Case No.

712

Application, Transcript,
Small Exhibits, Etc.

CASE 712: El Paso Natural Gas Company application for compulsory communitization or for unorthodox spacing unit (Mesaverde)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF E/2 OF SECTION 3, TOWNSHIP
30 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 712)
CASE NO. 852) Consolidated

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 3, TOWNSHIP 30 NORTH,
RANGE 10 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320.68 ACRES.

Order No. R-558-B

APPLICATION FOR REHEARING

Your Applicant, EL PASO NATURAL GAS COMPANY, applies for rehearing and states:

1. Applicant is the owner of oil and gas leasehold interests in and under the tract of land described in the caption and is a party affected by Order No. R-558-B entered by the Commission on January 12, 1956.

2. Your Applicant would show the Commission that its Order No. R-558-B is erroneous as follows:

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

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

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

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

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

e. That the evidence shows the working interest owners had agreed to communitize and pool their respective interests prior to August 14, 1953, on which date United States Geological Survey granted permission to drill.

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

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

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

Commission made in the remaining portions of the Order.

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

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By Burr P. Howell
Attorney

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320.68 ACRES

CASE NO. 712) Consolidated
CASE NO. 852)

APPLICATION FOR REHEARING

Come now Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife, Flora Mizel, and Sam Mizel, by their attorneys, Campbell & Russell, and make application to the Commission for rehearing upon Order No. R-558-B, and as a basis for the application state:

(a) Applicants are the owners of interests in the NW/4 NW/4 SE/4 of Section 3, Township 30 North, Range 10 West, N.M.P.M., San Juan County, New Mexico and are parties affected by Order No. R-558-B entered by the Commission on January 12, 1956.

(b) Order No. R-558-B is erroneous in the following respects:

1. Finding No. 8 is erroneous in that the United States Geological Survey is without power or authority to grant

permission to create or form a drilling unit under the laws of the State of New Mexico.

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

3. Finding No. 11 is erroneous in that the United States Geological Survey has no authority to approve a Notice of Intention to Drill under the laws of the State of New Mexico, and said finding is further erroneous in that all interests within the said unit were not consolidated by pooling agreement or otherwise as required by Order No. R-110.

4. Order No. R-558-B is contrary to Section 1(a) of Order No. R-110 of the Commission.

5. Order No. R-558-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

6. Order No. R-558-B is an unreasonable and arbitrary interpretation of the Commission's rules and regulations and deprives Applicants of their correlative rights.

7. Order No. R-558-B deprives Applicants of their property without due process of law.

8. Order No. R-558-B impairs the obligations of a valid lease contract between Applicants and El Paso Natural Gas Company.

WHEREFORE, Applicants request a rehearing in Case No. 712 - 852 Consolidated on Order No. R-558-B.

Respectfully submitted,

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

By _____

for CAMPBELL & RUSSELL
their attorneys

(N M 2155)

(Oil & Gas)

R-712-A

[redacted]

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, [redacted], a Delaware corporation, the address of which is First National Building, Tulsa, Oklahoma (hereinafter called "Assignor"), for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer, and over, and convey unto [redacted], a Delaware corporation, the address of which is Bancroft Tower, El Paso, Texas (hereinafter called "Assignee"), the entire record and assignee, all right, title and interest of Assignor in and to those certain oil and gas leases described in Exhibit "A" attached hereto and made a part hereof for all purposes, in so far only as such instrument or rights pertain to the right to explore for and produce gas from coals and/or formations down to and including the Pennsylvanian formation, and limited to the [redacted] and recognizable horizon and depth.

To have and to hold the same unto Assignee, its successors and assigns,

1. In said leases there are reserved and excepted to Assignor

[redacted]

(b) [redacted] per cent on all such gas produced and saved during the next [redacted] years thereafter,

(c) [redacted] per cent on all such gas produced and saved during the next three years thereafter,

(d) [redacted] per cent on all such gas produced and saved during the next one year thereafter,

(e) [redacted] per cent on all such gas produced and saved thereafter.

The volume of gas, upon which the severance royalties described above shall be paid, shall be computed upon a pressure base of [redacted] pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in the Commission Gasoline Report No. 5, dated May 6, 1935, of the Railroad Commission of the duration the Commission, including the specific volume and subsequent amendments and supplements thereto or which proper corrections shall be made for variations from Boyle's law, the specific gravity and the deviation of the gas produced therefrom from Boyle's law. Proper corrections shall be made for [redacted]

[redacted] of gas, aggregate quantity of thirty-one and two-tenths [redacted] (of them newly negotiated contracts) of gas in other similar circumstances to the area of any of Assignor's pipe lines or gathering systems or of any pipe-line system to which any of Assignor's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties. The overriding royalties reserved by Assignor above shall be determined for each five-year period after the twentieth year following the date hereof in like manner to that provided above for the five-year period next following the fifteenth year after the date hereof, but in no event shall the amount of such overriding royalties be less than 3/8 per mcf.

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

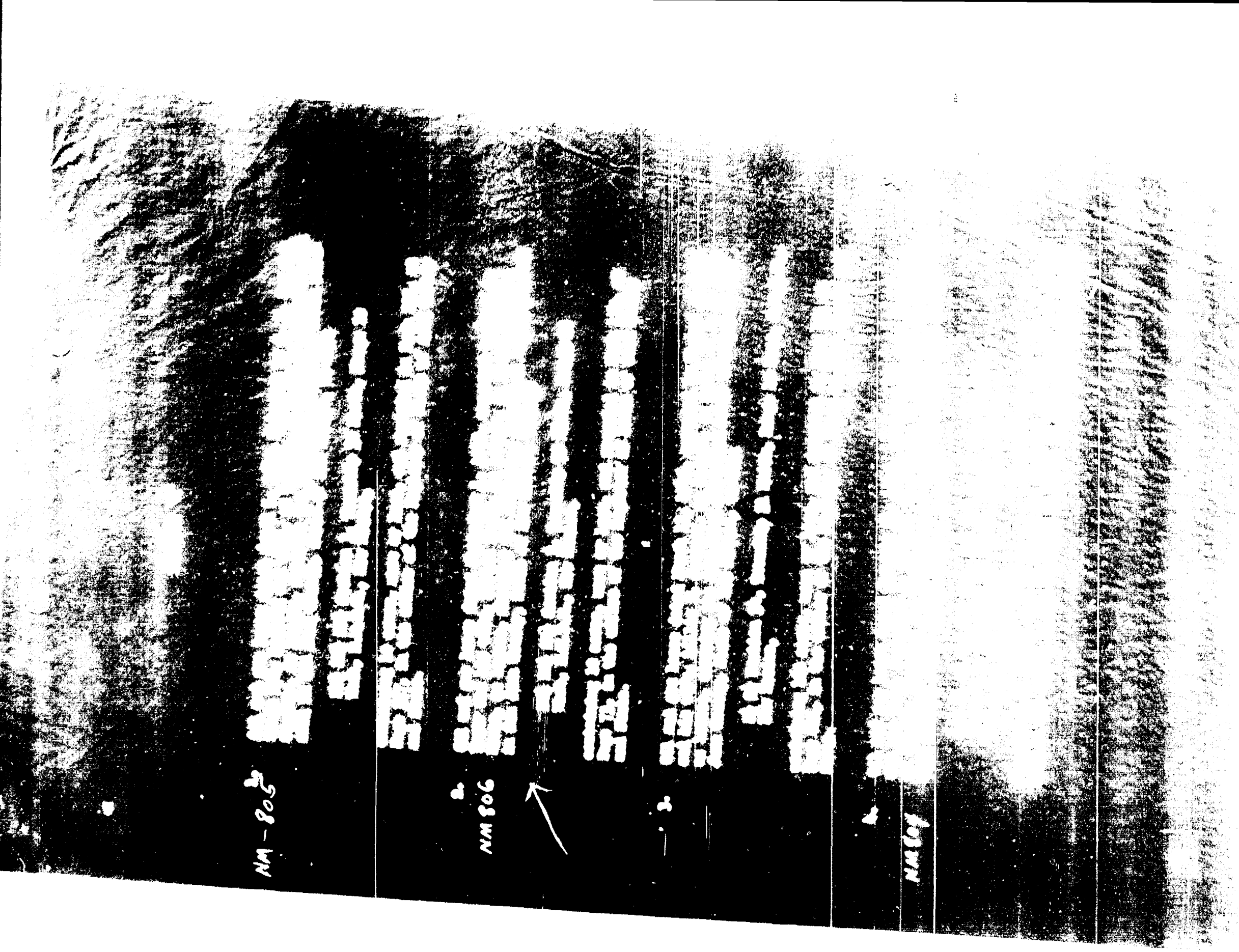
C. All oil [redacted]

[redacted] in accordance with the terms and provisions of [redacted] and all instruments hereto by reference the same as though set forth herein. In the event of any inconsistency between the provisions of this assignment and said Oil and Gas Lease this Agreement, the provisions of said Oil and Gas Lease this Agreement shall control.

4. For the same consideration, Assignor covenants with Assignee, its successors and assigns, that Assignor will warrant and forever defend unto Assignee, its successors and assigns, the title to the entire interest of Assignor in and to the said lands and leases purported to be assigned hereby against any person or persons claiming or to claim any interest therein by, through, or under Assignor only.

5. Assignee, by the acceptance upon delivery of this assignment, covenants and agrees that it will comply with all terms, provisions and conditions of the agreement dated September 15, 1978, contained hereinabove, and, subject to the terms thereof, that it will comply with all obligations of the lessee hereby assigned and that it hereby assumes and agrees to pay, as and when the same shall become due and payable, all royalty [redacted] under the leases hereby assigned applicable to all gas and other hydrocarbons produced and saved by Assignee.

[redacted] at Tulsa, Oklahoma, on this 11th day of [redacted]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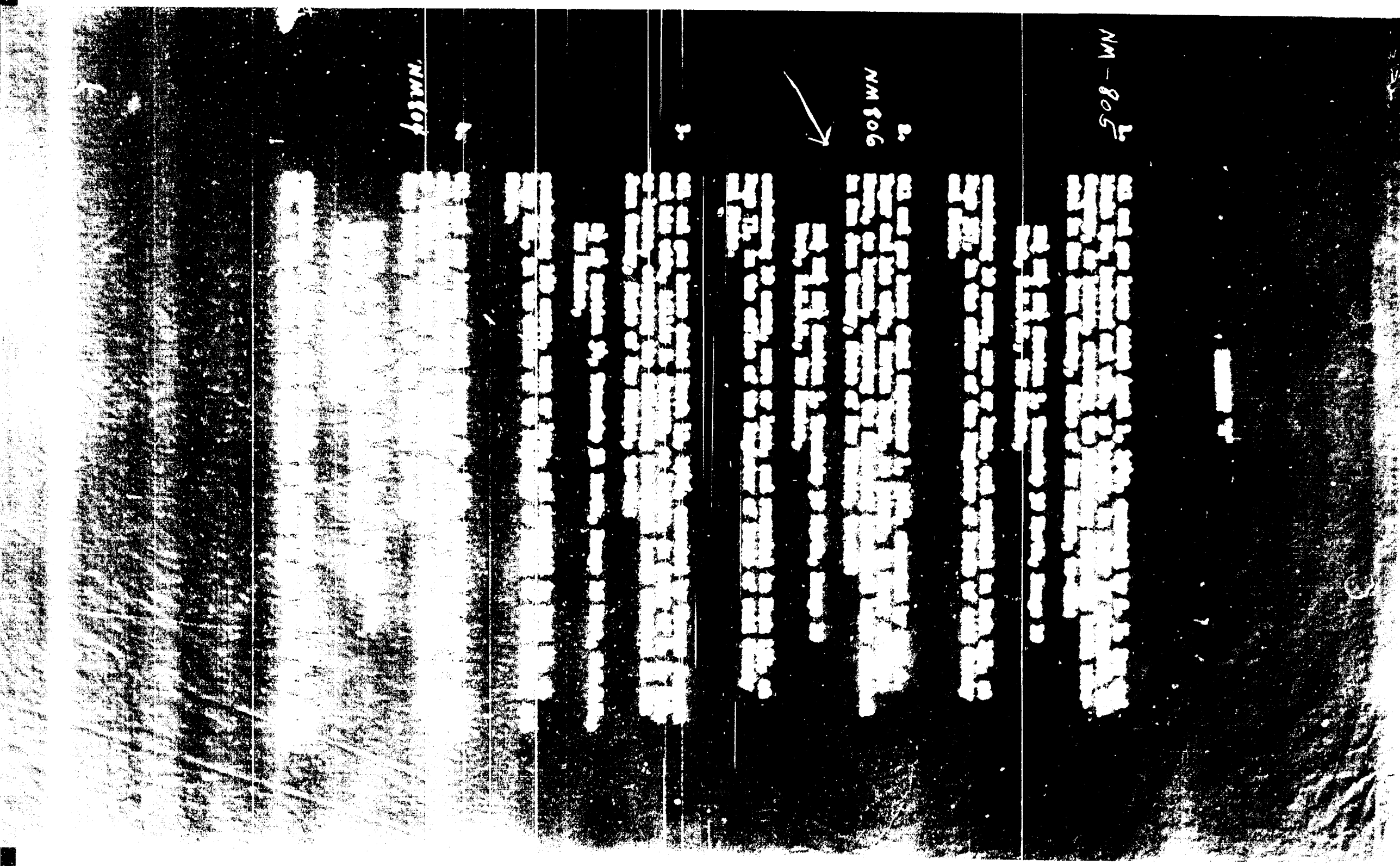

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF F/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320.68 ACRES.

CASE NO. 712) Consolidated
CASE NO. 852)
Order No. R-558-D

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 712 came on for hearing originally at 9:00 o'clock a.m. on May 19, 1954, at Santa Fe, New Mexico, before the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission entered Order No. R-558 in Case No. 712 on December 16, 1954, declaring that the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, was recognized as a communitized or pooled tract from August 14, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and San Mizel, the "Yager Group," filed their application for rehearing, pursuant to which the Commission entered its Order No. R-558-A on January 14, 1955, setting Case No. 712 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 852.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 712 came on for rehearing and Case No. 852 came on for regular hearing before the Commission at Santa Fe, New Mexico at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 712 should be considered applicable to Case No. 852.

Thereafter, the Commission entered Order R-558-B in Cases 712 and 852 (consolidated) on January 12, 1956, declaring that the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, was recognized as a communitized and pooled tract from May 19, 1954.

Thereafter, both El Paso Natural Gas Company and Saul Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel and Sam Mizel, the "Yager Group," filed their applications for rehearing, pursuant to which the Commission entered its Order No. R-558-C on February 10, 1956 setting Case No. 712 and 852 (consolidated) for rehearing.

Thereafter, on March 15, 1956, at 9:00 a.m., Case 712 and 852 (consolidated) came on for rehearing at Santa Fe, New Mexico, before the Commission.

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter thereof.

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

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

4. That by its Order R-110, the Commission further provided that "no well shall be drilled completed or recompleted and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by

pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool."

5. That the "interests" which Order R-110 requires to be "Consolidated by pooling agreement or otherwise" to form a drilling unit are the interests of the "owners" as that term is defined in Section 62-3-29 (e) New Mexico Statutes Annotated (1953) i.e., "the person who has the right to drill into and produce from any pool, and to appropriate the production either for himself or for himself and another."

6. That on August 14, 1953 the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, was situated within the Blanco Mesaverde Gas Pool as then designated by the Commission.

7. That El Paso Natural Gas Company and Fred C. Koch, 321 West Douglas, Wichita, Kansas, were the sole owners of the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico on August 14, 1953.

8. That the said owners had agreed to pool their interests in the E/2 of said Section 3 prior to August 14, 1953.

9. That on August 14, 1953 the United States Geological Survey approved El Paso Natural Gas Company's application to drill its proposed Koch Pool Unit #1 Well on a drilling unit consisting of the E/2 of said Section 3.

10. That the formation of the drilling unit consisting of the E/2 of said Section 3 complied in all respects with Order R-110.

11. That the drilling of an additional well in the E/2 of said Section 3 would be wasteful.

IT IS THEREFORE ORDERED:

1. That the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, containing 320.66 acres, more or less, should be and the same is hereby recognized and treated as an authorized drilling unit duly formed and established in accordance with the provisions of Order R-110 as of August 14, 1953.

2. That the application of El Paso Natural Gas Company for an order force communitizing or pooling the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, pursuant to the terms of the communitization agreement submitted with the application in Case 712 be and the same is hereby denied.

IT IS FURTHER ORDERED:

That Order R-558 and Order R-558-B be and the same are hereby revoked and superseded.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

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

lr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 712) Consolidated
CASE NO. 852)
Order No. R-558-C

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320.68 ACRES.

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-558-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

ir/

January 10, 1956

MEMORANDUM

TO: Governor Simms and Land Commissioner Walker

FROM: W. B. Macey

SUBJECT: Cases 706 & 846, Order R-560-B
Cases 707 & 847, Order R-546-B
Cases 708 & 848, Order R-547-B
Cases 709 & 849, Order R-548-B
Cases 710 & 850, Order R-549-B
Cases 711 & 851, Order R-557-B
Cases 712 & 852, Order R-558-B

This memo covers all of the above-captioned consolidated cases and the orders entered in each case. These cases originally came before the Commission in July of 1954, and after the entry of the original order a rehearing was granted. The orders attached hereto are the orders entered after rehearing in each of the cases designated above.

All of the cases involve gas proration units in the Blanco Mesaverde Gas Pool in San Juan County, New Mexico, and involve El Paso Natural Gas Company on one hand and a group of individuals from Tulsa, Oklahoma, whose chief spokesman, Mr. Saul Yager, is represented by Mr. Jack M. Campbell. In each instance, both parties have submitted very extensive briefs on the legal technicalities involved in these orders. The entire problem presented to the Commission was based on the fact that El Paso Natural Gas Company obtained leases from the "Yager Group", the leases not having any pooling clause.

Under the Blanco Mesaverde Pool rules, it is essential that each drilling unit contain 320 acres and the pool rules (Order R-110) state as follows: "No well shall be drilled . . . . unless such well be located on a designated drilling unit of not less than 320 acres of land . . . . in which unit all the interests are consolidated by pooling agreement or otherwise . . . ."

The applications of El Paso in each instance requested compulsory communitization of the acreage involved, and the companion application requested determination and ratification of the communitization in each instance. The original Commission orders entered after the original cases held that the communitization was effective on the day that the Commission or the regulatory group involved (U.S.G.S.) approved the notice of intention to drill the well on each specific tract.

Mr. Kitts and I have spent a considerable amount of time reviewing all of the facts and evidence entered in this case and all of the legal background in other states pertaining to compulsory communitization and have come to the conclusion that the original order which was entered was in error. We feel that in view of the specific requirement of the pool rules that all interests be "consolidated by pooling agreement or otherwise"; that it is necessary for the operator of a proration unit to actually have an agreement between all of the parties involved or a Commission order compelling them to join in the agreement prior to the time they start their well, and that the communitization is effective only when the parties are in complete agreement or when an order is entered.

We further feel that the word "interests", as used in the pool rules, pertains solely to the "owner"; that is, the man who has the right to drill on the land and prospect for oil and gas. Although El Paso Natural and the other owners in each area may have had an agreement to consolidate or pool their leases prior to the time the wells were started, the only evidence which this Commission has that all of the interests were consolidated by agreement was on the date of the first hearing in these cases, May 19, 1954. It is perfectly possible that the companies involved in these cases actually had an agreement prior to this date, but we do not have any evidence of such agreement.

The reason that the effective date of the communitization, as recognized by this Commission, is important is that there would be some lease expirations involved if there was not an actual communitization agreement effected prior to the expiration date. It is for this reason that in each order we have entered an alternative order which makes the effective date of communitization the date of this order in the event subsequent adjudication as to the title of lessee renders our original portion of the order null and void.

If you feel that further discussion of these orders is necessary, I will be glad to arrange a meeting with you for Mr. Kitts and myself; however, I am firmly convinced that the orders that we have entered are proper.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 712) Consolidated
CASE NO. 852)
Order No. R-558-B

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320.68 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 712 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-558 in Case No. 712 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, was recognized as a communitized or pooled tract from August 14, 1953.

Thereafter, and on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. 558-A on January 14, 1955, setting Case No. 712 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 852.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 712 came on for rehearing and Case No. 852 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 712 should be considered applicable to Case No. 852.

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 712.

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

6. That the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, is situated within the Blanco Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, Atlantic Refining Company, Sunray Oil Corporation, Fred C. Koch, and the Aztec Oil and Gas Company were, on August 14, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, containing 320.66 acres of land more or less.

8. That on August 14, 1953, qualified permission was granted by the U. S. Geological Survey to applicant, El Paso Natural Gas Company, to drill a well known as the Koch Pool Unit #1 Well, to be located 1800' from the North line and 890' from the east line of said Section 3, said well to be drilled to the Mesaverde formation; that the E/2 of said Section 3 was designated as the drilling unit; that drilling operations were commenced on said well on August 30, 1953, and the well completed on November 9, 1953, in the Mesaverde formation with an initial potential of 5,550,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 712, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date the said working interest owners consolidated their leases was May 19, 1954.

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

11. That the approval by the United States Geological Survey of the Notice of Intention to Drill, the designation of the E/2 of said Section 3 as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the E/2 of said Section 3 has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the E/2 of Section 3, Township 30 North, Range 10 West be and is hereby recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, be and they are hereby, consolidated, and the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED: That Order No. R-558, in Case No. 712 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

ir/

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. 712
Order No. R-558-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF THE E/2 OF SECTION 3,
TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-558 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

ir

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 E½ OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO	))))))	Case No. 712

APPLICATION FOR REHEARING

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

(a) Applicants are the owners of interests in the NW¼NW¼SE¼ of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico and are parties affected by Order No. R-558 entered by the Commission on December 17, 1954.

(b) Order No. R-558 is erroneous in the following respects:

1. The U. S. Geological Survey is without power or authority to grant permission to create or form a drilling unit under the Laws of the State of New Mexico.

2. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.

3. Findings No. 7, 8 and 9 are contrary to law.

4. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.

5. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

6. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives applicants of their correlative rights.

7. The order deprives Applicants of their property without due process of law.

8. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

9. The order bears no relation to prevention of waste.

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

WHEREFORE, Applicants request a rehearing in Case No. 712 before the Commission.

Respectfully submitted,

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

1-4-55

By Jack M. Campbell
Jack M. Campbell
their attorney

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 712
Order No. R-558

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY COMMUNIT-
IZATION OF THE E/2 OF SECTION 3, TOWNSHIP
30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

2. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, Atlantic Refining Company, Sunray Oil Corporation, Fred C. Koch, and the Aztec Oil and Gas Company were, on August 14, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico, containing 320.68 acres of land.

3. That the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

4. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool said plan providing for drilling units of not less than 320 acres of land in the shape of a

rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool."

6. That on August 14, 1953, permission was granted by the U.S. Geological Survey to applicant, El Paso Natural Gas Company, to drill a well known as the Koch Pool Unit #1 Well, to be located 1800' from the north line and 890' from the east line of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation, and the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, was designated as the drilling unit as provided in Order R-110; that drilling operations were commenced in said well on August 30, 1953, and the well completed on November 9, 1953, in the Mesaverde formation with an initial potential of 5,550,000 cubic feet of gas per day.

7. That the working interest owners on August 14, 1953, were the only persons who had the right to drill into and to produce from said Mesaverde Gas Pool and to appropriate the production for themselves, and that all of said owners agreed to pool or communitize their separate oil and gas leases into a drilling unit containing 320.68 acres as described above.

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

9. That the agreement entered into by said owners to pool or communitize their oil and gas leases covering the E/2 of said Section 3, Township 30 North, Range 10 West, effectively created a communitized or pooled unit comprising the E/2 of said Section 3, and that the approval by the U. S. Geological Survey effectively approved such communitized or pooled tract on the date of such approval, to-wit, August 14, 1953, and the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, has been and is an approved drilling unit containing 320 acres at all times thereafter.

10. That the drilling of an additional well or wells lying within the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

That the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, be and is hereby recognized as a communitized or pooled tract effective August 14, 1953, and at all times thereafter, and that such pooling or communitization be and it is hereby in all things confirmed.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO, OR IN THE ALTERNATIVE FOR UNORTHODOX SPACING

NO. 712

TO THE HONORABLE COMMISSION:

Your Applicant, EL PASO NATURAL GAS COMPANY, represents that it is a Delaware corporation with a permit to do business in the State of New Mexico and that it is the present owner and holder of leasehold rights or gas operating rights to the base of the Mesaverde formation under the following described oil and gas leases, all embracing land located in the E/2 of Section 3, Township 30 North, Range 10 West, N.M.P.M., San Juan County, New Mexico:

a. Oil and Gas Lease dated July 2, 1953, from Rose Rosenwein as Lessor to El Paso Natural Gas Company as Lessee, embracing among other lands the SE/4 NW/4 SE/4 of said Section 3, containing 10 acres, more or less.

b. United States Oil and Gas Lease, Serial Number New Mexico 0607, The Atlantic Refining Company, Lessee, embracing among other lands Lot 1, SE/4 NE/4, SW/4 SE/4 and E/2 SE/4 of said Section 3, containing 200.29 acres, more or less.

c. Oil and Gas Lease dated January 24, 1949, from John A. and Katharine L. Pierce as Lessors to C. H. Nye as Lessee, embracing among other lands Lot 2 of said Section 3, containing 40.39 acres, more or less.

d. Oil and Gas Lease dated April 1, 1949, from C. H. Nye and Linda Nye as Lessors to Barnsdall Oil Company as Lessee, embracing among other lands the NE/4 NW/4 SE/4 of said Section 3, containing 10.00 acres, more or less.

Your Applicant represents that Fred C. Koch owns leasehold rights or gas operating rights in the following described oil and gas lease:

Oil and Gas Lease dated July 19, 1951, from Gladys E. DeJarnette and Leland R. DeJarnette and Alma Z. Harlow and D. L. Harlow as Lessors to Fred C. Koch as Lessee, embracing among other lands the SW/4 NE/4, SW/4 NW/4 SE/4 of said Section 3, containing 50 acres, more or less.

Your Applicant represents that it is the legal owner and holder of that certain Oil and Gas Lease, in so far as gas rights to the base of the Mesaverde formation are concerned, 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 San Juan County, New Mexico, to wit:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: NW/4 NW/4 SE/4
containing 10.00 acres, more or less;

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 SE/4 NE/4 of said Section 3, which Notice was received by United States Geological Survey August 7, 1953, approved August 14, 1953, and, in said Notice, your Applicant dedicated to said well the E/2 of said Section 3 which included the NW/4 NW/4 SE/4 of said Section 3 under 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 E/2 of said Section 3 except the SW/4 NE/4 and SW/4 NW/4 SE/4. The owners of all the working interest in the entire E/2 of said Section 3 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 August 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 SE/4 NE/4 of said Section 3 and continued said well with due diligence, completing it as a well producing gas from the Mesaverde formation on November 9, 1953. By reason of the designation of the E/2 of said Section 3 as a communitized tract attributable to said well and by reason of the commencement of drilling operations on 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 Mesaverde formation in San Juan County, New Mexico, and that the E/2 of said Section 3, containing 320.68 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 E/2 of said Section 3 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 August 14, 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 August 14, 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 August 14, 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 30 North, Range 10 West, N.M.P.M.
Section 3: Lots 1 and 2, S/2 NE/4, E/2 SE/4, SW/4 SE/4, E/2 NW/4 SE/4, SW/4 NW/4 SE/4
containing 310.68 acres, more or less.

Respectfully submitted,

Earl P. Howell

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

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of August 1953, by and between El Paso Natural Gas Company, a Delaware corporation, whose address is P. O. Box 1492, El Paso Texas, (hereinafter sometimes referred to as "El Paso"); Delhi Oil Corporation, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; Saul 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; and The Atlantic Refining Company, a Pennsylvania corporation whose address is P. O. Box 2819, Dallas 1, Texas; Sam Mizel, whose address is 101 W. Cameron Street, Tulsa, Oklahoma; Fred C. Koch, whose address is 321 W. Douglas, Wichita, Kansas; Sunray Oil Corporation, a Delaware corporation, whose address is First National Bank Building, 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 that certain Oil and Gas Lease executed in favor of El Paso Natural Gas Company as Lessee under date of July 2, 1953, by Rose Rosenwein, a feme sole, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: SE/4 NW/4 SE/4
containing 10.00 acres, more or less; and

WHEREAS, the above described lease provides for the pooling by the Lessee of the lands covered thereby as follows:

"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 640 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."

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

Township 30 North, Range 10 West, N.M.P.M.
Section 3: NW/4 NW/4 SE/4
containing 10.00 acres, more or less; and

WHEREAS, Sunray Oil Corporation by contract with El Paso, dated September 26, 1952, reserved and retained 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 ($\frac{1}{4}$) 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, The Atlantic Refining Company is the present owner and holder of that certain United States Oil and Gas Lease bearing Serial Number New Mexico 0607 executed in favor of The Atlantic Refining Company as Lessee under date of May 1, 1950, by the United States of America as Lessor embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: Lot 1, SE/4 NE/4, SW/4 SE/4, E/2 SE/4
containing 200.29 acres, more or less; and

WHEREAS, by a Contract for Development, dated February 27, 1950, as amended by a Supplemental Contract dated July 21, 1950, certain operating rights in the above described Federal Oil and Gas Lease were assigned to Delhi Oil Corporation. This Contract for Development was approved by the Bureau of Land Management by a Decision dated July 25, 1950. By an Agreement dated February 26, 1952, this Contract for Development was further amended whereby said Agreement provides that Delhi Oil Corporation shall transfer and assign to El Paso all its right, title and interest in and to the "earned gas acreage" and in and to all "unearned gas acreage" covered by said Contract and that The Atlantic Refining Company approves and agrees to such transfer and assignment; and

WHEREAS, El Paso is the present owner and holder of the gas operating rights down to and including the base of the Mesaverde formation in and under the above described Federal Oil and Gas Lease insofar as said lease is applicable to the last above described tract; and

WHEREAS, Delhi Oil Corporation is the present owner and holder of the oil operating rights, certain gas overriding royalties and certain gas operating rights under the above described Federal Oil and Gas Lease; and

WHEREAS, El Paso is the present owner of the gas rights to the base of the Mesaverde formation under that certain Oil and Gas Lease executed by John A. Pierce and wife Katharine L. Pierce, as Lessors, in favor of C. H. Nye, as Lessee under date of January 24, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: Lot 2
containing 40.39 acres, more or less; and

WHEREAS said lease provides for the pooling by the 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 640 acres; and in the event lessee exercises the 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 Sunray Oil Corporation by a contract with El Paso dated September 26, 1952 is the present owner of certain gas overriding royalties on the last above described tract; and

WHEREAS El Paso Natural Gas Company is the present owner of the gas rights to the base of the Mesaverde formation under that certain oil and gas lease executed in favor of Barnsdall Oil Company by C. H. Nye and wife Linda Nye, as Lessors under date of April 1, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: NE/4 NW/4 SE/4
containing 10.00 acres, more or less, and

WHEREAS said oil and gas lease provides for the pooling by the 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 640 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 Sunray Oil Corporation by contract with El Paso dated September 26, 1952, retained and reserved certain gas overriding royalties on the last above described tract; and

WHEREAS, Fred C. Koch is the present owner of that certain oil and gas lease executed in favor of Fred C. Koch as Lessee, by Gladys E. DeJarnette and husband Leland R. DeJarnette and Alma Z. Harlow and husband D. L. Harlow as Lessors under date of July 19, 1951, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: SW/4 NE/4, SW/4 NW/4 SE/4
containing 50.00 acres, more or less; and

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

"17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization: provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the described land included in such unit in the same manner as though produced from the above described land under the terms of the lease.

WHEREAS, in order to expedite the approval of this agreement all of the overriding royalty owners in 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 30 North, Range 10 West, N.M.P.M.
Section 3: E/2
containing 320.69 acres, more or less; and

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

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

tioned and described shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

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

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

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

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

The unit operator (El Paso) agrees to furnish the Secretary of the Interior, or his duly authorized representatives, with a log and history of any

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

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

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

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

ATTEST:

_____
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By_____
Vice President

ATTEST:

_____
Assistant Secretary

THE ATLANTIC REFINING COMPANY

By_____
Vice President

ATTEST:

_____
Assistant Secretary

DELHI OIL CORPORATION

By_____
Vice President

_____
Saul A. Yager

_____
Marian Yager

_____
M. E. Gimp

_____

Morris Mizel

Flora Mizel

Fred C. Koch

Sam Mizel

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 said 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 hereunot set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

_____

Notary Public, El Paso County, Texas

STATE OF TEXAS

COUNTY OF DALLAS

On this_____day of_____, 1953 before me appeared _____, to me personally known, who, being my me duly sworn, did say that he is the Vice President of THE ATLANTIC REFINING COMPANY and that the seal affixed to said 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 herewnto 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, 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 said 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, Dallas County, 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, County of Tulsa, 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, County of Tulsa, Oklahoma

STATE OF TEXAS

COUNTY OF DALLAS

On this_____day of_____, 1953, 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, Dallas County, 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, County of Tulsa, Oklahoma

STATE OF KANSAS

COUNTY OF

On this_____day of_____, 1953, before me appeared Fred C. Koch 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 State of Kansas

STATE OF OKLAHOMA

COUNTY OF TULSA

On this_____day of_____, 1953, 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, Oklahoma

Legal Notice OCC Hearing

Publication:

Date: 5/19/54

CASE _____:

In the matter of the application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico, or, in the alternative, for unorthodox spacing; and giving notice of said application and hearing to the following individuals holding uncommitted royalty interest in portions of the described acreage: (List as shown)

In accordance

Legal Notice OCC Hearing

Publication:

Date: May 19 1954

CASE _____:

In the matter of the application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico, or, in the alternative, for unorthodox spacing; and giving notice of said application and hearing to the following individuals holding uncommitted royalty interest in portions of the described acreage: List

2 Agreed to consolidate

2-3 Stipe 1) Yager group – owners of undeveloped gas mineral interests under lying NW/4 NW/4 Sec. 15, Twp 32 N, Range 10 W, San Juan
2) EPNG asked Yager if willing Communitize interests to form unit
3) Yager to EPNG – Not in position pay their part drilling costs – would be agreeable Communitize – cost of drilling to be taken out 7/8 working interest

5-6 T W. Bittick, EPNG
Drew fast

8 E & B. Wells E/2
3 other locations.

9 Wells for W/2 – one to east; one being SE; one to S
One directly SE
Pac. N-W willing Communitize 9/9/55

10 Blank (3 cons) – Not willing Comm'l

12 Clarke Corn minerals.
Actual cost of well in E/2 – $63,610.50
All charges – including supervision.

11 Supervision $250/mo – drilling well
$75/mo – providing well overhead

12 Practice in San Juan Co. when one party not willing to join unit

13-14 – The terms

15 Exhibit "D" Participating Agreement W/S No. 15 1.50%

22 Exhibits offered to show location of Indicated general Jackson - Conant settlement

* 24 Description of acreage involved - in some detail

26 Cross-motions - in opposition W/2 will would not about 3,000 more, or approx $66,972.00

27 Campbell, Texas Co. argument that block to offset not productive yet

28 Admissibility of Negotiations

29 Complete Affidavits between this and Unit taken federal to be avoided.

32 North End not effected by Accounting.

Will there not unitagreement in effect in Basin which is not the persons to be notified to the 320 acres upon which the well is drilled — and not in participation?

35 Preston Thomas

35 McLaughlin - value of many to Argued evidence Index.

R-553
R-617
R-626
R-655

8640
8659
[illegible]
[illegible]

25,180
3111

28291
24502

3689
[illegible]

3423

3016.
2805
7804
2360
7317

24502

15653.38
832.40

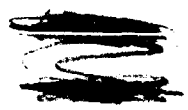
16485.78

[illegible]
16219.18
[illegible]

250
100

350
59

3/175
15
25



BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF O. C. PARKER FOR POOLING ORDER AND ADJUDICATING THE RIGHTS AND EQUITIES OF THE OWNERS OF THE MINERAL AND LEASED PREMISES IN AND UNDER THE NW/4 OF NE/4 OF SECTION 13, TOWNSHIP 1 NORTH, RANGE 3 WEST, GARVIN COUNTY, OKLAHOMA.

Cause CD No. 5397

Order No. 28187

REPORT OF THE COMMISSION

This cause came on for hearing before the Corporation Commission of Oklahoma on the 11th day of February, 1954, at 10 o'clock a.m., in the Commission's Court Room, Capitol Office Building, Oklahoma City, Oklahoma; the Honorable Reford Bond, Chairman, Ray O. Weems, Vice-Chairman, and Ray C. Jones, Commissioner, sitting.

Houston Dua Hill, Attorney, appeared for the applicant, O. C. Parker; Harold Freeman and S. H. King, Attorneys, appeared for themselves and for T. J. Hall and John Dowd; and Floyd Green, Conservation Attorney, and Ferrill Rogers, Assistant Conservation Attorney, appeared for the Commission.

When the case was called, the same was referred to W. H. Sellers, Trial Examiner, for the purpose of taking testimony and reporting to the Commission.

The Trial Examiner proceeded to hear the cause and has filed his report herein recommending that the application be granted, and that time was allowed for exceptions to be filed to said report, and none having been filed, said recommendation and report are hereby adopted and the Commission therefore finds as follows:

F I N D I N G S

1. That this is an application of O. C. Parker for an order pooling and adjudicating the rights and equities of the owners of oil and gas leases in the NW/4 of NE/4 of Section 13, Township 1 North, Range 3 West, Garvin County, Oklahoma, for the production of oil and gas from the McLish Sand, common source of supply.

2. That the Commission has jurisdiction over the subject matter herein; that notice has been given in all respects as required by law and the above named parties appeared to protect their interest in the matter.

3. That by Order No. 24469, as extended by Order No. 27365, the Commission established 40 acre drilling and spacing units for the production of oil and gas from the McLish Sand in this area, and the NW/4 of NE/4 of said Section 13 constitutes one of said units.

4. That the applicant is the owner of an oil and gas lease on all of said unit except the Southeast 10 acres thereof which is owned by Harold Freeman, S. H. King, et al, and the applicant desires to drill a well on said unit and has been unable to agree with the owners of the outstanding unleased mineral interest, on a plan for the development of said unit; that an order should be made pooling the oil and gas leasehold interest in said unit for the production of oil and gas from the McLish Sand, and O. C. Parker should be permitted to drill and operate the well on said unit.

5. That for the purpose of the order in this case, the fair, reasonable cash market value of an oil and gas lease for the McLish Sand on said 10 acre tract should be fixed at $750.00 per acre, and the cost of drilling, completing and equipping a well to said formation should be fixed at approximately $350,000 to $400,000.00.

6. That taking into consideration the rights and equities of the parties, an order should be made providing for three alternatives, as follows:

FIRST: That the owners of the outstanding unleased mineral interests should be required to pay their proportionate share of the cost of drilling, completing and equipping said well to the applicant herein, or furnish satisfactory evidence for the payment thereof within 15 days from the date of the order of the Commission, and receive therefor their proportionate share of the working interest in said well.

SECOND: That the owners of the outstanding unleased mineral interests in said unit should be paid by the applicant the sum of $750.00 per acre as mineral compensation in lieu of their right to participate in the working interest in said well and the 7/8ths leasehold production therefrom.

THIRD: That the owners of the outstanding unleased mineral interests in said unit should be permitted to await the outcome of the drilling of said well, and if production is found in the Melish Sand, that the applicant be permitted to withhold from their proportionate share of the working interest production from said well until such time as the applicant is reimbursed in the sum of 125 percent of such outstanding owners' proportionate part of the cost of drilling, completing and equipping said well, after which time the owners of the outstanding unleased mineral interests should receive their proportionate share in the working interest in said well.

7. That the owners of the outstanding unleased mineral interest should be required to elect within 15 days of the date of the order of the Commission in this cause which method they desire to pursue in the development of this unit, and if such election is not made within said time, then it should be assumed that they have elected to take a bonus in the sum of $750.00 per acre as mineral compensation in lieu of their right to participate in the working interest in said well and the 7/8ths leasehold production therefrom.

8. That in the interest of encouraging development in the area, securing the greatest ultimate recovery of oil from the Pool, the prevention of waste and the protection of correlative rights, this application should be granted.

O R D E R

IT IS THEREFORE ORDERED by the Corporation Commission of Oklahoma as follows:

1. That G. C. Parker be, and he is hereby permitted and authorized to drill and complete a well for the production of oil and gas from the Melish Sand, in the NW/4 of NE/4 of Section 13, Township 1 North, Range 3 West, Garvin County, Oklahoma.

2. That the sum of $350,000.00 to $400,000.00 is fixed, for the purpose of this order, as the cost of drilling, completing and equipping a well to said common source of supply, and in the event there is a dispute as to such cost after the well has been completed, the Commission reserves jurisdiction for the purpose of redetermining such cost.

3. That for the purpose of this order, the sum of $750.00 per acre is fixed as a fair and reasonable mineral compensation to be paid in lieu of the right of participation in the working interest in said well and the 7/8ths leasehold production therefrom.

4. That the following alternatives shall be provided:

FIRST: That the owners of the outstanding unleased mineral interests shall be required to pay their proportionate share of the cost of drilling, completing and equipping said well to the applicant herein, or furnish satisfactory evidence for the payment thereof within 15 days from the date of the order of the Commission, and receive therefor their proportionate share of the working interest in said well.

SECOND: That the owners of the outstanding unleased mineral interests in said unit shall be paid by the applicant the sum of $750.00 per acre as mineral compensation in lieu of their right to participate in the working interest in said well and the 7/8ths leasehold production therefrom.

THIRD: That the owners of the outstanding unleased mineral interests in said unit shall be permitted to await the outcome of the drilling of said well, and if production is found in the McLish Sand, that the applicant be permitted to withhold from their proportionate share of the working interest production from said well until such time as the applicant is reimbursed in the sum of 125 percent of such outstanding owners' proportionate part of the cost of drilling, completing and equipping said well, after which time the owners of the outstanding unleased mineral interests shall receive their proportionate share in the working interest in said well.

5. That the owners of the outstanding unleased mineral interests in said unit are hereby required to make an election within 15 days of the date of this order as to which method they desire to pursue in the development of said unit and said election shall be made in writing and addressed to Mr. Houston Sue Hill, Attorney for the applicant, Republic Building, Oklahoma City, Oklahoma, and a copy of the same shall be mailed to the Corporation Commission of Oklahoma; that if said election is not made within said time, then it will be assumed that the owners of the outstanding unleased mineral interests have elected to take a bonus of $750.00 per acre in lieu of their right of participating in the working interest in said well and the 7/8ths working interest production therefrom.

DONE AND PERFORMED this 25th day of February, 1954.

CORPORATION COMMISSION OF OKLAHOMA

_____, Chairman

Ray C. Myers, Vice-Chairman

Ray C. Jones, Commissioner

ATTEST:

Tom McMurray
Secretary

No. 13-56

WFK

DOCKET: EXAMINER HEARING APRIL 25, 1956

N.M. Oil Conservation Commission 9:00 a.m., Hobbs, New Mexico

Oil Conservation Commission Office, 1200 W. Broadway, Hobbs, New Mexico

The following cases will be heard before Warren W. Mankin, Examiner:

CASE 1058: Application of Sunray Mid-Continent Oil Company for the determination of the allowable for its proposed State "J" Well No. 1 to be located in Section 1, Township 12 South, Range 33 East, Bagley-Siluro-Devonian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting an allowable equal to that of a standard 40 acre proration unit with deep pool adaptation in accordance with Commission Order R-69 (c); said allowable to be granted to its proposed State "J" Well No. 1 to be located 330 feet from the North line and 330 feet from the West line of Section 1, Township 12 South, Range 33 East, Bagley-Siluro-Devonian Pool, Lea County, New Mexico. Applicant proposes to dedicate to said well the W/2 W/2 of the NW/4 of said Section 1.

RFM

CASE 1059: Application of The Texas Company for an order approving a dual completion in the Blinebry Oil Pool and the Tubb Gas Pool in compliance with Rule 112 (a) of the New Mexico Oil Conservation Commission Statewide Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting them permission to dually complete their A. H. Blinebry (NCT-1) Well No. 7 in the Blinebry Oil Pool and the Tubb Gas Pool; said well being located 1980 feet from the North line and 1974 feet from the East line of Section 19, Township 22 South, Range 38 East, Lea County, New Mexico.

CMR

CASE 1060: Application of The Texas Company for an order granting a 320 acre non-standard gas proration unit in the Tubb Gas Pool, Lea County, New Mexico, in exception to Rule 5 (a) of the Special Rules and Regulations of the Tubb Gas Pool as set forth in Order R-586. Applicant, in the above-styled cause, seeks an order granting the establishment of a 320 acre non-standard gas proration unit in the Tubb Gas Pool, Lea County, New Mexico; said unit to consist of the E/2 of Section 19, Township 22 South, Range 38 East, Tubb Gas Pool, Lea County, New Mexico; said unit to be dedicated to applicant's A. H. Blinebry (NCT-1) Well No. 7 located 1980 feet from the North line and 1974 feet from the East line of Section 19, Township 22 South, Range 38 East, Lea County, New Mexico.

CMR

CASE 1061: Application of Neville G. Penrose, Inc., for an order granting an exception to Rule 309 (a) of the New Mexico Oil Conservation Commission Statewide Rules and Regulations in the granting of permission to transport oil from the lease on which it is produced to a tank battery located at a point other than on said lease. Applicant, in the above-styled cause, seeks an order granting permission to transport oil produced from the Vacuum Pool from its Scharbauer No. 1 Well located in the NE/4 NW/4 of Section 25, Township 17 South, Range 35 East, Lea County, New Mexico, to a tank battery located in the SW/4 SW/4 of Section 24, Township 17 South, Range 35 East, Lea County, New Mexico.

CMR

CASE 1062: Application of Sinclair Oil and Gas Company for an order approving a dual completion to produce gas from the Yates, Seven Rivers and upper Queen formations of the Eumont Gas Pool and to produce oil from the lower Queen formation of the Eumont Gas Pool in compliance with Rule 112 (a) of the New Mexico Oil Conservation Commission Statewide Rules and Regulations and for an order granting an exception to Rule 5 (a) of the Special Rules and Regulations for the Eumont Gas Pool as set forth in Order R-520 in establishment of an 80 acre non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order granting them permission to dually complete their Ida White No. 2 Well to produce gas from the Yates, Seven Rivers and upper Queen formations of the Eumont Gas Pool and oil from the lower Queen formation of the Eumont Gas Pool; said well being located 1650 feet from the South line and 2310 feet from the East line of Section 35, Township 20 South, Range 36 East, Lea County, New Mexico, and in addition applicant seeks approval of an 80 acre non-standard gas proration unit consisting of the N/2 SE/4 of Section 35, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico; said 80 acres to be dedicated to applicant's Ida White No. 2 Well.

CASE 1063: Application of the Humble Oil & Refining Company for an order approving a dual completion to produce gas from the upper Queen formation of the Eumont Gas Pool and to produce oil from the lower Queen formation of the Eumont Gas Pool in compliance with Rule 112 (a) of the New Mexico Oil Conservation Commission Statewide Rules and Regulations, and further applicant requests an order granting an exception to Rule 5 (a) of the Special Rules and Regulations for the Eumont Gas Pool as set forth in Order R-520 in the establishment of a 240 acre non-standard gas proration unit in Section 32, Township 18 South, Range 37 East, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting them permission to dually complete their New Mexico State "AK" Well No. 1 as a gas well in the upper Queen formation of the Eumont Gas Pool and as an oil well in the lower Queen formation of the Eumont Gas Pool; said well being located 1880 feet from the South line and 1980 feet from the West line of Section 32, Township 18 South, Range 37 East, Lea County, New Mexico, and for the establishment of a 240 acre non-standard gas proration unit in the Eumont Gas Pool comprising the SW/4 and SW/4 NW/4 and SW/4 SE/4 Section 32, Township 18 South, Range 37 East, Lea County, New Mexico.

