

CASE 373: Oil Conservation Commission
own application for order revising Rule 104
of OCC Rules and Regulations (as of 1-1-59)

Case No.

374

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 374
ORDER NO. B-161

THE APPLICATION OF SHELL OIL COMPANY
FOR APPROVAL OF THE REEVES UNIT AGREEMENT
EMBRACING 2,540.48 ACRES IN LEA COUNTY,
NEW MEXICO, WITHIN TOWNSHIPS 18 AND 19
SOUTH, RANGES 35 AND 36 EAST, NMPM

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 27, 1952,
at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico,
hereinafter referred to as the "Commission."

NOW, on this the ~~28~~⁹ day of ~~May~~, 1952, the Commission, a quorum
being present, having before it for consideration the testimony adduced at the
hearing of said case and being fully advised in the premises,

FINDS:

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

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

IT IS THEREFORE ORDERED:

SECTION 1. That this order shall be known as the

REEVES UNIT AGREEMENT ORDER

SECTION 2. (a) That the project herein referred to shall be known
as the Reeves Unit Agreement, and shall hereafter be referred to as the "Project".

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

SECTION 3. That the Reeves Unit Agreement Plan shall be, and hereby
is, approved in principle as a proper conservation measure; provided, however,
that notwithstanding any of the provisions contained in said unit agreement this
approval shall not be considered as waiving or relinquishing in any manner any
right, duties or obligations which are now, or may hereafter, be vested in the

New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Reeves Unit Agreement, or relative to the production of oil or gas therefrom.

SECTION 4. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 18 S., Rge. 35 E.
Sec. 25: SE/4
Sec. 36: E/2

Twp. 19 S., Rge. 35 E.
Sec. 1: NE/4

Twp. 18 S., Rge. 36 E.
Sec. 30: S/2
Sec. 29: SW/4
Sec. 31: All
Sec. 32: W/2

Twp. 19 S., Rge. 36 E.
Sec. 6: N/2
Sec. 5: NW/4

Total unit area: 2,540.48 acres, more or less.

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

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

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

By Edwin L. Mechem
EDWIN L. MECHEM, Chairman

Guy Shepard
GUY SHEPARD, Member

R. R. Spurrer
R. R. SPURRIER, SECRETARY

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE - NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder of the following special hearing to be held at 9 a.m. on May 27, 1952, at Mabry Hall, State Capitol, in the City of Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties and persons having any right, title, interest or claim in the following case, and notice to the public.

CASE 374:

In the matter of the application of Shell Oil Company for approval of a unit agreement for the development of the stipulated Reeves Unit Area embracing 2540.48 acres of land, more or less, in Lea County, New Mexico, as described:

NEW MEXICO PRINCIPAL MERIDIAN

Township 18 South, Range 35 East
Section 25: SE/4;
Section 36: E/2

Township 19 South, Range 35 East
Section 1: NE/4

Township 18 South, Range 36 East
Section 29: SW/4;
Section 30: S/2;
Section 31: All;
Section 32: W/2

Township 19 South, Range 36 East
Section 5: NW/4;
Section 6: N/2

GIVEN under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, this 13th day of May, 1952.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. SPURRIER, SECRETARY

S E A L

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Township 18 South, Range 36 East
Section 29: SW/4;
Section 30: S/2;
Section 31: All;
Section 32: W/2

Township 19 South, Range 36 East
Section 5: NW/4;
Section 6: N/2

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STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. SPURRIER, SECRETARY

S E A L

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

May 6, 1952

C

O

Mr. Richard L. Hughston
Shell Oil Company
Midland, Texas

P

Dear Mr. Hughston:

This will acknowledge your letter of May 5 with enclosed application for hearing.

Y

According to our own policy, we do not hear a case until the application has been filed 30 days. We are therefore setting your case for June 6 and will send you copy of the official notice when it is drawn.

Very truly yours,

RRS:W

Secretary and Director



SHELL OIL COMPANY

MIDLAND AREA

MAILING ADDRESS
P. O. BOX 1509
MIDLAND, TEXAS

GENERAL OFFICES
PETROLEUM BUILDING
MIDLAND, TEXAS

May 5, 1952

AIR MAIL - SPECIAL DELIVERY

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Herewith we enclose two copies of application by Shell Oil Company for an order approving a unit agreement covering certain lands in and around Section 31, Township 18 South, Range 36 East, which lands we have designated as the Reeves Unit Area. Kindly file the application and advise us when you shall have done so, using the enclosed stamped and addressed envelope and issue notices thereon promptly and see if possible that the notices are published in time for the matter to be heard at your meeting on May 20. The expediting of this matter so that it can be heard on May 20 is of real importance for the reason that one of the leases in the area affected by the unit agreement will expire on June 10, 1952, and in order to protect that lease, provision is made in the unit agreement for the beginning of a test well not later than June 9, 1952, in the event approval of the unit agreement can be obtained.

Thanking you in advance for your expediting the matter in every way possible, we are

Very truly yours,

SHELL OIL COMPANY

By Richard L. Hightston
Attorney

RLH:MK

cc: Land Department
Midland, Texas

(7)

October 19, 1956

In reply refer to:
Unit Division

Shell Oil Co.
P. O. Box 8145
Roswell, New Mexico

Re: Termination Date of
Reeves Unit Agreement,
Lea County, New Mexico

Attention: Mr. R. A. Clarke
Land Department

Gentlemen:

In reference to our letter to you of October 6, 1955, regarding the termination of Reeves Unit Agreement, we find, after reviewing the terms of this Unit that it should have terminated June 1, 1953. Therefore, we are posting our records to show June 1, 1953 as the correct termination date.

