

R-709-A

# Three States Natural Gas Company

SEVENTEENTH FLOOR CORRIGAN TOWER

DALLAS 1, TEXAS

February 27, 1953



Mr. Samuel Smith  
Lease Department  
El Paso Natural Gas Company  
10th Floor, Bassett Tower  
El Paso, Texas

Dear Sir:

We received a carbon copy of your letter of February 18, 1953 to Mr. K. P. Moore of the Western Natural Gas Company, Houston, Texas in regard to the El Paso Natural Gas Company drilling a well to test the Mesa Verde formation in the E/2 of Section 27, T-31-N, R-11-W, N.M.P.M., San Juan County, New Mexico.

The Three States Natural Gas Company owns 1/4 interest in the NW/4 of the NE/4 of Section 27, T-31-N, R-11-W. The Three States Natural Gas Company is agreeable to joining the El Paso Natural Gas Company, The Western Natural Gas Company and San Jacinto Petroleum Corporation in drilling this well.

Very truly yours,

THREE STATES NATURAL GAS CO.

  
Graydon H. Laughbaum

GHL:gd

**ILLEGIBLE**

R-709-B

Western Natural Gas Company

1006 MAIN STREET

Houston 2, Texas

March 31, 1953



J. V. COWAN  
VICE-PRESIDENT  
IN CHARGE OF  
LAND AND LEASES

El Paso Natural Gas Company  
10th Floor Bassett Tower,  
El Paso, Texas

Re: E/2 Section 27, 31 North, 11 West, N.M.P.M.

Gentlemen:

We have your recent letters regarding the forming of a unit to consist of the above captioned acreage, Western to contribute its interest in the NW/4 of the NE/4 of Section 27.

It is agreeable with Western to join such unit subject to the approval of the other undivided interest owners in its acreage.

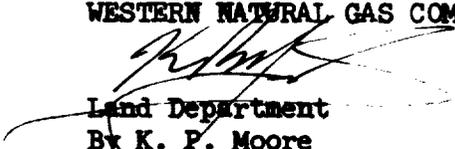
In preparation of the operating and communitization agreements, it will be necessary that there be inserted wording to the effect that such agreements supersede any and all prior agreements between Western, Three States and San Jacinto or their predecessors in title.

In accordance with your request, we enclose herewith a photostatic copy of our lease covering the acreage to be contributed by us.

If there is any further information you require, please advise.

Yours very truly

WESTERN NATURAL GAS COMPANY

  
Land Department  
By K. P. Moore

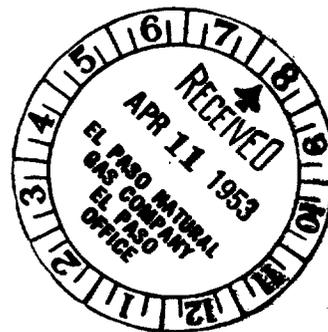
KPM:hw  
EM 156  
Enclosure

(1)

R-709-C

SAN JACINTO PETROLEUM CORP.  
SAN JACINTO BUILDING  
HOUSTON 2, TEXAS

April 9, 1953



El Paso Natural Gas Company  
Tenth Floor Bassett Tower  
El Paso, Texas

Attention: Mr. Samuel Smith  
Lease Department

Gentlemen:

We are returning one approved copy of AFE for the drilling of a well to the Mesa Verde formation, to be located on the E/2 of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico.

Yours very truly,

*B. G. Martin*

B. G. Martin

BGM ry  
Enclosure

April 8, 1953

Mr. B. G. Martin  
San Jacinto Petroleum Corporation  
Room 1107, San Jacinto Bldg.  
Houston 2, Texas

Dear Mr. Martin:

Enclosed please find three copies of a form wherein the costs of a Mesa Verde gas well would be drilled on the E/2 of Section 27, Township 31 North, Range 11 West, N.M.P.M., has been outlined.

We would appreciate you returning to us an executed copy of this Well Cost Estimate.

Very truly yours,

Samuel Smith  
Lease Department

SS:ha  
Encl.