CASE 1064: Application of Humble Oil and Refining Company for an order approving a dual completion to produce gas from the upper Queen formation of the Eumont Gas Pool and to produce oil from the lower Queen formation of the Eumont Gas Pool in compliance with Rule 112 (a) of the New Mexico Oil Conservation Commission Statewide Rules and Regulations and further applicant requests an order granting an exception to Rule 5

(a) of the Special Rules and Regulations for the Eumont Gas Pool as set forth in Order R-520 in the establishment of a 160 acre non-standard gas proration unit in Section 11, Township 19 South, Range 36 East, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting them permission to dually complete their New Mexico State "AO" Well No. 1 as a gas well from the upper Queen formation in the Eumont Gas Pool and as an oil well from the lower Queen formation of the Eumont Gas Pool, said well being located 660 feet from the South line and 1980 feet from the West line of Section 11, Township 19 South, Range 36 East, Lea County, New Mexico, and for the establishment of a 160 acre non-standard gas proration unit in the Eumont Gas Pool comprising the SW/4 Section 11, Township 19 South, Range 36 East, Lea County, New Mexico.

ir/

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. 858
Order No. R-626

THE MATTER OF THE APPLICATION
OF WOOD RIVER OIL AND REFINING
COMPANY, INC., AND THE EL DORADO
REFINING COMPANY FOR THE
COMPULSORY COMMUNITIZATION OF
THE SW/4 OF SECTION 16, TOWNSHIP 26
NORTH, RANGE 9 WEST, NMPM, SAN
JUAN COUNTY, NEW MEXICO, OR, IN
THE ALTERNATIVE, FOR UNORTHODOX
DRILLING UNIT CONSISTING OF THE N/2
SW/4 AND SW/4 SW/4 OF SECTION 16,
TOWNSHIP 26 NORTH, RANGE 9 WEST,
NMPM, IN THE BALLARD-PICTURED CLIFFS
GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 16, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 20th., day of April, 1955, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

1. That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

2. That applicants, Wood River Oil and Refining Company and The El Dorado Refining Company, are the owners of State of New Mexico Oil and Gas Lease B-10894-6, which lease includes the N/2 SW/4 and the SW/4 SW/4 of Section 16, Township 26 North, Range 9 West, NMPM, San Juan County, New Mexico.

3. That the above-described lands are situated within the boundaries of the Huerfano Unit but are not committed to said unit.

4. That the SE/4 SW/4 of Section 16, Township 26 North, Range 9 West, NMPM, San Juan County, New Mexico, is held under a State of New Mexico Oil and Gas Lease executed in favor of New Mexico Western Oil and Gas Company.

5. That those lands described in Finding 4 above are situated within the boundaries of the Huerfano Unit and are committed to the unit.

6. That in order to form a standard 160-acre drilling unit in the SW/4 of Section 16, Township 26 North, Range 9 West, NMPM, it would be necessary for the applicants to communitize those lands held by the applicants and described in Finding 2 above with those lands held by New Mexico Western Oil and Gas Company, which lands are described in Finding 4 above and which lands are committed to the Huerfano Unit Agreement.

7. That it is neither advisable nor practical to effect the communitization of lands committed to a unit agreement with lands not committed to that agreement.

8. That New Mexico Western Oil and Gas Company and the El Paso Natural Gas Company have entered an objection to the formation of a 120-acre non-standard drilling unit as proposed by Wood River Oil and Refining Company and The El Dorado Refining Company.

9. That, despite the objection, it is necessary to provide applicants with a non-standard 120-acre drilling unit so that they may be afforded the opportunity to drill a well on the acreage described in Finding 2 above.

10. That the formation of such 120-acre non-standard proration unit will be in the best interests of conservation and will promote the orderly development of the area.

IT IS THEREFORE ORDERED:

1. That the application of the Wood River Oil and Refining Company and The El Dorado Refining Company for approval of a 120-acre unorthodox drilling unit consisting of the following described acreage,

TOWNSHIP 26 NORTH, RANGE 9 WEST, NMPM
N/2 SW/4, SW/4 SW/4 of Section 16

be and the same hereby is approved, and a drilling unit consisting of the aforesaid acreage is hereby created.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Signed by: John F. Simms, Chairman; E. S. Walker, Member; W. B. Macey, Member and Secretary.
/ir

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 936
Order No. R-688

THE APPLICATION OF BASIN NATURAL GAS CORPORATION FOR COMPULSORY COMMUNITIZATION OF THE SW/4 OF SECTION 13, TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, OR, IN THE ALTERNATIVE, FOR THE GRANTING OF AN UNORTHODOX UNIT CONSISTING OF THE S/2 SW/4 OF SECTION 13, TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO CONTAINING 80 ACRES MORE OR LESS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 17, 1955, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 15th. day of September, 1955, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That applicant, Basin Natural Gas Corporation, is the owner of oil and gas leases in San Juan County, New Mexico under the following described lands:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM
S/2 SW/4 of Section 13

containing 80 acres more or less.

(3) That Mr. Francis Harvey is the owner of the oil and gas lease covering the NW/4 of the SW/4 of Section 13, Township 29 North, Range 11 West, NMPM, San Juan County, New Mexico containing 40 acres more or less and that

the NE/4 of the SW/4 of Section 13, Township 29 North, Range 11 West, NMPM, San Juan County, New Mexico, is unleased federal land.

(3) That in view of the facts presented, it would be premature to grant forced communitization of aforementioned lands.

(4) That granting of the alternate request as an exception to Rule 104 (d) in the application will not cause but will prevent waste and will protect correlative rights.

(5) That there were no protestants of record to the application in the subject case.

IT IS THEREFORE ORDERED:

(1) That the alternate request in the application of Basin Natural Gas Corporation for approval of an unorthodox unit in exception to Rule 104 (d) for its Gale Well No. 1, in the Aztec Fruitland Gas Pool, consisting of the following described acreage:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM
S/2 SW/4 of Section 13

containing 80 acres more or less, be and the same is hereby approved, and an unorthodox unit consisting of aforementioned acreage is hereby created.

(2) That should owners of the oil and gas leases under the NW/4 of the SW/4 and the NE/4 of the SW/4 of Section 13, Township 29 North, Range 11 West, NMPM, San Juan County, New Mexico, desire to voluntarily join the unit, applicant is hereby given the right to so enlarge this unit to 120 acres or 160 acres as the case may be, all until further order of the Commission.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

ir/

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. 818
Order No. R-583

THE APPLICATION OF FAMARISS PETROLEUM
CORPORATION FOR AN ORDER CALLING FOR
THE COMPULSORY COMMUNITIZATION OF LOTS
2, 7, AND 10 OF SECTION 4, TOWNSHIP 21 SOUTH,
RANGE 37 EAST, NMPM, LEA COUNTY, NEW
MEXICO, FOR THE FORMATION OF A 120-ACRE
COMMUNITIZED UNIT FOR PRODUCTION FROM
THE BLINEBRY FORMATION.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a. m. on January 13, 1955, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 9th., day of February, 1955, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter hereof.

(2) That applicant, Famariss Petroleum Corporation, Morris R. Antweil and Jennings Drilling Company, are the owners of the entire working interest under oil and gas leases covering Lots 2, 7 and 10 in Section 4, Township 21 South, Range 37 East, Lea County, New Mexico, containing 120 acres of land, more or less.

(3) That the Famariss Petroleum Corporation's Hill No. 1 is a gas well producing from the Blinebry zone and is located on Lot 10 in Section 4, Township 21 South, Range 37 East, the exact location of the well being 1730 feet from the east line and 3300 feet from the north line of said section. That the well location is an unorthodox location occasioned by topographical conditions and a pipeline right-of-way which prevented the drilling of the well on an orthodox location. That the Oil Conservation Commission granted its permission to drill the well at said location prior to the commencement thereof.

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. 818
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THE APPLICATION OF FAMARISS PETROLEUM
CORPORATION FOR AN ORDER CALLING FOR
THE COMPULSORY COMMUNITIZATION OF LOTS
2, 7, AND 10 OF SECTION 4, TOWNSHIP 21 SOUTH,
RANGE 37 EAST, NMPM, LEA COUNTY, NEW
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COMMUNITIZED UNIT FOR PRODUCTION FROM
THE BLINEBRY FORMATION.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a. m. on January 13, 1955, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 9th., day of February, 1955, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter hereof.

(2) That applicant, Famariss Petroleum Corporation, Morris R. Antweil and Jennings Drilling Company, are the owners of the entire working interest under oil and gas leases covering Lots 2, 7 and 10 in Section 4, Township 21 South, Range 37 East, Lea County, New Mexico, containing 120 acres of land, more or less.

(3) That the Famariss Petroleum Corporation's Hill No. 1 is a gas well producing from the Blinebry zone and is located on Lot 10 in Section 4, Township 21 South, Range 37 East, the exact location of the well being 1730 feet from the east line and 3300 feet from the north line of said section. That the well location is an unorthodox location occasioned by topographical conditions and a pipeline right-of-way which prevented the drilling of the well on an orthodox location. That the Oil Conservation Commission granted its permission to drill the well at said location prior to the commencement thereof.

(4) That the Rules of the Commission established in the Blinebry Gas Pool a uniform size for a standard proration unit of 160 contiguous acres substantially in the form of a square, being a legal quarter section, and provided further that a non-standard proration unit of different size and shape may be approved and formed after notice and hearing.

(5) That all of Lots 2, 7 and 10 in Section 4, Township 21 South, Range 37 East, are capable of producing gas from the Blinebry formation.

(6) That all of the owners of the working interest, together with all of the royalty owners, have consented to the communitization of the above-described property with the exception of the following named royalty owners owning royalty under Lots 2 and 7 in Section 4, Township 21 South, Range 37 East, to-wit:

M. F. Taylor, Box 573, Amarillo, Texas - 1/4 of 1/8 of 8/8 ths;
R. B. Glenn, 1220 Milam, Amarillo, Texas - 1/4 of 1/8 of 8/8ths;
L. H. Puckett, 2700 B. Westhaven Circle, Amarillo, Tex. 1/8 of 1/8 of 8/8ths;

(7) That unless the application is granted, applicant will be deprived of its opportunity to recover its just and equitable share of the natural gas from the Blinebry Gas Pool.

(8) No person or persons affected by the compulsory communitization who have refused to pool their interests voluntarily, nor any representative of the same, did appear at this hearing.

IT IS THEREFORE ORDERED:

(1) That the application of Famariss Petroleum Corporation for compulsory communitization of Lots 2, 7 and 10 of Section 4, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico be, and the same hereby is approved, and the same is hereby recognized as a communitized or pooled tract at all times hereafter, and that such pooling or communitization be and it is in all things confirmed.

(2) That the operator of the unit area, Famariss Petroleum Corporation, shall furnish this Commission with an executed copy of the unit operating agreement, together with any other pertinent data which the Commission may, from time to time, deem necessary in order to determine that each owner of oil and gas leasehold interests or mineral rights receives his just and equitable share of the proceeds received from the sale of the natural gas and its allied products.

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

State of New Mexico
Oil Conservation Commission

Signed by: John F. Simms, Chairman; E. S. Walker, Member; W. B. Macey, Member and Secretary.

Huckabay et al. v. Texaco Co. (La. 1954) 73 So 2d 321

General proposition

Lessee from devisee owner of 7/8 of mineral rights had the right to drill, produce and market natural gas produced, but was liable to owners of remaining mineral rights for 1/8 of natural gas produced or the value thereof, without deduction for cost of development and production

Dufour v. Maize 355 Pa., 56 A 2d 675 (1945)

NOT IN POINT – COAL MINING CASE

Dobson et al. v. Arkansas Oil & Gas Comm., et al.

NOT IN POINT 235 SW 2d 33 (1950 Ark.)

Compulsory unitization statute good.

Reward Oil Co. et al. v. White 333 Ill App 341

77 NE 2d 936

Ct. of majority owners (mineral) to explore for oil & gas on adoption of owner of minority interest – may do so, but at their own cost, subject to rt. of reimbursement from minority owners for a proportionate part of the costs as allocated to undivided ownership, from production (distillery construction)

Scopton et al. v. Olatwil et al. 97 Fed 11
Not in point

O'Connor v. J. M. Haber Corp. et al.
Majority mineral interest owner, if well is a producer, can in no event get the production free of all cost

Well
Costs
Forwarding
Administration
Garnished Exp.

Accounting (1)
Administration
Agreement

Costs (1)
Deduction (1)
Drilling and Costs (1)

Forwarding

Garnished

Well (2)

106R ~~1606~~, ~~1321~~, ~~215~~, (2)~~3~~, (17)69, (14)26, (14)53

206R ~~125~~, ~~248~~

306R ~~465~~ (Removed - mistake)

406R ~~1176~~

~~234 Part 10 ft~~
~~23 Part 10~~
~~465 ninety~~
~~2011 46~~
~~6 32 1 24~~
~~Part Wrongful Deduction 26 87 1~~
~~6 10~~
~~15 26 1 8~~

WILLARD F. KITTS
ATTORNEY AT LAW
116 EAST PALACE AVE.
SANTA FE, N. M.

WILLARD F. KITTS
ATTORNEY AT LAW
116 EAST PALACE AVE.
SANTA FE, N. M.

Section 6-G

Each pooling order shall make provision for the drilling and operation of a well on the drilling unit, and for the payment of the reasonable actual cost thereof, including a reasonable charge for supervision and storage facilities. As to each owner who refuses to agree upon the terms for drilling and operating the well, the order shall provide for reimbursement for his share of the costs out of, and only out of, production from the unit representing his interest, excluding royalty or other interest not obligated to pay any part of the cost thereof. In the event of any dispute as to such cost, the Commission shall determine the proper costs. The order shall determine the interest of each owner in the unit, and may provide in substance that, as to each owner who agrees with the person or persons drilling and operating the well for the payment by the owner of his share of the costs, such owner, unless he has agreed otherwise, shall be entitled to receive, subject to royalty or similar obligations, the share of the production of the well applicable to the tract of the consenting owner, and, as to each owner who does not agree, he shall be entitled to receive from the person or persons drilling and operating the well on the unit his share of the production applicable to his interest, after the person or persons drilling and operating said well have recovered the share of the cost of drilling and operating applicable to such nonconsenting owner's interest plus a reasonable charge for supervision and storage. Each consenting and non-consenting owner shall be entitled to receive, subject to his paying or making arrangements with the owner or owners operating the well for the payment of all applicable royalties, overriding royalties or other burdens on production and his consenting share of current operating or other costs incurred by the

Section 6-G

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Section 6-G

efficient operation of the well, his share respectively of production allocated to the tract or tracts in which he holds an interest; provided, however, that a non-consenting owner of a tract in a drilling unit which is not subject to any lease or other contract for the development thereof for oil and gas shall be deemed to have a basic landdowners royalty of one-eighth (1/8) or twelve and one half per cent (12 1/2%) of the production allocated to such tract.

Section 6-G

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Section 6-G

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Question
(Wis)

Off location of Jaguar Oil Co. in Company
Quarters of NW¼ NW¼ Sec. 15, Twp. 32 North,
Range 15 West, N.M.P.M., and the SW¼ and S½ NW¼,
and N½ NW¼ (Balance of W/2) of 15-32-15 NW.

1. Applicants ~~name~~ source of title, gas, oil, minerals in ~~the~~
NW/4 NW/4.
2 El Paso ~~is~~ owns ~~90%~~ interest of balance.
3 High Point #1 Located NE/4 Sec 15
E-P Proposes drill well SW/4

4 E-P requests offset to ~~Jaguar~~ acreage until balance W/2
and forms ~~a~~ unit of ~~E-P~~ share of drilling unit
5. Opp. not participate so.

6 E-P proposes ~~to~~ ~~drill~~

7. Thus undue ~~hardship~~ ~~loss~~ of right

Prop Commit, determination of cost, El Paso
to recoup Applicant's ~~share~~ ~~of~~ ~~cost~~ plus ~~penalty~~
share

Question (Case No 3 Order R-9 2/25/49)
Recommended Order Rule 104
as 640

Has ~~Jaguar~~ ~~Oil~~ Co ~~drilled~~ well?
Can ~~it~~ well be located 330 ft from ~~boundary~~ without notice?

If Order, what ~~is~~ terms of location ~~of~~ 330 ft Order

Case 1101

Appl. for [illegible] spacing for [illegible] W/2 [illegible] Twp 32 N, Rge 10 [illegible] to form 1 [illegible]

1. Owner of [illegible] W/2 = 17 acres.

2. Par. N-W [illegible] leasehold rights, [illegible], 3 [illegible] 103 acres

3. [illegible]

4. Ysgas NW/4 NW/4

5. Ysgas Tabor [illegible] Comm. [illegible]

6. Dan Elliott [illegible] tract, 1/8 of all [illegible]

7. Subject [illegible]

2/1

6.7 2.70

.23

2.93

Schmidt-Collard Chem. Co. 57

Discussion re: DF, Oblect, Defendant's Exhibit 1947.

~~Schmidt Chem. Co. Defendant 1947 2.72 Pat 4.57,~~

~~236 Cpc 213~~

Schmidt Chem. Co. Pat 4.57, 236 Cpc 213

Wood Oil Co. et al v. Corp. Comm. 239 Pac 1064, 106 R 134.

Order of Corp. Comm. giving operating rights and allowable to well on basis of 80 acre spacing unit.

Corp. Comm. could not establish 80 acre unit under order modifying spacing and drilling unit where evidence of common source of supply, geological, engineering, acreage, production, and other data showed that 80 acre unit would not efficiently and economically drain the common source of supply.

Wood Oil Co. et al v. Corp. Comm. 239 Pac 1023, 106 R 139.

Order of Corp. Comm. created 80 acre spacing unit for Wood Oil Co. Unit comprised the entire quarter section but no adjacent land upon its creation of spacing unit, but that Wood could be held accountable to adjacent landowners if spacing unit created.

Obligation under conservation laws to protect correlative rights does not require operation of separate tracts of land in accordance with uniform well spacing pattern.

Mand M 92.79

Cost of drilling unnecessary wells, which could not be operated at profit, and which would not increase ultimate recovery, not allowable as part of cost of producing well.

Mand M 92.80

Regulation of spacing is presumed to be necessary for prevention of waste.

Mand M 92.80

Wood Oil Co. v. Comp. Comm. 208 Pac. 513, 92 Okla. 69

Right of way contract to pipe oil to purchaser

No. 4 Corporation commission — no power to regulate contracts between producer, purchaser and common carrier — regulate only, to prevent waste — attaching special contractual rights of parties to land

Comp. Comm. Act — duty in respect to allowance of allowable — Basis of allowable — Number of wells — Cost of drilling well — Cost of producing well — Operating leases — Change of conditions — Abandoned operating well

41 Ind. M
92.80

Wolfe v. Kenney, 233 Ky. 163, 6 S.W. (2d) 1, 55 A.L.R. 1
Rule of Capture — Gas — Correlative rights

P. T. Railway Co. 23 Ky. 1871

Pltf sued Defts in ejectment for land.

Pltf had color of title to land, but Defts claimed title by adverse possession.

Circuit Court rendered judgment for Defts, Pltf appealed.

Held, that Pltf was entitled to recover, but that Defts, by their pleadings, as good as could well be framed without pleading color, should be allowed reimbursement of taxes paid.

Mad M. 81 786)

The Court — Pltf's right of recovery must be based upon the possible invalidity of defendant's title, not necessary to adopt either of the theories stated in the pleadings.

Pltf must recover if without color of title, in defense. (Legislation cited.)

Here — pleadings allow of defense, hence pleadings allow of production.

[illegible]

[illegible]

Mieka et al v. Denver Producing and Refining Co. 168 P2d 854 (Okla. 1947)

Okla Stat 52 O.S. 1941 § 1(a) par. 6(a) and 2 Minn. Comm. Ac 3 T... 28(4)

Co-tenant Killing

Cotenant owning 15/16 mineral interests, only demand 1/16 cost of well

Gulf obtained oil and gas right of Miekas.

Denver and Gulf and Miekas - grant Take for [illegible] cost [illegible] of drilling.

Denver denied that suit by P.T. - stated drilling required pay share of cost in advance.

Okla statute provides that payment is made before drilling.

A. lease - Pool [illegible] to grant title But P still has right 1/16 for payment of production and 1/16 for [illegible]).

agreement, expediting.

5 (Mr III 92.19)

6 (March 93.18)

4 (March 93.18)

Mississippi River Commission v. Patton 106 F.2d 169
1981-2024
Not in point - sovereign exemption.

Ark-Okla Gas Co. v. Commr. 2 BTA 123
2011-2093
Not in point - sovereign exemption.

Ark Okla Gas Co. v. Commissioner 17 T.C. 1205,
1 06R 213
Not in point, sovereign exemption.

Chamberlain Petroleum Co. v. Commr. 106 F.2d 223
Not in point

Hunt Bros Petroleum Corp. v. Commissioner 15 T.C. 147
106 F.2d 1769
Not in point

Valley Blvd Co. v. Commissioner 15 T.C. 148
106 F.2d 1476
Not in point

Southern Exploration Co. v. Commissioner 15 T.C. 71
106 F.2d 1453

Class 997

Rule 9

128 · D - [illegible]

565 c - Rule 14 Agbx - Pc

AB - Pc

FK - Pc

WK - Pc

CASE NO. 997

PROPOSED RECOMMENDED CHANGES IN PARAGRAPH 4 OF RULE 9 OF R-128-D AND RULE 14 OF R-565-C AND RULE 14 OF R-566-D:

A change in a wells deliverability due to retest or test after ~~recompletion~~ or workover shall become effective:

(a) On the date of completion of the workover, such date to be determined from Form C-104 as filed by the operator; or

(b) A date 45 days prior to the date upon which a well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of R-333-C and D; or,

(c) A date 45 days prior to the receipt and approval of Form C-104 by the Commission's office (Box 697, Aztec, New Mexico), Form C-104 shall specify the exact nature of the workover or remedial work;

Whichever date is later.

Case 991 - Humboldt

Sec Notes

Default - 520(a)

200 acres -

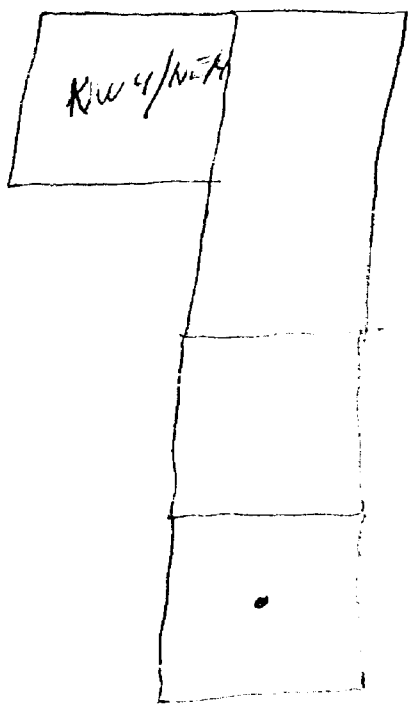
E/2 E/2 and NW/4 NE/4, Sec 16 - T4S - R37E

80 acres Humboldt

All acreage = State Com

~~20~~ 120 acres - Humboldt Co.

* (If appeal, all acreage will be entitled for pro-rata purposes)



All other acreage in section described

Where no other dedicated in sec. 16 - 15, 21, 22

Case 193 Hawaii Water Board Project

DSN

Pearl Harbor Board
Ground Hearing

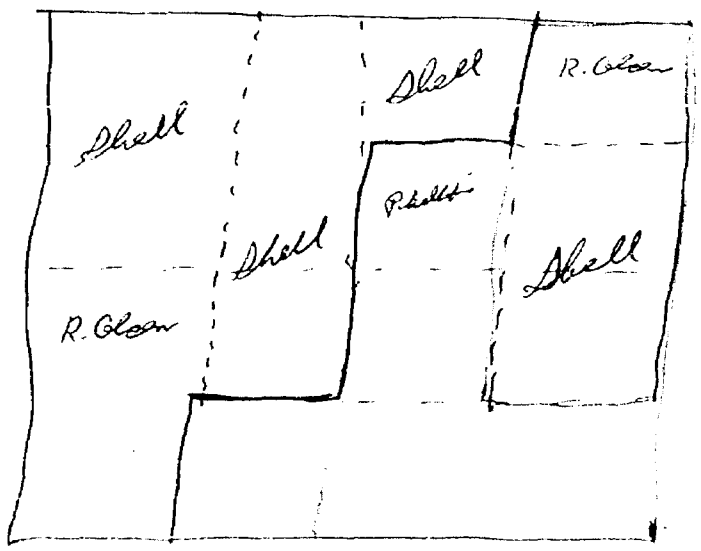
Case 944

32 [illegible] Island

WWA1

Royalty [illegible]

Shell State 1-A Community Lease NW/4 sec. 36



Case 945 - 120 acres

R. Glen, et al

* Has Commissioner approved Communitization?

Where will wells

Q92 Aztec - Lucas) R-610 - Blanberry (Aztec)

NE/4 NE/4 sec. 10 21S, R9E

Illegible

Damkot #2-B 660' FNL, 330 FEL sec. 10

Aztec had previously made application for 40 acres ~~on this tract~~

(A) — The well in question comprised a 160 acre allocation.

(B) — The well in question was producing under a 160 acre allowable for the Blanberry

(1) Aztec — To your knowledge did you ~~or~~ offer to ~~Contractor the proceeds~~ the other owners interest owners the proceeds of any of Blanberry production this well

Yes, we did Contractor share in the production?

(2) — To your knowledge did any other working interest owner ever request Manuel the proceeds of any production

~~Amount Sand~~

160

What has happened sup. until now

Aztec well
Producing 160 allowable, estimate 11/54.

Royalties — what on gotta.

Other Leases — fed. land.

3/4 to Cont.
1/4 to Aztec

43,000 P.C.

3/4 =

Ripple - Will go from 1st share of well cost

(3) – Denial of pertinent prestige (4) Effect of proceedings

Contestee – Summary of proceedings to date

(1) — When you can that 160 acres allowable

(2) — granted to the well in question

And that it has been pending under that allowable

** ATTEND OF CASE – Get letter letter in file in evidence.

---

(3)

6

Thompson

Contestee Wd 160 acres

When it the rule of U.S. that there can be but 160 to a

entire W I proceeding of production

No

Agreement about paying 160 acres

No testimony to Commissioner that Special Commissioner

Agreement not specified.

Testify When said Contestee denied a portion of the proceedings of Contestee

15 -10 3

~~Effect of~~ Cancellation of Jones

37 381

~~Effect that Jones cancellation~~

~~96 283 243~~
~~1 96 1 21 5 11 2 43~~
~~1 21 2 42 1~~

31
91

~~Effect of Cancel~~

Effect of two cancellations of plaintiffs 2 and 3 Contested Eighties
if any) in view of fact that 160 acres allowable was originally
granted to each, and the fact that both parties to
this proceeding knew of such allowable upon date
under the Allotment Act

Jan 1, 1934 - Date of Original Act Amendment
Whereby to that date

~~Effective Date~~ Petition of Commissioner to Secretary
Indian Affairs, specifying, what Executive Order
Area affected date of proclamation and Jan 1934
Probable Cost of surveying Expenses.

Data upon from that of a final survey 160 acres
had been fixed

Use Tax Act
Title Act
Definition of Commercial Use

No 160 acres formed, and 160 acre allowable remainder?

What if Commit agreed, what

What date?

Examination of K-372-A?

Would you like to be party to a legal suit?

No effect — Exhibit 2 and 3

What [illegible] agreement to formation of District.

No prejudice from failure to file plat

IS MR. CLARK HERE

Can

Eagle Nature Corporation

150 % of cost of development

IS EAGLE ASKING FOR DETERMINATION OF COSTS?

WE CAN'T DETERMINE WELL COSTS

$66,929

Value of money inflation rate 150%

AFFIDAVIT

I, we, and each of us, do certify that we are duly authorized agents of our respective companies, as indicated below, and that in such capacity we represent, in total, all of the working interest owners in _____ _____ T. _____, R. _____, NMPM. We, and each of us, further certify that the said working interest owners have pooled and communitized their respective interest in the above-described land.

_____

Subscribed and sworn to before me

this _____ day of _____ 19___

_____
Notary Public

Subscribed and sworn to before me

this _____ day of _____ 19___

_____

Subscribed and sworn to before

me this _____ day of _____ 19___

_____

WFK

No. 1-56

DOCKET: REGULAR HEARING JANUARY 19, 1956

Oil Conservation Commission 9 a.m., Mabry Hall, State Capitol, Santa Fe, N.M.

ALLOWABLE (1) Consideration of the oil allowable for February, 1956.

DSN

(2) Consideration of the allowable production of gas from designated pools in Lea County, New Mexico, for February, 1956; also consideration of the gas allowable for February, 1956, for the prorated pools in San Juan and Rio Arriba Counties, New Mexico.

DSN

DSN

NEW CASES

CASE 991: Application of Stanolind Oil and Gas Company for an order approving a non-standard gas proration unit in exception to Rule 5 (a) of the Special Rules and Regulations for the Jalmat Gas Pool, Lea County, New Mexico, contained in Order R-520. Applicant, in the above-styled cause, seeks an order establishing a 200 acre non-standard gas proration unit consisting of the E/2 E/2 and NW/4 NE/4 Section 16, Township 24 South, Range 37 East; said acreage to be dedicated to applicant's State "D" Tract 14 Well No. 1 located 660 feet from the South and East lines of said Section 16, said well to be re-completed in the Jalmat Gas Pool.

DSN

CASE 992: Application of Aztec Oil and Gas Company for an order approving a non-standard gas proration unit in exception to Rule 5 (a) of Order R-610 of the Special Rules and Regulations for the Blinebry Gas Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order establishing a 40 acre non-standard gas proration unit consisting of the NE/4 NE/4 Section 10, Township 21 South, Range 37 East; said acreage to be dedicated to applicant's Dauron Well No. 2-B located 660' FNL and 525' FEL of said Section 10.

WWM

CASE 993: Application of Humble Oil & Refining Company and Gulf Coast Western Oil Company for an order granting permission to expand an existing water flooding project. Applicants, in the above-styled cause, seek an order granting them permission to enlarge the secondary recovery program by water flooding, as originally approved by Order R-137-A, presently being operated in Section 34, Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant's desire to convert four additional wells to injection wells, said wells being Humble Oil & Refining Company's State "H" No. 2, SE/4 SW/4 in Section 27; Gulf Coast Western Oil Company's F. S. Glier No. 3, NW/4 NE/4 Section 33; Gulf Coast Western Oil Company's F. S. Glier No. 2, SE/4 NE/4 Section 33; Humble Oil & Refining Company's State "H" No. 3, NW/4 NW/4 Section 34, all in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico.

DSN

CASE 994: Application of Shell Oil Company & R. Olsen Oil Company for an order approving a non-standard gas proration unit in exception to Rule 5 (a) of the Special Rules and Regulations for the Jalmat Gas Pool as set forth in Order R-520. Applicants, in the above-styled cause, seek an order establishing a 320 acre non-standard gas proration unit consisting of the NW/4, NW/4 NE/4, W/2 SW/4, NE/4 SW/4 of Section 36, Township 24 South, Range 36 East; said acreage to be dedicated to Shell State Well 1-A located 380 feet from the North and West lines of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico.

WWM

CASE 995: Application of Shell Oil Company and R. Olsen Oil Company for an order approving a non-standard gas proration unit in exception to Rule 5 (a) of the Special Rules and Regulations for the Jalmat Gas Pool as set forth in Order R-520. Applicants, in the above-styled cause, seek an order establishing a 120 acre non-standard gas proration unit consisting of the E/2 NE/4 and the NE/4 SE/4 of Section 36, Township 24 South, Range 36 East; said acreage to be dedicated to R. Olsen Oil Company McKinney No. 1 Well located 660 feet from the North and East lines of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico.

WWM

CASE 996: Application of Skelly Oil Company requesting approval of the proposed Bogle Farms Unit Agreement consisting of 2240 acres of land in Lea County, New Mexico. Applicant, in the above-styled cause, requests approval of a proposed unit area embracing 2240 acres of land, more or less, in Lea County, New Mexico, consisting of the following described acreage: Township 11 South, Range 34 East: S/2 Section 9, All Section 16, E/2 Section 17, E/2 Section 20, All Section 21.

DSN

CASE 997: Application of the Oil Conservation Commission at the request of Pubco Development, Inc., for an order revising Rule 9 of Order R-128-D pertaining to the Blanco-Mesaverde Gas Pool rules, Rule 14 of Order R-565-C pertaining to the Aztec-Pictured Cliffs Gas Pool rules, Rule 14 of Order R-565-C pertaining to the South Blanco-Pictured Cliffs Gas Pool rules, Rule 14 of Order R-565-C pertaining to the Fulcher Kutz-Pictured Cliffs Gas Pool rules, and Rule 14 of Order R-566-D pertaining to the West Kutz-Pictured Cliffs Gas Pool rules. Applicant, in the above-styled cause, seeks an order revising the existing rules pertaining to the assignment of allowables on re-completed wells. Applicant desires to amend the existing rules to provide that the assignment of allowables on re-completed wells shall be effective upon the date of the completion of the work over.

EAU

CASE 998: Southeastern New Mexico nomenclature case calling for the creation of new pools and the extension of existing pools in Lea County, New Mexico:

RfM

(DSN to write)

(a) Creation of a new oil pool for Pennsylvanian production, designated as the SRR-Pennsylvanian, and described as:

TOWNSHIP 9 SOUTH, RANGE 32 EAST
Section 14: SW/4
Section 15: SE/4
Section 22: NE/4
Section 23: NW/4

(b) Creation of a new oil pool for Devonian production, designated as the South Denton-Devonian pool, and described as:

TOWNSHIP 15 SOUTH, RANGE 37 EAST
Section 35: SE/4
Section 36: SW/4

TOWNSHIP 16 SOUTH, RANGE 38 EAST
Section 4: Lots 3, 4, 5 & 6
Section 5: Lots 1, 2, 7 & 8

(c) Extension of the Hardy pool to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST
Section 4: Lot 4

(d) Extension of the Langlie-Mattix Pool to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST
Section 12: All

(e) Extension of the Skaggs Pool to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST
Section 5: SW/4

(f) Extension of the Terry-Blinebry Pool to include:

TOWNSHIP 20 SOUTH, RANGE 38 EAST
Section 33: NE/4

(g) Extension of the Townsend-Wolfcamp Pool to include:

TOWNSHIP 15 SOUTH, RANGE 35 EAST	
Section 33:	W/2

TOWNSHIP 16 SOUTH, RANGE 35 EAST	
Section 1:	W/2
Section 2:	Lots 1, 2, 7, 8, 9, 10, 15 & 16

CASE 999: Northwestern New Mexico nomenclature case calling for the creation of a new pool and the extension of existing pools in San Juan and Rio Arriba Counties, New Mexico:

FAU

(DSN To Write)

(a) Creation of a new gas pool for Farmington production, designated as the Kutz-Farmington Pool, and described as:

TOWNSHIP 28 NORTH, RANGE 11 WEST	
Section 27:	All
Section 28:	All
Section 29:	E/2

(b) Extension of the South Blanco-Pictured Cliffs Pool to include:

TOWNSHIP 25 NORTH, RANGE 5 WEST	
Section 3:	NW/4

TOWNSHIP 26 NORTH, RANGE 5 WEST	
Section 7:	SW/4
Section 31:	N/2

TOWNSHIP 26 NORTH, RANGE 6 WEST	
Section 12:	SE/4

TOWNSHIP 27 NORTH, RANGE 9 WEST	
Section 4:	SE/4

(c) Extension of the Fulcher Kutz-Pictured Cliffs Pool to include:

TOWNSHIP 29 NORTH, RANGE 12 WEST	
Section 1:	W/2 & SE/4

(d) Extension of the West Kutz-Pictured Cliffs Pool to include:

TOWNSHIP 27 NORTH, RANGE 11 WEST	
Section 10:	NW/4

TOWNSHIP 28 NORTH, RANGE 12 WEST	
Section 31:	W/2

CASE 1000: Application of Saul A. Yager, et al, for an order compulsorily pooling the NW/4 NW/4 Section 15 with the SW/4, S/2 NW/4 and the NE/4 NW/4 of said Section 15, all in Township 32 North, Range 10 West, Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order compulsorily pooling the NW/4 NW/4 of said Section 15 with the balance of the acreage lying within the W/2 of said Section 15, Township 32 North, Range 10 West. Applicant further desires for the Commission to determine the proper costs of a well to be drilled within the proposed W/2 of said Section 15 and to determine the reasonable charge for supervision of the proposed well.

EAU
(& wwm)

CASE 1001: Application of El Paso Natural Gas Company for approval of an unorthodox drilling and proration unit in the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico, or in the alternative an order compulsorily pooling the acreage in question. Applicant, in the above-styled cause, requests an order authorizing an unorthodox drilling and gas proration unit of 277 acres consisting of the following described acreage in Section 15, Township 32 North, Range 10 West, San Juan County, New Mexico: SW/4 NW/4, E/2 NW/4, W/2 SW/4, SE/4 SW/4, all of the NE/4 SW/4 except 3 acres of land lying west of the right-of-way of U. S. Highway 550 as it runs on the south side of the NE/4 of the SW/4. In the alternative, applicant requests that the Commission enter an order pooling the W/2 of Section 15, Township 32 North, Range 10 West, containing 320 acres into an orthodox drilling and proration unit. The above acreage lies within the boundaries of the Blanco-Mesaverde Gas Pool, as heretofore defined by the Oil Conservation Commission.

EAU
(& wwm)

CONTINUED CASES

CASE 984: Southeastern New Mexico nomenclature case calling for the following deletion:

RFM
(DSN townite)

(e) Delete from the Bagley-Pennsylvanian Pool the following:

TOWNSHIP 11 SOUTH, RANGE 33 EAST
Section 33: SE/4

CASE 985: Northwestern New Mexico nomenclature case calling for the following creation:

EAU
(DSN townite)

(c) Creation of a new gas pool for Dakota production, designated as the Otero Dakota Pool, and described as:

TOWNSHIP 25 NORTH, RANGE 5 WEST
Section 22: All
Section 23: W/2
Section 26: NW/4
Section 27: N/2

EXAMINER HEARING JANUARY 4, 1956

New Mexico Oil Conservation Commission 10:30 a.m., Hobbs, New Mexico

Oil Conservation Commission Office, 1200 W. Broadway, Hobbs, N. M.

CASE 990: Application of Aztec Oil & Gas Company requesting approval of the proposed North Lake Phillips Unit Agreement consisting of 320 acres of land in Lea County, New Mexico. Applicant, in the above-styled cause, requests approval of a proposed unit area embracing 320 acres of land, more or less, in Lea County, New Mexico, consisting of the following described acreage:

CMR

(DSN to WWI: hp)

TOWNSHIP 10 SOUTH, RANGE 33 EAST
Section 11: SW/4
Section 14: NW/4

EXAMINER HEARING

January 9, 1956

CONTINUED CASE

N. M. Oil Conservation Commission 9 a.m., Mabry Hall, State Capitol, Santa Fe.

The following case will be heard before Warren W. Mankin, Examiner:

CASE 976: Application of Western Oil Fields, Inc., for an order granting an exception to Rule 309 of the Commission's Rules and Regulations.

DSN

Applicant, in the above-styled cause, seeks an order granting permission to produce a maximum of sixteen wells into a common tank battery on their State B-2148 Lease, comprising the S/2 of Section 17 and the N/2 of Section 20, Township 17 South, Range 33 East, Maljamar Pool, Lea County, New Mexico.

ir/

WFK

No. 2-56

DOCKET

Regular Hearing January 19, 1956

Oil Conservation Commission 9 a.m., Mabry Hall, State Capitol, Santa Fe, N.M.

CASE 1002: Application of the Oil Conservation Commission upon its own motion for an order revising the provisions of Rule 1 (a) of Section 15: "Gas Proration and Allocation" of the Special Pool Rules for the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, contained in Order No. R-128-D. Applicant, in the above-styled cause, seeks to amend the existing provisions of Rule 1 (a) of Section 15: "Gas Proration and Allocation" of the Blanco-Mesaverde Gas Pool Rules, to provide that any legal half section of the U. S. Public Land Surveys shall be considered a standard gas proration unit regardless of the amount of acreage contained within the proration unit.

EAU

Examiner Hearing January 24, 1956

Oil Conservation Commission 9 a.m., Mabry Hall, State Capitol, Santa Fe, N.M.

The following cases will be heard before Warren W. Mankin, Examiner:

CASE 1003: Application of Lowry, et al, Operating Account for an order approving a non-standard drilling and gas proration unit in exception to Rule 6 (a) of the Special Rules and Regulations for the South Blanco-Pictured Cliffs Gas Pool as set forth in Order R-565-C. Applicant, in the above-styled cause, seeks an order establishing a 160 acre non-standard drilling and gas proration unit consisting of the NE/4 NE/4, W/2 NE/4, SE/4 NW/4 of Section 20, Township 26 North, Range 6 West, Rio Arriba County, New Mexico.

EAU

CASE 1004: Application of Humble Oil and Refining Company for an order approving a non-standard gas proration unit in exception to Rule 5 (a) of the Special Rules and Regulations for the Eumont Gas Pool, Lea County, New Mexico, as set forth in Order R-520. Applicant, in the above-styled cause, seeks an order establishing a 160 acre non-standard gas proration unit consisting of S/2 SW/4 Section 25, S/2 SE/4 Section 26, Township 20 South, Range 36 East, Lea County, New Mexico; said acreage to be dedicated to the applicant's Federal Pecano Well No. 1, located in the S/2 SW/4 of Section 25, Township 20 South, Range 36 East.

DSN

CASE 1005: Application of Blackwood and Nichols Company for an order approving a non-standard gas proration unit in exception to Rule 1 of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, as set forth in Order R-128-D. Applicant, in the above-styled cause, seeks an order establishing a 259.82 acre non-standard gas proration unit consisting of Lots 5, 6, 7 and 8, and the E/2 W/2 Section 19, Lot 5 and the NE/4 NW/4 Section 30, Township 31 North, Range 7 West, San Juan County, New Mexico; said acreage to be dedicated to applicant's proposed well to be drilled in the SW/4 of said Section 19.

DSN

CASE 1006: Application of Blackwood and Nichols Company for an order approving a non-standard gas proration unit in exception to Rule 1 of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, as set forth in Order R-128-D. Applicant, in the above-styled cause, seeks an order establishing a 250.65 acre non-standard gas proration unit consisting of Lots 6, 9 and 10, E/2 SW/4, SE/4 NW/4 Section 30, Lots 7 and 8, E/2 NW/4 Section 31, Township 31 North, Range 7 West, San Juan County, New Mexico; said acreage to be dedicated to applicant's proposed well to be drilled in the SW/4 of said Section 30.

DSN

CASE 1007: Application of Blackwood and Nichols Company for an order approving a non-standard gas proration unit in exception to Rule 1 of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, as set forth in Order R-128-D. Applicant, in the above-styled cause, seeks an order establishing a 296.02 acre non-standard gas proration unit consisting of Lots 11 and 12, E/2 SW/4 Section 31, Township 31 North, Range 7 West; Lots 11, 12, 17 and 18, E/2 W/2 Section 6, Township 30 North, Range 7 West, San Juan County, New Mexico; said acreage to be dedicated to applicant's Northeast Blanco Unit Well No. 23-6 located in the SW/4 of said Section 6.

DSN

CASE 1008: Application of Blackwood and Nichols Company for an order approving a non-standard gas proration unit in exception to Rule 1 of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, as set forth in Order R-128-D. Applicant, in the above-styled cause, seeks an order establishing a 298.90 acre non-standard gas proration unit consisting of Lots 7, 8, 13 and 14, E/2 W/2 Section 7, Lots 7 and 8, E/2 NW/4 Section 18, Township 30 North, Range 7 West, San Juan County, New Mexico; said acreage to be dedicated to applicant's Northeast Blanco Unit Well No. 31-7 located in the SW/4 of said Section 7.

DSN

CASE 1009: Application of Blackwood and Nichols Company for an order approving a non-standard gas proration unit in exception to Rule 1 of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, as set forth in Order R-128-D. Applicant, in the above-styled cause, seeks an order establishing a 307.44 acre non-standard gas proration unit consisting of Lots 12 and 13, E/2 SW/4 Section 18, Lots 6, 7, 12 and 13, and the E/2 W/2 Section 19, Township 30 North, Range 7 West, San Juan and Rio Arriba Counties, New Mexico; said acreage to be dedicated to applicant's proposed well to be located in the SW/4 of said Section 19.

DSN

ir/

4-5 Read the words to yourself.
Practice with Grant.

[illegible]

1. [illegible]

10 [illegible]

[illegible]

13. [illegible]

13 [illegible]

14 Exhibit 2 - [illegible]

15 - [illegible]

15 Exhibit 3

[illegible]

16 [illegible]

16 [illegible]

17 [illegible]

19 Exhibits

20 DC complaint against Draylen 29

21 Surveillance video from gas station.
Will request call records, phone provider,
call manifest by same, dates and times.

21 Testimony of witnesses / victims.

22 Eliminate defendant, positively know.
Interview letting out, provide statement
of witness / victim.

22 Exhibits

24 Photos DC with Emad?

Yes - one - Myself with Emad

Myself with Emad

26 Obtain surveillance video from nearby
Carpet One - Home Depot - Gas Station
Cameras within 1 Mile

Video footage 1 Mile Myself

Myself 1/2 Mile

27 Exhibit 7 - Surveillance video footage.

[illegible] Rundschau [illegible]

43 [illegible] [illegible] [illegible]
[illegible]

44 [illegible] [illegible]
[illegible]

44-45 Verband
- Kennzeichnet [illegible] [illegible]
[illegible]
- Zeigt, [illegible] [illegible]
[illegible]
[illegible]

45 Primärprävention – [illegible] [illegible]
~~[illegible]~~ [illegible]
[illegible]

Lösung 1) [illegible]
[illegible]
2) [illegible]
[illegible]
3) [illegible]
[illegible]
[illegible]

5 [illegible]

[illegible] Gesetz, betreffend die Verpflichtung zur Leistung des Eides in Bezug auf die Verfassung des Deutschen Reichs vom 20. April 1874 (Reichs-Gesetzbl. S. 43) wird hierdurch Folgendes bestimmt:

"Die Eidesleistung soll vor einem Richter oder einem Beamten"

10 Verordnung, betreffend die Verpflichtung der Beamten zur Leistung des Eides in Bezug auf die Verfassung des Deutschen Reichs. Auf Grund des §. 1 des Gesetzes, betreffend die Verpflichtung zur Leistung des Eides in Bezug auf die Verfassung des Deutschen Reichs vom 20. April 1874 (Reichs-Gesetzbl. S. 43) wird hierdurch Folgendes verordnet:

Der [illegible] Beamte leistet [illegible]

Item 23 cont'd

3 Indian Commissioner Answer.

3-4 Colne - Hemelhempstead answer.

4 Shell

6 Recommended that no gas undertakings be charged with gas production fees on wells located on lands under the jurisdiction of Federal Government.

Bitumen and hydrocarbon operations on gas bearing Reserved lands or lands of Federal ownership located upon Indian

7-8 Woodward Petroleum - Shell and Continental permit and gas wells in Woodward Pool producing oil and gas from gas wells, and allocation of oil from said wells, and the record of ownership of the said gas and oil rights according to production etc. and

8-2 Shell and Union Gas United Kingdom Exploration.

9 1) Hamble aggregate withdrawals of Amoco and Conoco Montana Area.

2) Conoco Bromley aggregation OR

3) Conoco staff Bromley please attend meeting on Wednesday Consolidation.

11) Woodward Gas Storage.

Mr. Allen

a) Kinder Morgan issue

b) Pressure fluctuations according to withdrawals

But this will be subject to approval of Federal Authority and will be final decision.

c) Energas allowable of 20 mmcfd per day up to Spindletop area will be increased.

14)

BEFORE THE

OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATIONS OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF SEVEN TRACTS:	Cases numbered 706-712, both inclusive

TO THE HONORABLE COMMISSION:

El Paso Natural Gas Company submits this written brief in support of its position, as announced on hearing. The seven cases were heard together, and in the view of Applicant are governed by the same principles.

The undisputed evidence adduced upon the hearing reveals that El Paso Natural Gas Company and other lessees owning all of the leasehold interests in seven tracts of land comprising 320 acre (or approximately 320 acres in case of irregular sections) half sections of land all agreed to communitize or pool the leasehold interests for the purpose of drilling a gas well to the Mesaverde Formation within the boundaries of the Blanco-Mesaverde Gas Pool, as established by the Commission.

