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CASE 3492: Application of SHELL
for approval of the ROYAL UNIT
AGREEMENT - LEA COUNTY, N. MEX.

CASE No.

2499

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

499

1033 FEB 15 PM 4 32

February 13, 1963

Shell Oil Company
P. O. Box 1858
Roswell, New Mexico

Re: Termination of the
Royal Unit Agreement
Lea County, New Mexico

Attention Mr. O. V. Lawrence

Gentlemen:

This office has received by your letter dated February 8, 1963, application for Termination of the Royal Unit Agreement, which has been executed by seventy five (75%) percent, or more, of the working interests signatory to the Royal Unit Agreement, as required under Section 17 of the agreement.

This office requires two copies of this instrument which is the number you submitted.

We are furnishing to you five copies of our Certificate of Termination.

Very truly yours,

E. S. Johnny Walker
COMMISSIONER OF PUBLIC LANDS

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

ESW/mmr/e
encl: Oil Conservation Commission
cc: Santa Fe, New Mexico

2499

June 19, 1962

Shell Oil Company
P. O. Box 1858
Roswell, New Mexico

Re: Royal Unit
Lea County,
New Mexico

Attention: Mr. O. V. Lawrence

Gentlemen:

The Commissioner of Public Lands has of this day approved the Royal Unit, Lea County, New Mexico.

On February 19, 1962, the Commissioner tentatively approved the Royal Unit as to the Agreement Form and the Unit Area.

We are enclosing four copies of our Certificate of Approval. We will mail Official Receipt in the amount of \$20.00 at such time as it is issued.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

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

ESW/vmr/v
cc: Oil Conservation Commission
Santa Fe, New Mexico

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**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. 2499
Order No. R-2195**

**APPLICATION OF SHELL OIL COMPANY
FOR APPROVAL OF THE ROYAL UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 27, 1962, at Santa Fe, New Mexico, before Elvis A. Uts, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 6th day of March, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Uts, and being fully advised in the premise.,

FINDS:

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

(2) That the applicant, Shell Oil Company, seeks approval of its proposed Royal Unit Agreement, covering 1078.49 acres, more or less, of State and Fee lands in Sections 24 and 25, Township 10 South, Range 34 East, and Sections 19 and 30, Township 10 South, Range 35 East, NMPM, all in Lea County, New Mexico.

(3) That approval of the proposed Royal Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Royal Unit Agreement is hereby approved.

(2) That the Plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Royal Unit Area and such plan shall be known as the Royal Unit Agreement Plan.

(3) That the Royal Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however,

-2-

CASE No. 2499
Order No. R-2195

that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico, relative to the supervision and control of operations for the exploration and development of any lands committed to the said Royal Unit or relative to the production of oil and gas therefrom.

(4) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 10 SOUTH, RANGE 34 EAST

Section 24: E/2 and E/2 W/2

Section 25: NE/4 and E/2 NW/4

TOWNSHIP 10 SOUTH, RANGE 35 EAST

Section 19: Lots 1, 2, 3, and 4
and E/2 W/2

Section 30: Lot 1

comprising 1078.49 acres, more or less.


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

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


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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


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



esr/

Memo



Ida Rodriguez

To

Case 2499 - Order R-2195 mailed to

Oliver Seth and Hobbs OCC Office

3/6/62 - ir/

Jew
esr
3/2
DRAFT

JEW/esr
February 28, 1962

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPROVED
3/1
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2499

Order No. R- ~~3194~~

R-2195

APPLICATION OF SHELL OIL COMPANY
FOR APPROVAL OF THE ROYAL UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 27, 1962, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this _____ day of March, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Shell Oil Company, seeks approval of its proposed Royal Unit Agreement, covering 1078.49 acres, more or less, of State and Fee lands in Sections 24 and 25, Township 10 South, Range 34 East, and Sections 19 and 30, Township 10 South, Range 35 East, NMPM, all in Lea County, New Mexico.

(3) That approval of the proposed Royal Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Royal Unit Agreement is hereby approved.

(2) That the Plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for

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

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

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

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 10 SOUTH, RANGE 34 EAST

Section 24: E/2, E/2 ~~of the~~ W/2

Section 25: NE/4, E/2 ~~of the~~ NW/4

TOWNSHIP 10 SOUTH, RANGE 35 EAST

Section 19: Lots 1, 2, 3, and 4 ~~and~~

~~of the~~ E/2 ~~of the~~ W/2

Section 30: Lot 1

comprising 1078.49 acres, more or less.

~~(5) That the unit may be enlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.~~

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

(6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico, and shall terminate ipso facto upon the

-3-
CASE No. 2499

termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

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

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

Case 2499

Heard 2-27-62

Rec. "

1. Grant applicant's request for Royal Unit ~~area~~ as requested.
2. Unit area in para 1 of Unit agreement.

Thos. H. H.

CASE 2498: Application of Shell Oil Company for approval of the Emerald Unit Agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Emerald Unit Agreement embracing 1200 acres, more or less, of State lands in Sections 14, 15, 22 and 23, Township 16 South, Range 32 East, Lea County, New Mexico.

CASE 2499: Application of Shell Oil Company for approval of the Royal Unit Agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Royal Unit Agreement embracing 1078.49 acres, more or less, of State and fee lands in Sections 24 and 25, Township 10 South, Range 34 East, and Sections 19 and 30, Township 10 South, Range 35 East, all in Lea County, New Mexico.