Air Mail

**ILLEGIBLE**

R - 709 - D

COMMUNITIZATION AGREEMENT  
Calloway Pool Unit #1

THIS AGREEMENT, made and entered into as of the 1st day of June, A.D., 1953, by and between El Paso Natural Gas Company, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas (hereinafter sometimes referred to as "EL Paso"); Delhi Oil Corporation, a Delaware corporation, whose address is 823 Corrigan Tower, Dallas, Texas; Western Natural Gas Company, a Delaware corporation, whose address is 1006 Main Street, Houston, Texas; Three States Natural Gas Company, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; San Jacinto Petroleum Corporation, a Delaware corporation, whose address is San Jacinto Building, Houston, Texas; Ella Blaise, a widow, whose address is 1916 West Colorado Avenue, Colorado Springs, Colorado; Saul A. Yager, a single man, whose address is 613 Oil Capital Building, Tulsa, Oklahoma, Marian Yager, a feme sole, whose address is c/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. Gimp and wife, \_\_\_\_\_ Gimp, whose address is c/o Zales Jewelry Company, 1606 Main Street, Dallas, Texas; and Morris Mizel and his wife, Flora Mizel, and Sam Mizel and his wife, \_\_\_\_\_ Mizel, whose address is 101 West Cameron Street, Tulsa, Oklahoma;

W I T N E S S E T H:

WHEREAS, Western Natural Gas Company, as to an undivided one-half (1/2) interest, Three States Natural Gas Company, as to an undivided one-fourth (1/4) interest and San Jacinto Petroleum Corporation, as to an undivided one-fourth (1/4) interest, are the present owners and holders of that certain oil and gas lease executed by Ella Blaise, a widow, as Lessor, in favor of Byrd-Frost, Inc., as Lessee, under date of April 30, 1951, 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 27: NW/4 NE/4  
containing 40.00 acres, more or less.

said lease being recorded in Book 157, at Page 462, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by Saul A. Yager and his wife, Marian Yager, as Lessors, in favor of Wayne Moore, as Lessee, 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 27: NW/4 SE/4  
containing 40.00 acres, more or less,

said lease being recorded in Book 135, at Page 86, of the Oil and Gas Lease Records of San Juan County, New Mexico; and

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties on the last above described tract; 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 (1/4) interest in said royalty to Morris Mizel and Sam Mizel jointly, an undivided one-fourth (1/4) interest in said royalty to M. E. Gimp, and an undivided one-fourth (1/4) interest in said royalty to Marian Yager; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by James C. Sumruld and his wife, Fannie Sumruld, as Lessors, in favor of Wayne Moore, as Lessee, under date of June 3, 1947, 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 27: SW/4 SE/4  
containing 40.00 acres, more or less,

said lease being recorded in Book 125, at Page 238, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, by an Extension of Oil and Gas Lease executed by James C. Sumruld and his wife, Fannie Sumruld, under date of February 19, 1952, and recorded in Book 179, at Page 156, of the Oil and Gas Records of San Juan County, New Mexico, pooling by the Lessee of the lands covered by the last above described oil and gas lease is provided for as follows, to wit:

"Lessee at its option is hereby given the right and power to pool or combine the acreage covered by said lease or any portion thereof with other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises, such pooling to be into a unit or units not to exceed 320 acres each. 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 said lease. If production is found on the pooled acreage it shall be treated as if production is had from said lease whether the well or wells be located on the premises covered by said 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 on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties on the last above described tract; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by Carl G. Calloway, Zella Calloway, J. R. Calloway and his wife, Mary Margaret Calloway, Wiley R. Calloway and his wife, Finette Calloway, Ann L. Dunning and her husband, Harold L. Dunning, and Ruth Vandever and her husband, E. L. Vandever, as Lessors, in favor of H. F. Pettigrew, as Lessee, under date of December 29, 1949, 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 27: NE/4 NE/4  
containing 40.00 acres, more or less,

said lease being recorded in Book 140, at Page 335, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by Lessee of the lands covered thereby as follows, to wit:

"Lessees, at their option, are 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 Lessees' judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 320 acres each in the event of a gas well. Lessees shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated 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, Lessors shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of their acreage placed in the unit or their royalty interest therein on the acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, Delhi Oil Corporation is the present owner and holder of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties in the last above described tract; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Sarah Meyers Hedges, a feme sole, as Lessor, in favor of El Paso Natural Gas Company, as Lessee, under date of May 26, 1953, embracing the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 27: SW/4 NE/4  
containing 40.00 acres, more or less,

said lease being recorded in Book 212, at Page 211, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by Lessee of the lands covered thereby as follows, to wit:

"Lessee at its option, 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 to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 320 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leases is situated 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 on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Marion Vance and his wife, Betty D. Vance, and Lothair Payne and his wife, Marguerite Payne, as Lessors, in favor of Primo Oil Company, as Lessee, under date of January 7, 1952, 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 27: SE/4 NE/4; Also thirty-five (35) acres out of the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) and five (5) acres out of the Southeast Quarter of the Southeast Quarter (SE/4 SE/4), being those portions of said subdivisions lying West of the middle of the channel of the Animas River, containing 80.00 acres, more or less,

said lease being recorded in Book 186, at Page 172, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by Lessee of the lands covered thereby as follows:

"9. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells), lessee is expressly granted the right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated gas leasehold estate which shall not exceed a total area of 320 acres; and in the event lessee exercises the right and privilege of consolidation, as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom.

WHEREAS, El Paso is the present owner and holder of an oil and gas lease executed by each of the following listed Lessors, each of said leases being executed in favor of C. H. Nye, as Lessee, under date of August 29, 1949, and 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 27: S/2 SE/4 SE/4; Also that part of the North half of the Southeast Quarter of the Southeast Quarter (N/2 SE/4 SE/4) and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) lying East of the middle of the Animas River as the same ran in its bed and course on March 11, 1911, containing 40.00 acres, more or less;

<u>Lessor</u>	<u>Undivided interest in the above described acreage</u>
Elinor Periman, a widow	1/2
Neal Willmuth & wife, Nellie Willmuth	1/2

said leases being recorded in Book 139, at Pages 223 and 224, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas leases provide for the pooling by Lessees of the lands covered thereby as follows, to wit:

"5. Lessee is hereby granted the right and option, at any time prior to commencement of actual drilling for oil and/or gas on the land herein leased, to pool any part or all of such land (including lessor's royalty interest as well as the leasehold estate created by this lease) with any other lands or leasehold interests in lands, regardless of the ownership thereof, of lessee's selection in the same vicinity so as to form one or more Pooled Units for the purpose of drilling for and producing oil and/or gas. A Pooled Unit shall be a combination of contiguous tracts of land, including a part or all of the land hereby leased, which lessee shall designate as constituting a Pooled Unit by filing with the County Clerk in the county in which all or any part of the land herein leased is located a written designation of such Pooled Unit indicating the Unit so created and the several tracts of land combined into such Unit, and by mailing a copy of such designation to lessor at his last known address, provided that no Pooled Unit shall embrace more than 640 surface acres. Lessor agrees that operations for or production of oil and/or gas on any part of a Pooled Unit after it has been so created shall for all purposes of this lease be considered as operations or production on the land herein leased (except that operations or production on one Pooled Unit shall not affect lessee's right to alter, dissolve or re-form other Pooled Units as hereinafter provided), and in the event of production of oil and/or gas from any part of the Pooled Unit the royalty payable by lessee to lessor under this lease shall, any provision herein to the contrary notwithstanding, be thereafter computed and paid upon that portion of such production which bears the same ratio to the total as the number of acres herein leased and included in such Pooled Unit bears to the total number of acres comprising said Pooled Unit. Prior to the commencement of actual drilling thereon, a Pooled Unit may be altered by lessee in any way, dissolved and re-formed, by filing an appropriate notice thereof with the County Clerk with whom the original designation of such Pooled Unit was filed and mailing a copy of same to lessor at his last known address. After drilling has been commenced on a Pooled Unit, such Pooled Unit may not thereafter be altered or dissolved without the written consent of lessor. Lessee shall not, however, be liable to any party for alteration or dissolution of a Pooled Unit resulting from loss of its title or any cause beyond the control of lessee."