Very truly yours,

E. S. WALKER
Commissioner of Public Lands

MMR/m

cc: OCC-Santa Fe
Magnolia Petroleum Co.-Dallas

October 6, 1955

Expired

374

Shell Oil Company
P. O. Box 845
Roswell, New Mexico

Re: (Reeves Unit Agreement
Lea County)

Attention: R. A. Clarke
Roswell Division
Land Department

Gentlemen:

This is to notify you that pursuant to Paragraph
eight (8) and fifteen (15) of the Reeves Unit Agreement,
Lea County, New Mexico, this Unit Agreement has expired.

Yours truly,

clw

E. S. WALKER
Commissioner of Public Lands

cc: OCC-Santa Fe
HR

V. B. Case
3727

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
REEVES UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 30th day of April, 1952, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chapter 162, Laws of 1951) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and,

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

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable

through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

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

1. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

SE/4 Sec. 25 and E/2 of Sec. 36, in Twp. 18 South, Rge. 35 East; NE/4 Sec. 1 in Twp. 19 South, Rge. 35 East; S/2 Sec. 30, SW/4 Sec. 29, All Sec. 31, N/2 Sec. 32 all in Twp. 18 South, Rge. 36 East; N/2 Sec. 6, and NW/4 Sec. 5, in Twp. 19 South, Rge. 36 East, N.M.P.M., containing 25,480 acres, more or less, in Lea County, New Mexico.

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 Commissioner of Public Lands, hereinafter referred to as "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. Such expansion shall be effected in the following manner.

(a) Unit Operator, on its own motion or on demand of the Commissioner shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

(b) Said notice shall be delivered to 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 Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator.

(d) After due consideration of all pertinent information, the expansion shall, upon approval by the Commissioner, become effective as of the date prescribed in the notice thereof, provided, however, if more than 25% on an acreage basis object to such expansion, the same shall not be approved; provided, however, that should the interest of any objecting working interest owner equal or exceed 25% on an acreage basis, then and in that event in order to make such objection effective hereunder one additional working interest owner must join in such objection.

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. Shell Oil Company, a Delaware Corporation, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests 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.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 Commissioner.

The resignation or removal of the Unit Operator under this agreement shall not terminate his 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.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than 65 per cent of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 65 per cent of the total working interests, 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 Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement by and between the Unit Operator and the other owners of such 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 article, whether one or more, are herein referred to as the "Operating Agreement". No such 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 inconsistencies or conflict between this Unit Agreement and the Operating Agreement this Unit Agreement shall prevail.

7. 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.

8. DRILLING TO DISCOVERY. After the effective date hereof and on or before June 9, 1952, the Unit Operator shall commence operations upon a test well for oil and gas located in the approximate center of the NE/4 of the SW/4 of Section 31, Township 18 South, Range 36 East, and shall drill said well with due diligence to a depth of 12,750 feet, or to a depth sufficient in the opinion of Unit Operator, to test the Devonian, whichever is the shallower, or until at a lesser depth, unitized substances shall be discovered which can be produced in paying quantities, or until it shall in the opinion of the Unit Operator be determined that the further drilling of said well shall be unwarranted or impracticable. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator shall continue drilling diligently one well at a time allowing not more than six months between the completion of one well and the beginning of the next well until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Failure to comply with the drilling provisions of this article shall automatically terminate this agreement as to all its terms, conditions and provisions and all rights, privileges and obligations granted by this Unit Agreement shall cease and terminate as of the date of any such default.

9. PARTICIPATION AND ALLOCATION AFTER DISCOVERY. All unitized substances produced from the unit area, except any part thereof used within the unit area for production or development purposes, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several

tracts of unitized land, and for the purpose of determining any benefits accruing under this agreement in such unitized substances and the distribution of the royalty payable to the State of New Mexico each such tract shall have allocated to it such percentage of such production as its area bears to the entire unitized area. Production of unitized substances from the unit area shall be so allocated regardless of whether or not any particular tract has a well thereon.

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

10. ROYALTY AND RENTAL PAYMENT. All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the Unit Operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, 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 a plan of operations consented to by the Commissioner and approved by 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.

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

11. 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 laws or regulations.

12. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land not subject to this agreement.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED IN SO FAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall, upon approval hereof by the Commissioner be and the same are hereby expressly modified and amended in so far as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended in so far as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the lessee, shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement in so far as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws shall continue in full force and

effect thereafter. The commencement, completion, operation or production of a well on any part of the Unit Area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such commencement, completion, operation or production was carried on, conducted and/or obtained from any such leased tract.

14. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests 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, 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.

15. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, 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. This agreement may be terminated at any time by not less than 65 per cent on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article 8 hereof, the failure to comply with the drilling provisions of this Unit Agreement shall as of the date of any such default automatically

terminate this Unit Agreement.

16. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

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

18. 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.

19. 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, war, 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.

20. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

21. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to any operating agreement affecting the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the Unit Operator shall make appropriate adjustments caused by such

joinder, without any retroactive adjustment of revenue.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set opposite their signatures.