CASE 2500: Application of Pan American Petroleum Corporation for an order pooling all mineral interests in the Flora Vista-Mesa-verde and Basin-Dakota Gas Pools in the N/2 of Section 27, Township 30 North, Range 12 West, San Juan County, New Mexico. As an alternative, applicant requests the establishment of a 318-acre non-standard gas proration unit in the Flora Vista-Mesa-verde and Basin-Dakota Gas Pools consisting of all the N/2 of said Section 27, except two acres which comprise Lot 9, Block 3 of Flora Vista Acres subdivision in the NW/4 NE/4 of said Section 27 owned by Henry E. and Loie Irene Lindsey, P. O. Box 176, Flora Vista, New Mexico.

CASE 2501: Application of G. W. Strake for an order creating a new oil pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new oil pool to be designated as either the Hackberry-Seven Rivers Pool or Hackberry-Capitan Pool, and comprising the NE/4 of Section 25, Township 19 South, Range 30 East, Eddy County, New Mexico. The discovery well is the G. W. Strake Le Bow-Federal Well No. 4, located in Unit H of said Section 25.

No. 6-62

DOCKET: EXAMINER HEARING - TUESDAY - FEBRUARY 27, 1962

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

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, as alternate examiner:

CASE 2491: Application of D. W. Falls, Inc., for the promulgation of special rules governing oil wells in the Basin-Dakota Pool, San Juan and Rio Arriba Counties, New Mexico, and for four non-standard oil proration units. Applicant, in the above-styled cause, seeks the promulgation of special rules governing oil wells in the Basin-Dakota Pool, San Juan and Rio Arriba Counties, New Mexico, including a provision defining an oil well in said pool as a well having a gas-oil ratio of 30,000 to 1, or less, and producing liquid hydrocarbons with a gravity of 49° API, or less; applicant seeks rules establishing 160-acre oil proration units and fixing well location requirements for said wells. Applicant further seeks the establishment of the four following non-standard oil proration units, all in Township 28 North, Range 13 West, San Juan County:

E/2 of Section 10, comprising 137.58 acres;
W/2 of Section 10, comprising 137.78 acres;
E/2 of Section 11, comprising 137.78 acres;
W/2 of Section 11, comprising 137.58 acres.

CASE 2496: Application of Elliott, Inc. for an exception to the no-flare provisions of Order No. R-2103, Totah-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-2103 prohibiting the flaring of casinghead gas from oil wells in the Totah-Gallup Oil Pool for a 30-day period for its Totah Well No. 1-A located in the NE/4 NE/4 of Section 30, Township 29 North, Range 13 West, San Juan County, New Mexico.

CASE 2497: Application of Amerada Petroleum Corporation for a waterflood project, Langlie-Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a waterflood project in the Langlie-Mattix Pool in Sections 27, 28, 33 and 34, Township 24 South, Range 37 East, Lea County, New Mexico; the injection of water initially to be through six wells located in said sections, said project to be governed by the provisions of Rule 701.



SHELL OIL COMPANY

1962 JUL 3 AM 9 Roswell, New Mexico

P. O. Box 1858

2499

July 2, 1962

Subject: Lea County, New Mexico
Four Lakes Area
Royal Unit

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

Gentlemen:

In response to the instructions contained in your Order No. R-2195 dated March 6, 1962, in connection with our Royal Unit Agreement, we are enclosing a fully executed copy of the Unit Agreement for your information and files. You will note that this agreement has been approved by the Commissioner of Public Lands, and we plan to commence the unit test in about one week.

If there is anything further that you require in this matter, please do not hesitate to call on us.

Yours very truly,

O. V. Lawrence
Roswell Division Land Manager

Enclosure

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

THIS AGREEMENT, entered into as of the 1st day of February, 1962, 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 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 Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N. M. Statutes 1953 Annot.), 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, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N. M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, 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 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; Chap. 65, Art. 3, Sec. 14 N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Royal 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:

T-10-S, R-34-E

Section 24 - E-1/2 and E-1/2 W-1/2
Section 25 - NE-1/4 and E-1/2 NW-1/4

T-10-S, R-35-E

Section 19 - Lots 1, 2, 3, and 4 and E-1/2 W-1/2
Section 30 - Lot 1

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 lands 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 on said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

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 with offices at P. O. Box 1509, Midland, Texas is hereby designated as unit operator and by signature hereto commits to this agreement all interest 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 Section 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 seventy-five per cent (75%) 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 seventy-five per cent (75%) 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 entered into by and between the unit operator and the 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 section, 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: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Pennsylvanian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,500 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) 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 formation 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. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N. M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions 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.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

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 operation 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.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar 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 as of the effective date hereof, be and the same are hereby expressly modified and amended insofar 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 respective terms of said leases agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each 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, insofar 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 would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this

agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. 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.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. 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 the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. 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 are being produced from the unitized land 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 seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. 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.

19. 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 regulations or in any proceedings on its own behalf 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.

20. 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 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.

21. 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.

22. 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.

23. 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 the operating agreement providing for 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 the 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.

24. 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 forth opposite their signatures.