The tracts will be referred to by identifying the well. The undisputed evidence reveals that the dates operations were commenced on each well are as follows:

Case No. 706: Yager Pool Unit #2; spudded March 17, 1953 (Pictured Cliffs Test); notice of intention to drill filed March 17, 1953; Commission approval March 23, 1953; re-working to test Mesaverde commenced August 31, 1953; authorized by

Commission August 3, 1953; completed September 20, 1953.

Case No. 707: Yager Pool Unit #1; spudded March 2, 1953; notice of intention to drill approved by Commission February 19, 1953; completed March 25, 1953.

Case No. 708: Neal #3 well; spudded August 7, 1953; notice of intention to drill approved by Commission August 3, 1953; completed August 22, 1953.

Case No. 709: Calloway Pool unit well; spudded July 12, 1953; approval granted by Commission June 2, 1953; completed July 30, 1953.

Case No. 710: Marcotte Pool Unit #1; spudded August 30, 1953; approval of notice of intention to drill granted August 25, 1953; completed November 13, 1953.

Case No. 711: Heaton #3 well. Spudded March 27, 1953; approval of notice of intention to drill granted March 9, 1953; completed April 28, 1953.

Case No. 712: Koch Pool Unit #1; spudded August 30, 1953; approval of notice of intention to drill granted by U.S.G.S., August 14, 1953; completed November 9, 1953.

Reports and records of the Commission reveal that gas was being produced from Yager Pool Unit #1 well, Neal #3 well, Calloway Pool #1 well, and Heaton #3 well on August 31, 1953, and that drilling operations were then in progress on each of the other three wells (Transcript pp. 26-32, inclusive).

The evidence is uncontradicted that one gas well in the Mesaverde Formation in this pool will drain 320 acres, and that failure to pool or communitize severally owned tracts into drilling units of 320 acres would deprive some of the owners of leases of their opportunity to recover their fair share of the oil and gas (Transcript p. 36).

The Commission has already made a similar finding of

fact, and has designated the regular drilling unit and well spacing in the Blanco-Mesaverde for wells drilled to the Mesaverde Formation as 320 acres. The Commission's Order R-110 constitutes a determination by the Commission of this fact.

The applicable laws and regulations are as follows:

New Mexico Annotated Statutes: Section 69-213½, subsections (b) and (c); Section 69-230, subsection (e) is as follows:

> "Owner means the person who has the right to drill into and to produce from any pool, or to appropriate the production, either for himself or for himself and another."

General Rule 102, adopted by the Commission, requires filing of notice of intention to drill.

Your Applicant contends that the pooling or communitization into drilling units of 320 acres as shown on the approved notice of intention to drill, and presently contained within the Commission records, was accomplished and became effective immediately upon approval by the Commission of the proposed drilling tract. When notice of intention to drill was filed pursuant to the rules and approved by the Commission, only the person filing such notice could begin drilling operations on the land committed to the proposed well as described in the notice. The undisputed testimony reveals that the "owners", as defined in the statute, had agreed to pool or communitize the leasehold interests covering each 320 acre drilling block.

Your Applicant contends that no further agreement by royalty owners was necessary to effectuate a pooling when such pooling was pursuant to and complied with the established spacing

unit. In the drilling and spacing of wells the lessee represents the royalty owners. 31-A Tex. Jur., Section 426. Your Applicant recognizes that operators, in the absence of judicial determination and interpretation of the applicable statutory provisions in this State have obeyed the counsel of caution, and have followed the practice of obtaining consent from royalty owners to pooling or communitizing separate leases into a drilling unit. Regardless of such practice, the Lessee has the legal right and is the only person who has the legal right to conduct drilling operations during the term of the lease. The applicable statutory definition of owner, as quoted above, refers to the lessee, and only to the lessee. Therefore, the statutory language:

> "The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum or natural gas, or both, in the pool; . . . "

refers to lessees, and not royalty owners.

Similar statutory provisions have been construed by the Supreme Courts of Mississippi and Louisiana. Superior Oil Co. v. Beery, 59 So. (2d) 85, 59 So. (2d) 844; Humble Oil & Refining Co. v. Hutchins, 59 So. (2d) 103, 64 So. (2d) 733; both by the Supreme Court of Mississippi; Smith v. Holt, 67 So. (2d) 93, by the Supreme Court of Louisiana.

If these cases are followed by the New Mexico courts,

no action by the Commission would be necessary, as the pooling of leases was accomplished when the Commission approved the well location and the dedication of 320 acres to that well. In the absence of judicial determination, your Applicant requests that the Commission enter an order in each of these cases determining that the 320 acre communitized or pooled unit was actually effected on the date of approval of the notice of intention to drill, and that such order find that a regular 320 acre location for a gas well has been made, and that an appropriate unit for production of gas has existed at all times since such date.

Your Applicant recognizes that issues as to lease termination or title are not before the Commission, and that such issues will be determined before the Courts. Your Applicant does request that the Commission determine the effect of its rules, and by order declare that a pooled or communitized unit has existed as to each well since the Commission's action approved and ratified the agreement of the owners to combine the several leasehold interests.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY,

By: Tom L. Howell

(Excerpt from article in Tulane Law Review, Vol. XXVII, No. 4, June 1953 - "Effective Date of Forced Unitization Orders" by Austin W. Lewis)

It appears, therefore, that under the combined reasoning of the Placid Oil Company-North Shurtz Texas, the Everett-Phillips, and Sohio-R.R. Company decisions, an integration order is not required to place in motion the unitization features of the conservation Act, but that this unitization is accomplished by the original field or unit order. Support for this reasoning is also found in the decisions of Hood v. Southern Production Co., Hardy v. Union Producing Company, Trichton v. Lee[22] and Hunter Company v. Vaughan,[23] each of which (although not squarely in point) stressed the inability of the lease owners of unit tracts other than the drill site to drill a second well on the unit and also pointed out that the location of the unit well is unimportant insofar as the division of revenues is concerned. At least one of these decisions, Trichton v. Lee, also gave recognition to the pooling language contained in the unitization order itself. This is significant since some type of pooling provision will be found in all original unit orders, although the language of the pooling declaration may vary from order to order.

The conclusion that unitization is accomplished by the original unit order may also be justified on another ground. A careful examination of the Conservation Act causes one to wonder whether the industry has not built up a useless administrative practice in even requesting an integration order for a unit of determinable size and area where the questions are not in dispute. It is submitted that the statute can readily be construed to provide for such integration orders only where the lessees or owners of unleased interests have failed to agree on the pooling of their rights and that in all other cases the integration order is unnecessary even though the unit may consist of separately owned tracts subject to different leases. It will again be noted by reference to Paragraph [illegible] of the statute that provision is made for the owners of two or more separate tracts to agree on the pooling of their interest and that where these owners have not so agreed, the commission shall require that to do so and to develop their lands as a drilling unit. Further provision is made for the allocation of production and the sharing of the costs of development, and operation of the [illegible] unit. Further provision is made for the [illegible] and for the handling of the cost of development and operation of the [illegible] unit. The term "owner" as referred to throughout this integration section, is defined in paragraph 2 of the [illegible]:

> "Owner" means the person who has the right to drill into and to produce [illegible] and to appropriate the production either for himself or for others, [illegible]

The [illegible] case [illegible] in [illegible] contains the [illegible] although [illegible] [illegible], 20 recognized that

the statutory definition of "owners" referred to lessees and operators rather than to royalty owners, although the point now being discussed was not under consideration there.

It would appear, therefore, that a mineral or royalty owner in a unit tract subject to lease, not having the right to drill or produce, is not an 'owner' and that his approval of the original unit or his agreement on the pooling of his rights is not necessary insofar as the need for the issuance of an integration order is concerned. This would mean simply that for all purposes of royalty, leasehold or leased mineral rights, forced pooling is accomplished by the original unit order and that the integration order is reserved to settle disputes between lessees and the owners of unleased interests, and particularly to settle operational problems relating to the development of the unit.

It appears to be reasonably well established, therefore, that for lease and servitude purposes, the unitization of a drilling unit having a definite area and outline is accomplished by the original unit order, whether that result be arrived at by the conclusion that the integration order is not required or on the theory that the integration order merely confirms and formalizes retroactively the existing unit. The acceptance of this legal conclusion, however, certainly does not solve all problems which exist in connection with the issuance of the drilling unit orders. Two such problems will be mentioned briefly.

206 La. 642, 19 So.2d 335 (1944)
207 La. 138, 20 So.2d 734 (1944)
209 La. 561, 25 So.2d 229 (1946)
217 La. 459, 46 So.2d 725 (1950)
Sec. 9, In. at 157 of 1940 (La. R.S. of 1950, 30:11)
Sec. 2, La. Act 157 of 1940 (La. R.S. of 1950, 30:9(1)(b)(ii))
221 La. 600, 60 So.2d 9 (1952)

Discussion Items

1. [illegible]

2) [illegible]

3. Code K-110 regarding parking [illegible]
[illegible]

4. Parking of [illegible]
Occ Approval — 4
Use Approval — 2
Do it OK to have [illegible]
Approved.

5. [illegible] C13B [illegible]
no [illegible]
Parking order

Ref [illegible]

6. "Outdoor storage" [illegible]
[illegible]
Wind Van Horn

1) [illegible]

2) [illegible]

9) If commission [illegible] [illegible] the [illegible] the pooling [illegible] [illegible] need for application.

10) The pooling [illegible] [illegible] for [illegible] [illegible] [illegible] [illegible] when pooling [illegible] effective

<u>Hamill</u>

<u>10</u> Definition of <u>owner</u> see <u>26 E</u>

<u>11</u> Lease is not [illegible] [illegible] [illegible] who has [illegible] well, or drilling [illegible] where the drill [illegible] [illegible]. Statute which authorizes pooling is found in <u>Sec. 13c</u>, referring to owner.

<u>12</u> "Pooling" as found in <u>13-C</u>, refers to <u>leases</u>. Refers to pooling <u>13c</u> [illegible] [illegible], [illegible] without affecting royalty owners.

1 [illegible]

17 Sec 116 [illegible]

16 [illegible]

17 Sec 707

18 [illegible]

18 Sec 708

[illegible]

19 [illegible]

19 Sec 709

[illegible]

[illegible]

20 Sec 710

[illegible]

[illegible]

21 [illegible]

[illegible]

Sec 711 [illegible]

[illegible]

[illegible]

24 [illegible]

24 [illegible]

[illegible]

25 [illegible]

25 [illegible]

Case [illegible]

706

* 26 Points out that [illegible]

27 No new notice [illegible]

31 - Case 711 - Originally [illegible]

[illegible]

* [illegible]

31-32 - [illegible]

[illegible]

34 Case 710

34 Case 708

35 [illegible]

36-37 [illegible]

38 R.L.A. [illegible]

39 [illegible]

39 [illegible]

39-40 - Requirements of OCC [illegible] by U.S.G.S

Cross-ref.

40 U.S.G.S. has to [illegible] communitization agreements.

*40-41 U.S.G.S. considers the acreage [illegible] and approves [illegible] notice initiates to drill, but does require [illegible] that communitization agreement be [illegible].

42 Remarks: U.S.G.S. requires [illegible] communitization agreements.

42 Action - U.S.G.S. [illegible] Oil and Gas Inform. [illegible] by Amoco and [illegible] negotiate agreements

44 [illegible]

44 Elbert Ltr.

45 [illegible]

* [illegible]

* 45 [illegible]

46 [illegible]

47 Confirmed question: May I have A' 110

48 Confirmed [illegible], copies of boarks.

49 K. 2 [illegible] - Bgt of Lawn Light

53-54 Kittie Quarts

54 - Confirmed exp. arrive by Commo. Hugo
Crew out of 13-B past 13m Mitchell Aux.

55 Howell + Hulett

56 - Confirmed statement.

X-57 Byng. Hotel Com. 13-B, in charge
[illegible]

58 - Otto Howell [illegible]

Hearing

5 Hamblin – El Paso Municipal

* 6 – Motion of Counties

7 Case [illegible]

Texas & Pacific lease – 206.30 acres

Four pieces, two being interior zones

8 Yager-Moore lease [illegible]

Pecos River, Texas & Pacific Railway

El Paso and Northeastern.

U. S. lease 80 Acres.

No significant zones agreed on.

1 Urgent and Interruptible Yager Plant

9 Case 707

Commercial agreed.

10 Case 708

U. S. Commercial

11 Case 709

[illegible] commercial.

12 Case 710

[illegible] commercial

Case 711

13 Case 711

[illegible] commercial

15 Case 712

712 [illegible] commercial

17 [illegible] commercial

18 [illegible]

[illegible]

19. [illegible]

[illegible]

20 Location of wells [illegible] ...
... is bounded by [illegible] Gregg
Lewis.

26 No application for [illegible]

23 Edward John Earl

27 Sec 20 Petrol Engineer, address [illegible]
Kilpatrick Bldg, Oklahoma City, Okla.

28 Case 707 is uncontested, when [illegible]
Contested it will be.

29 Case 707 - Same info.

29-32 - Same as 28, with Case

31 - One agreement [illegible] Mean Hardy - $80,000.

33 - Same X

X 34 Case 668 - Uncontested, [illegible]
32 [illegible]

37 - [illegible]

[illegible] (Ok.)

40

[illegible]

[illegible] 6 Am Dec

61 Cobb 1 Bond 6 Am Dec

62 1 Bond 6 3

1 Am Dec 108 — and [illegible] agreement. 1595 W 2d 472 - statute of frauds

61 1 Bond 6 842

Ore. — 84 P. 2d 1106

61 cc 61-62 Cases discussable Rat. to. ... ment must be done after the [illegible] location of well, [illegible] in [illegible] to effect pooling.

62 - 30 Ad G 1131 (1493).

65 65. 1 Bond 442

1 Bond 4-247

3 Bond 6-1933

1 Bond 6 391

Discussion of this case 65-67, rule that in absence, pooling provided by order will not relieve than 1 entitlement.

see also § 65

66 - 3 Summers 608-9

74 Re Okla. stat.

* Pooling of royalty interest ipso facto is not effected upon issuance of drilling and spacing unit, but in the event of production same must be allocated on acreage basis. Where working and royalty purchase not agreed to pooling in which case pooling must be established before same can be accomplished.

75 ** Lobos like [illegible] Patterson v. Stanolind (Okla) 77 P 2d 83 affirmed in 305 U.S. 376, 59 S. Ct. 254; 83 L. Ed. 231

1 But [illegible] case, in case in which [illegible] has [illegible]

[redacted]

[redacted]

79 1 Oa 16 735 [illegible]

(1 O.16 1232)

Recognition of difference in physical spacing provided for a proration unit and for a drilling and spacing unit.

~~1 Oa 16 723~~

1 Oa 16 727

~~1 Oa 16 758~~

1 Oa 16 1664

~~1 Oa 16 760~~

~~(1 Oa 16 1236)~~

(1 Oa 16 1657)

(1 Oa 16 1627)

(1 Oa 16 1637)

(1 Oa 16 1672)

82

[illegible]

95

95 ~~1 Oa 16~~ 910

96 – 101

101 – 132

1.15
10.00

1 & 6 of G 735

2 of G

3 of G

3 Summons 577-534

3 GGR 313

4 of G

Case 706

6(1) Permit [illegible] Description

~~Yeager~~
Yeager - Range
~~Dicks~~ - Pecos

7. 706 W/2 sec. 6 Exhibit 1-A

Delhi has ~~exp~~ rights and all rights in one lease.
Delhi and El Paso signed unanimitization agreement
(But Comm. Application.

* 5. - Yeager Lease 41.75 Acres - El Paso, Delhi joint
* 7. - Lease Apatite Location (intersection
206.30 Acres

* 8 Lots 3 SE/4 SW/4 - 80.12 Acres - W I area - El Paso Delhi
Lot 3 sec 6
T6C C. Pecos

(Title of El Paso and Delhi in W I ~~Pecos~~ area is satisfactory ~~and~~)

8. All W. I owners signed Communitization Agr, but Delhi may obtain
9(1) Communitization Agr. ~~&~~ delivered Yeager about 6/17/53
* (but Delhi may obtain and signed Communitization Agr that date)

15(1) All owners El Paso acquired leases (communitization) effective
March 1, 1952.
Delhi acquired rights from El Paso effective June
1, 1952 - Memo Sent
El Paso Yeager - gathering contract June 1, 1953
Memo to file dated June 9
[illegible]

[illegible]

5 [illegible]

42 Delhi says would be ... agreement, had they been present [illegible]

Case 706 (cont'd)

14(2) Notice of intention to drill (Exhibit R-2) Produced & off
dated 3/16/53

15(2) Notice of Completion of PG (Ex. R-3) dtd 5/28/53

15(2) Notice of intention to change plans (Ex R-4) dtd 5/26/53 (to drill to Mesaverde)

* W/2 sec to be dedicated (no note of consolid. of WI)

16(2)-17(2) — Letter from Aperia 7/31/53 approved to drill & MV and [illegible]
Exhibit R-5

17(2) Completion rept - MV Ex. R-6 Well completed 9/20/53
Stm Gas 3

26(2) - Note that Ex R-2 not dated to file comment
[illegible]

Sec 107

W/2 Sec 1-2

Sec. 31 etc. E/2 NW/4 & N1/2 of
Sec 15 and 4 on
S½ Sec. 31

* Sublease E/2 of SW/4 SE/4 240 acres W.I. Assn. El Paso and Delhi

WI assn agreed Communitize, but doesn't say when

* Lot 4 - Yager - Appeal WI owners El Paso
a assignment of Delhi
Say Comm. agreed but not when

10(1)* Lot 3 41.32 acres - Appeal WI Assn
Cozzens " " assignment

10(1) Com agreement re W½ Richard Yager 8/4/53,
* but, doesn't say operated agreement that
date.

(Jubilee with an outside WI assn)

WI - El Paso
Delhi
Cizek (D.R.)

18(2) Delhi D.R. to Cizek - Ex. R-7

Well Completion Report - Ex R-8

Case 708 – Exhibit 1 –
sec. 15 W/2

10(1) * Ind Lease – 240 acres – WI – El Paso & Delhi

* Yager Lease – 80 acres – WI – El Paso & Delhi
Yager to Moore

10(1) WI owns agreed communitize, lease doesn't say when

10(1)-11(1) * Proposed communit. agreement filed to Yager prior 9/1/53, lease, doesn't state other agreed at that time

10(1) State WI owns agreed communitize, lease not when

WI – El Paso – Delhi

18-19(2) Notice to Delhi – Ex R-9

19(2) Completion Report – Ex R-10

Case 109 - Exhibit 12

11(1) Sec. ~~27~~, E/2

* Free lease by Dennis 40 acres WI El Paso Delhi

* Free lease Calvert et al. 40 acres WI El Paso Delhi

* Free lease by Hedges 40 acres WI - El Paso

* Free Lease Vance et al to Pricing Engineering & Manufacturing WI - El Paso

11(2-A)* Free lease Perma-Bilt Corp, assigned — WI - El Paso

* Lease NW/4 NE/4 40 acres - WI - Wat. Bat (1/4)
~~30 acres~~ Dan Jac. (1/4)

* Yager (portion of 80 acres) 40 acres WI - El Paso Delhi

13(1) - All working interest owners agreed Communitize, Lease Ownership when

Both parties about Agreement sub. title to Yager

WI - El Paso
Delhi
Wat. Bat
Dan Jac
Yager

11(2) - Perma-Bilt Corp. to 11

12(1) - Bell Corp. to 12

Case 710 — Exhibit 1-C

13(1) E/2 sec 8

* Indian Agriculture Unit 200 acres WI - El Paso Delhi

* Ind lease 120 acres WI - El Paso Anschutz

* Indians, McCann et al. 39.9 acres WI - Beaver Lodge Oil Co.
* " Marcotte et ux 99 acres.
14(1) * " Spratt 1 acre
* Dan R.G. 0.9 acre

Yager lease 40 acres WI El Paso Delhi

14(1) All WI owners agreed Communitization but doesn't say so here

Nothing said about agreement with Yager

WI - El Paso
Delhi
Bracken
Kimbley

20(2) Notified [illegible] Exhibit B.

21(1) WI [illegible] Exhibit K.

Case III - Spirit Lk

WW2 Period

* [illegible] - [illegible] Kansas W.I - El Paso Delhi

* [illegible] [illegible] [illegible] W.I El Paso Delhi

* Yagers - [illegible] WI El Paso Delhi

15(1) - [illegible] and agreed [illegible] but admit any value

Nothing said about Comm. agreement to settlement to Yagers

(WI - El Paso Delhi)

22(2) Notice of [illegible] - USGS - Ex. P-15

23(2) Letter from USGS (affirmed) Ex. P-16

23(2) Notice [illegible] Ex. P-17

24(2) Well Board Ex. P-18

31(2) [illegible] Spirit Lake Irrigation Company [illegible]

4) (c)

4) (c) [illegible]

4/4 [illegible]

4/2 [illegible] the Board Committee [illegible]

Case 112 — Exhibit 18
Exec. 3.

16(1) * Fee Lease [illegible] 10 acres WI - El Paso

* Fed Lease NM 507 200 acres WI - El Paso
Delhi
Atlantic

*

* Fee Lease 40.3 WI - El Paso
Sunray

17(1) * Fee Lease 5 acres WI - Indiskoh

* Fee Lease Indigo 10 acres WI - El Paso
Sunray

17(1) - Working interest owners agreed to communitize, last about expiration

Nothing said about communitization terminated to Yagers.

WI - El Paso
Delhi
Atlantic
Sunray
Koch

24(4) [illegible] El Paso

25(2) [illegible] El Paso

2[illegible] [illegible] Ex. 21

3[illegible] [illegible]

3[illegible] [illegible]

El Paso Rule (1)

Q. 3 Should a common carrier be required to accept and transport property tendered to it for shipment at a station where it maintains an agent, but which is not on its line of road, when the shipper knows that there is no through rate applicable to the shipment, and that the carrier will be required to establish a rate before it can lawfully transport the property?

Note: See Sup. Ct. Rep. R-110, Question 2, under R-560, beginning 32 Sup. Ct. Rep.

Note also that it is the duty of the carrier to establish a rate under the circumstances stated in Q. 3.

Query: Is a common carrier bound to transport property tendered to it for shipment at a station where it maintains an agent, but which is not on its line of road, when the shipper knows that there is no through rate applicable to the shipment, and that the carrier will be required to establish a rate before it can lawfully transport the property?

Q. 4* 31-A Ter. Jan. & D. 476. Common carrier's duty to receive goods for shipment.

* Similar Statutes:

59 Fed. 865; 52 Fed. 844; 54 Fed. 163; 64 Fed. 733; 67 Fed. 93. } Minn.

Kansas.

Q. Can Utah railroad charge El Paso, under the Commission's decision?

Question: Is a common carrier bound to transport property tendered to it for shipment at a station where it maintains an agent, but which is not on its line of road, when the shipper knows that there is no through rate applicable to the shipment, and that the carrier will be required to establish a rate before it can lawfully transport the property?

~~Page Book~~

#1 Lease dated 9/1/78 by Page
Re pooling Clause stating pooling is not
necessary but "favored" and
Lease "Unitized" or Pooled operating
ver.

Tract 706 - 41.75 acres (NW/4 NW/4)

~~707~~
702 - 41.52 acres (SW/4 SW/4)

705 - 80 acres E/2 SW/4

709 - 160 acres (S/2 NW/4; NW/4 SE/4;
NE/4 SW/4)

710 - 40 acres (SE/4 SE/4)

711 - 160 acres (N/2 SW/4; SE/4 SW/4; SW/4 SE/4

712 - 160 acres (NW/4 SW/4 SE/4)

Issue - What is effect of absence of pooling
Clause?

#2 - Non-production from B-MV pool.

Issue: Effect of R-110 providing "all lands"
pooled.

Issue: Undivided interest of R-110 provides
pooling agreement must be multiple of
quarters. Need more information.
What is pooling agreement? Who owns what?
Is there a pooling agreement?

p. 3

706 All except [illegible] - [illegible]
[illegible] 3/17/53 - [illegible]
[illegible] (Pp. 25)

707 [illegible] - Appeal withdrawn - Dismissed.
Appeal withdrawn 3/6/53
2 [illegible] - [illegible]
Well [illegible] 3/2/53 - Compl. 3/25/53
Letter call [illegible]
[illegible] for R-110
Notice withdrawal - 3/6/1953 - Appd 3/19/53

708 [illegible] - Sc
[illegible] - No [illegible]
Withdrawn 3/7/53 - Completed 3/23/53

(?) Drilled [illegible]
Returned to Col - appd 3/3/53

709 [illegible] - [illegible]
[illegible]
3/6/53 Commenced - Completed 7/30/53
* Drilled on [illegible]
Notice withdrawal appd June 2, 1953
Notified Regional [illegible]

710 - [illegible] - Withdrawn, [illegible]
Commenced 5/30/53 - Completed 6/13/53
* Not located on [illegible]
Application withdrawn 8/25/53

711 [illegible] - [illegible]
[illegible]
3/27/53 - [illegible] - Completed 4/28/53 - *Not [illegible]
[illegible]

(712) — Complaint, Specification
all the claims except [illegible] [illegible]
Claims.
8/30/57 [illegible] — [illegible] 11/8/[illegible]
× [illegible] [illegible]

p.5 El Paso seeks complaint particularly communitization agreement.

p.6 Recites Hunt (Tr. 40)

" " (Tr. 40)

ARGUMENT

p.6 — Mentions [illegible] [illegible] plan
7 — N.M. authority to compulsorily pool separate interests must be found in Sec 13(b) or 13(c) of Act.

[illegible] authority (see 13?–22), [illegible] [illegible];
Recites [illegible]

But may act when "such persons" have not agreed [illegible] [illegible]
Statute seems to contemplate failure of agreement by those with dealing in "[illegible]"
p.8 Seems to contemplate approval by Comm. of pooling plan.

p.9 Main question that before drilling permit approved rights of all owners must be pooled. Comm. [illegible] [illegible].

[illegible] [illegible] (allowance) [illegible] [illegible], N.M. Sec. 13(b) [illegible] [illegible] of all owners.
Points out that R-110 requires allocation [illegible].

Grant [illegible]

§ 10 [illegible]

[illegible]

El Paso [illegible]

§ 11 [illegible]

El Paso [illegible]

*Miscellaneous Stat. 52 [illegible]

§ 12 [illegible]

*Amendment 63 Senate [illegible]

§ 13 [illegible]

§ 14 Grants Bar Harbor [illegible] (Pg. 46)

§ 44. Et Pour ...
Mais aussi pour [illegible] avoir
[illegible] plus [illegible] ...
[illegible] [illegible] ...

§. 45 — ... proportionnelle [illegible].

Clearance Required

No communication effecting any approval or notice of [illegible] shall be

R-110, sec 1(a)

DS questions
Any recommendation
Budget implications
Is action timely

Novoria "zone" definition of provision of 13(c) not affected by sec. 1(a) of Res. R-110
3(a)

~~No~~ No approval of notice of intention to build [illegible] effect Remarks

Public Law 703

Mail [illegible] R-110

Note that Arabella, [illegible] Hall
[illegible] Sec. 3(a) of R 110 at all

Note that the United [illegible] where
the railroad depot had the

Should Commissioner Hiffe to [illegible]
are [illegible]

SEE BILL ABOUT THIS AGAIN
ANYTHING ELSE?

How and royalty [illegible]?

Query - what steps do we take
to determine what [illegible]
mineral [illegible] [illegible]?

Note that in 706 [illegible]
[illegible] that USGS [illegible]
[illegible]

~~Charles Hibbs~~ [illegible]

[illegible]

Query - What [illegible] USGS [illegible]
with [illegible]?

Why can't royalty [illegible]?
Why can't Hiffe - Subject under 13(c)
Perhaps [illegible] [illegible]
[illegible] Shaw.

Summons

c. 109 - Civil process

69-213½ and after 4 p.m. [illegible]

Sec. 83 - Location and Board of Health. Powers

p. 250 - Nuisances and public offenses

R.M. - Offering - Posting

Suppl. 83-83, 12, 84, 85, 104

Am Jur sec. 196, 198

Civil Proc. pages 64-67

180 SW 2d 120

[illegible] [illegible] [illegible] 1 [illegible] 1946
[illegible]
sec. 911
sec. 883

Supp.
sec. 609, n. 49
611, n. 53
136
612 n. 76
~~104~~
139 n. 80
590 n. 36
514. n. 85
541. n. 3
545 n. 55

Form 1300

~~Communitization(s)~~
Community Lease – sec. 612

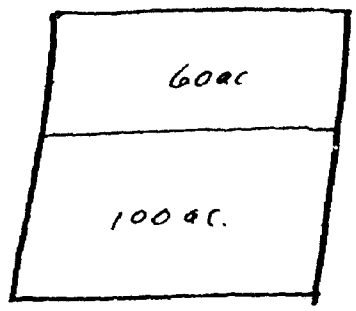
Suppl. – Communitization – [illegible] vol. 5A
Community lease – sec. 214 n. 8
237 n. 99
602.1
600. n. 20
~~104~~
sec. 3[illegible]

Pooling Form 1296, 1297
sec. 95, 65, 55
[illegible] 933 [illegible]

Suppl. sec. 63.1
~~104~~
sec. 65 [illegible]
[illegible] n. 11

1	1
1	1
1	1
1	1
1	1
1	2
1	2
1	1
1	2
1	1
1	4
1	1
1	3
1	1
1	2
1	1
1	1
1	1
1	2
1	2
1	3
1	2
1	3
1	4
1	8
25	51

Phillips Petroleum Company
P.O. Box 791
Midland, Texas
Layton A. Webb, Atty.



SE/4 Sec 28 T-25-S, R-37-E
Lea County, N Mex.
Fee Minerals Common under all SE/4

S. 100 ac. –

* 1. Woodley Petroleum Co. Full Int. Lease (7/8 WI)
Woodley will join.

2. Indications are that Royalty owners awning ~~fee~~ apprx'd imately 79/80 of 1/8 RI will join

N. 60 ac. 1. Phillips Pet. Co. owns two leases covering 3/4 MI (7/8 WI) Ef. dates: 2-28-55 and 3-13-55

2. Remaining 1/4 M.I. is unleased – owned by Charles B. Wrightsman, et al (grantees of old Standard Oil Company of Kansas) Their interest owned 40,267/42,972 of 1/4 by Wrightsman and 2,705/42,972 of 1/4 by apprx'd imately 61 persons –

Wrightsman has agreed to join unit (talks as to his MI in N. 60 and RI in S. 100) We will probably get some of Other parties to join but not all –

* note – actually Woodley only owns rights below 4,000 ft, but unit is to be limited to all depths + strata below 4,000 ft.

ROYALTY OWNER COOPERATION IN THE UNITIZATION OF OIL RESERVOIRS

BY

H. W. Penterman
Shell Oil Company
Tulsa, Oklahoma

Presented Before

Joint Meeting
Engineering and Secondary Recovery Committees
Interstate Oil Compact Commission

Oklahoma City, Oklahoma
December 4, 1953

****

ROYALTY OWNER COOPERATION IN THE UNITIZATION OF OIL RESERVOIRS

By H. W. Penterman

I play golf with a group of cheerful burglars who have a simple direct way of assisting anyone in the group who happens to be having a bad day. They tell him that if he is hunting sympathy to look under "s" in the dictionary.

Unfortunately, if one is hunting the way to unitize an oil reservoir, he cannot find it simply by looking under "u" in the dictionary. Caesar wrote, "All Gaul is divided into three parts." Likewise, unitization is divided into three parts: The engineering aspects, the legal aspects and the business policy. My experience has been mainly concerned with the latter. Mr. Sweeney asked if I could contribute something on the subject of securing royalty owner cooperation in the unitization of oil reservoirs.

I will leave to others better qualified than I comments on the engineering aspects. I will only say that the engineering problems are the first which must be considered when any cycling, pressure maintenance or secondary recovery method of operating a reservoir is contemplated. Unless such engineering analyses indicate the promise of a very definite economic gain, abandon the whole idea at that point.

Once the engineers have made a report which indicates something to be gained by the adoption of secondary recovery methods or pressure maintenance or other modern ways of producing a field, then the problem becomes one for the lawyers. The legal procedure will necessarily vary, depending upon where the reservoir is located and whether it is Federal, State or fee land. A few states in the Union, such as Oklahoma and Arkansas, have a statutory arrangement by which unitization of a field can be accomplished. Others such as Texas and Illinois have no such arrangement and any unitization is entirely voluntary cooperation. Louisiana has a statute pertaining to gas condensate fields only by which unitization can be ordered after a hearing before the Conservation Commissioner. The Federal government has a standard form of unitization agreement which is administered by the Department of the Interior through its sub-divisions, the U.S.G.S. and the Bureau of Land Management. In some states the problems of unitizing the royalty interests in a reservoir are indeed complex. Particularly where the lands in part are Federal lands of one type or another, others are State lands and all are interspersed with private fee lands. So complex and cumbersome in fact was the procedure that until the passage of the O'Mahoney-Hatch Bill in 1947 unitization where Federal Lands were involved largely languished.

My first experience with the problems affecting the unitization of a whole reservoir was some 20 years ago. I pounded the pavements in quite a number of Texas cities attempting to get signatures to the unitization agreement for the North Dome at Kettleman Hills. I knew nothing at all about the matter and I was having something less than mediocre success. I finally asked for some help from the people in California who sent me a stack of reports and exhibits over a foot high (I speak literally). After wading through this great mass of material, and as a result, getting a better idea of what it was all about, I could more intelligently explain it. I returned to the task of getting owners' signatures and my subsequent efforts were crowned with very considerable success.

The next project which I recollect now and one which took a very great amount of hard work was the unitization of the working interests in the Van Pool in Texas. It has been approximately 20 years since I have had occasion to think about that matter and the details of the arrangement finally reached are somewhat vague in my mind. I do know, however, that some of the worst difficulties encountered were due to the fact that the field was not completely developed and we did not know what producing horizons future development might bring forth, either horizontally or vertically. As I recall, we made an arrangement whereby there were some three or four periods of re-evaluation at yearly or bi-yearly intervals. In any event, the arrangement contemplated that full information would be available before the final participation of the parties became fixed.

Some years ago I had something to do with unitization of an entire field in Illinois where water flooding operations were to be conducted. There were several hundred royalty owners concerned. They were scattered all over the United States, some in Canada and some in South America. A few larger royalty owners resided locally, and these were approached personally. However, a great many had to be contacted by mail. To assist such parties in coming to a decision we prepared a simple, concise statement based on the conclusions of our own and several engineering consultants, telling what we expected to do and what we expected to receive. We told them that unitization of the properties was necessary to achieve these results and asked for their cooperation. We got it - 100 per cent.

In the last three or four years I have had some part in the unitization of the Elk City Hoxbar Conglomerate reservoir. To accomplish this we circularized the royalty owners by mail, we held royalty owners' meetings, we invited representatives of the royalty owners and their Royalty Owners Associations (of which there were two) to sit in on the various committees. A la Winston Churchill, there never was so much information on so many different phases of the subject put out to so many people. There has always been a great diversity of opinion as to how the Elk City reservoir should be unitized and what participation formula should be used. Despite most vigorous early opposition to unitization of any kind, after full information was made available, there was never any more than a negligible percentage of the royalty owners who believed that a unit operation was not the thing to do. The original Elk City Unit has now been enlarged three times and with each succeeding enlargement the percentage of royalty owners ratifying the arrangement has increased.

Over the years I have had something to do with many other smaller Unit arrangements in addition to those heretofore mentioned. I learned from these that there seems to be no sure-fire, deathless formula for getting royalty owners to agree to any unitization problem. I do believe that I can discern one common denominator, one distinctive characteristic, in all these instances. It is common to both lessees and royalty owners. That is the very human trait of self-interest. At first glance it may seem to be just plain selfishness; the outcropping of the old Adam inherent in all of us. Strange as it may seem, however, if it were not for this, unitization of any oil field would be impossible.

The self-interests of the individuals in any large group are bound to conflict. Self-interest alone, therefore, will not get the job done. In all cases of successful unitization there seems to have been an added quality to self-interest. It is what I call <u>enlightened</u> self-interest. By that I mean self-interest which has received an education. The person charged with the responsibility of securing the unitization of an oil reservoir must see to it that all factual information pertinent thereto is so well impressed upon operators, royalty owners and all concerned, that they are enabled to view the problem not merely with self-interest but with <u>enlightened</u> self-interest. They become willing to

give and take, to concede a bit here, to gain a little there so that a workable arrangement can be reached by which everybody can receive some fair share of the over-all benefits. When a unit operation is justified, make the facts available so that enlightened self-interest can become the motivating influence. Otherwise, there will be no unit.

An oil pool is a unit in itself. To achieve the best results it must be operated as a unit. Man can draw lines upon the surface of the earth and say to his neighbor, "What I can get out on this side of the line is mine and what you get out over there is yours." These words have no compelling affect upon mother nature's division of the contents of the reservoir beneath the surface. Diverse ownership makes difficult and complex the attainment of true conservation. The increased benefits of true conservation when they are clearly disclosed, are the lure which appeals to the self-interest inherent in all of us. Only because of increased benefits are we willing to consider even a partial restriction of our individual rights, such as unitization. Self-interest having available all the facts, becomes enlightened self-interest. It will disclose the pathway to a successful unit program.

Because I advocated a unitization program, I have actually, on more than one occasion, been accused of favoring socialistic or communistic thinking. I will waive my rights under the Fifth Amendment and state to you that I am a firm believer in the American competitive system of free capitalistic enterprise. So are most royalty owners that I know. This system has produced more goods at lower prices, to the greater benefit of all, than any other economic system yet devised. To my mind there is nothing improper or immoral in getting all one can out of operating his business; his farm, his mine, his plumbing shop or his oil well. Call that selfishness or self-interest if you will. If one gets too selfish and tries to get too much out of his efforts, his prices get too high and competition deprives him of customers. The modern efficient methods of producing an oil reservoir have just one objective. That is, by the increase of production and the lowering of costs to provide more economic benefits. Many people at first glence think that a unit proposal is evidence of some sort of socialistic or communistic program. They think of it as a glorified share-the-wealth scheme. It is the antipode of this. The purpose of the unit operation is for each owner to get a larger return from what he owns - for himself. That is neither socialism nor communism. Never let any silly notions on this point go unchallenged.

To sum up, the individual who has the job of attempting to get an oil reservoir unitized must take these three steps. First, get an engineering report which is the composite of opinions of as many good men as you can get to work on the problem. Second, after you have determined what your problem is, tell it to your legal committee and have them arrange to prepare the necessary contracts and agreements to make it effective. The limitation of the science of reservoir engineering is such that engineers cannot be 100 per cent accurate. Lawyers have different ideas as to how best to serve their client's interest. With all due respect to these professions, and recognizing these limitations, then comes the third step; the business decisions which have to be made in adjusting conflicting opinions and ideas in order to reach a workable agreement. The attempt to reach this agreement is a futile gesture unless there has been sufficient information, fully and freely disclosed to everybody concerned; both operators and royalty owners. Then will the enlightened self-interest of the group make certain of a successful unit.

31-A Type "H"

(Double magazine gun with telescopic sights
sleeping bag and tent
(Reference made to specifications)

Case No.

706-712

Application, Transcript,
Small Exhibits, Etc.

RE-HEARING: CASES 706 - 712, INCL.

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

[illegible]

IN THE MATTER OF:

[illegible]

CASE NO. [illegible]

[illegible]

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 15, 1956

IN THE MATTER OF:	
Rehearing of cases which involve the application of El Paso Natural Gas Company for compulsory communitization or determination and ratification of communitization for Mesaverde production of certain tracts in San Juan County, New Mexico.	Cases 706 through 712 and Cases 846 through 852 - (Consolidated)

BEFORE:

Honorable John F. Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

R E G I S T E R

NAME	REPRESENTING	LOCATION
Jack M. Campbell	Campbell & Russell	Roswell, N. M.
Warren Mankin	N. M. O. C. C.	Santa Fe, N. M.
R. E. Carlin	Delhi-Taylor	Dallas, Texas.
H. B. Wiggell	Delhi-Taylor	Dallas, Texas
Harry G. Dippel	Continental Oil Co.	Ft. Worth, Tex.
J. W. Bittick	El Paso Natural Gas Co.	Farmington, N. M.
J. W. Gurley	O. C. C.	Santa Fe, N. M.
John A. Woodward	El Paso Natural Gas Co.	El Paso, Tex.
R. L. Hamblin	El Paso Natural Gas Co.	El Paso, Tex.
Sam Smith	El Paso Natural Gas Co.	El Paso, Tex.
Leon McMillion	Humble Oil & Ref. Co.	Midland, Tex.
P. T. McGrath	U. S. G. S.	Farmington, N. M.
H. D. Buchnell	Amerada	Tulsa, Okla.
V. L. Larkeson	Pacific Northwest Pipeline	Albuquerque, N.M.

J. M. Canfield	Pacific Northwest Pipeline	Albuquerque, N.M.
Foster Morrell	Independent	Roswell, N. M.
W. Norman Woodruff	El Paso Natural Gas Co.	El Paso, Texas

TRANSCRIPT OF HEARING

MR. MACEY: The hearing will come to order, please. I presume the cases this morning will be consolidated for the purpose of testimony. Is that correct or incorrect?

MR. WOODWARD: All of the cases, 706 through 712 and 846 through 852, so far as El Paso is concerned, can be consolidated for the presentation. The individual units involved in Cases 706 and 846, for example, are fully consolidated by agreement of both parties at the last rehearing, as I understand it, so there is consolidation of 706 and so forth. But the presentation on all cases, for convenience, we suggest be consolidated.

MR. MACEY: Any objection?

MR. CAMPBELL: No.

MR. MACEY: If not, we will consolidate all cases for the purpose of testimony.

MR. WOODWARD: El Paso would like to, as one of the applicants for rehearing, make this explanationof why we are here. Essentially El Paso sought a determination of status and appropriate action by Commission, a sort of determination that seven spacing and allocation units in the Blanco-Mesaverde Pool were communitized tracts. If the Commission's information was that they were not communitized tracts, we ask that they be communitized.

The second orders issued in these cases from which rehearing is sought, implied in substance that if the tracts were communitized they were recognized, and if they were not, the Commission thereby

communitized them. We suggest that is a more agreeable order, but it is not very helpful in determining the status of these units.

I realize that case chronology, or history of proceeding is not a very interesting affair, but in view of the time involved, which these cases have been under consideration, we would like to recapitulate as briefly as possible, the history of this controversy.

Cases 706 through 712, and 846 through 852 involve seven spacing and allocation units in the Blanco-Mesaverde Pool. In October, 1953, El Paso applied for compulsory communitization of each of these hearings; the first hearing May 19, 1954, and the first orders issued December 16, 1954. In this order, the Commission found that the working interest owners in each of these units, had agreed to communitize their leases on or before the date the notices of intention to drill the well were approved. The Commission also found the agreement of such owners effectively create a unitized spacing, and allocating units which complied with the Orders R-110, the Commission ordered that each unit was recognized as a communitized, or pool tract, effective on the day the notices of intention to drill was approved. Under the circumstances, this was the only proper order that the Commission could have then entered. El Paso, as we have stated, had asked for compulsory pooling orders, the Commission found the units had already been communitized by agreement of the working interest owners, and appropriately registered them so, no order being necessary to that it. However, following these first orders, the Texas Hall asked for rehearing, and El Paso formally applied for ratification of these. This second series of applications was, as understood it, these Orders 846 through 852.

At the first rehearing, March 17, 1955, as we have stated, Case

705 and 706 involved the same lands, and were, therefore, consolidated, for the same reason the succeeding cases in both series were likewise consolidated. On January 17,1956, the Commission superseded its first order in these cases by a new series. In the second series the Commission found that the working interest owners had agreed to communitize their leases in each of these units, that their agreement complied with Order R-110, and such agreement, together with the approval of the notice of intention to drill, which designated the unit area, effectively created and established the units in question. However, the Commission also found there was no evidence in the record as to the precise date the working interest owners had agreed to communitize their leases, prior to May 19, 1954, the date of the first hearing. There was evidence that as of that date the working interests had been communitized. The Commission therefore, found the date of such agreement to be May 19, 1954. Finally the Commission ordered that each unit be recognized as a communitized tract in a duly established drilling unit on that date. But, in the alternate and subsequent event that subsequent adjudication render that inoperative, all units were consolidated and compulsorily pooled effective January 17, 1956. Consequently, the Vaque case and, at this hearing it is El Paso's position, first, that the second series of orders are improper and void, for the reasons set forth in El Paso's brief, heretofore filed with the Commission. Second, that the first series of orders are proper and supported by the law and evidence, and should be reinstated in substance. Third, without waiver of the right to rely on the evidence heretofore in these cases, in the benefit of a presumption of validity of the orders, it is urged to be proper to be denied in their

taking additional evidence as to the dates, working interests, when these units were consolidated. For that purpose, El Paso would call as its first witness, Mr. Roland L. Hamblin, and ask that he be sworn.

(Witness sworn.)

R O L A N D L. H A M B L I N ,

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

DIRECT EXAMINATION

By MR. WOODWARD:

Q Mr. Hamblin, state your full name, please.

A Roland L. Hamblin.

Q By whom are you employed and in what capacity?

A I am employed by the El Paso Natural Gas Company as Manager of their Lease Department.

Q Have you previously testified before the Commission in Cases 706 through 712, and 846 through 852?

A Yes, sir, I have.

(Marked El Paso Natural Gas Exhibits R-706 through 712, for identification.)

Q El Paso's Exhibits R-706 through R-712 have been placed on the board. Are you familiar with these exhibits?

A Yes, sir, I am.

Q Were they prepared under your direction and supervision?

A Yes, sir, they were.

Q State what these exhibits show.

A Exhibits 706 through 712 are plats of seven well spacing and allocation units involved in these cases, showing each and every tract involved in each unit, and showing the unit well and location

of the unit well.

Q Now, directing your attention to Exhibit R-706, when was the notice of intention to drill the unit well first filed?

A A notice of intention to drill a Pictured Cliffs well on the northwest quarter, Section 6 was filed March 17, 1953, and approved by the Oil Conservation Commission on March 23, 1953. A notice of intention to change plans to Mesaverde well covering the west half of Section 6 was filed on May 26, 1953 and approved by the Oil Conservation Commission on July 3, 1953.

Q You state that the Commission authorized the completion of the Yager Well on May 31, 1953?

A On July 31, 1953.

Q July 31, 1953?

A That is correct.

Q What acreage was then dedicated to the well?

A The entire west half of Section 6, Township 30 North, Range 11 West.

Q Who owned the operating rights in the separate tracts on the west half of Section 6, on the date the Commission authorized completion of the Yager Number 2 Well in the Mesaverde Formation?

A El Paso Natural Gas Company owned the operating rights under each and every tract in the west half of Section 6, Township 30 North, Range 11 West, on or before July 31, 1953.

Q Taking each of the separately owned tracts in turn, tell the means by which El Paso acquired the operating rights in them, and the date of such acquisition, Tract 1 colored in yellow on Exhibit R-706.

A This is R-706 right here that we are discussing. El Paso

Natural Gas Company acquired the operating rights on Tract Number 1 by an assignment from Delhi Oil Company, dated March 1, 195?.

Q That was an assignment of the leases?

A That was a lease assignment.

Q Did this assignment cover other lands involved in 706 through 712, and et cetera?

A Yes, sir, it did. It covered all lands colored yellow in these attached plats, was covered in that assignment.

Q I hand you what has been marked El Paso Natural Gas Exhibit R-706-A, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A This is the assignment of oil and gas leases, dated March 1, 1952, from Delhi Oil Corporation to El Paso Natural Gas Company, covering Tract 1, and the other tracts colored in yellow in the attached plats.

Q Is this agreement executed?

A This agreement is duly executed by the Delhi Oil Corporation and El Paso Natural Gas Company.

Q Now, when, and by what means did El Paso acquire the operating rights in Tract 1 in Exhibit R-706?

A El Paso acquired the operating rights under Number 2, which is the pink, by an assignment from the Delhi to El Paso dated October 17, 1952.

Q I hand you what has been marked El Paso Natural Gas Exhibit R-706-B, are you familiar with this exhibit?

A Yes, sir, I am.

Q State what it is, please.

A R-706-B is the assignment of the oil and gas leases from Delhi Oil Corporation to El Paso Natural Gas Company, covering among other tracts, Tract 2, colored in pink.

Q Did that assignment cover other lands included within the unit involved in these cases?

A Yes, sir, it covered all of the tracts colored pink, Tract 2 here, and Tract 1, right here in this Exhibit 711.

