

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF  
EL PASO NATURAL GAS COMPANY FOR  
COMPULSORY COMMUNITIZATION OF THE  
W/2 OF SECTION 32, TOWNSHIP 31 NORTH,  
RANGE 11 WEST, N.M.P.M., SAN JUAN  
COUNTY, NEW MEXICO, OR IN THE ALTER-  
NATIVE FOR UNORTHODOX SPACING

NO. 711

TO THE HONORABLE COMMISSION:

Your Applicant, EL PASO NATURAL GAS COMPANY, represents that it is a Delaware corporation with a permit to do business in the State of New Mexico and that it is the present owner and holder of leasehold rights or gas operating rights to the base of the Mesa-verde formation under the following described oil and gas leases, all embracing land located in the W/2 of Section 32, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico:

- a. Oil and Gas Lease dated April 7, 1952, from Sarah C. Flaningam, as Lessor, to Delhi Oil Corporation, as Lessee, embracing among other lands the NW/4 of said Section 32, containing 160 acres, more or less.
- b. United States Oil and Gas Lease, Serial Number Santa Fe 078097, Raymond H. Heaton, Lessee, dated February 1, 1948, embracing among other lands the SW/4 SW/4 of said Section 32, containing 40 acres more or less.

Your Applicant represents that it is the legal owner and holder, in so far as gas rights to the base of the Mesaverde formation are concerned, of that certain Oil and Gas Lease dated September 1, 1948, executed by Saul A. Yager and Marian Yager, as Lessors, to Wayne Moore, as Lessee, covering the following described land in said Section 32:

N/2 SW/4, SE/4 SW/4 containing 120 acres, more or less;

and that prior to August 31, 1953, at which time the primary term of said lease would have expired, your Applicant filed with United States Geological Survey its Notice of Intention to Drill a well to the Mesaverde formation located upon the SW/4 SW/4 of said Section 32, which Notice was received by United States Geological Survey March 6, 1953, approved March 9, 1953, and, in said Notice, your Applicant dedicated to said well the W/2 of said Section 32 which included the N/2 SW/4 and SE/4 SW/4 of said Section 32 under

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which your Applicant held gas operating rights to the base of the Mesaverde formation pursuant to the lease above described from Saul A. Yager and Marian Yager. Your Applicant owned and now owns gas operating rights on all the remaining tracts of land lying within the W/2 of said Section 32. The owners of all the working interest in the entire W/2 of said Section 32 and the owners of all royalty interests and overriding royalty interests, except those claiming under Saul A. Yager and Marian Yager, have joined or agreed to join a Communitization Agreement (unexecuted copy of which is attached hereto) dated March 1, 1953.

Your Applicant represents that the royalty interests on all the lands described in said lease from Saul A. Yager and Marian Yager is now owned by the following named persons:

Saul A. Yager, 613 Oil Capital Building, Tulsa, Oklahoma - 1/4;  
Marian Yager, c/o C. H. Rosenstein, McBirney Building,  
Tulsa, Oklahoma - 1/4;  
M. E. Gimp, c/o Zales Jewelry Company, 1606 Main Street,  
Dallas, Texas - 1/4;  
Morris Mizel and wife, Flora Mizel, 101 West Cameron Street,  
Tulsa, Oklahoma - 1/8;  
Sam Mizel, 101 West Cameron Street, Tulsa, Oklahoma - 1/8.

Your Applicant represents that Saul A. Yager and Morris Mizel informed your Applicant that all of the above named owners of royalty interest would join in the execution of a Communitization Agreement and that your Applicant forwarded to Saul A. Yager and Marian Yager partially executed original Communitization Agreements which have been retained and are now in the possession of one or more of the said royalty owners named above; and that some or all of said royalty owners have refused to join in the execution of said Communitization Agreement and have refused to return to your Applicant the partially executed Communitization Agreements.

Your Applicant represents that prior to August 31, 1953, your Applicant commenced a well located upon the SW/4 SW/4 of said Section 32 and continued said well with due diligence, completing it as a well producing gas from the Mesaverde formation on April 28, 1953. By reason of the designation of the W/2 of said

Section 32 as a communitized tract attributable to said well and by reason of the commencement and completion of said well prior to August 31, 1953, at which time your Applicant's lease from Saul A. Yager and Marian Yager was in full force and effect, and at which time one or more of said royalty owners had actually executed the Communitization Agreement, all of such actions operated to extend said lease from Saul A. Yager and Marian Yager as long as production occurs from said well.