DESCRIPTION OF INTERESTS
COMMITTED TO REEVES UNIT
AGREEMENT BY REFERENCE TO
TRACT NUMBERS IN EXHIBIT "B"
ATTACHED TO UNIT AGREEMENT

SIGNATURE AND ADDRESSES

SHELL OIL COMPANY

Tracts: 3, 6, 7 and 8

By _____
Vice President

ATTEST:

Assistant Secretary

Address: Petroleum Building
Midland, Texas

Date _____ 1952

UNIT OPERATOR

WORKING INTEREST OWNERS

GULF OIL CORPORATION

Tracts: 12 and 13

By _____
Vice President

ATTEST:

Assistant Secretary

Address: Life of America Building
Fort Worth, Texas

Date _____ 1952

SINCLAIR OIL & GAS COMPANY

Tract: 2

By _____
Vice President

ATTEST:

Assistant Secretary

Address: Fair Building
Fort Worth, Texas

Date _____ 1952

TEXAS GULF PRODUCING COMPANY

Tracts: 5 and 11

By _____
Vice President

ATTEST:

Assistant Secretary

Address: Mollie Esperson Building
Houston, Texas

Date _____ 1952

MAGNOLIA PETROLEUM COMPANY

Tract: 10

By _____
Vice President

ATTEST:

Assistant Secretary

Address: Magnolia Building
Dallas, Texas

Date _____ 1952

TIDE WATER ASSOCIATED OIL COMPANY

Tract: 4

By _____
Vice President

ATTEST:

Assistant Secretary

Address: Mollie Esperson Building
Houston, Texas

Date _____ 1952

CITIES SERVICE OIL COMPANY

Tract: 1

By _____
Vice President

ATTEST:

Assistant Secretary

Address: Bartlesville, Oklahoma

Date _____ 1952

THE OHIO OIL COMPANY

Tract: 9

By _____
Vice President

ATTEST:

Assistant Secretary

Address: City National Bank Building
Houston, Texas

Date _____ 1952

STATE OF TEXAS }
COUNTY OF MIDLAND }

Before me, the undersigned authority, on this _____ day of _____, 1952, appeared Joe T. Dickerson, to me personally known, who, being by me duly sworn, did say that he is Vice President of Shell Oil Company, that the seal affixed to said instrument is the corporate seal of said corporation, that same was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be the free act and deed of said corporation, same having been executed by him for the purpose and consideration therein expressed and in the capacity therein stated.

Witness my hand and official seal the day and year last above written.

My Commission Expires _____.

Notary Public in and for Midland County,
Texas

STATE OF TEXAS }
COUNTY OF TARRANT }

On this _____ day of _____, 1952, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of Gulf Oil Corporation, 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My Commission Expires _____.

Notary Public in and for Tarrant County,
Texas

STATE OF TEXAS }
COUNTY OF TARRANT }

On this _____ day of _____, 1952, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of Sinclair Oil & Gas 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My Commission Expires _____.

Notary Public in and for Tarrant County,
Texas

STATE OF TEXAS)
COUNTY OF HARRIS)

On this _____ day of _____, 1952, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of Texas Gulf Producing 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My Commission Expires _____.

Notary Public in and for Harris County,
Texas

STATE OF TEXAS)
COUNTY OF DALLAS)

On this _____ day of _____, 1952, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of Magnolia Petroleum 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My Commission Expires _____.

Notary Public in and for Dallas County,
Texas.

STATE OF OKLAHOMA)
COUNTY OF _____)

On this _____ day of _____, 1952, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of Cities Service 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My Commission Expires _____.

Notary Public in and for _____
County, Oklahoma

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On this _____ day of _____, 1952, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of Tide Water Associated 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My Commission Expires _____.

Notary Public in and for Harris County,
Texas

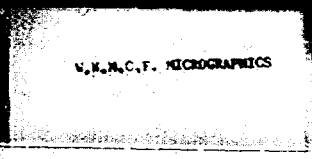
STATE OF TEXAS)
)
COUNTY OF HARRIS)

On this _____ day of _____, 1952, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of The Ohio 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My Commission Expires _____.

Notary Public in and for Harris County,
Texas



CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF
REEVES UNIT AREA, LEA 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 Reeves Unit Area, Lea County, New Mexico, dated _____ day of _____, 1952, in which Shell Oil Company is designated as Operator and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me by Section 3, Chapter 88 of the laws of the State of New Mexico, 1943, approved April 14, 1943, as amended by Sec. 1 of Chapter 162, Laws of 1951, 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, as to the lands of the State of New Mexico included in said Reeves Unit Agreement, and all leases embracing lands of the State of New Mexico committed to said Unit Agreement 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 Section 3, Chapter 88 of the New Mexico Session Laws of 1943, as amended by Sec. 1 of Chapter 162, Laws of 1951.

EXECUTED THIS 28 day of May, 1952.



