

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

2498

May 31, 1963

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

Attention: Mr. R. L. Rankin

Re: Extension of Time for Drilling  
Third Test Well, Emerald Unit,  
Lea County, New Mexico

Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved Operator's request for extending the time required for drilling a third test well to January 1, 1964, for the Emerald Unit, Lea County, New Mexico, subject to like approval by the Commissioner of Public Lands of the State of New Mexico.

Two approved copies of the application for extension of time are returned herewith.

Very truly yours,

A. L. PORTER, Jr.,  
Secretary-Director

ALP/JEK/esr  
Enclosures

cc: Commissioner of Public Lands  
Santa Fe, New Mexico



# SHELL OIL COMPANY

P. O. Box 1858  
Roswell, New Mexico

APR 2 PM 1 30  
April 1, 1963

Subject: Emerald Unit, Lea County,  
New Mexico, T-16-S, R-32-E,  
N.M.P.M.  
Section 23: All  
Section 14: S/2  
Section 15: E/2 SE/4  
Section 22: E/2 E/2

Commissioner of Public Lands (3)  
State of New Mexico  
Stand Land Building  
Santa Fe, New Mexico

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

Gentlemen:

In compliance with Sections 8 and 9 of the Unit Agreement, Shell Oil Company, as Unit Operator, hereby submits a report of the status of development of the Emerald Unit Area and requests an extension of six months from the date of this communication for commencement of further drilling in the Unit Area. We are not able at this time to justify further drilling in the Unit, but we are now conducting subsurface studies and special laboratory investigations on well samples which should be completed within the proposed extension period. With this information we hope to be able to make a firm determination regarding the future disposition of the Unit.

The initial test, Emerald Unit No. 1, located in the NE/4 NW/4 of Section 23-16S-32E, was drilled to a total depth of 13,523 feet and was bottomed in the Siluro Devonian formation. After recovering formation water from the objective Siluro Devonian, casing was run to 9750 feet and the well was completed in the Wolfcamp formation through perforations 9660 to 9666 feet. On October 11, 1962, the Wolfcamp, on OPT, flowed 197 barrels of oil and 2 barrels of water through a 24/64-inch choke with a GOR of 936. An attempt to dually complete with the Penrose (Queen) formation was unsuccessful and the well is now a single zone Wolfcamp producer. Since completion, the flow rate has declined from top allowable of 136 barrels of oil per day to 50 to 60 barrels of oil per day after accumulating 8096 barrels of oil through February 28, 1962. We estimate the ultimate recovery from the Wolfcamp will be only about 40,000 barrels and therefore do not consider the well to be capable of producing oil in paying quantities.

Commissioner of Public Lands  
Oil Conservation Commission

2

The second test in the Unit, Emerald Unit No. 2, was completed dry and abandoned on February 23, 1963, at a total depth of 4230 feet in the San Andres formation. In this test we cored the upper Queen, the Penrose and the Premier (Grayburg) sands since experience in Emerald Unit 1 led us to believe that our log evaluation may have been misleading. The core of the Penrose from Emerald Unit 2 revealed an apparent anomalous response in our porosity logs. We are now conducting special laboratory investigations of the cores in an attempt to resolve our logging problems.


We respectfully submit this status report and application for a six-month extension on the drilling requirements in lieu of a plan of development for the following twelve-month period as specified in Section 9 of the Unit Agreement. If you concur, will you please execute this instrument and return two copies to us for further handling and distribution to the Joint Operators.

Very truly yours,



R. L. Rankin  
Division Production Manager

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Commissioner of Public Lands

Approved:  Date: May 31, 1963  
Oil Conservation Commission

ILLEGIBLE

May 14, 1963

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

Re: Emerald Unit  
Lea County, New Mexico  
Extension of Time for  
Drilling Third Test Well

Attention: Mr. R. L. Rankin

Gentlemen:

Pursuant to our telephone conversation of this date we are approving your application for an extension of time in which to drill the third test well on the Emerald Unit and have changed and initialed this application as agreed upon.

Well No. 1 has been designated by Shell as a non-commercial well and well No. 2 was completed as a dry hole therefore, the Commissioner is complying with the Operator's request for an extension of time, to January 1, 1964, in which to commence the drilling of the third test well on the Emerald Unit.

We are returning one approved copy of this Application.