Your Applicant represents that, pursuant to the terms and provisions of Order No. R-110 made by this Commission, spacing of 320 acres has been established for drilling gas wells to the Mesa-verde formation in San Juan County, New Mexico, and that the W/2 of said Section 32, containing 320 acres, constitutes a proper spacing unit for drilling a Mesaverde well and that all persons except those named above as royalty owners have agreed to communitize and pool the above described oil and gas leases in so far as said leases cover the W/2 of said Section 32 in order to form one tract or drilling unit for the production of dry gas and liquid hydrocarbons extracted therefrom from the surface to the base of the Mesaverde formation. Your Applicant represents that it has made diligent efforts to negotiate an agreement with the royalty owners who have refused to join the Communitization Agreement and that your Applicant and the other owners of oil and gas leasehold rights who desire to communitize or pool their leases into a uniform spacing unit will be deprived of their opportunity to recover their just and equitable share of the natural gas in the gas pool lying under the tracts of land covered by their leases unless this Commission requires the owners of all interests in oil and gas leases, royalties or mineral rights who have not joined in the Communitization Agreement to communitize or pool their interests effective as of March 9, 1953, to form a proper spacing unit.

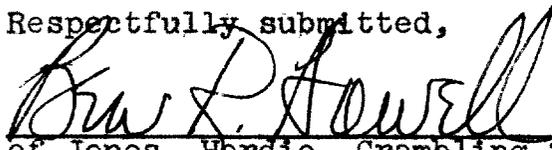
Your Applicant respectfully requests that an appropriate order be entered by the Commission directing Saul A. Yager, Marian Yager, M. E. Gimp (also known as Morris E. Gimp), Morris Mizel and wife, Flora Mizel, and Sam Mizel to communitize or pool their

interests effective on March 9, 1953, in accordance with the terms of the attached Communitization Agreement, partially executed copies of which have been delivered to and are now in the possession of one or more of said persons.

In the alternative, your Applicant requests that, if the above relief, effective on March 9, 1953, is not granted by the Commission, the Commission enter its order designating the following tracts as an unorthodox spacing unit and gas allocation unit for gas produced from the surface to the base of the Mesaverde formation, to wit:

Township 31 North, Range 11 West, N.M.P.M.  
Section 32: NW/4, SW/4 SW/4  
containing 200 acres.

Respectfully submitted,



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

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of March, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); DELHI OIL CORPORATION, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; SAUL A. YAGER, whose address is 613 Oil Capital Building, Tulsa, Oklahoma; MARIAN YAGER, whose address is C/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. GIMP, whose address is C/o Zale's Jewelry, 1606 Main Street, Dallas, Texas, MORRIS MIZEL and wife, FLORA MIZEL, whose address is 101 W. Cameron Street, Tulsa, Oklahoma; SUSAN DIGGLE HORTON and husband PAUL B. HORTON, whose address is 3524 Centenary, Dallas, Texas; SAM MIZEL, whose address is 101 West Cameron Street, Tulsa, Oklahoma;

W I T N E S S E T H:

WHEREAS, El Paso Natural Gas Company is the present owner and holder of the gas rights down to and including the base of the Mesaverde formation under that certain Oil and Gas Lease executed in favor of Delhi Oil Corporation, as Lessee, under date of April 7, 1952, by Sarah C. Flaningam, as Lessor, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 32: NW/4  
containing 160 acres, more or less; and

WHEREAS, the above described lease as amended contains a pooling clause as follows:

"9th. 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 Natural Gas Company is the present owner and holder of the gas rights down to and including the base of the Mesaverde formation under that

certain Oil and Gas Lease executed in favor of Wayne Moore, as Lessee, by Saul A. Yager and wife, Marian Yager, as Lessors, under date of September 1, 1948, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 32: N/2 SW/4, SE/4 SW/4  
containing 120 acres, more or less; and

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

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

WHEREAS, Susan Diggle Horton, by a decision dated July 23, 1952, is the present owner and holder of that certain United States Oil and Gas Lease bearing Serial Number Santa Fe 078097, executed in favor of Raymond H. Heaton, as Lessee, under date of February 1, 1948, by the United States of America, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 32: SW/4 SW/4  
containing 40 acres, more or less; and

WHEREAS, by an Operating Agreement dated October 1, 1951, approved by a decision dated July 23, 1952, Susan Diggle Horton, et vir, granted the operating rights in the above described tract to Delhi Oil Corporation; and

WHEREAS, by an assignment dated March 1, 1952, which assignment has been filed for approval with the Bureau of Land Management, Delhi Oil Corporation assigned the gas operating rights down to and including the base of the Mesaverde formation to El Paso; and