Q Turning your attention to Tracts 3 and 4, when and by what means did El Paso acquire the operating rights in these tracts?

A El Paso Natural Gas Company acquired the operating rights in Tracts 3 and 4 by an assignment of operating agreement from Delhi Oil Corporation, dated March 1, 1958.

Q I hand you what has been marked R-706-C. Are you familiar with this exhibit?

A Yes, sir, I am.

Q State what it is, please.

A Exhibit R-706-C is the Assignment of Operating Agreement dated March 1, 1958, from Delhi Oil Corporation to El Paso Natural Gas Company, covering Tracts 3 and 4.

MR. WOODWARD: El Paso's Exhibits R-706, 706-A, B, C, are hereby offered in evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: We have no objection to the exhibits. We question their leasing effect, of course, but the exhibits themselves we offer no objection.

MR. MACEY: If there is no objection, the exhibits will be received.

MR. WOODWARD: We ask that the photostats be submitted or substituted for the originals in the record, the photostats before the Commission be substituted for the originals.

MR. MACEY: I think that is in order. Have all the exhibits been so marked?

MR. WOODWARD: They have.

Q Now, Mr. Hamblin, directing your attention to Exhibit R-707.

A This is R-707.

Q When was the notice of intention to drill the unit well approved?

A The notice of intention to drill the Yager Pool Unit Number 1 Well in 707 was approved by the Oil Conservation Commission on February 19, 1953.

Q What acreage was dedicated to the well by that notice?

A The south half of Section 21, Township 21 North, Range 11 West.

Q Who owned the operating rights in the separate tracts of the south half, on the date the notice of intention was approved by the Commission?

A El Paso Natural Gas Company owned the operating rights under each and every tract under the south half of Section 21, on or before February 19, 1953.

Q When and by what means did El Paso Natural Gas acquire the operating rights in Unit Number 1, as above set out?

A El Paso Natural Gas Company acquired the operating rights under Unit Number 1 by an assignment of the operating rights from [illegible] Oil & Gas Company to El Paso, dated February 19, 1953.

Q I hand you what has been marked El Paso Natural Gas Exhibit R-707-A, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you tell us what it is, please?

A R-707-A is the partial assignment of operating rights from Aztec Oil and Gas Company to El Paso Natural Gas Company, dated February 19, 1953.

Q When, and by what means did El Paso Natural Gas acquire the operating rights in Tract 2, colored in yellow?

A El Paso Natural Gas Company acquired the operating rights in Tract 2 by an assignment from Delhi Oil Corporation to El Paso dated March 1, 1952.

Q This is the same assignment heretofore introduced as R-706-A?

A Yes, sir, that is correct.

Q Now, Tract Number 3, colored in gold, when and by what means did El Paso acquire the operating rights in this tract?

A El Paso Natural Gas Company acquired the operating rights under Tract 3 by an assignment of operating agreement from Delhi Oil Corporation, to El Paso, dated March 1, 1952.

Q I hand you what has been marked El Paso Natural Gas Company Exhibit R-707-B, are you familiar with this exhibit?

A Yes, sir.

Q Will you state what it is, please?

A Exhibit R-707-B is the assignment of operating agreement from Delhi to El Paso, dated March 1, 1952, covering Tract 3.

MR. MORRIS: El Paso's Exhibits R-707, R-707-A, B, are hereby offered into evidence.

MR. KELLY: Is there an objection?

MR. CAMPBELL: No objection.

MR. MACEY: If no objection, the exhibits will be received. You wish to substitute the photostats?

MR. WOODWARD: In each case we would like to substitute the photostats for the originals.

MR. MACEY: All right.

Q Now, directing your attention to R-703, Mr. Hamblin.

A This is Exhibit R-703.

Q When was the notice of intention to drill the unit well approved?

A The notice of intention to drill the Neal Number 3 Well, which was the unit well, was approved on August 3, 1953 by the Oil Conservation Commission.

Q What acreage was dedicated to the unit well by that notice?

A The west half of Section 15, Township 21 North, Range 11 West was dedicated to this well.

Q Who owned the operating rights in the west half of Section 15 on the date the notice of intention to drill was approved?

A El Paso Natural Gas Company owns the operating rights under each and every [illegible] in the west half of Section 15, Township 21 North, Range 11 West as [illegible].

Q [illegible] colored [illegible], or light blue, when all by who [illegible] operating rights in this area?

A El Paso [illegible] operating rights [illegible] El Paso, [illegible].

are you familiar with this exhibit?

A Yes, sir, I am.

Q Tell us what it is.

A The assignment of operating agreement from Delhi Oil Corporation, to El Paso, dated March 1, 1961, covering Tract 3 and other land in the same Federal lease.

Q Tract 3, colored in yellow, when and by what means did El Paso acquire the operating rights in Tract 3?

A El Paso acquired the operating rights in Tract 3 by the lease assignment from Delhi, dated March 1, 1961.

Q This is the same assignment heretofore introduced as El Paso's Exhibit R-705-A, is that correct?

A Yes, sir, same assignment.

MR. WOODWARD: El Paso's R-705 and R-705-A are hereby offered in evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: No objection.

MR. MACEY: If there is no objection, the exhibits will be received, whereupon being admitted for the originals.

Q Directing your attention, Mr. Hamblin, to Exhibit R-709.

A This is Exhibit R-709 right here.

Q All right. Does the notice of intention to drill the unit well appear by the Commission?

A The notice of intention to drill the Dillon, Fed Number 1 Well was approved by the oil conservation on June 5, 1961.

Q Is this the unit well in the unit?

A The unit well is Tract 1, Section 1, and all that

was delivered to this unit well.

Q What was the status of the operating rights in the east half of Section 27 on the date the notice of intention to drill was approved by the Commission?

A El Paso Natural Gas Company was authorized to exercise the operating rights upon Tract Number 1, colored in brown, and owned the operating rights under all of the remaining tracts in the east half of Section 27, Township 31 North, Range 11 West.

Q The unit well is drilled on Tract Number 1 colored in brown, is that correct?

A That is correct.

Q By whom was the unit well drilled?

A The unit well was drilled by El Paso Natural Gas Company as unit operator.

Q By virtue of what authority, if any, did El Paso execute the operating rights in Number 1 by drilling the Calloway Unit Well thereon?

A By virtue of letters from Western Natural Gas, Three States and San Jacinto Petroleum, who owned the operating rights of that tract, at that time.

Q They were the lessees of that tract?

A They were the lessees of that tract.

Q I had pointed out to you El Paso's Exhibit 1-(F)-1, and 2, are you familiar with those exhibits?

A Yes, sir, I am.

Q Will you state what they are, please?

A Exhibit 1-(F)-1 is a letter from Three States Natural Gas Company to El Paso Natural Gas Company, dated April 15, 1961,

by which Three States Natural Gas Company, agreed to join in the drilling of the Calloway Pool Number 1 Well.

Q R-709-B?

A R-709-B is a letter from Western Natural Gas Company, dated March 31, 1953, by which Western Natural Gas Company agreed to join in the drilling of the Calloway Pool Number 1 Well.

Q And R-709-C?

A R-709-C is a letter dated April 9, 1953, from San Jacinto Petroleum Corporation, to El Paso Natural Gas Company, returning an approved copy of an AFE to El Paso.

Q And it was by virtue of these three letters from the lessees of Tract Number 1, that El Paso felt authorized to go upon the land and drill the Calloway Pool Unit Number 1?

A That is correct.

Q I hand you what has been marked El Paso's Exhibit R-709-D, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-709-D is a duly executed copy of a communitization agreement on the Calloway Pool Unit Number 1, which was executed by, it is dated and effective June 1, 1953, executed by Three States Natural Gas Company, on March 31, 1953, by San Jacinto Petroleum Corporation on January 19, 1953, and by Western Natural Gas Company on February 1, 1953.

Q Now, this communitization agreement, is it identical to the lessee's recommendations, R-709-A, B, C, in this matter?

A Yes, sir, it is identical.

Q Now, this communitization Calloway Number 1, which you

what means did El Paso acquire operating rights in Tract Number 1?

A El Paso acquired the operating rights under Tract Number 1 by an oil and gas lease dated May 26, 1953.

Q I hand you what has been marked El Paso's Exhibit R-709-E, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-709-E is the oil and gas lease dated May 26, 1953, from Sarah Myers Hedges to El Paso Natural Gas Company covering Tract Number 2.

Q Now, directing your attention to Tracts Numbers 3, 4, 5, when and by what means did El Paso acquire the operating rights in these tracts?

A El Paso acquired the operating rights in Tracts 3, 4, 5 by virtue of a lease assignment from Delhi to El Paso dated March 1, 1952.

Q These are the tracts colored in yellow?

A Yes, sir, here, here and here (indicating).

Q And this is the same assignment heretofore introduced as El Paso's Exhibit R-[illegible]?

A Yes, sir, that is correct.

Q Now, directing your attention to Tract Number 6, colored in blue, when and by what means did El Paso acquire the operating rights in this tract?

A El Paso acquired the operating rights under Tract Number 6 by a lease assignment from Pubco Oil Company to El Paso, dated [illegible], 1954.

Q I hand you what has been marked El Paso's Exhibit R-[illegible],

are you familiar with this exhibit?

A Yes, sir.

Q Will you state what it is, please?

A Exhibit R-709-F is the lease assignment from Primo Oil Company to El Paso Natural Gas Company, dated August 14, 1952, covering Tract Number 6.

Q When and by what means did El Paso acquire the operating rights in Tract 7, colored in rose?

A El Paso Natural Gas Company acquired the operating rights under Tract Number 7 by virtue of a lease assignment from Primo Oil Company to El Paso, dated April 30, 1953.

Q I hand you what has been marked El Paso's Exhibit R-709-G, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-709-G is the assignment from Primo Oil Company to El Paso, dated April 30, 1953, covering Tract Number 7.

MR. MOORMAN: El Paso's Exhibits Numbers R-709; R-709-A, B, C, D, E, F, and G, are hereby offered into evidence.

MR. MUTTER: Any objection?

MR. CAMPBELL: No objection.

MR. MUTTER: [illegible] Exhibit [illegible] be the assignment that will [illegible], [illegible] Tract 7?

A Yes, sir, [illegible], Mr. Mutter, I would be [illegible] Tract 7, [illegible].

MR. MUTTER: [illegible] will [illegible] exhibits in evidence, [illegible].

Q Mr. Hamblin, directing your attention to Exhibit A-[illegible].

A This is Exhibit A-[illegible] right here.

Q When was the notice of intention to drill the unit well approved by the Commission?

A The notice of intention to drill the Marcotte Pool Unit Number 1 Well, which is the unit well on the east half of Section 8,, Township 31 North, Range 10 West, was approved by the Oil Conservation Commission on August 25, 1953.

Q What acreage was dedicated to the unit well by that notice?

A The east half of Section 8, Township 31 North, Range 10 West was dedicated to the Marcotte Pool Unit Number 1 Well, which is the unit well.

Q What was the status of the operating rights on the east half of Section 8 on the date notice was approved?

A El Paso was authorized to use the rights on Number 1 and 2 colored in lavendar, and owned the operating rights under Tracts Number 3, 4, 5, which are the yellow and green tracts, on August 25, 1953.

Q Taking Tracts 1 and 2 together, the unit well is drilled on Tract 2, is it not?

A That is correct, the unit well is drilled at its home on Tract Number [illegible].

Q [illegible] the unit well drilled?

A [illegible]

Q [illegible]

A [illegible]

Q [illegible]

A [illegible]

Q I hand you what has been marked as Pecos Exhibits P-710-1 and P-710-2, can you identify these exhibits?

A Yes, sir, I can.

Q Will you state what they are, please?

A Exhibit P-710-1 is the letter dated January 6, 1958, from Texas Lodge Oil Corporation, to El Paso Natural Gas Company, whereby they acknowledge receipt of the copy of the communitization agreement and state that would be happy to execute it.

Q P-710-2?

A P-710-2 is the communitization agreement on the Kuparuk Pool Number 1 Well, dated January 1, 1958, and executed by Texas Lodge Oil Corporation on January 10, 1958.

Q The communitization agreement marked P-710-2 was executed pursuant to the letter marked P-710-1, is that correct?

A That is correct.

Q And both Exhibits P-710-1 and P-710-2 were executed, is that correct?

A That is correct, signed by myself.

Q. [illegible]

A. [illegible] Exhibit Number 9 [illegible] Company, to [illegible] by San Juan Company, [illegible] 1950.

Q. I hand you what has been marked El Paso Exhibit Numbers R-710-C and D, can you identify with these exhibits?

A. Yes, sir, I can.

Q. Will you state what they are?

A. Exhibit R-710-C is the operating agreement from Brookhaven Oil Company to San Juan, dated November 7, 1951, which gave San Juan Production Company the operating rights upon Tract Number 9, and other lands in the same federal lease; and Exhibit R-710-D is an assignment of this operating agreement dated January 7, 1952, from San Juan Production Company to El Paso Natural Gas Company, giving El Paso the operating rights upon Tract Number 9.

MR. MORRIS: R-710, A, B, C and D are hereby offered into evidence.

MR. KELLY: Is there any objection?

MR. CAMPBELL: No objection.

MR. KELLY: Without objection the exhibits will be received, and [illegible]

[illegible]

[illegible]

MR. CAMPBELL, [illegible] question to [illegible] well?

[illegible]

half of Section [illegible], Township 31 North, Range 11 West was filed, and subsequently [illegible] notice of intention to drill, drilling operations for the unit well in the West half of Section 32, Township 31 North, Range 11 West was filed with the United States Geological Survey, and approved April 7, 1953.

Q Will you state both the final date for approval of the dedication of the West half to the unit well?

A It was approved by the United States Geological Survey on April 7, 1953.

Q Who owned the operating rights in the West half of Section 32 on the date that notice of intention to drill was approved?

A El Paso Natural Gas Company owned the operating rights under each and every tract in the west half of Section 32, on or before April 7, 1953.

Q When and by what means did El Paso acquire operating rights in Tract Number 1?

A El Paso acquired the operating rights under Tract Number 1, colored in pink, by an assignment from Dolhi dated October 17, 1952.

Q This is the same assignment heretofore introduced in evidence as El Paso's Exhibit P-706-B, is that correct?

A That is correct.

Q When and by what means did El Paso acquire its operating rights in Tract [illegible]?

A El Paso acquired the operating rights in Tract Number [illegible], yellow, by virtue of [illegible] from Dolhi dated March [illegible], 1953.

Q This is the same assignment heretofore introduced in evidence as El Paso's Exhibit P-707-B?

A Yes, it is.

Q When and by what means did El Paso acquire operating rights in Tract 3?

A El Paso acquired the operating rights under Tract Number 3 by virtue of an assignment of operating agreement from Delhi, dated March 1, 1952.

Q This is the same assignment of operating agreement heretofore introduced as El Paso's Exhibit R-70?-B, is that correct?

A Yes, sir, that is correct.

MR. WOODWARD: El Paso's Exhibit R-711 is hereby offered in evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: No objection.

MR. MACEY: Without objection the exhibit will be received.

Q Directing your attention, Mr. Hamblin, to Exhibit R-712.

A This is Exhibit R-712, here on the wall, we didn't have room for it on the bulletin board.

Q When was the notice of intention to drill the unit well --

MR. CAMPBELL: (Interrupting) Excuse me, do you have a copy of that 712?

MR. WOODWARD: Here is an extra.

MR. CAMPBELL: Thank you.

Q When was the notice of intention to drill the unit well approved, Mr. Hamblin?

A Notice of intention to drill the unit well, Ford Number 1, was approved by the United States Geological Survey on August 14, 1958.

Q What happens after the unit well is spudded?

A [illegible] drilled, tested to total depth, [illegible]

[illegible]

[illegible] of Section 1, on the [illegible]?

[illegible] operating rights [illegible] Section 6, Township 20 North, Range 11 West.

Q When did [illegible] El Paso acquire the operating rights in Tracts 1, 2 and 3?

A El Paso --

Q Colored in olive.

A El Paso [illegible] operating rights under Tracts 1, 2 and 3, [illegible] Oil Corporation to El Paso, dated January 15, 1954.

Q I hand you what has been marked El Paso Exhibit R-Gallup-4, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-Gallup-4 is the assignment from Kaiser Oil Corporation to El Paso dated January 15, 1954, covering Tracts 1, 2 and 3.

Q All right. Now, referring your attention to Tracts 1 and 2, colored in orange, when did El Paso acquire what rights did El Paso acquire the operating rights in those tracts?

A El Paso [illegible] authority to operate the operating rights upon Federal Leases [illegible] by virtue of a letter dated January 5, 1955, from [illegible].

Q I hand you what has been marked El Paso's Exhibit Numbers R-Gallup-5 and 6, are you familiar with these exhibits?

A Yes, I am.

Q [illegible]

A [illegible]

[illegible] to be [illegible], in which [illegible] the operating rights [illegible].

Q R-712-C?

A Exhibit R-712-C is the operating agreement covering the Koch Pool Unit Number 1 Well, dated August 1, 1953, and executed by Fred C. Koch on June 27, 1953.

Q All right. Now, Tract Number 3, the unit well is drilled on Tract Number 3, is that correct?

A That is correct, on Tract Number 3, in gray.

Q By whom was the unit well drilled?

A The unit well was drilled by El Paso Natural Gas Company as unit operator.

Q By virtue of what authority did El Paso drill the unit well on Tract Number 3?

A El Paso Natural Gas Company drilled the unit well on Tract Number 3 by virtue of a development contract between Delhi Oil Corporation and Atlantic Refining Company, dated February 27, 1950, which Atlantic granted to Delhi on this, and by virtue of a contract between Delhi, Atlantic and El Paso, dated February 26, 1952, in which Delhi granted the operating rights to El Paso.

Q I hand you what has been marked El Paso's Exhibit R-712-D, E and F, are you familiar with those exhibits?

A Yes, sir, I am.

Q Will you state what they are, please?

A Exhibit R-712-D is the contract for development, dated February 27, 1950, between the Atlantic Refining Company and Delhi Oil Corporation, covering, among other lands, Tract Number 3.

Q Now, the assignment from Atlantic to El Paso, marked R-712-E was executed pursuant to those contracts, is that correct?

A That is correct.

Q Now, directing your attention to Tract Number 7, colored in olive green, when and by what means did El Paso acquire the operating rights in this tract?

A El Paso acquired the operating rights under Tract Number 7 by virtue of an oil and gas lease dated July 2, 1953.

Q I hand you what has been marked El Paso's Exhibit R-712-G, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-712-G is the oil and gas lease dated July 2, 1953, from Rose Rosenwein to El Paso Natural Gas Company covering Tract Number 7.

MR. WOODWARD: El Paso's Exhibit Numbers R-712, R-712-A, B, C, D, E, F, and G are hereby offered into evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: No objection.

MR. MACEY: Without objection the exhibits will be received, photostats being substituted for the originals.

Q Now, to summarize your testimony in these cases, what was the status of the operating rights in each unit on the date the notice of intention to drill the unit well was approved?

A Status of the operating rights on the date that the notice of intention on each individual well was approved, was that El Paso either owned all of the operating right or controlled the operating rights pursuant to contract on or before the date of notice of intention to drill on each unit well was approved.

Q All right. In the operation of these wells, El Paso drilled the unit well and [illegible] all the leases in the unit, by unit;

is that correct?

A That is correct.

Q Now, what was the status of the working interest of the leases of record on the date the notice of intention to drill was approved?

A The entire working interest on the Vugar Pool Number 2 Well, R-706; Number 1 Well, R-707; Neal No. 2 Well, R-708, and the Benton Number 2 Well, R-711, was owned by El Paso Natural Gas Company on or before the date the notice of intention to drill each of the unit wells were approved.

Q Now, they owned this by virtue of the assignments heretofore described, is that correct?

A That is correct, yes, sir. And all of the working interest owners had agreed to communitize their interest in the Cal'owell Unit Number 1, R-709; Hargette, Number R-710; and the Koch Pool Number 1 Well, R-712 on the date the notice of intention to drill each well was approved, and pursuant to such agreement have executed communitization agreements communitizing their interest in such wells.

Q Now, Mr. Hamblin, have communitization agreements been circulated on each of these pools and --?

A Yes, sir, they have.

Q -- and approved?

A -- and approved, insofar as the --

Q -- Commission --

A -- Commission.

Q Have they been executed and returned?

A We have not received the executed copies of them.

Now, when were the [illegible] to file on the notice of intention to drill be put with the [illegible] ?

A. Most of them [illegible] thereafter to the [illegible] notices of intention to drill were approved.

Q. I see. Now, Mr. Hamblin, in view of your testimony that El Paso either owned, or owned the working interest in four of these units, and obtained agreement to commitize the working interest in the other units on the date the notices of intention to drill were approved, why were these communitization agreements negotiated for execution subsequent to the date the notices were approved?

A. Well, out of an abundance of precaution by us, and to clarify and define the exact terms of the operating agreement and handle, and in accordance with the request of the regulatory bodies of the Federal government to file with them a copy of such communitization agreements.

Q. These agreements formalized all the understanding had with respect to the agreement to commitize in some instances, is that correct?

A. That is correct.

Q. And in others you say, they were executed out of an abundance of precaution?

A. Yes, sir.

Q. [illegible]

A. [illegible]

Q. You [illegible]

A. [illegible]

Q. [illegible]

A. Yes, sir, I do.

Q. Have the owners of the working interest with which you operate entered into agreements to drill?

A. No, sir, they have not.

Q. Why not?

A. We are still in negotiations of the terms of the agreements to commit to the operation, which is the reason for notices of intention to drill were approved.

MR. MORRIS: That is all we have on direct examination.

MR. MACEY: Any cross questions of the witness?

MR. CAMPBELL: Yes, sir.

CROSS EXAMINATION

By MR. CAMPBELL:

Q. Mr. Humblin, I understood you to say that the commitment agreements which were entered subsequent to the filing of notice of intention to drill were all executed by the working interest owners, or other parties, after that date of notice of intention to drill, is that correct?

A. Yes, sir, that is correct.

Q. Can you tell me whether or not all of those commitment agreements were all executed by the working interest owners prior to September 1, 1961?

A. [illegible] were all executed on [illegible]

Q. [illegible]

A. [illegible]

Q. [illegible]

A. [illegible]

partially executed, some of them.

Mr. Franklin, the [illegible] in evidence [illegible] 710, 711 and 712, has not [illegible] agreements prepared and executed in those cases?

A Yes, sir, they were.

Q Can you state whether all of those agreements were fully executed by other than the Tiger Interest, prior to November 1, 1957?

A No, sir, I cannot state that.

Q Do you have copies of those communitization agreements in those three cases?

A Yes, sir, we do, copy of the ones that were subsequently executed.

Q Can you obtain copies of those and furnish them as exhibits in these cases?

A Yes, sir, I assume we can.

MR. CAMPBELL: Mr. Woodward, would you have

MR. WOODWARD: We would have no objection to submitting such communitization agreements. As a matter of fact, the subsequently communitized agreements, whereby the forties, and [illegible] already been submitted as exhibits, [illegible] submitted in the form of [illegible] prepared by Mr. Campbell's office, [illegible] of the agreement [illegible], as those of the [illegible] prior to November 1, [illegible] We do not [illegible] our position those agreements dated [illegible] to September 1, [illegible]

the case of the others; but if there's no objection there will [illegible].

MR. CAMPBELL: Mr. Woodward, it seems to me, to make the records complete, that the same explanation should be introduced in the first three cases as in the other two cases, and I understood from your introduction of evidence here, you did not submit the formalized communitization agreements in 706, 708 and 709.

MR. WOODWARD: They have not been submitted because they have not been deemed relevant in those cases where El Paso owns outright, the working interest in the working zones. I feel, we have no objection to submitting them, but we do not submit them with the representation that they are relevant.

MR. CAMPBELL: We would like to request, for the purpose of completing the record, that they be offered and submitted to the Commission as additional exhibits in Cases 706, 708 and 709, and simply provide the additional designation that would be appropriate in those cases.

MR. WOODWARD: Weren't those submitted?

A Some of those I know had been submitted at the last hearing.

MR. WOODWARD: We will be very happy to check and submit, to complete the records, at your request, all of the communitization agreements that have been executed, that have not heretofore been introduced as exhibits, either in this rehearing or the previous one.

MR. CAMPBELL: That is satisfactory.

(By MR. CAMPBELL) Mr. Rubin, with regard to the unit involved in Case 708, on which portion of the communitized interest as well was [illegible], depends in for Kenvue as well, the oil, condensate which you have from the oil formation, [illegible]

relative to the deepening, is your notice of intention to change plans, is that correct?

A That is correct.

Q And you have no notice of intention to drill with regard to that particular Mesaverde well?

A No, sir, just the notice of intention to change plans, which was approved by the Commission.

Q Mr. Hamblin, you stated that in Case Number 711, and the appropriate consolidated case, notice of intention to drill was approved by the United States Geological Survey, is that correct?

A Yes,sir, that is correct.

Q Was any approval of the notice of intention to drill obtained from the New Mexico Oil Conservation Commission?

A To my knowledge, they do not approve notices of intention to drill filed on Federal lands, except the notice approved by the United States Geological Survey.

Q Then your answer is they did not approve the notice of intention to drill, is that correct?

A That is correct, yes, sir.

Q Are there any other units on which the notice of intention to drill was approved by the United States Geological Survey and not by the New Mexico Oil Conservation Commission?

A Yes, sir, there is. There is notice of intention to drill on the Horton Number 1, it was approved by the United States Geological Survey.

Q [illegible]?

A [illegible].

Q [illegible] ?

A Yes, sir, 24, 31 North, 11 West.

MR. MORRIS: Pardon me. That also applies to the Koch Unit?

A That is correct, the Koch Pool Unit 1 was located on federal land, and the notice of intention to drill was approved by the United States Geological Survey.

Q Mr. Hamblin, I believe you stated at the conclusion of your testimony that the formalized communitization agreements were prepared and circulated by El Paso Natural Gas Company out of an abundance of precaution, but you considered you had the full operating rights to drill a well and create the unit, is that correct?

A Yes, sir, that is correct.

Q But you considered at the time of the filing of the notice of intention to drill in each of those cases that you, El Paso Natural Gas Company had a right to dedicate all of the acreage, is that correct?

A Yes, sir.

(Marked Yager Exhibit R-4, for identification.)

Q Mr. Hamblin, I hand you a letter which has been identified as Yager Exhibit R-4, and ask you to state if that is a letter which you sent to Mr. Yager?

A Yes, sir, that is correct.

Q And what is the date of that letter?

A November 17, 1961.

Q Is that date subsequent to the date on which the notice of intention to drill was filed in each of these units involved here?

A Yes, sir.

MR. HAMBLIN: I would like to ask Mr. Morris to read the letter, if it is in the file.

MR. WOODWARD: I would like to look at it.... We note this letter states a number of legal conclusions, but have no objection to its admission, subject to that observation.

Q Mr. Hamblin, you refer in the caption to Saul Yager Lease in San Juan County, New Mexico. By that are you referring to leases involved in 706 through 712, now before the Commission?

A Yes, sir, for file purposes only.

Q Well, does your letter refer to any other leases of the Saul Yager Leases?

A No, sir, I don't believe so.

Q Would you read that letter to the Commission?

(Witness reads letter.)

MR. CAMPBELL: We would like to offer in evidence Yager's Exhibit R-4.

MR. MACEY: Without objection it will be received.

MR. CAMPBELL: I would like to request that we be permitted to obtain a photostatic copy of that letter and substitute it for the original.

MR. WOODWARD: Do we have a copy of that letter?

A We would like to have a copy of it also.

MR. CAMPBELL: I will be glad to obtain an extra copy and send it to counsel for the El Paso Natural Gas Company.

Q Now, Mr. Hamblin, at the time that this letter was written, November 13, 1953, you did not consider that the Yager acreage was consolidated, isn't that correct?

A No, sir, I considered that it was consolidated.

Q If you considered that it had been consolidated, what is the reason for your statement, that the leases had expired?

A Well, there is a possibility that they had expired.

MR. CAMPBELL: That is all.

MR. MACEY: Anyone else have a question of the witness?

EXAMINATION

By MR. MACEY:

Q In reference to your Exhibit R-709, and the other documents, you have a number of letters from Three States, Western Natural and San Jacinto Petroleum Corporation, pertaining to this unit, that were introduced in evidence, namely, 709-A, B, C.

A Yes, sir.

Q I would like to know if there is any other agreement between your company and the other parties of interest in the northwest quarter of the northeast quarter of Section 27?

A Yes, sir, Mr. Macey, we had contacted those companies and told them of our intention and desires to drill that well in the east half of Section 27, 31 North, and they had agreed to join in the drilling of the Calloway Pool Unit Number 1 Well, and that is the only thing we have in writing to such agreement, which we can submit as exhibits.

Q I notice that in one of these documents they refer solely to an AFE for the drilling of a well. I presume that the AFE means authorization for expenditure, and you supplied a cost estimate on the well?

A Yes, sir, AFE is commonly known as authority or authorization for expenditure, and when someone executes an authority for that, it is common understanding that they have agreed to the drilling of the well and that the party are responsible and they will pay their proportionate cost of such drilling cost.

Q Is there any statement in any of the documents pertaining to the communitizations, or any letters involved that you have had between your company and the other interest owners, working interest owners, that contained any clauses that the leases would be reverted back out of the unit in the event a dry hole was drilled?

A No, sir.

Q In other words, --

A (Interrupting) If a dry hole was drilled, they would still all participate even in, just the same as if it were a commercial well.

MR. MACEY: Does anyone else have a question? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Do you have anything further, Mr. Woodward?

MR. WOODWARD: I have nothing further on direct examination or presentation of evidence. I would like to make a concluding statement when Mr. Campbell is finished.

MR. MACEY: Mr. Campbell, do you have any direct?

MR. CAMPBELL: If the Commission please, we don't intend to offer any additional testimony or evidence in this case. I do have a statement I would like to make and then perhaps Mr. Woodward can make his statement.

MR. MACEY: You wish to have some time to consolidate? We will take a short recess.

(Recess.)

MR. MACEY: The hearing will come to order. Mr. Campbell?

MR. CAMPBELL: If the Commission please, at the outset I would like to clear some concern the Commission may feel and,

perhaps, others in the industry in the State, with regard to some of the principles that are involved in these cases. I would like to call to the attention of the Commission the fact that the pool, gas pool involved here, is covered by Commission Order Number R-110 and it is our position that those pool rules will supercede where they do not conflict, the general statutory provision in the requirement, concerning the establishment of units, proration units and drilling units.

I call the attention of the Commission to the fact that in Order R-110, which is the pool order involved here, there is a specific requirement that the unit is, in effect, not established, that the notice of intention to drill shall not be approved, unless all of the interests are consolidated by pooling agreement or otherwise. That provision is not a part of the gas pool rules in other pools of which I am acquainted, and I think there is a reason for it in this particular type of spacing. Order R-110 pertaining to the Blanco-Mesaverde Gas Pool does not fix the unit. It provides that they be 320 acres, but they may be north and south, or east and west. In other words, they are not square units, they are not 160 acres or 80 acres or 40 acres in the shape of a square. This leaves to the person entitled to drill the wells an option as to the direction in which those units shall go, and, in effect, authorizes him to establish them on bases that may be, perhaps, other than geological. They may be economic, they may be for the purpose of arranging his leasehold so that he may hold short-term leases. There may be any number of reasons why he would make an option to turn the units one way or the other. And, I think in those kind of situations, it is entirely appropriate and I think, perhaps, necessary to protect the

rights of all concerned, that all of the interest, working and royalty, be consolidated before the unit is formed. That situation, in my judgment, may not apply in cases where the units are square, and there is no option left to anyone to decide for themselves where and how the unit shall be shaped.

And so, it is our basic position here that these cases are governed by Order Number R-110; that R-110 is unambiguous in that it requires that all interest be consolidated by pooling or otherwise before the unit, in effect, can be formed. To me that is the first question that the Commission must determine. It is, of course, I realize, largely a question of law, but whatever order the Commission enters, other than simply compulsorily pooling these interests as of the date of the order, necessarily is going to involve that legal determination.

The second question that I think is involved here, is that assuming that only working interests need to be consolidated in order to create the unit, when were those interests consolidated under this Order, R-110? That, of course, is the obvious reason for the exhibits offered here today by El Paso Natural Gas Company. I shall not undertake to argue that question. It is, of course, a legal question, one that, perhaps, cannot even be determined by this Commission. So far as we are concerned, the most recent order that the Commission has issued in these cases, insofar as it requires compulsory pooling as of the date of the order is perfectly satisfactory with us. The principal reason for our filing an application for rehearing was out of an abundance of precaution, so to speak, because we were not certain whether we would preserve our rights on appeal if we failed to file an application for re-

hearing after the Commission's second order was issued.

And, so we are requesting the Commission to issue its order compulsorily pooling the interest of Yager, et al, in these various units, as of the date of the order. We are taking the position that, insofar as units in this area are concerned, the consolidation is not completed until such time as the working interest owners and the royalty owners either agree voluntarily, or until they are compulsorily pooled under the authority of the Statutes. Thank you.

MR. MACEY: Mr. Woodward.

MR. WOODWARD: El Paso would like to state its position on a number of points. There will be no particular continuity between them. First, it is El Paso's position that recognition of these seven tracts as duly established drilling units is completely concise with the Commission Rules and Regulation. R-110 requires that all interest in these units be consolidated by agreement or otherwise, before the notice of intention to drill the unit well is approved. In these cases there was a consolidation of all interests, in our opinion, in the unit, which was accomplished by the consolidation of the operating rights and working interest on the date the notice of intention to drill was filed.

It has been suggested that the legal or statutory effect of the conservation laws of this state may be superseded by regulation. We will concede they may be augmented, but if the effect is provided by statute we do not believe it is in the power of the Commission to supersede that legal effect, or statutory effect.

Now, R-110 provides that there interests, working interests, or all interests, shall be consolidated by agreement or otherwise.

think "or otherwise" [illegible] I think it might [illegible] by person of common knowledge, [illegible] of voluntary agreement.

It has also been suggested here this morning, the various spacing and allocation units are not fixed by the general field orders, but are, rather, to be determined by dedication of the operators, there is greater need for consolidating through agreement or compulsory integration, the interest of both the working interest owners and the royalty owners. We submit that the location of wells and the dedication of acreage thereto and the formation in which they are to be drilled are primary operating problems.

Now, in the exercise of operating rights as between the lessee and lessor, that is entirely a matter of private contract, and we do not believe this Commission has the obligation or, in fact, the authority to police the private contractual obligation of lessors and lessees. This does not mean that the lessor is without a remedy, or without protection. It has been determined in the recent Tenth Circuit decision, Phillips against Peterson, I believe, that there is an implied obligation to exercise good faith in the operation of operating rights, generally, of leases. If, in correlation of this obligation the unit is improperly formed, or formed for an improper purpose, which [illegible] matter for the courts and not this Commission. I think the Commission can take official notice that [illegible] the unit is valid, the validation [illegible] shows in fact it was only authorized for purposes [illegible] of that well in another zone also or not, and hence the same purpose as the creation of [illegible] continuing the unit,

or the new formation.

For that reason, so far as the 160 is concerned, the controlling date, we feel, is the date the Commission authorized recompletion of the unit well as a Mesaverde well. I would like to make one comment with respect to Yager Exhibit Number 1, the letter which has been submitted in evidence, which we made no objection to. This letter, we feel, states a number of legal conclusions as to some of the ultimate issues of fact that are now pending before this Commission. And those conclusions and statements are, of course, not determinative of such basic and ultimate issues, so we recognize that is entirely in the province of the Commission to determine at its deliberation.

We would like to state again, that El Paso is not asking for an adjudication of title, which matter is beyond the Commission's authority by both parties. However, the Commission can and must make an initial appraisal on an application for drilling of a well, and it has authority to determine whether the drilling of such wells conform to the rules. By way of analogy, an auto license is necessarily issued upon such an appraisal of title, either through a certificate of title or an affidavit in lieu of it. But, no one, I think, would seriously contend that such appraisal constitutes adjudication of ownership of the automobile to which the tag is affixed. As stated by Mr. Campbell, he thoroughly concurs, and there appears to be two basic issues; one, whether the working interest in these reports were, in fact, consolidated by the Commission Rules on or before the drilling of the well was approved by the appropriate authority. Secondly, whether such consolidation of the working interest in these drilling units accomplishes, as a matter

of law, a communitization of all working interest.

The first question is a question, perhaps, of mixed fact and law. We will make no further comment on it, the evidence is in. As to the second question, in four of these units, El Paso contends that there was a consolidation of the working interest in these units by reason of various assignments of operating rights and leasehold interest, all owned by the same operator, and by reason of such common ownership there is such consolidation. As to that point the operator, of course, could not agree with himself, or such action would have been a vain and useless one. As to the other three there were agreements to communitize, which, by the undisputed testimony of Mr. Utz, was all that the Commission required on the date the notice of intention was approved. On the basis of those agreements to communitize, the unit wells were drilled, the acreage was dedicated, allowables was assigned, and pursuant to those agreements and such action, communitization agreements have actually been executed by all of the working interest owners. For these reasons we ask the Commission to reissue substantially its first order in this case, recognizing each of these seven units as a communitized tract, in accordance with Order R-110, and that the communitization or consolidation of interest in each of these tracts was accomplished by the consolidation of the working interest.

MR. CAMPBELL: If the Commission please, Mr. Woodward made one comment, I am certain, unintentionally, but I would like to ask him if it can't be corrected because it could have a bearing on some of the legal effects of the future. I believe he indicated that after the notice of intention to drill was approved, and the wells drilled, that allowables were assigned. I believe that the

fact is that this field was not subject to proration at that time, and as I understand, it was not until October, 1956. Am I correct in that?

MR. MACEY: The date of the start of proration, is that what you are referring to?

MR. CAMPBELL: In the Blanco-Mesaverde Pool.

MR. MACEY: March, 1956.

MR. WOODWARD: We are entirely in agreement with that, and would like to correct our statement to show that as of the date proration was started, the allowable was assigned to the acreage dedicated on the notice of intention to drill.

MR. MACEY: Does anyone have anything further in these cases? If there is nothing further, we will take the cases under advisement, and the hearing is adjourned.

STATE OF NEW MEXICO)
: ss.
COUNTY OF BERNALILLO)

I, THURMAN J. MOODY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission of the State of New Mexico is a true and correct record to the best of my knowledge, skill and ability.

WITNESS MY HAND, this, the 30th day of [illegible], [illegible].

Thurman J. Moody
Court Reporter

BEFORE THE

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Santa Fe, New Mexico

* * * * *

TRANSCRIPT OF PROCEEDINGS

CASE NO. 706 through 712, inclusive

Regular Hearing

BEFORE THE
OIL CONSERVATION COMMISSION
State of New Mexico
Santa Fe, New Mexico
May 19, 1954

IN THE MATTER OF:

The application of El Paso Natural Gas Company for compulsory communitization of Lots 3, 4, 5 and 6, SE/4 NW/4, E/2 SW/4, and SW/4 SW/4 (these lands comprising the west half) of Section 6, Township 30 North, Range 11 West, San Juan County, N. M. (containing 328.17 acres), for Mesaverde production. — Case No. 706

The application of El Paso Natural Gas Company for compulsory communitization of Lots 3, 4, E/2 SW/4 and SE/4 (these comprising the south half) of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, (containing 320 acres), for Mesaverde production. — Case No. 707

The application of El Paso Natural Gas Company for compulsory communitization of the west half of Section 15, Township 31 North, Range 11 West, San Juan County, New Mexico (containing 320 acres), for Mesaverde production. — Case No. 708

The application of El Paso Natural Gas Company for compulsory communitization of the east half of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of NE/4, E/2 SE/4, SW/4 SE/4 Section 27, Township 31 North, Range 11 West, (containing 280 acres), for Mesaverde production. — Case No. 709

The application of El Paso Natural Gas Company for compulsory communitization of the east half of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico, (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of NE/4, N/2 SE/4, SW/4 SE/4 Section 8, Township 31 North, Range 10 West (containing 280 acres), for Mesaverde production. — Case No. 710

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The application of El Paso Natural Gas Company for compulsory communitization of the west half of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of NW/4, SW/4 SW/4 Section 32, Township 31 North, Range 11 West (containing 200 acres), for Mesaverde production.	Case No. 711
Application of El Paso Natural Gas Company for compulsory communitization of the east half of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of Lots 1 and 2, S/2 NE/4, E/2 SE/4, SW/4 SE/4, E/2 NW/4 SE/4, SW/4 NW/4 SE/4 of Section 3, Township 30 North, Range 10 West (containing 310.68 acres for Mesaverde production.	Case No. 712

BEFORE:

Honorable Edwin L. Mechem, Chairman
Mr. E. S. (Johnny) Walker, Member
Mr. R. R. Spurrier, Secretary & Director

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TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The next case on the docket is Case 706.

MR. HOWELL: May it please the Commission, we suggest that the next seven cases be heard together, not that they be consolidated, but that they be heard together, because the point at issue, I think, is identical in each of them.

MR. SPURRIER: Is there objection?

MR. YAGER: In the first place, I think it might be a wise thing that all the cases be heard together. I should, however, not to appear to be agreeing with Mr. Howell's statement that the point at issue is the same in all cases, I think there is a great similarity in most, if not all, of the cases.

May I, with your permission, make a preliminary statement to the Commission? I find myself in a very difficult position as a party litigant and possibly as a lawyer now. I think the Commission is due this explanation as to why my attorney is not here at this time. He was here this morning. I came here early, came here early Monday for the purpose of engaging counsel. I talked to a local attorney on Monday afternoon, and again Tuesday. It developed that there might be a conflict of interest so far as this attorney was concerned, and so, with the honor and integrity usually shown by lawyers, he thought it best for him not to proceed to represent us in this proceeding. That left me, of course, on yesterday afternoon, or about noon yesterday, without an attorney, and I tried to contact Mr. Campbell, and found he was on his way over here, and talked to him for the first time last night about, shortly after dinner time. I think I talked to him for about ten minutes, he was on his way to another engagement. The first chance he or I had a chance to review

any part of this case was early this morning. He explained to me that he would be glad to get into it, but that he had to leave this afternoon due to a previous engagement. He stayed up until the last minute. I have to go ahead and do what I can, but I want it understood, of course, that Mr. Campbell does represent me and the others in the group, the Yager, the two Yagers and the Gimp and the Morris Mizel and Sam Mizel interests. I should like to call the Commission's attention to the fact that I certainly don't have any knowledge of the New Mexico laws. I think we can stop right there with the New Mexico laws. I found, also, on these conservation laws, that there is a sharp conflict of opinion even among distinguished lawyers in New Mexico on the interpretation and construction of some of these laws.

MR. WALKER: I think you find that true of any state law.

MR. YAGER: I think that is true. We have a little bit of help in Oklahoma, because our Supreme Court has passed upon some of the questions, but New Mexico has not, as I understand it. So for that reason, I should like very much to ask the indulgence of the Commission to let us see how far we can go today, with the understanding that Mr. Campbell will take over and present such questions of law, or analyze the effect of the evidence, and perhaps by memorandum or exchange of memoranda between counsel, if that would be agreeable to Mr. Howell.

MR. HOWELL: Yes, that would be agreeable.

MR. WALKER: We have a statement that Mr. Campbell left with the Commission, and Mr. Macey will read it into the record at this time.

MR. MACEY: This is with reference to Cases 706 to 712.

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Statement of Jack M. Campbell, Roswell, New Mexico: "I would like to enter my appearance in each of these cases on behalf of Saul A. Yager and others. I have entered these cases only in the last few hours, and will be unable to remain in Santa Fe for the entire hearing. I feel that these applications may involve matters of lease extensions or terminations which are not within the jurisdiction of the Commission. After taking the testimony and preparation of the transcript, I would like the opportunity of presenting a memorandum brief to the Commission, with the same privilege extended to the applicant. Mr. Yager is an attorney, and will conduct the cases at this hearing."

MR. YAGER: I could amplify Mr. Campbell's statement, taking Case, for example, 706, that is the entire case. There will be a question of whether or not the primary term of the lease has been extended, that is to say, a question to title, who owns the lease. From what Mr. Campbell has told me, and from what little I have gleaned in the short time that I have read some of these, read the act and so on, I conclude, Mr. Campbell certainly concludes that that question is completely beyond the jurisdiction or purview of this Commission to determine who owns, to determine the question of title to a lease. The same questions will arise in Cases 709, 10, 11 and 12, whether this Commission, and I think we might as well pose the question at this point, whether this Commission, in this hearing, proposes to hear evidence, it goes to the question of whether the El Paso Natural Gas Company is the legal owner of the leases, or whether the leases now belong to the Yager, et al. group. I think the Commission might as well face that problem right at this point, because if it is going to go into the question and decide the

matter of title to the leases, of course, then you will have an extended hearing and considerable evidence offered on both sides. We would, of course, at the outset, like to challenge the jurisdiction and authority of the Commission to determine that question.

MR. WALKER: I think it is perhaps wise to get along, with that in mind, of course, and sort of take it as it comes. As your motions are made, we can act on it as we go along. Up until now at least, to speak for myself, I don't know if there is any point of legality or not. If it is agreeable with everyone, if you have any witnesses, Mr. Howell, would you have them sworn in?

ROLAND L. HAMBLIN

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

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name to the Commission?

A My name is Roland L. Hamblin.

Q What connection, if any, do you have with El Paso Natural Gas Company?

A I am Manager of the Lease Department, Oil and Gas Lease Department.

Q Have you been Manager of that department since the first of January, 1952, or approximately that time?

A I have.

Q At all times during the interval you have been?

A Yes, sir.

Q Are you familiar with the tracts of land and the leases and ownerships on the half sections that are involved in these seven

cases?

A Yes, sir, I am.

Q Do you have some exhibits which are in the form of plats, being sketches marked Exhibits 1A, 1B, 1C, and 1D, showing generally leases in the area, with the leases or the lands, let us say, which are owned by the Yager group marked in orange, and the leases in which El Paso Natural Gas Company has working or operating rights in pink, and those within the half section owned by other persons left white? Are these sketches showing the location of the various tracts in question here?

A That is correct, these are the sketches of the tracts.

Q Have these been prepared under your supervision and jurisdiction?

A Yes, they have been prepared under my direction.

Q Do they correctly show the approximate location of the wells and the ownership of the land and leases involved?

A They do.

MR. HOWELL: We offer these in evidence as El Paso Natural Gas Company's 1A, 1B, 1C and 1D.

MR. KITTS: Pertaining to all seven cases?

MR. HOWELL: Pertaining to all seven cases.

MR. YAGER: You don't have copies?

MR. HOWELL: We will be glad to furnish copies.

MR. WALKER: Any objection?

MR. YAGER: No objection.

MR. WALKER: Without objection, they will be admitted.

Q Referring first to Case 706 that I believe---

MR. YAGER: (Interrupting) Mr. Howell, I would like to

make my position clear. We have no objection, except by permitting the plats to be introduced without objection, we do not waive our right to question the ownership of the leases.

MR. WALKER: I can't see any connection between them.

MR. YAGER: The witness has stated that these plats are prepared, or maps indicate the ownership of the respective leases. Of course, I think that is correct, is it not?

MR. HOWELL: I think the statement, Mr. Yager, was that the tracts of land in which the Yager claims existed, whatever they might be, were colored in orange.

MR. YAGER: If that is it, then we have no objection.

Q Referring now to Case number 706, which involves the irregular west half of Section 6, Township 30 North, Range 11 West, I will ask you what is the ownership of the leasehold interest in that particular tract?

A There is an oil and gas lease from William H. Chrisman and wife to N. Spatter, dated July third, 1953, covering 206.30 acres, which the working interest owner is owned by El Paso Natural Gas Company has the gas rights to the base of the Mesaverde, and the Delhi Oil Corporation, who has the deeper rights and the oil rights.

Q Does that lease have a pooling clause, or has there been a subsequent pooling amendment entered?

A It contains a pooling clause.

Q It contains a pooling clause. Have Delhi and El Paso, the owners of the working interest in that lease, agreed to communitization?

A They have.

Q Now, the next tract is Lot 4, containing 41.75 acres, what do your records show with reference to the oil and gas lease on that?

A There is an oil and gas lease dated September 1, 1948, from Saul A. Yager and wife, lessors, to Wayne Moore.