Very truly yours,

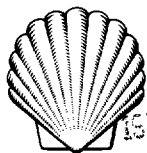
E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

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

ESW/mmr/v

encl:

cc: Oil Conservation Commission  
Santa Fe, New Mexico



MAIN OFFICE

SHELL OIL COMPANY

1963 APR 10 PM 1:28

P. O. Box 1858  
Roswell, New Mexico

April 9, 1963

Subject: Emerald Unit  
Lea County, New Mexico

Commissioner of Public Lands  
State of New Mexico  
State Land Building  
Santa Fe, New Mexico

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

Gentlemen:

According to a telephone communication we have been advised by Mrs. Rhea that the Land Commission considers the Emerald Unit to be in the exploratory phase governed by Section 8 of the Unit Agreement and that Section 9 does not apply since Emerald Unit No. 1, located NE/4 NW/4 Section 23-16S-32E, is not considered capable of producing in paying quantities. When we submitted our request for a six-month extension we were not certain what the determination by the Commissioner of Public Lands might be with respect to the initial well, and considered a status report in order since six months had elapsed since the completion of the initial test.

According to Paragraph 1, Section 8, a third exploratory test will be required by August 23, 1963 to maintain the Unit in force unless an exception is granted by the Commissioner of Public Lands. Since the two initial tests have been disappointing we are reluctant to start a third test without a further review of our subsurface data and observation of the performance of Emerald Unit No. 1 over an extended period. Shell, as lessee of acreage outside of the Unit, is now attempting to promote further testing beyond the Unit boundaries. We believe the required August commencement date may not permit sufficient evaluation time to make a prudent decision as to further testing within the Unit. Therefore, we respectfully request that our application for a six-month extension beyond April 1, 1963 be granted according to Paragraph 2, Section 8, of the Unit Agreement.

Yours very truly,

R. L. Rankin  
Division Production Manager

2498

June 18, 1962

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

Re: Emerald Unit  
Lea County,  
New Mexico

Attention: Mr. R. A. Clarke

Gentlemen:

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

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

We are enclosing four copies of our Certificate of Approval, also enclosed is Official Receipt No. F93984 in the amount of \$20.00 which covers the filing fee.

Very truly yours,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

BY:

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

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

C  
O  
P  
Y

GOVERNOR  
EDWIN L. MECHEM  
CHAIRMAN

State of New Mexico  
Oil Conservation Commission



LAND COMMISSIONER  
E. S. JOHNNY WALKER  
MEMBER

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

P. O. BOX 871  
SANTA FE

March 6, 1962

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

Re: CASE NO. 2498 and 2499  
ORDER NO. R-2194 and R-2195  
APPLICANT:  
Shell Oil Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC   x    
Artesia OCC         
Aztec OCC       

OTHER



MAIN OF SHELL OIL COMPANY

P. O. Box 1858  
1962 FEB Roswell, New Mexico

February 7, 1962

Subject: Lea County, New Mexico  
Anderson Ranch Area  
Proposed Emerald Unit

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

Gentlemen:

Last week we discussed with Mr. Dan Nutter the matter of a hearing for the above mentioned Unit. We were advised that the next scheduled hearing would be the latter part of this month, and that you would have to close the docket for the hearing on Friday, February 9, 1962.

We have now decided to request a hearing for the above Unit at this time. With this in mind, we are attaching a copy of the proposed unit agreement which should contain all of the information as to unit area, etc. that you will require in preparing the notice. We would prefer that you not mention the location in your notice unless this information is required.

If there is any other information that you need on this matter before the deadline date of February 9, 1962, please call us collect at MAIN 2-3248 in Roswell, and we will be happy to furnish it to you.

Yours very truly,

*O. V. Lawrence*  
O. V. Lawrence  
Roswell Division Land Manager

Attachment

*Received  
2/10/62  
M. J. [unclear]*



Case 2498

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

THIS AGREEMENT, entered into as of the 31st day of January, 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 Emerald 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: All Section 23, S-1/2 Section 14, E-1/2 SE-1/4 Section 15, E-1/2 E-1/2 of Section 22, All in Township 16-South, Range 32-East, N.M.P.M.

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 Siluro-Devonian 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 13,800 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 or 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 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.

