

Case No.

595

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF EL PASO NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION OF THE
E/2 OF SECTION 32, TOWNSHIP 31
NORTH, RANGE 10 WEST, N. M. P. M.,
SAN JUAN COUNTY, NEW MEXICO, OR,
IN THE ALTERNATIVE, FOR UNORTHODOX
SPACING:

No. 595

TO THE HONORABLE COMMISSION:

Your Applicant, EL PASO NATURAL GAS COMPANY, represents that it is a Delaware corporation, with a permit to do business in the State of New Mexico, and that it is the present owner and holder of leasehold rights or gas operating rights to the base of the Mesaverde Formation under the following described oil and gas leases:

- (a) New Mexico State Lease B-10735-32, dated October 20, 1943, Harry S. Wright, Lessee, embracing, among other lands, the following described land in San Juan County, New Mexico: Township 31 North, Range 10 West, N. M. P. M., Section 32, NW/4 NE/4, containing forty (40) acres, more or less;
- (b) New Mexico State Lease B-10735-33, dated October 20, 1943, Harry S. Wright, Lessee, embracing, among other lands, the following described land in San Juan County, New Mexico: Township 31 North, Range 10 West, N. M. P. M., Section 32, NE/4 NE/4, containing forty (40) acres, more or less;
- (c) New Mexico State Lease E-2724-2, dated June 10, 1949, Manuel A. Sanchez, Lessee, embracing, among other lands, the following described land in San Juan County, New Mexico: Township 31 North, Range 10 West, N. M. P. M., Section 32, NE/4 SE/4, containing 40 acres, more or less;
- (d) New Mexico State Lease B-10735-29, dated October 20, 1943, Harry S. Wright, Lessee, embracing, among other lands, the following described land in San Juan County, New Mexico: Township 31 North, Range 10 West, N. M. P. M., Section 32, SE/4 SE/4, containing forty (40) acres, more or less.

Your Applicant represents that Brookhaven Oil Company, a corporation, owns an undivided one-half (1/2) interest and your applicant an undivided one-half (1/2) interest in New Mexico State Lease B-11124-32, dated March 21, 1944, Lessee Harry S. Wright, embracing, among other lands, the following described land in San Juan County:

Township 31 North, Range 10 West, N. M. P. M., Section 32, SW/4 SE/4, containing forty (40) acres, more or less.

Your Applicant further represents that Edward Evensen

is the present owner and holder of New Mexico State Lease E-499-5, dated August 13, 1945, Harry S. Wright, Lessee, embracing, among other lands, the following described land in San Juan County:

Township 31 North, Range 10 West, N. M. P. M., Section 32, SW/4 NE/4, containing forty (40) acres, more or less.

Your Applicant represents that all the present owners and holders of the above described leasehold rights, aggregating 240 acres, more or less, have agreed to communitize and pool, and have executed appropriate communitization agreement to communitize and pool the above described oil and gas leases insofar as said leases cover the above described land, in order to form one tract or drilling unit for the production of dry gas and liquid hydrocarbons extracted therefrom from the surface to the base of the Mesaverde Formation.

Your Applicant further represents that A. S. Hopkins, whose mail address is P. O. Box 257, Cambridge 39, Massachusetts, is the present owner and holder of State of New Mexico Lease B-10735-5, insofar as it covers the SE/4 NE/4 of said Section 32, containing forty (40) acres, more or less.

Your Applicant further represents that Charles W. Shaffer, whose address is 410 West Palmer Street, Glendale, California, owned State of New Mexico Lease B-10567, insofar as it covered the NW/4 SE/4 of said Section 32, and that your Applicant is informed and believes that said lease expired by its own terms on August 20, 1953, and that the State of New Mexico is the owner of the oil and gas rights in and to said NW/4 SE/4 of said Section 32.

Your Applicant represents that it made diligent effort to enter agreement with A. S. Hopkins as to the leasehold interests owned by him for communitization of his interests with the other leasehold interests owned by your Applicant, by Brookhaven Oil Company, and by Edward Evensen, and that A. S. Hopkins has refused to join in any communitization agreement, or to sell his leasehold interest for the market value thereof.

Your Applicant represents that it made diligent efforts to enter an agreement with Charles W. Shaffer for communitization

of the tract of land formerly owned by him, or in the alternative to purchase from the said Charles W. Shaffer his leasehold interest insofar as it covers the NW/4 SE/4 of said Section 32, and that your Applicant was unable to obtain agreement of lease owner for communitization or to complete purchase in time to begin drilling operations prior to expiration of the lease.

Your Applicant represents that pursuant to the terms and provisions of Order No. R-110, entered by this Commission, 320 acre spacing has been established for drilling gas wells to the Mesaverde Formation, in San Juan County, New Mexico, and that your Applicant has exercised due diligence, but has been unable to obtain concurrence of owners of leases as to 80 acres lying within the E/2 of said Section 32. Your Applicant represents that the E/2 of Section 32 contains 320 acres of land, and is a proper spacing unit for drilling a Mesaverde well, and that your Applicant and the other owners of oil and gas leasehold rights who desire to communitize or pool the leases into a uniform spacing unit will be deprived of their opportunity to recover their just and equitable share of the natural gas in the gas pool lying under the tracts of land covered by their leases unless this Commission requires the owners of oil and gas leasehold interests or mineral rights who have not joined in the communitization agreement to communitize or pool their interests to form a proper spacing unit.

Your Applicant respectfully requests that an appropriate order be entered by the Commission directing the owners of outstanding oil and gas leasehold rights or mineral interests in the SE/4 NE/4 and the NW/4 SE/4 of said Section 32 to communitize or pool their interests, pursuant to the terms of a communitization agreement which has been filed for approval with the Commissioner of Public Lands of the State of New Mexico.

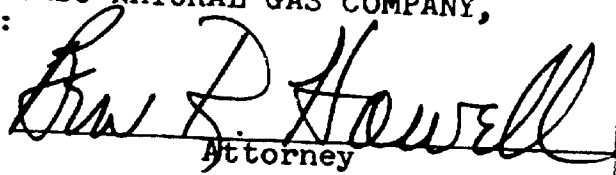
In the alternative, your Applicant requests that if this Commission determine that it will not order compulsory pooling of the E/2 of Section 32, then, in that event, the Commission issue an appropriate order designating the following tracts of land, to-wit, N/2 NE/4, SW/4 NE/4, S/2 SE/4 and NE/4 SE/4 of said Section 32 containing 240 acres, more or less, as an unorthodox spacing unit,

and permit your Applicant and the cooperating leasehold owners
to produce gas therefrom.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY,

By:


Attorney

RECEIVED
STATE LAND OFFICE
OCT 15 1 43 PM '53
SANTA FE, N.M.

COMMUNITIZATION AGREEMENT

(Sunray State #1)

THIS AGREEMENT, made and entered into this 1st day of September, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); SUNRAY OIL CORPORATION, a Delaware corporation, whose address is First National Bank Building, Tulsa, Oklahoma; DELHI OIL CORPORATION, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; BROOKHAVEN OIL COMPANY, a Delaware corporation, whose address is First National Bank Building, Albuquerque, New Mexico; EDWARD EVENSEN and wife, ^{HFE} HARRIET E. EVENSEN, whose address is 739 Haight Street, San Francisco 17, California; and A. S. HOPKINS, whose address is P. O. Box 257, Cambridge 39, Massachusetts;

W_I_T_N_E_S_S_E_T_H:

WHEREAS, El Paso is the present owner and holder of that certain New Mexico State Lease, bearing Serial Number B-10735-32, formerly a part of New Mexico State Lease B-10735, insofar as the same covers the gas operating rights down to and including the base of the Mesa Verde formation, executed in favor of Harry S. Wright, as Lessee, under date of October 20, 1943, by the State of New Mexico, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: NW/4 NE/4
containing 40.00 acres, more or less; and

WHEREAS, by a Contract with El Paso dated January 14, 1953, Sunray Oil Corporation retained and reserved all of the oil operating rights, the gas operating rights below the base of the Mesa Verde formation, and certain gas overriding royalties in the above described tract; and

WHEREAS, El Paso is the present owner and holder of that certain New Mexico State Lease, bearing Serial Number B-10735-33, formerly a part of New Mexico State Lease B-10735, executed in favor of Harry S. Wright, as Lessee, under date of October 20, 1943, by the State of New Mexico, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: NE/4 NE/4
containing 40.00 acres, more or less; and

WHEREAS, El Paso is the present owner and holder of that certain New Mexico

NM 647
NM 802
NM 378-A
NM 1128

State Lease, bearing Serial Number E-2724-2, formerly a part of New Mexico State Lease E-2724, insofar as the same covers the gas operating rights down to and including the base of the Mesa Verde formation, executed in favor of Manuel A. Sanchez, as Lessee, under date of June 10, 1949, by the State of New Mexico, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: NE/4 SE/4
containing 40.00 acres, more or less; and

WHEREAS, El Paso is the present owner and holder of that certain New Mexico State Lease, bearing Serial Number B-10735-29, formerly a part of New Mexico State Lease B-10735, insofar as the same covers the gas operating rights down to and including the base of the Mesa Verde formation, executed in favor of Harry S. Wright, as Lessee, under date of October 20, 1943, by the State of New Mexico, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: SE/4 SE/4
containing 40.00 acres, more or less; and

WHEREAS, by a Contract with El Paso dated January 18, 1952, Delhi Oil Corporation retained and reserved all of the oil operating rights, the gas operating rights below the base of the Mesa Verde formation, and certain gas overriding royalties in the last two above described tracts; and

WHEREAS, Brookhaven Oil Company as to an undivided one-half ($\frac{1}{2}$) interest, and El Paso as to an undivided one-half ($\frac{1}{2}$) interest, are the present owners and holders of that certain New Mexico State Lease, bearing Serial Number B-11124-32, formerly a part of New Mexico State Lease B-11124, executed in favor of Harry S. Wright, as Lessee, under date of March 21, 1944, by the State of New Mexico, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: SW/4 SE/4
containing 40.00 acres, more or less; and

WHEREAS, by an Operating Agreement dated November 27, 1951, as supplemented by that certain Operating Agreement dated January 2, 1952, which agreements have been filed with the Commissioner of Public Lands of the State of New Mexico, Brookhaven Oil Company assigned an undivided one-half ($\frac{1}{2}$) interest, transferred the operating rights and designated El Paso as Operator of the above described tract; and

WHEREAS, Edward Evensen is the present owner and holder of that certain New Mexico State Lease, bearing Serial Number E-499-5, formerly a part of New Mexico State Lease E-499, executed in favor of Harry S. Wright, as Lessee, under date of August 13, 1945, by the State of New Mexico, as Lessor, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: SW/4 NE/4
containing 40.00 acres, more or less; and

WHEREAS, A. S. Hopkins is the present owner and holder of that certain New Mexico State Lease bearing Serial Number B-10735-5 executed by the State of New Mexico as Lessor under date of October 20, 1943, and embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: SE/4 NE/4
containing 40.00 acres, more or less; and

WHEREAS, the State of New Mexico is the present owner and holder of the mineral estate in and under the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: NW/4 SE/4
containing 40.00 acres, more or less; and

WHEREAS, the last above described tract is not subject to any outstanding Oil and Gas Lease; and

WHEREAS, in order to expedite the execution of this Agreement, all of the overriding royalty owners on each of the above described tracts are ratifying this Agreement; and

WHEREAS, under the applicable rules and regulations of the Oil Conservation Commission of the State of New Mexico, it is necessary to form a tract or drilling unit consisting of three hundred and twenty (320) acres for the drilling of a Mesa Verde well; and

WHEREAS, Article 8-1138 of the New Mexico Statutes (Laws 1943, ch. 88, sec. 1, page 146) provides that for the purpose of more properly conserving the oil and gas resources of the State of New Mexico, the Commissioner of Public Lands may consent to and approve the development or operation of State Lands under Agreements made by Lessees of State Lands, jointly or severally, with other Lessees of State Lands; and

WHEREAS, the parties hereto desire to communitize and pool all the above described oil and gas leases, insofar as the above leases cover the above land, in order

to form one tract or drilling unit for the production of dry gas and liquid hydrocarbons extracted therefrom, from the Mesa Verde formation, as follows:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: E/2
containing 320.00 acres, more or less; and

WHEREAS, in order to be consistent with existing rules and regulations covering well spacing and production allowables, the parties hereto desire to operate the entire communitized tract for the purpose and intention of developing dry gas and liquid hydrocarbons extracted therefrom, from the Mesa Verde formation, as an entirety in accordance with the terms and provisions of this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual advantages offered by this Agreement, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands subject to this Agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesa Verde formation as an entirety with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the above-described communitized tract of three hundred and twenty (320) acres, shall be allocated among the leaseholds comprising said acreage in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed hereto. The royalties payable for dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for therein shall be determined and paid on the basis respectively prescribed in the individual leases.