Q Has that lease or the leasehold interest there been assigned to Delhi Corporation and El Paso Natural Gas Company?

A It has, and the working interest owner is now El Paso and Delhi, subject to--

Q I believe that lease contained no pooling clause?

A It contains no pooling clause.

Q At a later point, we shall introduce evidence that the well was commenced on this particular lot, but we will pass that for the time being. The next tract, Lot 3 in the southeast quarter of the southwest quarter, containing 80.12 acres, is in what condition as to title?

A It is United States Federal lease, of which the working interest owners are now El Paso Natural and Delhi Oil Corporation. The lessee of record, according to Government record, is C. C. Peters.

Q Have the working interest owners and lessee of owner agreed to a communitization agreement communitizing the west half or Lots 3, 4, 5 and 6, the southeast quarter of the northwest quarter, the east half of the southwest quarter and the southwest quarter of the southwest quarter?

A Yes, sir, the working interest owners have agreed to communitize the west half.

Q Was communitization agreement, a form of communitization agreement delivered to Mr. Yager at any time?

A Yes, sir, a communitization agreement was prepared and

delivered to Mr. Yager approximately August the 14th.

Q 1953?

A 1953.

Q Let's pass to the next one, and then I want to come back and discuss generally the negotiations. With reference to Case 707, which covers in Township 31 North, Range 11 West, Section 31, Lots 3 and 4, the east half of the southwest quarter and the southeast quarter or the south half, what is the status of the title to the several tracts involved in that?

A There are three leases involved. The first one is a Federal lease, Santa Fe 078,097 of which Susan Diggle Horton is the lease owner, and which the working lease owner is El Paso and Delhi Oil Corporation. That covers the east half of the southwest quarter of the southeast quarter of Section 31.

Q That is 240 acres?

A Yes.

Q Have those working interest owners, the lessees of record agreed to communitization?

A Both have agreed to communitize this lease.

Q Now, as to Lot 4, containing 41.52 acres, what is the status of that?

A That is an oil and gas lease dated September 1, 1948, from Saul A. Yager and wife, Marian Yager as lessors, to Wayne Moore, which was assigned to Delhi Oil Corporation, and has been subsequently assigned to El Paso Natural Gas Company.

Q Have the working interest owners of that lease agreed to commumitization?

A Yes, sir, the working interest owners of that lease have

agreed to communitize.

Q Now, the remaining tract, which is Lot 3, containing 41.38 acres, what is the status of the title as to that?

A The working interest owner of that lease is now owned by El Paso Natural Gas as to the gas rights to the base of the Mesaverde formation, and Aztec Oil and Gas Company, who have the deeper gas rights and the oil rights.

Q Was a communitization agreement covering that tract prepared and sent to Mr. Yager, or delivered to Mr. Yager and his group?

A Yes, sir, a communitization agreement on the south half of Section 31 was prepared and delivered to Mr. Yager approximately August 4, 1953.

Q Passing now to Case 708, which refers to Township 31 North, Range 11 West, Section 15, the west half, what is the ownership as to that half section?

A There are two leases involved in the west half of Section 15, one of which is a Federal lease now owned by El Paso Natural Gas Company and Delhi Oil Corporation, and the lessee of record is Elizabeth Storey, covering 240 acres. The other lease is a lease dated September 1, 1948, from Mr. and Mrs. Yager to Wayne Moore, which lease has subsequently been assigned to Delhi and El Paso Natural Gas, that covers the east half of the southwest quarter, or 80 acres, and contains no pooling clause, that lease.

Q Had the working interest owners and the lessees of record of all these leases agreed to the communitization agreement?

A Yes, sir, they have.

Q Was a copy of the proposed communitization agreement, or several copies furnished to Mr. Yager prior to September 1, 1953?

A Yes, sir, they were.

Q I believe each of these tracts that is involved in a lease from Mr. and Mrs. Yager is on a separate lease, is that correct?

A That is correct.

Q And each of them was for a primary term of five years beginning September 1, 1948?

A That is right.

Q Referring now to Case 709, which involves Township 31 North, Range 11 West, the east half of Section 27, will you take each tract in turn and tell the Commission what the status of the title is and the condition as to a pooling clause or agreement by the royalty owners or working interest owners?

A There are six leases involved in the drilling tract, the east half of Section 27. The (1) fee lease executed by James C. Sumruld and wife, which is now owned by Delhi Oil Corporation and El Paso Natural Gas Company, and this lease contains a pooling clause. That covers 40 acres. There is another (2) fee lease from Carl G. Calloway and others, dated December 29, 1949, which lease has been assigned to El Paso and Delhi, and this lease also contains a pooling clause. That lease covers 40 acres also. (3) There is an oil and gas lease from Sarah Meyers Hedges to El Paso Natural Gas Company covering 40 acres and dated May 26, 1953, of which El Paso has the entire working interest. That lease also contains a pooling clause. (4) There is an oil and gas lease from Marion Vance and others to Primo Oil Company, which has been assigned to El Paso Natural Gas Company. That lease contains a pooling clause, and it covers approximately 80 acres. (5) There is another fee lease from Elinor Periman and others to C. H. Nye, dated August 29, 1949. This lease has been assigned to

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El Paso Natural Gas Company, and it also contains a pooling clause. There is an additional 40 acre lease covering the northwest quarter of the northeast quarter of Section 27, which is dated April 30, 1951 from Ella Blaise to Byrd-Frost, as lessee. This lease is now owned by Western Natural Gas Company, a half interest, Three States Natural Gas Company, an undivided one-fourth interest, and San Jacinto Petroleum Corporation, an undivided one fourth interest. Then there is a 40 acre lease dated September 1, 1948, from Saul A. Yager and wife, Marian Yager; there is 40 acres within this drilling tract. This lease has been assigned to El Paso and Delhi, and it contains no pooling clause.

Q Now, the portion of this lease, particular lease from Saul A. Yager and Marian Yager, dated September 1, 1948, that is involved in this location is only the northwest quarter of the southeast quarter, containing 40 acres; the other one hundred twenty acres is located in the western portion of the section?

A That is correct.

Q Now, where is the well which was drilled on this east half of Section 27 located?

A The well is located in the northwest quarter of the northeast quarter of Section 27, and on the Calloway lease.

Q Do you have a record of the cost of drilling this Calloway pool number 1 well on this tract?

A Yes, sir, I have the well costs available. The well costs of drilling the Calloway Pool Unit Number 1, as reflected by the books at the present time, total drilling cost of $59,516.63.

MR. YAGER: Is that in Case 709?

MR. HOWELL: That is Case 709.

Q Have all the working interest owners in the east half of Section 27 agreed on a pooling?

A All of the working interest owners in the east half of Section 27 have agreed to communitize that as a drilling tract.

A Have all the royalty owners other than Mr. and Mrs. Yager and their assigns agreed by inserting pooling clauses in the lease for pooling this in a 320 acre unit?

A Yes, they have.

MR. YAGER: What is that? Would you repeat that?

MR. HOWELL: I just stated if all the royalty owners other than Mr. and Mrs. Yager had agreed, by including pooling clauses in the lease agreement, that it could be pooled in the 320 acre unit.

MR. YAGER: Thank you.

Q Passing now to Case 710, will you please testify to the ownership of leases in several tracts involved in that case?

A The drilling tract involved in Case 710 is the east half of Section 8, Township 31 North, Range 10 West, which is located on the Marcotte Pool, Unit Number 1. There are several leases involved in this tract. A fee lease dated September 23, 1952, from R. L. Sprott and Edna Sprott, as lessors, to Delhi, embracing 20 acres, which has been assigned to El Paso and Delhi, and which contains a pooling clause. There is a United States Federal lease, Santa Fe 078604, covering 120 acres within the drill site, which is now owned by El Paso Natural Gas Company and Brookhaven Oil Company. There are four leases within this tract which are owned by Beaver Lodge Oil Corporation, and they are the fee lease dated June 23, 1952 from W. W. McEwen and others, covering 39.9 acres, and this lease contains a pooling clause; there is a lease dated October 19, 1952, from

Thomas Marcotte and wife, covering 99 acres. This lease contains a pooling clause. There is an oil and gas lease from R. L. Sprott and Edna Sprott, dated May 18, 1953, covering one acre within this drilling site. This lease also contains a pooling clause. There is an oil and gas lease dated January 5, 1954, from the Denver and Rio Grande Western Railroad to Beaver Lodge that covers the .09 tenths acres. That lease also contains a pooling clause. Then there is a 40 acre lease executed by Mr. and Mrs. Yager, dated September 1, 1948, which has been subsequently assigned to El Paso Natural Gas Company and Delhi. This lease contains no pooling clause.

Q Have all of the owners of the working interest in this tract agreed to communitization?

A All of the working interest owners in the east half of Section 8 have agreed to communitize.

Q Have all of the royalty owners other than Mr. Yager, that is all of the royalty owners and fee lessees agreed to communitize except Mr. Yager by inserting the pooling agreement in the lease?

A Yes, sir, they have.

Q What is the location of the well which was drilled on this tract?

A Marcotte Pool Unit Number 1 which is located in the southwest quarter of the northeast quarter of Section 8 on the Marcotte lease, which is owned by Beaver Lodge Oil Corporation.

Q Do you have the costs of drilling this well?

A Yes, sir, the costs as reflected on our books at the present time, of drilling the Marcotte Pool Number 1, show a total drilling cost of $72,160.45.

Q Passing now to Case 711, I will ask you to state to the Commission what the record shows with reference to this half section.

A Drilling tract involved in Case No. 711 is the west half of Section 32.

Q Township 31 North, Range 11 West?

A Yes, sir, Township 31 North, Range 11 West, on which is located our Heaton Number 3 well. There are two leases, one of which a fee lease dated April 7, 1952, for which Sarah C. Flaningam is the lessor. This lease is now owned by El Paso Natural Gas and Delhi Oil Corporation. It covers 160 acres within this drill site, and it contains a pooling clause. The other lease unit involved is Federal Lease Santa Fe 078097 of which Susan Diggle Horton is the lessee of record, and which is now owned by El Paso Natural Gas Company and Delhi Oil Corporation.

Q The third tract --

A (Interrupting) The third tract within that is a lease dated September 1, 1948, from Saul A. Yager and Marian Yager, covering 120 acres within this particular drill site. This lease contains no pooling clause.

Q Who is the working interest owner of that lease?

A The working interest owners of that lease are El Paso and Delhi Oil Corporation.

Q Have all the working interest owners of all the lands in this half section agreed to communitization?

A Yes, sir, all the working interest owners in the west half of Section 12 have agreed to communitize.

Q Have all of the fee land royalty owners, except the Yager group, agreed to communitize?

A Yes, sir. There is only one, Miss Flaningam, and she has been inserting a pooling clause within her lease.

Q Passing now to Case number 712, I will ask you to state what the record shows, as to this half section.

A Case 712 includes the drilling tract.

Q Just a minute. Before we pass to that, where is the well in Case number 711, the Heaton Number 3 Well, located?

A The Heaton Number 3 Well is located in the southwest quarter of the southwest quarter of Section 31 on the Federal lease Santa Fe 07897, owned by El Paso Natural Gas and Delhi Oil Corporation.

Q What was the cost of drilling that well?

A The drilling cost of the Heaton Number 3 Well, as reflected on our books, shows $65,146.86.

Q Returning now to Case number 712, will you testify as to the ownership of the several tracts in that?

A Yes, sir. There are five leases within the drilling tract, the east half of Section 3, Township 30 North, Range 10 West, on which is located our Koch Number 1 Well. These leases are a fee lease dated July 2, 1953, covering 10 acres; this lease contains a pooling clause, and the working interest owner is El Paso Natural Gas Company. There is a Federal lease New Mexico 0607, covering 200, approximately 200 acres in this drill site, which is now owned by El Paso Natural Gas Company, Delhi Oil Corporation and the Atlantic Refining Company. There is a fee lease dated January 24, 1949, covering 40.3 acres. The working interest owner of this lease is El Paso Natural Gas Company and Sun Ray Oil Corporation. This fee lease contains a pooling clause. There is

an additional fee lease dated April 1, 1949, containing approximately 10 acres in this drill site. The working interest owners in this lease are El Paso Natural Gas Company and Sun Ray Oil Corporation, and this fee lease also contains a pooling clause. There is a fee lease dated July 19, 1951, which covers 50 acres within this drill site. It is owned, the working interest in this lease is owned by Fred C. Koch, and this lease contains a pooling clause. There is a fee lease in this drill site covering ten acres, dated September 1, 1948, from Saul A. Yager and wife. The working interest owners in this lease are now El Paso Natural Gas Company and Sun Ray Oil Corporation. This lease contains no pooling clause.

Q Have all of the working interest owners in this half section agreed upon communitization?

A Yes, sir, all of the working interest owners in the east half of Section 30 have agreed to communitize.

Q All the fee land royalty owners except the Yager group?

A Yes, sir, all the fee owners except the Yagers have agreed to communitize.

Q Do you have the cost of the Koch Pool Unit Number 1 Well which was drilled, and where drilled?

A Yes, The Koch Pool Unit Number 1 is located in the southeast quarter of the northeast quarter of Section 3, Township 30 North, Range 10 West. It is located on the lease owned by Fred Koch, and the--

MR. YAGER: is that the southeast, northeast of Section 3?

A Section 3, Township 30 North, Range 10 West.

MR. YAGER: It is Section 3?

A Yes, sir. The drilling cost of the Koch Pool, as reflected by the books at the present time show a total drilling cost of $77,110.84.

Q Approximately what was the date when El Paso Natural Gas Company acquired interest with Delhi Oil Corporation in a number of the tracts?

A We acquired our interest in Delhi, which is from Delhi, in most of these tracts on March 1, 1952.

Q At that time, had negotiations, as shown by Delhi's record, begun to attempt to amend the leases to permit communitization negotiations between Delhi and the Yagers?

A Yes, sir, it is our understanding that the Delhi had, previously to our acquisition, they had negotiated and attempted to obtain a pooling clause on these leases.

Q When did you first begin negotiations with the Yager group with reference to communitizing or amended the leases?

A In the early part of 1953 we had contacts with Mr. Mizel and Mr. Yager on other matters, and preliminary discussions were begun in connection with communitizing these certain drill tracts.

Q Did you personally make a trip, one or more trips up to Tulsa?

A I personally made one trip to Tulsa to talk to Mr. Yager concerning this matter.

Q Did you send anyone employed under you in your division?

A Previously to that time, Mr. Smith, who is in our department had been up to Tulsa, and had contacted Mr. Yager, and had delivered these communitization agreements.

Q Did you actually see the communitization agreements in the

possession of Mr. Yager?

A Yes, sir, I did.

Q Have they ever been returned to you?

A No, sir, they have not.

Q Were some signatures on the communitization agreements at the time they were in the possession of Mr. Yager?

A Yes, sir, Mr. Yager showed us one communitization agreement, I don't remember which one it was, and it is my recollection that Mr. and Mrs. Yager's signatures were on the communitization agreement, and Mr. and Mrs. Mizel's signatures.

Q Approximately what time was that?

A That was on August 27th.

Q 1953?

A 1953, yes, sir.

MR. HOWELL: I think that is all.

CROSS EXAMINATION

By MR. YAGER:

Q You don't contend, Mr. Hamblin, that it was ever intended that Mr. and Mrs. Mizel and Mrs. Yager be bound by any communitization agreement that you saw their signatures on, do you?

A No.

Q You don't contend that, do you?

A No. I don't believe it was the intention to deliver those communitization agreements to El Paso.

Q That is right. So it is without any legal significance at all that you saw the communitization agreements in my possession with those signatures on, isn't that right?

A Well-

MR. HOWELL: (Interrupting) If the Commission please, that is purely a question of the effect of evidence there. A legal question. It is just arguing with the witness.

MR. YAGER: They are making a point both in their admission and the testimony of Mr. Hamblin that the communitization agreements were actually signed by Yager and Morris Mizel. Yet, to cross examine the witness on that subject, they object to us doing that. I submit--

MR. HOWELL; (Interrupting) I have no objection to the witness testifying what is said or what was done, but what the witness draws as a legal conclusion is something that I still object to.

Q Mr. Hamblin, you knew, of course, did you not, that it was never intended, let me put it this way, that it was not intended simply by the signing of those agreements that the parties who signed them be bound thereby with the El Paso, isn't that right?

A Well, I believe you expressed the idea to me that you wanted the entire group to go along, to be unanimous in whatever was done.

Q I will go one step further, didn't I say that we were in there as partners, and that I wouldn't double-cross my other partners by delivering when you and Mr. Smith requested. "Well, why don't you just deliver those with those signatures on there," didn't I say I wouldn't do any such thing, because it was a part of our definite understanding that we were not to be bound unless all of them signed that instrument, is that right?

A Well, I don't recall your saying that, but it was my understanding that you did not intend to deliver the communitiza-

tion agreements to us with you and your wife's and Mr. and Mrs. Mizel's signatures on them, and not your other partners.

Q And not the other parties in the group, is that right?

A That is correct.

Q So that neither you personally nor on behalf of the El Paso or on behalf of anybody connected with this case are making any contention that there is any significance in the fact that those signatures appeared on there that you saw in my office, isn't that right, Mr. Hamblin?

A That is a question, I believe, related to the other one which I don't believe I am qualified to testify as to the effect of those signatures.

Q As a matter of fact, let me go one step further with you. You remember the occasion and the circumstances under which those signatures happened to be on those instruments.

A I don't understand what you are asking.

Q You say you do not understand?

A No, sir.

Q Let me put it to you directly then, you know, Mr. Hamblin, that in the first plaee the Yager group was not to enter into any communitization agreement unless everybody connected with the group signed, that is right, isn't it?

A That was not my understanding.

Q Isn't that what you just said a few minutes ago?

A In the preliminary negotiations.

Q Isn't that what you said just a minute ago?

A At the time that I was in your office, what was the understanding that I had obtained at that time, I will say that.

Q You were not present in the first conference when Mr. Smith was there on September the, well, the early part of September when he met with me and with Mr. Morris Mizel and with Mr. Sam Mizel in Mr. Morris Mizel's office, you were not there?

A No, I was not.

Q You didn't hear any part of that conversation, did you?

A No, sir.

Q You didn't hear any part of the conversation that I had with Mr. Smith which led up to my obtaining the signatures on those instruments, did you?

A I did not hear your conversation, no, sir.

Q All you know about it is perhaps what Mr. Smith told you?

A That is correct.

Q That is right. Now, when you talked about delivering the communitization agreements to me, you don't want the Commission to understand you delivered executed communitization agreements to me, do you?

A They were partially executed communitization agreements.

Q Are you sure about that, Mr. Hamblin?

A Yes, sir. Some of the communitization had been signed by other parties.

Q Can you name who they were?

A No, sir I am not prepared, I am not, cannot remember which particular communitizations of the seven had been signed and which parties had executed them at that time.

Q Well, I thought you, you were not the one who delivered the communitization agreements to me, were you?

A No, sir, I was not.

Q How, then, do you know that they were partially signed when they were delivered to me.

A They were in my office before they were delivered to you, and I was familiar with them and who had signed at that time.

Q Isn't it possible that those that were delivered to me were not the particular ones that you were looking at in your office?

A There was possibly ten parts, but they were the same communitization agreements.

Q They were all signed by somebody?

A Some of the communitizations were executed by other parties.

Q I am talking about those that were delivered to me.

A Yes, sir.

Q You are sure that the particular communitization agreement that you saw in your office that were partially signed before being delivered to me were the identical communitization agreements that were delivered to me? What I am trying to get at, Mr. Hamblin, is this, are you certain that the communitization agreements that were delivered to me were partially signed at the time they were delivered to me?

A It is my best recollection at the time that some of the communitization agreements were executed by some of the parties prior to delivery to you.

Q Was the El Paso one of them?

A I do not recall, but I doubt very much if El Paso had.

Q Was Delhi one of them?

A I do not recall that information.

Q Yet, in every one of the applications that you filed, you said that each one of these, the communitization agreements were

Q How, then, do you know that they were partially signed when they were delivered to me.

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Q Was the El Paso one of them?

A I do not recall, but I doubt very much if El Paso had.

Q Was Delhi one of them?

A I do not recall that information.

Q Yet, in every one of the applications that you filed, you said that each one of these, the communitization agreements were

partially signed at the time they were delivered to me, isn't that true? Do you mean for the Commission to understand, Mr. Hamblin? I don't want to entrap you, I want to make this perfectly clear, you mean for the Commission to understand that the allegations in each one of your applications to the effect that communitizations partially signed were delivered to me, that that is true in each one of these cases?

A I am not prepared to testify that every communitization delivered to you had a signature on it.

Q So that it is possible that whoever drew or is responsible for the drawing of the applications could have been mistaken in some of the applications when he alleged that the communitizations were partially signed at the time they were delivered to me, is that so?

A That may or may not be true, I don't know.

Q Who else knows whether these communitizations agreements were partially signed at the time they were delivered to me?

MR. HOWELL: I suggest that you are in a better position to know it than anybody else by producing them.

MR. YAGER: That is a clever remark. They have alleged that positively in every one of their applications.

MR. HOWELL: I think it is reasonably immaterial to the issues involved here. I suggest if you make a point on it, that you have them, and give them to the Commission.

MR. YAGER: It has no place in the case. I tried to make the point at the beginning, it has no place in the application.

MR. HOWELL: I think it can be settled easily. They are in your possession.

MR. YAGER: I would like to know why you fellows make the wild allegations and the wild charges when you don't know what the facts are.

Q When you stated, Mr. Hamblin, that all the parties, that is all the owners of the royalty interest and the working interests except the Yager group agreed to communitize, of course, except insofar as you have pooling agreements in the leases, were those agreements in writing?

A Yes, sir, they are.

Q Each and every case you have in writing?

A That is correct.

Q With the exception, of course, of the Yager group?

A Yes.

Q Now, the locations of the wells in cases 709, 710, 712, both inclusive, will you identify those cases? I thought I would shorten it by referring to them by number, perhaps I haven't.

A If you refer to them by well names, the well location in Case 706 --

Q (Interrupting) Pass 706, pass 707 and 708. Begin with 709.

A All right. The location of the well in 709 --

Q (Interrupting) I want to ask a general question and then let you--I know I am sure what you answer will be, and then you can check it. The locations of the wells in Cases 709 to 712, both inclusive are not on the tracts covered by the respective Yager leases?

A That is correct.

Q That is correct, is it not?

A Yes, sir.

MR. YAGER: I think that is all.

MR. WALKER: Anyone else have a question of the witness? If not, the witness may be excused.

MR. YAGER: May I ask one further question?

Q Mr. Hamblin, there were no applications of any sort made for pooling or for compulsory unitization prior to the application that we are hearing before the Commission now, is that correct?

A No application to the Commission.

Q For forced pooling or for unitization, is that right?

A Communitization agreements were prepared, but there was no application for forced pooling until this hearing.

Q When you say communitization agreements were prepared, you mean a form was prepared and signed by other parties and submitted for signature to the Yager group, which Yager group refused to sign?

A That is correct.

Q That is summarizing it?

A Yes.

(Witness excused)

EDWARD JOHN COEL

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

DIRECT EXAMINATION

BY MR. HOWELL:

Q Will you state your name for the record?

A Edward John Coel.

Q State your connection, if any, with El Paso Natural Gas Company.

A Senior Petroleum Engineer stationed at Farmington, New Mexico.

Q Have you ever testified before this Commission as an expert?

A No, sir.

Q Will you state to the Commission your education and the work experience which you have had?

A I have a Bachelor of Science in petroleum engineering, University of Texas, 1949. Since that time I have been employed by the El Paso Natural Gas Company in Texas and New Mexico, being in New Mexico since October of 1950.

Q Where are you located at the present time?

A Farmington, New Mexico.

Q What is your particular job with reference to the wells up there that are under consideration today?

A Engineering supervision of the drilling and completion of those wells, and keeping of the records.

Q Were these records kept under your personal supervision?

A Yes, sir.

Q Are they correctly kept?

A Yes, sir.

Q I wish you would refer to Case 706, which is the Yager Pool Unit Number 2 Well, I believe, located in the west half of Section 6, Township 30 North, Range 11 West. Testify when that notice of intention to drill was filed with the Commission, state what the area or location dedicated to the well was shown to be, testify when the well was spudded in, the data concerning its completion, its test. Do you have that information?

A Yes, sir, I do.

Q Will you state to the Commission those facts?

A This well was spudded on March 17, 1953, under oral approval from the Commission, formal approval was received on March 23.

Q When was the notice of intention to drill filed?

A I believe it was on March 17. We received oral permission from the District Engineer to spud the well.

Q Where was that well located?

A It is located 1090 feet from the north line and 1090 feet from the west line of Section 6, Township 30 North, Range 11 West.

Q Is that on the tract of land that was covered by the Yager lease?

A I would have to check that. May I see those plats? Yes, sir.

Q Yager Pool Number 2.

A Yager Pool Unit Number two.

Q That is the name of the well. Was that well, was the initial work on that well as a Mesaverde well?

A No, sir, Pictured Cliff well.

Q Was it later converted to a Mesaverde well?

A Yes, sir. The Picture Cliff formation proved to be dry, and under permission received from the Oil Conservation Commission for unorthodox locations, and to convert to a Mesaverde well in the northwest quarter of that section by letter of August 3, 1953, the well work was re-started on the well August 31, 1953.

Q When was the well completed?

A On September 20, 1953.

Q In what formation?

A The Mesaverde formation.

Q What depth?

A Depth of 4640 feet.

Q Has the well been tested?

A Yes, sir.

Q What did it test?

A 686 MCF per day on three hour flow down test.

Q Give the same data with reference to the Yager Pool Number 1 Well, which is involved in Case number 707, located on the south half of Section 31, Township 31 North, Range 11 West.

A The well is located 990 feet from the south line and 909 feet from the west line, 31/31/11, approval was granted by the Commission on February 19, 1953, and spudded March 2, 1953, completed on March 25, 1953, at the total depth of 4852 feet, tested for 710 MCF.

Q Completed in Mesaverde formation?

A Yes, sir.

Q When was the notice of intention to drill filed?

A Approximately the date of approval in February of 1953.

Q What did that notice of intention to drill show as to the tract dedicated to that well?

A I would have to check that, the south half of Section 31.

Q Passing now to the Number 3 Well which is involved in Case 708, I believe, will you give the same data to the Commission?

A The well was located 990 feet from the south, 650 from the west, Section 15, Township 31, Range 11, approval granted August 3, 1953, well spudded August 7, 1953, completion was August 22, 1953,

total depth of 4845 feet, tested for 3,630,000 MCF per day.

Q Was that well drilled on a Yager tract, a Yager lease?

A Yes, sir.

Q Completed in the Mesaverde formation?

A Yes, sir.

Q When was the notice of intention to drill filed?

A In August.

Q What was shown as the area dedicated to that well?

A West half of Section 15.

Q Passing now to Case 709, the Calloway Pool Number 1 Well, located on the east half of Section 27, will you give the Commission the same data?

A The well was located 990 feet from the north and 750 feet from the east, Section 27, Township 31, Range 11, approval granted by the Commission June 2, 1953, spudded July 12, 1953, completed July 30, 1953, total depth of 4890 feet for commercial gas well for test of 1,280,000 MCF.

Q Was that completed in the Mesaverde formation?

A Yes, sir.

Q What was the tract dedicated to the well as shown by the notice and intention to drill?

A East half of Section.

Q That is the east half of Section 27, Township 31 North, Range 11 West?

A Yes, sir.

Q Passing now to Case Number 710, which involves the Marcotte Pool Unit Number 1, will you please give the same data to the Commission?

A The location was 650 feet from the north and east of Section 8, Township 31, Range 10, approval granted to drill August 25, 1953, and the well was commenced August 30, 1953, completed November 13, 1953, at total depth of 5055 feet, tested for 10,900,000 MCF.

Q MR. YAGER: When was it spudded, sir?

A August 30.

Q Was that completed in the Mesaverde formation?

A Yes, sir.

Q When was notice of intention to drill filed, and what was the area shown by that notice?

A Filed in August, east half of Section 8.

Q Passing now to Case Number 711, the Heaton Number 3 Well, located on the west half of Section 32, Township 31 North, Range 11 West, will you please give the Commission the same data?

A Located 990 feet from the south, 990 feet from the west line of Section 32, Township 31, Range 11, approval was granted by the United States Geological Survey on March 9, 1953, the well was spudded March 27, 1953, completed April 28, 1953, total depth of 4823 feet, tested 1,625,000.

Q That was completed in the Mesaverde formation, too?

A Yes, sir.

Q And when was the notice of intention to drill filed, and what was the area shown?

A In March. The area shown was the south half of the section.

Q Passing now to Case number 712, the Koch Pool Unit Number 1 Well, will you give the data there? I believe that well was drilled on the east half of Section 3, Township 30 North, Range 10

West.

A Located 1800 feet from the north and 890 feet from the east line, Section 3, Township 30, Range 10; approval granted by the United States Geological Survey on August 14, 1953; well was spudded August 30, 1953, completed November 9, 1953, at total depth of 5452 feet, tested 5,550,000.

Q Was that completed in the Mesaverde formation?

A Yes, sir.

Q When was the notice of intention to drill filed, and what was shown?

A In August. It showed the east half of the section.

MR. YAGER: August what?

A The date of approval was granted, was the 14th, August 6th, approximately, the date it was filed.

Q Mr. Coel, are you familiar with drilling costs in the area in which these wells are located?

A Yes, sir.

Q What is the average cost of completing wells to Mesaverde formation?

A Approximately $80,000.00.

Q I believe the evidence in this case shows that the Calloway Unit Number 1 was drilled at a cost of $59,516.63, the Marcott Pool Unit Number 1 at a cost of $72,160.45, Heaton Number 3 at a cost of $5,146.86, the Koch Pool Unit Number 1 at a cost of $77,110.84, are those costs reasonable and fair costs for wells drilled to the depth that these wells were drilled?

A Yes, sir.

Q Are they below the normal and usual costs for similar

wells in that area?

A They are below the average.

Q In your opinion, will one well drilled to the Mesaverde formation drain 320 acres?

A Yes, sir.

Q That is with reference to the particular area in which these wells are located?

A Yes, sir.

MR. HOWELL: I believe that is all.

CROSS EXAMINATION

By MR. YAGER:

Q Mr. Coel, coming to the well involved in 706, I think you called it the Yager Pool Number 2 Well.

A Yes, sir.

Q That was originally drilled as a Picture Cliff Well, as I understand?

A That is true.

Q That was spudded March 17, 1953, as I understand your testimony?

A Yes, sir.

Q You filed a notice of intention to drill that well?

A Yes, sir.

Q And did you dedicate any particular tract to the unit when you filed a notice of intention?

A Yes, sir. The northwest quarter would be dedicated in that case.

Q Northwest quarter?

A Yes, sir.

Q You completed that well when?

A Completed September 20.

Q I meant to ask you, you completed the well in the Picture Cliff when?

A I can give you that data, on May 21, the well was proved to be unproductive at a total depth of 2283 feet, and it was temporarily abandoned at that time.

Q What was the next thing you did in connection with that well, I mean with reference to the matter of filing any intention of doing anything?

A It was decided to take the well to the Mesaverde formation, and being that it was not, it did not coincide with the regulations set up for northeast, southwest location in a section, the off-set operators were polled and found to be in favor, or at least allow El Paso Natural permission to drill an unorthodox location there. That approval was submitted to the Oil Conservation Commission, and in turn, they approved the location.

Q In writing, was it submitted to the Oil Conservation Commission?

A Yes, sir.

Q Do you have a copy of that writing before you?

A I don't believe so. I believe I do have a copy of, there should be a copy of the letter from Mr. Spurrier and the Oil Conservation Commission granting permission for it.

Q The letter from the El Paso Natural, or the approval of these off-set owners?

A They are on file with the Commission.

Q We assume that is on file with the Commission.

A Yes, they are on file with the Commission.

Q There was no dedication announced or stated in that letter, was there, or do you remember?

A Yes, sir, the west half of the location was.

Q In the letter?

A Yes, sir, in a letter, and also in a supplementary notice of intention to change plans to the District office at Aztec, New Mexico.

Q When was that filed?

A May 2, 1953.

Q When was the work actually started on the well after it had been temporarily abandoned in the Picture Cliff?

A On August 31.

Q Started August 31?

A Yes, sir.

Q Do you have records to show that?

A Yes, sir.

Q You have them here with you?

A I am not sure whether that is shown on any of the records sent to the Oil Conservation Commission. I would have to check and see if it was.

Q Do you have them in your file?

A Yes, sir, definitely.

Q With you now?

A No, sir.

Q You know what the work was that was started on August 31?

A Yes, sir.

Q What was it?

A There was a misunderstanding, there was a lease expiring approximately at that time, and in order to show good faith with intention ti finish the well as a Mesaverde, and because at that time we had some 30 odd rigs running, working for El Paso Natural Gas Company, and it was impossible to get a rotary rig over the hole, a cable tool rig was moved on to start the drilling deeper until such time as a rotary rig could be brought on location.

Q When was it moved on?

A On September 4.

Q A cable tool rig was moved on on September 4th?

A Oh, no, sir, it commenced operation on the 31st.

Q When was the cable tool rig moved on the lease?

A Should have been moved on the 30th.

Q When was the date that it was actually moved on, do you know?

A I don't have the information, exactly, right now.

Q Is there any information anywhere in your file of record that shows the particular date that that cable tool rig was moved on the lease?

A Yes, sir, my files should show the drilling reports submitted by the cable tool rig as they moved on.

Q Who had charge of the cable tool rig?

A It was Conley Cox's Drilling Company, Conley Cox Drilling Company.

Q Where are they?

A They are in Aztec.

Q Will your records, this may be repetition, will your office records show the exact date when that cable tool rig was moved on

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A There was a misunderstanding, there was a lease expiring approximately at that time, and in order to show good faith with intention ti finish the well as a Mesaverde, and because at that time we had some 30 odd rigs running, working for El Paso Natural Gas Company, and it was impossible to get a rotary rig over the hole, a cable tool rig was moved on to start the drilling deeper until such time as a rotary rig could be brought on location.

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the, on that lease?

A Yes, sir.

MR. YAGER: I think that is all.

MR. WALKER: Any further questions of the witness? If not, the witness may be excused.

(Witness excused)

FOSTER MORRELL

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

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name, please?

A Foster Morrell.

Q What is your business or profession?

A Petroleum consultant.

Q You have testified before the commission here before?

A I have.

MR. HOWELL: Are Mr. Morrell's qualifications as an expert acceptable to the Commission?

MR. WALKER: They are.

Q You have heard the testimony with reference to the completion of seven wells that were drilled on locations approximately 320 acres, located in Mesaverde Field in San Juan County, are you familiar with that field?

A I am.

Q Have you made a study, as a geologist, of the characteristics of that field?

A I have.

Q Have you reached any conclusion as to the area that one Mesaverde well will drain?

A It is my opinion that it will drain 320 acres at least.

Q Do you think that communitization of drilling tracts into 320 acre blocks is necessary to permit each owner of the oil and gas to recover his fair share?

A Under the rules and regulations of the Commission, and the basis that one well will drain 320 acres it is both desirable and necessary to communitize where lease ownership within the 320 acres is diverse.

Q Would failure to communitize in these particular cases deprive some of the owners of leases of their opportunity to recover their fair share of the oil and gas?

A It would do so.

Q Have you had any experience with unit agreements and communitization agreements in the industry generally in this area?

A I have.

Q Could you state to the Commission approximately how many unit agreements you have been connected with?

A Some 20 unit agreements in the San Juan Basin.

Q I will ask you what is the customary and prevalent method in communitizing or unitizing and providing for the payments that are to be made by non-consenting interest owner or land owner?

A The parties contributing to the cost to a drilling of a well are entitled to receive from 150 to 200 percent of the cost of drilling in repayment of those parties who do not contribute.

Q Is that a usual and customary practice in the industry?

A That is a usual and customary practice.

Q Is it a fair provision?

A It is a fair provision, and is so recognized by the industry.

Q Is that in addition to the operating costs incurred by the operator?

A That is in addition to the operating costs during the payout period.

Q In your opinion, would an order conditioned by the Commission that in the event the owners of an interest, if they be found to be the owners of an interest, who failed to pay their share of the costs should be required either to pay in cash plus six percent interest from the date of well completion or in the alternative that their production be retained by the driller until two hundred percent of the share of drilling costs allocated to the non-consenting owner be recovered, is a fair and equitable provision?

A I would say it would be fair and equitable.

MR. HOWELL: That is all.

CROSS EXAMINATION

By MR. YAGER:

Q I thought you said from one hundred fifty to two hundred percent.

A Some are 150, and some are 200.

Q Well---

A (Interrupting) The contracts to which I refer are specific as to which amount.

Q Those are cases, you say, where the parties have not voluntarily entered into an agreement?

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A You will find that is a standard provision in all standard form of unit agreements or unit operating agreements thereunder approved by the Department of Interior, involving Federal lands.

Q Of 150 to 200 percent?

A Either 150 or 200 percent.

MR. YAGER: Thank you, Mr. Morrell.

MR. WALKER: Are there any other questions of Mr. Morrell? If not, the witness may be excused.

(Witness excused)

MR. HOWELL: If the Commission please, that concludes our testimony, and in view of the fact that Mr. Campbell desires to file a brief, I, of course, also would like to submit a written brief. I can state for the benefit of the Commission and Mr. Yager what our position is, and what we think is the equitable and just rule to be adopted by the Commission in these cases. When, pursuant to an order which has been adopted by the Commission, an area of 320 acres, as required by the Commission for a drilling site, has been dedicated by notice of intention to drill, it is our position that that has effected the communitization of that tract. Now, in the alternative, if the Commission should see fit not to enter an order making the communitizations effective as of the date the notice of intention to drill was filed, in the alternative, it would appear that in the seven cases we have two situations. We have three cases in which the leases had been perpetuated by drilling operations prior to the expiration of the leases. If the communitization as to the other four is not effective until this time, we ask that the Commission enter an

order in the alternative, either permitting us to complete the units on an unorthodox location. Since Mr. Yager and his group do not desire to join with us, why we are willing that they keep their 40 acres in those units, and that we be given an unorthodox location, or in the alternative, should they desire to enter the agreement, the communitization agreement, that they be required to pay their proporationate share in cash with six percent interest from the date of well completion, or failing to pay that, as operator, we recover out of their share of the production 200 percent of the drilling cost. We shall support that by brief, but I would like to briefly make our position clear.

MR. YAGER. You understand, I stated at the outset, I am going to have to repeat the difficult position I am in, because my lawyer isn't here. On the question of the reasonable cost or the reasonable charge, that should be made against a non-consenting interest owner having particular reference to Mr. Morrell's testimony from 150 to 200 percent, I should like to have the Commission's permission, and yours also, Mr. Howell, if Mr. Campbell sees fit to offer any additional proof on that question, would you have any objections? I think it can be done informally. I understand Mr. Morrell is very distinguished in his profession. I am sure that he has testified according to his best knowledge. Mr. Campbell may want to offer some additional proof on that question. Would you have any objections?

MR. HOWELL: I have no objections to Mr. Campbell filing a written statement or brief that he desires. I am going to ask the Commission to close the hearing of the case.

MR. KITTS: El Paso, in filing this application is pro-

ceeding under Section 13C, is it not?

MR. HOWELL: That is our intention.

MR. KITTS: If that is the case, then any relief or any relief you are entitled to would stand quite apart from any agreement or purported agreement you would have with the Yager group, isn't that correct?

MR. HOWELL: Well, that is correct.

MR. KITTS: So, actually, this other matter is really superfuluous as far as the Commission is concerned, whether he did or did not agree?

MR. HOWELL: That is quite true. It is our position that the matter of whether a lease was extended or not is not before the Commission. We have asked the Commission for a specific order. We are askint that the order be made effective as of the filing of the notice of intention to drill. What results from that is a mattee for the courts rather than for the Commission. That is our position.

MR. COLVIN: A. L. Colvin, Delhi Oil. Inasmuch as Delhi has an interest in these particular proceedings, I would like to make a statement on our position. We concur wholeheartedly with the position that El Paso is taking in this matter. I would like to also state that I do not know whether or not Delhi signed the communitization agreements that were presented to the Yager group, but if our signature did not appear thereon, it was solely because they had not reached us at that time, because we had notified El Paso, in fact, we had a contract with El Paso that we would use our best efforts to get these wells drilled. I, myself, wrote the Yager group several letters before we made our transaction with

El Paso, requesting that they join or exercise a pooling amendment so we could go ahead withour drilling program. Delhi would definitely have signed the agreement had they been presented to us. In furtherance of Mr. Morrel's testimony, we made a deal, or an agreement with a major company, it is very evident in these hearings from time to time, concerning a drilling unit in Section 1, I believe it was 38 or 39, along this same line, and they paid us 125 percent in cash, 125 percent cash or 200 percent out of production. They paid us 125 percent, and that has been within the last six months.

MR. WALKER: Anyone else?

MR. ALBRIGHT: W. C. Albright with Atlantic Refining Company. We have a unit in the acreage involved in case 712. I would like to state that we were agreeable at the time, and we are agreeable now to the communitization that was proposed or is proposed by El Paso Natural Gas.

MR. WALKER: Anyone else. The cases are closed as far as testimony is concerned. The Commission will take them under advisement, awaiting the filing of the briefs, and I think we should probably put a time limit on although I don't know when we will get the record, that is the transcript of the record.

MR. YAGER: Mr. Campbell would probably like to have it.

MR. WALKER: Is two weeks agreeable? The cases will be taken under advisement.

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 28th day of May, 1954.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:

June 19, 1955

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

January 11, 1955

IN THE MATTER OF:

CASE NO. 849-852, inclusive

TRANSCRIPT OF PROCEEDINGS

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

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 17, 1955

Application of El Paso Natural Gas Company for Determination and ratification of communitization of Lots 3, 4, 5, and 6, SE/4 NW/4, E/2 SW/4 and SW/4 SW/4 (These lands comprising the W/2) of Section 6, Township 30 North, Range 11 West, San Juan County, New Mexico.	No. 846
Application of El Paso Natural Gas Company for determination and ratification of communitization of Lots 3 and 4, E/2 SW/4, and SE/4 (these lands comprising the S/2) of Section 31, Township 31 North, Range 11, West, San Juan County, New Mexico.	No. 847
Application of El Paso Natural Gas Company for determination and ratification of communitization of W/2 of Section 15, Township 31 North, Range 11 West, San Juan County, New Mexico.	No. 848
Application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico.	No. 849
Application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico.	No. 850
Application of El Paso Natural Gas Company for determination and ratification of communitization of W/2 of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico.	No. 851
Application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico.	No. 852

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

ADA DEARNLEY & ASSOCIATES
STENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

MR. MACEY: The next cases on the docket are 846 through 852, inclusive. Mr. Howell, do you have something that you wish to say in connection with these cases?

MR. HOWELL: Subject to correction by Mr. Campbell I would like to try to dictate a stipulation into the record concerning these cases. It is agreed between Saul A. Yager and his wife, Marian Yager, M. E. Gimp and Mrs. M. E. Gimp, his wife, Morris Mizel and his wife, Flora Mizel, Sam Mizel and his wife, Mrs. Sam Mizel, acting by and through their attorneys, Campbell and Russell, and El Paso Natural Gas Company, acting by its representative, Ben R. Howell, that the cases numbered 846 through 852, both inclusive, shall be considered to have been consolidated with Cases 706 through 712, both inclusive, for the purpose of hearing and the entire record on original hearing and rehearing shall be considered applicable in Cases 846 to 852, inclusive, and as constituting the record in these cases.

The parties further stipulate that in the event the Commission enters the same order either in Cases 706-712 or in Cases 846-852, that it shall be considered that motion for rehearing has been made and overruled and that each party has thereby exhausted its administrative rights and may take an appeal to a court of competent jurisdiction within the time prescribed for such appeal after overruling a motion for rehearing.

Off the record.

(Discussion off the record.)

This stipulation shall apply to each case separately and not to the cases as a group. For the purpose of the stipulation it

is considered that Cases 706 and Case No. 846 are to be consolidated; Case No. 707 and Case No. 847 are to be consolidated; Case No. 708 and Case No. 848 are to be consolidated; Case No. 709 and Case No. 849 are to be consolidated; Case No. 710 and Case No. 850 to be consolidated; Case No. 711 and Case No. 851 to be consolidated; and Case No. 712 and Case No. 852 to be consolidated.

Is that a satisfactory stipulation?

MR. CAMPBELL: Yes.

MR. HOWELL: We are willing to stipulate on that basis, Mr. Commissioner.

MR. MACEY: Are you also, Mr. Campbell?

MR. CAMPBELL: That stipulation is agreeable with us.

MR. MACEY: I'd like to get off the record for just a minute.

(Discussion off the record.)

MR. MACEY: Does anyone have anything further in these cases? If not, the cases are taken under advisement.

STATE OF NEW MEXICO)
) SS.
COUNTY OF BERNALILLO)

I, MARGARET McCOSKEY, 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 6th day of April, 1955.

Margaret McCoskey
Notary Public-Court Reporter

My commission expires:
August 10, 1956.

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 706 through 712, inclusive

TRANSCRIPT OF PROCEEDINGS

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

IN THE MATTER OF:

Rehearing in these cases upon conversion from February 17, 1953, upon the motion of the applicants for rehearing, [illegible] Yager, Marian Yager, [illegible] Kinzel and wife, Flora [illegible], and [illegible] The cases as originally [illegible] involve the application of [illegible] for compulsory communitization for [illegible] verde production of certain [illegible] Juan County, New Mexico.

Cases 706 through 712, Incl.

Continued.

BEFORE:

Honorable John F. Simms
Mr. A. L. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Cases 706 through 712, inclusive, for rehearing in those numbers.

MR. CAMPBELL: Jack M. Campbell, and John F. Russell, Roswell, New Mexico, representing the applicants in the rehearing.

MR. MORRIS: Fred H. Morris, Midland, Texas, representing Texas Pacific Coal and Oil Company. We desire to introduce some additional testimony, and I talked to Mr. Utz about the record on the original hearing to be considered in the cases now pending.

MR. MACEY: Is he present here?

MR. CAMPBELL: He is part of our case, and there is no need to introduce any particular portion of the record, that the entire

record is before the Commission. I don't know whether the applicant or we should proceed with the testimony, we are ready to put on our testimony at any time, whichever should go first under your practice.

MR. CAMPBELL: If the Commission please, we do not intend to offer any additional evidence unless the testimony or evidence offered by El Paso Natural Gas Company would call for any rebuttal. The application for rehearing and the case itself it seems to us are primarily legal propositions. I thought that it would be well to review very briefly for the Commission's benefit, the circumstances up to this point and to explain to the Commission our position in the matter and to ask the Commission for a relief under the application for rehearing, or motion for rehearing, ask them for the relief that we seek by way of a revised order. Then if Mr. Howell has additional testimony, of course, or evidence, why we will go ahead with that.

If the Commission please, this involves seven cases, Nos. 706 through 712, before the Commission. The original applications which were filed by El Paso Natural Gas Company in the cases, after setting out the circumstances, the facts, requested that we be required by the Commission, in each of these seven cases, to execute a communitization agreement or pooling agreement on forms which were attached to the application, and the facts in each of the seven cases are essentially the same. There are minor variations which involve legal questions, but basically the question involved is whether the compulsory pooling orders, if one is required, can be made retroactive to a date prior to its entry, and the second question involved, in view of the Commission's orders in these cases, is whether or not

pooling is accomplished merely by the approval by the Secretary, of a notice of intention to drill on a drilling unit [illegible] created by an order of the Commission.

These properties which are owned, [illegible] owned in fee by [illegible] and others, are situated [illegible] they are situated in the Blanco Gas Pool, as designated by the Commission in its Order No. [illegible]-110, dated November 9, 1951.

In that order, which was the basis for the establishment of these drilling units of 320 acres each, the Commission provided after -- and this was entered after notice and hearing, "No wells shall be drilled or completed, or recompleted, and no notice of intention to drill, or drilling permit shall be approved unless:

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

Such drilling unit shall be in the shape of a rectangle, except for normal variations in legal subdivisions of the United States Land Surveys, the north half, south half, east half or west half of each section of land constituting a drilling unit."