Commissioner of Public Lands of the
State of New Mexico

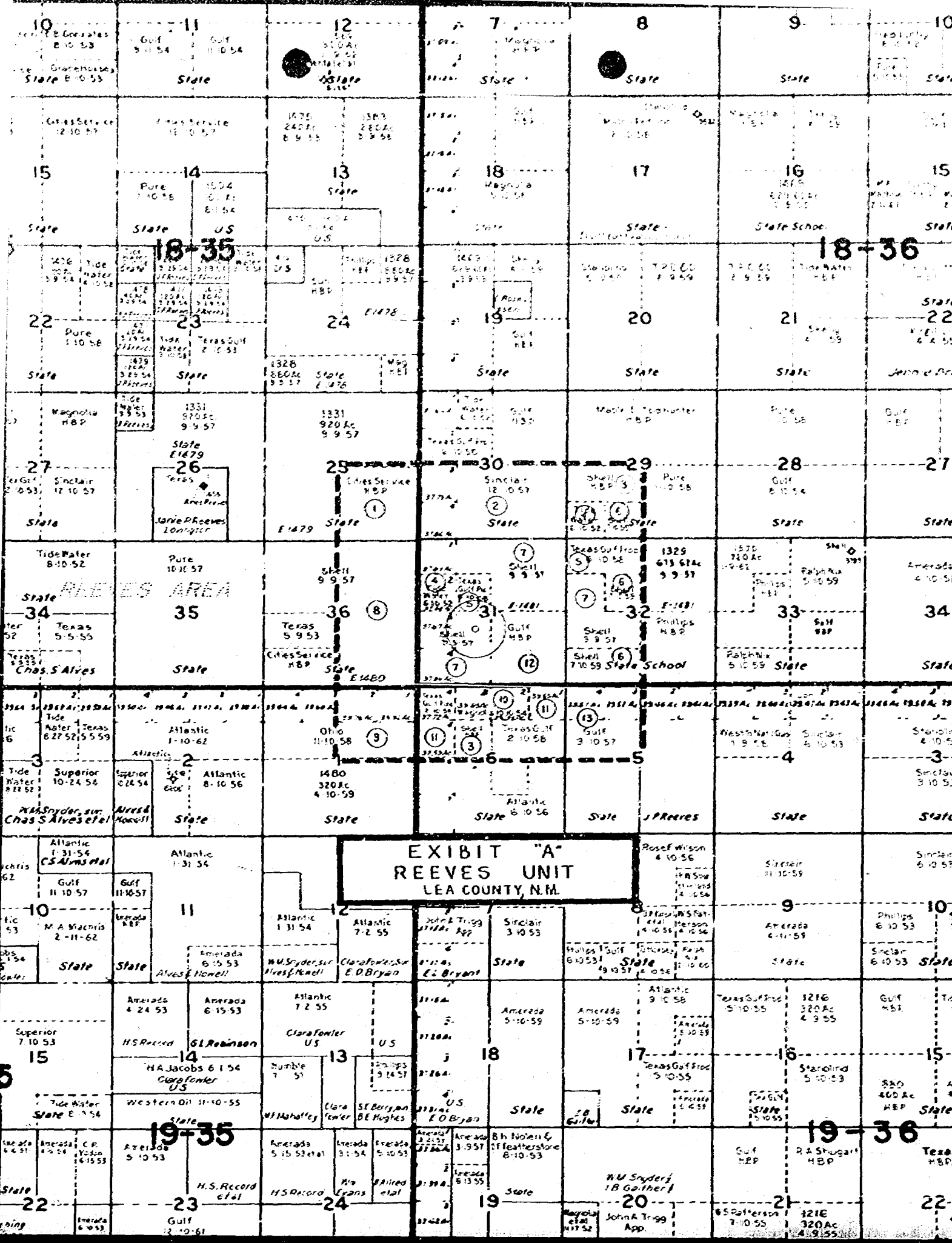


EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS IN ALL LAND IN THE
HEEVES UNIT AGREEMENT

TRACT NO.	DESCRIPTION	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE OF LEASE	LAND OWNER	RECORD OWNER OF LEASE
1	SE/4 of Section 25, T-18S, R-35-E	160	B-1482 H.B.P.	State of New Mexico	Cities Service Oil Company
2	Lots 3 and 4, E/2 of SW/4 and SE/4 of Section 30, T-18-S, R-36-E	315.65	E-1635 12-10-57	State of New Mexico	Sinclair Oil and Gas Company
3	N/2 of SW/4 of Section 29, T-18-S, R-36-E; and SE/4 of NW/4 of Sec. 6, T-19S, R-36-E	120	A-4096 H.B.P.	State of New Mexico	Shell Oil Company
4	SW/4 of SW/4 of Sec. 29 and Lot 2 of Section 31, T-18-S, R-36-E	77.88	B-9688 6-10-52	State of New Mexico	Tide Water Associated Oil Company
5	N/2 of NW/4 of Sec. 32 and SE/4 of NW/4 of Sec. 31, T-18-S, R-36-E	120	E-1920 6-10-58	State of New Mexico	Texas Gulf Producing Company
6	SE/4 of SW/4 of Sec. 29, S/2 of SW/4 and SE/4 of NW/4 of Sec. 32, T-18-S, R-36-E	160	E-2807 7-11-59	State of New Mexico	Shell Oil Company
7	Lots 1, 3 and 4, E/2 of SW/4, NE/4 of NW/4 and NE/4 of Sec. 31; and SW/4 of NW/4 and N/2 of SE/4 of Sec. 32, T-18-S, R-36-E	513.62	E-1481 9-10-57	State of New Mexico	Shell Oil Company
8	E/2 of Sec. 36, T-18-S, R-35-S	320	E-1480 9-10-57	State of New Mexico	Shell Oil Company
9	Lots 1 and 2 and S/2 of NE/4 of Sec. 1, T-19-S, R-35-E	159.68	E-2253 11-10-58	State of New Mexico	The Ohio Oil Company

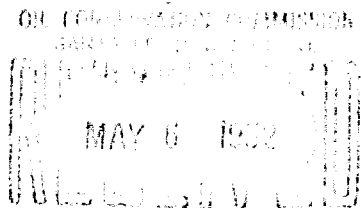
10	Lots 2 and 3, Section 6, T-19-S, R-36-E	79.6	B-1151 10-10-54	State of New Mexico	Magnolia Petroleum Company
11	Lots 1, 4 and 5 and S/2 of NE/4 of Section 6, T-19-S, R-36-E	194.96	E-1726 2-10-58	State of New Mexico	Texas Gulf Producing Company
12	SE/4 of Section 31, T-18-S, R-36-E	160	B-243 n.d.f.	State of New Mexico	Gulf Oil Corporation
13	Lots 3 and 4 and S/2 of NW/4 of Section 5, T-19-S, R-36-E	159.09	E-1482 9-10-57	State of New Mexico	Gulf Oil Corporation

RECAPITULATION OF OWNERSHIP

<u>NAME</u>	<u>ACRES</u>	<u>PERCENTAGE OWNED</u>
SHELL OIL COMPANY	1,113.62	48.8350
CITIES SERVICE OIL COMPANY	160.00	6.2980
SINCLAIR OIL AND GAS COMPANY	315.65	12.4248
GULF OIL CORPORATION	319.09	12.5602
TEXAS GULF PRODUCING COMPANY	314.96	12.3977
THE OHIO OIL COMPANY	159.68	6.2854
TIDE WATER ASSOCIATED OIL COMPANY	77.88	3.0656
MAGNOLIA PETROLEUM COMPANY	79.60	3.1333
	<hr/>	<hr/>
	2,540.48	100.0000%

Exhibit A Case 374

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO



APPLICATION FOR APPROVAL OF UNIT AGREEMENT FOR DEVELOPMENT
AND OPERATION OF THE REEVES UNIT AREA
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Handwritten signature
May 6 1932

COMES the undersigned, Shell Oil Company, a corporation, with offices at Midland, Texas, and files herewith a copy of a proposed Unit Agreement for the development and operation of the Reeves Unit Area embracing land situated in Lea County, New Mexico, and hereby makes application for an order approving said Unit Agreement, and in support thereof shows:

1.