2. El Paso shall be the unit operator of said communitized tract and all matters of operation, adjustments between the working interest owners, and payments of royalties, overriding royalties and rentals shall be governed by the provisions of the Unit Operating Agreement executed by the working interest owners contemporaneously with the execution of this Agreement. There shall be no obligation on El Paso to offset any dry gas well or wells on separate component tracts, into which said communitized unit is now or may hereafter be divided, nor shall El Paso be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse interests in the dry gas in and under said tract, but El Paso shall not be released from its obligation to protect said communitized unit from drainage by a dry gas well or wells which may be drilled offsetting said tract.

3. Except as herein modified and changed, said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued. It is further agreed that the commencement, completion, continued operation or production of a well or wells for dry gas and liquid hydrocarbons extracted therefrom on the communitized tract from the Mesa Verde formation as an entirety shall be construed and considered as the commencement, completion, continued operation or production as to each lease committed hereto.

4. All production of dry gas and disposal thereof shall be in conformity with allocations, allotments and quotas made and fixed by any duly authorized person or regulatory body under applicable Federal or State Statutes. The provisions of this Agreement shall be subject to all applicable Federal or State Statutes or executive orders, rules and regulations which affect performance of any of the provisions of this Agreement and El Paso shall not suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if such compliance is prevented by or if such failure results from compliances with any such law, rule or regulation.

5. This Agreement shall be effective as of the date hereof upon execution by the parties hereto notwithstanding the date of execution, and upon approval of the Commissioner of Public Lands of the State of New Mexico, and shall remain in force and effect for a period of two (2) years and so long thereafter as dry gas and liquid hydrocarbons extracted therefrom are produced from any part of said communitized unit in paying quantities, provided that prior to production in paying quantities from said communitized unit and upon fulfillment of all requirements of the Oil Conservation Commission of the State of New Mexico with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by the mutual agreement of the parties hereto.

6. This Agreement shall be subject to the consent and approval of the Commissioner of Public Lands of the State of New Mexico.

7. This Agreement shall be binding upon the parties hereto and shall extend and be binding upon their heirs, executors, administrators, successors and assigns.

8. This Agreement may be executed in one or more counterparts by any of the parties hereto and all counterparts so executed shall be taken as a single Agreement and shall have the same force and effect as if all parties had in fact executed but a single instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first hereinabove written.

ATTEST:

A. J. Martin
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By H. F. Steen
Vice President

ATTEST:

Secretary

SUNRAY OIL CORPORATION

By _____
Vice President

ATTEST:

Margaret H. Self
Secretary

BROOKHAVEN OIL COMPANY

By Thos B. Scott
President

ATTEST:

Secretary

DELHI OIL CORPORATION

By _____
President

Edward Evensen
Edward Evensen

* Harriet F. Evensen
Harriet F. Evensen

A. S. Hopkins

OFFICE OF COMMISSIONER OF PUBLIC LANDS
Santa Fe, New Mexico

I HEREBY CERTIFY that the foregoing Communitization Agreement was filed in my office on the 15 day of October, A.D., 1953, and CONSENTED TO and APPROVED by me on October 16, A.D., 1953.

Ed Walker
Commissioner of Public Lands

STATE OF TEXAS)

COUNTY OF EL PASO)

On this 8th day of October, 1953, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Geo. M. Richardson
Notary Public, in and for El Paso County, Texas
My commission expires June 1, 1955

Geo. M. Richardson
Notary Public, County of El Paso,
State of Texas

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SUNRAY OIL CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, County of Tulsa,
State of Oklahoma

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

On this 5th day of October, 1953, before me appeared Thos. B. Scott, Jr., to me personally known, who, being by me duly sworn, did say that he is the _____ President of BROOKHAVEN OIL COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Thos. B. Scott, Jr. acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

June 13, 1957

Evelyn L. Welking
Notary Public, County of Bernalillo,
State of New Mexico

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of DELHI OIL CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, County of Dallas, State
of Texas

STATE OF CALIFORNIA)

COUNTY OF SAN FRANCISCO)

On this 10th day of October, 1953, before me appeared Edward Evensen and ~~Harriet E. Evensen~~, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

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

My commission expires:

12/15/53

James M. Bunker
Notary Public, County of San Francisco,
State of California

STATE OF MASSACHUSETTS)

COUNTY OF)

On this _____ day of _____, 1953, before me appeared A. S. Hopkins, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me he executed the same as his free act and deed.

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

My commission expires:

Notary Public, County of
State of Massachusetts

STATE OF CALIFORNIA }
COUNTY OF CONTRA COSTA }

On this 29th day of September in the year one thousand nine hundred and Fifty Three

before me VERNON C. ROUNER, a Notary Public in and for said County and State, residing therein, duly

commissioned and sworn, personally appeared

Harriet E. Evensen

known to me to be the person described in, whose name is

subscribed to and who executed the within instrument, and acknowledged that she
executed the same, as her free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in said County, the day and year in this Certificate first above written.

My Commission Expires
FURBER'S, RICHMOND

12/15/53

Vernon C. Rouser
Notary Public in and for said County and State

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

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following public hearings to be held at 9 o'clock a. m. on October 15, 1953, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

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

(Note: All land descriptions herein refer to the New Mexico Principal Meridian, whether or not so stated.)

CASE 595:

In the matter of the application of El Paso Natural Gas Company for compulsory unitization of the E/2 of Section 32, Township 31 North, Rge. 10 West, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 240 acres, more or less, in the E/2 of said Section 32, Township 31 North, Range 10 West.

CASE 596:

In the matter of the application of El Paso Natural Gas Company for compulsory unitization of the E/2 of Section 32, Township 30 North, Range 8 West, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 230 acres, more or less, in the E/2 of said Section 32, Township 30 North, Range 8 West.

GIVEN under the seal of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, this 28th day of September, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier,
Secretary

SEAL

Mr. A. S. Hopkins
P. O. Box 257
Cambridge 39, Mass.

*Sent registered
9-28-53*

The above notice represents proper legal advertisement as made in New Mexico publications in counties concerned as required by Rules and Regulations.

January 16, 1957

In reply refer to:
Unit Division

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas

Re: Sunray State No. 1 Well
Communitization,
SE/4 NE/4 of Sec. 32-31N-10W
Ratification and Joinder

Attention: Mr. Joe W. Cherry
Area Landman
Lease Department

Gentlemen:

We are returning to you two approved
copies of the above designated instrument and
are forwarding one approved copy to the
New Mexico Oil Conservation Commission for
their files.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands

MEM:MMR/m
enc: 2

cc: OCC-Santa Fe

RATIFICATION AND JOINDER OF COMMUNITIZATION AGREEMENT

Sunray State #1

WHEREAS under date of September 1, 1953, El Paso Natural Gas Company et al, entered into a Communitization Agreement and Operating Agreement covering the development of the Mesaverde formation for dry gas and associated liquid hydrocarbons in and under the following described tract of land in San Juan County, New Mexico, to-wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: E/2
Containing 320.00 acres, more or less; and

WHEREAS the above mentioned Communitization Agreement was approved by the Commissioner of Public Lands of the State of New Mexico on October 16, 1953; and

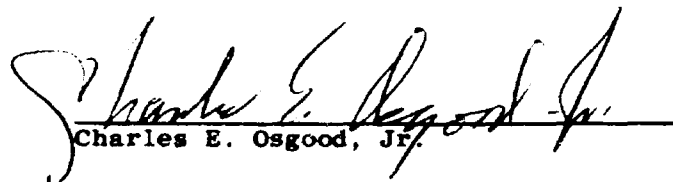
WHEREAS Charles E. Osgood, Jr., is the owner and holder of State of New Mexico Oil and Gas Lease Number OG-171 issued under date of September 18, 1956, to Claud E. Aikman as Lessee, described as follows, to-wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: SE/4 NE/4
Containing 40.00 acres, more or less; and

WHEREAS the said Charles E. Osgood, Jr., desires to ratify, confirm, adopt and join said Communitization Agreement and Operating Agreement and subject his leasehold rights to the terms thereof;

NOW THEREFORE, Charles E. Osgood, Jr., does hereby ratify, adopt, confirm and join in said Communitization Agreement and Operating Agreement and does hereby subject his leasehold interest in State Oil and Gas Lease OG-171 to all the terms and conditions of said Communitization Agreement and Operating Agreement, in the same manner and with the same results as if he had originally executed said Agreements.

EXECUTED this 11th day of December, 1956.


Charles E. Osgood, Jr.

Office of Commissioner of Public Lands
Santa Fe, New Mexico

I hereby certify that the foregoing Ratification and Joinder was filed
in my office on the 16th day of January, 1957, and consented
to and approved by me on this 16th day of January, 1957.

W. Morgan
Commissioner of Public Lands

STATE OF TEXAS

COUNTY OF POTTER

On this 14th day of December, 1956, before me
appeared Charles E. Osgood, Jr., to me known to be the person described in and who
executed the foregoing instrument, and acknowledged to me he executed the same as
his free act and deed.

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

My Commission expires:

6-1-57

Bonnie Leason
Notary Public, County of _____
Potter
State of Texas

designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion, in the pool."

(6) That on May 28, 1953, a Notice of Intention to Drill, (Form C-101), was approved by a duly authorized Commission Oil and Gas Inspector, said Notice of Intention to Drill being filed by the applicant, El Paso Natural Gas Company for permission to drill a well to be known as the #1, Sunray State, to be located 1090 feet from the north line and 1650 feet from the east line of Section 32, Township 31 North, Range 10 West, NMPM., San Juan County, New Mexico; said well to be drilled to the Mesaverde formation; said Notice of Intention to Drill designating the east half of Section 32, Township 31 North, Range 10 West, NMPM., as the designated drilling unit as provided in Order R-110. That drilling operations were commenced on said well on August 7, 1953 and the well completed on September 10, 1953 with an initial potential of 5,168,000 cubic feet of gas per day.

(7) That applicant has made extensive efforts to communitize the acreage lying within the East half of Section 32 and has only been successful in obtaining signatures from working interest owners covering 240 acres of the land lying within the 320 acre drilling unit.

(8) That on the date the well, the #1, Sunray State, was spudded, August 7, 1953, the following working interest owners of the following described 80 acres, lying within the 320 acre designated drilling unit, had not signed the communitization or pooling agreement:

A. S. Hopkins, P. O. Box 257, Cambridge 39,
Massachusetts -- SE¹/₄ NE¹/₄, Section 32, Town-
ship 31 North, Range 10 West, NMPM, containing
40 acres, more or less.