UNIT OPERATOR

SHELL OIL COMPANY

Date _____

By J. V. Lindsay
Attorney in Fact

Address: P. O. Box 1509
Midland, Texas

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE PRODUCTION COMPANY

Secretary
Date _____

By _____
President
Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

Secretary
Date May 28, 1962

By John Hansen
Attorney in Fact President
Address: 619 W. Texas
Midland, Texas

ATTEST:

THE PURE OIL COMPANY

Secretary
Date _____

By _____
President
Address: _____

FEE ROYALTY OWNERS

HEWITT AND DAUGHERTY

By _____
Co-partner

A. C. CHESHER

W. D. PEVELER

LOIS PEVELER

RUDOLPH ROBERTS

GLADYS ROBERTS

WORKING INTEREST OWNERS

~~XXXXXXXX~~

Date ~~Secretary~~

ATTEST:

Date Secretary

ATTEST:

Date Secretary

CITIES SERVICE PRODUCTION COMPANY

By W. H. Clayton
Attorney-in-Fact ~~XXXXXXXX~~
Address: _____

UNION OIL COMPANY OF CALIFORNIA

By _____
President
Address: _____

THE PURE OIL COMPANY

By _____
President
Address: _____

FEE ROYALTY OWNERS

HEWITT AND DAUGHERTY

By _____
Co-partner

A. C. CHESHER

W. D. PEVELER

LOIS PEVELER

RUDOLPH ROBERTS

GLADYS ROBERTS

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE PRODUCTION COMPANY

Secretary
Date _____

By _____
President
Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

Secretary
Date _____

By _____
President
Address: _____

~~ATTEST:~~

THE PURE OIL COMPANY

Secretary
Date June 4, 1962

APPROVED	
TRADE	DWR B
FORM	
DESCRIPTION	DWR B

By [Signature]
Division Manager, ~~President~~
~~Address:~~ Southern Producing Division
Address: First City Nat'l Bank Bldg.
Houston 2, Texas

FEE ROYALTY OWNERS

HEWITT AND DAUGHERTY

By _____
Co-partner

A. C. CHESHER

W. D. PEVELER

LOIS PEVELER

RUDOLPH ROBERTS

GLADYS ROBERTS

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE PRODUCTION COMPANY

Secretary
Date _____

By _____
President
Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

Secretary
Date _____

By _____
President
Address: _____

ATTEST:

THE PURE OIL COMPANY

Secretary
Date _____

By _____
President
Address: _____

FEE ROYALTY OWNERS

HEWITT AND DAUGHERTY

By _____
Co-partner

A. C. CHESHER ESTATE

Clyde Hilbun
~~A. C. CHESHER~~ Clyde Hilbun, Executor

C. O. Griffin
~~W. D. PEVELER~~ C. O. Griffin, Executor

W. J. Chesher
~~W. D. PEVELER~~ W. J. Chesher, Executor
Independent Executors of the
Estate of A. C. Chesher, Deceased
~~RUDOLPH ROBERTS~~

GLADYS ROBERTS

STATE OF TEXAS

COUNTY OF Lamb

The foregoing instrument was acknowledged before me this 20
day of May, 1962, by Clyde Hilbun, C. O. Griffin, and W. J.
Chesher, Independent Executors of the Estate of A. C. Chesher, Deceased.

My Commission Expires: 6-1-63

W. J. Chesher
Notary Public in and for
County, Texas

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE PRODUCTION COMPANY

Secretary
Date _____

By _____ President
Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

Secretary
Date _____

By _____ President
Address: _____

ATTEST:

THE PURE OIL COMPANY

Secretary
Date _____

By _____ President
Address: _____

FEE ROYALTY OWNERS

HEWITT AND DAUGHERTY

By _____ Co-partner

A. C. CHESHER

W. D. PEVELER

LOIS PEVELER

RUDOLPH ROBERTS

GLADYS ROBERTS

GRADY THOMPSON

JUNA C. THOMPSON

STATE OF NEW MEXICO

COUNTY OF LEA

The foregoing instrument was acknowledged before me this _____ day of
May 1962, by Grady Thompson and wife, Juna C. Thompson.

My Commission Expires: 2-25-1965

Ethel G. Pool
Notary Public in and for Lea County,
New Mexico

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

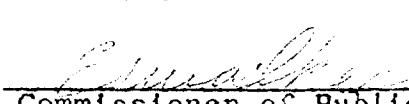
ROYAL UNIT

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated February 1, 1962, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

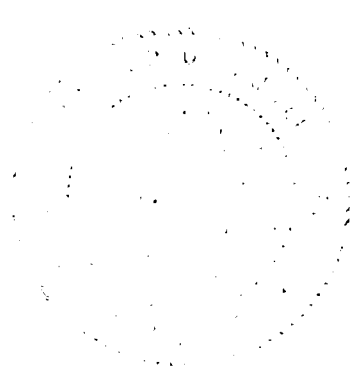
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
-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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 19th day of June 19 62.



Commissioner of Public Lands
of the State of New Mexico



STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, _____ President of Cities Service Production Company, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for _____
County, State of _____

STATE OF TEXAS }
COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me this 28th day of MAY, 1962, by JOHN HANSEN, Attorney in Fact, _____ President of Union Oil Company of California, a CALIFORNIA Corporation, on behalf of said corporation.

My Commission Expires: JUNE 1, 1963

R. F. Jennings, Jr.
Notary Public in and for MIDLAND
County, State of TEXAS
R. F. JENNINGS, JR.

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, _____ President of The Pure Oil Company, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for _____
County, State of _____

STATE OF TEXAS }
COUNTY OF MIDLAND }

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

Given under my hand and seal of office this 14 day of May, 1962.

