

Case No.

708

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF THE W/2 OF SECTION 15,
TOWNSHIP 31 NORTH, RANGE 11
WEST, NMPM, SAN JUAN COUNTY,
NEW MEXICO.

CASE NO. 708) Consolidated
CASE NO. 848)
Order No. R-547-D

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 15, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 708 came on for hearing originally at 9:00 o'clock a.m. on May 19, 1954, at Santa Fe, New Mexico, before the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission entered Order No. R-547 in Case No. 708 on December 16, 1954, declaring that the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from August 3, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-547-A on January 14, 1955, setting Case No. 708 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 848.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 708 came on for rehearing and Case No. 848 came on for regular hearing before the Commission at Santa Fe, New Mexico at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 708 should be considered applicable to Case No. 848.

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Case No. 708) Consolidated
Case No. 848)
Order No. R-547-D

Thereafter, the Commission entered Order R-547-B in Cases 708 and 848 (consolidated) on January 12, 1956, declaring that the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, was recognized as a communitized and pooled tract from May 19, 1954.

Thereafter, both El Paso Natural Gas Company and Saul Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel and Sam Mizel, the "Yager Group," filed their applications for rehearing, pursuant to which the Commission entered its Order No. R-547-C on February 10, 1956 setting Case No. 708 and 848 (consolidated) for rehearing.

Thereafter, on March 15, 1956, at 9:00 a.m., Case 708 and 848 (consolidated) came on for rehearing at Santa Fe, New Mexico, before the Commission.

NOW, on this 13th day of December, 1956, the Commission, a quorum being present, having considered all the evidence, testimony, exhibits and legal arguments and briefs adduced and presented during the course of these two cases, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter thereof.
2. That in making these findings and issuing this order, the Commission recognizes that there is a dispute as to whether certain leases involved in these cases remained in force and effect during all times relevant hereto; that the Commission cannot, and will not, attempt in this order to adjudicate the title to any such lease.
3. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco Mesavorte Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan or proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool."
4. That by its Order R-119, the Commission further provided that "no well shall be drilled completed or recompleted and no Notice of Intention to Drill or drilling permit shall be

Case No. 708)
Case No. 848) Consolidated
Order No. R-547-D

approved, unless such well be located on a 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."

5. That the "interests" which Order R-110 requires to be "Consolidated by pooling agreement or otherwise" to form a drilling unit are the interests of the "owners" as that term is defined in Section 65-3-29 (e) New Mexico Statutes Annotated (1953) i.e., "the person who has the right to drill into and produce from any pool, and to appropriate the production either for himself or for himself and another."

6. That the W/2 of said Section 15, Township 31 North, Range 11 West, NMPM, is situated within the Blanco Mesaverde Gas Pool as designated by the Commission.

7. That El Paso Natural Gas Company was the sole owner of the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico on August 3, 1953.

8. That on August 3, 1953 the Commission approved El Paso Natural Gas Company's application to drill its proposed Neil Well No. 3 on a drilling unit consisting of the W/2 of said Section 15.

9. That the drilling of an additional well or wells lying within the W/2 of said Section 15 would be wasteful.

IT IS THEREFORE ORDERED:

1. That the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 acres more or less, should be and the same is hereby recognized and treated as an authorized drilling unit duly formed and established in accordance with the provisions of Order R-110 as of August 3, 1953.

2. That the application of El Paso Natural Gas Company for an order force communitizing or pooling the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, pursuant to the terms of the communitization agreement submitted with the application in Case 708 be and the same is hereby denied.

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Case No. 708) Consolidated
Case No. 848)
Order No. R-547-D

IT IS FURTHER ORDERED:

That Order R-547 and Order R-547-B be and the same
are hereby revoked and superseded.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms

JOHN F. SIMMS, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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



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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF W/2 OF SECTION 15, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 703)
CASE NO. 848) Consolidated

ORDER NO. R-547-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 15, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO

APPLICATION FOR REHEARING

Your Applicant, EL PASO NATURAL GAS COMPANY, applies for re-hearing and states:

1. Applicant is the owner of oil and gas leasehold interests in and under the tract of land described in the caption and is a party affected by Order No. R-547-B entered by the Commission on January 12, 1956.

