

Case No.

853

Application, Transcript,
Small Exhibits, Etc.

March 7, 1955

Phillips Estate 3
Case 11-3
Re: #1 Copper
Lease #47789
N/60 ac. of N $\frac{1}{4}$ SE $\frac{1}{4}$
Section 28-25S-37E
Lea County, New Mexico

Harry Leonard, et al, lease

Dated: 2-28-45.

Recorded: Book 56, page 55, Oil & Gas Records of Lea County, New Mexico.

Primary Term: Ten years.

Working Interest: 3/8 of 7/8 subject to oil payment.

Consideration Paid: \$100.00 per acre plus \$1,000.00 per acre oil payment,
payable out of 1/16 of 7/8 of oil produced.

S. M. Gloyd, et ux, lease

Dated: 3-13-45.

Recorded: Book 56, page 59, Oil & Gas Records of Lea County, New Mexico.

Primary Term: Ten years.

Working Interest: 3/8 of 7/8 subject to oil payment.

Consideration Paid: \$100.00 per acre plus \$1,000.00 per acre oil payment,
payable out of 1/16 of 7/8 of oil produced.

By letter dated 12-18-53, E. A. Culbertson and Wallace W. Irwin requested Phillips to contribute 1/2 of their interest in above leases below a depth of 4000' or contribute \$7,000.00 dry hole money in support of an Ellenburger test to be located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 28-25S-37E, Lea County, New Mexico. Proposed test well was to be commenced by 4-1-54.

By letter to Culbertson and Irwin dated 2-16-54, Phillips agreed to contribute \$7,000.00 dry hole money in support of a well drilled in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 28-25S-37E, Lea County, New Mexico, to a depth of 11,000' or to excessive water in the Ellenburger formation at a lesser depth or to impenetrable substance at a lesser depth. Said letter provided that well was to be commenced by 4-1-54 and completed by 10-1-54.

By letter dated 2-24-54, Culbertson and Irwin assigned to Anderson-Prichard Oil Corporation all their interest in Phillips dry hole contribution letter dated 2-16-54.

By letter dated 3-1-54, Phillips consented to assignment of dry hole letter to Anderson-Prichard.

By letter dated 3-8-54, Culbertson and Irwin requested an extension of time to 4-15-54 within which to commence their proposed test well.

By letter dated 3-11-54, Phillips agreed that proposed test well could be commenced by 4-15-54 and completed by 10-12-54.

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Anderson-Prichard #1 American Republics Federal located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 28-258-37E, Lea County, New Mexico, was spudded 4-14-54.

By letter dated 11-29-54, Anderson-Prichard requested an extension of time to 3-1-55 within which to complete their #1 American Republics Federal.

By letter dated 12-13-54, Phillips granted an extension of time to 2-1-55 within which the #1 American Republics Federal could be completed.

#1 American Republics Federal completed 1-17-55. I.P. calculated open flow 67,500 MCFOPD thru 20/64" choke.

On 8-16-54 Phillips started negotiations with the owners under the SE $\frac{1}{4}$ Section 28-258-37E for unitizing said 160 acres and drilling an offset to the Anderson-Prichard #1 American Republics Federal. Woodley Petroleum Company, who owns lease covering the S/100 acres of SE $\frac{1}{4}$ Section 28-258-37E, advised that they would not consider unitizing except for production of gas below a depth of 1000' and would not consider this type of unitization until the Anderson-Prichard #1 American Republics Federal was completed.

Numerous discussions were had by Phillips with the owners under the SE $\frac{1}{4}$ Section 28-258-37E relative to the terms and contents of a Unit Operating Agreement. It was not possible to prepare such an agreement until the Anderson-Prichard #1 American Republics Federal was completed since it was not certain whether it would be completed as a gas well or an oil well and it was not certain as to what depth the well should be projected.

After completion of the #1 American Republics Federal, we started the preparation of a Unit Operating Agreement and after numerous discussions with the owners under the SE $\frac{1}{4}$ Section 28-258-37E, a Unit Operating Agreement covering the SE $\frac{1}{4}$ Section 28-258-37E was completed on 2-7-55.* A Phillips landman took a plane to Bartlesville, Oklahoma, on 2-7-55 and the agreement was executed by Phillips on 2-9-55.

The Phillips landman then took the Unit Operating Agreement to Abilene, Texas, to be reviewed by the Abilene, Texas, office of Woodley Petroleum Company. After reviewing the instrument with Woodley's Abilene office, the Phillips landman then took the instrument to Woodley's home office in Houston for execution where he spent five days trying to obtain the signature of Woodley Petroleum Company to the Unit Operating Agreement.

On 2-18-55 Woodley finally advised the Phillips landman that the Unit Operating Agreement was satisfactory; however, they refused to execute said agreement since in their opinion it was possible that either 320 or 640 acre proration units would be established in this area for Devonian gas production and for this reason they did not want to join in the proposed 160 acre unit and take 100/160 of the risk of drilling a dry hole.

*It was recognized that proration units in excess of 160 acres might be established in this area; however, in such event the Unit Operating Agreement could be amended to include a larger area.

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 853 (Special)

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

NEW MEXICO OIL CONSERVATION COMMISSION
MABRY HALL - STATE CAPITOL
SANTA FE, NEW MEXICO

R E G I S T E R

Case 853 -
HEARING DATE March 10, 1955 (SPECIAL HEARING) TIME: 9 a.m.

NAME	REPRESENTING:	LOCATION
E. Vanden Bark	Phillips Petroleum Co.	Midland, Texas
C. F. Keller	Phillips Petroleum Co.	Midland, Texas
Jason Kellahin	Phillips Petroleum Co.	Santa Fe, N. M.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
March 10, 1955

IN THE MATTER OF:

The application of Phillips Petroleum Company for approval of a well location and of a drilling unit of less than 40 acres in exception to Commission regulations.

Case 853

Applicant, in the above-styled cause, seeks approval of the location of a projected well in the center of NW/4 SE/4 of Section 28, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, and for approval of a drilling unit of less than 40 acres for assignment thereto, the proposed unit to consist of N/2 of NW/4 of SE/4 and N/2 of S/2 of NW/4 of SE/4 of said Section 28, as an exception to provisions of Rule 104 of the Commission's Rules and Regulations.

BEFORE:

Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 853.

