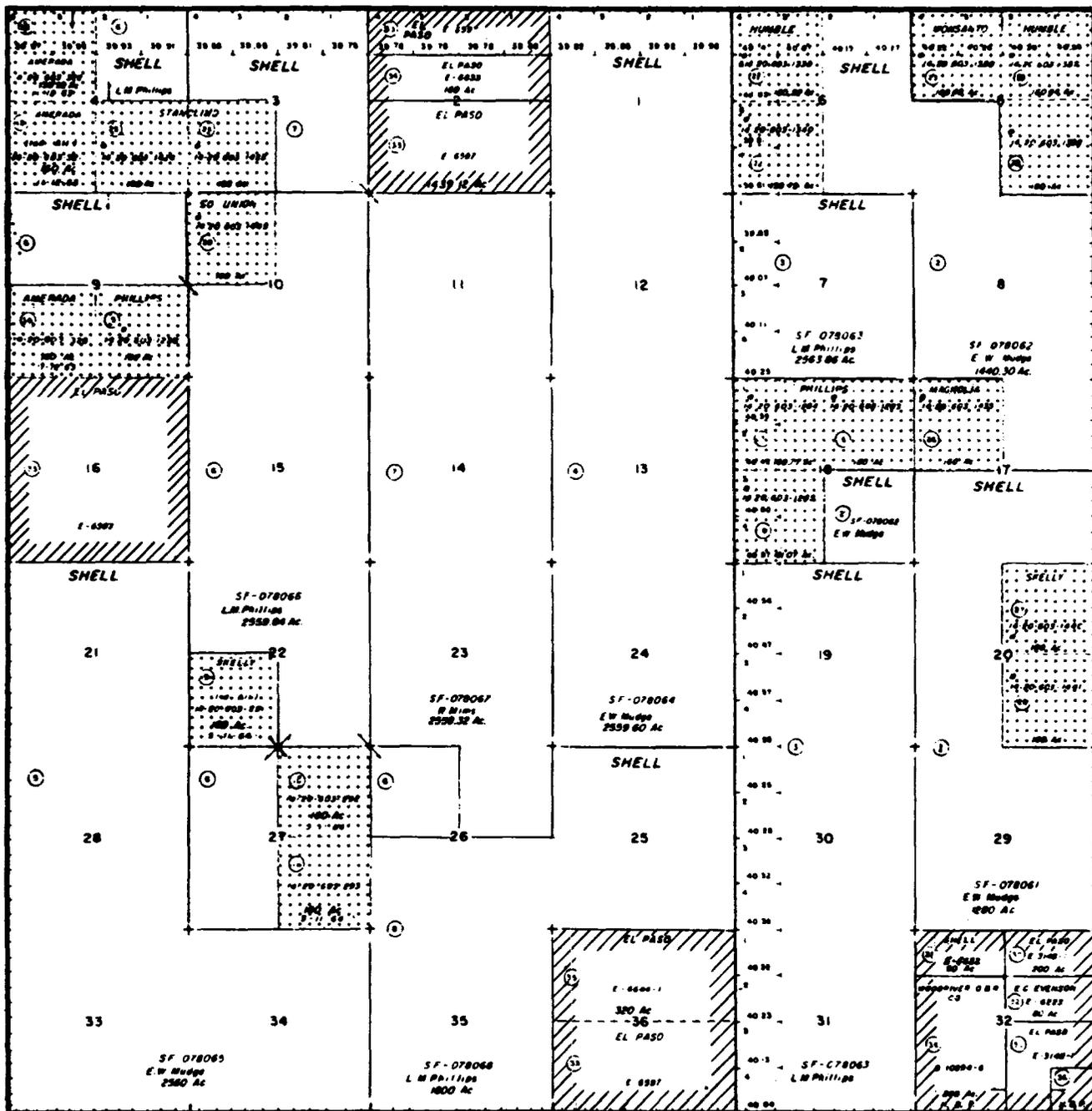
My Commission expires _____

R 12 W

R 11 W

T 25 N

T 25 N



ALLOTMENTS SOLD AT NAVAJO INDIAN
 SALE NO 34 OCT 29 1955 - APPROVAL
 PENDING

- LEGEND -

- FEDERAL LANDS
- INDIAN ALLOTTED LANDS
- STATE LANDS
- UNIT OUTLINE
- TRACT NUMBER



SHELL OIL COMPANY SALT LAKE CITY DIVISION	
EXHIBIT "A" CARSON UNIT SAN JUAN COUNTY, NEW MEXICO	
DRAFTING BY: APPROVED BY:	SCALE: ISSUED:
LAND DEPARTMENT	