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 described as follows:

Township 31 North, Range 11 West, N.M.P.M.  
Section 27: E/2  
containing 320.00 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 tract for the purpose and intention of developing and producing dry gas and associated liquid hydrocarbons 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 associated liquid hydrocarbons producible from the Mesa Verde formation as an entirety, with the understanding and agreement that the dry gas and associated liquid hydrocarbons so produced from the communitized area from such formation shall be 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 associated liquid hydrocarbons 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 Mesa Verde 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 associated liquid hydrocarbons by reason of the diverse ownership of the dry gas or associated liquid hydrocarbons 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 and adjustments between the parties hereto shall be determined and performed by "El Paso".

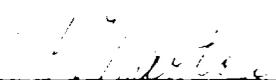
This Agreement shall be effective as of the date hereof, upon execution by the parties hereto, and shall remain in full force and effect for a period of two (2) years and so long thereafter as dry gas is produced from any part of said communitized tract in paying quantities, provided, that, upon fulfillment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

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 as of the day and year hereinabove written.

ATTEST:

EL PASO NATURAL GAS COMPANY

  
Assistant Secretary

By  Vice President

ATTEST:

DELHI OIL CORPORATION

4285

Katherine Dougherty  
Assistant Secretary

By W. C. Smith  
Vice President

ATTEST:

WESTERN NATURAL GAS COMPANY

[Signature]  
Assistant Secretary

By [Signature]  
Vice President

ATTEST:

THREE STATES NATURAL GAS COMPANY

[Signature]  
Assistant Secretary

By [Signature]  
Vice President

ATTEST:

SAN JACINTO PETROLEUM CORPORATION

George W. Work, Jr.  
Assistant Secretary

By B. G. Martin  
Vice President

\_\_\_\_\_  
Ella Blaise, a widow

\_\_\_\_\_  
Saul A. Yager, a single man

\_\_\_\_\_  
Marion Yager, a feme sole

\_\_\_\_\_  
M. E. Gimp

\_\_\_\_\_  
Gimp, his wife

\_\_\_\_\_  
Morris Mizel

\_\_\_\_\_  
Flora Mizel

\_\_\_\_\_  
Sam Mizel

\_\_\_\_\_  
Mizel, his wife

STATE OF TEXAS )  
 )  
COUNTY OF EL PASO )

On this 24 day of March, 1954, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Blanche S. Horne  
Notary Public, In and for El Paso County, Texas  
My Commission Expires June 1, 1955

Blanche S. Horne  
Notary Public, County of El Paso, State of Texas

STATE OF TEXAS )  
 )  
COUNTY OF DALLAS )

On this 12th day of April, 1954, before me appeared W. L. Smith, 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 said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said W. L. Smith 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:

Marguerite Stancu  
Notary Public, County of Dallas, State of Texas

MARGUERITE STANCU  
Notary Public, County of Dallas, State of Texas  
My Commission Expires June 1, 1955

STATE OF TEXAS )  
 )  
COUNTY OF HARRIS )

On this 17<sup>th</sup> day of February, 1954, before me appeared J. V. Cowan, to me personally known, who, being by me duly sworn, did say that he is the Vice President of WESTERN NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said J. V. Cowan 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:

JEAN T. CULLEN  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1955

Jean T. Cullen  
Notary Public, County of Harris, State of Texas

STATE OF TEXAS )  
 )  
COUNTY OF DALLAS )

On this 14 day of March, 1954, before me appeared E. A. Jenkins, to me personally known, who, being by me duly sworn, did say that he is the Vice President of THREE STATES NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said E. A. Jenkins 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:  
6 / 55

Treva T. Leverton  
Notary Public, County of Dallas, State of Texas  
TREVA P. LEVERTON  
Notary Public, Dallas County, Texas  
My Commission Expires June 1, 1955