MR. KELLAHIN: Jason Kellahin, representing the applicant, the Phillips Petroleum Company. This case, if the Commission please, is a hearing following the entry of an emergency order granting Phillips Petroleum Company the right to commence a well in the southeast quarter of Section 28, Township 25 South, Range 37 East. At the time the order was entered, why, a hearing was set in requirement with the statute, and we are here at this time to present our case in support of the emergency order and ask that it be made permanent. In connection with our petition, we also

ask that the Commission call a hearing to set pool rules and define the limits of the pool which was discovered by Anderson and Pritchard's well in the same Section. In view of the fact that the Commission has set that matter for hearing on March 16, although we came prepared to submit testimony in support of that part of our petition, unless the Commission desires, we will refrain from presenting that since it has nothing to do with the application for the emergency order. We have one witness, Mr. Charles Keller.

C H A R L E S K E L L E R

called as a witness, having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KELIAHIN:

Q. Would you state your name, please.

A C. F. Keller.

Q By whom are you employed?

A Phillips Petroleum Company.

Q In what position?

A Division landman.

Q Where are your offices?

A Midland, Texas.

Q Does your jurisdiction include the State of New Mexico?

A Southeastern New Mexico, seven counties including Lea County, New Mexico.

Q In your position as division landman, are you familiar with the application which was filed by Phillips Petroleum Company for unorthodox drilling unit in Section 28, 25, 37 East?

A Yes.

Q Are you familiar, Mr. Keller, with the history of that lease insofar as Phillips Petroleum Company is concerned?

A Yes, I am.

Q Phillips own a lease in that Section?

A Yes, we have two oil and gas leases covering, each covering the north 60 acres of that southeast quarter. The two leases together cover a total of a three-fourths interest in that 60 acres.

(Marked exhibits 1 and 2
for Phillips Petroleum Co.)

Q I hand you what has been marked as Phillips Exhibit No. 1 and ask you to state to the Commission what that is.

A This is an oil and gas lease dated March 13, 1945, between S. M. Gloyd and wife covering the north 60 acres of the north-half southeast Section 28, Township 25, South, Range 37 East.

Q I hand you what has been marked as Phillips Exhibit 2 and ask you to state what that is.

A It is an oil and gas lease dated 2-28-45 from Harry Leonard, et al, covering the north 60 acres of the southeast quarter, Section 28, 25 South, 37 East.

Q Exhibit No. 2 cover the same acreage as the Exhibit 1?

A Yes, it is described a little different, but it covers the same acreage.

Q What is the expiration date?

A The first lease from S. M. Gloyd expires on March 13, 1955; the Harry Leonard, et al, lease expires on February 28, 1955.

Q Was there any manner by which you could perpetuate those leases other than drilling a well?

A No, there was not.

Q The lease so provide?

A No.

Q That is an implied covenant of the lease?

A Sir?

Q The lease provides that the lease would be perpetuated if a well is commenced drilling?

A That is true, yes.

Q Mr. Keller, was any effort made by Phillips Petroleum Company to obtain communitization or unitization of those leases with other lands in order to form an orthodox drilling unit?

A Yes, we attempted to communitize the southeast quarter as a unit to drill a joint test. We didn't meet with much success. Woodley Petroleum Company - -

Q Pardon me, before we go any further. Would you state what interests are covered by the two leases?

A Yes, the Harry Leonard, et al, lease covers a three-eighths interest. The S. M. Gloyd lease covers a three-eighths interest.

Q All in the same acreage?

A All covering the same land, makes a total of three-fourths interest in the 60 acres.

Q In that connection, are you familiar with the royalty ownership?

A Yes, sir.

Q Would you state to the Commission what that is; if you have that available?

A I have that here. I can't quote from memory, but I do

have that.

Q You can refer to the petition and state whether that is correct, if you are familiar with it.

A Harry Leonard is the owner of a one-fourth of the one-eighth royalty; S. M. Gloyd is the owner of three-eighths of the one-eighth royalty; and the Saunders estate is the owner of a one-eighth of the one-eighth royalty.

Q That cover all the royalty interest?

A No, it does not. That covers three-fourths of the one-eighth royalty.

Q That is the interest that you have?

A That is the interest that we have under lease.

Q Are you familiar with the other royalty ownership?

A The other royalty ownership, actually there is one-fourth of the minerals that are unleased. It is presently owned by some forty individuals, about 98 percent of that being owned by Charles B. Wrightsman.

Q The other 2 percent is owned - -

A The other 2 percent is owned by about 39 or 40 individuals.

Q Mr. Keller, you go ahead and tell the Commission the efforts that were made by the Phillips Petroleum Company prior to their application for the emergency order to obtain some kind of a unit operating agreement.

A In August of 1954, we first approached all of the owners under the southeast quarter in an attempt to form a 160-acre unit. Woodley Petroleum Company owned an oil and gas lease covering 100 acres of the southeast quarter and they advised us at that time that they would not consider entering into any kind of a unit operation

except as to all rights below 4,000 feet, and even then they would not consider such a unit until the Anderson-Pritchard well offset the southeast quarter was completed. We continued our negotiations while the well was drilling in an attempt just to reach an agreement on the contents of a unit agreement so that we would be ready immediately upon completion of the Anderson-Pritchard well to form such a unit.

We had every indication that these parties were going to join us in such a unit just as soon as the Anderson-Pritchard well was completed. It was completed in the latter part of January, 1955, at which time we prepared a proposed unit operating agreement covering the southeast quarter of the Section. Time was getting a little short, so we had one of our land man fly the instrument to our office and obtain the execution of our management, after which the land man took the instrument to Abilene, Texas, to the office of Woodley Petroleum Company.

He spent two days with Woodley going over the instrument, after which time he took the instrument to their Houston office where they had an executive who had the authority to execute such an agreement. He spent five days in Houston with Woodley Petroleum Company and finally on the fifth day they told him that they were not going to sign the agreement, for the reason that under the proposed agreement they would own a 100/160 interest in the proposed well in the unit. They didn't feel like taking that percentage of the risk of a dry hole, when in their opinion there was a good possibility that the Oil and Gas Commission might establish 320 or 640 acre proration units, in which event their dry hole risk would be considerably less than it would be under

160 acre unit. After they refused to execute the instrument, we were, of course, stopped, there was no place else to go.

Q Are you familiar with the Anderson-Fritchard well?

A Yes, I am.

Q Is that productive of gas or oil?

A Gas.

Q What formation?

A Devonian formation.

Q Is there any other such production within the area--

A No, there is not.

Q -- in this application?

A No.

Q The Anderson-Fritchard well was, then, a wildcat well?

A Yes, it sure was.

Q Do you know what that was tested out, approximately?

A The calculated open-flow was 67,500 M.C.F. gas per day.

Q Do you know from what depth, approximately?

A I have the approximate depth, I believe, it was approximately eighty-five, eighty-six hundred feet--8390.

Q Have you prepared a statement covering Phillips' efforts to communitize this land?