Charles W. Shaffer - 410 West Palmer Street,
Glendale, California -- NW¹/₄ SE¹/₄, Section 32,
Township 31 North, Range 10 West, NMPM,
containing 40 acres, more or less.

(9) That applicant and other owners of oil and gas leasehold rights who desire to communitize or pool the leases into a uniform spacing unit will be deprived of their opportunity to recover their just and equitable share of the natural gas in the gas pool lying under the tracts of land covered by their leases unless this Commission requires the owners of oil and gas leasehold interests or mineral rights who have not joined in the communitization agreement to communitize or pool their interests to form a proper spacing unit.

(10) That the applicant should furnish this Commission with a copy of the unit operating agreement.

(11) That the costs of development and operation of the pooled unit shall be limited to the lowest actual expenditures required for such purpose, including a reasonable charge for supervision; and in case of any dispute as to such costs, the Commission shall determine such costs.

(12) That the drilling of a well or wells on isolated 40-acre tracts lying within the E/2 of Section 32 would be wasteful.

IT IS THEREFORE ORDERED:

(1) That the application of El Paso Natural Gas Company for compulsory communitization of the East half of Section 32, Township 31 North, Range

10 West, NMPM, San Juan County, New Mexico be, and the same hereby is approved, and the lands listed under State Oil and Gas Lease B-10735-5 owned by A. S. Hopkins, his successors or assigns, insofar as it covers the SE/4 NE/4 Section 32, Township 31 North, Range 10 West, NMPM., and the lands listed under State Oil and Gas Lease B-10567, owned by Charles W. Shaffer, his successors or assigns, insofar as it covers the NW/4 SE/4 Section 32, Township 31 North, Range 10 West, NMPM., be and the same hereby are ordered communitized with the remaining 240 acres, more or less, lying within the East half of Section 32, Township 31 North, Range 10 West, NMPM.

(2) That the operator of the unit area, El Paso Natural Gas Company, shall furnish this Commission with a copy of the unit operating agreement together with any other pertinent data which the Commission may, from time to time, deem necessary in order to determine that each owner of oil and gas leasehold interests or mineral rights receives his just and equitable share of the proceeds received from the sale of oil or gas, or both.

PROVIDED FURTHER, That nothing herein contained shall be construed as making any determination as to title or ownership of any lease or leases or mineral interests involved herein.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


R. R. SPURRIER, Member and Secretary

S E A L

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

December 21, 1953

El Paso Natural Gas Company
Attention: Mr. Ben Howell, Attorney
Bassett Tower
EL PASO TEXAS

Gentlemen:

RE: OCC Case 595

We enclose signed copy of Order R-396 entered by the Commission on December 17, 1953, in the above case.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:mr

cc: Mr. A. S. Hopkins
P. O. Box 257
Cambridge, Mass.

Mr. Chas. W. Shaffer
410 West Palmer Street
Glendale, California

C
O
P
Y

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 21, 1955

Greenbrier Oil Company
327 South Adams
FORT WORTH, TEXAS

Gentlemen:

As you requested, we are sending you basic information and material in three fairly representative cases brought before this Commission on the issue of compulsory communitization. The material includes the following:

Case 566: Application;
transcript of August 20, 1953, hearing;
copy of Order R-357.

Case 595: Application;
transcript of October 15, 1953, hearing;
copy of Order R-396.

Case 596: Application;
transcript of October 15, 1953, hearing;
copy of Order R-398.

I will greatly appreciate your returning this when you have completed your study, as these documents are from our permanent files.

Very truly yours,

W. B. MACEY
Secretary-Director

WBM:nr

Encl.

C
O
P
Y

El Paso Natural Gas Company

El Paso, Texas

May 4, 1955

Case #595
W. B. Macy
May 4, 1955

Mr. W. B. Macy
Oil Conservation Commission
of the State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Re: Sunray State #1
Case #595
Order # R-396

Dear Mr. Macy:

In accordance with Order # R-396 entered in the above captioned case, please find enclosed a copy of the Operating Agreement covering the above captioned well. This Agreement has been executed by all parties except A. S. Hopkins, whose interest was forcibly pooled as a result of the order above referred to.

Very truly yours,

T. W. Bittick

T. W. Bittick
Area Landman
Lease Department

TWB:pb
Encl.
NM 1128
NM 4029

OPERATING AGREEMENT
Sunray State #1

THIS AGREEMENT, made and entered into this 1st day of September, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas, hereinafter sometimes referred to as "Operator"; BROOKHAVEN OIL COMPANY, a corporation, whose address is First National Bank Building, Albuquerque, New Mexico; EDWARD EVENSEN and wife, HARRIET EVENSEN, whose address is 739 Haight Street, San Francisco 17, California; A. S. HOPKINS, whose address is P. O. Box 257, Cambridge 29, Massachusetts; and CHARLES W. SHAFER, whose address is 410 West Palmer Street, Glendale, California, hereinafter sometimes referred to as "Non-Operators":

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of certain Oil and Gas Leases, which leases cover, among other lands, the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 32: E/2
containing 320.00 acres, more or less; and

WHEREAS, it is the desire of the parties hereto to enter into an Operating Agreement covering the development and operation of the above described tract as hereinafter set out:

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained to be kept and performed by the parties hereto, said parties do hereby agree as follows:

1. FORMATION OF THE UNIT

For the purposes hereof, it is agreed that the aforementioned leases, insofar as they apply to the above described lands, are hereby pooled and communitized to form a unit covering only the Mesaverde Formation in and under the land described above. It being the intention of the parties hereto in forming said unit to pool and communitize all leases which they may now own or which they may hereafter acquire covering any interest in the communitized unit. Such unit is created by the Communitization Agreement bearing the same date as this Operating Agreement, executed by the owners of mineral interests in the land above described, with the exception of A. S. Hopkins, whose interest was pooled by order of the Oil Conservation Commission of the State of New Mexico.

2. OPERATOR

El Paso Natural Gas Company is hereby designated and shall act as Operator of such unit in accordance with the terms and provisions of this Agreement. Operator shall

have full and complete management of the development and operation of the said unit for dry gas and associated liquid hydrocarbons producible from the Mesaverde Formation as an entirety, but Operator agrees that no well shall be commenced upon the said unit, except the well hereinafter provided for, without the consent of Non-Operators.

El Paso Natural Gas Company may resign as Operator at any time by giving notice to each Non-Operator in writing sixty (60) days in advance of the effective date of such resignation and, in such event, the working interest owners of said unit shall immediately select a successor. In the event El Paso Natural Gas Company shall sell or otherwise dispose of all its interest in said unit, the right of operation herein conferred shall not run with the transfer or assignment of such interest or inure to the benefit of El Paso Natural Gas Company's Assignee, but Non-Operators and El Paso Natural Gas Company's Assignee shall immediately select a new Operator.

3. WELL

Operator shall commence or cause to be commenced drilling operations for the joint account of the parties hereto and shall thereafter drill said well to a depth sufficient to test the Mesaverde Formation, unless salt, caprock, cavities, heaving shale, abnormal water flow, or impenetrable substances are encountered in said well at a lesser depth. The parties hereto may also mutually agree to discontinue drilling operations at a lesser depth. Upon completion of said well, if it is a commercial well, Operator shall notify Non-Operators of the date said well is tied-in to a gas gathering system.

In the event a well capable of producing gas in paying quantities is shut-in, Operator shall immediately notify Non-Operators thereof; except that Operator shall not be required to notify the Non-Operators if the well should be shut-down for limited periods of time in order to balance production during peak load periods or for reasons of making mechanical repairs. All production obtained from the unit area and all material and equipment acquired hereunder for the joint account of the parties hereto shall be owned by the parties hereto in the proportions hereinafter specified in Article 4 of this Agreement.

4. COSTS AND EXPENSES

The entire costs and expenses involved in drilling, completing and operating said well, if said well is a commercial well, or in plugging and abandoning if said well is a dry hole or non-commercial well, shall be borne by the parties hereto, as follows:

| | | |
|------------------------------|-----------|---------|
| El Paso Natural Gas Company- | - - - - - | -56.25% |
| Edward Evensen and wife- | - - - - - | -12.50% |
| A. S. Hopkins- | - - - - - | -12.50% |
| Charles W. Shaffer | - - - - - | -12.50% |
| *Brookhaven Oil Company | - - - - - | 6.25% |

*As between El Paso Natural Gas Company and Brookhaven Oil Company it is expressly agreed and understood that Brookhaven's share of the costs shall be advanced by El Paso and reimbursed by Brookhaven Oil Company in accordance with the terms and provisions of that certain Farmout Agreement dated November 27, 1951, as supplemented, between El Paso Natural Gas Company and Brookhaven Oil Company. In the event of a conflict between the terms of said Agreement and this Agreement then the terms of said Farmout Agreement shall govern.

Unless Operator elects to require any Non-Operator to advance its share of the costs and expenses, as hereinafter provided, Operator shall initially advance and pay all costs and expenses for the drilling of the well provided for in Article 3 hereof, as well as operation expenses of said unit, and shall charge each Non-Operator with its pro rata part thereof on the basis of its proportionate interest in the unit as set out above.

All such costs, expenses, credits and related matter, and the method of handling the accounting with respect thereto, shall be in accordance with the provisions of the Accounting Procedure, attached hereto as Exhibit "A" and made a part hereof for all purposes; provided, however, that the Operator shall not apportion any part of the salaries and expenses of its District Superintendent, or other general district employees or of the district office expenses to the joint account as provided in paragraph 11 of Section II of said Exhibit "A", as attached hereto; and the monthly per well overhead rates set forth under paragraph 12 of Section II of said Exhibit "A", as attached hereto, shall be in lieu of any charges for any part of the compensation or salaries paid to Operator's District Superintendent and to other general district employees and shall be in lieu of any charges for district office expenses as well as Operator's division office and principal business office expenses and of any charge for field office and camp expenses, but shall not be in lieu of any charge for any part of the compensation, salaries, and related expenses of any of Operator's field crew and direct supervision of such crew directly engaged in the operation of Operator's wells in the area.

In the event of any conflict between the provisions contained in the body of this Agreement, and those contained in said Exhibit "A", the provisions of this Agreement shall govern to the extent of such conflict.

In the event that Operator elects to require any Non-Operator to advance its proportionate share of the above mentioned costs and expenses, Operator shall submit an

itemized estimate of such costs and expenses for the succeeding calendar month to such Non-Operator, showing therein the proportionate part of the estimated costs and expenses chargeable to such Non-Operator. Within fifteen (15) days after receipt of such estimate, such Non-Operator shall pay to the Operator its proportionate share of the estimated costs and expenses. If payment of the estimated costs and expenses is not made when due, the unpaid balance thereof shall bear interest at the rate of six per cent (6%) per annum from the due date until paid. Adjustments between estimated and actual costs and expenses shall be made by Operator at the close of each calendar month and the account of the respective parties adjusted accordingly.

The well to be drilled on the communitized unit shall be drilled on a competitive contract basis at the usual rates prevailing in the field. However, Operator, if it so desires, may employ its own tools and equipment; in such event the cost of drilling shall include, but shall not be limited to, the following charges: (a) all direct material and labor costs (b) a proportionate amount of applicable departmental overheads and undistributed field costs (c) rental charge on company equipment employed; all such charges to be determined in accordance with Operator's accounting practice, provided that, in no event shall the total of such charges exceed the prevailing rate in the field, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

Operator shall make no single expenditure in excess of One Thousand Dollars (\$1,000.00) without first obtaining the consent thereto of Non-Operator. The approval of the drilling of the well provided for hereinabove, however, shall include all expenditures for the drilling, completing, testing and equipping such well.