That the unit area designated in said agreement and the source of supply to be affected by the order hereby sought comprises 2540.48 acres, more or less, situated in Lea County, New Mexico, more particularly described as follows:

SE/4 Sec. 25 and E/2 of Sec. 36, in Twp. 18 South, Rge. 35 East; NE/4 of Sec. 1 in Twp. 19 South, Rge. 35 East; S/2 Sec. 30, SW/4 of Sec. 29, All Sec. 31, W/2 Sec. 32 all in Twp. 18 South, Rge. 36 East; N/2 Sec. 6, and NW/4 Sec. 5, in Twp. 19 South, Rge. 36 East, N.M.P.M.

That all of the above described lands are lands owned by the State of New Mexico upon which the applicant and others are owners of Oil and Gas Leases issued by the Commissioner of Public Lands of the State of New Mexico.

2.

That there is attached to said copy of the proposed Unit Agreement, as Exhibit "A" thereto, a plat of the proposed Unit Area, and because of the geological and geophysical information available applicant believes that the above said area is an area suitable and proper for unitization.

3.

That the undersigned, Shell Oil Company, is designated as the Unit Operator in said agreement, and the Unit Operator is given the authority under the terms thereof to carry on all operations which are necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands committed to the Unit Agreement on or before June 9, 1952, and for the drilling of said well to a depth of 12,750 feet, or a depth sufficient to test the Devonian Formation expected to be encountered at about said depth.

4.

That said Unit Agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, and by the New Mexico Oil Conservation Commission; and that under the terms of the proposed Unit Agreement, the rights of the royalty owner, the State of New Mexico, are fairly protected and said royalty owner will receive its fair share of recoverable oil and gas in place under its lands embraced in the Unit Area.

5.

That operations to be carried on under the terms of said Unit Agreement will tend to promote the conservation of oil and gas in place under the lands in the proposed unit area and to prevent waste in that if production in paying quantities is obtained from such unit area (1) the production may be controlled without regard to interior lease lines to the end that reservoir energy will be utilized to the greatest advantage, (2) recovery methods that might not be practicable on a smaller area will be feasible and more efficient on the area of the proposed unit, and (3) the drilling of unnecessary wells with attendant fire and other hazards conducive to waste

may be avoided. That said Unit Agreement is believed in all respects for the best interest of the State of New Mexico with respect to the lands embraced therein.

6.

That all owners of oil and gas leases embracing lands within said area except one have agreed to join in said Unit Agreement, and it is believed that all such owners will have joined therein by the time this application is heard.

7.

That an application is being filed for approval of said Unit Agreement by the Commissioner of Public Lands, and it is believed that his approval will be had if this Commission enters the order of approval hereby requested.

Wherefore applicant prays for an order permitting the unit operation of said lands and adopting the plan set forth in the said Unit Agreement and approving the said Unit Agreement for development and operation of said lands.

Respectfully submitted,

SHELL OIL COMPANY

By Paxton Howard

Richard L. Hightston
Its Attorneys

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN RE:

In the matter of the application of Shell Oil
Company for approval of a unit agreement
for the development of the stipulated Reeves
Unit Area embracing 2540.48 acres of land,
more or less, in Lea County, New Mexico,
as described:

CASE 374

NEW MEXICO PRINCIPAL MERIDIAN

Township 18 South, Range 35 East

Section 25: SE/4

Section 36: E/2

Township 19 South, Range 35 East

Section 1: NE/4

Township 18 South, Range 36 East

Section 29: SW/4

Section 30: S/2

Section 31: All

Section 32: W/2

Township 19 South, Range 36 East

Section 5: NW/4

Section 6: N/2

TRANSCRIPT OF HEARING

REGISTER

BEFORE: Honorable R. R. Spurrier, Secretary-Director and Member

Paxton Howard
Shell Oil Company
Midland, Texas

W. A. Scott
Shell Oil Company
Hobbs, New Mexico

R. T. Wright
El Paso Natural Gas
Jal, New Mexico

A C Elliott
Shell Oil Company
Midland, Texas

O. Seth
Sheli Oil Company
Santa Fe, New Mexico

W. B. Macey
Oil Conservation Commission
Santa Fe, New Mexico

George A. Graham
Oil Conservation Commission
Santa Fe, New Mexico

TRANSCRIPT OF HEARING

May 27, 1952

MR. SPURRIER: The meeting will come to order, please. The minutes of the Commission will show that the Commission met yesterday and directed me to sit for the purpose of taking the record only. Neither of the other Commissioners could be present this morning. Let the record show that the advertisement was read, and Mr. Howard, you may proceed.

MR. HOWARD: If the Commission please, this is the application for Shell Oil Company for the approval by this Commission of a unit agreement for the development and operation of certain lands in Lea County, New Mexico. The lands being designated as the Reeves Unit Area and which land will be more definitely described as we proceed with the hearing. The appearances I believe have been made - Messrs. Seth and Howard for Shell. I have two witnesses that I would like to be sworn, Mr. Elliott and Mr. Scott.