Now, at the time this order was entered, and since September 1, 1[illegible], which is the date of all of these seven leases, these [illegible] of Sage and others were situated within the boundaries of this designated gas pool, they were parts of 320 acre units. Sometime the early part of 1954 bear in mind, that these leases expired, the primary term, September 1, 1955, unless there was production

under the leases. Some time in the early part of January, of this year, El Paso Natural Gas Company contacted Yager and others to determine whether they would enter into a communitization agreement, communitization of these seven pieces, these tracts that they owned within these 320 acre units. Negotiations, as the transcript will indicate, went on for some time. The net result was that at the expiration date of the lease, leases, no pooling agreement had been entered into by Yager and others, pooling their interest with those of other mineral owners and other working interest owners in these various units.

However, prior to the expiration date of these leases, which was September 1, 1953, El Paso Natural Gas Company, in each of these cases, filed with the Commission a notice of intention to drill on tracts, 320-acre tracts designated by them and purported to dedicate the lands of Yager and others to these drilling units. El Paso Natural Gas Company, under this order, designated whether it would be the east half, west half, north half or south half. In all but two of the cases the Commission approved the notice of intention to drill, despite the fact that the Yager interest had not been pooled, voluntarily or otherwise, as required, we contend by Order R-110, El Paso went ahead and started drilling wells on these units. In two of the cases the Commission did not even approve the notice of intention to drill, but it was approved by the United States Geological Survey, a Federal Agency. That, of course, is another legal question which of course there is no particular point in arguing here, the question of the validity of the notice of intention to drill by anyone other than the State of New Mexico Oil Conservation Commission.

In any event, the El Paso Natural Gas Company proceeded to drill these wells on these units designated by them, without any voluntary pooling agreement, and without any compulsory pooling agreement/or compulsory pooling order from this Commission. Some eight months after the wells were completed, El Paso Natural Gas Company came before the Commission and by these applications, to which I have referred, requested the Commission at that date to order Yager to enter into compulsory pooling agreements with them, communitization agreements as they are called in the application, and Yager came before this Commission on hearings. And, the facts essentially, I think, as I have stated them, were brought out before the Commission. Briefs were submitted by me and by Mr. Howell, stating our position in connection with the matter. Our position was then, and is now, this:

This Commission has the power, under Section 13-B of the Statute, to enter a compulsory pooling order. So far as we are concerned, there is no doubt in our minds as to that. We do not believe that the Commission has the power under the Statute to enter a retroactive compulsory pooling order, dating back to a date prior to the time of the entry of the order, we so contended in our brief.

Mr. Howell contended, on the other hand, that the pooling was effected at the time the notice of intention to drill was approved, and that therefore the Commission should enter its compulsory pooling order of this time, effective as of that prior late.

The Commission, after consideration of the briefs to which I refer you in this rehearing, after consideration of the briefs, the Commission entered an order in each of these cases, each of the orders being essentially the same, in which they neither granted nor denied the application for compulsory pooling. They simply set out

the fact, or findings of fact, which are essentially correct as to the dates on which the notice of intention to drill was filed and approved and so forth, and then stated that it was ordered that the Commission recognized the pooling as having been effected at the time the notice of intention to drill was approved by the proper agency, the Commission or the United States Geological Survey.

The net effect of that order, in our opinion, is simply that whenever the Commission enters a spacing order in any case, oil or gas, that all the owner or operator has to do to pool the royalty interests under those tracts is to file with the Commission, without notice to the royalty owners or hearing by the royalty owners, his notice of intention to drill, get it approved, start his well and he has completed the pooling of the royalty interest under that tract.

It is our position in this rehearing that such a condition completely deprives the royalty owner of his right of hearing and we contend that there are many instances in which the royalty owner has a vital and proper interest in the establishment of the drilling units. For instance, this Order R-110 does not require that the units be in the east half, or the west half, or the north half or the south half. It is left up to the discretion of the owners or the interest owners under the tracts.

Now certainly you can conceive situations in which an owner or operator might have an advantage as to lease expirations, royalty burdens, overriding royalty burdens and so forth, of drilling his well, say in the northwest quarter of a section and in them is left to his discretion whether he puts the northwest quarter or the southeast quarter or the other 160-acre tract

with that unit, and the royalty owner could have, in many instances, a vital interest in which unit was used by the owner as his drilling unit; and it is our position that the royalty owner is entitled to notice and hearing before the drilling units are established; and that his interest is definitely effected by the manner in which these drilling units are formed. And, that to say, as the Commission has said in this order, that all that is necessary to pool the royalty owners interest, is the approval of a notice of intention to drill, simply makes meaningless pooling clauses in leases, voluntary pooling agreements of any kind.

It would appear to us that you are leaving the royalty owner completely at the mercy of the operator insofar as these units are concerned, and in the creation and designation of these units, and we do not think that that is a proper way to proceed, and we think that that is actually depriving the royalty interests of their property without due process of law.

Now, that basically is the present situation. Now, on this rehearing, we are requesting the Commission to do what we requested them to do at the time that we submitted our briefs in the original cases. We believe the Commission has the power to compulsory pool acreage under Section 13-[illegible] of the present stature. And, we believe that our interests should be pooled. As a matter of fact, as owners of the small tracts within these larger units, we believe we are the ones who are contemplated by the Statutes to come before the Commission and seek relief because it would be uneconomical for us to drill on 40-acre tracts, obviously, for gas.

The El Paso Natural Gas Company, the owner of the entire working interest certainly does not stand to lose anything if this is

pooled or not, since they are getting all of the working interest production, including ours at this time.

We want the Commission to enter a compulsory pooling order, not upon the terms attached to the application, but upon the terms established by the Commission as fair and proper, pooling our interest whatever it may be, as of the time of the entry of the order.

Now, I am sure it is obvious to the Commission that it is important to us, and important to El Paso Natural Gas Company, whether this order is effective as of now, or as of a date prior to the time, the expiration of our leases on September 1, 1953. The El Paso Natural Gas Company started working on these leases in the last six months of their primary term, and all of this took place very close to the expiration date of the leases.

As a matter of fact, in three of the cases, the wells were spudded in either on August 30th or August 31st, and the leases expired at midnight on August 31st. So, you can see, that while it is not a matter, that the question of the expiration of the lease is not a matter for this Commission to determine. The nature of the orders that the Commission enters in these cases is of extreme importance with reference to future litigation as to the expiration of the leases, the status of the leases,and naturally El Paso Natural Gas Company wants these orders entered as of the date of the approval of the notice of the intention of drilling, or the date of the commencement of the well. We believe they should not be entered until such time, and effective until such date as the Commission actually enters the order.

So, in this rehearing we are requesting the Commission to reconsider its position in which, in our opinion, it has taken no

action on the applications.

As a matter of fact, there won't be any reason for the applications if the approach the Commission is taking is correct because under their approach the pooling was completed automatically by the approval of the notice of intention to drill and there would be no reason for the application by El Paso Natural Gas Company for compulsory pooling orders under those circumstances. And we feel that there simply hasn't been anything entered here but a declaration by the Commission of what they believe the effect of the statutes and rules and regulations may be. They have made a legal conclusion but in our opinion they have entered no order in conformance with the applications in these cases and we ask the Commission to enter a compulsory pooling order as of the date of the entry of the orders, pooling all of the interests, royalty and working interests under the 320-acre units, which have been designated as drilling units by the El Paso Natural Gas Company.

I believe that generally states our position. As I say, there are a number of variations in some of these cases. For instance, there are three of the cases in which the wells were actually commenced on other acreage within the drilling unit, that is, not on our tracts. So we have the legal question of whether, until a compulsory pooling order is entered, we are entitled to royalty or not on all the production from the unit on which the well was drilled on our tracts. That of course is another legal question. There are some of the leases that are confined entirely to the 320-acre units; there are other leases which have some acreage within the unit and some acreage without the unit;

and there is the additional

legal question upon what the effect may be upon the acreage that is not included in the unit to which the acreage is dedicated. Those are legal questions which will eventually have to be determined by the Court, but we believe the Commission, in the proper exercise of its duties under the law, should enter its orders, compulsorily pooling in each of the cases, whatever interest we may have. And, I don't think it is necessary and proper for the Commission to designate what that interest is, but the date upon which that compulsory pooling order becomes effective, or on which the pooling becomes effective.

If the Commission goes along with its present position, of course, will have a material bearing on whether or not the leases expired, and whether or not we are the owners of eight-eighths, or whether we are the owner of one-eighth, or whether a one-eighth interest is pooled, or whether an eight-eighths interest is pooled.

I believe that basically is the position that we take in the matter.

MR. HOWELL: If it please the Commission, our position in the matter is that the orders which were entered by the Commission were proper orders. We are basing our position upon certain portions of the Statute, upon the orders entered by the Commission, and upon the practice and custom that has been followed in administering the Statute. We are basing the contention on the definition of owner, which is contained in the Statute in Section 26-3. Owner means the person who has the right to drill into and produce from any pool, and to appropriate the production, either for himself or for himself and another. That certainly means, not the royalty owner, not the lessor of a lease which is in existence, but the lessee.

The only person under an oil and gas lease who has the power to drill, and under any lease, regardless of whether it be a large lease or a small lease, when the land owner has executed that lease he has placed in the lessee the right to determine where to locate his well, the right within the rules prescribed under the police power in conserving oil and gas, the right to determine how many wells to drill, when to drill them, as long as the lease is continued by production during its primary term or a well completed prior to the expiration of a primary term in a commencement lease.

Now the statute which authorizes the pooling is found in Section 13-C, the provisions of the statute, the pooling of properties or parts thereof, shall be permitted and if not agreed upon may be required in any case, when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit otherwise deprives or tends to deprive the owner of such tract to recover his just and equitable share of the crude petroleum, or natural gas, or both in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract, if same can be done without waste. But in such case the allowable production from such tract is compared with the allowable production therefrom, if such tract were a full unit, shall be in ratio of the area of the tract to the area of a full unit. All orders requiring such pooling shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract in the pool the opportunity to recover, or receive his just and equitable share of the oil and gas in the pool as aforesaid, provided, no

as approved, provided, so far as may be practicably recovered without waste. And in the event such pooling is required the costs of development and operation of the pool unit shall be limited to the lowest actual expenditures required for such purpose, including a reasonable charge for supervision. And in case of any dispute as to such costs, the Commission shall determine the proper costs.

Now our contention is that the pooling refers to the lessees, the owner, as defined by the statute, the person having the right to enter upon the land to drill and to appropriate the production for himself, or for another. If it applied to the royalty owner, there would be no need whatsoever for the last sentence in this section of the statute, because the royalty owner is not interested in the costs of drilling, or the costs of operation. His royalty comes to him from the statutory owners, those persons having the right to drill, who among themselves shall share the costs.

The undisputed testimony in these cases is that the owners did voluntarily agree among themselves for the communitization or pooling and having selected a tract upon which to drill a well and having drilled a well, it is our position that the pooling under the statute was accomplished when the state gave its approval for the drilling of that well.

Since the applicant has very frankly stated that this is not a new question to the court below, we would like an opportunity to make the record more clear so that it would not be necessary for appeal to look into the files of the Commission. In the prior hearing many matters, they are in the Commission's files were not introduced in the record, and so in order to supplement our

former testimony in many instances, by introducing the actual documents.

If you have no objection we shall proceed with our testimony.

MR. MACEY: Okay, Mr. Howell.

MR. HOWELL: Would you take the stand please, Mr. Coel? Is it necessary to swear Mr. Coel, he having been sworn before in this case?

MR. MACEY: All witnesses stand and be sworn.

(Witnesses sworn by Mr. Walker.)

E D W A R D J O H N C O E L ,

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

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name for the record?

A Edward John Coel.

Q Are you the same Edward John Coel who testified in the original hearing of these cases?

A Yes, sir.

MR. HOWELL: As El Paso Natural Gas Company's Exhibit, and letter I suggest that all exhibits on rehearing be designated with the /R, Exhibit A-1, we wish to introduce the Order No. R-110 adopted by the Commission.

(Marked El Paso Natural Gas Company's Exhibit No. A-1, for identification.)

Q Briefly state your position with El Paso Natural Gas Company.

A Junior petroleum engineer, Farmington, New Mexico.

Q And were the wells drilled on the tracts of land involved in this hearing, drilled generally under your supervision?

A Yes, sir.

Q Referring to the Vager Pool Unit No. 2, which is involved in Case 706, I will ask if you have a copy of the original notice of intention to drill which was filed in this case?

A Yes, sir.

Q Will you state to the Commission the depth to which that application shows you intended to drill?

A The total depth of 2,268 feet.

Q Now, to what formation would that be?

A Through the Pictured Cliffs formation.

MR. HOWELL: Would you mark the notice of intention to drill as Exhibit R-2 with a 706 in parenthesis?

(Marked El Paso Natural Gas Company's Exhibit R-2 (706), for identification.

A I have it, sir.

Q And, will you show the original order to the Commission?

MR. HOWELL: If the Commission please, we have prepared photostats of each of these orders, and we would like to leave the photostats and retain the original orders in each instance.

MR. CAMPBELL: Do you have an extra photostatic copy?

A I have some extras.

MR. HOWELL: We can see that you are furnished with one of every one, a copy of each one. We may not have enough at the present time.

MR. CAMPBELL: That is all right.

MR. HOWELL: We offer also the Exhibit R-2 (706) which is the notice of intention to drill.

Q Now, what was the result of drilling that particular well, Mr. Coull?

A The well was found to be dry in the Pictured Cliffs formation, sir.

Q At what date was the well determined to be dry?

A On May 28, 1953.

Q Now, was any notice given to the Oil Conservation Commission of that determination by the operator?

A Yes, sir.

Q What was filed?

A A notice of completing the well in the Pictured Cliffs Formation.

Q Do you have the original notice there?

A Yes, sir.

MR. HOWELL: Will you mark the photostatic copy as Exhibit R-3 with the 706 in parenthesis, and hand it to the Commission?

(Marked El Paso Natural Gas Company's Exhibit No. R-3 (706) for identification.)

Q At a subsequent date, did you determine to drill the well to a greater depth?

A Yes, sir, we filed with the Commission a notice of intention to change plans, received by the Commission on May 28, 1953, to drill the well to the Mesaverde formation and complete it in the Mesaverde Formation.

Q Do you have that notice of change?

A Yes, sir.

Q You have a photostatic copy?

A Yes, sir.

Q Will you mark the photostatic copy Exhibit R-4, (706)?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit No. 6-4 (706) for identification.)

Q Now after filing that notice did you receive any communication from the Commission?

A Yes, sir, we did. The notice was stipulated that on the basis that the original well had been drilled in the northwest quarter of the northwest quarter of Section 5, Township 30 north, Range 11 west, had been dedicated to the Pictured Cliff well, we desire to dedicate the west half which would conform with the regulation of 320 acres, approximately for Mesaverde Formation well and to drill the well deep, to deepen this well in the northwest quarter. This did not conform with the regulation that wells should be located in the northeast or southwest quarters of a given section. Therefore, the Commission required as an unorthodox location that we present waivers from all the offset operators of this well and if there were any objections then a hearing would be called in order to establish an unorthodox location. We wrote the waivers, sent them out and received them back approved and forwarded them on to the Commission and from there on we received a letter from them thereby granting approval of the unorthodox location.

Q Do you have the original letter here, Mr. Cool?

A No, sir, I don't have the original. I do have a copy.

Q Do you have a photostat of the signed copy which was received?

A Yes, sir, I do.

Q Have you been able to locate that original letter?

A Yes, sir, it is in my files. We just neglected to have it here with us.

MR. HOWELL: Would you mark that Exhibit A-5 (706) and hand that photostat to the Commission?

(Marked El Paso Natural Gas Company's Exhibit A-5 (706) for identification.)

Q Did you file a completion report with the Commission upon the completion of this well?

A Yes, sir.

Q When was the well completed in the Mesaverde Formation?

A Drilling was completed on September 19, 1953, and the well was actually completed on September 20, 1953.

Q Was that in the Mesaverde Formation?

A Yes, sir.

Q Now, was there any other well drilled to the Mesaverde Formation on the west half of that Section 6?

A No, sir.

Q Referring now to the well described as the Yager Pool Unit No. 1 --

A You want me to turn that exhibit in, sir?

MR. HOWELL: Oh, yes. Would you mark the completion report A-6 (706)?

(Marked El Paso Natural Gas Company's Exhibit A-6 (706) for identification.)

Q Referring now to the well designated as the Yager Pool Unit No. 1, which is drilled on the south half of Section 31, Township 31 North, Range 11 West, and is the well involved in Case 707, I will ask you if you have an original of the notice of intention to drill in that case?

A Yes, sir.

Q Do you have a photostatic copy?

A Yes, sir.

MR. HOWELL: Will you mark your photostatic copy as Exhibit R-7 with the 707 in parenthesis, and hand that to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-7 (707), for identification.)

Q Did you file a well record when that well was completed in the Mesaverde Formation?

A Yes, sir.

Q Do you have a copy as well as the original of the well record?

A Yes, sir.

MR. HOWELL: Will you mark the copy Exhibit R-8 with 707 in parenthesis?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-8 (707, for identification.)

Q And hand that into the Commission. What was the date of completion of that well?

A Drilling was completed on March 17, 1953, and the well was actually completed March 25, 1953.

Q Was any other well drilled in the south half of Section 31, Township 31 North, Range 11 West?

A No, sir.

Q Passing now to Case 708, do you have the original and a photostatic copy of the notice of intention to drill in that case?

A Yes, sir, I do.

Q Does that involve the well known as the Neal No. 3 well, located on the west half of Section 15, Township 31 North, Range 11 West?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-9 (708) for identification.)

Q Will you hand to the Commission the copy of this notice of intention to drill marked as Exhibit R-9 with 708 in parenthesis?

A Yes, sir.

Q Now, do you have a copy of the completion record on this well?

A I do sir.

MR. HOWELL: Will you mark a copy as Exhibit R-10 with 708 in parenthesis? And, then hand it to the Commission.

(Marked El Paso Natural Gas Company's Exhibit R-10 (708) for identification.)

Q What was the date of the completion of the Neal No. 3?

A Drilling was completed on August 20, 1953 and the well actually completed August 22, 1953.

Q Was that completed in the Mesaverde Formation?

A Yes, sir, it was.

Q Was any other well completed on the west half of that section?

A No other Mesaverde one, no, sir.

Q Referring now to the east half of Section 27, Township 31 North, Range 11 West, which is the tract involved in Case No. 709, and as the well described as the Callaway Pool Unit No. 1, do you have a copy of the notice of intention to drill in that case?

A Yes, sir, I do.

MR. HOWELL: Will you mark the copy as Exhibit R-11 709 in parenthesis and hand it to the Commission?

(Marked El Paso Natural Gas Company's Exhibit No. R-11 (709) for identification)

Q Do you have the original and a copy of the well record in that case?

A Yes, sir, I do.

Q Will you similarly mark a copy as Exhibit R-12 709 in parenthesis and hand it to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit No. R-12 (709) for identification)

Q What was the date of completion of that well?

A Drilling was completed on August 20, 1953 -- Excuse me, strike that out -- I have the wrong case here. Drilling was completed on July 29, 1953.

Q And the well completed on what date?

A The well was completed on July 30th.

Q Was that completed in the Mesaverde Formation?

A Yes, sir, it was.

Q Was there any other well in the east half of Section 27 that was completed in the Mesaverde?

A No, sir.

Q Referring now to the east half of Section 8, Township 31 North, Range 10 West, which is the tract involved in Case No. 710, and is the Marcotte Pool unit No. 1 Well, do you have an original and copy of the notice of intention to drill in that Case?

A Yes, sir, I do.

MR. HOWELL: Will you mark the copy Exhibit R-13 (710) and hand it to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-13 (710), for identification.)

Q You also have a copy of the well record showing the com-

pletion?

A Yes, sir, I do.

MR. HOWELL: Will you mark a copy as Exhibit R-14 (710) and hand it to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-14 (710) for identification.)

Q Now, what was the date of completion on the Marcotte Pool Unit No. 1?

A Drilling was finished on October 11th, 1953, sir, it was completed on October 13, 1953.

Q Is that October?

A I am sorry -- I have it here as October, sir.

MR. CAMPBELL: What case are we on now?

MR. HOWELL: 710.

Q Your records show that it was completed October 13, 1953?

A Yes, sir.

Q Was that in the Mesaverde Formation?

A Yes, sir.

Q Was there any other Mesaverde well on the east half of that Section 8?

A No, sir.

Q Now, as to these five wells which have been covered by your testimony so far, what was the nature of the tract of land upon which each of these wells was drilled, as to the ownership? Was it Federal or State or Fee land?

A Upon which the well was actually drilled, sir, it was all State or Fee land.

Q Now then, as to lands that are Federal lands, covered by

Federal oil and gas leases, what are the requirements for drilling?

A That we submit an intention to drill to the United States Geological Survey whose district office we were closest to.

Q And is there any other requirements prior to drilling a well when the well is located on Federal lands?

A No, sir, other than approval from United States Geological Survey.

Q All right. Referring now to the east half of Section 8, Township 31 North, Range 11 West which is the tract involved in -- May I change that? That is erroneous. Referring now to the west half of Section 32, Township 31 North, Range 11 West, which is the tract involved in Case No. 711, do you have an original and copy of the form which was filed showing your intention to drill in that case?

A Yes,sir, I do.

MR. HOWELL: Will you mark the copy as Exhibit R-15 (711) and hand to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-15 (711) for identification.)

Q Does that exhibit R-15 represent the form which you are required to fill out in order to drill a well on Federal land?

A Yes, sir, it does.

Q Has this Heaton No. 3 Well located on Federal land?

A Yes, sir, it was.

Q Now, following the filing of the notice of intention to drill, did you receive a letter from the United States Geological Survey?

A Yes, sir, I did.

Q Do you have a copy of the letter?

A Yes, sir, I do.

Q Will you mark the photostatic copy as Exhibit R-16 (711) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit No. R-16 (711) for identification.)

Q What was the tract of land described in the original notice of intention to drill?

A The south half of Section 32, sir.

Q Was that an error?

A Yes, sir, it was an error.

Q Did you, by subsequent notice, change the designation of the tract?

A Yes, sir, on an intention to change plans, sent to the United States Geological Survey, and subsequently approved by them, we dedicated the west half of Section 32 to the well instead of the south half.

Q Do you have a copy of the notice and change of designation?

A Yes, sir, I do.

Q With the approved stamp on it?

A Yes, sir.

MR. HOWELL: Will you mark that as Exhibit R-17 (711) and hand to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-17 (711) for identification.)

Q Do you have a well record of the Heaton No. 3?

A Yes, sir.

Q Will you mark a copy as Exhibit R-18 (711) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-18-(711), for identification.)

Q When was the Heaton No. 3 Well completed?

A Drilling was finished on April 25, 1953 and completion effected April 28, 1953.

Q Was that completed in the Mesaverde Formation?

A It was.

Q Was there any other well located on the west half of that Section 32?

A No, sir.

Q Referring now to the east half of Section 3 in Township 30 North, Range 10 West, which is the tract involved in Case No. 712, and is the Koch Pool Unit No. 1 Well, do you have an original and copy of the notice of intention to drill?

A I have a copy of each, sir. I do not have the original.

Q Will you mark your copy as Exhibit R-19 (712) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-19 (712) for identification.)

Q Now, in this particular instance, do you know whether the record title to this tract was still in Delhi Oil Corporation?

A Yes, sir, it was, and for that reason the intention to drill was, was submitted in the name of Delhi Oil Corporation. With their permission I signed it, signing the superintendent's

name to it, sir, by his permission.

Q Was this Koch Pool Unit No. 1 Well located on Federal land?

A Yes, sir, it was.

Q Did you, or did a letter addressed to Delhi come in at a later date, a copy to you?

A Yes, sir.

Q Do you have a photostat of the copy which was received by you?

A Yes, sir.

Q Will you mark that as Exhibit R-20 (712) and hand it to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-20 (712) for identification.)

Q Do you have the well log or well record of the Koch Pool Unit No. 1 Well?

A Yes, sir, I do.

Q Will you mark the copy of that record as Exhibit R-21 (712) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-21 (712) for identification.)

Q Was the Koch Pool No. 1 Unit completed in the Mesaverde Formation?

A It was.

Q What was the date of completion?

A Drilling was finished on November 5, 1953 and completion effected November 9, 1953.

Q Was any other well located, any other Mesaverde well located in the east half of that Section 3?

A No, sir.

MR. HOWELL: I think that is all from this witness.

MR. MACEY: You wish to introduce those exhibits?

MR. HOWELL: Yes, I would like to introduce Exhibits R-1 to Exhibit R-21 inclusive.

MR. MACEY: Is there objection?

MR. CAMPBELL: No objection.

MR. MACEY: If no objection they will be received.

MR. CAMPBELL: If the Commission please, before cross examining this witness, I would like to have about a five minute recess to shuffle these papers a little bit.

MR. MACEY: We will have a five minute recess.

(Recess.)

MR. MACEY: You wish to proceed, Mr. Campbell?

CROSS EXAMINATION

By MR. CAMPBELL:

Mr. Coel, referring to Case No. 706, which involves your Yager Pool Unit No. 2, as I understand it your original notice of intention to drill which was approved March 23, 1953 was for a well to the Pictured Cliffs Formation, dedicating the northwest quarter of Section 6.

A That is true, sir.

Q Now, in your notice you had stated, "Communitization dedicating the northwest quarter of Section 6 will be filed as soon as possible". Did you contemplate at that time in obtaining a

communitization agreement from all of the working interests and royalty owners?

A Mr. Campbell, that statement is more or less required by both the State and United States Geological Survey on wells that, where more than one interest is located there. We were informed by the Lease Department that that communitization was being worked up and they had intention of filing it, sir, and that was what we so stated.

Q Now, you drilled that well to the Pictured Cliffs, into the Pictured Cliffs, and it was a dry hole?

A Yes, sir.

Q And then you filed a miscellaneous notice in which -- which is your Exhibit R-4 (706) in which you stated that you intended to change your plans by going on down into the Mesaverde, is that correct?

A Yes, sir.

Q Was there any other instrument filed, any new notice of intention to drill, with reference to the Mesaverde Unit, other than this miscellaneous change of plans notice?

A On the intention of changing of plans?

Q Yes.

A No other form like this, no, sir.

Q You filed no new form for notice of intention to drill or recomplete?

A No, sir, it was merely the notice of intention to change plans, and which was subsequently approved by the Commission.

Q Now, based upon that notice and the approval by the Commission in their letter of July 31st, which is your Exhibit R-5

(706), you then proceeded to move in and deepen this well to the Mesaverde Formation?

A Yes, sir.

Q Now when did you move in to start that new work?

MR. HOWELL: I can tell you where the document is that he is looking for. It is in the other file on 706.

A I was just checking my reports on it, sir, the rig was moved in August 31st, sir.

Q From what record do you obtain that information?

A From our drilling record, sir on the well.

Q And who prepared that drilling record?

A It was prepared by the drillers, sir, whoever is -- whoever is in charge of the rig on which the work is done. This particular case was by Conley Cox.

Q Do you have a copy of that drilling record?

A I do, sir,

Q That can be made a part of this record?

A Not unless I had this photostated, sir.

Q May I see it, please? A Yes, sir.

MR. HOWELL: It can be photostated. That is not the drilling record but that is an affidavit-- off the record.

(Discussion off the record.)

MR. CAMPBELL: Could we get a photostatic copy of this into the record?

MR. HOWELL: We will be happy to furnish it.

A We will submit the affidavit to it.

MR. HOWELL: We will submit the affidavit now if you want it,

Q Was this affidavit prepared at your request, Mr. Cool?

A Yes, sir.

Q In May of 1954, is that approximately the time that it was executed?

A Yes, sir.

Q Where is Mr. Cox's office, or place of business?

A In Aztec, New Mexico.

Q Do they do a considerable amount of drilling for El Paso Natural Gas Company?

A Yes, sir, they have.

Q And they are still doing drilling for your company, to your knowledge?

A Yes, sir.

MR. CAMPBELL: I would like to have the record show that a photostatic copy of a daily drilling report, dated August 31st, 1953, from Conley Cox, will be submitted as Yager Exhibit R-1.

Q Do you have any --

MR. MACEY: (Interrupting) Pardon me, Mr. Campbell, who is going to supply these?

MR. HOWELL: We will furnish a photostat of that. We would like to keep the original in our file, but will be happy to furnish photostats for the copy and are tendering you Mr. Cox's affidavit.

MR. CAMPBELL: I don't want to introduce that as my exhibit.

Q Do you have any personal knowledge concerning the actual spudding in on this well?

A Yes, sir.

Q Were you there when it was spudded in?

A It was done under my supervision, sir.

Q Well, were you there at the time it was spudded in?

A You mean actually on the location?

Q Actually on the location.

A I doubt it, sir.

Q You do not remember it if you were, is that it?

A No, sir.

Q Do you know who was present?

A I am not positive. I think I could tie it down to who was present, yes, sir.

Q Well, could you tie it down now or not?

A Well, I could try.

Q Well, try.

A If it would be accepted.

Q Do the best you can.

A Conley Cox, -- Are you talking about this time of August 31st?

Q August 31st.

A Conley Cox was present and I am almost positive Mr. W. W. Dallas was present.

Q W. W. Dallas?

A Yes, sir.

Q Is he with your company?

A Yes, sir.

Q Where is he?

A In Farmington, New Mexico.

Q Now, Mr. Coel, as I understood it, all of these wells

except the ones involved in Cases 711 and 712, the last two wells, were on other than Federal land, and the last two were on Federal tracts, am I correct in that?

A That is true, sir.

Q And at the time you made the change on your well involved in Case 711, which is in the southwest section of Section 32 North, Range 11 West, you originally filed a notice of intention to drill only with the United States Geological Survey? Is that right?

A Yes, sir.

Q And then in that you dedicated the south half of the section to the well?

A That is true.

Q Now, in the reply that you received from the United States Geological Survey, which is Exhibit R-16 (711), I assume this is on a form that the United States Geological Survey normally used and they state: "Approved subject to the communitization of the south half of Section 32, to form a unit of 320 acres more or less". Are you acquainted with the requirements of the Federal authorities with reference to communitization of acreage, before a unit is approved?

A Vaguely, sir.

Q Well, do they require that all owners join in the execution of the communitization agreement?

A Yes, sir.

Q Do they, as royalty owners, approve and join in the execution of the communitization agreement?

A Yes, sir.

Q Do the overriding royalty owners join in such an agreement,

or do you know?

A I don't know, I think that they do.

Q Do you know whether such an agreement was ever obtained, as far as the west half, as changed, of that unit was concerned?

A Well, apparently not, sir.

Q Do you know whether the Federal Government has executed such a communitization agreement?

A I don't know, sir.

Q Now, when you decided to change the dedication from the south half to the west half, you did not file a new notice of intention to drill with the United States Geological Survey?

A No, sir.

Q You filed this sundry notice indicating your intention to change your plans?

A That is true.

Q Now, referring to your well involved in Case No. 710, in which you state that the well was completed November 5, 1953, I refer to your Exhibit B-14 (710), which is the well record of that well, which appears to be signed by Harold L. Kendrick, does he work under your supervision or what is the position?

A Can we go back a minute, sir? What case are we referring to?

Q 710, that is your Marcotte Pool Unit, Well No. 1.

A All right.

Q Is Mr. Kendrick employed now by El Paso Natural Gas?

A He is employed by El Paso Natural Gas Company, he does not work for me at the present time. He did at the time this was signed.

Q Was he working under your supervision at the time that was

signed?

A Yes, sir.

Q Are you personally acquainted with when the well referred to there was actually spudded in?

A Yes, sir.

Q Were you there?

A I doubt it.

Q Do you have any notes, personal notes, other than this well record to indicate when the spudding in took place?

A Yes, sir, I do. I have here an affidavit from the same Conley Cox as the other affidavit was from, and also the well record here.

Q When was this affidavit prepared?

A On the 31st of January, 1955.

Q Mr. Coel, I am asking you these questions about the spudding in in as much as the leases involved here contain a written-in provision that,"the words, "Commencement of a well", or words of like import, wherever used, in this lease shall mean the actual spudding in of a well for oil or gas". Now, do you know who was present at the time this well involved in Case No. 710, your Marcotte Pool Unit No. 1 was spudded in, do you know who was present when that took place?

A Very likely the same two people, sir. Mr. Dallas, if I may explain, he is now our drilling superintendent, at that time he was our assistant drilling superintendent in the Farmington area, and it was part of his job to see that the work was done as prescribed by us.

Q Now, referring to your Case No. 712, which is your Koch Well No. 1, on a Federal tract, your Exhibit R-21 (712) indicates that that well commenced drilling also on August 30, 1953.

A That is true, sir.

Q Do you know who prepared this log -- Oh, the original was signed by you, I see it now.

A Yes.

Q Well, do you -- Can you personally state that that well was spudded in on August 30, 1953?

A Yes, sir.

Q You were there at that time?

A No, sir, my records show it, sir.

Q Other records than this log of oil or gas wells?

A My drilling records, yes, sir.

Q What drilling records do you have?

A The records prepared by the contractor on the location.

Q May I take a look at those, please?

A Surely.

Q I wonder if you could furnish us with a photostatic copy of this driller's report, or furnish the Commission with one?

A Yes, sir.

Q To be designated as Yates's Exhibit R-2? The report is dated September 1, 1953.

A The report is under that, sir, I just handed the file to you.

MR. HOWELL: Two reports -- Three reports all told.

MR. CAMPBELL: The report is dated -- Let us make the

report of August 30, 1953 as Yager R-2 and the report of August 31, 1953 as Yager R-3.

A Also an affidavit in my file to that effect, too, sir.

MR. CAMPBELL: That is all.

MR. MACEY: Does anyone have any further questions of the witness?

RE-DIRECT EXAMINATION

By MR. HOWELL:

Q Mr. Coel, at my request did you obtain affidavits from the drilling contractor, Conley Cox, concerning the dates at which drilling operations were commenced on several wells?

A Yes, sir, I did.

MR. HOWELL: I will hand you an affidavit of Conley Cox and ask that be marked Exhibit R-22 (706) and offer the affidavit in evidence.

(Marked El Paso Natural Gas Company's Exhibit R-22 (706,for identification.)

MR. HOWELL: In a similar manner, will you mark the affidavit of Conley Cox as Exhibit R-22 (710), I believe.

A R-23.

MR. MACEY: R-23 would be the next one.

(Marked El Paso Natural Gas Company's Exhibit R-23 (710)for identification.)

Q R-23 (710), isn't it?

A Yes, sir.

MR. HOWELL: We offer that affidavit in evidence.

Q You have the affidavit of Conley Cox regarding the commencement of the Koch Pool No. 1?

A I do, sir.

MR. HOWELL: Will you mark that Exhibit R-24 (712) and offer that to the Commission.

(Marked El Paso Natural Gas Company's Exhibit R-24 (712) for identification.)

MR. HOWELL: We offer all three affidavits to the Commission in evidence.

MR. MACEY: Is there objection?

MR. CAMPBELL: If the Commission please, for the purpose only of preserving the record, I will register an objection to these upon the grounds that they are hearsay and that the person who executed them is not present for cross-examination.

MR. MACEY: The record will so note.

(Marked El Paso Natural Gas Company's Exhibit R-25 (711) for identification.)

MR. HOWELL: Now we offer a communitization agreement covering the Heaton No. 3 Well which is marked as Exhibit R-25 (711) which has been executed by El Paso Natural Gas Company, Delhi Oil Corporation, Susan Diggle Norton, Paul B. Norton, but has not been executed by Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, Sam Mizel or the wife of Sam Mizel and M. E. Gimp.

MR. CAMPBELL: Is that offered in each case?

MR. HOWELL: No, that is only Case 711.

MR. CAMPBELL: For what purpose are these offered?

MR. HOWELL: These are offered for the purpose of showing that all of the parties except the Yagers have executed communitization agreements in these two cases. I have one other which I propose to offer.

MR. CAMPBELL: Are we to assume that they have not all done so in other cases?

MR. HOWELL: No, the only point that you raised was as to the Federal leases, the two Federal leases.

(Marked El Paso Natural Gas Company's Exhibit No. R-26 (712) for identification.)

MR. HOWELL: We offer communitization agreement which has been marked as Exhibit R-26 (712), covering the tract involved in the Koch Pool Unit No. 1, which has been executed by El Paso Natural Gas Company, the Atlantic Refining Company, Delhi Oil Corporation, Sunray Oil Corporation, Fred C. Koch and Mary R. Koch.

We would like to call as a witness Mr. Phil McGrath.

MR. MACEY: Is there objection to the introduction of Exhibits R-25 and R-26 in this case?

MR. RHODES: I have some questions I would like to ask one of the principals in this case but I am not sure Mr. Cool is the man to answer them but I wonder if later I might make these requests of Mr. Campbell or Mr. Howell or Mr. Cool. Mr. Kitts says that he is going to ask some later, too.

MR. MACEY: Who are you going to ask the questions of? Mr. Cool is on the witness stand.

MR. RHODES: I wonder if you would determine who we ask the questions of. They concern the lease agreements and the equities concerned herein.

MR. MACEY: You mean the lease contracts?

MR. RHODES: The lease contracts.

MR. CAMPBELL: I have no objection to the admission of

there in evidence, but I call the Commission's attention to the fact that they have all been executed in the year, 1955, which was some time after the drilling on the units.

MR. HOWELL: Insofar as lease ownership is concerned or the terms of the applicable leases, Mr. Coel does not have knowledge. We do have people here who are available, who have knowledge of the leases and I understand from Mr. Campbell that he desires to introduce copies of the leases which we are willing to have introduced.

MR. RHODES: I would like to ask those of Mr. Campbell. I don't know if that is proper.

MR. MACEY: It won't suffice for you to examine the lease contracts?

MR. RHODES: No, not necessarily, Mr. Macey.

MR. MACEY: I don't think it is proper for us to ask Mr. Campbell any questions.

MR. RHODES: That is what I was afraid of.

MR. MACEY: Are there any further questions of Mr. Coel, if not, Mr. Coel may be excused.

(Witness excused.)

MR. HOWELL: We would like to call Mr. McGrath.

P. T. McGRATH,

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

DIRECT EXAMINATION

By: MR. HOWELL:

Q Will you state your name for the record?

A P. T. McGrath.

Q What is your residence or address, Mr. McGrath?

A Farmington, New Mexico.

Q What is your official position with the United States Geological Survey, if any?

A District Engineer of the Farmington District.

Q That is of the United States Geological Survey?

A Right.

Q Are you in charge of the office there?

A I am.

Q What are the requirements before the drilling of any well located on Federal lands within the Blanco-Mesaverde Field?

A Any well must be submitted, a notice of intention to drill must be submitted and regulations state that prior written approval will be received before drilling commences, unless some other arrangements have been made. We can give an operator a letter of approval to start a well.

Q What then do you do with reference to advising the State Oil Conservation Commission of approval of a well drilled on Federal lands?

A We require that they send enough of the intentions to drill so that we can send two copies to the State, one to their Aztec Office and one here to Santa Fe, and those are not submitted to the State, those are not approved in any way, except that we have an agreement with the Conservation Commission that we will not submit those to them until I have approved the well.

Q And does your office require that any well approved by you which is drilled within the Blanco-Mesaverde Pool conform with the requirements of the New Mexico Oil Conservation Commission, as

to spacing?

A We do.

Q Did your office approve the Heaton No. 3 Well and the -- and the Koch Pool No. 1 Well?

A Yes, sir.

MR. HOWELL: That is all.

MR. MACEY: Any questions of Mr. McGrath?

CROSS EXAMINATION

By MR. CAMPBELL:

Q Mr. McGrath, with reference to the approval of the notice of intention to drill, which I understand you give --

A Yes.

Q Do you have any other requirements where there may be other acreage involved in the unit on which the well is being drilled than Federal acreage?

A Yes, we do, or even if the two Federal leases, we require communitization of the drilling block.

Q And as lessor, or royalty owner, does the Federal Government have to approve those communitization agreements?

A Yes, sir.

Q And do you consider that the unit has been completed unless such communitization agreements are available?

A No, we are not interested if they are drilling on public land, and get their approval, but we do require that, to get the communitization agreement whereby that when the State sets up such a unit for drilling block or for proration unit.

Q And it is your statement that the Federal Government, upon

the approval of the notice of intention to drill, considers that the drilling unit has been created and the acreage pooled?

A The operator so states, or is supposed to, with his intention to drill, that certain acreage is dedicated to that well, that particular well.

MR. CAMPBELL: That is all.

MR. HOWELL: One question. Have you finished.

MR. MACEY: Go ahead, Mr. Howell.

MR. HOWELL: Has it been customary to produce the communitization agreements at a later date and submit them to your office?

A Yes, sir.

MR. MACEY: I would like to ask you a question. As I understand it, an operator can submit a sundry notice to you proposing to drill a well on federal land, in which he dedicates certain acreage to that well, the acreage being dedicated in conformance with the existing drilling unit provisions of any applicable pool rules in which the well is located, is that correct?

A Yes, sir.

MR. MACEY: Now he so states on the sundry notice of intention to drill that he intends to dedicate the west half of the section to the well. When do you require that operator to furnish an executed communitization agreement?

A No set date.

MR. MACEY: There is no set date?

A No, sir.

MR. MACEY: In other words, it could take a considerable time, as far as you are concerned then, the communitization agree-

ment can be approved at any time after you approve the notice of intention to drill?

A Or prior to it -- yes, at any time.

MR. MACEY: Does the communitization agreement involve the approval by your agency, the approval of the communitization agreement by your agency involve a considerable amount of time, does it have to go back to Washington?

A It does, it has to be approved by the Director of the Geological Survey.

RECROSS-EXAMINATION

By: MR. CAMPBELL:

Q Am I correct, that it will not be approved by the Director of the United States Geological Survey until all of the royalty owners have executed --

A I think they do not.

Q They do not require the royalty interests to execute it?

A I think they do not, only the royalty interests.

Q I wonder if you would advise your Roswell office of that?

A Mr. Anderson just advised me.

Q Let the record show I have been working on one for six months -- off the record.

(Discussion off the record.)

MR. CAMPBELL: Only the working interests, in order to clarify the record so there will be no mistakes, your Roswell Office or your agency only requires the working interests' approval of communitization agreement?

A That is what Mr. Anderson just told me, the communitization agreement must go the Roswell Office force and it is checked there and with recommendations it is sent to Washington for approval.

Q One more question. Mr. McGrath, do you know how long that policy has been followed?

A No, sir, I do not.

Q Do you know whether it was ever otherwise, as far as royalty owners executing communitization agreements are concerned?

A No, I couldn't say for sure.

MR. MACEY: Anyone else?

MR. ANDERSON: Mr. Macey, I wonder if I could make a statement in this case that might clarify it? (John Anderson.) As far as the Federal Government is concerned, on royalty owners executing communitization agreements, let's go into a couple of classes of them where they actually have overriding royalty interests on Federal leases, or on any type of leases.

We are not concerned as to whether they sign the communitization agreement or do not. As far as the basic royalty owners are concerned, owners of mineral interests in privately owned lands, if the lease does not have a pooling clause that we consider adequate, the owners of the mineral interest or the basic royalty owners, whatever you want to call them, must sign the communitization agreement.

MR. MACEY: Will you state your position for the record, Mr. Anderson, so there won't be any --

MR. ANDERSON: John Anderson, Regional Oil and Gas Supervisor, United States Geological Survey.

MR. CAMPBELL: May I bring one thing out to clarify this witness's statement, Mr. McGrath, based upon the statement that Mr. Anderson just made, assuming that the oil and gas leases here involved contain no pooling clause, communitization authority, before the United States Geological Survey will approve the communitization of the unit, the basic royalty owners under these fee leases must have joined in the communitization agreement.

A I think that is right, yes, sir.

MR. CAMPBELL: That is all.

MR. MACEY: Anyone else have a question? If not the witness may be excused.

(Witness excused.)

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

E L V I S A. U T Z ,

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

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name and official position for the record?

A Elvis A. Utz, Petroleum Engineer with the New Mexico Oil Conservation Commission.

Q Mr. Utz, are you familiar with the cases pending before the Commission, Numbers 705 through 712, both inclusive?

A Reasonably so, yes.

Q I will ask you if you are familiar with the practice and requirements of the Oil Conservation Commission as they existed in

the year, 1953, prior to August 31st?

A Yes, sir.

Q What was the practice and requirements of the Commission with reference to obtaining permission to drill a well upon a drilling tract within the Blanco-Mesaverde Pool?

A The only thing that we required during the period in question was that the operator make a statement on his C-101 as to what acreage was dedicated to that well and if communitization was necessary, that he would communitize it. To the best of my knowledge, other than that there was nothing required in the way of communitization.

Q Is the C-101 the form of Notice of intention to drill?

A That is correct.

Q Have you looked in the files of the Cases 706 through 712, inclusive, that are involved in this hearing?

A Yes, sir, I have.

Q That is the files of the Oil Conservation Commission?

A That is correct.

Q And do those files contain the notices approved by the Commission, authorizing the drilling of the wells on each of those tracts?

A Yes, they do.

Q Did the Commission have any other requirements as a condition of drilling the well, other than filing of the form and subsequent communitization?

A Not to the best of my knowledge, they do not.

Q Has each of the wells in those cases been approved by a representative of the Commission?

A Yes, sir, it has.

Q Now, with reference to the drilling of wells located upon Federal land, what has been the practice of the Commission?

A We have no authority whatsoever to require anything as far as wells drilled on Federal land is concerned. However, the United States Geological Survey honors a number of our requests, among which was to state on the form, notice of intention to drill, to them, the acreage dedicated to the drilling well.

Q What was the practice prior to August 31, 1953, of any operator who wished to drill a well upon Federal land within the Blanco-Mesaverde Pool, with reference to filing any report with your office?

A There was none.

Q Did you receive a copy of the application that was filed with the United States Geological Survey?

A Yes, after it was approved by the United States Geological Survey, the United States Geological Survey furnished us with two copies.

Q Did you accept those notices as approved by the United States Geological Survey as evidence of the authority to drill the well?

A Yes, we do.

Q And you still do so?

A Yes, we do.

MR. HOWELL: That is all.

MR. MACEY: Mr. Campbell?

CROSS EXAMINATION

By MR. CAMPBELL:

Q Mr. Utz, you say that this was the practice followed prior to August 31, 1953. Has there been any change in that?

A In, quite recently, due to the advent of proration, we have stated in the proration orders that an operator shall file his gas well plat or a plat showing his dedicated acreage with his notice of intention to drill. Sometime after August 31st, or the date in question here we did require gas well plats showing the location and the amount of acreage dedicated to the well.

Q You are acquainted with Order No. R-110, aren't you, Mr. Utz?

A Reasonably so.

Q Are you acquainted with the provision that, "as to the location of these wells on the drilling units, 320 acres more or less, no well shall be drilled or completed or recompleted and no notice of intention to drill, or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than 320 acres of land, more or less, according to legal subdivision of the United States land surveys, in which unit all the interests are consolidated by pooling agreement or otherwise." Are you acquainted with that?

A Yes, I am.

Q Do you feel that the procedure followed by the Commission prior to August 31, 1953, in approving notices of intention to drill, without evidence of consolidation by pooling agreement or otherwise complies with that rule?

A The Commission apparently thought that it did, or they

wouldn't have authorized the District Offices to approve C-101's in lieu, the fact that it took a considerable length of time sometimes to get communitization, I think probably prompted that procedure.

Q Isn't it true also that on occasions the operators waited until rather late in the game to drill their well and seek their approval?

A That is true in a number of cases, yes.

MR. CAMPBELL: That is all.

MR. MACEY: Anyone else? The witness may be excused.

(Witness excused.)

MR. HOWELL: That is all we have.

MR. MACEY: Do you have any statements or anything that you would like to enter in the case?

MR. HOWELL: I don't wish to add to anything more than was said in the opening statement.

MR. MACEY: Mr. Howell, Mr. Rhodes has a question that he would like to ask.

MR. RHODES: Mr. Macey, I wonder if Mr. Howell would place Mr. Hamblin under oath?

MR. MACEY: Would that be satisfactory?

MR. CAMPBELL: May I first, before he gets into that, let the record show that I have requested permission to submit for the record, Yager's Exhibits R-4, R-5, R-6, R-7, R-8, R-9 and R-10, which are photostatic copies of oil and gas leases covering the tracts involved in Cases 706 through 712, and in order to keep it straight, they will be marked R4 (706) and so on, as you have done with yours.

MR. MACEY: Do you have any objection to that, Mr. Howell?

MR. HOWELL: No objection.

MR. MACEY: If no objection they will be received. Do you intend to submit them fairly soon, Mr. Campbell?