5. RENTALS

Each party hereto agrees to pay all rentals and/or shut-in royalty which may become due under the lease or leases which such party is contributing to such unit hereunder, and Operator shall not have any obligation to pay any such rentals and/or shut-in royalty except as to the lease contributed by Operator. Each party further agrees to use its best efforts to keep and maintain in full force and effect the oil and gas lease(s) contributed by such party to said unit.

6. INSURANCE

Operator shall at all times while conducting operations hereunder, carry and require its contractors and their sub-contractors to carry insurance to protect and

save the parties hereto harmless, as follows:

- A. Workmen's Compensation and Employer's Liability Insurance sufficient to comply with the Workmen's Compensation Law for the State of New Mexico.
- B. Comprehensive General Public Liability Insurance with limits of not less than \$50,000 per person and \$100,000 per accident, and General Public Liability Property Damage with limits of not less than \$50,000 per accident.
- C. Automobile Public Liability Insurance including non-owned and hired automobile endorsement with limits of not less than \$50,000 per person and \$100,000 per accident, and Automobile Property Damage Insurance with a limit of not less than \$50,000 per accident.

All costs and actual expenditures incurred and paid by Operator in settlement of any or all losses, claims, damages and judgments which are not covered by such insurance and other expenses, including legal services connected therewith, shall be charged to the joint account. Provided that prior to settlement of any claims, damages, occurrences and/or judgments which are not covered by the above insurance and which are to be charged to the joint account, Operator shall have the concurrence of Non-Operators before any settlement is made.

7. DISPOSAL OF PRODUCTION

Each of the parties hereto shall own and have the right, at its own expense to take in kind or separately dispose of its proportionate part of all gas and associated liquid hydrocarbons produced and saved from the acreage covered hereby, exclusive of the production which may be used by Operator in developing and continuing operations on the said tract under the Communitization Agreement referred to in paragraph 1 above, and of production unavoidably lost, provided that each of the parties hereto shall pay or secure the payment of the royalty interests, overriding royalty interests, payments out of production and other similar interests, if any, from its proportionate part of said production. If at any time or times Non-Operator shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, Operator shall have the right, revocable by Non-Operator at will, to sell such part of such production at the same price which Operator received for its own portion of the production, or to take such gas for its own use for resale; should gas be delivered by either party during any period that such other party or parties have failed or refused to take or sell its or their gas, then the party receiving or taking delivery of the gas agrees to account to the other party or parties for its or their proportionate part of the gas so delivered, (1) if sold by the receiving party, at the market price at the wellhead for said gas, or at the price received at wellhead by such party, whichever is greater or, (2) if taken for its own use or transported for resale by the receiving party, at the highest price

it is paying others in the area at the wellhead for gas of similar quality and pressure or, (3) if no such purchases are being made by the receiving party, then at the market price at the wellhead. Any sales by Operator of Non-Operator's production shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such sale be for a period in excess of one (1) year.

8. DURATION OF AGREEMENT

This Agreement shall become effective as of the date hereof upon execution by the parties hereto, notwithstanding the date of execution, and shall remain in full force and effect for a period of two (2) years and so long thereafter as dry gas and associated liquid hydrocarbons are produced from any part of said communitized unit in paying quantities, provided that prior to production in paying quantities from said communitized unit and upon fulfillment of all the requirements of the Oil Conservation Commission of the State of New Mexico, with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by the mutual agreement of all the parties hereto.

9. ROYALTY INTERESTS

It is agreed and understood that the burden of any royalty, overriding royalties, payments out of production, carried working interests, net profit obligations or other similar payments, shall be borne and paid by the party owning the lease to which such interests apply.

10. TAXES

The Operator shall render, for ad valorem tax purposes, the entire leasehold rights and interests covered by this Agreement and all physical property located thereon or used in connection therewith, or such part thereof as may be subject to ad valorem taxation under existing laws of the State of New Mexico, or which may be made subject to taxation under future laws, and shall pay for the benefit of the joint account all such ad valorem taxes at the time and in the manner required by law which may be assessed upon or against all or any portion of such leasehold rights and interests and the physical property located thereon or used in connection therewith. Operator shall bill each Non-Operator for its proportionate share of such tax payments provided by the Accounting Procedure attached hereto as Exhibit "A".

11. RELATION OF PARTIES

The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, it being the express purpose and intention of

the parties hereto that their ownership in said unit shall be as tenants in common; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, an association or trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for his or its obligations, as set out in this Agreement.

12. ACCESS TO PREMISES, LOGS AND REPORTS

Operator shall keep accurate logs of the well drilled on said unit, which logs shall be available at all reasonable times for inspection by any Non-Operator. Upon request by any Non-Operator, Operator shall furnish to such Non-Operator, a copy of said logs, samples of cores and cutting of formations encountered, and electrical surveys relative to the development and operation of said unit, together with any other information which may be reasonably requested pertaining to such well. Each Non-Operator shall have access to said unit and to all books and records pertaining to operations hereunder for the purpose of inspection at all reasonable times.

13. SURRENDER, EXPIRATION, ABANDONMENT OR RELEASE OF LEASE

No lease or leases subject to this Agreement shall be surrendered, let to expire, abandoned or released, in whole or in part, unless the parties mutually consent thereto in writing. In the event that less than all parties hereto should elect to surrender, let expire, abandon or release all or any part of a lease or leases subject to this Agreement and the other party or parties do not consent or agree, the party so electing shall notify the other party or parties not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the party not so electing, immediately shall assign without warranty to the latter party all of its rights, title and interest in and to said lease or leases, the well or wells located thereon, and the casing and other physical equipment in or on said well or wells. If the party or parties not so electing fail(s) to request assignment within such sixty (60) day period, the party so electing shall have the right to surrender, let expire, abandon or release said lease or leases, or any part thereof. In the event such assignment is so requested, the party or parties to whom such assignment is made, upon the delivery thereof, shall pay to the assigning party the salvage value of its interest in all the salvable casing and other physical equipment in or on the unit. After the delivery of any such assignment, the party making the assignment shall be released from and discharged of all the duties and obligations thereafter accruing or arising hereunder,

in connection with the operation and development of the unit, with respect to the assigned lease or leases.

14. LOSS OR FAILURE OF TITLE

In the event of the loss or failure of the title, in whole or in part, of any party hereto, to any lease, the interest of such party in and to the production obtained from the unit shall be reduced in proportion to such loss or failure of title as of the date such loss or failure of title is finally determined; provided that such revision of ownership interest shall not be retroactive as to operating costs and expenses incurred or as to revenues or production obtained prior to such date; and provided further, that each party hereto whose title has been lost or has failed, as aforesaid, shall indemnify and hold the other parties hereto harmless from and against any and all loss, cost, damage and expense which may result from, or arise because of, the delivery to such party of production obtained hereunder or the payment of proceeds derived from the sale of any production, prior to the date loss or failure of title is finally determined.

15. ABANDONMENT OF WELL

No well on the unit which is capable of producing dry gas and associated liquid hydrocarbons from the formation covered by this Agreement shall be abandoned without the mutual consent of the parties hereto. If any of the parties desire to abandon such well, such party or parties shall so notify the other party or parties in writing and the latter shall have ten (10) days after receipt of such notice in which to elect whether to agree to such abandonment. If all parties hereto agree to such abandonment, such well shall be abandoned and plugged by the Operator at the expense of the joint account, and as much as possible of the casing and other physical equipment in and on said well shall be salvaged for the benefit of the joint account. If any party or parties do not agree to said abandonment, such party or parties shall purchase the interest(s) of the party or parties desiring to abandon said well in the physical equipment therein and thereon; and, within twenty-five (25) days after receipt of notice by the party or parties not electing to abandon, the party or parties desiring to abandon, shall execute and deliver to the other party or parties an assignment, without warranty of title, of all of its or their interest in said well and physical equipment, and in the working interest and gas leasehold estate, insofar as it covers the formation covered by this Agreement in said unit. In exchange for said assignment, the purchasing party or parties shall pay to the assigning party or parties the salvage value of the latter's interest in the salvable casing and other physical equipment in and on said well, such value to be determined

in accordance with the provisions of the Accounting Procedure attached hereto as Exhibit "A".

16. LAWS AND REGULATIONS

This Agreement shall be subject to all valid and applicable State and Federal laws, rules, regulations and orders, and the operations conducted hereunder shall be performed in accordance with said laws, rules, regulations and orders. In the event this Agreement or any provisions hereof, is, or the operations contemplated hereby are found to be inconsistent with or contrary to any such law, rule, regulation or order, the latter shall be deemed to control and this Agreement shall be regarded as modified accordingly, and as so modified, shall continue in full force and effect.

17. FORCE MAJEURE

No party to this Agreement shall be liable to any other party for any delay or default in performance under this Agreement due to any cause beyond its control and without its fault or negligence, including but not restricted to acts of God or the public enemy, acts or requests of the Federal or State Government or of any Federal or State officer purporting to act under duly constituted authority, floods, fires, wars, storms, strikes, interruption of transportation, freight embargoes or failures, exhaustion or unavailability or delays in delivery of any material, equipment or service necessary to the performance of any provisions hereof, or the loss of holes, blow-outs or happening of any unforeseen accident, misfortune or casualty whereby performance hereunder is delayed or prevented.

18. OPERATOR'S LIEN

Operator shall have an express contract lien, which is hereby granted, upon the interest of each Non-Operator in said unit, in the gas or other minerals produced from such unit and in the materials and equipment located thereon, to secure the payment by said Non-Operator of its proportionate part of the costs and expenses incurred or paid by Operator hereunder, and interest, if any, accrued on such part. Such lien may be enforced and foreclosed as any other contract lien. Moreover, Operator may to the full extent of any indebtedness owed by it to any Non-Operator, offset such debt against sums owing to Operator hereunder by such Non-Operator.

19. NOTICES

All notices, reports and other correspondence required or made necessary by the terms of this Agreement shall be deemed to have been properly served and addressed if sent by mail or telegram, as follows:

El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas

Mr. and Mrs. Edward Evensen
739 Haight Street
San Francisco 17, California

A. S. Hopkins
Post Office Box 257
Cambridge 29, Massachusetts

Mr. Charles W. Shaffer
410 West Palmer Street
Glendale, California

Brookhaven Oil Company
First National Bank Building
Albuquerque, New Mexico

20. HEIRS, SUCCESSORS AND ASSIGNS

All of the provisions of this Agreement shall extend to and be binding upon the parties hereto, their heirs, successors and assigns, and such provisions shall be deemed to be covenants running with the land covered hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in several counterpart originals as of the day and year first above written.

ATTEST:

A. C. Martel
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: J. H. Dean
Vice President

ATTEST:

Margaret H. Seef
Assistant Secretary

BROOKHAVEN OIL COMPANY

By: Char B Scott
President

Edward Evensen
Edward Evensen

Harriet Evensen
Harriet Evensen

A. S. Hopkins

Charles W. Shaffer
Charles W. Shaffer

STATE OF TEXAS)
)
COUNTY OF EL PASO)

On this 3rd day of May, 1955, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

MARTHA B. IVEY,
Notary Public, in and for El Paso County, Texas
My Commission expires June 1, 1955

Martha B. Ivey
Notary Public, County of El Paso, State of Texas

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

On this 25th day of April, 1955, before me appeared Thos. B. Scott, Jr., to me personally known, who, being by me duly sworn, did say that he is the President of BROOKHAVEN OIL COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Thos. B. Scott, Jr. acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

June 13, 1957

Evelyn L. Walker
Notary Public, County of Bernalillo, State of New Mexico

STATE OF CALIFORNIA)
)
COUNTY OF San Francisco

On this 13th day of April, 1955, before me appeared Edward Evensen and wife, Harriet Evensen, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

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

My commission expires:

12/20/56

Marion McBratton
Notary Public, County of San Francisco, State of California

STATE OF MASSACHUSETTS)
)
COUNTY OF)

On this _____ day of _____, 1955, before me appeared A. S. Hopkins, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me he executed the same as his free act and deed.