CARSON UNIT
SAN JUAN COUNTY, NEW MEXICO

EXHIBIT B

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Ser. No. & Date of Lease</u>	<u>Base Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Working Interest & Percentage</u>
<u>FEDERAL LANDS</u>							
1.	T.25 N., R. 11 W., N.M.P.M. Section 17: S-1/2 Section 20: W-1/2 Section 29: All	1280.00	SF-078061 2-1-48	U.S. 12-1/2%	E. W. Mudge, Jr.	N. B. Garner 3-1/2% E. W. Mudge, Jr. **1-1/2%	*Shell Oil Company 100%
2.	T.25 N., R. 11 W., N.M.P.M. Section 5: SW-1/4 Section 6: Lots 1, 2, S-1/2 NE-1/4, SE-1/4 (E-1/2)	1440.30	SF-078062 2-1-48	U.S. 12-1/2%	E. W. Mudge, Jr.	G. E. Hall 3-1/2% E. W. Mudge, Jr. **1-1/2%	*Shell Oil Company 100%
3.	T. 25 N., R. 11 W., N.M.P.M. Section 7: Lots 1,2,3,4, E-1/2 W-1/2, E-1/2 (All) Section 19: Lots 1,2,3,4, E-1/2 W-1/2, E-1/2 (All) Section 30: Lots 1,2,3,4, E-1/2 W-1/2, E-1/2 (All) Section 31: Lots 1,2,3,4, E-1/2 W-1/2, E-1/2 (All)	2563.86	SF-078063 2-1-48	U.S. 12-1/2%	Louise M. Phillips	J. Ralph Stewart 3-1/2% Louise M. Phillips **1-1/2%	*Shell Oil Company 100%
4.	T. 25 N., R. 12 W., N.M.P.M. Section 1: Lots 1,2,3,4, S-1/2 N-1/2, S-1/2 (All)	2559.60	SF-078064 2-1-48	U.S. 12-1/2%	E. W. Mudge, Jr.	Ralph Lowe 3-1/2% E. W. Mudge, Jr. **1-1/2%	*Shell Oil Company 100%

Garson Unit
San Juan County, New Mexico
Exhibit B (Contd.)

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Ser. No. & Date of Lease</u>	<u>Base Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Working Interest & Percentage</u>
<u>Federal Lands (Contd.)</u>							
5.	T. 25 N., R. 12 W., N.M.P.M. Section 21: All Section 28: All Section 33: All Section 34: All	2560.00	SF-078065 2-1-48	U.S. 12-1/2%	E. W. Mudge, Jr.	Hal C. Peck 3-1/2% E. W. Mudge, Jr. **1-1/2%	*Shell Oil Company 100%
6.	T. 25 N., R. 12 W., N.M.P.M. Section 4: Lots 1, 2, S-1/2 NE-1/4 (NE-1/4) Section 9: N-1/2 Section 10: NE-1/4, S-1/2 Section 15: All Section 22: N-1/2, SE-1/4 Section 26: NW-1/4 Section 27: W-1/2	2559.84	SF-078066 2-1-48	U.S. 12-1/2%	Louise M. Phillips	Harry Adams 3-1/2% Louise M. Phillips **1-1/2%	*Shell Oil Company 100%
7.	T. 25 N., R. 12 W., N.M.P.M. Section 3: Lots 1, 2, 3, 4, S-1/2 N-1/2, (N-1/2) SE-1/4 Section 11: All Section 14: All Section 23: All Section 26: NE-1/4	2559.32	SF-078067 2-1-48	U.S. 12-1/2%	Robert Mims	F. J. Downey 3-1/2% Robert Mims **1-1/2%	*Shell Oil Company 100%

Carson Unit
 San Juan County, New Mexico
 Exhibit B (Contd.)