SHELL OIL COMPANY

Date \_\_\_\_\_

By: \_\_\_\_\_

Attorney-in-Fact

Address: P. O. Box 1509

Midland, Texas

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

GULF OIL CORPORATION

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

(Title)

Date \_\_\_\_\_

Address: P. O. Box 1938

Roswell, New Mexico

ATTEST:

TEXAS GULF PRODUCING COMPANY

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

(Title)

Date \_\_\_\_\_

Address: P. O. Box 1764

Midland, Texas

ATTEST:

CABOT CORPORATION

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

(Title)

Date \_\_\_\_\_

Address: P. O. Box 1101

Pampa, Texas

ATTEST:

TENNECO OIL COMPANY

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

(Title)

Date \_\_\_\_\_

Address: P. O. Box 1031

Midland, Texas

ATTEST:

MOBIL OIL COMPANY

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

(Title)

Date \_\_\_\_\_

Address: P. O. Box 820

Roswell, New Mexico

WORKING INTEREST OWNERS

ATTEST:

PAN AMERICAN PETROLEUM CORPORATION

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

(Title)

Date \_\_\_\_\_

Address: \_\_\_\_\_

OVERRIDING ROYALTY INTEREST OWNER



STATE OF TEXAS     )  
COUNTY OF MIDLAND)

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_, 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 \_\_\_\_\_ 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 \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Gulf Oil Corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Texas Gulf Producing Company, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Cabot Corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Mobil Oil Company, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Tenneco Oil Company, on  
behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Pan American Petroleum  
Corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

T - 16 - S  
R - 32 - E

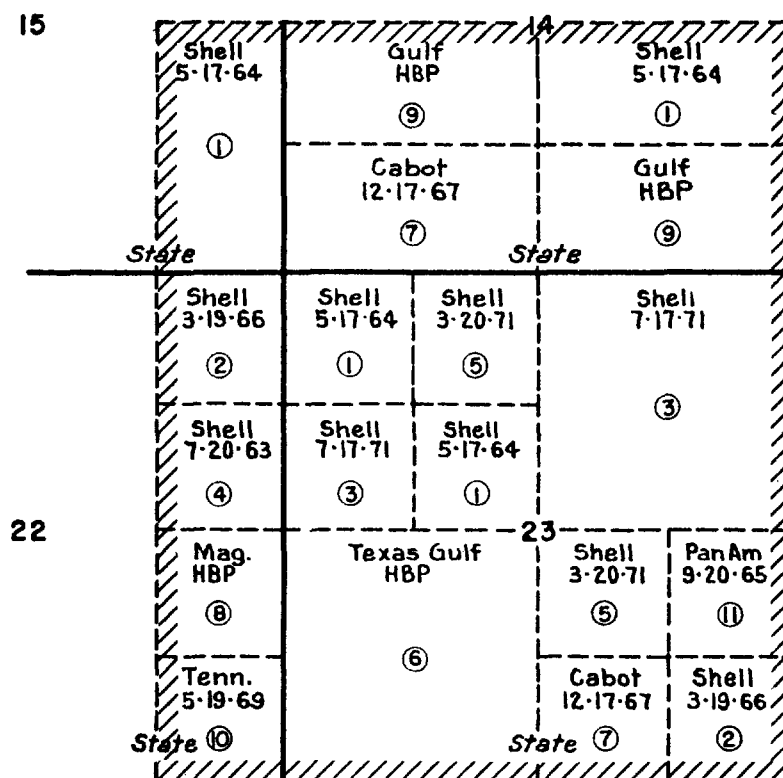


EXHIBIT "A"  
Emerald Unit Area  
Lea County, New Mexico

7.5  
160  
4500  
78  
1200.0

LEGEND

Scale 1" = 2000'