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

My commission expires:

Notary Public, County of
State of Massachusetts

STATE OF CALIFORNIA)
)
COUNTY OF)

On this 26th day of March, 1955, before me appeared Charles W. Shaffer, a single man, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me he executed the same as his free act and deed.

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

My commission expires:

My Commission Expires Oct. 28, 1957.

Charles V. Lechner
Notary Public, County of San Bernardino
State of California

Attached to and made a part of Operating Agreement dated September 1, 1953, covering the E/2 Section 32, Township 31 North, Range 10 West, N.M.P.M., San Juan County, New Mexico

ACCOUNTING PROCEDURE (UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph A below:

A. Statement in detail of all charges and credits to the joint account.

B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.

C. Statements, as follows:

(1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;

(2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and

(3) Statement of any other receipts and credits.

3. Payments by Non-Operator

Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. Audits

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator by Operator during any calendar year shall be conclusively presumed to be true and correct after eighteen months following the close of any such calendar year, unless within said eighteen months period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or the making of claims for adjustment thereon. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder, within eighteen months next following the close of any calendar year. Non-Operator shall have six months next following the examination of the Operator's records within which to take written exception to and make any and all claims on Operator. The provisions of this paragraph shall not prevent adjustments resulting from the physical inventory of property as provided for in Section VI, Inventories, hereof.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor, Transportation, and Services

Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property. Labor shall include (A) Operator's cost of vacation, sickness and disability benefits of employees, and expenditures or contributions imposed or assessed by governmental authority applicable to such labor, and (B) Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of like nature, applicable to Operator's field payroll; provided that the charges under Part (B) of this paragraph shall not exceed ~~the greater of~~ **ten and one-half per cent (10 1/2%)** of the total of such labor charged to the joint account.

3. Material

Material, equipment, and supplies purchased or furnished by Operator, for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as required for immediate use, and the accumulation of surplus stocks shall be avoided.

4. Moving Material to Joint Property

Moving material to the joint property from Vendor's or from Operator's warehouse in the district or from the other properties of Operator, but in either of the last two events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

5. **Moving Surplus Material from Joint Property**
Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus material to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator; and no charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.
6. **Use of Operator's Equipment and Facilities**
Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "Basis of Charges to Joint Account."
7. **Damages and Losses**
Damages or losses incurred by fire, flood, storm, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damage or losses incurred by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.
8. **Litigation, Judgments, and Claims**
All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.
 - A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint account, but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
 - B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.
9. **Taxes**
All taxes of every kind and nature assessed upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.
10. **Insurance**
 - A. Premiums paid for insurance carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.
 - B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.
11. **District and Camp Expense** See Paragraph 2, Article 4, of this Agreement
~~A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.~~
12. **Overhead**
Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator, including the division superintendent, the entire staff and expenses of the division office located at El Paso, Texas, and any portion of the office expense of the principal business office located at El Paso, Texas, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:
 - A. \$250.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
 - B. \$45.00 per well per month for the first five (5) producing wells.
 - C. \$XXXXX per well per month for the second five (5) producing wells.
 - D. \$XXXXX per well per month for all producing wells over ten (10).
 - E. In connection with overhead charges, the status of wells shall be as follows:
 - (1) In-put or key wells shall be included in overhead schedule the same as producing oil wells.
 - (2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.
 - (3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
 - (4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.
 - (5) Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included in the overhead schedule for such month.
 - (6) Salt water disposal wells shall not be included in overhead schedule.

- F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.
- G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Warehouse Handling Charges

None

14. Other Expenditures

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

Material and equipment purchased and service procured shall be charged at price paid by Operator, after deduction of all discounts actually received.

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

(1) New material transferred from Operator's warehouse or other properties shall be priced f. o. b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers, and engines. Tubular goods (2" and over), shall be priced on carload basis effective at date of transfer and f. o. b. railway receiving point nearest the joint account operation, regardless of quantity transferred.

(2) Other material shall be priced on basis of a reputable supply company's Preferential Price List effective at date of transfer and f. o. b. the store or railway receiving point nearest the joint account operation where such material is available.

(3) Cash discount shall not be allowed.

B. Used Material (Condition "B" and "C")

(1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at 75% of new price.

(2) Material which cannot be classified as Condition "B" but which,

(a) After reconditioning will be further serviceable for original function as good second hand material (Condition "B"), or

(b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at 50% of new price.

(3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.

(4) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and, in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

4. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

B. Automotive Equipment: Rates commensurate with cost of ownership and operation. Such rates should generally be in line with schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck, tractor, and pulling unit rates shall include wages and expenses of driver.

C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located.

D. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.

E. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. Derricks, tanks, buildings, and other major items shall not be removed by Operator from the joint property without the approval of Non-Operator. Operator shall not sell major items of material to an outside party without giving Non-Operator an opportunity either to purchase same at the price offered or to take Non-Operator's share in kind.

1. Material Purchased by Operator

Material purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the material is removed from the joint property.

2. Material Purchased by Non-Operator

Material purchased by Non-Operator shall be invoiced by Operator and paid for by Non-Operator to Operator immediately following receipt of invoice. The Operator shall pass credit to the joint account and include the same in the monthly statement of operations.

3. Division in Kind

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party and corresponding credits will be made by the Operator to the joint account, and such credits shall appear in the monthly statement of operations.

4. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from Vendee. Any claims by Vendee for defective material or otherwise shall be charged back to the joint account, if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, at 100% of current new price.

3. Good Used Material

Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning.

A. At 75% of current new price if material was charged to joint account as new, or

B. At 75% of current new price less depreciation consistent with their usage on and service to the joint property, if material was originally charged to the joint property as secondhand at 75% of new price.

4. Other Used Material

Used Material (Condition "C"), being used material which

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

B. Is serviceable for original function but substantially not suitable for reconditioning, at 50% of current new price.

5. Bad-Order Material

Used material (Condition "D"), being material which cannot be classified as Condition "B" or Condition "C", shall be priced at a value commensurate with its use.

6. Junk

Junk (Condition "E"), being obsolete and scrap material, at prevailing prices.

7. Temporarily Used Material

When the use of material is of a temporary nature and its service to the joint account does not justify the reduction in price as provided in Paragraph 3B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. INVENTORIES

1. Periodic Inventories

Periodic inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

2. Notice

Notice of intention to take inventory shall be given by Operator at least ten days before any inventory is to begin, so that Non-Operator may be represented when any inventory is taken.

3. Failure to be Represented

Failure of Non-Operator to be represented at the physical inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

4. Reconciliation of Inventory

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

5. Adjustment of Inventory

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall only be held accountable to Non-Operator for shortages due to lack of reasonable diligence.

6. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property, and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

CASE 595: In the matter of the application of El Paso Natural Gas Company for compulsory utilization of the E/2 of Section 32, Township 31 North, Range 10 West, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 240 acres, more or less, in the E/2 of said Section 32, Township 31 North, Range 10 West.

TRANSCRIPT OF HEARING

October 15th, 1953

BEFORE: Honorable Ed. L. Mechem, Governor
Honorable E. S. Walker, Land Commissioner
Honorable R. R. Spurrier, Director, OCC

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I HEREBY CERTIFY that the within transcript of proceedings before the Oil Conservation Commission is a true record of the same as to the best of my knowledge, skill and ability.

DONE at Santa Fe, N.M., this 17th day of October, 1953.

Wayne C. Allan
Reporter

SWORN TO before me this 17th day of October, 1953.

W. J. [Signature]
Notary Public

My Commission Expires:

My Commission Expires: 12/31/54

CASE 595:

In the matter of the application of El Paso Natural Gas Company for compulsory utilization of the E/2 of Section 32, Township 31 North, Range 10 West, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 240 acres, more or less, in the E/2 of said Section 32, Township 31 North, Range 10 West.

COM. SPURRIER: The meeting will come to order please.

The next case on the docket is Case 595. Let the record show that the advertisement was read.

BEN HOWELL: My name is Ben Howell and I represent the El Paso Natural Gas Company. I would like to have a witness sworn.

R. L. HAMBLIN

having been first duly sworn testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q Will you please state your name for the record?

A My name is R. L. Hamblin.

Q By whom are you employed?

A El Paso Natural Gas Company

Q What is your position with the El Paso Natural Gas Company?

A I am the Manager of the Lease Department.

Q I will ask you if you are familiar with the ownership of leases concerning the E/2 of Section 32 in Township 31 North, Range 10 West?

A I am.

Q Will you state very briefly the ownership of leases in that half section?

A El Paso Natural Gas Company is the owner of the gas rights at least of 160 acres. El Paso and Brookhaven are joint owners of the gas rights as to forty acres. Edward Evensen of San Francisco is the owner of an additional 40 acres. A. S. Hopkins of Cambridge, Massachusetts is the owner of an additional forty acre tract. The State of New Mexico is the owner of approximately forty acres which we understand is not under lease.

Q Is that the forty acre tract which was formerly covered by State of New Mexico B 10567 - the NW/4 of the SW/4 of that section?

A That is correct.

Q And that is owned by Charles W. Shafer, depending on whether it expired on August 20th of 1953?

A That is correct.

Q Have you made efforts to obtain a communitization agreement to communitize the E/2 of that section?

A We have.

Q What wells have been drilled surrounding that? Is there a well on the W/2 of the section?

A There is a well in the SW/2 of Section 32.

Q The W/2 is toward that well?

A Yes.

Q Is there an offset well to the East?

A Yes, on the Federal lease on this tract - Atlantic 6 B

Q Is there anything at all on the Northeast?

A There is a completed well Northeast - Atlantic 3A well.

Q How many of the lease owners have joined in the communitization agreement? Just give the total acreage.

A 240 acres have signed the communitization agreement.

Q Has that communitization agreement been filed with the Oil Commission for approval?

A It is on file.

Q And the communitization agreement, as prepared, would have included the entire E/2 of the section if the owners of leases on the outstanding eighty acres had joined?

A It would have included the entire 320 acres.

Q Taking first the 40 acres owned by A. S. Hopkins, is that under State Lease B 10735-5 covering the SE/4 of the NE/4 of that section?

A That is correct.

Q Have you made an offer to Mr. Hopkins to have him join in the drilling of a well in the communitizing of that tract?

A We have made two offers to Mr. Hopkins to either sell his lease or join with us in drilling our well.

Q He has refused in both instances?

A Yes, he has refused to do anything or sell at any price

Q Do you have copies of correspondence that you have had with Mr. Hopkins?

A I do.

Q Will you please mark this as El Paso Natural Gas
Company Exhibit No. 1? I offer it to the Commission.

(El Paso Natural Gas Co. Exhibit No. 1
marked for identification.)

Q Does that reflect correspondence between the Company
and Mr. Hopkins with reference to this well?

A It reflects all correspondence between El Paso Natural
Gas Company and Mr. Hopkins.

Q There has been a well drilled on this 320 acres, as there
not?

A Yes, sir. We have completed our Well No. 1 on the E/2
of Section 32.

Q What particular forty acres is it located on?

A The well is located on the NW/2 of the NE/4 of Section 32.
State of New Mexico B-10735.

Q Is that assignment 32?

A That is correct.

Q When was that well spudded?

A That well was spudded on August 7th, 1953.

Q And when was it completed?