Our first witness will be Mr. Elliott

A. C. ELLIOTT

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

MR. HOWARD: Mr. Elliott, will you take the stand please?

Please state your name

A. A. C. Elliott

Q And what capacity?

A Division geologist for western division.

Q I take it you are a geologist?

A Yes sir.

Q Will you state for the record your education and training as a geologist.

A Graduate BS degree in geology Texas A & M College.

Q May I ask if these qualifications will be accepted?

MR. SPURRIER: They will be.

Q. In your capacity with Shell Oil Company, are you familiar with certain exploration work that the company has done in the area that is involved in this hearing and is designated as the Reeves Unit?

A. Yes sir.

Q. For the record will you read into the record the description of the lands involved in the unit.

A. SE/4 section 25 and E/2 section 36, T. 18 S, R. 35 E. NE/4 section 1, T. 19 S, R. 35 E; S/2 section 30, SW/4 section 29, All section 31, W/2 section 32, all in T. 18 S, R. 36 E; N/2 section 6, NW/4 section 5, T. 19 S, R. 36 E, Lea County, New Mexico.

Q. Those are the lands that are described in the application filed with the Oil Conservation Commission and also with the Land Commissioner, is that correct?

A. That's right.

Q. Will you mark that please as Exhibit "A". Mr. Elliott, I hand you what has been marked Exhibit "A"; and ask you to state what that is, please.

A. This is a seismic high. (interruption)

Q. Just a minute. That is a picture representation of the land involved in the unit, isn't it?

A. That's right.

Q. I ask that that be admitted please.

MR. SPURRIER: Without objection it will be admitted.

Q. Now, Mr. Elliott, has the Shell Oil Company conducted exploration work on this unit and in the area thereof?

A. Yes sir.

Q. Will you state to the Commission what that work consisted of, please.

A. We have conducted seismic reflection and seismic surveys of this area. And the work indicates that there is a seismic high in this area, a closed structure which we presume there are possibilities of the development of oil.

Q. Is that a structural high on the Devonian?

A. Yes sir. I worked the area near the well, four or five miles to the south, and we tied into that well with our seismic exploration. We feel that by tying in that well and coming up to this area there is possibly a simulation in the area.

Q. Is it your opinion that the area that is included in the proposed Reeves Unit will cover the probable producing area of this high if it is productive?

A. From our experience and nearby fields, we feel that this area so outlined will cover the area.

Q. And that if production of oil or gas is found on this structural high at any place within this unit in the Devonian that it will all be produced from a common source of supply on the same structure?

A. A common reservoir, that is right.

Q. Do you have anything else that you wish to add in the way of a statement?

A. No sir.

Q. If the Commission please, the detailed structural map has been filed with the Land Commissioner, as required, is attached to the application. If it is not required in this hearing, why we will rest with the map of the outline of the area.

MR. SPURRIER: Very well.

Q. Are there any questions from the Commission of Mr. Elliott?

MR. SPURRIER: If there are no questions, the witness may be excused.

Our second witness will be Mr. Scott

W. A. SCOTT

having been first duly sworn, testified as follows:

MR. HOWARD: Mr. Scott

MR. SPURRIER: Mr. Scott has testified before the Commission.

Q. And he is qualified?

A. And he is qualified.

Q. State your name please.

A. W. A. Scott

Q. You are employed by Shell Oil Company?

A. Yes sir, in Hobbs, New Mexico.

Q. And in what capacity are you employed?

A. As a petroleum exploitation engineer.

Q. And you have qualified before the Commission, and your qualifications have been accepted?

A. Yes sir.

Q. In your capacity with Shell Oil Company are you familiar with the area known as the Reeves Unit, that is under consideration here today?

A. Yes sir, I am.

Q. Are you familiar with the unit agreement that has been executed between the operators owning leaseholds in the Reeves area?

A. Yes sir, I am.

Q. Will you state into the record the names of the companies holding leaseholds in this Reeves unit.

A. Yes sir. Shell, Cities Service Oil Company, Sinclair Oil & Gas Company, Gulf Oil Corporation, Texas-Gulf Producing Company, Ohio Oil Company, Tide Water Associated Oil Company, Magnolia Petroleum Company.

Q. They are the leasehold owners in the area?

A. Yes sir.

Q. As to the royalty ownership, all of the lands involved in this unit are State owned lands, are they not?

A. They are.

Q. Will you mark this please as Exhibit "B". I hand you what has been marked as Exhibit "B" and ask you to state please what that is.

A. This is the unit agreement for the development and operation of the Reeves Unit in Lea County, New Mexico.

Q. And it has been executed by all of the leasehold owners in the area?

A. Yes sir, it has.

Q. I ask that this be admitted please.

MR. SPURRIER: Without objection it will be admitted.

Q. For the information of the Commission, I have with me executed copies showing the signature of all of the operators. If you will dispense with them, I will not introduce the executed copies.

MR. SPURRIER: That's very well.

Q. Mr. Scott, is this unit agreement as prepared and signed by the operators in the usual form that has been approved heretofore by the Commission for unit operation?

A. Yes sir, it is.

Q. And in addition to this unit agreement there has also been executed an operating agreement for the operation of the properties, I believe.

A. Yes sir, it has.

Q. If the Commission please, I have that if the Commission wants them. If it doesn't I will not introduce them.

MR. SPURRIER: That's not necessary.

Q. Under that unit agreement Shell Oil Company is named as the operator of the properties, I believe.

A. Yes sir.

Q. Does that unit agreement contain a commitment for the drilling of a well?

A. Yes sir, it does.

Q. State please what that is?

A. It provides for the commencement of a well on this unit by or on June 9, 1952, the well to be drilled to a total depth of approximately 12,750 feet.