My Commission expires:

June 1, 1963

John V. Lindsey
Notary Public in and for Midland
County, Texas

John V. Lindsey
Notary Public in and for
Midland County, Texas

STATE OF OKLAHOMA }
WASHINGTON COUNTY } SS

On this 4th day of June, 1962, before me personally appeared _____, to me known to be the person who executed the foregoing instrument as Attorney-in-Fact in behalf of Cities Service Production Company, and acknowledged that he executed the same as the free act and deed of said Cities Service Production Company.

My Commission Expires: _____

Paul S. Galloway
Notary Public

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, _____ President of Union Oil Company of California, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for _____
County, State of _____

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, _____ President of The Pure Oil Company, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for _____
County, State of _____

STATE OF TEXAS X

COUNTY OF MIDLAND X

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

Given under my hand and seal of office this _____ day of February, 1962.

My Commission expires: _____

Notary Public in and for Midland
County, Texas

DEATH OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, President of Cities Service Production Company, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____ Notary Public in and for _____
County, State of _____

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, President of Union Oil Company of California, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____ Notary Public in and for _____
County, State of _____

THE STATE OF TEXAS |
:
COUNTY OF HARRIS |

BEFORE ME, the undersigned authority, in and for said County and State, on this day personally appeared C. W. HANCOCK, known to me to be the person whose name is subscribed to the foregoing instrument as Division Manager of the Southern Producing Division of THE PURE OIL COMPANY, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of the said THE PURE OIL COMPANY.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 13 day of June, 1962.

My Commission Expires:
June 1, 1963

J. C. Brewer
Notary Public in and for
Harris County, T e x a s

Given under my hand and seal of office this _____ day of February, 1962.

My Commission expires:

Notary Public in and for Midland
County, Texas

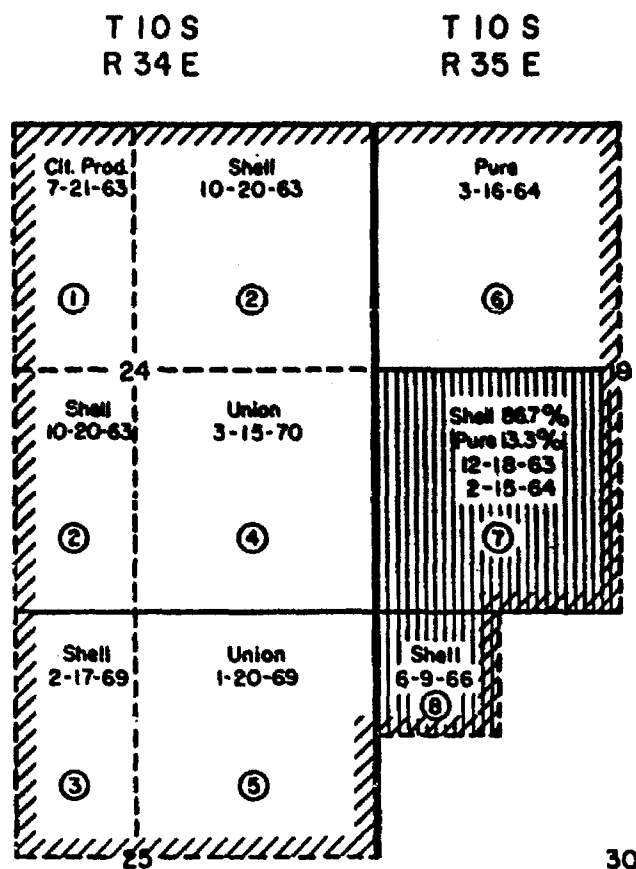
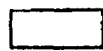



EXHIBIT "A"
Royal Unit Area
Lea County, New Mexico

LEGEND

	State Land	879.28 Acres
	Fee Land	199.21 Acres
	Total	1078.49 Acres

Scale 1" = 2000'

② Tract number as listed on Exhibit B

//// Unit Outline

EXHIBIT "B"
ROYAL UNIT AREA
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Number of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage (Based on 12 3/4%)	Lessee of Record	(Overriding Royalty & Percentage	Working Interest and Percentage	Per Cent of Unit Area (Tract Participation)
STATE LANDS								
1.	T-10-S, R-34-E, N.M.P.M. Section 24: E-1/2 NW-1/4	80	E-7238 7-21-53	State - All	Cities Service	None	Cities Service-All	7.4178
2.	T-10-S, R-34-E, N.M.P.M. Section 24: E-1/2 SW-1/4, NE-1/4	240	E-7483 10-20-5	State - All	Shell	None	Shell - All	22.2533
3.	T-10-S, R-34-E, N.M.P.M. Section 25: E-1/2 NW-1/4	80	005086 2-17-59	State - All	Shell	None	Shell - All	7.4178
4.	T-10-S, R-34-E, N.M.P.M. Section 24: SE-1/4	160	K-262 3-15-60	State - All	Union	None	Union - All	14.8356
5.	T-10-S, R-34-E, N.M.P.M. Section 25: NE-1/4	160	005003 1-20-59	State - All	Union	None	Union - All	14.8356
6.	T-10-S, R-35-E, N.M.P.M. Section 19: Lots 1 and 2 and E-1/2 NW-1/4	159.28	E-7974 3-16-54	State - All	Pure	None	Pure - All	14.7685

5 State Tracts Containing 879.28 Acres or 81.53% of the Unit Area

Tract No.	Description of Land	Number of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage (Based on 12 3/4%)	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage	Per Cent of Unit Area (Tract Participation)
7.	T-10-S, R-35-E, N.M.P.M. Section 19: Lots 3 and 4, and E-1/2 SW-1/4	159.44	Fee 12-18-53	A.C. Chasner-1/2	Shell	None	Shell - 1/2	14.7836
6.	T-10-S, R-35-E, N.M.P.M. Section 30: Lot 1	39.77	Fee 2-15-62 6-9-61	Hewitt and Daugherty - 1/2 W.D. Reveler and Lois Reveler-3/4 Rudolph Roberts and Gladys Roberts	Shell & Pure Shell	1/8 of 8/8 None	Shell - 73.4% of 1/2 Pure - 26.6% of 1/2 Shell - All	3.6875

2 Fee Tracts Containing 199.21 Acres or 18.47% of the Unit Area

As used in this Exhibit, Cities Service refers to Cities Service Production Company; Shell refers to Shell Oil Company; Union refers to Union Oil Company of California; and Pure refers to The Pure Oil Company.