A Yes, I do have one.

Q Do you have an extra copy?

A Yes, I sure do.

Q That covers all the activities which you described?

A Yes, this covers all the activities in the area.

Q To which you have testified?

A Yes, sir, sure enough.

(Marked exhibit No. 3 for
Phillips Petroleum Company)

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits 1, 2 and 3.

MR. MACEY: Without objections they will be received in evidence.

Q Do you have anything to add to your testimony?

A I don't believe I do.

MR. KELLAHIN: That is all we have.

A I might add that we did make an effort to obtain an extension of our oil and gas leases in this area, these particular leases covering this 60 acres. We contacted Mr. Harry Leonard on two different occasions in an attempt to gain just any kind of an extension of time, and were refused in both instances for an extension.

MR. KELLAHIN: Did Mr. Leonard express any opinion about your securing permission to drill a well?

A He made the remark that he could see no reason why we shouldn't go ahead and drill the well, and that if we didn't want to drill a well, he would be happy to have his lease back.

Q Did he express any opposition to this application?

A No, he did not.

MR. KELLAHIN: That is all I have.

MR. WALKER: What interest would Harry Leonard have in this well if you did go ahead and drill it? I think you answered that to start with.

A This particular well that we are drilling? He would own a royalty interest of 1/4 of 1/8.

MR. KELLAHIN: Also, under the terms of the lease, if you

encountered oil he would have an oil payment?

A Yes, he is entitled to an oil payment of 1,000, of 1,000 an acre, 1/16 of 7/8.

MR. WALKER: Why wouldn't it be to his advantage to drill the well?

A We think it would be to his advantage to drill the well.

MR. WALKER: I can't understand why he wouldn't sign the extension of time.

A He would prefer to own a working interest rather than a royalty.

MR. KELLAHIN: Would it not mean a matter of delay in getting production on the land, in the event he didn't grant an extension?

A Yes, it would.

MR. KELLAHIN: He wants production now?

A That is true.

MR. MACEY: I don't know whether you mentioned it or not, but the Anderson-Pritchard well is a direct offset to the north 60 acres of the southeast quarter.

A That is true.

MR. MACEY: Incidentally, in connection with Mr. Leonard's interest, now his interest, 1/4 of 1/8, is under 60 acres, is it not?

A That is true.

MR. MACEY: Is the interest of Wrightsman Standard of Kansas?

A That is true.

MR. KELLAHIN: I have a few more questions.

In view of the Anderson-Pritchard well location as a direct offset, is there a possibility that the land under lease to Phillips

would suffer drainage?

A Yes, there is.

Q Did Phillips participate in the Anderson-Pritchard well?

A We agreed to contribute dry-hole money in support of the Anderson-Pritchard. We gave them a dry-hole letter in the support of \$7,000 in connection with that well.

MR. MACEY: Did Anderson-Pritchard make any effort to unitize possibly the south half of the section or - -

A Not to my knowledge.

MR. MACEY: Do you know if they have made any other efforts in the area in unitization?

A No, I do not.

MR. MACEY: The reason I ask the question is that we have a lot of communitization from various companies in the area who don't know exactly which way to go or what to do. I think most of it is dependent on what Anderson-Pritchard tries to form from their discovery well. It has more or less curtailed any activities in the area at the present time because Anderson-Pritchard as I understand it, they only own 80 acres, being the east half of the southwest quarter.

A I am not sure whether they have any other acreage in there or not.

MR. MACEY: Any other questions? If nothing further, we will take the case under advisement. You have a statement you want to make?

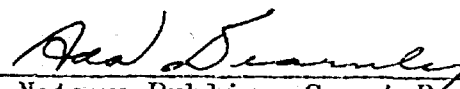
MR. KELLAHIN: I would like to point out in view of the testimony with regards to the drainage; it would indicate that Phillips would have an obligation to drill this well to protect

the Harry Leonard and other interest owners in the area. That is another basis for our application.

STATE OF NEW MEXICO)
 : ss.
County of Bernalillo)

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 17th day of March, 1955.


Notary Public, Court Reporter.

My Commission Expires:
June 19, 1955.

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. 853
Order No. R-589- A

IN THE MATTER OF THE APPLICATION OF
PHILLIPS PETROLEUM COMPANY FOR A
PERMANENT ORDER GRANTING AN
EXCEPTION TO RULE 104 OF THE RULES
AND REGULATIONS OF THE NEW MEXICO
OIL CONSERVATION COMMISSION TO ALLOW
THE DRILLING OF A WELL LOCATED IN THE
CENTER OF NW/4 SE/4 OF SECTION 28,
TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM,
LEA COUNTY, NEW MEXICO; AND TO APPROVE
A DRILLING UNIT OF LESS THAN 40 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at Santa Fe, New Mexico, on this 10th day of March, 1955, on the application of Phillips Petroleum Company pursuant to an emergency order heretofore issued by the Commission, for approval of a well location 660 feet east of the west line, and 660 feet south of the north line of the southeast quarter of Section 28, Township 25 South, Range 37 East, NMPM, and for approval of a drilling unit of less than 40 acres as an exception to the provisions of Rule 104 of the Rules and Regulations of the New Mexico Oil Conservation Commission, hereinafter referred to as the Commission.

NOW, on this 10th day of March, 1955, the Commission, a quorum being present, having considered all of the testimony and exhibits offered at said hearing and being fully advised in the premises,

FINDS:

(1) That the Commission on February 24, 1955, entered its emergency order No. R-589, granting Phillips Petroleum Company authority to commence drilling of a well located 660 feet east of the west line and 660 feet south of the north line of the southeast quarter of Section 28, Township 25 South, Range 37 East, NMPM, and approving a drilling unit of less than 40 acres for said well.

(2) That as a result of said emergency order, this matter was set for hearing and that notice has been given as required by law.

(3) That Phillips Petroleum Company is the owner of a three-fourths undivided working interest in the north 60 acres of the southeast

quarter of Section 28, Township 25 South, Range 37 East, NMPM, and that the one-fourth interest outstanding is owned or controlled 98 per cent by C. B. Wrightsman of Houston, Texas, and the other 2 per cent by numerous other owners.

(4) That the royalty ownership under the two Phillips leases is as follows:

(a) Harry Leonard, Roswell, New Mexico - $1/4$ of $1/8$

(b) S. M. Gloyd, Oklahoma City, Okla. - $3/8$ of $1/8$

(c) Saunders Estate, Roswell, N. M. - $1/8$ of $1/8$

(5) That the Harry Leonard and Saunders lease would expire by its terms February 28, 1955, unless a well were first commenced prior to that date, and that the Gloyd lease would expire by its terms March 13, 1955, unless a well were first commenced prior to that date.