STATE OF TEXAS )  
 )  
COUNTY OF HARRIS )

On this 19 day of February, 1954, before me appeared B. G. Martin, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SAN JACINTO PETROLEUM CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said B. G. Martin 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:  
\_\_\_\_\_

R. L. Daugherty  
Notary Public, County of Harris, State of Texas  
My Commission Expires June 1, 1955

STATE OF COLORADO )  
 )  
COUNTY OF )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1954, before me appeared Ella Blaise, a widow, 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, County of \_\_\_\_\_  
State of Colorado

STATE OF OKLAHOMA )  
 )  
COUNTY OF TULSA )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1954, before me appeared Saul A. Yager, a single man, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal

the day and year in this certificate first above written.

My commission expires:

\_\_\_\_\_  
Notary Public, County of Tulsa, State of  
Oklahoma

STATE OF OKLAHOMA     )  
                                  )  
COUNTY OF TULSA        )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1954, before me appeared Marion Yager, a feme sole, 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, County of Tulsa, State of  
Oklahoma

STATE OF TEXAS         )  
                                  )  
COUNTY OF DALLAS      )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1954, before me appeared M. E. Gimp and \_\_\_\_\_, 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, County of Dallas, State of  
Texas

STATE OF OKLAHOMA     )  
                                  )  
COUNTY OF TULSA        )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1954, 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, County of Tulsa, State of  
Oklahoma

STATE OF OKLAHOMA     )  
                                  )  
COUNTY OF TULSA        )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1954, before me appeared Sam Mizel and \_\_\_\_\_, 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, County of Tulsa, State of  
Oklahoma

211

R-709-E

I hereby certify this instrument was filed for record  
on June 18, 1953 at 11:43 A.M.  
and duly recorded in Book 212 Page 211 of the  
Records of said county.

*Virginia C. Kettell*  
Probate Clerk and ex-officio Recorder

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 25th day of May, 1953,  
by and between Sarah Myers Hedges, also known as  
Sarah M. Hedges, a feme sole, of Aztec, New Mexico, hereinafter  
called lessor (whether one or more), and EL PASO NATURAL GAS COMPANY, a Dela-  
ware corporation, whose address is P. O. Box 1492, El Paso, Texas, hereinafter  
called Lessee:

WITNESSETH: That the said lessor, for and in consideration of  
Ten (\$10.00), cash in hand paid, the receipt of which is hereby acknowledged, and of the  
covenants and agreements hereinafter contained on part of lessee to be paid,  
kept and performed, has granted, demised, leased and let and by these presents  
does grant, demise, lease and let unto the said lessee for the sole and only  
purpose of exploring by geophysical and other methods, mining and operating  
for oil and gas down to and including the base of the Mesa Verde formation  
only, and of laying of pipe lines, and of building tanks, power stations, and  
structures thereon to produce, save and take care of said products, all that  
certain tract of land situated in the County of San Juan, State of New Mexico,  
described as follows, to-wit:

Township 31 North, Range 11 West, N.M.P.M.  
Section 27: Southwest Quarter of the Northeast Quarter  
(SW/4 NE/4)  
containing 40 acres, more or less.

It is agreed that this lease shall remain in force for a term of five (5)  
years from this date, and as long thereafter as oil or gas or either of them  
is produced from said land, or from lands with which said land is pooled  
therewith, by lessee.

In respect to the duration of the term of this lease, gas  
shall be deemed commercially produced from any "shut in" gas well capable of  
producing gas in commercial quantities when such gas cannot be reasonably  
marketed under then existing marketing and/or transportation conditions, pro-  
vided that Lessee shall pay as royalty \$50.00 per year for each "shut in" gas  
well and it will be considered that gas is being produced from such well and  
this lease shall remain in full force and effect during any period for which  
such payment is made.

In consideration of the premises the said lessee covenants  
and agrees:

1st. To deliver to the credit of lessor, free of cost, in the  
pipe line to which lessee may connect wells on said land, the equal one-eighth

part of all oil produced and saved from the leased premises.