② Tract number as listed on Exhibit B

//////. Unit Outline

Case 2498

EXHIBIT "B"  
EMERALD UNIT (ALL STATE LAND)  
TOWNSHIP 16-SOUTH, RANGE 32-EAST  
LEA COUNTY, NEW MEXICO

Tract Number	Description of Land	Number of Acres	State Lease Number and Lease Date	Basic Royalty Based on 12 $\frac{1}{2}$ %	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage
1.	Section 15: E-1/2 SE-1/4 Section 14: N-1/2 SE-1/4 Section 23: NW-1/4 NW-1/4, SE-1/4 NW-1/4	240	E-8177 - May 18, 1954	State - All	Shell Oil Company	None	Shell - All
2.	Section 22: NE-1/4 NE-1/4 Section 23: SE-1/4 SE-1/4	80	E-9879 - March 20, 1956	State - All	Shell Oil Company	None	Shell - All
3.	Section 23: NE-1/4, SW-1/4 NW-1/4	200	K-1619 - July 18, 1961	State - All	Shell Oil Company	None	Shell - All
4.	Section 22: SE-1/4 NE-1/4	40	E-7253 - July 21, 1953	State - All	Shell Oil Company	M.A. Machris & Paquita L. Machris-1/16 of 7/8 of production	Shell - All
5.	Section 23: NE-1/4 NW-1/4, NW-1/4 SE-1/4	80	K-1283 - March 21, 1961	State - All	Shell Oil Company	None	Shell - All
6.	Section 23: SW-1/4	160	E-3433 - April 10, 1950	State - All	Texas Gulf Producing	None	Texas Gulf - All
7.	Section 14: S-1/2 SW-1/4 Section 23: SW-1/4 SE-1/4	120	OG-1643 - December 17, 1957	State - All	Cabot Corporation	None	Cabot - All
8.	Section 22: NE-1/4 SE-1/4	40	B-11214 - May 10, 1944	State - All	Mobil Oil Company	None	Magnolia - All
9.	Section 14: N-1/2 SW-1/4, S-1/2 SE-1/4	160	E-3788 - July 10, 1950	State - All	Gulf Oil Corp.	None	Gulf - All
10.	Section 22: SE-1/4 SE-1/4	40	OG-5484 - May 19, 1959	State - All	Tenneco Oil Co.	None	Tenneco - All
11.	Section 23: NE-1/4 SE-1/4	40	E-9358 - September 20, 1955	State - All	Shell Oil Company	Pan American Petroleum 1/8 of 8/8 of production	Shell - 57.14285716% Gulf - 14.28571428% Texas Gulf - 14.28571428% Cabot - 10.71428571% Tenneco - 3.57142857%

200



# SHELL OIL COMPANY

P. O. Box 1858  
Roswell, New Mexico

June 20, 1962

Subject: Lea County, New Mexico  
Emerald Unit

Oil Conservation Commission  
Santa Fe, New Mexico

Attention Mr. A. L. Porter, Jr.

Gentlemen:

In accordance with No. R-2194, Case No. 2498, we are attaching Certificate of Approval by Commissioner of Public Lands, State of New Mexico covering the Emerald Unit. A fully executed copy of said Unit Agreement was furnished to you by our letter of June 14, 1962.

We should appreciate your attaching the Certificate of Approval to your executed copy of Unit Agreement.

If there is anything else that needs to be done in this matter, please advise.

Yours very truly,

R. A. Clarke  
Roswell Division Land Department

Attachment

CERTIFICATE OF APPROVAL  
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

**EMERALD UNIT**


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There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated April 9, 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 18th day of June 19 62.

  
Commissioner of Public Lands  
of the State of New Mexico

2498

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

EMERALD UNIT AREA  
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 9th day of April, 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 Emerald  
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: All Section 23, S-1/2 Section 14,  
E-1/2 SE-1/4 Section 15, E-1/2 E-1/2 Section 22, All in Township 16-South,  
Range 32-East, N.M.P.M.

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 Siluro-Devonian 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 13,800 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 or 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

June 7, 1962

By

J. V. Lindsey  
Attorney in Fact

Address: P. O. Box 1509  
Midland, Texas

WORKING INTEREST OWNERS

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

GULF OIL CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1938  
Roswell, New Mexico

~~ATTEST:~~

\_\_\_\_\_  
Secretary  
Date April 24, 1962

TEXAS GULF PRODUCING COMPANY

By: W. J. Lang, Jr. (Title)  
Attorney-in-Fact  
Address: P. O. Box 1764  
Midland, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

CABOT CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1101  
Pampa, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

TENNECO CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1031  
Midland, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

SOCONY MOBIL OIL COMPANY, INC.

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 820  
Roswell, New Mexico

OVERRIDING ROYALTY INTEREST OWNER

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

PAN AMERICAN PETROLEUM CORPORATION

By: \_\_\_\_\_ (Title)  
Address: \_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF MIDLAND )

J. V. Lindsey Before me, the undersigned authority, on this day personally appeared  
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 7 day of June, 1962.