(6) That Anderson-Prichard Oil Corporation has drilled a well, designated as the Anderson-Prichard Oil Corporation No. 1 American Republic Federal, located 1980 feet from the south line and 1980 feet from the west line of Section 28, Township 25 South, Range 37 East, NMPM, which well was completed for the production of gas from the Devonian formation, and which well is located more than one mile from the boundaries of any defined gas pool and no pool rules have been set up covering this area.

(7) That as a result of said well, Phillips Petroleum Company and its lessors could possibly suffer drainage.

(8) That Phillips Petroleum Company has made diligent efforts to communitize its acreage with other acreage to form an orthodox drilling unit, and has sought an extension of its leases, but has been unable to do so.

(9) That unless an exception is granted to the provisions of Rule 104, and the location of applicant's well is approved, applicant will be deprived of the right to recover its just and equitable share of the oil or gas, or both, underlying its lands.

(10) That approval of applicant's application is in the interests of conservation, and that correlative rights will be protected.

IT IS THEREFORE ORDERED:

(1) That the location of the Phillips Petroleum Company well, 660 feet east of the west line and 660 feet south of the north line of the south-east quarter of Section 28, Township 25 South, Range 37 East, NMPM is hereby approved.

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Order No. R-589-A

(2) That the tract encompassing the north half of the northwest quarter of the Southeast quarter, and the north half of the South half of the northwest quarter of the southeast quarter is approved as a drilling unit for the purposes of this well.

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 APPLICATION
OF PHILLIPS PETROLEUM COMPANY
FOR AN EMERGENCY ORDER GRANTING
AN EXCEPTION TO RULE 104 OF THE RULES
AND REGULATIONS OF THE NEW MEXICO
OIL CONSERVATION COMMISSION TO ALLOW
THE DRILLING OF A WELL TO BE LOCATED
IN THE CENTER OF NW/4 SE/4 OF SECTION
28, TOWNSHIP 25 SOUTH, RANGE 37 EAST,
NMPM, LEA COUNTY, NEW MEXICO; AND
TO APPROVE A DRILLING UNIT OF LESS
THAN 40 ACRES.

CASE NO. 853
Order No. R-589
(Emergency)

EMERGENCY ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for consideration on the application of Phillips Petroleum Company for an emergency order as provided by Rule 1202 of the Rules and Regulations of the Oil Conservation Commission of New Mexico for approval of a well location 660 feet east of the west line, and 660 feet south of the north line of the southeast quarter of Section 28, Township 25 South, Range 37 East, NMPM, and for emergency approval of a drilling unit of less than 40 acres as an exception to the provisions of Rule 104.

NOW, on this 24th day of February, 1955, the Commission having considered said petition and good cause appearing therefor.

FINDS:

(1) That Phillips Petroleum Company appears to be the owner of a 3/4 undivided working interest in the north 60 acres of the southeast quarter Section 28, Township 25 South, Range 37 East, NMPM, and that other mineral interests under said southeast quarter Section 28, Township 25 South, Range 37 East, NMPM, are set out in the petition on file herein.

(2) That unless an emergency order is granted, Phillips Petroleum Company may be denied its right to recover its just and equitable share of oil and gas, or both, in the pool, and may be denied an opportunity to drill upon and produce from the lands held by the applicant.

IT IS THEREFORE ORDERED:

(1) That Phillips Petroleum Company is hereby granted authority to drill a well located 660 feet east of the west line and 660 feet south of the north line of the southeast quarter of Section 28, Township 25 South, Range 37 East, NMPM.

Order No. R-589
(Emergency)

(2) That the north half of the northwest quarter of the southeast quarter, and the north half of the south half of the northwest quarter of the southeast quarter are approved as a drilling unit for the purposes of this well.

IT IS FURTHER ORDERED:

(1) That the provisions of this order shall be subject to any further order or orders to be entered by the Commission after notice and hearing as provided by law, and shall be construed only as an emergency approval of well location and drilling unit, subject to further order of the Commission.

(2) That this application be set for hearing as required by law on the 10th day of March, 1955, and that notice of said hearing be issued forthwith.

(3) That the provisions of this order shall in no way affect the application of the pool rules of the Jalmat Gas Pool in the event such rules become applicable to the well and unit covered by this order.

DONE at Santa Fe, New Mexico 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

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR AN EMERGENCY ORDER GRANTING
AN EXCEPTION TO RULE 104 OF THE RULES
AND REGULATIONS OF THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW MEXICO

Comes now Phillips Petroleum Company and petitions the Oil Conservation Commission of the State of New Mexico for an emergency order granting an exception to the provisions of Rule 104 relating to well spacing, acreage requirements for drilling tracts, of the Rules and Regulations of the Oil Conservation Commission of New Mexico, as provided by Rule 1202 of said Rules and Regulations, and by Sec. 65-3-20, New Mexico Statutes, 1953, Annotated, and in support thereof would show:

1. That Phillips Petroleum Company is the owner of a three-fourths undivided working interest in the north 60 acres of the Southeast Quarter ($SE\frac{1}{4}$) of Section 28, Township 25 South, Range 37 East, N.M.P.M.

2. That the south 100 acres of Section 28, Township 25 South, Range 37 East, N.M.P.M., is owned by the Woodley Petroleum Company of California.

3. That the one-fourth mineral interest outstanding under the Phillips Petroleum Company lease is owned as follows:

- a. 98% by C. B. Wrightman, Houston, Texas.
- b. 2% by a number of owners whose names are not immediately available to petitioner.

4. That Harry Leonard of Roswell, New Mexico, is lessor to Phillips Petroleum Company, and that the royalty ownership under said lease is as follows:

- a. $\frac{1}{4}$ of $\frac{1}{8}$ - Harry Leonard, Roswell, New Mexico.

b. 3/8 of 1/8 - S. M. Gloyd, Oklahoma City, Oklahoma
(Petitioner is informed that S. M.
Gloyd died February 20, 1955).

c. 1/8 of 1/8 - Saunders Estate.

5. That the lease held by Phillips Petroleum Company covering the north 60 acres of the Southeast Quarter (SE $\frac{1}{4}$) of Section 28, Township 25 South, Range 37 East, N.M.P.M. will expire by its terms on February 28, 1955, unless a well is first commenced on said acreage, and that Phillips Petroleum Company has been unable to obtain an extension of this lease.

6. That efforts to communitize acreage held by Phillips Petroleum Company with that held by Woodley Petroleum Company have been unsuccessful.