RECAPITULATION		
Type of Acreage	Acres	Per Cent of Unit Area
6 State Tracts	879.28	81.53%
2 Fee Tracts	199.21	18.47%
8 Total	1078.49	100.00%

122616

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

ROYAL UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of February, 1962,
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 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 Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N. M. Statutes
1953 Annot.), 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, Chap. 162), (Laws of 1951, Chap.
7, Art. 11, Sec. 41 N. M. Statutes 1953 Annotated) to amend with the approval of
lessee, evidenced by the lessee's execution of such agreement or otherwise, 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 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; Chap. 65, Art. 3, Sec. 14 N. M. Statutes 1953
Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Royal
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:

T-10-S, R-34-E

Section 24 - E-1/2 and E-1/2 W-1/2
Section 25 - NE-1/4 and E-1/2 NW-1/4

T-10-S, R-35-E

Section 19 - Lots 1, 2, 3, and 4 and E-1/2 W-1/2
Section 30 - Lot 1

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 parties. 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 lands 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 on said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

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 with offices at P. O. Box 1509, Midland, Texas, is hereby designated as unit operator and by signature hereto commits to this agreement all interest 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 Section 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 seventy-five per cent (75%) 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 seventy-five per cent (75%) 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.

ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and shall also pay the working interest benefits accruing hereunder

shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the 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 section, 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: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Pennsylvanian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,300 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) 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 formation 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 hereon 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. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the first discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission on the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N. M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions 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.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

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.

All rentals, is any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

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 operation 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.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR 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 as of the effective date hereof, be and the same are hereby expressly modified and amended insofar 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 respective terms of said leases agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each 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, insofar 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 would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this

agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. 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.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. 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 or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. 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 are being produced from the unitized land 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 seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. 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.

19. 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 regulations or in any proceedings on its own behalf 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.

20. 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 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.

21. 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.

22. 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.

23. 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 the operating agreement providing for 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.

24. SHUT-IN GAS WELL. This unit shall not expire at the end of the term hereof if there is a well capable of producing gas in paying quantities located upon some part of the lands embraced herein where such well is shut-in due to the inability of the lessee to obtain a pipeline connection or to market the gas therefrom provided, however, the owner of the lease as to the lands upon which such well is located shall pay an annual royalty equal to the annual rental payable by such owner under the terms of this lease but not less than one hundred dollars (\$100.00) per well per year, said royalty to be paid on or before the annual rental paying date next ensuing after the expiration of ninety days from the date said well was shut-in and on or before said rental date thereafter. The payment of said annual royalty shall be considered for all purposes the same as if gas were being produced in paying quantities and upon the commencement of marketing of gas from said well or wells, the royalty paid for the lease year in which the gas is first marketed shall be credited upon the royalty payable hereunder to the lessor for such year. The provisions of this section shall also apply where gas is being marketed from said leasehold premises and through no fault of the lessee, the pipeline connection or market is lost or ceases, in which case this unit shall not expire so long as said annual royalty is paid as herein provided. Notwithstanding the provisions of this section to the contrary, this unit shall not be continued after ten years from the date hereof for any period of more than five years by the payment of said annual royalty.

25. 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 such party 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 forth opposite their signatures.

SHELL OIL COMPANY

Date _____

By _____
Attorney-in-Fact

Address: P. O. Box 1509
Midland, Texas

ATTEST:

CITIES SERVICE PRODUCTION COMPANY

Secretary

By _____
President

Address: _____

Date _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

Secretary

By _____
President

Address: _____

Date _____

ATTEST:

THE PURE OIL COMPANY

Secretary

By _____
President

Address: _____

Date _____

WORKING INTEREST OWNERS

STATE OF TEXAS)
COUNTY OF MIDLAND)

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

Given under my hand and seal of office this _____ day of February, 1962.

My Commission Expires: _____

Notary Public in and for Midland
County, Texas

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, _____ President of Cities Service Production Company, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for _____
County, State of _____

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, _____ President of Union Oil Company of California, a _____ Corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for _____
County, State of _____

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of February, 1962, by _____, _____ President of The Pure Oil Company, a _____ Corporation, on behalf of said corporation.