2nd. To pay lessor one-eighth (1/8) of the market value at the wellhead each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas; 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.

3rd. To pay lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate. Lessor hereby designates the Citizen's Bank of Aztec, New Mexico or its successors as the depository to receive all payments of any kind to be made to Lessee under this lease, and said bank shall continue as the depository regardless of changes in the ownership of said land.

If no well be commenced on said land, or on acreage pooled therewith as hereinafter provided, on or before the 31st day of November, 1953, this lease shall terminate as to both parties.

Lessee, at its option, 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 to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 320 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated 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 on an acreage basis bears to the total acreage so pooled in the particular unit involved.

Should the first well drilled on the above described land, or on acreage pooled therewith, be a dry hole, then, and in that event, if a second well is not commenced on said land, or on acreage pooled therewith, within twelve months from the date of plugging said dry hole, this lease shall terminate as to both parties. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for lessee's operation thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party hereto is assigned--and the privilege of assigning in whole or in part is expressly allowed--the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land, or assignments of rental or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payment of said rental. In case lessee assigns this lease in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

IN TESTIMONY WHEREOF WE SIGN, This the 10th day of May, 1953.

*Sarah M. Hedges*  
 \_\_\_\_\_  
 Sarah M. Hedges

STATE OF NEW MEXICO

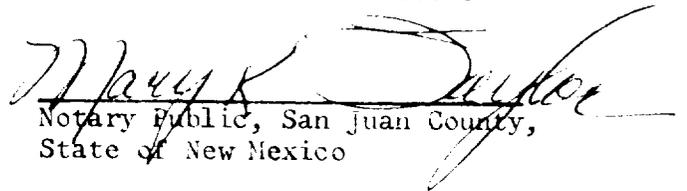
COUNTY OF SAN JUAN

On this 14th day of May, 1953, before me appeared Sarah M. Hedges, a feme sole, 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:

May 31, 1955

  
Notary Public, San Juan County,  
State of New Mexico

I hereby certify that this instrument was  
filed for record on the 14 day of  
October 1952  
at 4:09 o'clock P.M., and duly re-  
corded in book 192 page 3  
of the Records of said county.

R-709-F

*Virginia A. Kuttell* ASSIGNMENT OF OIL AND GAS LEASE  
Probate Clerk and ex-officio Recorder.

WHEREAS, on the 7th day of January, 1952, a certain oil and gas mining lease was made and entered into by and between Marion I. Vance and Betty D. Vance, husband and wife, and Junius Lothair Payne and Marguerite Payne, husband and wife, Lessors, and Primo Oil Company, Lessee, covering the following described land in the County of San Juan and State of New Mexico, to-wit:

**ILLEGIBLE**

- (1) The Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ NW $\frac{1}{4}$ ), and a part of the Southeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) described as follows: BEGINNING at the Northeast corner of the Southeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) and running Thence West 440 yards; Thence South ten (10) feet; Thence East 268 yards; Thence South 162 yards to a corner in the Animas River; Thence in a northeasterly course 258 yards to the point of beginning; all of the above being in Section Twenty-six (26) Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M.
- (2) Part of the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$ ) of Section Twenty-three (23); Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., described as follows: BEGINNING on the Section line at a point ten (10) feet West of the point where the "Twin Rock Irrigating Ditch", as at present constructed, intersects the South Section line of the said Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$ ) of said Section 23; Thence following the line of said Ditch in a northeasterly direction, at a distance of ten (10) feet West thereof, until the same intersects the public road as now existing; Thence from said intersection point due North to the line dividing the Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$ ) and the Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ SW $\frac{1}{4}$ ) of said Section 23; Thence following said division line east to the Northeast corner of said Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$ ); Thence following said division line South to the Southeast corner of said subdivision; Thence following the Section line West to the place of beginning; said tract being all of the said Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$ ) not heretofore conveyed to C. S. Cameron as shown in Deed recorded in Book 29, Page 480, of the records of San Juan County, New Mexico.
- (3) The Northeast Quarter of the Northwest Quarter (NE $\frac{1}{4}$ NW $\frac{1}{4}$ ) of Section Twenty-six (26); and all that part of the Northwest Quarter of the Northeast Quarter (NW $\frac{1}{4}$ NE $\frac{1}{4}$ ) of said Section Twenty-six (26); and all that part of the Southwest Quarter of the Southeast Quarter (SW $\frac{1}{4}$ SE $\frac{1}{4}$ ) of Section Twenty-three (23), all in said Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., lying and being on the West side of the Animas River.
- (4) The Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ NE $\frac{1}{4}$ ) of Section Twenty-seven (27), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M.; and the South One-half of the Northwest Quarter (S $\frac{1}{2}$ NW $\frac{1}{4}$ ) of Section Twenty-six (26), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., EXCEPTING therefrom that part thereof heretofore conveyed by Deed recorded in Book 2, page 324, of the records of San Juan County, New Mexico, the same lying on the East side of the Animas River and being (17) acres, more or less; and also EXCEPTING therefrom a tract heretofore conveyed to Harry L. Dunning by Deed recorded in Book 18, page 566, of the records of San Juan County, New Mexico.