My Commission Expires: June 1, 1963

Jean Akins  
Notary Public in and for Midland  
County, Texas

Jean Akins  
Notary Public in and for  
Midland County, Texas

WORKING INTEREST OWNERS

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

GULF OIL CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1938  
Roswell, New Mexico

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

TEXAS GULF PRODUCING COMPANY

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1764  
Midland, Texas

~~ATTEST:~~

\_\_\_\_\_  
~~Secretary~~  
Date May 29, 1962

CABOT CORPORATION

By: John W. Chisholm Atty  
John W. Chisholm Attorney-in-Fact (Title)  
Address: P. O. Box 1101  
Pampa, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

TENNECO CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1031  
Midland, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

SOCONY MOBIL OIL COMPANY, INC.

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 820  
Roswell, New Mexico

OVERRIDING ROYALTY INTEREST OWNER

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

PAN AMERICAN PETROLEUM CORPORATION

By: \_\_\_\_\_ (Title)  
Address: \_\_\_\_\_

STATE OF TEXAS )

COUNTY OF GRAY )

Before me, the undersigned authority, on this day personally appeared JOHN W. CHISHOLM, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact for CABOT CORPORATION and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Cabot Corporation in the capacity therein stated.

Given under my hand and seal of office this 29<sup>th</sup> day of MAY 1962.

My Commission Expires: 6-1-63

Notary Public in and for Gray  
County, Texas

WORKING INTEREST OWNERS

ATTEST:

W.C. K... ..  
Asst. Secretary

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

GULF OIL CORPORATION

By: W.C. K...  
Attorney in Fact (Title)

Address: P. O. Box 1938  
Roswell, New Mexico

TEXAS GULF PRODUCING COMPANY

By: \_\_\_\_\_  
(Title)

Address: P. O. Box 1764  
Midland, Texas

CABOT CORPORATION

By: \_\_\_\_\_  
(Title)

Address: P. O. Box 1101  
Pampa, Texas

TENNECO CORPORATION

By: \_\_\_\_\_  
(Title)

Address: P. O. Box 1031  
Midland, Texas

SOCONY MOBIL OIL COMPANY, INC.

By: \_\_\_\_\_  
(Title)

Address: P. O. Box 820  
Roswell, New Mexico

OVERRIDING ROYALTY INTEREST OWNER

ATTEST:

\_\_\_\_\_  
Secretary

Date \_\_\_\_\_

PAN AMERICAN PETROLEUM CORPORATION

By: \_\_\_\_\_  
(Title)

Address: \_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF MIDLAND )

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_, 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 April, 1962.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for Midland  
County, Texas



WORKING INTEREST OWNERS

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

GULF OIL CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1938  
Roswell, New Mexico

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

TEXAS GULF PRODUCING COMPANY

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1764  
Midland, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

CABOT CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1101  
Pampa, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

TENNECO CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1031  
Midland, Texas

ATTEST:

\_\_\_\_\_  
Assistant Secretary  
Date \_\_\_\_\_

SOCONY MOBIL OIL COMPANY, INC. *J.P.*  
By: *[Signature]* (Title)  
Attorney-in-fact  
Address: P. O. Box 820  
Roswell, New Mexico

OVERRIDING ROYALTY INTEREST OWNER

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

PAN AMERICAN PETROLEUM CORPORATION  
By: \_\_\_\_\_ (Title)  
Address: \_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF MIDLAND )

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_, 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 April, 1962.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for Midland  
County, Texas

*[Handwritten notes and signatures in margin]*

WORKING INTEREST OWNERS

ATTEST:

GULF OIL CORPORATION

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1938  
Roswell, New Mexico

ATTEST:

TEXAS GULF PRODUCING COMPANY

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1764  
Midland, Texas

ATTEST:

CABOT CORPORATION

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1101  
Pampa, Texas

ATTEST:

TENNECO CORPORATION

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

By: A. H. McDaniel (Title)  
Address: P. O. Box 1031  
Midland, Texas

ATTEST:

SOCONY MOBIL OIL COMPANY, INC.

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 820  
Roswell, New Mexico

Division	Exploration
Division	Production
Division	Refining
Division	Marketing
Division	Finance
Division	Legal
Division	Personnel
Division	General
Division	Other

FORM  
APPROVED

OVERRIDING ROYALTY INTEREST OWNER

ATTEST:

PAN AMERICAN PETROLEUM CORPORATION

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

By: \_\_\_\_\_ (Title)  
Address: \_\_\_\_\_

STATE OF TEXAS }  
COUNTY OF MIDLAND }

Before me, the undersigned authority, on this day personally appeared A. H. McDaniel, 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 1st day of May, 1962.