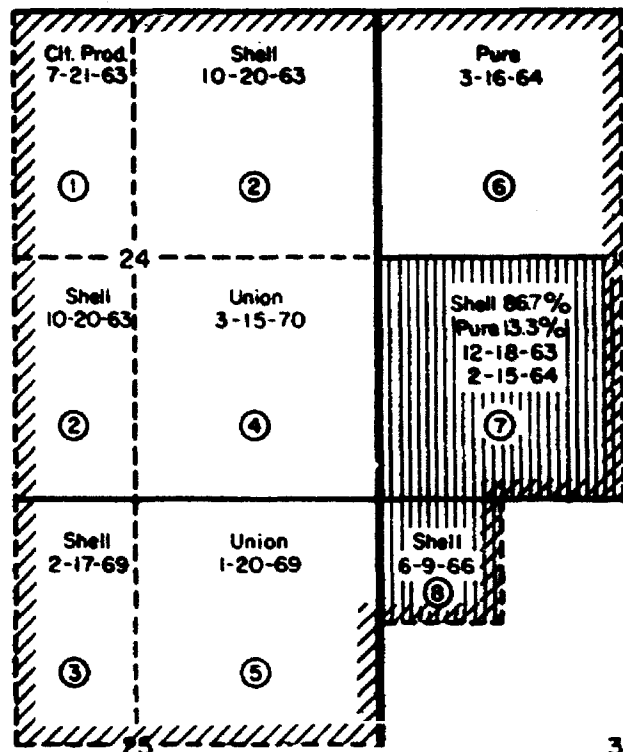
My Commission Expires: _____

Notary Public in and for _____
County, State of _____

Can 2499

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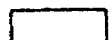

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30

EXHIBIT "A"
Royal Unit Area
Lea County, New Mexico

LEGEND

	State Land	879.28 Acres
	Fee Land	199.21 Acres
	Total	1078.49 Acres

Scale 1" = 2000'

② Tract number as listed on Exhibit B

//// Unit Outline

EXHIBIT "B"
ROYAL UNIT AREA
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Number of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage (Based on 12 3/4%)	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage	Per Cent of Unit Area (Tract Participation)
STATE LANDS								
1.	T-10-S, R-34-E, N.M.P.M. Section 24: E-1/2 NW-1/4	80	E-7238 7-21-53	State - All	Cattle Service	None	Cattle Service-All	7.4178
2.	T-10-S, R-34-E, N.M.P.M. Section 24: E-1/2 SW-1/4, NE-1/4	240	E-7483 10-20-53	State - All	Shell	None	Shell - All	22.2533
3.	T-10-S, R-34-E, N.M.P.M. Section 25: E-1/2 NW-1/4	80	OG5086 2-17-59	State - All	Shell	None	Shell - All	7.4178
4.	T-10-S, R-34-E, N.M.P.M. Section 24: SE-1/4	160	K-262 3-15-60	State - All	Union	None	Union - All	14.8356
5.	T-10-S, R-34-E, N.M.P.M. Section 25: NE-1/4	160	OG5003 1-20-59	State - All	Union	None	Union - All	14.8356
6.	T-10-S, R-35-E, N.M.P.M. Section 19: Lots 1 and 2 and E-1/2 NW-1/4	159.28	E-7974 3-16-54	State - All	Pure	None	Pure - All	14.7686

6 State Tracts Containing 879.28 Acres or 81.53% of the Unit Area

Tract No.	Description of land	Number of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage (Based on 12 3/4%)	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage	Per Cent of Unit Area (Tract) Participation)
FREE LANDS								
7.	T-10-S, R-35-E, N.M.P.M. Section 19: Lots 3 and 4, and E-1/2 SW-1/4	159.44	Fee 12-18-53	A.C. Chasner-1/2	Shell	None	Shell - 1/2	14.7836
8.	T-10-S, R-35-E, N.M.P.M. Section 30: Lot 1	39.77	Fee 2-15-62 Fee 6-9-61	Bevit and Daugherty - 1/2 W.D. Reveler and Lois Reveler-3/4 Rudolph Roberts and Gladys Roberts	Shell & Pure Shell	1/8 or 8/8 None	Shell - 36.7% of 1/2 Pure - 13.3% of 1/2 Shell - All	3.6875

2 Fee Tracts Containing 199.21 Acres or 18.47% of the Unit Area

As used in this Exhibit, Cities Service refers to Cities Service Production Company; Shell refers to Shell Oil Company; Union refers to Union Oil Company of California; and Pure refers to the Pure Oil Company.

RECAPITULATION		
Type of Acreage	Acres	Per Cent of Unit Area
6 State Tracts	879.28	81.53%
2 Fee Tracts	199.21	18.47%
8 Total	1078.49	100.00%

BEFORE THE
OIL CONSERVATION COMMISSION
February 27, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of Shell Oil Company for
approval of the Royal Unit Agreement,
Lea County, New Mexico. Applicant, in
the above-styled cause, seeks approval
of the Royal Unit Agreement embracing
1078.49 acres, more or less, of State
and fee lands in Sections 24 and 25,
Township 10 South, Range 34 East, and
Sections 19 and 30, Township 10 South,
Range 35 East, all in Lea County, New
Mexico.

BEFORE:

ELVIS UTZ, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2499.

MR. SETH: We have the same appearances in this case
and the same witnesses in this case.

MR. UTZ: Would the record show that these witnesses
have been sworn?

O. V. LAWRENCE,

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

(Whereupon Shell's Exhibit 1
marked for identification)

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 328-1182

ALBUQUERQUE, N. M.
PHONE 243-6691



DIRECT EXAMINATION

BY MR. SETH:

Q For the record, will you state again your name and position and your connection with this Application?

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

Q Are you familiar with the Application and the Unit Agreement involved in this case?

A Yes, sir, I am.

Q Tell us first about the lands that are unitized, what classification are they?

A The unit area covers 1,078.49 acres. Of this land 879.28 acres are state land or 81.53 percent. 199.21 acres are fee land which would be 18.47 percent.

Q There is no federal lands in that Unit?