Tract Number	Description	No. of Acres	Ser. No. & Date of Lease	Base Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
<u>Federal Lands (Contd.)</u>							
8.	T. 25 N., R. 12 W., N.M.P.M. Section 25: All Section 26: S-1/2 Section 35: All	1600.00	SF-078068 2-1-48	U. S. 12-1/2%	Louise M. Phillips	C. B. Yarr- brough 3-1/2% Louise M. Phillips **1-1/2%	*Shell Oil Company 100%

TOTAL FEDERAL LANDS 17,122.92 acres

74.30% of Unit Area

INDIAN ALLOTTED LANDS

9.	T. 25 N., R. 12 W., N.M.P.M. Section 22: SW-1/4	160.00	14-20-603-291 5-11-54	Nah-cien-muz- pah 12-1/2%	Skelly Oil Company	None	Skelly Oil Company 100%
10.	T. 25 N., R. 12 W., N.M.P.M. Section 27: NE-1/4	160.00	14-20-603-292 5-11-54	Hostein-bele- cjun Bemilly 12-1/2%	Skelly Oil Company	None	Skelly Oil Company 100%
11.	T. 25 N., R. 12 W., N.M.P.M. Section 27: SE-1/4	160.00	14-20-603-293 5-11-54	Nah-te-yah- nele-wood 12-1/2%	Skelly Oil Company	None	Skelly Oil Company 100%
12.	T. 25 N., R. 12 W., N.M.P.M. Section 4: SW-1/4	160.00	14-20-603-321 11-12-53	Ath-jop-pah 12-1/2%	Amerada Oil Company	None	Amerada Oil Company 100%
13.	T. 25 N., R. 12 W., N.M.P.M. Section 4: Lots 3, 4, S-1/2 NW-1/4 (NW-1/4)	159.92	14-20-603-322 11-12-53	San Hostein- not-donne Bemilly 12-1/2%	Amerada Oil Company	None	Amerada Oil Company 100%

Carson Unit
San Juan County, New Mexico
Exhibit B (Contd.)

Tract Number	Description	No. of Acres	Ser. No. & Date of Lease	Base Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
<u>Indian Allotted Lands (Contd.)</u>							
14.	T. 25 N., R. 12 W., N.M.P.M. Section 9: SW-1/4	160.00	14-20-603-326 11-12-53	I-ni-pah or Joan 12-1/2%	Amerada Oil Company	None	Amerada Oil Company 100%
15.	T. 25 N., R. 12 W., N.M.P.M. Section 9: SE-1/4	160.00	14-20-603-1228 ***	I-tah-nip (Mary) 12-1/2%	Phillips Petroleum Company	None	Phillips Petroleum Company 100%
16.	T. 25 N., R. 11 W., N.M.P.M. Section 18: NE-1/4	160.00	14-20-603-1283 ***	Nah-ti-ye-ca wood Price 12-1/2%	Phillips Petroleum Company	None	Phillips Petroleum Company 100%
17.	T. 25 N., R. 11 W., N.M.P.M. Section 18: Lots 1, 2, E-1/2 NW-1/4 (NW-1/4)	160.77	14-20-603-1284 ***	Hoska-ge-hos-wood 12-1/2%	Phillips Petroleum Company	None	Phillips Petroleum Company 100%
18.	T. 25 N., R. 11 W., N.M.P.M. Section 18: Lots 3, 4, E-1/2 SW-1/4 (SW-1/4)	161.07	14-20-603-1285 ***	Uska-ye-ni-sa 12-1/2%	Phillips Petroleum Company	None	Phillips Petroleum Company 100%
19.	T. 25 N., R. 11 W., N.M.P.M. Section 5: Lots 1, 2, S-1/2 NE-1/4 (NE-1/4)	160.64	14-20-603-1337 ***	Yah-nei-bah or Herrylett 12-1/2%	Humble Oil Company	None	Humble Oil Company 100%
20.	T. 25 N., R. 11 W., N.M.P.M. Section 5: SE-1/4	160.00	14-20-603-1338 ***	Al-so-ah or Dolly 12-1/2%	Humble Oil Company	None	Humble Oil Company 100%

Garrison Unit
San Juan County, New Mexico
Exhibit B (Contd.)