My Commission Expires: June 1, 1963

Anne Tolbert ANNE TOLBERT  
Notary Public in and for Midland  
County, Texas

WORKING INTEREST OWNERS

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

GULF OIL CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1938  
Roswell, New Mexico

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

TEXAS GULF PRODUCING COMPANY

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1764  
Midland, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

CABOT CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1101  
Pampa, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

TENNECO CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1031  
Midland, Texas

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

SOCONY MOBIL OIL COMPANY, INC.

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 820  
Roswell, New Mexico

OVERRIDING ROYALTY INTEREST OWNER

ATTEST:

\_\_\_\_\_  
Secretary  
Date \_\_\_\_\_

PAN AMERICAN PETROLEUM CORPORATION

By: \_\_\_\_\_ (Title)  
Address: P. O. Box 1418  
Fort Worth 2, Texas



STATE OF TEXAS }  
COUNTY OF MIDLAND }

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_, 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 April, 1962.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for Midland  
County, Texas

STATE OF NEW MEXICO )  
COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 30th day of April 1962, by W. A. SHELLSHEAR, President of Gulf Oil Corporation, on behalf of said corporation. Attorney In Fact

Eva Marie Cooper  
Notary Public in and for CHAVES  
County, NEW MEXICO

My Commission Expires: My Commission Expires August 15, 1963

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Texas Gulf Producing Company, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Cabot Corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Socony Mobil Oil Company, Inc., on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 1962, by \_\_\_\_\_, \_\_\_\_\_ President of Tenneco Corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Gulf Oil Corporation, on  
behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Texas Gulf Producing  
Company, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Cabot Corporation, on behalf  
of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF Texas  
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 1 day of May  
1962, by R. D. Hanley ~~Attorney-in-fact~~ President of Socony Mobil Oil  
Company, Inc., on behalf of said corporation.

My commission expires  
June 1, 1963

Clyde J. Cole  
Notary Public in and for \_\_\_\_\_  
County, CLYDE J. COLE, Notary Public  
in and for Midland County, Texas

My Commission Expires: \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Tenneco Corporation, on  
behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Gulf Oil Corporation, on  
behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Texas Gulf Producing  
Company, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Cabot Corporation, on behalf  
of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Socony Mobil Oil  
Company, Inc., on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF TEXAS  
COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared  
A. N. McDOWELL, known to me to be the person whose name is subscribed to the  
foregoing instrument, as Agent and Attorney in Fact of TENNECO CORPORATION, a  
Delaware corporation, and acknowledged to me that he executed the same for the  
purposes and consideration therein expressed, in the capacity stated, and as  
the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 1<sup>st</sup> day of

May, 1962

My commission expires:

June, 1963

Anne T. [Signature] ANNE T. [Signature]  
Notary Public in and for Midland County,  
Texas

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Gulf Oil Corporation, on  
behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF Texas  
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 24 day of April  
1962, by Wm. J. Craig, Jr., Attorney-in-Fact of Texas Gulf Producing  
Company, on behalf of said corporation.

MARY HOLEVAS  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1963

Mary Holevas  
Notary Public in and for Harris  
County, Texas

~~My Commission Expires: \_\_\_\_\_~~

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Cabot Corporation, on behalf  
of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Socony Mobil Oil  
Company, Inc., on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
1962, by \_\_\_\_\_, \_\_\_\_\_ President of Tenneco Corporation, on  
behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF TARRANT )

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of June 1962, by D. B. Mason, Jr., ~~Attorney in Fact~~ of Pan American Petroleum Corporation, on behalf of said corporation.