A No.

Q How many working interest owners are there?

A There are four working interest owners. I might add that the unit area covers portions of Section 24 and 25 in Township 10 South, Range 34 East and also portions of Sections 19 and 30 in 10 South, 35 East. All of this land is in Lea County, New Mexico.

Q Have the working interest owners indicated there intention to join the Unit?

A Yes, sir, all four working interest owners have agreed

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243 6691



to join the Unit subject to the approval of form of the Unit Agreement and Unit Operating Agreement.

Q Now, what is the proposed form of the Unit Agreement?

A The form of Unit Agreement is the suggested form which has been approved by the State Land Office. We have made no alterations whatsoever in this suggested form.

Q Tell us about the expansion and contraction in the participating areas.

A This form does not have an expansion provision being a fixed participation type of unit. Contraction, yes, we do have that in a sense that if the unit is not ordinarily developed in a reasonable manner, the Commission of Public Lands may terminate the unit as to all state lands that are in a proration or spacing unit. This act of course would in a sense be a contraction provision.

Q What is the first well obligation?

A The first well is to be commenced within sixty days after the effective date of the Unit Agreement. The well proposed for this unit is a 10,300 foot approximately, Pennsylvanian test.

Q Generally, does the Unit Agreement, in your opinion, is it in the best interest of the State and will the State receive its fair share of recoverable oil?

A Yes, sir.

Q Is Shell the operator of the proposed unit?

A Yes, sir.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243 6691

Q Do you have any other information to give us about the Unit Agreement?

A Yes, sir, I might add that all depths will be unitized in this unit.

Q Do you have a form of Unit Agreement to submit to the Commission at this time?

A Yes, sir, I do.

Q And will you substitute or introduce that at a later date, the full executed copy?

A Yes, sir, I will.

MR. SETH: We would like to offer the Unit Agreement, Exhibit No. 1.

MR. UTZ: Without objections Exhibit No. 1 will be entered into the record in this case.

(Whereupon Shell Oil Company's Exhibit No. 1 admitted in evidence)

Q (By Mr. Seth) Do you have any further statements?

A No, sir.

MR. UTZ: Are there any questions of the witness? The witness may be excused. Will you call your next witness.

(Witness excused)

M. L. ROBINSON,
called as a witness herein, having been first duly sworn on oath,
was examined and testified as follows:



DIRECT EXAMINATION

BY MR. SETH:

Q Would you state your name, Mr. Robinson?

A Yes, sir, M. L. Robinson, Division Exploration Manager, Shell Oil Company, Roswell.

Q Are you familiar with the Application in this Case, 2499?

A Yes, sir.

Q Are you familiar with the geology in the area concerned?

A Yes, sir.

Q Would you tell the Examiner, briefly, the geological conditions there?

A The Royal Unit covers dome anticlinal structure located in northern Lea County twelve miles northwest of Tatum and seven miles northeast of the Pennsylvania field which is the nearest provided. This reflection of the seismic data from a one-mile to one-half mile grid showing an anticline having 100 feet of closure that appears similar to nearby producing structures. We plan a 10,300 foot wildcat to evaluate about 600 feet of Pennsylvanian limestones which have been identified as the A, B, C, D, E, F, G, H, I zones which produced in such adjacent areas as Beau Lane and Four Lakes field. Our first well will be located northeast of southeast in Section 24, Township 10 South, Range 34 East in the center of the proposed unit.

Q Have you indicated on Exhibit No. 1 the contour?



A Yes, sir, I have indicated that.

Q How is it shown?

A Well, it is that red line.

MR. UTZ: Do you likewise have a seismic picture of this structure also?

A Yes, sir.

MR. UTZ: You can submit it under the same conditions?

MR. SETH: Yes, we would like to do that now.

MR. UTZ: Yes.

Q (By Mr. Seth) Give us a little bit of the details on the seismic picture in general terms, with relation to the unit boundaries?

A Yes, sir, well the increase of the structure as you can see covers the west half of Section 24, the east half of Section 19 extends into the north half of Section 25. I believe that this unit area is not excessively large or excessively small and fairly includes the indicated structure and the potentially productive area.

Q Is there any limiting feature on the north for the productive area, geological feature?

A Yes, sir, I think you can all see there is a syncline at the north end of the unit boundary that we feel is a critical limiting factor on the prospect and as you probably know, that is a regional counter, regional depth, that single line on the north side.



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Q You believe that the production will extend south and southwest from the contour you have indicated on Exhibit 1?

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Q Do you think that the area itself has reasonable expectations of production within the unit boundaries?

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Q What about your zones of completion, did you indicate that?

A We consider our objective to be this 600 feet of Pennsylvanian limestone which has been previously stated to be A through I zones, however, it is the usual experience in this area that only one of these zones will produce on a given structure so that we'd expect that we would get a single zone well.



MR. SETH: I believe that is all the direct.

MR. UTZ: Are there any questions of the witness?

MR. MORRIS: Yes, sir.

CROSS-EXAMINATION

BY MR. MORRIS:

Q Mr. Robinson, do you have any other control in this area outside of your seismic data?

A No, sir.

Q Do you have any dry hole control at all?

A No, sir, none.

MR. MORRIS: That is all.

MR. UTZ: Are there any other questions? The witness may be excused.

(Witness excused)

MR. UTZ: Are there any other statements in this case?

The case will be taken under advisement.