2. Your Applicant would show the Commission that its Order No. R-547-B is erroneous as follows:

a. That the Commission's Finding No. 9, insofar as it finds that the date upon which the working interest owners agreed to communitize their leases of May 19, 1954 is not supported by and is contrary to the credible evidence.

b. That the Commission's Finding No. 11 that the pooling and drilling unit was established on May 19, 1954 is not supported by and is contrary to the weight of the credible evidence.

c. That the portion of Paragraph 1 of the Commission's Order establishing May 19, 1954 as the date the drilling unit upon a pooled and communitized tract became effective is erroneous.

d. That there is no evidence in the record to show that the working interest owners made any agreement on the 19th day of

May, 1954, the date when the original hearing was conducted, and that the evidence shows the agreement to have been made and consummated prior to that date and the selection of that date is arbitrary and unreasonable.

e. That the evidence shows the working interest owners had agreed to communitize and pool their respective interests prior to August 3, 1953, on which date a Notice of Intention to Drill was filed with the Commission.

f. That the finding of the Commission that an agreement was made on May 19, 1954 is an arbitrary and unreasonable finding and not necessary to a determination of the applications.

g. The Commission having held that the working interest owners have the power without the joinder of the lessors to enter an agreement for the communitizing or pooling of tracts of land into drilling units in conformity with Order R-110, the Commission exceeded its jurisdiction by determining the date upon which the working interest owners made such agreement and exceeded its jurisdiction in determining that such agreement did not become effective until the date of the first hearing, which findings were not necessary to a determination of the applications. The Commission, having found that the working interest owners effectively pooled or communitized the tracts of land into a drilling unit, has no further jurisdiction and the Commission's Order is erroneous in attempting to do more than determine the effect of the agreement made by the working interest owners. When that agreement effectively pooled the several tracts into a drilling unit, there remained nothing further for the Commission to do, and those portions of the Commission's Order which attempt to pool or communitize at a later date are invalid and void.

h. Paragraph 2 of the Commission's Order is beyond its jurisdiction and is not supported by the evidence, and is contradictory and contrary to all of the findings and conclusions of the

Application for Rehearing

Cases Nos. 708 and 848

Commission made in the remaining portions of the Order.

WHEREFORE, your Applicant respectfully requests the Commission to grant a rehearing in these consolidated cases and to hear such further evidence as may be material, and to reconsider the Order entered by the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By *Ben L. Howell*
Attorney

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF W/2 OF SECTION 15, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 708) Consolidated
CASE NO. 848)

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 15, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

APPLICATION FOR REHEARING

Come now Saul A. Yager, Marian Yager, M. E. Gimp,
Morris Mizel and wife, Flora Mizel, and Sam Mizel, by their
attorneys, Campbell & Russell, and make application to the
Commission for rehearing upon Order No. R-547-B, and as a basis
for the application state:

(a) Applicants are the owners of interests in the
E/2 SW/4 of Section 15, Township 31 North, Range 11 West, N.M.P.M.
San Juan County, New Mexico and are parties affected by Order
No. R-547-B entered by the Commission on January 12, 1956.

(b) Order No. R-547-B is erroneous in the following
respects:

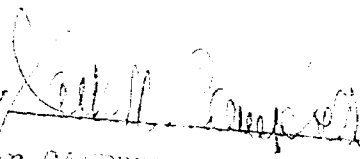
1. Finding No. 10 is erroneous in that Order
No. R-110 was not complied with in the establishment of the
drilling unit.

2. Finding No. 11 is erroneous in that all interests within said unit were not consolidated by pooling agreement or otherwise as required by Order No. R-110.
3. Order No. R-547-B is contrary to Section 1(a) of Order No. R-110 of the Commission.
4. Order No. R-547-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.
5. Order No. R-547-B is an unreasonable and arbitrary interpretation of the Commission's rules and regulations and deprives Applicants of their correlative rights.
6. Order No. R-547-B deprives Applicants of their property without due process of law.
7. Order No. R-547-B impairs the obligations of a valid lease contract between Applicants and El Paso Natural Gas Company.

WHEREFORE, Applicants request a rehearing in Case No. 708 - 848 Consolidated on Order No. R-547-B.

Respectfully submitted,

Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and
wife, Flora Mizel, and Sam
Mizel

By 
for CAMPBELL & RUSSELL
their attorneys

WHEREAS, on October 2, 1958, DELHI OIL CORPORATION made and entered into a certain Operating Agreement with Edgemoor Storage Co. Inc. pertaining to that certain United States Oil and Gas Lease bearing serial number Santa Fe 650000 in so far as the same covers the following described land located in Santa Fe County, New Mexico, to-wit:

Tract No. 11, Block 11, Sub. 11, T. 22 N., R. 22 E., S. 22.
Section 40 21/2
Section 41 1/2 12/8 12/8 12/8 12/8 12/8 12/8
Section 42 1/2 12/8 12/8 12/8 12/8 12/8 12/8
Section 43 1/2 12/8 12/8 12/8 12/8 12/8 12/8
Tract No. 12, Block 12, Sub. 12, T. 22 N., R. 22 E., S. 22.
Section 44 1/2
Section 45 1/2

and containing 2000.00 acres, more or less;

and

WHEREAS, the said Delhi Oil Corporation is the present owner and holder of all the operating rights granted to it under the said Operating Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, the said Delhi Oil Corporation (hereinafter called "Assignor") does hereby assign and transfer unto EL PASO NATURAL GAS COMPANY (hereinafter called "Assignee"), a Delaware corporation, whose address is Bassett Tower, El Paso, Texas, all its right, title and interest in, to and under (1) the said Operating Agreement, (2) any and all gas wells which may be situated on said land, and (3) any and all personal property now situated thereon or used or obtained in connection therewith, subject, however, to the terms, provisions and conditions hereof:

In testimony whereof, the said Assignor has hereunto set its hand and the said Assignee has hereunto set its hand and the seal of the said Assignee, this 2nd day of October, 1958.

for a more particular description of the terms thereof. This Assignment is made expressly subject to all such royalties, overriding royalties and other rights and interests so excepted, reserved or assigned, as hereinafter set forth.

2. Assignor hereby excepts, reserves and retains unto itself, its successors and assigns the following:

A. An overriding royalty on Assignor's interest in all gas produced and saved from the said lease and the above described land as follows:

(1) $5\frac{1}{2}\%$ per mcf (1,000 cubic feet) on all such gas produced and saved during the first $3\frac{1}{3}$ years after the date hereof.

(2) $6\frac{1}{2}\%$ per mcf on all such gas produced and saved during the next $3\frac{1}{3}$ years thereafter.

(3) $7\frac{1}{2}\%$ per mcf on all such gas produced and saved during the next $3\frac{1}{3}$ years thereafter.

(4) Not less than 8% per mcf on all such gas produced and saved during the next one year thereafter.

(5) Not less than 9% per mcf on all such gas produced and saved during the next one year thereafter.

(6) Not less than 10% per mcf on all such gas produced and saved thereafter.

B. The volumes of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 18.625 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the provisions herein set forth in the International Petroleum Report No. 2, dated May 6, 1950, and the provisions of the International Petroleum Report No. 2, dated May 6, 1950, and the provisions of the International Petroleum Report No. 2, dated May 6, 1950.

be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the said lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

C. The overriding royalties specified in (4), (5) and (6) of A above shall in no event be less than the respective amounts stated therein but shall be arrived at as follows: approximately ninety (90) days prior to the end of the first ten (10) years following the date hereof the parties shall attempt to agree upon the amounts of such overriding royalties for the next five-year period. If the parties agree upon such overriding royalties, then such amounts shall be the overriding royalties to be received by Assignor hereunder for such period. If the parties cannot agree upon such amounts, then such amounts shall be determined by a board of arbitrators to be appointed as provided in the agreement between the parties dated January 18, 1952, hereinafter mentioned. The board of arbitrators, in determining the amounts of such overriding royalties, shall base their decision on the then value of such gas at the well head, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field prices (or then newly negotiated contracts) of gas in other fields connected to or in the area of any of Assignee's pipe lines or gathering systems or of any pipe line system to which any of Assignee's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties. The overriding royalties provided for in A above shall be determined for each five-year period after the expiration of the first five-year period in like manner to that provided above for the first five-year period.

D. An overriding royalty in the amount of thirty-three and one-third per cent ($33\frac{1}{3}\%$) of Assignor's interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from the said land. At Assignor's option, Assignee shall deliver to Assignor such overriding royalty in kind or shall pay to Assignor the fair market value thereof in cash. At all times prior to the completion of construction and commencement of operation by Assignee of a plant for extraction of such liquids, Assignee shall pay to Assignor in cash the estimated value of thirty-three and one-third per cent ($33\frac{1}{3}\%$) of all liquids produced with or contained in gas produced from the said land and applicable to Assignor's interest therein, regardless of whether such liquids are extracted from the gas.

E. All oil in, to and under the said land, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

F. All gas and other hydrocarbon substances, in, to and under the said land in all formations below the Mesaverde formation, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

3. The said overriding royalties reserved herein shall be suspended and Assignor shall have and retain in lieu thereof a working interest in the said land and lease during all periods when the average production per well and acreage from, averaged on a monthly basis, is (a) as to oil, fifteen (15) barrels or less, and (b) as to gas, five hundred thousand (500,000) cubic feet or less. The limitations of this paragraph shall apply to the production of oil and gas from the said land which may be assigned or conveyed to Assignor.