7. That Anderson-Pritchard Oil Corporation is the owner of the Southwest Quarter (SW $\frac{1}{4}$) of said Section 28, Township 25 South, Range 37 East, N.M.P.M.; that said owners have drilled a well designated as the Anderson-Pritchard Oil Corporation No. 1 American Republics Federal, located 1980 feet from the South line and 1980 feet from the West line of said section; that said well has been completed as a producer from the Devonian formation at a depth of approximately 8,498 feet, and is productive of large quantities of gas.

8. That as a result of such well, drainage of the acreage owned by Phillips Petroleum Company is occurring or will occur, thereby creating possibility of liability for drainage to Phillips' lessor.

9. That there are not now in existence any field rules governing gas production from this formation in the area, and it is now too early to tell what should be the limits of the pool to be created or what field rules, including rules setting up spacing regulations and proration units, should be adopted by the Commission.

10. That Phillips Petroleum Company cannot drill within the defined limits of the Jalmat Gas Pool without an exception to the pool rules for said pool; and cannot drill to the Devonian formation without an exception to the provisions of Rule 104 of the Rules and Regulations of the New Mexico Oil Conservation Commission.

11. That unless an exception is granted, applicant will be denied an opportunity to recover its just and equitable share of the oil or gas, or both, in the pool, and will be denied an opportunity to drill on and produce from the lands held by applicant, contrary to the provisions of law.

12. That such drilling and production can be done without waste.

WHEREFORE, petitioner prays this honorable commission to enter its order:

a. Granting emergency authority to drill a well, to be located 660 feet East of the West line, and 660 feet South of the North line of the Southeast Quarter (SE $\frac{1}{4}$) of Section 28, Township 25 South, Range 37 East, N.M.P.M.

b. Setting this matter for hearing at the earliest practicable date, for the entry of a permanent order approving the location and unit involved herein.

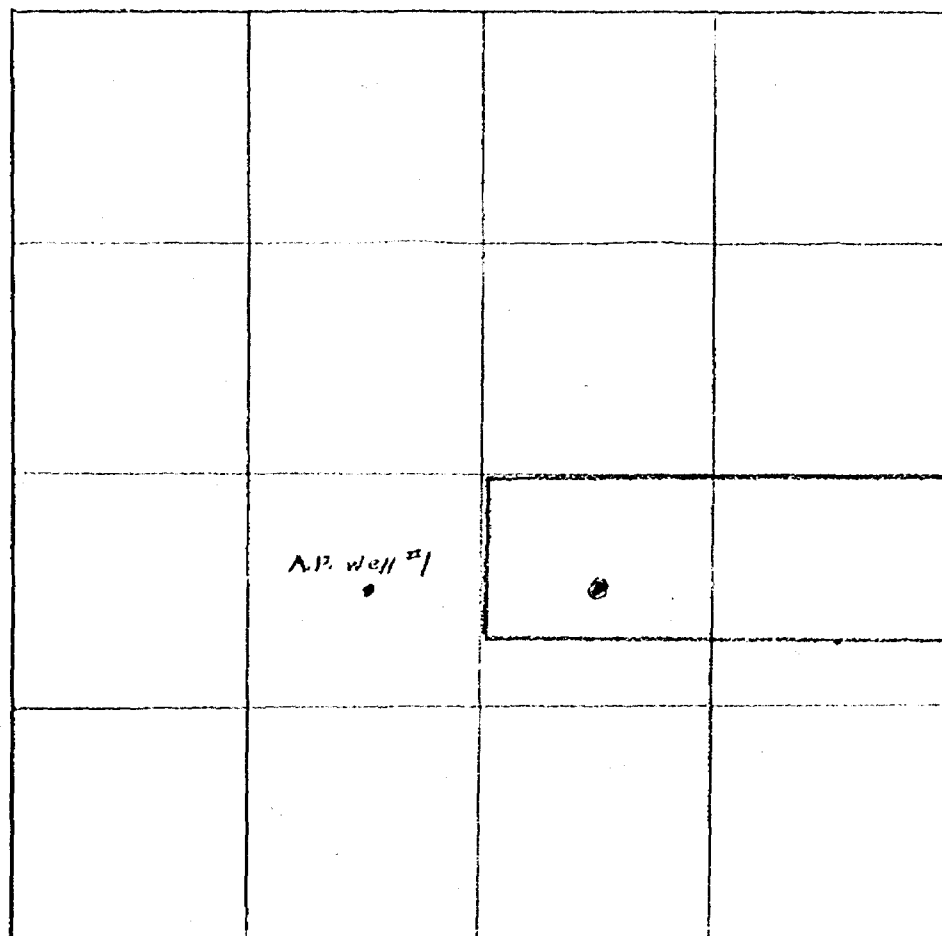
c. Providing that in the event said well is completed within the defined limits of the Jalmat Gas Pool, petitioner shall immediately apply for the establishment of an unorthodox unit under the provisions of the pool rules of the Jalmat Gas Pool.

d. Such other and further relief as shall appear proper in the premises.

PETITIONER FURTHER PRAYS that this honorable Commission, after due notice as required by law, call a hearing for the establishment of field rules, establishing the vertical and horizontal limits of the common source of supply discovered by the Anderson-Pritchard Oil Corporation well in Section 28, Township 25 South, Range 37 East, N.M.P.M. fixing spacing regulations therein, and such other matters as may be properly considered at such hearing.

Respectfully submitted,

Jason W. Kellaher
Attorney for Phillips Petroleum Co.



Section 28, Township 25 South, Range 37 East, NMPM

● Phillips' proposed location

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

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following special public hearing to be held at 9 o'clock a.m. on March 10, 1955, 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 case, and notice to the public.

CASE 853:

In the matter of the application of Phillips Petroleum Company for approval of a well location and of a drilling unit of less than 40 acres in exception to Commission regulations.

Applicant, in the above-styled cause, seeks approval of the location of a projected well in the center of NW/4 SE/4 of Section 28, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, and for approval of a drilling unit of less than 40 acres for assignment thereto, the proposed unit to consist of N/2 of NW/4 of SE/4 and N/2 of S/2 of NW/4 of SE/4 of said Section 28, as an exception to provisions of Rule 104 of the Commission's Rules and Regulations.

GIVEN under the seal of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 23rd day of February, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

W B Macey
W. B. MACEY, SECRETARY

S E A L

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 28th day of February, 1945 between

Harry Leonard and wife, Mable Leonard; and H. P. Saunders Jr., and wife Jimmie Saunders

Lessor (whether one or more), and
Lessee, WITNESSETH: Phillips Petroleum Company

1. Lessor in consideration of Ten - - - - - and - - - - - -no/100 Dollars
10.00

(1) In hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets to Lessee, unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, and housing its

employees, the following described land in Lea County, New Mexico, to-wit:

North Sixty (60) acres of the Southeast quarter (SE/4)
Section Twenty eight (28) Township Twenty-Five (25)
South, Range Thirty-Seven (37) East, N.M.P.M.