A September 10th, 1953

Q Has it been completed as a producing well?

A Yes with initial potential of 5,168,000 cubic feet of
gas per day.

Q Has the well connection been made so that the well is
ready to be marketed?

A The well has been tied into our gathering system and is ready to be marketed.

Q That B-10567 covering the NW/4 of the SE/4 of that section - was that lease formerly owned or presently owned by Charles W. Shafer?

A It was owned by Charles W. Shafer of Glendale, California.

Q Did you ask to have Mr. Shafer join in drilling the well or in selling his interest in the lease?

A That is correct. We contacted Mr. Shafer by telephone and also contacted him by letter dated May 7th, 1953 offering to him the opportunity to join us in the drilling of the well and we would carry him with the initial drilling cost, or, if he preferred, to sell us the lease.

Q Will you mark that copy of letter as El Paso Natural Gas Company's Exhibit 2 A?

A I will, but there is additional letters attached to this first letter.

Q Then, will you please mark that first letter as Exhibit 2A please?

(Whereupon, first letter was marked
El Paso Natural Gas Company's
Exhibit 2A for identification.)

Q Is that a copy of the letter which was mailed to Mr. Shafer?

A That is a photostatic copy of the letter mailed to Mr. Shafer.

Q Do you have a copy of Mr. Shafer's reply?

A There was no reply.

Q At one time did Mr. Shafer ever offer to join you in communitizing the lease and join in drilling the well?

A No, he never agreed to communitize with us or join with us in the drilling of the well.

Q Did he ever offer to sell his interest in the well to you?

A Yes, he finally did agree to accept our offer to buy the lease approximately ten days or two weeks before the lease expired.

Q Do you have a copy of the letter from Mr. Shafer concerning that offer?

A I do not have a copy of that letter in my correspondence. It is available I believe and we can offer it in exhibit, but I have not had that photostated.

Q Was that a letter or a telephone communication?

A I believe that was a telephone conversation because we do not seem to have it photostated and I believe his acceptance was by telephone.

Q Approximately what date was that?

A That was approximately ten days or two weeks prior to the expiration of that lease.

Q Was there any time in that ten days or two weeks, if you had purchased that lease from Mr. Shafer, to obtain an agreement from the other leasehold owners for communitization and to obtain the approval of the Commissioner to the communitization agreement.

A We definitely did not believe there was enough time. That is why we could not accept the offer. We would have had to prepare it and have it executed by all interested parties and filed for approval and it would have had to be approved prior to the expiration date and we did not feel that we could have had that done within that time and that is what we told Mr. Shafer.

Q You could not purchase his lease at that time because you could not get the matter prepared by the time the lease would expire?

A Yes.

Q Up to that time you had been unable to get any agreement from Mr. Hopkins?

A That is correct.

Q Where does Hopkins live?

A Cambridge, Massachusetts

Q Had you been able to get any agreement at any time?

A We had correspondence from Hopkins. I made a special trip to Massachusetts to contact Mr. Hopkins and was unable to contact him and I left a registered letter at his Post Office Box stating our offer and stating we had to go ahead with the drilling of a well to protect our own leases.

MR. HOWELL: We offer in evidence the El Paso Natural Gas Company Exhibit 1 and letter to Mr. Shafer, which is Exhibit 2A.

COM. SPURRIER: Is there any objection? If no objection, it will be received.

(Whereupon El Paso Natural Gas Company's Exhibits 1 and 2A were received in evidence.)

Q (MR. WHITE:) In reference to the parties Shafer and Hopkins, what kind of service was given - personal or newspaper publication as to this hearing?

A As to this hearing I do not know.

Mr. WHITE: I was just wondering if notice was mailed to them.

A I think that can be answered as to one of the parties. Mr. Shafer and Mr. Hopkins received notice by mail.

Q (By Mr. Howell) The date of spudding that well - what was that date? Was it three days before the Shafer lease expired?

A It was spudded August 3rd and the lease expired August 22nd.

Q Is it not a violation of the Commission's ruling to spud a well without having the approval of the State Land Office?

A We obtained the approval of the State Land Office, filed an Intention or Notice to Drill and obtained approval of the State Land Office to drill that well.

Q (MR. WHITE:) You did not obtain our permission.

A Yes, we obtained it from the Commission's office in Aztec. It was approved subject to being able to get the communitization agreement. However, we were faced with this fact. We had two hundred acres expiring October 20th and that was only by communitization and drilling a well to protect our interest.

Q How long did you have that 200 acre assignment?

A Those all come in on different dates. I do not have

available the exact dates we acquired that acreage, but it has been within the last year or eighteen months that we have acquired all of that acreage.

Q Within the last eighteen months?

A Yes, I would definitely state that.

COM. SPURRIER: Any more questions of this witness?

MR. KELLAHIN: I represent Charles W. Shafer. I would like to ask the witness a few questions.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Did you say that in your files, available here, you do not have a copy of Mr. Shafer's acceptance of your offer?

A No, I do not.

Q Have you seen that letter yourself?

A No, sir, I recall no such letter.

Q Does this look familiar to you?

(Whereupon the witness is handed a letter to peruse.)

A I could not state whether I have ever seen that letter or not.

Q Would anybody else have seen it in place of yourself?

A Yes, it is addressed to Mr. Smith of our Lease Department so he may have seen this letter.

Q Was it your testimony that Mr. Shafer did agree to see his lease?

A Yes, he did contact us to sell his lease approximately ten days or two weeks before the expiration of his lease.

Q You do not recall the exact date?

A No, I do not.

Q You state it was your assumption that you could not have gotten it approved in time?

A In view of our past experience, the time required to prepare, circulate and obtain approval of communitization agreement, was not sufficient.

Q How long does that usually take?

A Certainly I would not feel safe in saying under a month.

Q It could be done in a week, could it not?

A It is possible if the people were available.

Q In other words, you do not know how long it would have taken for that, is that not true?

A It could be if it had been prepared and circulated individually flying to each party, delivering it by air, and if the Commission had approved it immediately when it was presented, it could possibly have been done.

Q Did you inform Mr. Shafer that you were drilling on that half section?

A Yes, sir.

Q And when was that?

A Mr. Shafer contacted us and asked if we could not drill on the forty acres to protect the lease and I told him we were unable

to do so because we were already drilling the well in the NW/2 of Section 32, which was the usual spacing of wells in the East half and, furthermore, his well would have been in the southeast section of 32.

Q Then did you tell him that?

A That was in a telephone conversation after he had offered to sell us his lease.

Q He accepted your offer, is that not correct?

A Yes, but that offer was subject to the approval of our attorneys for title opinion, etc.

Q You stated you filed notice of intention to drill. When was that filed?

A That was filed from our Farmington office.

Q Did you see the notice?

A We have received a copy of Notice of Intention to Drill.

Q Are you aware or do you know that the E/2 of that section was dedicated to that well?

MR. KELLAHIN: I ask the Commission to take notice of the zone record on Notice of Intention to Drill.

Q Your notice says September 10th was the date the well was completed. Is that correct?

A We called our office this morning and that was the date they gave us. That is according to our records when the well was completed.

Q You do not know what the Commission records will show?

A No.

MR. KULLAHIN: I ask the Commission to notice the record shows the well to have been completed on August 27th, 1953.

Q Have you described to the Commission all your efforts in trying to get an agreement with Mr. Shafer?

A Our Mr. Smith was handling the negotiations and we have other letters where we contacted Mr. Shafer and received no reply. Mr. Smith has had numerous communications with him. We have a letter dated May 7th to Mr. Shafer to which we did not receive a reply. We have a letter dated May 22nd, 1953, a registered letter with return receipt requested, addressed to Mr. Shafer, to which we have had no reply and we have a registered letter dated June 9th, 1953 to Mr. Shafer, all offering to get him to join with us or to sell his lease.

Q Did you ask the Land Commission to put that lease up for sale?

A Yes, I did.

Q And what date was that?

A I do not remember the exact date. It was within a day or two that Mr. Shafer had contacted us and accepted our offer. I took it to the State Land Office and asked if that lease could be extended and they advised me it could not and, at that time, I said if the lease cannot be extended, put it up for sale.

Q Who did you talk to?

A Tony Albert and also to another man.

Q He had no opportunity to check into the question prior to your asking him, did he?

A Probably not. I contacted him over the telephone.

Q It was an offhand opinion he gave you?

A Yes.

Q And you ask him to put it up for sale?

A Yes.

Q (MR. MACEY:) Suppose you had owned that lease on forty acres that would expire on the 20th and you did not obtain a complete communitization agreement. Do you mean to say there was no any way you could have reported the case to the Land Commission and gotten a temporary extension?

A It is my understanding that unless the well was being drilled on that forty acres or a communitization covering that forty acres with the remaining 320 on which a well was being drilled, there was no way in which that lease could have been extended.

Q What did you offer Mr. Shafer in payment for his lease?

A We offered him forty dollars an acre.

Q How come you offered Hopkins fifty dollars an acre and five percent override? One is just as good as the other, is it not? According to my information, on the comparison of those two wells -

A No, there is no reason why the two acreages should not have the same value, but I might state right here that we were and are willing, if that lease can be extended, that our offer is still open to Mr. Shafer if he can obtain an extension of his lease, to either buy his lease or, if he wants to join the communitization, we will carry him and recover his share of the drilling costs out of the

production, but I could not authorize the purchase of a lease due to expire within ten days.

Q (By Mr. Walker) How would the State Land Office benefit from such an agreement as that? I understand Mr. Shafer's position, but in what position would be place the Land Office?

A (By Mr. Howell) What agreement are you referring to?

Q (By Mr. Walker) He said if the lease could be extended he still would make some kind of an agreement with him, or an offer, the same as the one he had prior to the time the lease had expired. How will the Land Office come in on this thing? I do not know how it would benefit the Land Office.

MR. KELLAHIN: I think it would, very definitely. If this is included in the communitization, the State would get the royalty.

MR. RHODES: I wonder about the extension. I cannot think of any thirty day extensions. We do not want to start that because, where would it end?

MR. KELLAHIN: It is a question to be put up to the Land Commission.

Q (By MR. WALKER) I would like to ask, did you already state when you actually attempted to communitize this acreage? I do not mean when these people wanted to come in - but just as far as the Commission is concerned - we know you started talking to Shafer and Hopkins two or three years ago, but when did you start to communitize this acreage as far as the Commission is concerned?

A (By Mr. Hamblin) We just recently filed that communitization agreement in the absence of an order pursuant to a hearing. We feel there is no way we can approach your office on a communitization agreement until we have everybody signed and then present it for approval.

COM. SPURRIER: Is there any other question of the witness? If not, the witness may be excused.

(Witness excused)

MR. HOWELL: Mr. Morrell, will you please take the stand?

FOSTER MORRELL

having been first duly sworn testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q Will you please state your name and occupation for the record?

A Foster Morell, Petroleum Consultant, representing El Paso Natural Gas Company.

Q You have testified before the Commission before?

A Yes, sir.

Q Mr. Morell, are you familiar with the location of this tract we are talking about?

A I am.

Q Is it within the area in which the Commission has established a 320 acre spacing from Mesa Verde in order to conserve

natural resources ?

A The well is so located.

Q Having heard the testimony as to the fact that 280 acres that have been committed to communitization agreement and 80 acres outstanding, will you state whether or not it is your opinion that failure to communitize or pool the leases into a 320 acre unit, will deprive the owners of some of the gas lying under the land of an opportunity to recover their just and equitable share of the pool?

A That is correct. Failure to communitize would present the people to recover their just and equitable share of actual gas, as to the owner.

MR. HOWELL: That is all.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Will this well bring in the acreage NW $\frac{1}{2}$ of the NE $\frac{1}{4}$?