4. The said overriding royalties reserved herein are more fully described in a certain Oil and Gas Lease Sale Agreement between Assignor and Assignee dated January 18, 1952, and recorded in the official records of the County Clerk of San Juan County, New Mexico, in Volume _____ at Page _____, reference to which Agreement and record thereof is here made for all purposes, and the terms and provisions of which Agreement are all incorporated herein by reference the same as though set forth verbatim herein.

5. Assignee, by its acceptance of this Assignment, warrants and agrees that it will comply with all terms, provisions and conditions of the Agreement dated January 18, 1952, mentioned hereinabove, and, subject to the terms thereof, that it will comply with all obligations of the Operator contained in the Operating Agreement hereby assigned, and that it hereby assumes and agrees to pay, as and when the same shall become due and payable, all outstanding royalty, overriding royalty, carried and other interests under the Operating Agreement hereby assigned applicable to all gas and other hydrocarbons produced and saved by Assignee. Assignee further agrees that it will not discriminate against any employee or applicant for employment because of race, creed, color or national origin, and that it will require that an identical provision be incorporated in all subcontracts.

6. This Assignment is subject also to the following interests previously reserved and retained in the said land and lease covering same:

(1) Overriding royalty of 25% on oil and gas produced by C. M. Hall, Jr.

(2) Overriding royalty of 15% on all gas and oil produced by C. M. Hall, Jr. and his heirs, assigns and assigns in fee simple.

defend unto Assignor, its successors and assigns, the title to
the rights hereby assigned and the interest of Assignor in all
personal property situated on the land described above and used
or obtained in connection therewith, against all persons whom-
soever who may lawfully have or claim an interest therein by,
through or under Assignor.

EXECUTED at Dallas, Texas, as of the 1st day of March,
1952.

DELHI OIL CORPORATION

By P. T. Be
Vice President

ATTEST:

M. J. Petrus
Secretary

El Paso Natural Gas Company, Assignee herein, hereby
accepts this Assignment and agrees to be bound by the terms and
provisions thereof, all as of March 1, 1952.

EL PASO NATURAL GAS COMPANY

By W. L. Perkins
President

ATTEST:

W. L. Perkins

STATE OF TEXAS)
COUNTY OF DALLAS) ss.

On this 1st day of March, 1952, before me, the undersigned, a Notary Public in and for the State of Texas, personally appeared W. L. Perkins, President of the El Paso Natural Gas Company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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OF W/2 OF SECTION 15, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 708) Consolidated
CASE NO. 848)
Order No. R-547-C

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 15, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of
Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel,
and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell,
and upon the application of El Paso Natural Gas Company through its attorney
Ben R. Howell, for rehearing on Order Number R-547-B heretofore entered
by the Commission.

NOW on this 10th day of February, 1956, the Commission, a
quorum being present, having fully considered said applications for rehearing,

IT IS HEREBY ORDERED:

That a rehearing in said causes be held March 16, 1956, at 9:00
o'clock a.m. on said day at Santa Fe, New Mexico.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, President

W. B. Macey
W. B. MACEY, Member and Secretary



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CASE NO. 848)
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SECTION 15, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 708 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-547 in Case No. 708 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that W/2 of Section 15, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from August 3, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M.E. Gimp, Morris Mizel, Flora Mizel and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-547-A on January 12, 1955, setting Case No. 708 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 848.

Thereafter, on March 17, 1955, at 2:00 a.m., Case No. 708 came on for rehearing and Case No. 848 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 708 should be considered applicable to Case No. 848.

NOW, on this 12 day of January, 1956, the Commission, a quorum being present, having considered all the evidence, testimony, exhibits and legal arguments and briefs adduced and presented during the course of these two cases, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 708.

2. That in making these findings and issuing this order, the Commission recognizes that there is a dispute as to whether certain leases involved in these cases remained in force and effect during all times relevant hereto; that the Commission cannot, and will not, attempt in this order to adjudicate the title to any such lease.

3. That by its order No. R-110 this Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a 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".

5. That in order for a drilling unit to be established under the terms of Order R-110, it was necessary not only that the Commission approve a Notice of Intention to Drill a well properly located on a designated tract of land, all as required by said order, but also that the leases of the working interest owners first be pooled or integrated before such drilling unit could be so established.

6. That the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company and Delhi Oil Corporation were, on August 3, 1953, the owners of the entire working interest under oil and gas leases covering the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 acres of land, more or less.