*Phillips Ex No 2
853*

60

and containing three, more or less. In the event a resurvey of said lands shall reveal the existence of excess and/or vacant lands lying adjacent to the lands above described and the lessor, his heirs, or assigns, shall, by virtue of his ownership of the lands above described, have preference right to acquire said excess and/or vacant lands, then in that event this lease shall cover and include all such excess and/or vacant lands which the lessor, his heirs, or assigns, shall have preference right to acquire by virtue of his ownership of the lands above described as and when acquired by the lessor, and the lessee shall pay the lessor for such excess and/or vacant lands at the same rate per acre as the cash consideration paid for the acreage hereinabove mentioned.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land hereunder.

3. The royalties to be paid Lessor are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; where gas from a well producing gas only is not sold or used, Lessee may pay as royalty \$50.00 per well per year, and upon such payment it will be considered that gas is being produced within the meaning of Paragraph 4 hereof; and (c) all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be fifty cents (50c) per long ton. Lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling on said land during the same time, by making lessor's own connections with the well at lessor's own risk and expense. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used.

4. If operations for drilling are not commenced on said land on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to credit of Lessor in

First National

Bank at Roswell, New Mexico

successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals)

the sum of Thirty - - - - - and - - - - - -no/100 Dollars

30.00

(3) months, (herein called rentals), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to said bank on or before such date of payment. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessee shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment in consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

5. If prior to discovery of oil or gas on said land Lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within sixty (60) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of three months from date of completion of dry hole or cessation of production. If at the expiration of the primary term oil, gas or other mineral is not being produced on said land but Lessee, is then engaged in drilling or reworking operations thereon, the lease shall remain in force so long as operations are prosecuted with no cessation of more than thirty (30) consecutive days, and if they result in the production of oil, gas or other minerals so long thereafter as oil, gas or other mineral is produced from said land.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing without the consent of Lessor. When required by Lessor, Lessee will bury pipe lines below ordinary plow depth.

7. The Lessee agrees to promptly pay to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lessee.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, successors and assigns, but no change or divisions in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No sale or assignment by Lessor shall be binding on Lessee until Lessee shall be furnished with a certified copy of recorded instrument evidencing same. In event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

9. Lessee is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with the spacing rules of any lawful authority, or when so do so would, in the judgment of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises, such pooling to be into a unit or units not exceeding 40 acres each, except that in cases where it may be necessary or convenient to conform to unit to survey subdivisions such unit may contain not to exceed 43 acres. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Provided, Lessee shall be under no obligation whatsoever, express or implied, to drill more than one well to each such unitized tract, regardless of when, where or by whom offset wells may be drilled.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby, nor be grounds for cancellation hereof, in whole or in part, save as herein expressly provided. If at any time it shall be determined by judicial ascertainment that Lessee is obligated or required to drill a well or wells upon the leased premises or any area pooled or unitized in accordance with the provisions hereof, Lessee shall have ninety days after such judicial determination within which to commence the drilling of such well or wells.

11. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply same and royalties against hereunder upon satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns a lien interest in the above described land then the entire undivided fee simple estate therein, then the royalties and rentals to be paid Lessor shall be only in the proportion that his interest bears to the whole and undivided fee.

ILLEGIBLE

12. Lessor excepts from the operation hereof and reserves unto himself, his heirs and assigns, 1/16th of 7/8ths of all (8/8ths) oil which may be produced and saved from the lands above described under this oil and gas lease, if, as and when produced and saved, free and clear of all cost of development or operation (except that such interest shall bear its own ad valorem and gross production taxes) until there shall have been produced, and saved to the credit of said reserved interest, oil of the total market value of \$60,000.00 at the current market price at the time and place of production, whereupon the interest of lessor reserved in this paragraph in said production shall cease and said reserved interest shall become vested in lessee and in its successors in title; (1) provided that if it should develop that lessor's interest covered by this lease is less than the entire fee simple estate in the oil, gas and other minerals in the lands above described, then the interest reserved to lessor herein and the amount to be retired by said reserved interest shall be reduced proportionately to accord with lessor's interest in the oil, gas and other minerals in the lands above described; (2) provided further that lessee shall have an option to purchase from time to time lessor's interest in said production at the current market price at the well at the time and place of production; (3) in the event the above described lands should be unitized or pooled with other land for development, then only such portion of the above mentioned reserved interest shall be payable to retire the above amount of money as is represented by a fraction the numerator of which shall be the area of that portion of the lands above described included in the unitized or pooled lands and the denominator of which shall be the area of the unitized or pooled lands.

13. The lessor hereby waives the benefits of the expressed and implied covenants of this lease as to drainage from producing wells now located on adjacent properties.

WITNESS OUR hands and seals on this 28th day of February, 1945.

Harry Leonard
Mabel F. Leonard
H. F. Saunders, Jr.
Jimmie Saunders

ILLEGIBLE

NEW MEXICO
INDIVIDUAL ACKNOWLEDGMENT

STATE OF New Mexico
COUNTY OF Chaves } SS.

On this 28th day of February, 1945, before me personally appeared Harry Leonard, Mabel F. Leonard, H. P. Saunders, Jr., and Jimmie Saunders to me known to be the person or persons described in and who executed the foregoing instrument, and acknowledged that 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 above written.
My commission expires May 21, 1945 Edna Mae Bear
Notary Public.

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 19____, before me personally appeared _____ to me known to be the person or persons described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ 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 above written.
My commission expires _____ Notary Public.

CORPORATION ACKNOWLEDGMENT

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 19____, before me appeared _____ to me personally known, who, being by me duly sworn, did say that he is _____ President of _____ a corporation, and that the seal affixed to said instrument is the corporation 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires _____ Notary Public.

PRODUCERS IS REVISED—NEW MEXICO

No. _____

OIL, GAS AND MINERAL LEASE

FROM _____

TO _____

Deed _____, 19____

No. Acres _____

County, New Mexico _____

Term _____

This instrument was filed for record on the _____ day of _____, 19____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the _____ records of this office.

County Clerk _____

County, New Mexico _____

By _____ Deputy.

When Recorded Return to _____

FILED

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
known to me to be the person _____ whose name _____ subscribed to the foregoing instrument, and acknowledged to me that
he _____ executed the same for the purposes and consideration therein expressed.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____ A. D. 19 _____

(L. S.)