MR. CAMPBELL: Yes. Of course we don't have executed copies, do we?

MR. YAGER: I would have to get photostatic copies of copies.

MR. CAMPBELL: We will not be able to furnish photostatic copies of the original. Now if you have the originals it is perfectly all right with us, we would just like them in the record.

MR. HOWELL: We will be happy to furnish photostats of the original to you and let you send them in.

MR. MACEY: All right, that will be satisfactory. Do you have anything further, Mr. Campbell, before Mr. Hamblin?

R. L. H A M B L I N,

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

DIRECT EXAMINATION

BY MR. MACEY:

Q Would you state your name.

A R. L. Hamblin, with El Paso Natural Gas Company, Manager of the Lease Department.

MR. MACEY: Mr. Rhodes.

DIRECT EXAMINATION

BY MR. RHODES:

Q Mr. Hamblin, are you familiar with the leases concerned in these cases 706 through 712?

A Reasonably so. It has been quite a few since I actually read them but reasonably so, yes, sir.

Q Well, to clarify the situation in my own mind, the Commission issued a forced pooling order which made the communitization under discussion here, retroactive to the date of the approval of the C-101?

MR. HOWELL: If the Commission please, I believe that the -- that the question of Mr. Rhodes assumes a construction of the order that I certainly don't put on it.

MR. MACEY: I agree with you.

MR. HOWELL: I think the orders speak for themselves as to what the Commission did.

MR. MACEY: Perhaps you could reword your question.

Q The pooling agreement or the pooling order issued by the Commission made the effective date of the pooling agreement retroactive to the date upon which the intent to drill was approved, is that correct?

MR. HOWELL: Again I suggest that the order speaks for itself. That is our contention of what the Commission did was to determine that the parties, the working interest only, by agreeing at a certain date, had accomplished the pooling.

MR. CAMPBELL: Let me make this additional statement there in this regard, that it is our position that the Commission didn't do anything except state what they thought the law was in the case.

Q Well, let us assume that the Commission order made the effective date of the communitization retroactive to the date of the approval of the notice of intention to drill. That is one viewpoint, is that correct? Well, let us assume that it did.

A All right.

Q All right, let us further assume that the other side, for

there is also a possibility that the Commission order made the effective date of the communitization as of the effective date of the order. What I want to know is, did these leases expire in the interim?

A That is the question I can't answer, it has to be determined.

Q It has to be determined? A Yes, sir.

Q But nevertheless, the leases did expire on paper between the date that the well was spudded in and the date that the Commission issued its pooling order?

MR. MACEY: Mr. Howell, I think probably it would be proper for you --

MR. HOWELL: May I make a statement for the record here? I think that the leases when introduced in evidence and I am sure that Mr. Campbell will agree with me in this statement, that the primary term of each of the leases in question expired on August 31, 1953, at midnight, unless by virtue of some provision of the lease there had been drilling operations or commencement of drilling operations which would have continued the primary term. Does that answer your question? I suspect that you could get neither me or Mr. Campbell to agree as to any particular lease as to what the present legal status of the lease is.

MR. MACEY: Mr. Howell, I believe that very ably answers the question.

Q Now it is asserted that the provisions of the pooling orders [illegible] to the date of the spudding of this well, Mr. [illegible] would hold a standard [illegible] royalty or lessor's [illegible] which is provided in these units that

we are discussing, is that correct?

A That is correct.

Q However, if it was construed that the pooling order affected the communitization of those properties on the effective date of the order, then Mr. Yager would only hold working interest?

A Assuming that to be correct he would own the full working interest on these leases on which the wells were not actually located.

Q But which nevertheless were committed to the drilling unit?

A Yes.

Q Now then, Mr. Hamblin, the main question is this: If it were construed that this Commission order required that the communitization be effective on the effective date of the order, would that not also require under the terms of the communitization that Mr. Yager contribute his proportionate share to the drilling costs of the well?

A That is correct.

MR. CAMPBELL: Which Mr. Yager is willing to do.

Q Now then, one last question, and this may not be a proper question, if not, I will expect it to be objected to. What, in your opinion, is Mr. Yager trying to gain -- (LAUGHTER)

MR. HOWELL: I would be very happy to answer that, since I believe that that calls for a legal conclusion and would be the opinion of a witness as to a point that would just get us into controversy, so I object to the question.

MR. MAHR: I think the answer to the question is rather obvious as to who gains and who loses in the event of that happened.

MR. HOWELL: That is. I think it is an improper question.

MR. MACEY: I will be glad to explain it to you.

MR. REIDER: I don't understand it entirely and I believe it might expedite matters considerably, I think it might expedite matters considerably if Mr. Yager were placed under oath and taken the stand and explains his position.

MR. MACEY: I don't think it is the proper point in the case, Mr. Reider. Frankly we are concerned with the communitization or forced communitization of leases involved and I don't think that it is a proper question or a proper point in the case. Do you have anything further?

MR. RHODES: That is all I have.

MR. KITTS: I would like to ask Mr. Campbell a question and Mr. Howell.

MR. MACEY: Does anyone have any further questions of Mr. Hamblin?

(Witness excused.)

MR. KITTS: You have closed your case?

MR. HOWELL: We have closed.

MR. KITTS: Have you closed your case, Mr. Campbell?

MR. CAMPBELL: Yes.

MR. KITTS: I would like to direct a question to Mr. Howell and Mr. Campbell, to get their viewpoint on a legal argument here. This is concerning the section of our statute which defines owner and Section 13-C of the statute, on one hand, read that with Section 1-A of Order R-110. Do you think there is any basic conflict there or do you think that they can be construed together

MR. CAMPBELL: May I say that in the first place we do not believe that the authority of the Commission to compulsorily pool, under the circumstances existing in this case, arise out of Section 13-C. We believe that Section 13-C is limited to situations where if the uniform plan such as the 320-acre spacing here results in somebody's being left out or if there is an usuaual acreage survey situation, that this section applies, but that does not apply to a situation such as ours. We do believe that Section B, Sub-section B, coupled with the general police power under the statute gives the Commission full authority to compulsorily pool under the circumstances existing in our case.

MR. MACEY: General powers contained in the statute --

MR. CAMPBELL: Now as to the conflict, if there is any, it is our opinion that the Commission by its order in a particular pool may make such reasonable requirements as it sees fit, with reference to the operation of the pool and that where they have chosen to say, as they did in this order, that a notice of intention to drill shall not be approved until all of the interests have been pooled, voluntarily or otherwise, we think they meant all of the interests and we think they meant that unless you are voluntarily pooled, then there must be a compulsory pooling order before the pooling unit is complete. That is our position, legal position in this matter and we think that the order in the pool would control if there is any conflict.

MR. KELLY: Of course, 13-H, but the name of 13-C is mentioned, Order R-110, in Section 13-H.

MR. CAMPBELL: We can't see where that is applicable to the situation here, particularly from the applicant's point of view,

inasmuch as you can't show, it seems to me, that they can be deprived of anything to which they are entitled; if they are not pooled, we are the ones that are going to be deprived of it and are being deprived of it.

MR. HOWELL: We deal that the pooling does not deprive Mr. Yager of anything and that the royalty owner whose interest is pooled by the lessee are the royalty owners whose interest is pooled by the lessee in conformity with the spacing rule which has been adopted by the Commission. Now regardless of whether it be adopted pursuant to Section 13-B or Sub-section 13-C, it is a spacing rule that was adopted by the Commission and no person has the right --

MR. WALKER: Wait a moment. Mr. Yager, will you please lower your voice.

MR. HOWELL: And no person has a right to drill otherwise than under the spacing units prescribed by the Commission but that the parties may agree and our contention, the next in the concourse, is whether or not any one other than the owner under the statute, the persons having the right to drill and appropriate oil and gas, must agree or concur to pool their interests to do what the state says must be done as a matter of conservation, considering correlative rights and considering the interests of all parties, because certainly the correlative rights of no land owner are adversely affected by the lessee agreeing to pool in conformity with an order establishing a proper spacing unit. Royalty must be given under such an agreement according the correlative rights to which he is entitled and how there could be any necessity for any party other than the owner, the statutory

owners to agree would be requiring an unnecessary thing that would achieve no protection of any rights that would be violated otherwise.

MR. CAMPBELL: May I say just one more thing in regard to that? I think there are situations particularly where you have an operation offsetting your units, east, west, or north, south in a section, there are definitely situations in which the royalty owner can be adversely affected by the choice that the working interest owner makes under those circumstances. For instance, we have a case right here where for some reason they first chose the south half as the unit and then for reasons known best to them they turned to the west half. Now those reasons can involve circumstances of lease ownership, lease expiration, structural conditions, any number of things which can affect diverse royalty ownership within that section and it does not seem to us that it is completely accurate to say that whatever the working interest owner wants to do under these circumstances they can go ahead and do by simply filing a notice of intention to do it and getting it approved by the Commission. If that were the case, as I say, there would be no reason for this application in the first instance, if the Commission is correct. It would just mean that the royalty owner would be subject to whatever the working interest owner decided to do. Now from the working lease or offset's point of view that is fine but from the royalty owner's point of view that may not always be so satisfactory.

Can Mr. Yager make one point?

MR. YAGER: That is the reason why, gentlemen, from my point of view, the petition is at this not yet granted. You recall that

under the original provision of Section 3 of the act provided, to avoid the drilling of unnecessary wells, a proration unit of each pool may be fixed, which is the area which may be efficiently and economically drained and developed by one well. So we have got the definition of proration unit, which is the area which could be economically drained and developed by one well, but the amendment, the 1953 amendment went further and said that the Commission may establish a proration unit for each pool, following the same language, such being the area that can be efficiently and economically drained and developed by one well and in so doing the Commission shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners.

Now how is the Commission going to protect the correlative rights of a royalty owner without notice to the royalty owner, an opportunity for the royalty owner to be heard, if he can be adversely affected and it is obvious that he can be adversely affected. You can have structural conditions, you can have a situation where a number of -- I have outlined here in a letter to Mr. Campbell, about where a royalty owner can be adversely affected by the selection by lease owner of the lessee of wells he is going to select the north half or the south half or the east half or west half and it is more up to him to say select the west half and thus may adversely affect the royalty owner in one of the quarters. And that is the reason, that is the reason why he can't specifically say that, including the protection of royalty owners. But it seems to me so obvious, it seems to me that because it is so clear, but anybody can read this language although

that Section C doesn't apply, I can't understand it.

Listen, gentlemen, the pooling of proportion, this is in Section C, that those gentlemen asked you to apply and we contend it does not apply?

"The pooling of properties, or parts thereof, shall be permitted and if not agreed upon may be required when --", not at any time, not at the discretion of the Commission, the discretion of the Commission may be exercised under "B" but when may the Commission act under Section C, "When the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to produce --" and so on and so on.

Now what has happened in the order that the Commission entered in this case, to point out that under Order R-110, the Commission established a uniform spacing plan. Now Section C comes into being only when the enforcement of that uniform spacing plan works an injustice. But where it does not work an injustice, then the Commission operates under Section B and the other acts that relate to Section B under its generally implied power, its express power, and those implied powers that flow from the express powers, to establish proration units but certainly not under Section C. And incidentally in Section B and nowhere in Section B is there a reference to owner but quite the contrary, it includes the rights of royalty owners.

I pointed out at the outset, perhaps my statement is a little too vigorous, I apologize if so it is, but as I pointed out at the [illegible] not going to protect the rights of royalty owners

without giving them notice and an opportunity to be heard? You may not, your decision may be the same but I submit that you deprive them of due process under the statute unless you give them notice.

MR. HOWELL: I would like to answer that argument briefly.

MR. MACEY: Go ahead, Mr. Howell.

MR. HOWELL: It is our contention that the Commission established a proration unit when it entered the Order R-110, that the requirement of the proration unit be established was met when the Commission did give notice and hearing. And the royalty owners had an opportunity to appear and the Commission did determine that the correlative rights of the royalty owner would be protected by establishing a 320-acre proration unit in the Blanco-Mesaverde Pool, and that that has been accomplished and that direction of the statute has been met by the entry of Order No. R-110, that then, that having been established, the proration unit having been established, the spacing rule having been applied, that the owners, the statutory owners agreed upon the pooling of their interests in compliance with that order, and that that pooling was accomplished when the lessees then agree and that no further notice or hearing is required unless it be on a pool-wide basis of establishing proration units for the entire pool, would be the only time that additional notice and hearing should be given to royalty owners.

MR. MACEY: Anything further, Mr. Kellahin?

MR. KELLAHIN: No.

MR. MACEY: Does anyone have anything further in this case?

MR. [illegible]: I would like to ask a few questions of that witness.

be thus deprived of his right of hearing?

MR. YAGER: I didn't understand, sir.

MR. REIDER: I would like to ask you, sir, of what instance were you deprived of your right of hearing in any of these matters?

MR. YAGER: Well, when she, you see, there was no notice given, there was no notice given until the royalty owners, that is, the owners of the minerals, until -- oh, some time in 1954, wasn't it -- I believe in 1954.

MR. REIDER: You received no notice?

MR. YAGER: Yes, we received notice in 1954 but it goes to the fact, even to the proposition that the Commission cannot enter an order which would affect our rights prior to the time that they gave us a notice and an opportunity to be heard, it goes to the question of the total lack of jurisdiction to enter an order of that sort. It has a right, it has the right to enter orders after we have been given notice and an opportunity to be heard, but it cannot enter an order after giving no notice which would ... which would affect ... which would be retroactive. I think the gentleman's question there is a very pertinent question. I think it was a very pertinent question. I think I agree with both Mr. Howell and Mr. Campbell in how we place in this hearing, it has no place before the Commission, the Commission is not here to decide the questions of the right and title, by whom leased and certainly the Commission should not enter an order which would directly, it seems to me, divest one of his title and say, well, ... [illegible] any kind which this section is contemplated [illegible] the primary term expired,

[illegible] this

[illegible] provides [illegible]

MR. [illegible]: [illegible]

MR. [illegible]: [illegible] protection to

protect the royalty interest [illegible]

[illegible] on any of these matters, and [illegible] for my

question that you had been deprived. I wanted to know the specific

instance that you were deprived of your [illegible] hearing in this

matter. I would like to direct [illegible] --

MR. YAGER: Evidently you are not satisfied with my answer,

sir. I didn't mean to imply that the [illegible] didn't give me

an opportunity to be heard and didn't serve a notice upon me and

an opportunity to be heard in 1954, but if they enter an order in

1954 that affects the right of 1953, without giving me an oppor-

tunity to be heard in 1953, they are not exercising due process

of law and that is a legal proposition, sir.

MR. REIDER: I won't --

MR. YAGER: Yes, you might as well argue, if I owe you

money, a promissory note and sign the note and a thousand people

heard me say, I owe the note, you can walk into court and say,

"That fellow Yager owes me" and the judge renders a judgment against

me without serving a summons on me, all lawyers would tell you

that due process would not then be [illegible]. You see, he does

[illegible] opportunity to present his point of view. [illegible]

[illegible] point of view [illegible], but I think [illegible]

[illegible] in our idea of right thinking, [illegible]

[illegible] judgment has to be passed [illegible] opportunity to be heard.

MR. REIDER: [illegible], with reference to the Yager [illegible]

[illegible] I would like to know [illegible] letter is dated the 14th

MR. HOWELL: There was a full hearing, the record on the original hearing, I believe, contains the testimony of Mr. Hamblin on this point. I do not have the exact date; but I can state that the record shows that Mr. Yager was requested to join the communitization agreements prior to the date that the primary term of the leases expired; that the agreements signed by other parts were delivered to him and are in his possession, so far as we know, up to the present time; that at least the signed copies that were sent to him have not been returned to us and the record so shows on the initial hearing. We didn't go into that testimony today to again go through that point of the case.

MR. YAGER: What was the purpose for that sort of testimony, Mr. Howell, if this Commission is not called upon to pass upon the validity of these leases?

MR. HOWELL: The testimony -- for the record the Commission would be aware of it.

MR. YAGER: That is what I thought. Is the Commission going to pay any attention to that sort of testimony?

MR. HOWELL: It's a legal question ...

MR. KELLY: Gentlemen, candidate, Secretary

MR. MORRIS: You mean in order

MR. KELLY: Just trying [illegible] If not, in which case the rule order [illegible] the following [illegible]

STATE OF NEW MEXICO)
: ss.
COUNTY OF BERNALILLO)

I, MARGARET McCOSKEY, 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 31st day of March, 1954.

Margaret McCoskey
Notary Public, Court Reporter

My Commission Expires:

~~August 15, 1956.~~

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CASE

COMMUNITIZATION AGREEMENT

Heaton #3

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 the

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 not withstanding 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 indentical 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:

_____
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By _____
Vice President

ATTEST:

_____
Assistant Secretary

DELHI OIL CORPORATION

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 17th day of January, 1953, before me appeared W. F. Sitter, 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 W. F. Sitter 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:

Louise M. Cross
Notary Public in and for El Paso County, State of Texas

STATE OF TEXAS }
}
COUNTY OF DALLAS }

LOUISE M. CROSS
Notary Public, in and for El Paso County, Texas
My Commission expires June 1, 1953

On this 6th day of January, 1953, before me appeared FRANK A. SCHULTZ, 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 FRANK A. SCHULTZ 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 Spencer
Notary Public in and for Dallas County, State of Texas

MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

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 25th day of January, 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

NM 10 87 - Ext
10 87 - Ext
NM 120 1

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 711
Order No. R-557

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

2. That Applicant, El Paso Natural Gas Company, and Delhi Oil Corporation were, on March 9, 1953, the owners of the entire working interest under oil and gas leases covering W/2 of Section 32, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 acres of land.

That the W/2 of said Section 32, Township 31 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

4. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately

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

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool."

6. That on March 9, 1953, permission was granted by the U. S. Geological Survey to Applicant, El Paso Natural Gas Company, to drill a well, known as the Heaton #3 Well, to be located 990' from the south line and 990' from the west line of said Section 32, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation, and the W/2 of said Section 32, Township 31 North, Range 11 West, NMPM, was designated as the drilling unit and was approved by the U. S. Geological Survey on April 7, 1953, that drilling operations were commenced on said well on March 27, 1953, and the well completed on April 28, 1953, in the Mesaverde formation with an initial potential of 1,625,000 cubic feet of gas per day.

7. That the working interest owners, on March 9, 1953, were the only persons who had the right to drill into and to produce from said Mesaverde Gas Pool and to appropriate the production for themselves, and that all of said owners agreed to pool or communitize their separate oil and gas leases into a drilling unit containing 320 acres as described above.

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

9. That the agreement entered into by said owners to pool or communitize their oil and gas leases covering the W/2 of said Section 32, Township 31 North, Range 11 West, effectively created a communitized or pool unit comprising the W/2 of said Section 32, and that the approval by the U. S. Geological Survey effectively approved such communitized or pooled tract on the date of such approval, to wit, April 7, 1953, and that the W/2 of said Section 32, Township 31 North, Range 11 West, NMPM, has been and is an approved drilling unit containing 320 acres at all times thereafter.

10. That the drilling of an additional well or wells lying within the W/2 of said Section 32, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

That the W/2 of said Section 32, Township 31 North, Range 11 West, NMPM, be and is hereby recognized as a communitized or pooled tract effective April 7, 1953 and at all times thereafter, and that such pooling or communitization be and it is hereby in all things confirmed.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

Ex P-26

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. P-26
CASE 112

COMMUNITIZATION AGREEMENT
Koch Bol Unit #1

THIS AGREEMENT, made and entered into this 1st day of August 1953, by and between El Paso Natural Gas Company, a Delaware corporation, whose address is P. O. Box 1492, El Paso Texas, (hereinafter sometimes referred to as "El Paso"); Delhi Oil Corporation, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; Saul 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; and The Atlantic Refining Company, a Pennsylvania corporation whose address is P. O. Box 2819, Dallas 1, Texas; Sam Mizel, whose address is 101 W. Cameron Street, Tulsa, Oklahoma; Fred C. Koch, whose address is 321 W. Douglas, Wichita, Kansas; Sunray Oil Corporation, a Delaware corporation, whose address is First National Bank Building, 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 that certain Oil and Gas Lease executed in favor of El Paso Natural Gas Company as Lessee under date of July 2, 1953, by Rose Rosenwein, a feme sole, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: SE/4 NW/4 SE/4
containing 10.00 acres, more or less; and

WHEREAS, the above described lease provides for the pooling by the Lessee of the lands covered thereby as follows:

"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 640 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."

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

Township 30 North, Range 10 West, N.M.P.M.
Section 3: NW/4 NW/4 SE/4
containing 10.00 acres, more or less; and

WHEREAS, Sunray Oil Corporation by contract with El Paso, dated September 26, 1952, reserved and retained 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 ($\frac{1}{4}$) 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, The Atlantic Refining Company is the present owner and holder of that certain United States Oil and Gas Lease bearing Serial Number New Mexico 0607 executed in favor of The Atlantic Refining Company as Lessee under date of May 1, 1950, by the United States of America as Lessor embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: Lot 1, SE/4 NE/4, SW/4 SE/4, E/2 SE/4
containing 200.29 acres, more or less; and

WHEREAS, by a Contract for Development, dated February 27, 1950, as amended by a Supplemental Contract dated July 21, 1950, certain operating rights in the above described Federal Oil and Gas Lease were assigned to Delhi Oil Corporation. This Contract for Development was approved by the Bureau of Land Management by a Decision dated July 25, 1950. By an Agreement dated February 26, 1952, this Contract for Development was further amended whereby said Agreement provides that Delhi Oil Corporation shall transfer and assign to El Paso all its right, title and interest in and to the "earned gas acreage" and in and to all "unearned gas acreage" covered by said Contract and that The Atlantic Refining Company approves and agrees to such transfer and assignment; and

WHEREAS, El Paso is the present owner and holder of the gas operating rights down to and including the base of the Mesaverde formation in and under the above described Federal Oil and Gas Lease insofar as said lease is applicable to the last above described tract; and

WHEREAS, Delhi Oil Corporation is the present owner and holder of the oil operating rights, certain gas overriding royalties and certain gas operating rights under the above described Federal Oil and Gas Lease; and

WHEREAS, El Paso is the present owner of the gas rights to the base of the Mesaverde formation under that certain Oil and Gas Lease executed by John A. Pierce and wife Katharine L. Pierce, as Lessors, in favor of C. H. Nye, as Lessee under date of January 24, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: Lot 2
containing 40.39 acres, more or less; and

WHEREAS said lease provides for the pooling by the 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 640 acres; and in the event lessee exercises the 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 Sunray Oil Corporation by a contract with El Paso dated September 26, 1952 is the present owner of certain gas overriding royalties on the last above described tract; and

WHEREAS El Paso Natural Gas Company is the present owner of the gas rights to the base of the Mesaverde formation under that certain oil and gas lease executed in favor of Barnsdall Oil Company by C. H. Nye and wife Linda Nye, as Lessors under date of April 1, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: NE/4 NW/4 SE/4
containing 10.00 acres, more or less; and

WHEREAS said oil and gas lease provides for the pooling by the 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 640 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 Sunray Oil Corporation by contract with El Paso dated September 26, 1952, retained and reserved certain gas overriding royalties on the last above described tract; and

WHEREAS, Fred C. Koch is the present owner of that certain oil and gas lease executed in favor of Fred C. Koch as Lessee, by Gladys E. DeJarnette and husband Leland R. DeJarnette and Alma Z. Harlow and husband D. L. Harlow as Lessors under date of July 19, 1951, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 33: SW/4 NE/4, SW/4 NW/4 SE/4
containing 50.00 acres, more or less; and

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

"17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization: provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the described land included in such unit in the same manner as though produced from the above described land under the terms of the lease.

WHEREAS, in order to expedite the execution of this agreement all of the overriding royalty owners of 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 30 North, Range 10 West, N.M.P.M.
Section 3: E/2
containing 320.68 acres, more or less; and

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

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

tioned 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 herein above described shall remain in full force and effect as originally made and issued. It is further agreed that the commencement, completion, continued operation or production of a well or wells for dry gas on the communitized tract from the Mesaverde formation shall be construed and considered as the commencement, completion, continued operation or production as to each lease committed thereto.

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

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

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

The unit operator (El Paso) agrees to furnish the Secretary of the Interior, or his duly authorized representatives, with a log and history of any

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

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

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

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

ATTEST:

Assistant Secretary

EL PASO NATURAL GAS COMPANY

By _____ Vice President

ATTEST:

Assistant Secretary

THE ATLANTIC REFINING COMPANY

By _____ Vice President

ATTEST:

Assistant Secretary

DELHI OIL CORPORATION

By _____ Vice President

APPROVED

Saul A. Yager

Marian Yager

M. E. Gimp

ATTEST:

Assistant Secretary

SUNRAY OIL CORPORATION

By _____ Vice President

Form Approved

Morris Mizel

Flora Mizel

Fred C. Koch

Fred C. Koch

Mary K. Koch

MRK

Sam Mizel

STATE OF TEXAS

COUNTY OF EL PASO

On this 17th day of January, 1955 before me appeared R. E. Smith, 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 said 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 R. E. Smith acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Louise M. Cross

Notary Public, El Paso County, Texas

Notary Public, El Paso County, Texas
My commission expires June 1, 1956

STATE OF TEXAS

COUNTY OF DALLAS

On this 24th day of January, 1955 before me appeared L. A. SUNKEL, to me personally known, who, being my me duly sworn, did say that he is the Vice President of THE ATLANTIC REFINING COMPANY and that the seal affixed to said 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 L. A. Sunkel 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:

6-1-55

Holly Mae Tipsett

Notary Public, County of Dallas, Texas

HOLLY MAE TIPSETT

STATE OF TEXAS

COUNTY OF DALLAS

On this 5th day of January, 1953, before me appeared FRANK A. SCHULZ, 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 said 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 FRANK A. SCHULZ 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 Spencer
Notary Public, Dallas County, Texas

MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

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, County of Tulsa, 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, County of Tulsa, Oklahoma

STATE OF TEXAS

COUNTY OF DALLAS

On this_____day of_____, 1953, 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, Dallas County, Texas

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

On this 28 day of January, 1955, before me appeared H. C. Wagner, to me personally known, who, being by me duly sworn, did say that he is the Vice President of **SUNRAY OIL CORPORATION**, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. C. Wagner 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:

3-1-59

Notary Public, County of Tulsa, State of Oklahoma

Koch Offshore
File NM 1205

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. 712
Order No. R-558

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE E/2 OF SECTION 3, TOWNSHIP
30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

2. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, Atlantic Refining Company, Sunray Oil Corporation, Fred C. Koch, and the Aztec Oil and Gas Company were, on August 14, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico, containing 320.68 acres of land.

3. That the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

4. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a

rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool."

6. That on August 14, 1953, permission was granted by the U.S. Geological Survey to applicant, El Paso Natural Gas Company, to drill a well known as the Koch Pool Unit #1 Well, to be located 1800' from the north line and 890' from the east line of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation, and the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, was designated as the drilling unit as provided in Order R-110; that drilling operations were commenced in said well on August 30, 1953, and the well completed on November 9, 1953, in the Mesaverde formation with an initial potential of 5,550,000 cubic feet of gas per day.

7. That the working interest owners on August 14, 1953, were the only persons who had the right to drill into and to produce from said Mesaverde Gas Pool and to appropriate the production for themselves, and that all of said owners agreed to pool or communitize their separate oil and gas leases into a drilling unit containing 320.68 acres as described above.

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

9. That the agreement entered into by said owners to pool or communitize their oil and gas leases covering the E/2 of said Section 3, Township 30 North, Range 10 West, effectively created a communitized or pooled unit comprising the E/2 of said Section 3, and that the approval by the U. S. Geological Survey effectively approved such communitized or pooled tract on the date of such approval, to-wit, August 14, 1953, and the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, has been and is an approved drilling unit containing 320 acres at all times thereafter.

10. That the drilling of an additional well or wells lying within the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

That the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, be and is hereby recognized as a communitized or pooled tract effective August 14, 1953, and at all times thereafter, and that such pooling or communitization be and it is hereby in all things confirmed.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

SEAL

lr

KNOW ALL

That the undersigned, [illegible] corporation, whose address is [illegible] (hereinafter called "Assignor"), for and in consideration of the sum of Ten Dollars ($10.00), and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer, set over and deliver unto EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "Assignee"), its successors and assigns, all right, title and interest of Assignor in and to those certain oil and gas mining leases described in Exhibit "A" attached hereto and made a part hereof for all purposes;

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns forever, subject, however, to the following:

1. In said leases, assignments thereof and [illegible] instruments and documents pertaining [illegible] and reserved to or assigned for the benefit of the [illegible] assignors and others certain royalties, overriding royalties, other rights and interests in, to and [illegible] other minerals in and under

during the next 3-1/3 years thereafter.

(3) 7½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

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

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

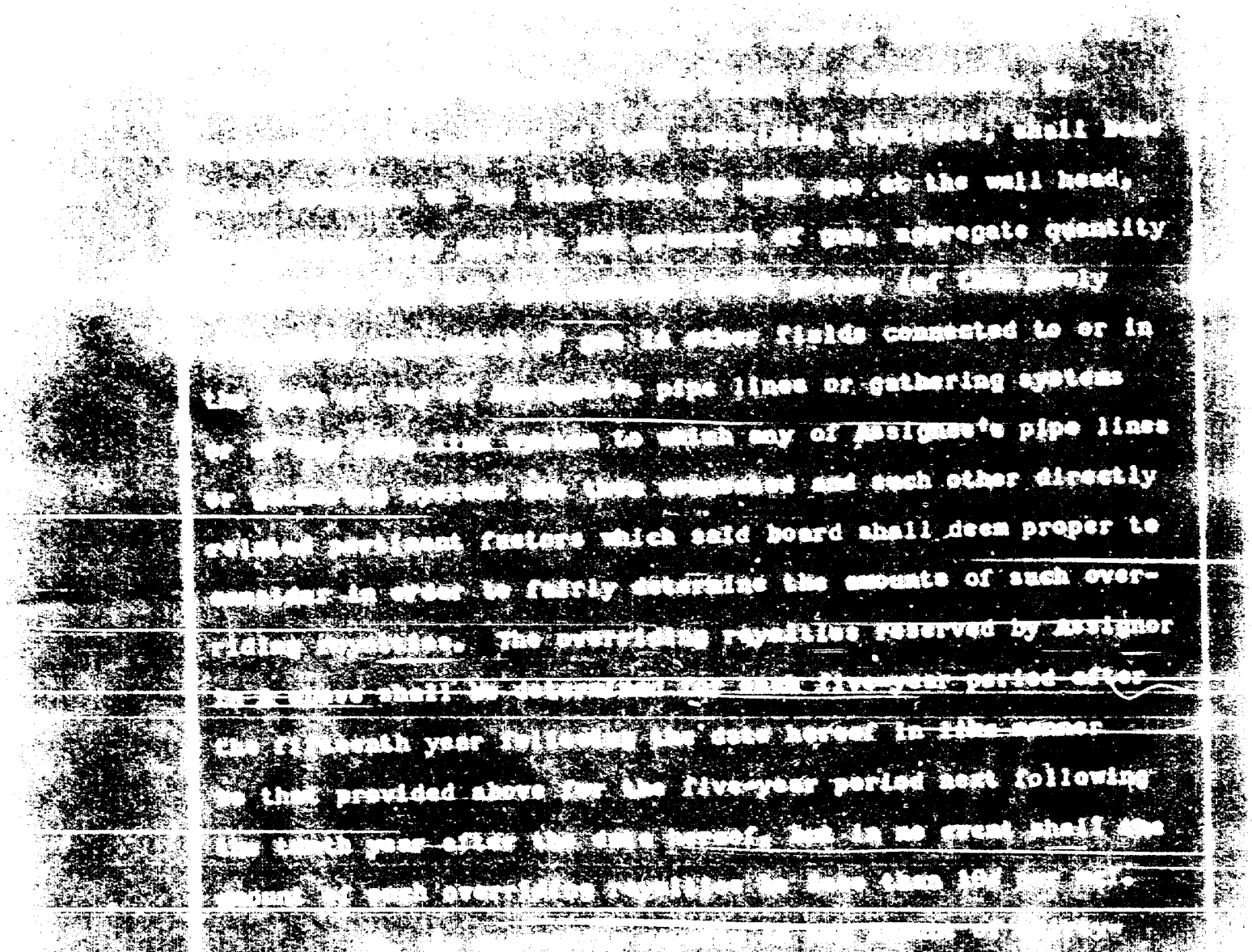
(6) Not less than 10¢ per mcf on all such gas produced and saved thereafter.

B. The volumes of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be in accordance with the specifications pre-

Report No. 2, dated May 6,

Gas Department of the American Gas Asso-

Appendix thereto and subsequent amendments



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

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

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

purported to be ass[illegible]
may lawfully have or claim an interest therein by, through
Assignor.

6. Assignee, by its acceptance of this Assignment, warrants and agrees that it will comply with all terms, provisions and conditions of the Agreement dated January 18, 1952, mentioned hereinabove, and, subject to the terms thereof, that it will comply with all obligations of the leases hereby assigned and that it hereby assumes and agrees to pay, as and when the same shall become due and payable, all outstanding royalty, overriding royalty, carried and other interests under the leases hereby assigned applicable to all gas and other hydrocarbons produced and sawed by Assignee.

EXECUTED at Dallas, Texas, on this 1st day of March, 1952.

DELHI OIL CORPORATION

BY _____
Vice President

ATTEST:

[illegible]

[illegible] Natural Gas Company, Assignee herein, hereby

The leases and other instruments hereinafter described in this exhibit, and the records thereof where described, are hereby referred to for all purposes in connection with the assignment to which this exhibit is attached.

I.

The following leases are subject to the following interests:

A. An overriding royalty of two and one-half per cent (2½%) of all oil, gas or other minerals as reserved by Wayne Moore, et ux, and described in that certain assignment of several leases to The Mudge Oil Company, dated February 19, 1948, recorded in Book 126, Page 568 of the records of San Juan County, New Mexico.

B. An overriding royalty of fifteen per cent (15%) of all gas and twenty per cent (20%) of all oil, subject to suspension and conversion to a working interest in certain instances, as reserved by The Mudge Oil Company and more fully described in that certain assignment from The Mudge Oil Company to Delhi Oil Corporation, acknowledged May 1, 1950, recorded in Book 146, Page 633 of the records of San Juan County, New Mexico.

NM 288
NM 1065

Lease dated June 3, 1947, and executed by James C. Sumruld and wife, Fannie Sumruld, as Lessors, to Wayne Moore, Lessee, covering the Northwest Quarter of the Northeast Quarter (NW/4 NE/4) of Section Thirty-four (34), and the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section Twenty-seven (27) all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., and containing 80 acres, more or less, said lease being recorded in Book [illegible] of the records of San [illegible] having been

NM 293

Lease dated May 5, 1946, and executed by Arthur Davis, et al, as Lessors, to [illegible], covering the West half of the [illegible] Quarter (W/2 SW/4) of Section Twenty-three (23) and the West half of the Northwest Quarter (W/2 NW/4) of Section Twenty-six (26), all in Township Thirty-two (32) North, Range Eleven (11) West, N.M.P.M., and containing 160 acres, more or less, said lease being recorded in Book 125, at Page 55 of the records of San Juan County, New Mexico.

Lease dated June 5, 1947, and executed by Gil Turner and wife, Delma Turner, as Lessors, to Wayne Moore, Lessee, covering approximately 149 acres in Section Thirty-four (34), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, all as more particularly described in said lease as recorded in Book 125, at Page 237 of the records of San Juan County, New Mexico; said lease having been extended in part by Agreement dated February 19, 1952, executed by Carl S. Sexton, et ux.

NM 294

Lease dated February 25, 1946, and executed February 28, 1946, by Mrs. Belle Hutchin, Administratrix, et al, as Lessors, to Ben Case, Lessee, covering "N½ SE, W½ NE Section 7", Township 31 North, Range 10 West, N.M.P.M., less two acres, and containing 158 acres, more or less, said lease being recorded in Book 125, Page 49 of the records of San Juan County, New Mexico.

NM 295

Lease dated March 1, 1946, executed by William C. Carruthers and wife, Frankie S. Carruthers, as Lessors, to Ben Case, Lessee, covering the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section Five (5), in Township Thirty-one (31) North, Range Ten (10) West; the North Half of the Northwest Quarter of the Northwest Quarter (N/2 NW/4 NW/4) of Section Eight (8) in Township Thirty-one (31) North, Range Ten (10) West; and the North Half of the Northeast Quarter of the Northeast Quarter (N/2 NE/4 NE/4) of Section Seven (7), [illegible] Township Thirty-one (31) North, Range Ten (10) West, [illegible]

NM 347
1971

Eight (8), the West Half of the West Half (W/2 W/2) of Section Seventeen (17), the East Half of the Southwest Quarter (E/2 SW/4) and the West Half of the Southeast Quarter (W/2 SE/4) of Section Twenty-nine (29), all in Township Thirty-two (32) North, Range Ten (10) West, N.M.P.M.; also the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section Fourteen (14), the North Half of the Northeast Quarter (N/2 NE/4) of Section Twenty-three (23), and the North Half of the Northwest Quarter (N/2 NW/4) of Section Twenty-four (24), all in Township Thirty-two (32) North, Range Eleven (11) West, N.M.P.M., and containing 880 acres, more or less; said lease being recorded in Book 125, at Page 206, of the records of San Juan County, New Mexico; said lease having been amended in part by that certain agreement between Austin D. Decker, et ux, and Delhi Oil Corporation, dated April 27, 1950.

NM 344

Lease dated February 3, 1947, and executed by Earl Uselman and wife, Edith Uselman, as Lessors, to Wayne Moore, Lessee, covering the Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of Section Four (4) in Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., containing Forty (40) acres, more or less, according to U. S. Government Survey thereof. Also, all that part of the Northeast Quarter of the Northwest Quarter (NE/4 NW/4) lying South of the North Bank of the Animas River of Section Four (4) in Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., containing three (3) acres, more or less; said lease being recorded in Book 125, at Page 203, of the records of San Juan County, New Mexico; said lease having been amended by that certain agreement between Earl Uselman, et ux, and Delhi Oil Corporation, dated April 20, 1950, recorded in Book 146, Page 600 of the records of San Juan County, New Mexico, and said lease having been extended by that certain agreement between the same parties, dated January 9, 1952, recorded in Book 172, Page 356 of the records of said county.

NM 380
1971

[illegible] Oil Corporation, [illegible] corded in Book 135, Page 31 of the records of said county.

II.

The following leases are subject to the following interests:

A. An overriding royalty of two and one-half per cent (2½%) of all oil, gas or other minerals, as reserved by H. F. Pettigrew and described in that certain assignment to Delhi Oil Corporation, dated August 15, 1950, recorded in Book 151, Page 517 of the records of San Juan County, New Mexico.

B. An overriding royalty of fifteen per cent (15%) of all gas and twenty per cent (20%) of all oil, subject to suspension and conversion to a working interest in certain instances, as granted to San Juan Oil Company by, and more fully described in, that certain agreement entered into between San Juan Oil Company and Delhi Oil Corporation, dated January 5, 1951, recorded in Book 157, Page 328 of the records of San Juan County, New Mexico.

NM 363

Lease dated December 3, 1947, executed December 6, 1947 by Ray H. Wooten and wife, Melba Wooten, as Lessors, to Wayne Moore, Lessee, covering the East Half of the Southeast Quarter (E/2 SE/4) of Section Twenty-three (23), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., in the County of San Juan, New Mexico, containing 80 acres, more or less, said lease being recorded in Book 135, Page 93-A of the records of San Juan County, New Mexico.

NM 364

NM 1084

Lease dated December 29, 1949, executed by Carl G. Calloway, et al, as Lessors, to H. F. Pettigrew, Lessee, covering the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section Twenty-three (23), the East One-half of the Southeast Quarter (E/2 SE/4) of Section Twenty-two (22) and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Twenty-seven (27), all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, being the same land patented to Shade [illegible] October 24, 1914, recorded [illegible] records of San Juan [illegible] acres, more or [illegible] 140, Page 335 of [illegible]

NM 365

Lease dated [illegible] Yeager, et [illegible]

NM-1067

[illegible] of the [illegible] Section Thirty-(11) West, N.M.P.M., San Juan County, New Mexico, containing 160 acres, more or less, said lease being recorded in Book 135, Page 87, of the records of San Juan County, New Mexico.

III.

The following leases are subject to the following interests:

A. An overriding royalty of two and one half per cent (2½%) of all oil, gas or other minerals as reserved by Primo Oil Company and described in that certain assignment to Delhi Oil Corporation, dated January 11, 1951, recorded in Book 157, Page 246 of the records of San Juan County, New Mexico.

B. An overriding royalty of fifteen per cent (15%) of all gas and twenty per cent (20%) of all oil, subject to suspension and conversion to a working interest in certain instances, as granted to San Juan Oil Company by, and more fully described in, that certain agreement entered into between San Juan Oil Company and Delhi Oil Corporation, dated May 25, 1951, recorded in Book 165, Page 447 of the records of San Juan County, New Mexico.

NM 377
NM 1078

Lease dated September 1, 1948, executed by Saul A. Yager, et ux, as Lessors, to Wayne Moore, Lessee, covering the East one-half of the Southwest Quarter (E/2 SW/4) of Section Fifteen (15), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 80 acres, more or less, said lease being recorded in Book 135, Page 88 of the records of San Juan County, New Mexico.

NM 378
NM 1078

Lease dated September 1, 1948, executed by Saul A. Yager, et ux, as Lessors, to Wayne Moore, Lessee, covering the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section Thirty-one (31) in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 40 acres, more or less, said lease being recorded in Book 135, Page [illegible] of the records of San Juan County, New Mexico.

[illegible] September 1, 1948, executed by Saul

NM 381

[illegible] San Juan County, New Mexico, [illegible] or less, said lease [illegible] 441 of the records of San Juan County, New Mexico.

Lease dated May 4, 1950, executed May 5, 1950 by Geo. F. Brusington, et ux, as Lessors, to H. F. Pettigrew, Lessee, in so far as said lease covers all that part of the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Thirty-five (35) situated, lying and being East of the right of way of the Denver & Rio Grande Railroad Company and all that part of the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section Twenty-five (25) lying and being East of the Aztec Ditch, all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M. and Lot Three (3), or the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section Nineteen (19), Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., all in San Juan County, New Mexico, purported to contain approximately 110.80 acres, said lease being recorded in Book 146, Page 320 of the records of San Juan County, New Mexico.

NM 382

Lease dated December 20, 1949, executed by J. J. Armstrong, et ux, as Lessors, to H. F. Pettigrew, Lessee, covering three tracts of land in Section Seven (7), Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., San Juan County, New Mexico, containing 25 acres, more or less, all as more particularly described in said lease and the record thereof, said lease being recorded in Book 140, Page 15 of the Records of said county.

NM 383

Lease dated December 20, 1949, executed by Carl G. Calloway, a single person, and Zella Calloway, a single person, as Lessors, to H. F. Pettigrew, Lessee, in so far as said lease covers all of that part of the Northwest Quarter of the Northeast Quarter of the Northeast Quarter (NW/4 NE/4 NE/4) of Section Thirty-five (35), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, lying and being West of the Denver & Rio Grande Western Railroad Company right-of-way, containing 4 acres, more or less, said lease being recorded in Book 140, Page 336 of the records of San Juan County, New Mexico.

IV.

The following leases are subject to the following interest:

NM 420

An overriding royalty of [illegible] (1/8) of seven-eighths (7/8) of [illegible] other hydrocarbon substances [illegible] granted to M. J. Florance, et ux, [illegible] assignment from Blanco Gas Company, dated October 10, 1950.

[illegible] Sexton, [illegible] Carl S.

[illegible] Township Thirty (30) North, Range Eight (8) West, N.M.P.M., San Juan County, New Mexico, containing 160 acres, more or less, said lease being recorded in Book 130, Page 43 of the records of San Juan County, New Mexico.

NM 421

Lease dated August 16, 1947, executed by Ricardo Jaquez, et ux, as Lessors, to C. H. Nye, Lessee, only in so far as it covers Lot Two (2) or the Southwest Quarter of the Northwest Quarter (SW/4 NW/4), Lot Three (3) or the Northwest Quarter of the Southwest Quarter (NW/4 SW/4), the Southeast Quarter of the Northwest Quarter (SE/4 NW/4), the Northeast Quarter of the Southwest Quarter (NE/4 SW/4) and the Southwest Quarter of the Northeast Quarter (SW/4 NE/4), all in Section Thirty (30), Township Thirty (30) North, Range Eight (8) West, N.M.P.M., San Juan County, New Mexico, containing 143 acres, more or less, said lease being recorded in Book 130, Page 2 of the records of San Juan County, New Mexico.

NM 422

Lease dated October 20, 1947, executed by Felipe Jaquez, et ux, as Lessors, to M. J. Florance, Lessee, covering the West one-half of the Southwest Quarter (W/2 SW/4) of Section Twenty-one (21), the Northwest Quarter of the Northwest Quarter (NW/4 NW/4) of Section Twenty-eight (28), the North one-half of the North one-half (N/2 N/2) of Section Twenty-nine (29) and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Thirty (30), all in Township Thirty-one (31) North, Range Nine (9) West, N.M.P.M., San Juan County, New Mexico, covering 320 acres, more or less, said lease being recorded in Book 130, Page 44 of the records of San Juan County, New Mexico.

NM 423

Lease dated August 18, 1947, executed by Theodoro Archuleta, et ux, as Lessors, to C. H. Nye, Lessee, covering approximately 127.4 acres in the Southeast Quarter of the Southwest Quarter (SE/4 SW/4), the West one-half of the Southeast Quarter (W/2 SE/4) and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4), all in Section Nineteen (19), Township Thirty (30) North, Range Eight (8) West, N.M.P.M., San Juan County, New Mexico, all as more specifically described in said lease, said lease being recorded in Book 130, Page 3 of the records of San Juan County, New Mexico.

NM 424

Lease dated September 8, 1947, executed by Ezell Taylor, et al, as Lessors, to M. J. Florance, Lessee, covering the Southeast Quarter [illegible] (SE/4 SE/4) of Section [illegible] of the Southwest Quarter [illegible] the North one-half of [illegible] and the East one-half [illegible] of Section Ten (10) [illegible] West side of the San [illegible] the North [illegible] of [illegible] West [illegible] (30) North, [illegible] County, New [illegible] Record [illegible]

...County, New

The following lease is subject to an overriding royalty of fifteen per cent (15%) of all gas and twenty per cent (20%) of all oil, subject to suspension and conversion to a working interest in certain instances as reserved by John Byerly, et ux, and more fully described in that certain assignment to Delhi Oil Corporation, dated September 20, 1950, recorded in Book 153, Page 94 of the records of San Juan County, New Mexico.

NM 367

Lease dated November 4, 1947, executed by O. J. Carson, et ux, as Lessors, to John Byerly, Lessee, covering the Southeast Quarter (SE/4) of Section Twenty-eight (28), Township Twenty-six (26) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 160 acres, more or less, said lease being recorded in Book 130, Page 30 of the records of San Juan County, New Mexico.

All of the remaining leases are subject to the usual lessor's royalty of one-eighth (1/8) as more fully described in each said lease.

[redacted] ALL [redacted]

That the undersigned [redacted] corporation, whose address is Corrigan Tower, [redacted], Texas, (hereinafter called "Assignor"), for and in consideration of the sum of Ten Dollars ($10.00), and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer, set over and convey unto EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas, (hereinafter called "Assignee"), its successors and assigns, all right, title and interest of Assignor in and to those certain oil and gas mining leases described in Exhibit "A" attached hereto and made a part hereof for all purposes;

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns forever, subject, however, to the following:

1. In said leases, assignments thereof and other instruments and documents pertaining thereto there are excepted and reserved to or assigned for the benefit of the various lessors, assignors and others certain royalties, overriding royalties and other rights and interests in, to and connected with oil, gas and other minerals produced from and under said [redacted] being here made to said [redacted]

[redacted] thereof.