8. That on August 3, 1953, a Notice of Intention to Drill (Form C-101) was approved by a Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the Applicant, El Paso Natural Gas Company; that permission was granted to drill a well to be known as the Neil Well No. 3, and to be located 990 feet from the South line and 1650 feet from the West line of said Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; said Notice of Intention to Drill designated the $\frac{W}{2}$ of said Section 15, Township 31 North, Range 11 West, NMPM, as the drilling unit; that drilling operations were commenced in said well on August 7, 1953, and the well completed on August 22, 1953 in the Mesaverde formation with an initial potential of 2,630,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 708, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission heretofore finds that the date El Paso Natural Gas Company and Delhi Oil Corporation consolidated their leases was May 19, 1954.

10. That the said agreement of the working interest owners to communitize their lease complied with the provisions of Order R-110, and that the unit selected as a drilling unit likewise complied with Order R-110.

11. That the approval of the Notice of Intention to Drill by the Commission's Inspector, the designation of $\frac{W}{2}$ of said Section 15 as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the $\frac{W}{2}$ of said Section 15 has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within $\frac{W}{2}$ of said Section 15, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the $\frac{W}{2}$ of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, N.M., and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in

-4-

Order No. R-547-E

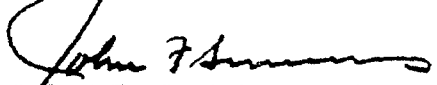
any event all the interests in the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

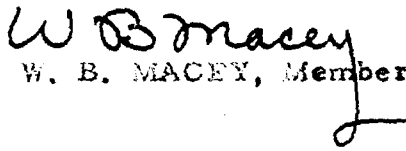
That Order No. R-547, in Case No. 708 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN F. SIMMS, Chairman


E. S. WALKER, Member


W. B. MACEY, Member and Secretary



ix/

R-547

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)
W $\frac{1}{2}$ OF SECTION 15, TOWNSHIP 31 NORTH,)
RANGE 11 WEST, N.M.P.M., SAN JUAN)
COUNTY, NEW MEXICO)

Case No. 708

APPLICATION FOR REHEARING

Come now Applicants, Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel,
by their attorney, and state:

(a) Applicants are the owners of interests in the E $\frac{1}{2}$ SW $\frac{1}{4}$
of Section 15, Township 31 North, Range 11 West, San Juan County,
New Mexico and are parties affected by Order No. R-547 entered by
the Commission on December 17, 1954.

(b) Order No. R-547 is erroneous in the following
respects:

1. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.
2. Findings No. 7, 8 and 9 are contrary to law.
3. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.
4. The order is contrary to Section 13(b) of Chapter 163, Laws of 1949, as amended.
5. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.
6. The order deprives Applicants of their property without due process of law.
7. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.
8. The order bears no relation to prevention of waste.

9. The order renders meaningless pooling clauses in leases referred to in the original application and the testimony and renders meaningless the application in the instant case.

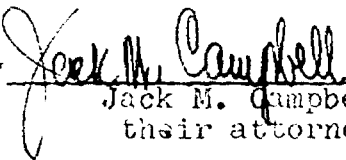
WHEREFORE, Applicants request a rehearing in Case No. 708 before the Commission.

Respectfully submitted,

Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and
wife Flora Mizel, and Sam
Mizel

1-4-55

By



Jack M. Campbell
their attorney

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 708
Order No. R-547-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF THE W/2 OF SECTION
15, TOWNSHIP 31 NORTH, RANGE 11 WEST,
NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-547 heretofore entered by the Commission.

NOW, on this 14th day of January, 1955, the Commission, a quorum being present, having fully considered said application for rehearing,

IT IS HEREBY ORDERED:

That the above-entitled matter be reopened and a rehearing in said cause be held February 17, 1955, at 9 o'clock a.m. on said day at Santa Fe, New Mexico.

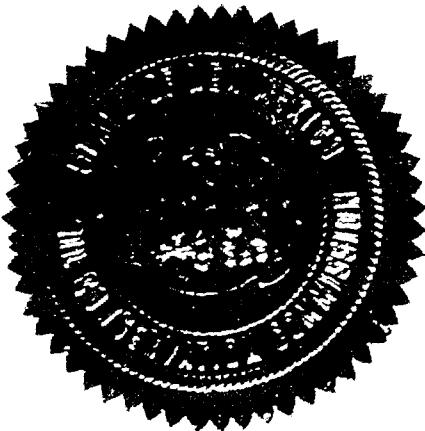
DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 708
Order No. R-547

THE APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR COMPULSORY COMMUNITIZATION
OF THE W/2 OF SECTION 15, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case having come on for hearing at 9 o'clock a. m. on May 19, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission"; and the Commission having heard all testimony offered, permitted interested parties to file written briefs on or before June 15, 1954, and written briefs were filed on behalf of El Paso Natural Gas Company, Saul A. Yager, Morris Mizel, Marian Yager, Morris E. Gimp and Sam Mizel.