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

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

WHEREAS, it is the desire of the parties hereto to communitize their respective interests in the above described Oil and Gas Leases in order to form one tract or drilling unit as follows:

Township 31 North, Range 11 West, N.M.P.M.  
Section 32: W/2  
containing 320 acres, more or less; and

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

NOW, THEREFORE, in consideration of the premises and mutual advantages resulting from this agreement, it is mutually covenanted and agreed by and between the parties hereto that the land subjected to this agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesaverde formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the communitized area from such formation allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed hereto. The royalties payable on the dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for in said leases shall be determined and paid on the basis respectively prescribed in the individual leases. There shall no obligation on the parties hereto to offset any dry gas well or wells completed in the Mesaverde formation on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall either party be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse ownership of the dry gas or liquid hydrocarbons extracted therefrom in or under said tract, but the parties hereto shall not be released from their obligation to protect said communitized tract from drainage by a dry gas well or wells which may be drilled offsetting said tract. Payment of the rentals under the terms of the leases hereinabove mentioned and described shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

Except as herein modified and changed, said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued. It is further agreed that the commencement, completion, continued

operation or production of a well or wells for dry gas on the communitized tract from the Mesaverde formation shall be construed and considered as the commencement, completion, continued operation or production as to each lease committed thereto.

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

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

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

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

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

This agreement shall be binding upon the parties hereto and shall extend and be binding upon their heirs, executors, administrators, successors and assigns, and may be executed in one or more counterparts by any of the parties hereto, and all counterparts so executed shall be taken as a single agreement and shall have the same force and effect as if all parties had in fact executed a single instrument.

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

ATTEST:

EL PASO NATURAL GAS COMPANY

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

By \_\_\_\_\_  
Vice President

ATTEST:

DELHI OIL CORPORATION

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

By \_\_\_\_\_  
Vice President

\_\_\_\_\_  
Saul A. Yager

\_\_\_\_\_  
Marian Yager

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

\_\_\_\_\_  
Gimp (his wife)

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

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

\_\_\_\_\_  
Susan Diggle Horton

\_\_\_\_\_  
Paul B. Horton

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

\_\_\_\_\_  
Mizel (his wife)

STATE OF TEXAS

COUNTY OF EL PASO

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

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

My commission expires:

\_\_\_\_\_  
Notary Public in and for El Paso County,  
State of Texas

STATE OF TEXAS

COUNTY OF DALLAS

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

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

My commission expires:

\_\_\_\_\_  
Notary Public in and for Dallas County,  
State of Texas

STATE OF OKLAHOMA

COUNTY OF TULSA

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

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

My commission expires:

\_\_\_\_\_  
Notary Public in and for Tulsa County,  
State of Oklahoma

STATE OF OKLAHOMA    |  
                          |  
COUNTY OF TULSA     |

On this \_\_\_\_\_ day of \_\_\_\_\_, 1953, before me appeared Marian Yager, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me she executed the same as her free act and deed.

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

My commission expires:

\_\_\_\_\_ Notary Public in and for Tulsa County,  
State of Oklahoma

STATE OF TEXAS       |  
                          |  
COUNTY OF DALLAS    |

On this \_\_\_\_\_ day of \_\_\_\_\_, 1953, before me appeared M. E. Gimp and \_\_\_\_\_ Gimp, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

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

My commission expires:

\_\_\_\_\_ Notary Public in and for Dallas County,  
State of Texas

STATE OF OKLAHOMA    |  
                          |  
COUNTY OF TULSA     |

On this \_\_\_\_\_ day of \_\_\_\_\_, 1953, before me appeared Morris Mizel and Flora Mizel, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

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

My commission expires:

\_\_\_\_\_ Notary Public in and for Tulsa County,  
State of Oklahoma

STATE OF TEXAS       |  
                          |  
COUNTY OF DALLAS    |

On this \_\_\_\_\_ day of \_\_\_\_\_, 1953, before me appeared Susan Diggle Horton, and Paul B. Horton, her husband, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

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

My commission expires:

\_\_\_\_\_ Notary Public in and for Dallas County,  
State of Texas

STATE OF OKLAHOMA   §  
                                  §  
COUNTY OF TULSA     §

On this \_\_\_\_\_ day of \_\_\_\_\_, 1953, before me appeared Sam Mizel and \_\_\_\_\_ Mizel, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

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

My commission expires:  
  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for Tulsa County,  
State of Oklahoma