Thirty-five (35) acres of the Northeast Quarter of the Southeast Quarter (NE $\frac{1}{4}$ SE $\frac{1}{4}$ ); and Five (5) acres in the West part of the Southeast Quarter of the Southeast Quarter (SE $\frac{1}{4}$ SE $\frac{1}{4}$ ) all in Section Twenty-seven (27), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., lying West of the middle of the channel of the Animas River, being the same property described in that Deed from the State Tax Commission of New Mexico to Edward Sargent dated November 13, 1939, recorded in Book 101, page 50, of the records of deeds in the Office of the County Clerk of San Juan County, New Mexico.

**ILLEGIBLE**

3-A

Said lease being recorded in the office of the County Clerk in and for said County in Book 186 at Page 172; and

WHEREAS, Primo Oil Company is now the owner of said lease and all rights thereto.

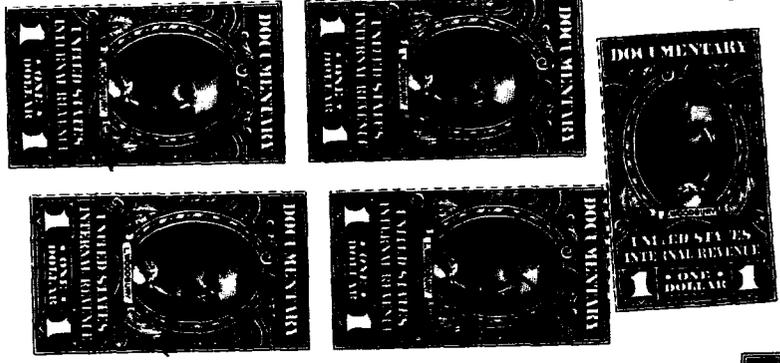
NOW, THEREFORE, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owners of the said lease and all rights thereunder or incident thereto, do hereby bargain, sell, transfer, assign and convey all rights, title and interest of the original lessee and present owners in and to said lease and rights thereunder, together with all personal property used or obtained in connection therewith to EL PASO NATURAL GAS COMPANY and its successors and assigns.

And for the same consideration, the undersigned for themselves and their heirs, successors and representatives, do covenant with the said assignee, its successors, or assigns, except as set out below, that they are the lawful owners of the said lease and rights and interests thereunder and of the personal property thereon or used in connection therewith: that the undersigned have good right and authority to sell and convey the same, and that said rights, interest and property are free and

clear from all liens and incumbrances, and that all rents and royalties due and payable thereunder have been duly paid and that the undersigned will warrant and defend the same against the lawful claims and demands of all persons whomsoever holding or claiming to hold an interest therein, under, by or through Assignor, but not otherwise and no further.

Assignors retain unto themselves, their heirs, successors and assigns an overriding royalty of five per cent (5%) of the value based upon the field market price at the well of all oil, gas, casinghead gas or other hydrocarbons that may be produced and saved from the above described land under the said lease or any modifications thereof.