NOW, on this 16th day of December, 1954, the Commission, a quorum being present, having considered the records and testimony adduced and the written briefs filed by the parties, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
2. That Applicant, El Paso Natural Gas Company and Delhi Oil Corporation were, on August 3, 1953, the owners of the entire working interest under oil and gas leases covering the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 acres of land more or less.
3. That the W/2 of said Section 15, Township 31 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.
4. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of

proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a 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 August 3, 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 having been previously filed by the Applicant, El Paso Natural Gas Company and permission was granted to drill a well to be known as the Neil Well No. 3, to be located 990 feet from the South Line and 1650 feet from the West Line of said Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; and said Notice of Intention to Drill designated the W/2 of said Section 15, Township 31 North, Range 11 West, NMPM, as the designated drilling unit as ~~provided in Order R-110~~; that drilling operations were commenced in said well on August 7, 1953, and the well completed on August 22, 1953, in the Mesaverde formation with an initial potential of 2,630,000 cubic feet of gas per day.

7. That the working interest owners at that time were the only persons who had the right to drill into and to produce from said Mesaverde Gas Pool and to appropriate the production for themselves, and that all of said owners agreed to pool or communitize their separate oil and gas leases into a drilling unit containing 320 acres as described above.

8. That the agreement of the owners in all things complied with the provisions of Order R-110 and the unit selected by the owners as a drilling unit complied with Order R-110.

9. That the agreement entered into by said owners to pool or communitize their oil and gas leases covering the W/2 of said Section 15, Township 31 North, Range 11 West, effectively created a communitized or pooled unit comprising the W/2 of said Section 15, and that the approval of the Notice of Intention to Drill by the Commission's Inspector effectively approved such communitized or pooled tract on the date of such approval, to-wit, August 3, 1953 and that the W/2 of said Section 15, Township 31 North, Range 11 West, NMPM, has been and is an approved drilling unit containing 320 acres at all times thereafter.

10. That the drilling of an additional well or wells lying within the W/2 of said Section 15, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

That the W/2 of said Section 15, Township 31 North, Range 11 West, NMPM, be and is hereby recognized as a communitized or pooled tract effective August 3, 1953, and at all times thereafter, and that such pooling or communitization be and it is hereby in all things confirmed.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Yonker
EDWIN L. MECHEM, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



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
W/2 OF SECTION 15, TOWNSHIP 31
NORTH, RANGE 11 WEST, N.M.P.M.,
SAN JUAN COUNTY, NEW MEXICO

NO. 708

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. Oil and Gas Lease dated September 1, 1948, from Saul A. Yager and wife, Marian Yager, as Lessors, to Wayne Moore, as Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 15: E/2 SW/4
containing 80 acres, more or less.

- b. United States Oil and Gas Lease Serial Number Santa Fe 078051, C. M. Neal, Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 15: NW/4, W/2 SW/4
containing 240 acres, more or less.

Your Applicant represents that all of the owners of working interests and overriding royalty interests in the tracts described under b. above have joined or agreed to join in the execution of a Communitization Agreement dated August 1, 1953, (unexecuted copy of which is attached hereto) and that your Applicant, as working interest owner of the tract described under subdivision a. above, has joined and entered such communitization agreement.

Your Applicant represents that the royalty interest on E/2 SW/4 of said Section 15, containing 80 acres, is owned by the following named persons:

Saul A. Yager, 613 Oil Capital Building, Tulsa, Oklahoma - 1/4;

Marian Yager, c/o C. H. Rosenstein, McBirney Building,
Tulsa, Oklahoma - 1/4;

M. E. Gimp, c/o Zale's Jewelry, 1606 Main Street,
Dallas, Texas - 1/4;

Morris Mizel and wife, Flora Mizel, 101 W. Cameron Street,
Tulsa, Oklahoma - 1/8;

Sam Mizel, 101 W. Cameron Street, Tulsa, Oklahoma - 1/8.

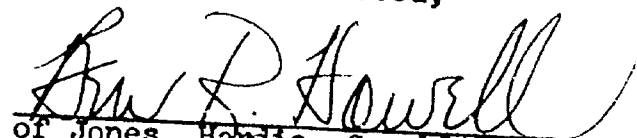
Your Applicant further represents that the lease from Saul A. Yager and Marian Yager was for a five-year term which would have expired on August 31, 1953, and that Saul A. Yager and Morris Mizel represented to your Applicant that the above named owners of royalty interests would join in the execution of a communitization agreement, and that your Applicant completed a commercial well producing gas from the Mesaverde formation located on the E/2 SW/4 in said section, and that said well was completed August 22, 1953, and that partially executed copies of the communitization agreement were sent to Saul A. Yager for execution and are now retained by him.