Q. As a Devonian test?

A. As a Devonian test.

Q. Unless oil or gas in paying quantities is found at a lesser depth. Is that correct?

A. Yes sir.

Q. Now, you are familiar with the contents and provisions of this operating agreement - the operating agreement and also this unit agreement?

A. I am.

Q. In your opinion as an engineer, will the operation of this property under this unit agreement result in the conservation of oil and gas, if oil and gas is discovered on this structure?

A. Yes sir, it will.

Q. Will you state to the Commission your reason for that statement?

A. Well, there are several reasons; one being the production practices are aided by the formation of a unit and the operation will permit the most proper and efficient utilization of the reservoir energy. The third, by producing the most amount of oil and gas from the accumulation we can conserve reservoir energy. Another point is, by the formation of this unit it will allow us to instigate recovery methods that might not be possible to install in a smaller area. And if we conserve the oil and gas, we can institute any kind of recovery method that we might plan later on from engineering data and studies that we determine necessary to most efficiently deplete the reservoir and at the same time to conserve to the greatest extent the reservoir energy. Another thing would be the critical steel shortage -- would enable us to develop this acreage most efficiently. It would eliminate any intermediate wells, and it would allow us to eliminate any fire hazards and it would lead to proper development.

Q. It is your opinion then, as an engineer, that the forming of this unit is a conservation measure?

A. Yes sir.

Q. And that under the operation of this unit, the royalty owner, being the State of New Mexico in this case, will receive the greatest amount of recoverable oil.

A. It is my belief that by the formation of this unit the State would benefit in that we would practice conservation measures to the utmost degree by engineering studies and proper technical development of this unit.

Q. Do you have anything else to state for the record?

A. No sir.

Q. Does the Commission have any question?

MR. SPURRIER: Is there a question? Are there any further questions, if not the witness may be excused. Mr. Paxton do you have any?

MR. HOWARD: I have no further statement, Mr. Commissioner. All I do have, in accordance with the Commission's statement of policy - I have a form of order which is in line with the orders heretofore issued by the Commission in this type case which order I would like to submit to the Commission.

MR. SPURRIER: Very well, that being true I will recommend to the Commission that the order be signed.

MR. HOWARD: Thank you sir. I have nothing further.

MR. SPURRIER: If there is nothing further, the case is ended and the meeting is adjourned.

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

IN RE:

In the matter of the application of Shell Oil Company for approval of a unit agreement for the development of the stipulated Reeves Unit Area embracing 2540.48 acres of land, more or less, in Lea County, New Mexico, as described:

CASE 374

NEW MEXICO PRINCIPAL MERIDIAN

Township 18 South, Range 35 East

Section 25: SE/4

Section 36: E/2

Township 19 South, Range 35 East

Section 1: NE/4

Township 18 South, Range 36 East

Section 29: SW/4

Section 30: S/2

Section 31: All

Section 32: W/2

Township 19 South, Range 36 East

Section 5: NW/4

Section 6: N/2

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REGISTER

BEFORE: Honorable R. R. Spurrier, Secretary-Director and Member

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Shell Oil Company
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A C Elliott
Shell Oil Company
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Santa Fe, New Mexico

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Oil Conservation Commission
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Oil Conservation Commission
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MR. HOWARD: If the Commission please, this is the application for Shell Oil Company for the approval by this Commission of a unit agreement for the development and operation of certain lands in Lea County, New Mexico. The lands being designated as the Reeves Unit Area and which land will be more definitely described as we proceed with the hearing. The appearances I believe have been made - Messrs. Seth and Howard for Shell. I have two witnesses that I would like to be sworn, Mr. Elliott and Mr. Scott.

Our first witness will be Mr. Elliott

A. C. ELLIOTT

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

MR. HOWARD: Mr. Elliott, will you take the stand please?

Please state your name

A. A. C. Elliott

Q And what capacity?

A Division geologist for western division.

Q I take it you are a geologist?

A Yes sir.

Q Will you state for the record your education and training as a geologist.

A Graduate BS degree in geology Texas A & M College.

Q May I ask if these qualifications will be accepted?

MR. SPURRIER: They will be.

Q. In your capacity with Shell Oil Company, are you familiar with certain exploration work that the company has done in the area that is involved in this hearing and is designated as the Reeves Unit?

A. Yes sir.

Q. For the record will you read into the record the description of the lands involved in the unit.

A. SE/4 section 25 and E/2 section 36, T. 18 S, R. 35 E. NE/4 section 1, T. 19 S, R. 35 E; S/2 section 30, SW/4 section 29, All section 31, W/2 section 32, all in T. 18 S, R. 36 E; N/2 section 6, NW/4 section 5, T. 19 S, R. 36 E, Lea County, New Mexico.

Q. Those are the lands that are described in the application filed with the Oil Conservation Commission and also with the Land Commissioner, is that correct?

A. That's right.

Q. Will you mark that please as Exhibit "A". Mr. Elliott, I hand you what has been marked Exhibit "A: and ask you to state what that is, please

A. This is a seismic high. (interruption)

Q. Just a minute. That is a picture representation of the land involved in the unit. isn't it?

A. That's right.

Q. I ask that that be admitted please.

MR. SPURRIER: Without objection it will be admitted.

Q. Now, Mr. Elliott, has the Shell Oil Company conducted exploration work on this unit and in the area thereof?

A. Yes sir.

Q. Will you state to the Commission what that work consisted of, please.

A. We have conducted seismic reflection and seismic surveys of this area. And the work indicates that there is a seismic high in this area, a closed structure which we presume there are possibilities of the development of oil.

Q. Is that a structural high on the Devonian?

A. Yes sir. I worked the area near the well, four or five miles to the south, and we tied into that well with our seismic exploration. We feel that by tying in that well and coming up to this area there is possibly a simulation in the area.

Q. Is it your opinion that the area that is included in the proposed Reeves Unit will cover the probable producing area of this high if it is productive?