Notary Public in and for _____

County, Texas.

WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
_____, Wife of _____, known
to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her
husband, and having the same fully explained to her, she, the said
acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consid-
eration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____ A. D. 19 _____

(L. S.)

Notary Public in and for _____

County, Texas.

JOINT ACKNOWLEDGMENT

OKLAHOMA
THE STATE OF ~~TEXAS~~, }
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
S. M. GLOYD _____ and _____ ONEZ NORMAN GLOYD _____, his wife, both
known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the
same for the purposes and consideration therein expressed and, the said _____ ONEZ NORMAN GLOYD _____, wife
of the said _____ S. M. GLOYD _____
having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said
ONEZ NORMAN GLOYD _____ acknowledged such instrument to be her act and deed, and she
declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ 14th day of _____ March _____ A. D. 19 45

Notary Public in and for _____

County, ~~Texas~~ Oklahoma

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
_____, known to me to be the person and officer whose name is subscribed
to the foregoing instrument, and acknowledged to me that the same was the act of the said
_____, a corporation, and that he executed the same as the act of such corporation for
the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____ A. D. 19 _____

(L. S.)

Notary Public in and for _____

County, Texas.

ILLEGIBLE

PRODUCERS AS REVISED—TEXAS

No. _____

OIL, GAS AND MINERAL LEASE

FROM _____

TO _____

Dated _____, 19 _____

No. Acres _____

County, Texas.

Term _____

This instrument was filed for record on the _____

day of _____, 19 _____

at _____ o'clock _____

in Book _____

of the _____ Page _____

County Clerk.

County, Texas.

By _____

When Recorded Return to _____

LEASED EXPIRING 00-00-0000 1944

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this _____ day of _____ 19____ between

S. M. Gloyd and Onez Norman Gloyd, husband and wife, of Oklahoma City, Oklahoma

Lessor (whether one or more), and Phillips Petroleum Company
Lessee. WITNESSETH:

1. Lessor in consideration of Ten - - - - - and - - - - - no/100 Dollars

(\$10.00) in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Lea County, Texas, to-wit:

North 60 Acres of the North one-half of the
Southeast one-fourth Section 28, Township
25-South, Range 37-East.

Phillips Petroleum Co.
853

FILED

and containing 60 acres, more or less. In the event a resurvey of said lands shall reveal the existence of excess and/or vacant lands lying adjacent to the lands above described and the lessor, his heirs, or assigns, shall, by virtue of his ownership of the lands above described, have preference right to acquire said excess and/or vacant lands, then in that event this lease shall cover and include all such excess and/or vacant lands which the lessor, his heirs, or assigns, shall have the preference right to acquire by virtue of his ownership of the lands above described as and when acquired by the lessor; and the lessee shall pay the lessor for such excess and/or vacant lands at the same rate per acre as the cash consideration paid for the acreage hereinabove mentioned.

2. Subject to the other provisions herein contained, this lease shall be for a term of 10 years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land hereunder.

3. The royalties to be paid Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the well or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price thereof prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; where gas from a well producing gas only is not sold or used, Lessee may pay as royalty \$50.00 per well per year, and upon such payment it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; and (c) all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be fifty cents (50c) per long ton. Lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling on said land during the same time, by making lessor's own connections with the well at lessor's own risk and expense. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used.

4. If operations for drilling are not commenced on said land on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to credit of Lessor in

The First National Bank & Trust Co. Bank at Oklahoma City, Oklahoma (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals)

the sum of Sixty - - - - - and - - - - - no/100 Dollars

(\$60.00) (herein called rentals), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to said bank on or before such date of payment. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessee shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time execute and deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

5. If prior to discovery of oil or gas on said land Lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or re-working operations within sixty (60) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of three months from date of completion of dry hole or cessation of production. If at the expiration of the primary term oil, gas or other mineral is not being produced on said land but Lessee is then engaged in drilling or re-working operations thereon, the lease shall remain in force so long as operations are prosecuted with no cessation of more than thirty (30) consecutive days, and if they result in the production of oil, gas or other minerals so long thereafter as oil, gas or other minerals is produced from said land.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing without the consent of Lessor. When required by Lessor, Lessee will bury pipe lines below ordinary plow depth.

7. The Lessee agrees to promptly pay to the owner thereof any damages to crops, or improvements, caused by or resulting from any operations of Lessee.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, successors and assigns, but no change or division in ownership of the land, rentals, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No sale or assignment by Lessor shall be binding on Lessee until Lessee shall be furnished with a certified copy of recorded instrument evidencing same. In event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

9. Lessee is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with the spacing rules of any lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises, such pooling to be into a unit or units not exceeding 40 acres each, except that in cases where it may be necessary or convenient to conform a unit to survey subdivisions such unit may contain not to exceed 43 acres. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Provided, Lessee shall be under no obligation whatsoever, express or implied, to drill more than one well to each such unitized tract, regardless of whom, where or by whom effect wells may be drilled.

10. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby, nor be grounds for cancellation hereof, in whole or in part, save as herein expressly provided. If at any time it shall be determined by judicial ascertainment that Lessee is obligated or required to drill a well or wells upon the leased premises or any area pooled or unitized in accordance with the provisions hereof, Lessee shall have ninety days after such judicial determination within which to commence the drilling of such well or wells.

11. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns a less interest in the above described land than the entire undivided fee simple estate therein, then the royalties and rentals to be paid Lessor shall be only on the proportion that his interest bears to the whole and entitled to.

12. Lessor excepts from the operation hereof and reserves unto himself, his heirs and assigns, 1/16th of 7/8th of all (8/8ths) oil which may be produced and saved from the lands above described under this oil and gas lease, if, as and when produced and saved, free and clear of all cost of development or operation (except that such interest shall bear its own ad valorem and gross production taxes) until there shall have been produced, and saved to the credit of said

12. Lessor excepts from the operation hereof and reserves unto himself, his heirs and assigns, 1/16th of 7/8th of all (8/8ths) oil which may be produced and saved from the lands above described under this oil and gas lease, if, as and when produced and saved, free and clear of all cost of development or operation (except that such interest shall bear its own ad valorem and gross production taxes) until there shall have been produced, and saved to the credit of said reserved interest, oil of the total market value of \$6000.00 at the current market price at the time and place of production, whereupon the interest of lessor reserved in this paragraph in said production shall cease and said reserved interest shall become vested in lessee and in its successors in title; (1) provided that if it should develop that lessor's interest covered by this lease is less than the entire fee simple estate in the oil, gas and other minerals in the lands above described, then the interest reserved to lessor herein and the amount to be retired by said reserved interest shall be reduced proportionately to accord with lessor's interest in the oil, gas and other minerals in the lands above described; (2) provided further that lessee shall have an option to purchase from time to time lessor's interest in said production at the current market price at the well at the time and place of production; (3) in the event the above described lands should be unitized or pooled with other land for development, then only such portion of the above mentioned reserved interest shall be payable to retire the above amount of money as is represented by a fraction the numerator of which shall be the area of that portion of the lands above described included in the unitized or pooled lands and the denominator of which shall be the area of the unitized or pooled lands.