Your Applicant represents that, pursuant to the terms and provisions of Order No. R-110 made by this Commission, spacing of 320 acres has been established for drilling gas wells to the Mesaverde formation in San Juan County, New Mexico, and that E/2 SW/4, NW/4, W/2 SW/4 comprise the W/2 of said Section 15, containing 320 acres, which constitutes a proper spacing unit for drilling a Mesaverde well, and that all persons owning rights therein except Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife, Flora Mizel, and Sam Mizel have agreed to communitize and pool the above described oil and gas leases in so far as said leases cover the W/2 of said Section 15 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 represents that it has made diligent efforts to negotiate an agreement with the royalty owners who have refused to join the communitization agreement 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 all interests in oil and gas leases, royalties 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 Saul A. Yager, Marian Yager, M. E. Gimp (also known as Morris E. Gimp), Morris Mizel and wife, Flora Mizel, and Sam Mizel to communitize or pool their interests pursuant to the terms of the attached Communitization Agreement, original partially executed copies of which/are in the possession of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel and Sam Mizel, or in the possession of one or more of them.

Respectfully submitted,


of Jones, Hardie, Grambling & Howell
El Paso, Texas
Attorneys for El Paso Natural Gas
Company

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of August, 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 "El Paso"); DELHI OIL CORPORATION, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; SAUL A. YAGER, whose address is 613 Oil Capital Building, Tulsa, Oklahoma; MARIAN YAGER, whose address is C/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. GIMP, whose address is C/o Zale's Jewelry, 1606 Main Street, Dallas, Texas; MORRIS MIZEL and wife, FLORA MIZEL, whose address is 101 West Cameron Street, Tulsa, Oklahoma; ELIZABETH STOREY and husband ROBERT G. STOREY, JR., whose address is 2531 Winsted Drive, Dallas, Texas; and SAM MIZEL, whose address is 101 West Cameron Street, Tulsa, Oklahoma;

W I T N E S S E T H:

WHEREAS, El Paso Natural Gas Company is the present owner and holder of the gas rights to the base of the Mesaverde formation under that certain Oil and Gas Lease executed in favor of Wayne Moore as Lessee, by Saul A. Yager, and wife Marian Yager, as Lessors, under date of September 1, 1948, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 15: E/2 SW/4
containing 80 acres, more or less; and

WHEREAS, Delhi Oil Corporation is the owner of the oil operating rights, the gas operating rights below the base of the Mesaverde formation, and certain gas overriding royalties on the above described tracts; and

WHEREAS, Saul A. Yager is no longer the owner of the full royalty interest under the last above described lease but has conveyed an undivided one fourth($\frac{1}{4}$) interest in said royalty to Morris Mizel and Sam Mizel jointly, an undivided one fourth ($\frac{1}{4}$) interest in said royalty to M. E. Gimp, and an undivided one fourth ($\frac{1}{4}$) interest in said royalty to Marian Yager; and

WHEREAS, Elizabeth Storey, by a decision dated January 14, 1952, effective August 1, 1951, is the present owner and holder of that certain United States Oil and Gas Lease bearing Serial Number Santa Fe 073051, executed in favor of C. M. Neal, as Lessee, under date of February 1, 1948, by the United States of America as Lessor, embracing among other lands, the following described land in

San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 15: NW/4, W/2 SW/4
containing 240 acres, more or less; and

WHEREAS, by an Operating Agreement dated October 1, 1951, approved by a decision dated January 15, 1952, Elizabeth Storey granted the operating rights in the above described tract to Delhi Oil Corporation; and

WHEREAS, by an assignment dated March 1, 1952, approved by a decision dated December 1, 1952, Delhi Oil Corporation assigned the above described Operating Agreement to El Paso, but Delhi Oil Corporation retained and reserved all the oil operating rights, the gas operating rights below the base of the Mesa-verde formation, and certain gas overriding royalties; 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, it is the desire of the parties hereto to communitize their respective interests in the above described Oil and Gas Leases in order to form one tract or drilling unit as follows:

Township 31 North, Range 11 West, N.M.P.M.
Section 15: W/2
containing 320 acres, more or less; and