Tract Number	Description	No. of Acres	Ser. No. & Date of Lease	Base Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
<u>Indian Allotted Lands (Contd.)</u>							
21.	T. 25 N., R. 11 W., N.M.P.M. Section 6: Lots 3, 4, 5, SE-1/4, NW-1/4 (NW-1/4)	160.22	14-20-603-1339 ***	Hh-ge-di-pah or Hattie Pierce Jaquez 12-1/2%	Humble Oil Company	None	Humble Oil Company 100%
22.	T. 25 N., R. 11 W., N.M.P.M. Section 6: Lots 6, 7, E-1/2 SW-1/4 (SW-1/4)	159.72	14-20-603-1340 ***	Glip-pah Price 12-1/2%	Humble Oil Company	None	Humble Oil Company 100%
23.	T. 25 N., R. 11 W., N.M.P.M. Section 5: Lots 3, 4, S-1/2 NW-1/4 (NW-1/4)	160.48	14-20-603-1359 ***	Yieyth-pah or Farina 12-1/2%	Monsanto Chemical Company	None	Monsanto Chemical Company 100%
24.	T. 25 N., R. 12 W., N.M.P.M. Section 3: SW-1/4	160.00	14-20-603-1423 ***	Ka-da-pah 12-1/2%	Stanolind Oil and Gas Company	None	Stanolind Oil and Gas Company 100%
25.	T. 25 N., R. 12 W., N.M.P.M. Section 4: SE-1/4	160.00	14-20-603-1424 ***	Se-ni-da-pah 12-1/2%	Stanolind Oil and Gas Company	None	Stanolind Oil and Gas Company 100%
26.	T. 25 N., R. 11 W., N.M.P.M. Section 17: NW-1/4	160.00	14-20-603-1435 ***	Sanda Wall 12-1/2%	Magnolia Petroleum Company	None	Magnolia Petroleum Company 100%
27.	T. 25 N., R. 11 W., N.M.P.M. Section 20: NE-1/4	160.00	14-20-603-1440 ***	Uska-ye-ni-sa 12-1/2%	Skelly Oil Company	None	Skelly Oil Company 100%
28.	T. 25 N., R. 11 W., N.M.P.M. Section 20: SE-1/4	160.00	14-20-603-1441 ***	Ray Ganuto 12-1/2%	Skelly Oil Company	None	Skelly Oil Company 100%
29.	T. 25 N., R. 12 W., N.M.P.M. Section 10: NW-1/4	160.00	14-20-603-1449 ***	Ka-gee-pah 12-1/2%	Southern Union Gas Company	None	Southern Union Gas Company 100%

TOTAL INDIAN ALLOTTED LANDS 3,362.82 acres 14.59% of Unit Area

Carson Unit
San Juan County, New Mexico
Exhibit B (Contd.)

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Ser. No. & Date of Lease</u>	<u>Base Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Working Interest & Percentage</u>
---------------------	--------------------	---------------------	-------------------------------------	--------------------------------------	-------------------------	--	--

STATE LANDS

30.	T. 25 N., R. 11 W., N.M.P.M. Section 32: N-1/2 NE-1/4, N-1/2 SE-1/4, SW-1/4 SE-1/4	200.00	E-3148-1 12-10-49	State of New Mexico 12-1/2%	El Paso Natural Gas Company	John Burroughs 5%	El Paso Natural Gas Company 100%
-----	--	--------	----------------------	--------------------------------	-----------------------------	----------------------	----------------------------------