A As to the spacing of the well, it would bring in the entire 320 acres.

MR. KELLAHIN: That is all.

COM. SPURRIER: Any questions of the witness? If not, the witness may be excused.

(Witness excused.)

MR. HOWELL: I would like to make a statement on behalf of the Company. The points have been shown of the problems and the difficulties of communitization and I know of no way and no one in the Company knew, and, upon a call to the Land Office, we could find

no suggestion of a way we could purchase that lease ten days before its expiration and be sure we had gotten what we paid for because, at the time there was an opportunity given to buy the lease, we had a definite refusal from the owner of the forty acres, Mr. Hopkins, and we knew there was not time to secure a hearing , such as we are having now, prior to the expiration of that lease on the 20th of August. Insofar as the El Paso Natural Gas Company is concerned, we are completely willing as to the owner of the other forty acres, whether it be Mr. Shafer, the State, or whoever it may be, to come in and share in the well cost. We are willing to carry the well cost, payable out of net production, with a return of our cost plus a reasonable interest which we suggest would be seven percent and would suggest that such an order be entered. That is a problem that we do not know the answer to. I do not know of any way, under the laws and regulations, as they now exist, that that lease can be altered. If there is one, we are completely willing that Mr. Shafer get the benefit of it and the position of the Company is that we have had to go in and drill this area . If by our drilling in this area it would affect or extend the lease, we would be delighted. We will be happy to have Mr. Shafer join in the communitization. We will be very happy to carry him on the drilling cost out of net profits and we suggest that an appropriate order be so entered.

MR. WHITE: This question rises in my mind as to the validity of such an order because an order can have no effect upon

something not in existence. For example: If this lease has expired, how could the Commission issued an order saying a lease on this E/2 is communitized, when the lease is not in existence?

MR. HOWELL: I get your point.

MR. WHITE: The Oil Conservation Commission cannot impose any directives, rules or regulations on the Land Office and the Land Office holds the land. The lease has expired. Could the Commission issue an order at this time to permit the Land Office to put a restriction on the land and, secondly, to sanction the validity of an order to apply on something not in existence? I just wonder if they could agree to that.

MR. HOWELL: I certainly agree it is a puzzle and I do not know the answer of the problem we have brought to the Commission. However, we think they should enter the Order, or, have we the right to operate this as an unauthorized unit and have the outstanding acreage brought in?

MR. WHITE: Do you think the Commission has such power?

MR. HOWELL: I have no doubt about it as far as the authority for the Hopkins 40 acres is concerned. It really raises a serious question in my mind as to whether the Commission can do it in the other case.

MR. KELLAHIN: I have gone into it to some extent.

MR. HOWELL: I do not see all the ramifications to the answer.

MR. WHITE: You do agree that we do not have any authority over this 40 acres?

MR. HOWELL: If the State Land Office should see fit to commit its 40 acres to this unit.

MR. WHITE: But what power does the Oil Commission have?

MR. HOWELL: I agree with you that I have doubts.

MR. KELLAHIN: I am in rather an unfortunate position in not having a witness. I have only a file which was forwarded to me and, for that reason, I would like to call Mr. Smith as adverse witness to identify a letter and, if he cannot, we are in a difficult situation. Mr. Smith, will you take the stand please?

SAMUEL SMITH

having been first duly sworn testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name please?

A Samuel Smith.

Q What position do you hold with El Paso Natural Gas Company?

A Assistant Manager of the Lease Department.

MR. KELLAHIN: If the Commission please, I would like to call attention to the fact this is an adverse witness.

Q (By Mr. Kellahin) Did you handle part of the correspondence with Mr. Shafer in regard to his lease?

A Yes.

Q And did you receive a letter from him accepting your offer on the sale of that lease?

A May I see the letter?

Q Certainly.

A I cannot state **for certain** that I received this letter. Perhaps I did. But, for the record, if Mr. Shafer has a valid lease and you show good title to our attorney, I am agreeable to receiving it as of now.

Q (MR. WHITE:) Did you, or did you not receive that letter?

A I cannot say. I just do not know.

MR. HOWELL: We do not have any objection, but might I make this statement? I am sure, either by letter or telephone conversation that information was transmitted to our Lease Department and we would not deny that - the gist of what was said there on approximately that date, as that clears the matter up in all fairness. We frankly admit at about that date the matter came in and a call was made to the Land Commission to see if there was any way we could go ahead and close it.

MR. KELLAHIN: We offer in evidence Intervenor's Exhibit No. 1.

COM. SPURRIER: It will be admitted without objection.

(Intervenor's Exhibit No. 1 admitted in evidence.)

Q (By Mr. Kellahin) Following that expression or conversation with Mr. Smith, do you recall forwarding it to someone else?

A Yes.

Q I hand you a letter and ask if you signed that?

A I wrote that letter. That is not my signature, but I

dictated it and it was signed by someone else, but I did dictate this letter.

A Was it signed with your authority?

Q What was the date?

A August 11th.

Q And to whom is it directed?

A Mr. Dow of Herbie, Dow and Hurkle.

MR. KELLAHIN: I offer in evidence, as Intervenor's Exhibit No. 2, this letter, and ask that it be admitted in evidence.

COM. SPURRIER: It will be admitted without objection.

MR. KELLAHIN: In view of the circumstances in regard to the status of Mr. Shafer's lease, that is a matter which is for the decision of the State Land Commission and its legal staff, and I do not think it has a proper part in this hearing. A protest against cancellation of that lease has been filed with the State Land Commission and we are accepting its decision. The position of Shafer is that the drilling of the well in the E/2 of that is participation of that lease and there is substantial legal authority supporting that view, and it is a question that Mr. Shafer is entitled to have an answer for. We do protest the creation of an unorthodox drilling unit in this area. We will enter into a communitization agreement on such terms and conditions as are just and equitable to Mr. Shafer. Whatever those may be, of course, would have to be worked out and we would ask the Commission to render jurisdiction of the case. We do object to unorthodox unit for the reason stated. We believe this

well perpetuated this lease and that communitization would be the proper remedy.

COM. SPURRIER: Under those circumstances, the Commission will continue the case to an indefinite date, depending on a decision and we will have to readvertise the case.

MR. KELLAHIN: I do not believe Mr. Commissioner, that a continuation would be in order - that the Commission should enter some order at this time. The basis of Mr. Shafer's contention is that the drilling of this well would perpetuate this lease and it will not be perpetuated under the law until a communitization order is entered. That is a legal point.

MR. WHITE: It has been because it will be?

MR. KELLAHIN: The well was completed prior to Mr. Shafer's lease expiration. Where the State has rules and regulations in spacing of drilling units and communitizing ordered under those regulations, then, at that time, the lease is participating even though it comes after the expiration date of the lease.

MR. WHITE: Supposing this petition were allowed of unorthodox drilling of forty acres and then, as a result, the Shafer lease were renewed or he became the lessee of a new lease, then he could come in under Section 15-C and required to be communitized.

MR. KELLAHIN: That is correct, but that would be in effect an unorthodox unit to be allowed but, in that event, Mr. Shafer might not have his lease. I have not done any considerable research in the question. What we are hearing is an attempt to protect Mr.

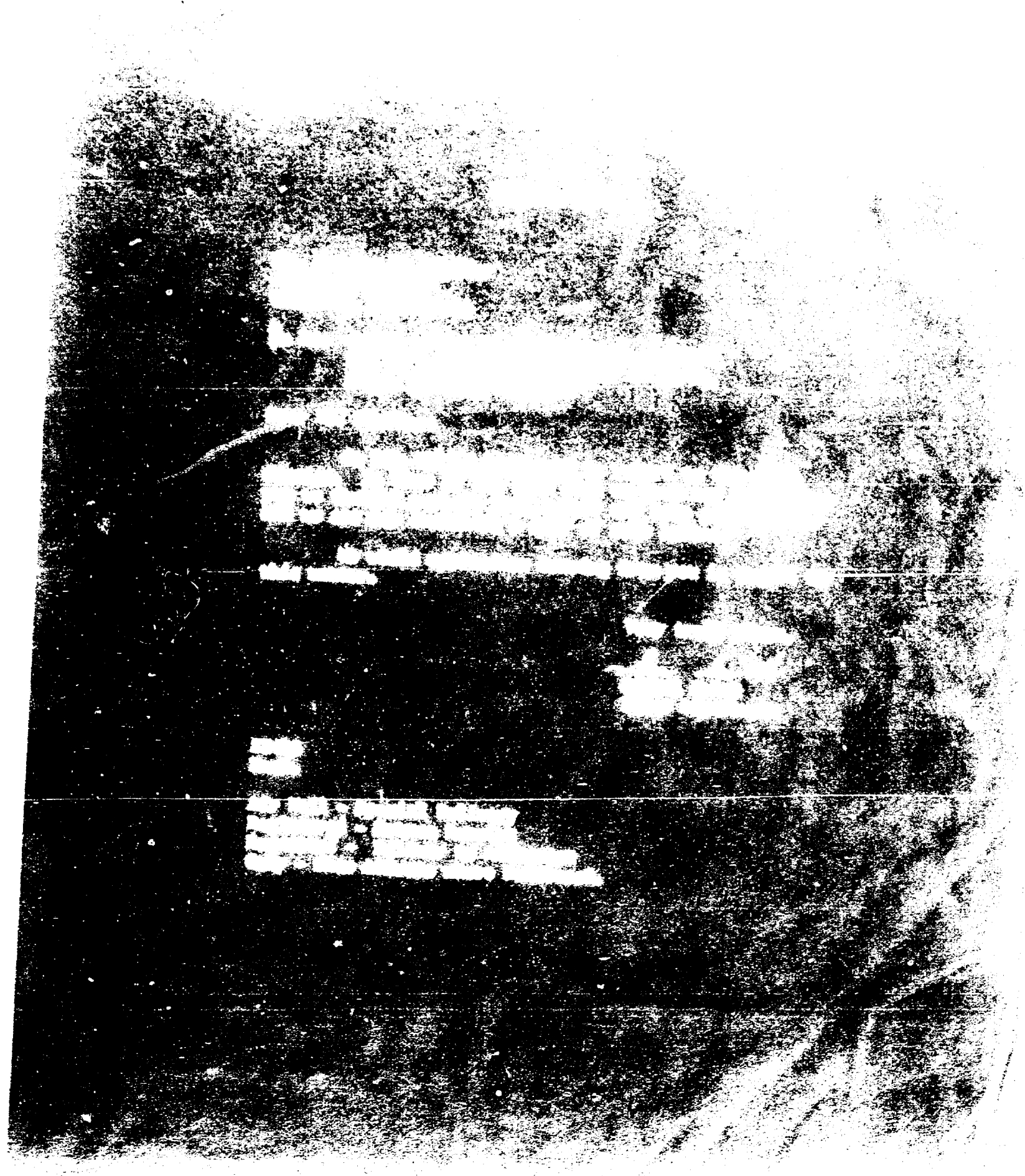
Shafer's lease.

MR. WHITE: I do not think the Commission has the authority to grant this lease.

COM. SPURRIER: As usual, I am in the middle.

MR. KELLAHIN: I would like to submit a brief on it for the perusal of the legal staff.

COM. SPURRIER: Under that circumstance, we will take it under advisement.





The above information was obtained from the files of the [redacted] and is being furnished to you for your information.

Sincerely,
[Signature]

The following is a list of the names of the persons who were present at the meeting of the Board of Directors of the American Red Cross, held on the 15th day of June, 1917, at the Hotel New York, New York.

...the ...
...the ...
...the ...
...the ...