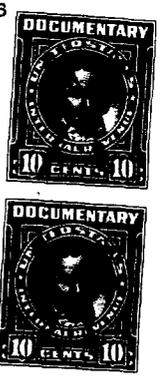
IN WITNESS WHEREOF, the undersigned owners and assignors have signed this instrument this 14<sup>th</sup> day of August, 1952.



PRIMO OIL COMPANY

H. F. Pettigrew  
H. F. Pettigrew - Partner

John A. Worley  
John A. Worley - Partner

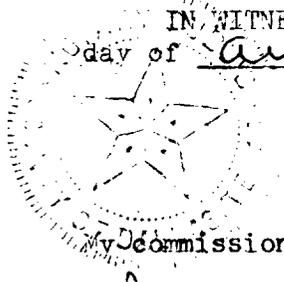


STATE OF TEXAS )  
                          ) ss.  
COUNTY OF DALLAS )



On this 14<sup>th</sup> day of August, 1952, before me personally appeared H. F. Pettigrew and John A. Worley, to me known to be the persons who executed the foregoing instrument and acknowledged to me that they executed the same as their free act and deed and as the free act and deed of Primo Oil Company, a partnership composed of said H. F. Pettigrew and John A. Worley.

IN WITNESS WHEREOF, I have set my hand and seal of office on this 14<sup>th</sup> day of August, 1952.



Joyce Carr JOYCE CARR  
Notary Public in and for Dallas County, Texas

My Commission expires:  
June, 1953

STATE OF NEW MEXICO, County of San Juan  
I hereby certify this instrument was filed for record 137  
on July 2, 1953 at 1:01 o'clock P.M.  
and duly recorded in book 274 page 157 of the  
Records of said county  
Vernon L. Rottell  
Probate Clerk and ex-officio Recorder

R-709-G

ASSIGNMENT OF OIL AND GAS LEASE

WHEREAS, on the 29th day of August, 1949, a certain oil and gas mining lease was made and entered into, by and between Neal Willmuth and Nellie Willmuth, husband and wife, as Lessors and C. H. Nye, as Lessee, and

WHEREAS, on the 29th day of August, 1949, a certain oil and gas mining lease was made and entered into by and between Elinor Periman, the surviving widow and sole heir at law of L. A. Periman, deceased, as Lessor, and C. H. Nye, as Lessee, both of said leases covering the following described land in the County of San Juan and State of New Mexico, to-wit:

That part of the North One-Half of the Southeast Quarter of the Southeast Quarter ( $N\frac{1}{2}SE\frac{1}{4}SE\frac{1}{4}$ ) and that part of the Northeast Quarter of the Southeast Quarter ( $NE\frac{1}{4}SE\frac{1}{4}$ ) of Section 27, lying East of the middle of the Animas River as same flowed and ran in its bed and course on March 1, 1911; the South One-Half of the Southeast Quarter of the Southeast Quarter ( $S\frac{1}{2}SE\frac{1}{4}SE\frac{1}{4}$ ) of Section 27, all in Township 31 North of Range 11 West, N.M.P.M., and containing 40 acres, more or less.

Said lease being recorded in the Office of the County Clerk in and for said County in Book 139 at Page 224 and in Book 139 at Page 223, respectively; and

WHEREAS, Primo Oil Company, is now the owner of said lease and all rights thereto.

NOW, THEREFORE, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owners of said lease and all rights thereunder or incident thereto, do, hereby, bargain, sell, transfer, assign and convey all rights, title and interest of the original lessee and present owners in and to said lease and rights thereunder, together with all personal property used or obtained in connection therewith to EL PASO NATURAL GAS COMPANY and its successors and assigns.

And for the same consideration, the undersigned for themselves and their heirs, successors and representatives, do covenant with the said assignee, its successors, or assigns, except as set out below, that they are the lawful owners of the said lease and rights and interests thereunder and of the personal property thereon or used in connection therewith; that the undersigned have