My Commission Expires: June 1, 1963

Velma B. Craft VELMA B. CRAFT  
Notary Public in and for Tarrant  
County, Texas



T - 16 - S  
R - 32 - E

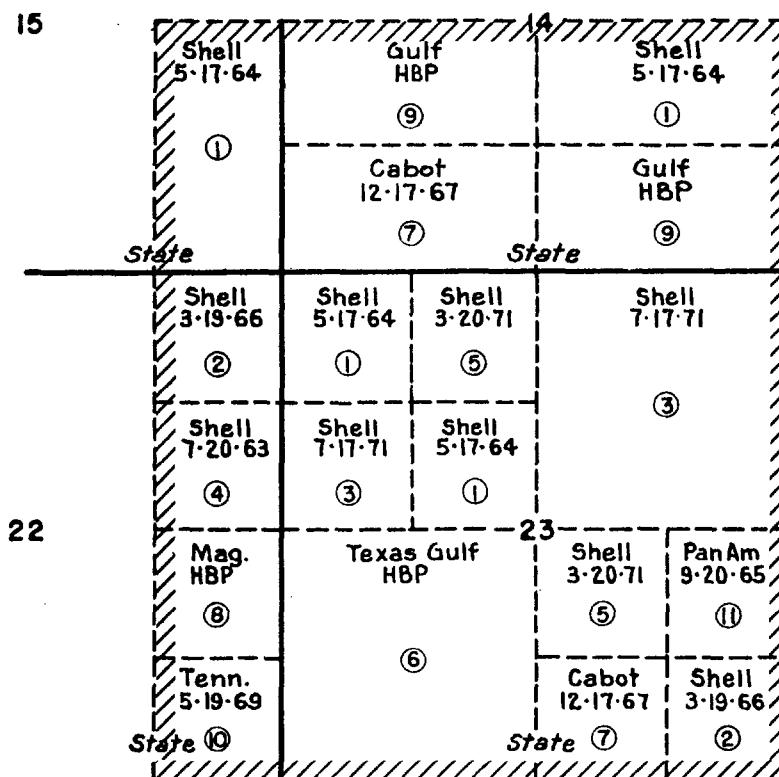


EXHIBIT "A"  
Emerald Unit Area  
Lea County, New Mexico

LEGEND

Scale 1" = 2000'

② Tract number as listed on Exhibit B

////// Unit Outline

**EXHIBIT "B"**  
**EMERALD UNIT (ALL STATE LAND)**  
**TOWNSHIP 16-SOUTH, RANGE 32-EAST**  
**LEA COUNTY, NEW MEXICO**

<u>Tract Number</u>	<u>Description of Land</u>	<u>Number of Acres</u>	<u>State Lease Number and Lease Date</u>	<u>Basic Royalty Based on 12<math>\frac{1}{2}</math>%</u>	<u>Lessee of Record</u>	<u>Overriding Royalty &amp; Percentage</u>	<u>Working Interest and Percentage</u>
1.	Section 15: E-1/2 SE-1/4 Section 14: N-1/2 SE-1/4 Section 23: NW-1/4 NW-1/4, SE-1/4 NW-1/4	240	E-8177 - May 18, 1954	State - All	Shell Oil Company	None	Shell - All
2.	Section 22: NE-1/4 NE-1/4 Section 23: SE-1/4 SE-1/4	80	E-9879 - March 20, 1956	State - All	Shell Oil Company	None	Shell - All
3.	Section 23: NE-1/4, SW-1/4 NW-1/4	200	K-1619 - July 18, 1961	State - All	Shell Oil Company	None	Shell - All
4.	Section 22: SE-1/4 NE-1/4	40	E-7253 - July 21, 1953	State - All	Shell Oil Company	M.A.Machris & Paquita L. Machris-1/16 of 7/8 of production	Shell - All
5.	Section 23: NE-1/4 NW-1/4, NW-1/4 SE-1/4	80	K-1283 - March 21, 1961	State - All	Shell Oil Company	None	Shell - All
6.	Section 23: SW-1/4	160	E-3433 - April 10, 1950	State - All	Texas Gulf Producing	None	Texas Gulf - All
7.	Section 14: S-1/2 SW-1/4 Section 23: SW-1/4 SE-1/4	120	OG-1643 - December 17, 1957	State - All	Cabot Corporation	None	Cabot - All
8.	Section 22: NE-1/4 SE-1/4	40	B-11214 - May 10, 1944	State - All	Socony Mobil Oil Company, Inc.	None	Mobil - All
9.	Section 14: N-1/2 SW-1/4, S-1/2 SE-1/4	160	E-3788 - July 10, 1950	State - All	Gulf Oil Corp.	None	Gulf - All
10.	Section 22: SE-1/4 SE-1/4	40	OG-5484 - May 19, 1959	State - All	Tenneco Corporation	None	Tenneco - All
11.	Section 23: NE-1/4 SE-1/4	40	E-9358 - September 20, 1955	State - All	Pan American Petroleum	Pan American Petroleum 1/8 of 8/8 of production	Shell - 57.14285716% Gulf- 14.28571428% TexasGulf-14.28571428% Cabot- 10.71428571% Tenneco- 3.57142857%