31.	T. 25 N., R. 11 W., N.M.P.M. Section 32: N-1/2 NW-1/4	80.00	E-5622-1 10-1-51	State of New Mexico 12-1/2%	Shell Oil Company	Henry A. Mylander, Individually and as Surviving Executor of the Estate of Kate E. Mylander 4%	Shell Oil Company 100%
-----	---	-------	---------------------	--------------------------------	-------------------	---	------------------------

32.	T. 25 N., R. 11 W., N.M.P.M. Section 32: S-1/2 NE-1/4	80.00	E-6223 5-16-52	State of New Mexico 12-1/2%	Edward C. Evensen	None	Edward C. Evensen 100%
-----	---	-------	-------------------	--------------------------------	-------------------	------	------------------------

33.	T. 25 N., R. 12 W., N.M.P.M. Section 2: Lots 1, 2, 3, 4; (N-1/2 N-1/2) S-1/2 Section 16: All Section 36: S-1/2	1439.12	E-6597 10-7-52	State of New Mexico 12-1/2%	Laurence C. Kelly, Trustee and El Paso Natural Gas Company	J.D. Middleton 1/4 of 1% Laurence C. Kelly 5% in all of lease except S-1/2 of Section 16, T. 25 N., R. 12 W. 17-1/2% in S-1/2 Section 16 above Gallup sandstone formation. 10% in S-1/2 Section 16 below Gallup sandstone formation.	Laurence C. Kelly 50% El Paso Natural Gas Company 50%
-----	--	---------	-------------------	--------------------------------	--	---	--

Carson Unit
 San Juan County, New Mexico
 Exhibit B (Contd.)

Tract Number	Description	No. of Acres	Ser. No. & Date of Lease	Base Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
State Lands (Contd.)							
34.	T. 25 N., R. 12 W., N.M.P.M. Section 2: S-1/2 N-1/2	160.00	E-6633 11-10-52	State of New Mexico 12-1/2%	El Paso Natural Gas Company	None	El Paso Natural Gas Company 100%
35.	T. 25 N., R. 12 W., N.M.P.M. Section 36: N-1/2	320.00	E-6644-1 11-14-52	State of New Mexico 12-1/2%	Laurence C. Kelly, Trustee	Laurence C. Kelly 2%	Laurence C. Kelly 100% pp
36.	T. 25 N., R. 11 W., N.M.P.M. Section 32: S-1/2 NW-1/4, SW-1/4, SE-1/4 SE-1/4	280.00	B-10894-6 1-1-44 p	State of New Mexico 12-1/2%	Woodriver Oil and Refining Company, Inc., and Eldorado Refining Company	None	Woodriver Oil and Refining Company 50% Eldorado Refining Company 50%
		TOTAL STATE LANDS	2,559.12 acres			11.11% of Unit Area	
		TOTAL UNIT AREA	23,044.86 acres				

*Held under option which provides for assignment with a reservation by the Assignor of the overriding royalty shown herein. Upon approval of the within Unit Agreement by the Secretary of the Interior or his delegated representative, Shell will promptly exercise the option to take assignment for the purpose of vesting in it, subject to Bureau of Land Management approval, the 100% working interest shown herein.