A. From our experience and nearby fields, we feel that this area so outlined will cover the area.

Q. And that if production of oil or gas is found on this structural high at any place within this unit in the Devonian that it will all be produced from a common source of supply on the same structure?

A. A common reservoir, that is right.

Q. Do you have anything else that you wish to add in the way of a statement?

A. No sir.

Q. If the Commission please, the detailed structural map has been filed with the Land Commissioner, as required, is attached to the application. If it is not required in this hearing, why we will rest with the map of the outline of the area.

MR. SPURRIER: Very well.

Q. Are there any questions from the Commission of Mr. Elliott?

MR. SPURRIER: If there are no questions, the witness may be excused.

Our second witness will be Mr. Scott

W. A. SCOTT

having been first duly sworn, testified as follows:

MR. HOWARD: Mr. Scott

MR. SPURRIER: Mr. Scott has testified before the Commission.

Q. And he is qualified?

A. And he is qualified.

Q. State your name please.

A. W. A. Scott

Q. You are employed by Shell Oil Company?

A. Yes sir, in Hobbs, New Mexico.

Q. And in what capacity are you employed?

A. As a petroleum exploitation engineer.

Q. And you have qualified before the Commission, and your qualifications have been accepted?

A. Yes sir.

Q. In your capacity with Shell Oil Company are you familiar with the area known as the Reeves Unit, that is under consideration here today?

A. Yes sir, I am.

Q. Are you familiar with the unit agreement that has been executed between the operators owning leaseholds in the Reeves area?

A. Yes sir, I am.

Q. Will you state into the record the names of the companies holding leaseholds in this Reeves unit.

A. Yes sir. Shell, Cities Service Oil Company, Sinclair Oil & Gas Company, Gulf Oil Corporation, Texas-Gulf Producing Company, Ohio Oil Company, Tide Water Associated Oil Company, Magnolia Petroleum Company.

Q. They are the leasehold owners in the area?

A. Yes sir.

Q. As to the royalty ownership, all of the lands involved in this unit are State owned lands, are they not?

A. They are.

Q. Will you mark this please as Exhibit "B". I hand you what has been marked as Exhibit "B" and ask you to state please what that is.

A. This is the unit agreement for the development and operation of the Reeves Unit in Lea County, New Mexico.

Q. And it has been executed by all of the leasehold owners in the area?

A. Yes sir, it has.

Q. I ask that this be admitted please.

MR. SPURRIER: Without objection it will be admitted.

Q. For the information of the Commission, I have with me executed copies showing the signature of all of the operators. If you will dispense with them, I will not introduce the executed copies.

MR. SPURRIER: That's very well.

Q. Mr. Scott, is this unit agreement as prepared and signed by the operators in the usual form that has been approved heretofore by the Commission for unit operation?

A. Yes sir, it is.

Q. And in addition to this unit agreement there has also been executed an operating agreement for the operation of the properties, I believe.

A. Yes sir, it has.

Q. If the Commission please, I have that if the Commission wants them. If it doesn't I will not introduce them.

MR. SPURRIER: That's not necessary.

Q. Under that unit agreement Shell Oil Company is named as the operator of the properties, I believe.

A. Yes sir.

Q. Does that unit agreement contain a commitment for the drilling of a well?

A. Yes sir, it does.

Q. State please what that is?

A. It provides for the commencement of a well on this unit by or on June 9, 1952, the well to be drilled to a total depth of approximately 12,750 feet.

Q. As a Devonian test?

A. As a Devonian test.

Q. Unless oil or gas in paying quantities is found at a lesser depth. Is that correct?

A. Yes sir.

Q. Now, you are familiar with the contents and provisions of this operating agreement - the operating agreement and also this unit agreement?

A. I am.

Q. In your opinion as an engineer, will the operation of this property under this unit agreement result in the conservation of oil and gas, if oil and gas is discovered on this structure?

A. Yes sir, it will.

Q. Will you state to the Commission your reason for that statement?

A. Well, there are several reasons; one being the production practices are aided by the formation of a unit and the operation will permit the most proper and efficient utilization of the reservoir energy. The third, by producing the most amount of oil and gas from the accumulation we can conserve reservoir energy. Another point is, by the formation of this unit it will allow us to instigate recovery methods that might not be possible to install in a smaller area. And if we conserve the oil and gas, we can institute any kind of recovery method that we might plan later on from engineering data and studies that we determine necessary to most efficiently deplete the reservoir and at the same time to conserve to the greatest extent the reservoir energy. Another thing would be the critical steel shortage -- would enable us to develop this acreage most efficiently. It would eliminate any intermediate wells, and it would allow us to eliminate any fire hazards and it would lead to proper development.

Q. It is your opinion then, as an engineer, that the forming of this unit is a conservation measure?

A. Yes sir.

Q. And that under the operation of this unit, the royalty owner, being the State of New Mexico in this case, will receive the greatest amount of recoverable oil.

A. It is my belief that by the formation of this unit the State would benefit in that we would practice conservation measures to the utmost degree by engineering studies and proper technical development of this unit.

Q. Do you have anything else to state for the record?

A. No sir.

Q. Does the Commission have any question?

MR. SPURRIER: Is there a question? Are there any further questions, if not the witness may be excused. Mr. Paxton do you have any?

MR. HOWARD: I have no further statement, Mr. Commissioner. All I do have, in accordance with the Commission's statement of policy - I have a form of order which is in line with the orders heretofore issued by the Commission in this type case which order I would like to submit to the Commission.

MR. SPURRIER: Very well, that being true I will recommend to the Commission that the order be signed.

MR. HOWARD: Thank you sir. I have nothing further.

MR. SPURRIER: If there is nothing further, the case is ended and the meeting is adjourned.