13. The lessor hereby waives the benefits of the expressed and implied covenants of this lease as to drainage from producing wells now located on adjacent properties.

WITNESS our hands and seals on this 13th day of March, 1945.

Sam Lloyd
Orin Thomas Lloyd

UNRECORDED

New Mexico
OIL CONSERVATION COMMISSION



GOVERNOR JOHN F. SIMMS
CHAIRMAN
LAND COMMISSIONER E. S. WALKER
MEMBER
STATE GEOLOGIST W. B. MACEY
SECRETARY & DIRECTOR

P. O. Box 871
SANTA FE, NEW MEXICO

February 23 1955

Editor
THE NEW MEXICAN
SANTA FE N M

Re: Notice of Publication

Case 853 (Special Hearing 3-10-55)

Dear Sir:

Please publish the attached notice one time immediately on receipt of this request. Please proofread carefully, as any error in a land description or in a key word or phrase can invalidate the entire notice.

Immediately upon completion of publication, please send the following to this office:

1. Publisher's affidavit in duplicate.
2. Statement of cost (also in duplicate).
3. Signed voucher (which is attached to this notice).

We should have these immediately after publication in order that the legal notice will be available for the hearing which it advertises, and also so that there will be no delay in your receiving proper payment.

Please publish the notices not later than as soon as possible, please

Very truly yours,

W. B. MACEY,
Secretary-Director

Encl.

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

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following special public hearing to be held at 9 o'clock a.m. on March 10, 1955, 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 case, and notice to the public.

CASE 833:
In the matter of the application of Phillips Petroleum Company for approval of a well location and of a drilling unit of less than 40 acres in exception to Commission regulations.

Applicant, in the above-styled cause, seeks approval of the location of a projected well in the center of NW¼ SE¼ of Section 28, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico, and for approval of a drilling unit of less than 40 acres for assignment thereto, the proposed unit to consist of N½ of NW¼ of SE¼ and N½ of S½ of NW¼ of SE¼ of said Section 28, as an exception to provisions of Rule 104 of the Commission's Rules and Regulations.

GIVEN under the seal of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 23rd day of February, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
(Sgd) W. B. MACEY, SECRETARY
(SEAL)
(Published: February 25, 1955)

PUBLISHER'S BILL

44 lines, one time at \$ 4.40

lines, times, \$

Tax \$

Total . . . \$ 4.40

Received payment,

By

Affidavit of Publication

State of New Mexico, } ss.
County of Santa Fe }

I, Emory J. Bahr, being first duly sworn, declare and say that I am the (Business Manager) (Editor) of the New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy of which is hereto attached, was published in said paper once each week for one time consecutive weeks, and on the same day of each week in the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, once each week for one time weeks consecutively, the first publication being on the 25th day of February, 1955, and the last publication on the day of 19; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

Emory J. Bahr
Manager.

Subscribed and sworn to before me this 25th day of February, A.D., 1955.
Rosine Oueflet
Notary Public.

My Commission expires
June 16, 1957

New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR JOHN F. SIMMS
CHAIRMAN
LAND COMMISSIONER E. S. WALKER
MEMBER
STATE GEOLOGIST W. B. MACEY
SECRETARY & DIRECTOR



P. O. Box 871
SANTA FE, NEW MEXICO

February 23, 1955

Editor
Hobbs Daily News Sun
HOBBS, NEW MEXICO

Re: Notice of Publication

Case 853

Special Hearing 3-10-55

Dear Sir:

Please publish the attached notice one time immediately on receipt of this request. Please proofread carefully, as any error in a land description or in a key word or phrase can invalidate the entire notice.

Immediately upon completion of publication, please send the following to this office:

1. Publisher's affidavit in duplicate.
2. Statement of cost (also in duplicate).
3. Signed voucher (which is attached to this notice).

We should have these immediately after publication in order that the legal notice will be available for the hearing which it advertises, and also so that there will be no delay in your receiving proper payment.

Please publish the notices not later than as soon as possible, please

Very truly yours,

W. B. MACEY,
Secretary-Director

Encl.

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea.

I, Robert L. Summers,
Publisher

Of the Hobbs Daily News-Sun, a
daily newspaper published at
Hobbs, New Mexico, do solemnly
swear that the clipping attached
hereto was published once a week
in the regular and entire issue of
said paper, and not in a supple-

ment thereof for a period of —

One time weeks.

Beginning with the issue dated —

February 28, 1955

and ending with the issue dated —

February 28, 1955

Robert L. Summers
Publisher.

Sworn and subscribed to before

me this 28 day of —

February, 1955
M. L. Bonner
Notary Public.

My commission expires —

31.7, 1957
(Seal)

This newspaper is duly qualified
to publish legal notices or ad-
vertisements within the meaning
of Section 3, Chapter 167, Laws
of 1937, and payment of fees for
said publication has been made.

LEGAL NOTICE

February 28, 1955.

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION

SANTA FE - NEW MEXICO

The State of New Mexico by its
Oil Conservation Commission here-
by gives notice pursuant to law
and the Rules and Regulations of
said Commission promulgated
thereunder of the following special
public hearing to be held at 9
o'clock a.m. on March 10, 1955,
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 case,
and notice to the public.

CASE 853:

In the matter of the application
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and of a drilling unit of less than
40 acres in exception to Commis-
sion regulations.

Applicant, in the above-styled
cause, seeks approval of the lo-
cation of a projected well in the
center of NW/4 SE/4 of Section 28,
Township 25 South, Range 37 East,
NMPM, Lea County, New Mexico,
and for approval of a drilling unit
of less than 40 acres for assign-
ment thereto, the proposed unit to
consist of N/2 of NW/4 of SE/4
and N/2 of S/2 of NW/4 of SE/4
of said Section 28, as an exception
to provisions of Rule 104 of the
Commission's Rules and Regula-
tions.

GIVEN under the seal of the
New Mexico Oil Conservation Com-
mission at Santa Fe, New Mexico,
on this 23rd day of February, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION
W. B. MACEY,
SECRETARY

S E A L