**Oil payment of 1-1/2% of net proceeds. Not to exceed \$100.00 per acre.

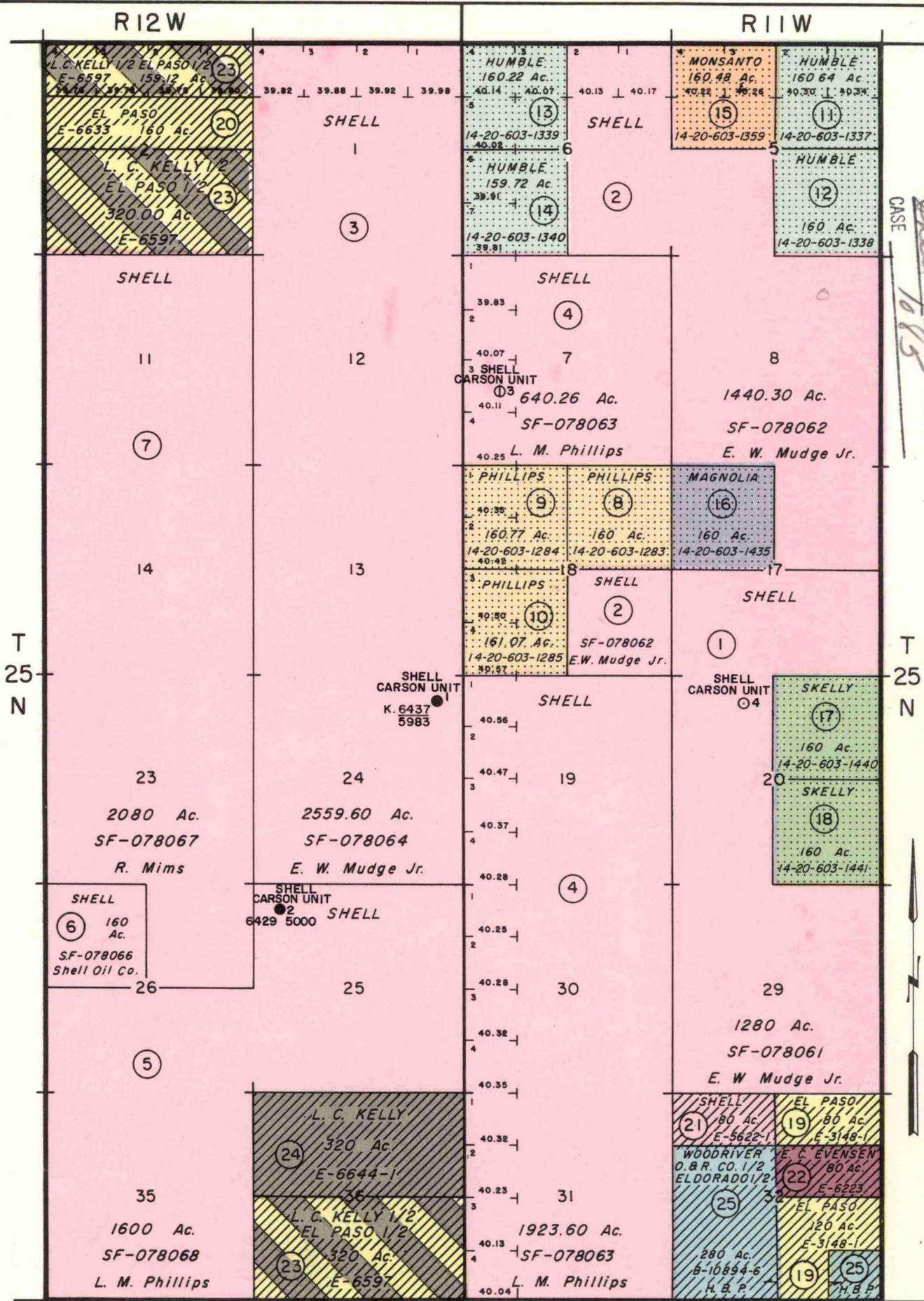
***Lease sold at Navajo Indian Sale No. 54 on October 27, 1955. Effective lease date will be date of approval.

pHeld by Production.

ppRefer to Operating Agreement dated April 25, 1955 between Laurence C. Kelly and El Paso Natural Gas Company.

File Case 1085 - Carson Unit

BEFORE THE COMMISSION
 OIL CONSERVATION COMMISSION
 SANTA FE, NEW MEXICO
 CASE 1085 EXHIBIT No. 7



- | | | |
|---|--|---|
| EL PASO | MONSANTO | ① TRACT NUMBER AS LISTED ON EXHIBIT "B" |
| EVENSEN | PHILLIPS | FEDERAL LANDS |
| HUMBLE | SHELL | STATE LANDS |
| KELLY | SKELLY | INDIAN ALLOTTED LANDS |
| MAGNOLIA | WOODRIVER O & R. 1/2
ELDORADO 1/2 | UNIT OUTLINE |

EXHIBIT "A"
CARSON UNIT
 SAN JUAN CO., NEW MEXICO
 0' 660' 1320' 2640' 5280'
 SCALE IN FEET