WHEREAS, in order to be consistent with the existing rules and regulations covering well spacing and production allowables, all of the parties to this agreement desire to operate the communitized unit for the purpose and intention of developing and producing dry gas and liquid hydrocarbons extracted therefrom, in accordance with the terms and provisions of this agreement;

NOW, THEREFORE, in consideration of the premises and mutual advantages resulting from this agreement, it is mutually covenanted and agreed by and between the parties hereto that the land subjected to this agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesaverde formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the communitized area from such formation allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed hereto. The royalties payable

on the dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for in said leases shall be determined and paid on the basis respectively prescribed in the individual leases. There shall be no obligation on the parties hereto to offset any dry gas well or wells completed in the Mesaverde formation on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall either party be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse ownership of the dry gas or liquid hydrocarbons extracted therefrom in or under said tract, but the parties hereto shall not be released from their obligation to protect said communitized tract from drainage by a dry gas well or wells which may be drilled offsetting said tract. Payment of the rentals under the terms of the leases hereinabove mentioned and described shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

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 on the communitized tract from the Mesaverde formation shall be construed and considered as the commencement, completion, continued operation or production as to each lease committed thereto.

It is further agreed that all production of dry gas and disposal thereof shall be in conformity with allocations, allotments and quotas made or 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 and state laws, executive orders, rules and regulations which affect performance of any of the provisions of this agreement, and no party hereto shall suffer a forfeiture or be liable in damage for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from compliance with any such laws, orders, rules or regulations.

El Paso shall be the unit operator of said communitized tract, and all matters of operation, adjustments between the parties hereto, and payment of royalties shall be determined and performed by El Paso.

This agreement shall be effective as of the date hereof, upon execution by the parties hereto, notwithstanding the date of execution, upon approval by the Director of the Geological Survey and shall remain in full force and effect for a period of two (2) years, and so long thereafter as dry gas is produced from any part of said communitized tract in paying quantities; provided, that, upon fulfillment of all requirements of the Director of the Geological Survey with respect to any dry hole or abandoned well, and prior to production in paying quantities of gas and liquid hydrocarbons extracted therefrom from said communitized tract, this agreement may be terminated at any time by mutual agreement of the parties hereto.

The unit operator (El Paso) agrees to furnish the Secretary of the Interior, or his duly authorized representatives, with a log and history of any well or wells, the monthly report of operations and the statement of all oil and gas runs and royalties, together with such other reports as are deemed necessary to compute monthly the royalty due the United States as specified in the applicable oil and gas operating regulations for any well completed within the communitized tract. The unit operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and shall require an identical provision to be inserted in all subcontracts.

It is further agreed between the parties hereto that the Secretary of the Interior, or his representatives, shall have the right of supervision over all operations within the communitized tract to the same extent and degree as provided in each of said oil and gas leases under which the United States of America is Lessor, and in the applicable oil and gas regulations of the Department of the Interior.

This agreement shall be binding upon the parties hereto and shall extend and be binding upon their heirs, executors, administrators, successors and assigns, and 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 a single instrument.

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

ATTEST:

EL PASO NATURAL GAS COMPANY

Assistant Secretary

By _____
Vice President

ATTEST:

DELHI OIL CORPORATION

Assistant Secretary

By _____
Vice President

Saul A. Yager

Marian Yager

M. E. Gimp

Gimp (his wife)

Morris Mizel

Flora Mizel

Elizabeth Storey

Robert G. Storey, Jr.

Sam Mizel

Mizel (his wife)

STATE OF TEXAS

COUNTY OF EL PASO

On this _____ day of _____, 1953, before me appeared _____, 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 _____ 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 in and for El Paso County,
State of Texas

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 Vice 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 in and for Dallas County,
State of Texas

STATE OF OKLAHOMA |
COUNTY OF TULSA |

On this _____ day of _____, 1953, before me appeared Saul A. Yager, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me that 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 in and for Tulsa County,
State of Oklahoma

STATE OF OKLAHOMA |
COUNTY OF TULSA |

On this _____ day of _____, 1953, before me appeared Marian Yager, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me she executed the same as her 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 in and for Tulsa County,
State of Oklahoma

STATE OF TEXAS |
COUNTY OF DALLAS |

On this _____ day of _____, 1953, before me appeared M. E. Gimp and _____ Gimp, 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:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA
COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Morris Mizel and Flora Mizel, 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:

Notary Public in and for Tulsa County,
State of Oklahoma

STATE OF TEXAS
COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared Elizabeth Storey and Robert G. Storey, Jr., her husband, 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:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA
COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Sam Mizel and _____ Mizel, 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:

Notary Public in and for Tulsa County,
State of Oklahoma