FOR MAIL REGISTRATION

Mail Desk

Date: 5-22-, 1953

Re: State of New Mexico
Lease B-10567, 6/2 of Sec 32,
34-10

Please register the attached letter addressed to:

Mr. Charles W. Shaffer

412 West Palmer

Glendale, California

and return this memorandum after indicating the registration number.

REGISTER MAIL NO. 1706

Deliver to Addressee Only

Show Address Where Delivered

5/33/53

Form 18-18 (1-52)

El Paso Natural Gas Company

REQUEST FOR MAIL REGISTRATION

For Mail Desk

To Lease Dept

Date: 6-9-, 1953

Re: State of New Mexico Lease
No. B-10567, 6/2 of Sec 32, T-31-N,
R-10-W

Please register the attached letter addressed to:

Mr. Charles W. Shaffer

412 Palmer

Glendale, California

and return this memorandum after indicating the registration number.

REGISTER MAIL NO. 1902

Deliver to Addressee Only

Show Address Where Delivered

6/9/53

Mr. A. A. Smith
Post Office Box 100
Washington 25, D.C.

Re: State of New Mexico Lease 2-10754-3
MILKMAN Inc. Dallas

Dear Mr. Smith:

We are not unaware that you have been offered \$250,000 for the above oil lease.

I came all the way to Houston to see you concerning this matter and to make you a fair offer. You are not listed in the telephone directory, nor in any list giving where you live. However, I found your untitled apartment at 10101 Sunset and you were either not home or else would not answer repeated ringing and knocking.

We have the balance of the acreage in the N/2 of Section 22. As you are so close we'll agree the State of New Mexico will permit you to drill only one gas well in the immediate vicinity. The area is known for its oil and we would like to get you to cooperate in our venture to the end that we may drill a gas well in the N/2 of Section 22 and thereby have immediate gas production on both of our leases. In order to be entirely fair in this matter we will give you the balance of the following offers:

1. Drill on your lease at \$25,000 an acre and retain for yourself a 1/4 of overriding royalty.
2. Agree with us in writing to pool your 40 acre tract with our 80 acre tract (being the balance of the N/2 of said Section 22). We will even agree to carry you or in other words to pay all of the well drilling costs and to remove any drilling costs from you when and if produced from the well. We estimate the well to cost \$25,000 and the 40% to pay and in consideration of this we will give you 1/4th of the value of the gas produced from this well.

As our lease is situated so that we'll drill a well in the NE/4 of this Section whether you join with us or not. If you do not join us

TO THE
ATTENTION OF THE
MANAGER OF THE
POST OFFICE
AT THE
CITY OF
NEW YORK
FROM THE
OFFICE OF THE
ATTORNEY GENERAL
STATE OF NEW YORK

TO THE
POST OFFICE
AT THE
CITY OF
NEW YORK
FROM
R L Hamilton
ATTORNEY GENERAL
STATE OF NEW YORK

Registered, Return Receipt Requested

June 24-53 Mr. Atkins S. Hopkins, c
Dear P.O. Box 257
Cambridge 39-Mass.
Yours of reg. letter, regarding Lease B-10735-
No 5 Located in San Juan County being sect 32
town 31=Range, 10 west, now. The offer was not
reasonably just making reply is very simple for
you to understand and that is I have had many offers
to sell, but turned them all down, but today is just
another day to me, so I have just resumed another
reg. letter from, an independent company to the
effect that if I will accept their deal of over

June 16-53 Mr. Atkins S. Hopkins,
Dear P.O. Box 257
Cambridge 39-Mass.
Please find reply to yours of May 25-53 and
also of June 9-53, reg. letter. and I have read
both letters, and wish to say that my state
Lease on B-10735-No 5, range 10 west 3 north
is not for sale or otherwise at any price at
this present time, sorry I cannot join you,
I will close, remain Yours respectfully
Thank you! Wm S. Hopkins.

July 18-53 Mr. Atkins S. Hopkins,
Dear P.O. Box 257
Cambridge 39-Mass.
Just received a telegram from a large
Company operating in San Juan County N.M.
to the effect of their latest offer, of six hundred
and seventy five thousand dollars with a 5%
override, and I was advised by my att. to make
reply in the form of not for sale at any price.
Time is getting short
Yours truly
Wm S. Hopkins.

Excepting five hundred thousand dollar with
an over-ride of three percent, and on top of
that a small sum, they allow me sixty days to
make up my mind, so if that is all worth that
much it might take me more than sixty days
to make up my mind, so I will do so.

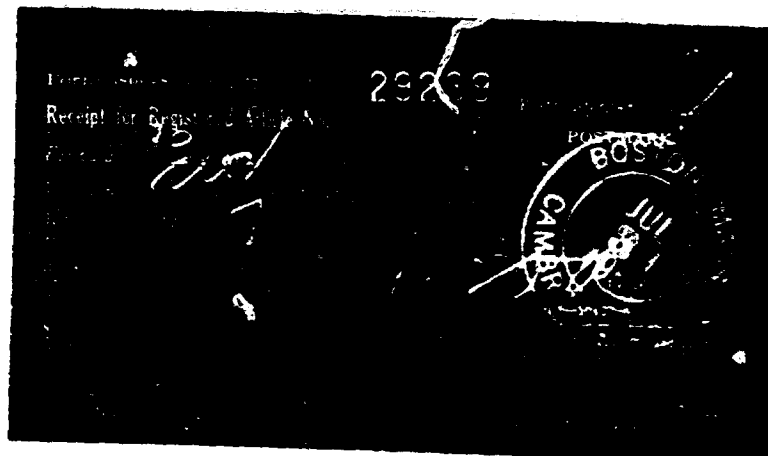
and I am in love with the girl

POSTAL CARD



UNITED STATES

Thank you for the money



Legal Notice OCC Hearing

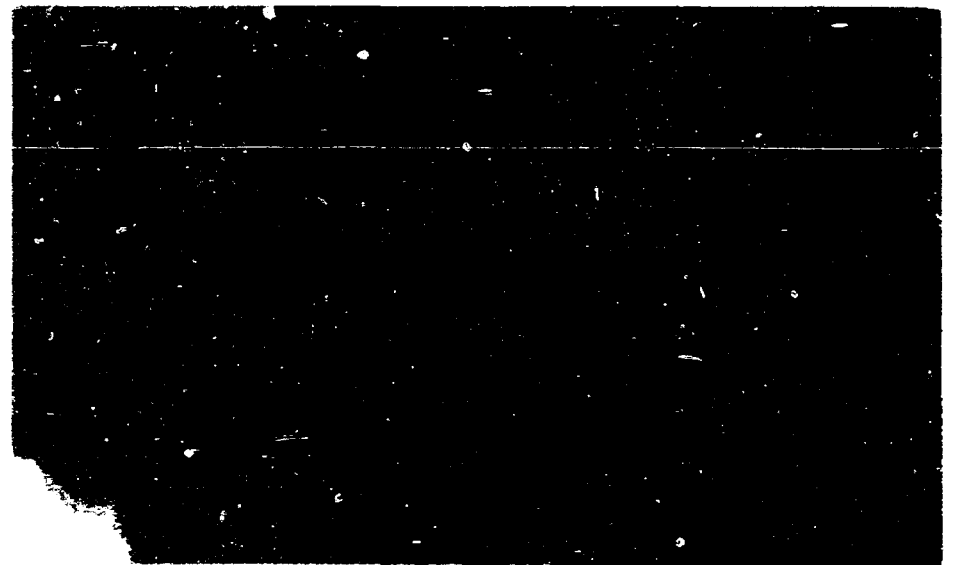
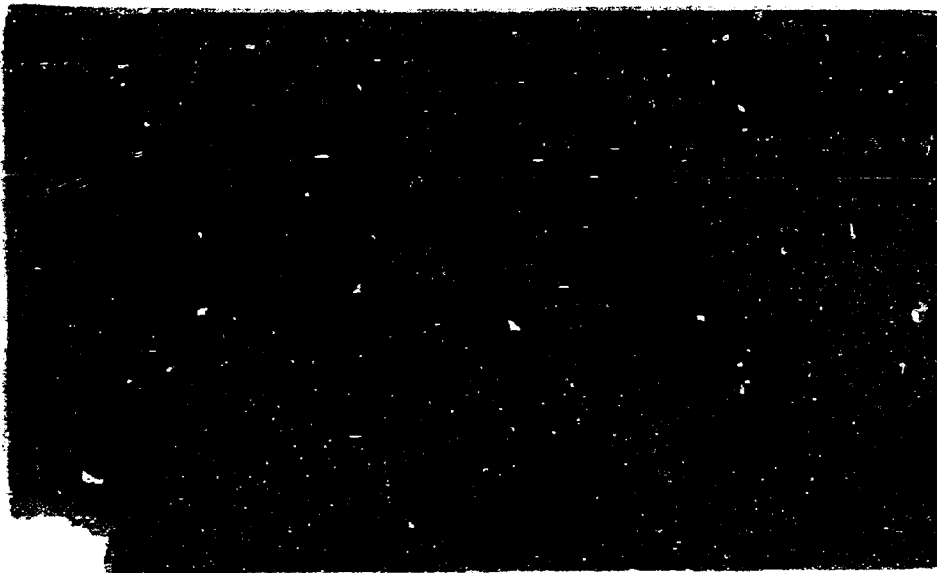
Publication:

Date: OCT 15 1953

SF
Farmington

CASE 2095:

In the matter of the application of El Paso Natural Gas Company for compulsory unitization of E/2 Section 32, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 40 acres in the E/2 of said Section 32, Township 31 North, Range 10 West.



Balboa, Calif.
Aug. 3, 1953

El Paso Natural Gas Co.
Mr. Samuel Smith
Lease Dep't.
10th Floor Bassett Tower
El Paso, Texas

Dear Mr. Smith:

Confirming our telephone conversation this morning accepting your offer of fifty dollars per acre on my forty acre lease with a five percent royalty.

Enclosed find oil and gas leases and receipts of payments and letters. When I receive the necessary papers from you, I will sign them and return them to you by registered air mail.

Please excuse the delay in answering your letters for I have been out of the state for some time.

Thanking you,

Yours truly,

Chas. E. Shaffer

*Interviewer's Exhibit #1
Case 5-95-*

ILLEGIBLE

El Paso Natural Gas Company

TEN FLOOR RAYBOLT TOWER

El Paso, Texas
August 11, 1943

Mr. Harum Dow
Hervey, Dow & Hinkle
Attorneys at Law
Roswell, New Mexico

In Re: Lease B-10567

Dear Mr. Dow:

In accordance with a request of Mr. Roy Gronsky, who was representing Mr. Charles W. Shaffer, please find enclosed herewith the following papers:

1. Rental Receipt on Lease B-10567
2. Acknowledgment and Official Receipt No. A 37333 from State Land Office, Santa Fe, New Mexico
3. Letter from H. R. Rodgers, Commissioner of Public Lands, dated September 13, 1943.
4. Oil and Gas Lease dated August 20, 1943, by and between the State of New Mexico, and Charles W. Shaffer, 410 W. Palmer Avenue, Glendale, California.

You will notice that the enclosed papers reflect that the captioned lease is due to expire August 20th. We know of no way in which this lease can be extended although Mr. Shaffer and Mr. Gronsky feel that due to the fact that they have kept this lease in good standing they should be entitled to an extension. They would like for you to advise them as to their rights under the present lease.

If we can be of any help in this matter, please do not hesitate to contact us.

Very truly yours,

Samuel Smith
Samuel Smith
Lease Department

SS:ha
Encls.
cc-Mr. Charles W. Shaffer
410 West Palmer
Glendale, California
(Air Mail-Special Delivery)

P.S. We understand that you and Mr. Gronsky are alumni of the New Mexico Military Institute.

ILLEGIBLE