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PAGE 9

I N D E X

WITNESS

PAGE

O. V. LAWRENCE

Direct examination by Mr. Seth

2

M. L. ROBINSON

Direct examination by Mr. Seth

5

Cross-examination by Mr. Morris

8



CERTIFICATE PAGE

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, KATHERINE PETERSON, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill, and ability.

Katherine Peterson
COURT REPORTER

I do hereby certify that the foregoing is a complete and correct transcript of the proceedings in the Ex parte hearing of Case No. 2488, heard by me on Feb 27 1962.

Theresa R. [Signature] Examiner
New Mexico Oil Conservation Commission

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FARMINGTON, N. M.
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ALBUQUERQUE, N. M.
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BEFORE THE
OIL CONSERVATION COMMISSION
February 27, 1962

EXAMINER HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

IN THE MATTER OF:

Application of Shell Oil Company for
approval of the Royal Unit Agreement,
Lea County, New Mexico. Applicant, in
the above-styled cause, seeks approval
of the Royal Unit Agreement embracing
1078.49 acres, more or less, of State
and fee lands in Sections 24 and 25,
Township 10 South, Range 34 East, and
Sections 19 and 30, Township 10 South,
Range 35 East, all in Lea County, New
Mexico.

BEFORE:

ELVIS UTZ, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2499.

MR. SETH: We have the same appearances in this case
and the same witnesses in this case.

MR. UTZ: Would the record show that these witnesses
have been sworn?

O. V. LAWRENCE,

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

(Whereupon Shell's Exhibit 1
marked for identification)



DIRECT EXAMINATION

BY MR. SETH:

Q For the record, will you state again your name and position and your connection with this Application?

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

Q Are you familiar with the Application and the Unit Agreement involved in this case?

A Yes, sir, I am.

Q Tell us first about the lands that are unitized, what classification are they?

A The unit area covers 1,078.49 acres. Of this land 879.28 acres are state land or 81.53 percent. 199.21 acres are fee land which would be 18.47 percent.

Q There is no federal lands in that Unit?

A No.

Q How many working interest owners are there?

A There are four working interest owners. I might add that the unit area covers portions of Section 24 and 25 in Township 10 South, Range 34 East and also portions of Sections 19 and 30 in 10 South, 35 East. All of this land is in Lea County, New Mexico.

Q Have the working interest owners indicated there intention to join the Unit?

A Yes, sir, all four working interest owners have agreed



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to join the Unit subject to the approval of form of the Unit Agreement and Unit Operating Agreement.

Q Now, what is the proposed form of the Unit Agreement?

A The form of Unit Agreement is the suggested form which has been approved by the State Land Office. We have made no alterations whatsoever in this suggested form.

Q Tell us about the expansion and contraction in the participating areas.

A This form does not have an expansion provision being a fixed participation type of unit. Contraction, yes, we do have that in a sense that if the unit is not ordinarily developed in a reasonable manner, the Commission of Public Lands may terminate the unit as to all state lands that are in a proration or spacing unit. This act of course would in a sense be a contraction provision.

Q What is the first well obligation?

A The first well is to be commenced within sixty days after the effective date of the Unit Agreement. The well proposed for this unit is a 10,300 foot approximately, Pennsylvanian test.

Q Generally, does the Unit Agreement, in your opinion, is it in the best interest of the State and will the State receive its fair share of recoverable oil?

A Yes, sir.

Q Is Shell the operator of the proposed unit?

A Yes, sir.



Q Do you have any other information to give us about the Unit Agreement?

A Yes, sir, I might add that all depths will be unitized in this unit.

Q Do you have a form of Unit Agreement to submit to the Commission at this time?

A Yes, sir, I do.

Q And will you substitute or introduce that at a later date, the full executed copy?

A Yes, sir, I will.

MR. SETH: We would like to offer the Unit Agreement, Exhibit No. 1.

MR. UTZ: Without objections Exhibit No. 1 will be entered into the record in this case.

(Whereupon Shell Oil Company's Exhibit No. 1 admitted in evidence)

Q (By Mr. Seth) Do you have any further statements?

A No, sir.

MR. UTZ: Are there any questions of the witness? The witness may be excused. Will you call your next witness.

(Witness excused)

M. L. ROBINSON,
called as a witness herein, having been first duly sworn on oath,
was examined and testified as follows:



DIRECT EXAMINATION

BY MR. SETH:

Q Would you state your name, Mr. Robinson?

A Yes, sir, M. L. Robinson, Division Exploration Manager,
Shell Oil Company, Roswell.

Q Are you familiar with the Application in this Case,
2499?

A Yes, sir.

Q Are you familiar with the geology in the area concerned?

A Yes, sir.

Q Would you tell the Examiner, briefly, the geological
conditions there?

A The Royal Unit covers dome anticlinal structure located
in northern Lea County twelve miles northwest of Tatum and seven
miles northeast of the Pennsylvania field which is the nearest
provided. This reflection of the seismic data from a one-mile to
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PAGE 9

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
O. V. LAWRENCE	
Direct examination by Mr. Seth	2
M. L. ROBINSON	
Direct examination by Mr. Seth	5
Cross-examination by Mr. Morris	8



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PAGE 9

I N D E X

WITNESS

PAGE

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2

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CERTIFICATE PAGE

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I, KATHERINE PETERSON, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill, and ability.

Katherine Peterson
COURT REPORTER

I do hereby certify that the foregoing is a correct and true transcript of the proceedings in the hearing of Case No. 2499, heard by me on Feb. 22, 1962.
[Signature] Examiner
New Mexico Oil Conservation Commission

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