(2) 6½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(3) 7½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

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

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

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

B. The volumes of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the appendix thereto and subsequent amendments and appendices from time to time made. Proper corrections shall be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper

for the [illegible] overriding royalties, [illegible] royalties to be received by Assignor in reunder for such gas. If the parties cannot agree upon such amounts, then such amounts shall be determined by a board of arbitrators to be appointed as provided in the agreement between the parties dated January 16, 1952, hereinafter mentioned. The board of arbitrators, in determining the amounts of such overriding royalties, shall base their decision on the then value of such gas at the well head, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of Assignee's pipe lines or gathering systems or of any pipe line system to which any of Assignee's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties. The overriding royalties reserved by Assignor in A above shall be determined for each five-year period after the fifteenth year following the date hereof in like manner to that provided above for the five-year period next following the tenth year after the date hereof, but in no event shall the amount of such overriding royalties be less than 10¢ per mcf.

D. An overriding royalty in the amount of thirty-three and one-third per cent (33-1/3%) of Assignor's interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from the said lands and leases. At Assignor's option, Assignee shall deliver to Assignor the full market value thereof [illegible] at all times prior to the completion of construction and commencement of operation by Assignee of a plant [illegible] Assignee shall pay to Assignor in [illegible] gas

[illegible] premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

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

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

4. For the same consideration [illegible] and assigns to Assignee all [illegible]

[illegible]

[illegible] will comply with all obligations of the lessee hereby assigned and that it hereby assumes and agrees to pay to and when the same shall become due and payable all [illegible] overriding royalty, carried and other interests under the leases hereby assigned applicable to all gas and other hydrocarbons produced and saved by Assignee.

EXECUTED at Dallas, Texas, on this 17 day of October, 1952.

DELHI OIL CORPORATION

By _____
Vice President

ATTEST:

_____

by commission expires

Exhibit "A" to Assignment of Oil and Gas
Leases and Partial Interests in Certain Leases" from
Delhi Oil Corporation to El Paso
Natural Gas Company dated July , 1952.

The leases and other instruments hereinafter described in this exhibit, and the records thereof where described, are hereby referred to for all purposes in connection with the assignment to which this exhibit is attached.

I.

The following leases are subject to the following interests:

A. An overriding royalty of two and one-half per cent (2½%) of all oil, gas or other minerals as reserved by Wayne Moore, et ux, and described in that certain assignment of several leases to the Mudge Oil Company dated February 19, 1948, recorded in Book 126, Page 568, of the Records of San Juan County, New Mexico, said overriding royalty interests being hereby extended, ratified and confirmed as to the following described leases by Assignor herein, Delhi Oil Corporation.

B. An overriding royalty of fifteen per cent (15%) of eight-eighths (8/8) of all gas and twenty per cent (20%) of eight-eighths (8/8) of all oil only insofar as such overriding royalty interest covers or affects all formations down to and including the Mesaverde Formation, subject to suspension and conversion to a working interest during any month when the production for a particular lease shall average less than five hundred thousand (500,000) of gas per well per day or fifteen (15) barrels of oil per well per day from all formations down to and including the Mesaverde Formation now owned by Frank A. Schultz, all as more fully described in that certain assignment from San Juan Oil Company to Frank A. Schultz dated December 27, 1951, recorded in Book 172, Page 252, of the Records of San Juan County, New Mexico, said overriding royalty interests being hereby extended, ratified and confirmed as to the following described leases by Assignor herein, Delhi Oil Corporation.

C. An overriding royalty of fifteen per cent (15%) of eight-eighths (8/8) of all gas and twenty per cent (20%) of eight-eighths (8/8) of all oil only insofar as such overriding royalty interest covers or affects all formations below the Mesaverde Formation, subject to suspension and conversion to a working interest during any month when the production from a particular lease shall average less than five hundred thousand (500,000) [illegible] per day or fifteen (15) barrels of oil per well per [illegible] oil [illegible] below the Mesaverde [illegible] as, all as more fully described [illegible] Company to Frank A. Schultz [illegible] Page 252, of the Records of San [illegible] royalty interests being hereby [illegible] following described [illegible]

NM-44Ba
(NMO-184)

Leases dated [illegible]
cheval, as Lessor, to [illegible]
a one-[illegible]
[illegible]
Quarter (¼) [illegible]
[illegible] (¾)

NM-4486
(NMO-185)

Lease dated January 22, 1952 and executed by Richard Shiershke and wife, Ramona Shiershke, as Lessors, to Delhi Oil Corporation, as Lessee, covering a one-fourth (1/4) undivided interest in the South Half of the Southwest Quarter (S/2 SW/4), the South Half of the Southeast Quarter (S/2 SE/4) of Section Twenty-five (25), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., (being forty (40) acres), in San Juan County, New Mexico, said lease being recorded in Book 179, Page 199 of the Records of San Juan County, New Mexico.

Lease dated January 22, 1952 and executed by W. N. Spatter and wife, Frances Spatter, as Lessors, to Delhi Oil Corporation, as Lessee, covering a one-eighth (1/8) undivided interest in the South Half of the Southwest Quarter (S/2 SW/4), the South Half of the Southeast Quarter (S/2 SE/4) of Section Twenty-five (25), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., (being twenty (20) acres), in San Juan County, New Mexico, said lease being recorded in Book 179, Page 197 of the Records of San Juan County, New Mexico.

NM-4488
(NMO-187)

Lease dated January 22, 1952 and executed by Jesse C. Lachary, Sr. and wife, Laura Lachary, as Lessors, to Delhi Oil Corporation, as Lessee, covering a one-fourth (1/4) undivided interest in the South Half of the Southwest Quarter (S/2 SW/4), the South Half of the Southeast Quarter (S/2 SE/4) of Section Twenty-five (25), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., (being forty (40) acres), in San Juan County, New Mexico, said lease being recorded in Book 179, Page 195 of the Records of San Juan County, New Mexico.

Lease dated April 24, 1952 and executed by Henry A. Mawn, as Lessor, to Delhi Oil Corporation, as Lessee, covering a one-fourth (1/4) undivided interest in the South Half of the Southwest Quarter (S/2 SW/4), the South Half of the Southeast Quarter (S/2 SE/4) of Section Twenty-five (25), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., (being forty (40) acres), in San Juan County, New Mexico, said lease being recorded in Book 179, Page 49 of the Records of San Juan County, New Mexico.

NM-4490
(NMO-189)

Lease dated January 8, 1952 and executed by J. F. Thurston and wife, Teresa Thurston, as Lessors, to Delhi Oil Corporation, as Lessee, covering the South Half of the Southeast Quarter (S/2 SE/4) of Section Thirty (30) and the East Half of the Northeast Quarter (E/2 NE/4) of Section Thirty-one (31), all in Township Thirty-one (31) North of Range Eleven (11) West, N.M.P.M. and containing one hundred sixty (160) acres, more or less, in San Juan County, New Mexico, said lease being recorded in Book 172, Page 591 of the Records of San Juan County, New Mexico.

NM-450
(NMO-190)

Lease dated January 12, 1952 and executed by Ada L. Fritz and husband, J. C. Fritz, as Lessors, to Delhi Oil Corporation, as Lessee, covering the South Half of the Southwest Quarter (S/2 SW/4) and the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section Thirty (30) and the Northwest Quarter of the Northeast Quarter (NW/4 NE/4) of Section Thirty-one (31), all in Township Thirty-one (31) North of Range Eleven (11) West, N.M.P.M. and containing one hundred sixty (160) acres, more or less, in San Juan County, New Mexico, said lease being recorded in Book 172, Page 549 of the Records of San Juan County, New Mexico.

NM-451
(NMO-191)

NM-1207

Lease dated April 7, 1952 and executed by Sarah C. Flanigam to Delhi Oil Corporation, as Lessee, covering the

Illegible

2942

Northwest Quarter (NW/4) of Section Thirty-two (32), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M. and containing one hundred sixty (160) acres, more or less, in San Juan County, New Mexico, said lease being recorded in Book 179, Page 300 of the Records of San Juan County, New Mexico.

Lease dated September 23, 1952 and executed by R. L. Spratt et ux, to Delhi Oil Corporation, as lessee, covering the West Half of the Southwest Quarter of the Northeast Quarter (W/2 SW/4 NE/4) of Section 8, Township 31 N., Range 10 West, N. M. P. M. and containing Twenty (20) acres, more or less, in San Juan County, New Mexico, said lease being recorded in Book _____, Page _____ of the Records of San Juan County, New Mexico.

II.

The following lease is not subject to any prior overriding royalty interest.

Lease dated July 3, 1950 and executed by William A. Chrisman and wife, Carlotta C. Chrisman, as Lessors, and W. S. Watter, as Lessee, covering Lots Five (5), Six (6), and Seven (7); the Northeast Quarter of the Southwest Quarter (NE/4 SW/4); and the Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of Section Six (6); and Lot One (1) of Section Seven (7); All in Township Thirty (30) North of Range Eleven (11) West, N.M.P.M.; The Southeast Quarter of the Northeast Quarter (SE/4 NE/4), and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) of Section One (1); The Southwest Quarter (SW/4) of Section Eleven (11); and The Southwest Quarter of the Northwest Quarter (SW/4 NW/4) of Section Fourteen (14); All in Township Thirty (30) North of Range Twelve (12) West, N.M.P.M., containing 521.35 acres, more or less, in San Juan County, New Mexico, only insofar as said lease covers Lots Five (5), Six (6) and Seven (7); The Northeast Quarter of the Southwest Quarter (NE/4 SW/4); and The Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of Section Six (6) in Township Thirty (30) North of Range Eleven (11) West, N.M.P.M., containing 160 acres, more or less, in San Juan County, New Mexico, said lease being recorded in Book 150, Page 174 of the Records of San Juan County, New Mexico.

III.

The following leases of which Assignor owns an undivided three-fourths (3/4) of the seven-eighths (7/8) working interest are subject to the following interests:

A. An overriding royalty of one-fifth (1/5) of seven-eights (7/8) of the proceeds from the sale of all oil, gas and other hydrocarbon substances produced, saved and marketed as granted to M. J. Florance, et ux, and described in that certain assignment from Blanco Gas Company dated October 10, 1950, said overriding royalty interests reverting to a working interest bearing its proportionate part of operating expenses whenever production from said lease shall in any one month average less than fifteen barrels (15 bls.) of oil per day or 500,000 cf gas per day, said overriding royalty interest being hereby extended, ratified and confirmed as to the following described leases by Assignor herein, Delhi Oil Corporation.

N.M. 1213

[illegible] January 4, 1952 and executed by Pablo M. Gonzales [illegible] Gonzales, as Lessors, to Delhi Oil Corporation, as Lessee, insofar and only insofar as said lease covers the South-east Quarter of the Northeast Quarter (SE/4 NE/4) in Section Thirty-Five (35), Township Thirty (30), North, Range Nine (9) West, said lease containing one hundred sixty (160) acres in all, more or less, in San Juan County, New Mexico and being recorded in Book 172, Page 301 of the Records of San Juan County, New Mexico only insofar as said lease covers an undivided three-fourths (3/4) of the seven-eighths (7/8) working interest.

3171

3170

M1130

[redacted]

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

[redacted]

and containing [redacted] acres, more or less;

and

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

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

1. In said lease, assignments thereof and other instruments and documents pertaining thereto there are [redacted]

3-1-61

and reserved to or assigned for the benefit of the various assignors and others certain royalties, overriding royalties other rights and interests in, to and connected with oil, gas other minerals produced from and under said lease, reference here made to said lease, assignments, instruments and documen for a more particular description of the terms thereof. This Assignment is made expressly subject to all such royalties, ov riding royalties and other rights and interests so excepted, reserved or assigned, as hereinafter set forth.

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

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

(1) 5½¢ per mcf (1,000 cubic feet) on all such gas produced and saved during the first 3-1/3 years after the date hereof.

(2) 6½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(3) 7½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

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

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

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

B. The volumes of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications pre-scribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Asso-ciation, including the appendix thereto and subsequent amendme and appendices from time to time made. Proper corrections sha

ILLEGIBLE

be made for deviation from [illegible] the flowing temperatures of the gas produced hereunder. [illegible] deduction shall be made from such volumes for gas used in development and operation of the said lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

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

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

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

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

3. The said overriding royalties reserved herein shall be suspended and Assignor shall have and retain as [redacted] thereof a working interest in the [redacted] all periods when the [redacted] from, averaged on a [redacted] barrels or less, and (b) [redacted] (500,000) cubic feet [redacted] shall apply separately [redacted]

[redacted] purposes, and the terms and provisions of said Agreement are all incorporated herein by reference the same as though set forth verbatim herein.

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

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

[redacted]

or claiming by, through or under it, against all persons whomsoever who may lawfully have or claim an interest therein by, through or under Assignor.

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

DELHI OIL CORPORATION

By _____
Vice President

ATTEST:

_____
Secretary

* * * * * * *

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

EL PASO NATURAL GAS COMPANY

By _____

ATTEST:

_____

[redacted]

THIS AGREEMENT, entered into as of the 15th day of [redacted], by and between AMERC OIL & GAS COMPANY, a corporation with offices in Dallas, Texas (hereinafter called "Assignor"), and EL PASO NATURAL GAS COMPANY, a corporation with offices in El Paso, Texas (hereinafter called "Assignee"),

W I T N E S S E T H T H A T :

WHEREAS, under date of September 15, 1958 Assignor entered into an Operating Agreement with D. R. Zachry, the Lessee of United States Oil and Gas Lease bearing Santa Fe Serial No. 078115, covering and including (among other lands) the lands hereinbelow described, said agreement granting Assignor the exclusive right under said lease to drill for, produce and dispose of all oil and gas producible from the lands hereinafter described, and other lands, to which Operating Agreement reference is here made for all purposes; and

WHEREAS, Assignor desires to assign to Assignee and Assignee desires to receive gas operating rights down to and including the Mesaverde Formation under the lands hereinafter described:

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars ($10.00) in cash paid to Assignor, and other good and valuable considerations, Assignor does hereby grant and assign unto Assignee all [redacted] right, title and interest in and to said [redacted] said agreement covers and described as [redacted] producible from all [redacted] tion in and under the [redacted] Mexico, to-wit:

[redacted] and whatsoever holding or claiming by, through or under Assignor, but not otherwise.

IN WITNESS WHEREOF, this instrument is executed as of the day and year first hereinabove written.

[redacted]

By Scott Hughes
Vice President

Attest:

J. M. McCarley
Secretary

STATE OF TEXAS)
COUNTY OF DALLAS)

On this 25 day of April, 1978, before me appeared Scott Hughes, to me personally known, who, being by me duly sworn did say that he is the Vice President of AMERC OIL & GAS COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of [redacted]

WHEREAS, on [redacted], 195[redacted], DELHI OIL CORPORATION made and entered into a certain Operating Agreement with [redacted] pertaining to that certain United States Oil and Gas Lease bearing serial number Santa Fe 078007 in so far as the same covers the following described land located in [redacted] County, New Mexico, to-wit:

[redacted]

and containing [redacted] acres, more or less;

and

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

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, the said Delhi Oil Corporation (hereinafter called "Assignor") does hereby assign and transfer unto EL PASO NATURAL GAS COMPANY (hereinafter called "Assignee"), a Delaware corporation, whose address is Paso, Texas, El Paso County, all its right, title and interest, [redacted] and under (1) the said Operating Agreement, (2) [redacted]

and reserved to or assigned for the benefit of [redacted] assignors and others certain royalties, overriding royalties and other rights and interests in, to and connected with [redacted] other minerals produced from and under said lease, reference being here made to said lease, assignments, instruments and documents for a more particular description of the terms thereof. This Assignment is made expressly subject to all such royalties, overriding royalties and other rights and interests so excepted, reserved or assigned, as hereinafter set forth.

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

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

(1) 5½¢ per mcf (1,000 cubic feet) on all such gas produced and saved during the first 3-1/3 years after the date hereof.

(2) 6½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(3) 7½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

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

(5) [redacted] such gas produced and saved during the next one year thereafter.

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

B. The volumes of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in the [redacted] 1935, of the Natural [redacted]

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

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

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

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

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

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

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

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

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

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

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

(1) [illegible]

(2) [illegible]

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7. Assignor covenants with and warrants to Assignee, its successors and assigns, that it will warrant and forever defend unto Assignee, its successors and assigns, the title to the rights hereby assigned and the interest of Assignor in all personal property situated on the land described above and used or obtained in connection therewith, against all persons whomsoever who may lawfully have or claim an interest therein by, through or under Assignor.

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

DELHI OIL CORPORATION

By P. T. Bell
Vice President

ATTEST:

Secretary

* * * * * * *

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

EL PASO NATURAL GAS COMPANY

By A. L. Perkins
Vice President

ATTEST:

Asst. Secretary

* * * * * * *

STATE OF TEXAS)
)ss.
COUNTY OF DALLAS)

On this 1st day of March, 1952, before me appeared P. T. Bell, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of DELHI OIL CORPORATION, a Delaware corporation, and that the seal affixed to said 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 P. T. Bell acknowledged said instrument to be the free act and deed of said corporation.

Notary Public in and for
Dallas County, Texas.
Erma Lou Ogeneal

My commission expires:
June 1, 1953.

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A-700-A

ASSIGNMENT OF OPERATING AGREEMENT UNITED STATES OIL AND GAS LEASE

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

[redacted]

and containing [redacted] acres, more or less;

and

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

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

1. In said [redacted] instruments and documents pertaining thereto there are [redacted]

163717

other minerals produced from and under said lease, reference being here made to said lease, assignments, instruments and documents for a more particular description of the terms thereof. This Assignment is made expressly subject to all such royalties, overriding royalties and other rights and interests so excepted, reserved or assigned, as hereinafter set forth.

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

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

(1) 5½¢ per mcf (1,000 cubic feet) on all such gas produced and saved during the first 3-1/3 years after the date hereof.

(2) 6½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(3) 7½¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

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

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

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

B. The volumes of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the [illegible] and appendices from time to time. Proper corrections shall

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

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

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

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

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

3. The said overriding royalties reserved herein shall be suspended and Assignor shall have and retain in lieu thereof a working interest in the said land and lease during all periods when the average production per well per day therefrom, averaged on a monthly basis, [illegible] barrels or less, and (b) as to gas, [illegible] (500,000) cubic feet or less. [illegible] shall apply [illegible]

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

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

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

[redacted]

the rights hereby [illegible] personal property situated on the land described above and used or obtained in connection therewith, against all persons whomsoever who may lawfully have or claim an interest therein by, through or under Assignor.

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

DELHI OIL CORPORATION

By _____
Vice President

ATTEST:

_____
Secretary

* * * * * * * *

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

EL PASO NATURAL GAS COMPANY

By _____
Vice President

ATTEST:

_____
Asst. Secretary

* * * * * * * *

STATE OF TEXAS }
COUNTY OF DALLAS } ss.

Three States Natural Gas Company

SEVENTEENTH FLOOR CORRIGAN TOWER

DALLAS 1, TEXAS

February 27, 1953

RECEIVED
MAR 4 1953
EL PASO NATURAL GAS COMPANY
EL PASO OFFICE

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 E/2 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.

Grayson H. Laughbaum

GHL:pd

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

RECEIVED
APR 3 1953
EL PASO NATURAL GAS COMPANY
EL PASO OFFICE

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 3 7 1 7

A-703-B

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 APD 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

BGM:ry
Enclosure

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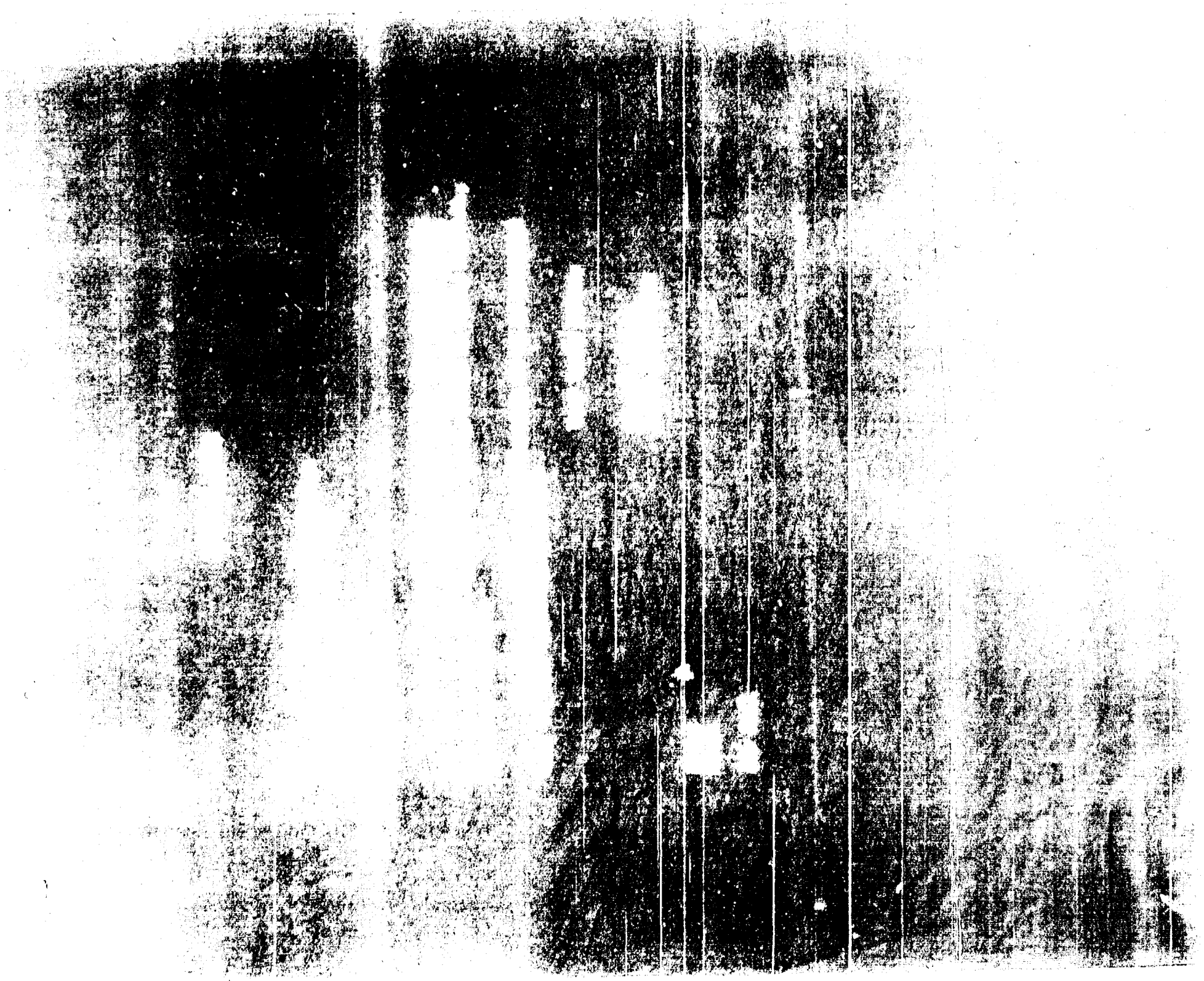
ILLEGIBLE



[redacted], who [redacted] 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 833 Corrigan Tower, Dallas, Texas; Western Natural Gas Company, a Delaware corporation, whose address is 1606 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 Blaine, 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 Blaine, 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, 1955, embracing among other lands the following described land in San Juan County, New Mexico:

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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 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 as 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 exceeding 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 unit 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 specified, Lessor shall receive on production from a well located on the pooled unit the royalty stipulated herein as the amount of his royalty reserved in this lease bears to the total acreage so pooled in the particular unit involved."

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. B. Calloway and his wife, Mary Margaret Calloway, Wiley B. 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 Hodges, 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:

EXHIBIT 3

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

said lease being recorded in Book 213, 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 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."

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 tract bears to the total acreage of the consolidated estate. [illegible] portion of the consolidated estate shall [illegible] to maintain the oil and gas leasehold estate hereby granted so long as gas is produced therefrom.

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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;

Lessor	Undivided interest in the above described acreage
Elinor Perlman, 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 in the 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 amended notice thereof with the County Clerk with whom the original designation of the Pooled Unit was filed and mailing a copy of same to lessor at his last known address. If drilling has been commenced on a Pooled Unit, such Pooled Unit may not be altered or dissolved without the written consent of lessor. Lessee shall not be liable to any party for alterations or dissolutions of Pooled Units or for loss of its title or any estate beyond the control of lessee."

WHEREAS, in order to consolidate the ownership of [illegible] overriding royalty owners on each of the above described leases [illegible] Agreement; and

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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 to all lands embraced therein, for so long thereof as the commencement, completion, continued operation or production of a well

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[redacted] completion, [redacted] production as to such lands 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

By

Vice President

3719

3719

ATTEST:

Assistant Secretary

ATTEST:

Asst. Assistant Secretary

ATTEST:

Assistant Secretary

By

Vice President

By

Vice President

By B. B. Martin

Vice President

Ella Blaine, a widow

Neal A. Yager, a single man

Marion Yager, a femme sole

H. S. Gimp

Gimp, his wife

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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 27th day of April, 1954, before me appeared W. C. 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. C. 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:

June 1, 1955

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

MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On this 17th 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

FILED

[illegible] and acknowledged said instrument to be the free act and deed of said [illegible].

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

My commission expires:

6-1-55

Treva P. 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 17 day of February, 1955, before me appeared A. D. Martin, to me personally known, who, being by me duly sworn, did say that he is the Vice President of said [illegible] 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 A. D. 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. C. Dougherty
Notary Public, County of Harris, State of Texas

R. C. DOUGHERTY, JR.
Notary Public in and for
Harris County, 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:

_____

STATE OF [illegible])
)
County of [illegible])

On this [illegible] day of [illegible], 1954, before me appeared [illegible], to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me [illegible].

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

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My commission expires:

_____

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

On this _____ day of _____, 1954, before me appeared Marion Unger, 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

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

On this _____ day of

3717

Agreement, Made and entered into this ____ day of _____, 20__,
by and between Sarah Myers Bridges, also known as [illegible], of Aztec, New Mexico, hereinafter called lessor (whether one or more), and EL PASO NATURAL GAS COMPANY, a Delaware 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: Southeast 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, provided 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 [illegible]

[illegible]

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part of all oil [illegible]

2nd. To pay lessor [illegible] 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 26th 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 leased 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 [illegible] production [illegible]

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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 fixtures placed on said premises, including the casing.

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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 asignees 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 waive 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 WITNESS WHEREOF we sign, this the 9th day of

[illegible]

on this 20th day of May, 1953, before me appeared Sarah Myers Hodges, also known as Sarah M. Hodges, 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:
July 31, 1955

Notary Public, San Juan County,
State of New Mexico

NOTARY PUBLIC SAN JUAN COUNTY

FILED
MAY 29 1953
(illegible)

STATE OF NEW MEXICO [illegible]

[illegible]

A-703

ASSIGNMENT OF OIL AND GAS LEASE

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:

(1) The Northwest Quarter of the Northwest Quarter (NW¼NW¼), and a part of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) described as follows: BEGINNING at the Northeast corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) 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 (SE¼SW¼) of Section Twenty-three (23); Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., described as follows: COMMENCING 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 (SE¼SW¼) 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 (SE¼SW¼) and the Northeast Quarter of the Southwest Quarter (NE¼SW¼) of said Section 23; Thence following said division line East to the Northeast corner of said Southeast Quarter of the Southwest Quarter (SE¼SW¼); Thence following 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 (SE¼SW¼) 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 (NE¼NW¼) of Section Twenty-six (26); and all that part of the Northwest Quarter of the Northeast Quarter (NW¼NE¼) of said Section Twenty-six (26); and all that part of the Southwest Quarter of the Northeast Quarter (SW¼NE¼) 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 (SE¼NE¼) of Section Twenty-seven (27), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M.; and the South [illegible] of the Northeast Quarter [illegible] 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 [illegible] acres, more or less; and also EXCEPTING therefrom a tract heretofore conveyed to Harry L. Dunning [illegible] page [illegible] of the records of San Juan County, New Mexico.

used [illegible] therewith; that the undersigned have good right and authority to

Thirty-[illegible] ([illegible]) acres of the Northeast Quarter of the Southeast Quarter

sell [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

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3-B

3-B

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 14th day of August, 1952.

PRIMO OIL COMPANY

H. F. Pettigrew - Partner

John A. Worley - Partner

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On this 14th 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 14th day of August, 1952.

Joyce Carr
Notary Public in and for Dallas County, Texas

My Commission expires:
June 1953

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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 [illegible] successors, or assigns, except as set out below, that [illegible] owners of the said lease and rights and [illegible] property thereon or used in connection

NM-6[illegible]

157-H

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 20th day of April, 1953.

PRIMO OIL COMPANY

H. F. Pettigrew - Partner

John A. Worley - Partner

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On this 20th day of April, 1953, 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 20th day of April, 1953.

Joyce Cass
Notary Public in and for Dallas County, Texas

My commission expires:
June 1, 1953

157-H

R-710-A

BEAVER LODGE OIL CORPORATION

GENE W. HEWETT
VICE PRESIDENT-TREASURER

301 MERCANTILE COMMERCE BUILDING
RIVERSIDE-8081
DALLAS 1, TEXAS

710
150

August 5, 1953

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

Attention: Mr. Sam Smith

Re: Communitization E/2 Section 8, 31N-10W,
El Paso Marcotte Pool Unit #1

Gentlemen:

We acknowledge receipt of a copy of the communitization agreement on the above well. We will be happy to execute the communitization agreement on this well when it is presented for our signature.

Yours very truly,

BEAVER LODGE OIL CORPORATION

Gene W. Hewett

Gene W. Hewett

GWH/mjm

[illegible]

THIS AGREEMENT, made and entered into this [illegible] day of August, [illegible], 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, a single man, whose address is 613 Oil Captial Building, Tulsa, Oklahoma; MARIAN YAGER, a feme sole, whose address is C/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. GIMP, whose address is C/o Zale's Jewelry Company, 1606 Main Street, Dallas, Texas; MORRIS MIZEL and wife, FLORA MIZEL, whose address 101 West Cameron Street, Tulsa, Oklahoma; SAM MIZEL, whose address is 101 West Cameron Street, Tulsa, Oklahoma; BROOKHAVEN OIL COMPANY, a Delaware corporation, whose address is First National Bank Building, Albuquerque, New Mexico; BEAVER LODGE OIL CORPORATION, a Delaware corporation, whose address is Mercantile Commerce Building, Dallas, Texas;

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 September 23, 1952, by R. L. Sprott and wife, Edna Sprott, as Lessors, embracing among other lands, the following described land in San Juan County, New Mexico, to wit:

> Township 31 North, Range 10 West, N.M.P.M.
> Section 8: W/2 SW/4 NE/4
> containing 20 acres, more or less; and

WHEREAS, the above described lease provides for the pooling by the lessee of the lands covered thereby as follows:

> "4. 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, in Lessee's [illegible] to develop and operate [illegible]

[illegible] of royalties on production from the pooled unit, as if it [illegible] and if production is had from any portion of [illegible] it shall be treated as production from the land covered by this lease, whether the well or wells be located on the land covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled 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."; and

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, to wit:

> Township 31 North, Range 10 West, N.M.P.M.
> Section 8: SE/4 SE/4
> containing 40 acres, more or less,

said lease being recorded in Book 153, at Page 441, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, Delhi Oil Corporation is the present owner of all the oil rights, the gas 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 Misel and Sam Misel jointly, and 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, Brookhaven Oil Company is the present owner and holder of that certain United States Oil and Gas Lease, bearing Serial Number Santa Fe 078604, executed in favor of Bonnie Marie McClafferty, as Lessee, under date of May 1, 1948, by the United States of America, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico, to wit:

> Township 31 North, Range 10 West, N.M.P.M.
> Section 8: SW/4 [illegible], [illegible]
> containing 120.00 acres, more or less; and

WHEREAS, by an Operating [illegible] has been filed with the Bureau of [illegible] pany granted the [illegible] described tract to San Juan [illegible]

[illegible]

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of June 23, 1952, by W. W. McEwen and his wife, Gertrude McEwen, Ida McEwen Kenyon, Eve McEwen, a widow, Wright G. McEwen and his wife, Velma Irene McEwen, Artie T. Sisley and her husband, Sam A. Sisley, Irene Blair and her husband, Onus L. Blair, Lena McEwen Faris and her husband, J. W. Faris, Ida McEwen Bartholomew and her husband, Lynn Bartholomew, as Lessors, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

> Township 31 North, Range 8 West, N.M.P.M.
> Section 8: NW/4 NE/4
> SAVE AND EXCEPT, HOWEVER, the following described tract: All of that .09 acre portion of the Right-of-Way of The Denver and Rio Grande Western Railroad Company for the main tract of its Farmington Branch, lying and being situated within the most extreme Northwesterly (NW'ly) corner of the NW/4 NW/4 NE/4 of said Section 8, conveyed to The Denver and Rio Grande Western Railroad Company by Warranty Deed from W. W. McEwen, a widower, dated April 1, 1905, and filed for record in San Juan County, New Mexico, on May 19, 1905.
>
> containing 39.91 acres, more or less,

said lease being recorded in Book 186, at Page 149, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, the last above described lease provides for the pooling by the 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; 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 has 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."; and

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of October 18, 1952, by Thomas R. Marcotte and Ruth Marcotte, his wife, as Lessors, embracing among other lands, the following described land in San Juan County, New Mexico, to wit:

> Township 31 North, Range 10 West, N.M.P.M.
> [illegible] 1 acre, more or less, in the E/2 SW/4 NE/4,
> containing [illegible] acres, more or less,

[illegible]

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lessee of [illegible]

[illegible] 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 640 acres, and in the event lessee exercises the right and privilege of consolidation, as herein provided, 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."; and

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of May 18, 1953, by R. L. Sprott and his wife, Edna Sprott, as Lessors, embracing the following land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 8: 1 acre, more or less, in the E/2 SW/4 NE/4, being described more particularly as follows:

BEGINNING at the center of the NE/4 of said Section 8; THENCE West 568 feet; THENCE South 405 feet for the point of beginning; THENCE South 209 feet; THENCE East 209 feet; THENCE North 209 feet; THENCE West 209 feet to the place of beginning,'

said lease being recorded in Book 210, at Page 105, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, the last above described lease provides for the pooling 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 640 acres, and in the event lessee exercises the right and privilege of consolidation, as herein provided, 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."; and

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of [illegible] by [illegible] and his wife, [illegible], as Lessors, embracing [illegible] New Mexico, [illegible]

[illegible]

[illegible]

land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 8: All of that portion of the Right-of-Way of The Denver and Rio Grande Western Railroad Company for the main tract of its Farmington Branch, lying and being situated within the most extreme Northwesterly (NW'ly) corner of the NW/4 NW/4 NE/4, and being more particularly described by metes and bounds as follows:

BEGINNING at a point in the center line of the aforementioned Right-of-Way for the most Northwesterly (NW'ly) corner of this tract, said point being also the Northwest (NW) corner of the NE/4 of said Section 8; THENCE South (S) along the West (W) boundary line of said NE/4 of Section 8 a distance of 150 feet, more or less, to the point where the same intersects the Southeast (SE) boundary line of said Right-of-Way for the most Southerly (S'ly) corner of this tract; THENCE Northeast (NE) along the Southeast (SE) boundary line of said Right-of-Way a distance of 162.5 feet, more or less, to the point where the same intersects the North (N) boundary line of said Section 8 for the most Northeasterly (NE'ly) corner of this tract; THENCE West (W) along the North (N) boundary line of said Section 8 a distance of 153.75 feet, more or less, to the place of beginning.

containing .09 acres, more or less,

said lease being recorded in Book 205, at page 47, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, the last above described lease provides for the pooling of the lands covered thereby as follows:

"1. The Railroad Company, for and in consideration of the sum of TWENTY-SIX AND 60/100 DOLLARS ($26.60) ——— the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be performed, kept and paid, does hereby lease and let the Railroad Lands as hereinbefore described and as outlined in specific coloring upon the attached map exclusively unto the Lessee with the right and permission granted the Lessee to pool or combine all or any portion of the Railroad Lands with adjacent lands into drilling units in order to properly develop and operate the premises for the sole and only purpose of obtaining the oil and gas therefrom. Lessee shall execute in writing an instrument identifying and describing any drilling unit or units created hereunder and shall mail the same, together with map showing such drilling unit or units, to the Railroad Company; provided, however, that no drilling unit so created shall exceed three hundred twenty (320) acre units on gas production from Mesa Verde formation or lower, one hundred sixty (160) acre units on gas production from formation shallower than said Mesa Verde formation, forty (40) acre units on oil production, but provided further that if the spacing regulations of the Oil Conservation Commission of the State of New Mexico or any governmental agency, state or federal, shall prescribe a spacing pattern or [illegible] allowable based in whole or in part on acreage per [illegible] units herein contemplated may have the maximum [illegible] prescribed or allocated. The proposed drilling units have not [illegible] been definately established or determined; [illegible] to identify such units by defined [illegible] relation to the Railroad Lands; however, [illegible] as a result of its participation in [illegible] the manner hereinafter provided."; and

WHEREAS, in order to expedite the [illegible] overriding royalty owners on each of the above [illegible] Agreement; and

WHEREAS, it is the desire of the [illegible]

[illegible]

one tract or [illegible]

[redacted], Idaho, [redacted]

[redacted] lease, lease or lease; and

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

Nothing [redacted] modify [redacted] and [redacted] all [redacted] leases herein-

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[redacted]

[redacted] 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 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 [redacted] and royalties, together with such other reports as may [redacted] monthly the royalty due the United States in specified in the [redacted] gas [redacted] The unit operator shall not [redacted] an [redacted]

[redacted]

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This [illegible] shall be binding upon the parties hereto, and their [illegible] and be binding upon their heirs, successors, assignees, executors 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:

A. C. Martel
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By [signature]
Vice President

ATTEST:

Margaret H. Self
Assistant Secretary

BROOKHAVEN OIL COMPANY

By Thos B Scott Jr
Vice President

ATTEST:

M. J. Marshall
Assistant Secretary

BEAVER LODGE OIL CORPORATION

By Geo W. Hardt
Vice President

ATTEST:

Katherine Douglas
Assistant Secretary

DELHI OIL CORPORATION

By James A. Schultz
Vice President

APPROVED
Land [illegible]
Prod. [illegible]
Acctg. [illegible]
Genl. [illegible]

Saul A. Yager, a single man

Marian Yager, a feme sole

E. I. Chap

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STATE OF TEXAS |
COUNTY OF EL PASO |

On this 17th day of January, 1955, before me appeared M. 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 M. 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:

Louise M. Cress
Notary Public in and for El Paso County, State of Texas

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

STATE OF TEXAS |
COUNTY OF DALLAS |

On this 20th day of January, 1955, before me appeared Ben W. Hewett, to me personally known, who, being by me duly sworn, did say that he is the Vice President of BEAVER LODGE 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 Ben W. Hewett 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:

6-1-55

Peggy Smith
Notary Public in and for Dallas County, State of Texas

STATE OF NEW MEXICO |
COUNTY OF BERNALILLO |

On this 20th day of January, 1955, before me appeared Thos. B. Smith, Jr., to me personally known, who, being by me duly sworn, did say that he is the President of BROOKHAVEN OIL COMPANY, and that the seal affixed to the foregoing isntrument 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 Thos. B. Smith, Jr. acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

June 14, 1955

Evelyn L. Wilson
Notary Public in and for Bernalillo

STATE OF [illegible] |
County of [illegible] |

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seal the [redacted]

My commission expires:

_____

[redacted] Notary Public in and for [redacted] County,
[redacted] of Oklahoma

STATE OF TEXAS |
COUNTY OF DALLAS |

On this 6th day of January, 1955, before me appeared FRANK A. SCHULER to me personally known, who, being by me duly sworn, did say that he is the Vice President of NELHI 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 FRANK A. SCHULER 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 Spencer
Notary Public in and for Dallas County,
State of Texas
MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

STATE OF OKLAHOMA |
COUNTY OF TULSA |

On this _____ day of _____, 1953, before me appeared Marian 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 in and for Tulsa County,
State of Oklahoma

STATE OF TEXAS |
COUNTY OF DALLAS |

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

_____

[redacted]

STATE OF OKLAHOMA |
COUNTY OF TULSA |

[redacted]

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[redacted],

STATE OF [redacted]

COUNTY OF [redacted]

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

[redacted]

NM 337
NM 1693-A/2
NM 1091

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. 718
Order No. R-549

THE APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR COMPULSORY COMMUNITIZATION
OF THE E/2 OF SECTION 8, TOWNSHIP 31 NORTH,
RANGE 10 WEST, NMPM, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter

2. That

Commission,

week, on August 26,

all

to

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

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool."

6. That on August 25, 1953, a Notice of Intention to Drill (Form C-101) was approved by a duly authorized Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the Applicant, El Paso Natural Gas Company, and permission was granted to drill a well to be known as the Marcotte Pool Unit No. 1 Well to be located 1650' from the North line and 1650' from the East line of said Section 8, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation, and said Notice of Intention to Drill designated the E/2 of said Section 8, Township 31 North, Range 10 West, NMPM, as the designated drilling unit as provided in Order R-110; that drilling operations were commenced in said well on August 30, 1953, and the well completed on October 11, 1953, in the Mesaverde formation with an initial potential of 10,900,000 cubic feet of gas per day.

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

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

9. That the agreement entered into by said owners to pool or communitize their oil and gas leases covering the E/2 of said Section 8, Township 31 North, Range 10 West, [illegible] or pooled unit comprising the E/2 of said [illegible] of the Notice of Intention to Drill for the [illegible] approved such communitization or pooling [illegible] to-wit, August 25, 1953, and that the E/2 of said [illegible] North, Range 10 West, NMPM, [illegible] containing 320 acres as above described.

10. That the [illegible] within the E/2 of Section 8, [illegible] would be wasteful,

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ILLEGIBLE

R-710-C

County of San Juan } ss.

I hereby certify that this instrument was filed for record on the 7 day of May 1952 at 8:21 o'clock A. M. and duly recorded in book 180 page 82 of the Records of said county.

Virginia A. Kittell
Probate Clerk and ex-officio Recorder.

Willie Vasquez
Deputy

FARMOUT AGREEMENT

This agreement, made and entered into this 23rd day of November, A. D. 1951, by and between BROOKHAVEN OIL COMPANY, a Delaware corporation (hereinafter referred to as "Brookhaven"), whose address is First National Bank Building, Albuquerque, New Mexico, and SAN JUAN PRODUCTION COMPANY, a Delaware corporation (hereinafter referred to as "San Juan"), whose address is 1010 Bassett Tower, El Paso, Texas,

W I T N E S S E T H:

WHEREAS, Brookhaven is lessee or assignee of oil and gas leases from the United States of America as lessor, or from the State of New Mexico as lessor, upon certain tracts of land located in San Juan County, New Mexico, which leases and the tracts of land covered thereby are fully described in Exhibit "A", attached hereto, and which are hereinafter referred to as "said acreage"; and,

WHEREAS, the parties desire to provide for the development of said acreage by San Juan, and the assignment of operating rights in said acreage from Brookhaven to San Juan.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Brookhaven and San Juan as follows:

1. Within fifteen (15) days after the execution of this agreement, Brookhaven shall furnish to San Juan abstracts covering the serial records of New Mexico District Land and Survey Office, Bureau of Land Management, Santa Fe, New Mexico, as to any lease or leases executed by the United States as lessors, and abstracts covering the records of the Office of Commissioner

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of Public Lands, Santa Fe, New Mexico, as to any lease or leases executed by the State of New Mexico as lessor, and, as to each character of lease, an abstract covering the records of San Juan County, New Mexico, showing good title vested in Brookhaven in and to the leasehold estate, subject only to the terms and conditions of the original leases, to the regulations under which said leases were issued, and to the overriding royalties specified in Exhibit "A".

2. San Juan shall cause its attorneys to make prompt examination of such abstracts and to point out by written opinion within ten (10) days of receipt of abstracts any defects or objections to the title. Brookhaven shall proceed to cure such defects by use of reasonable diligence. If Brookhaven's title is approved by San Juan's attorneys, the Operating Agreement attached hereto and marked Exhibit "B", which has been executed and delivered by Brookhaven and San Juan, shall become effective immediately. If curative action is required and Brookhaven cures defects in its title within ninety (90) days, or if during such period San Juan's attorneys accept the title tendered, the Operating Agreement (Exhibit "B") shall become effective immediately. If Brookhaven fails to cure any defects on the lease from the United States and San Juan does not accept the title as tendered within ninety (90) days after the date of written opinion, then this agreement shall be terminated and neither party shall be under any liability to the other by reason thereof, but if the title to lease from the United States be accepted and title to leases from the State of New Mexico be rejected, then the Operating Agreement shall become effective as to the lease from the United States. If title to one or more State of New Mexico leases be rejected, then San Juan may refuse all State of New Mexico leases.

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IN WITNESS WHEREOF, this agreement has been executed by the parties hereto the day and year first above written.

BROOKHAVEN OIL COMPANY

ATTEST:

Asst Secretary

By _____
President

SAN JUAN PRODUCTION COMPANY

ATTEST:

1st Secretary

By _____
Vice President

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

On this the 21st day of November, 1951, before me personally appeared _____, to me personally known, who, after being by me duly sworn did say that he is the President of BROOKHAVEN OIL COMPANY, a 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.

_____
Notary Public, Bernalillo County, New Mexico

My commission expires:

July 20, 1955

STATE OF TEXAS)
)
COUNTY OF EL PASO)

On this the 17 day of November, 1951, before me personally appeared C. L. Perkins, to me personally known, who, after being by me duly sworn did say that he is the Vice President of SAN JUAN PRODUCTION COMPANY, a 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

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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, El Paso County, Texas

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EXHIBIT A

LEASES SUBJECT TO FARMOUT AGREEMENT DATED NOVEMBER 27, 1951.

Federal Lease - Santa Fe Serial No. 078604
Lessee: Brookhaven Oil Company
Description: Lots 1, 2, 3, S½NE¼, S½NW¼ Sec. 3;
S½SW¼, SW¼SW¼ Sec. 4; N½SE¼ and SW¼SE¼,
SE¼SW¼ Sec. 8; E½NW¼, SW¼NW¼ Sec. 9;
NE¼, E½NW¼, SW¼NW¼, NW¼SW¼, N½SE¼ Sec. 17,
Township 31 North, Range 10 West, N.M.P.M.
and
NE¼, NW¼, W½SW¼, E½SE¼ Sec. 29; E½ Sec. 31;
SW¼SW¼, NE¼SE¼ Sec. 32; SW¼NE¼ Sec. 33;
E½, SE¼NW¼, E½SW¼ Sec. 34, Township 32 North,
Range 10 West, N.M.P.M., San Juan County,
New Mexico, containing 2441.01 acres, more or less.
Date of Issue - May 1, 1948
Termination Date - May 1, 1958
Overriding Royalty Interest - 1/2 of 1% to Joseph C. Mc Clafferty

State Leases - Lessee for all of the following is Brookhaven Oil Company

Our Lease No. L-153
State Lease No. B-11318-21
Description: NW¼SW¼ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico,
containing 40 acres, more or less
Date of Issue: June 26, 1944
Termination Date: June 26, 1954
Overriding Royalty Interest - 3% to H. Rummel Anderson

Our Lease No. L-154
State Lease No. B-10405-40
Description: SE¼NW¼ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico
containing 40 acres, more or less.
Date of Issue: June 24, 1943
Termination Date: June 24, 1953
Overriding Royalty Interest - 3% to Sam Swift and Vivian Swift

Our Lease No. L-156
State Lease No. B-11124-18
Description: SE¼NE¼ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico
containing 40 acres, more or less.
Date of Issue: March 21, 1944
Termination Date: March 21, 1954
Overriding Royalty Interest - 3% to Stanley Pencoske and
Genevieve Pencoske

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EXHIBIT "B"

O P E R A T I N G A G R E E M E N T

This agreement made and entered into this 22nd day of November [illegible], by and between BROOKHAVEN OIL COMPANY, a Delaware corporation (hereinafter referred to as "Brookhaven") whose address is First National Bank Building, Albuquerque, New Mexico, and SAN JUAN PRODUCTION COMPANY, a Delaware corporation (hereinafter referred to as "San Juan"), whose address is 1010 Bassett Tower, El Paso, Texas,

W I T N E S S E T H:

WHEREAS, Brookhaven is lessee or assignee of oil and gas leases from the United States of America as lessor or from the State of New Mexico as lessor upon certain tracts of land located in San Juan County, New Mexico, which leases and the tracts of land covered thereby are fully described in Exhibit "A" attached hereto, and which are hereinafter referred to as "said acreage"; and,

WHEREAS, Brookhaven desires to assign operating rights upon said acreage to San Juan and to make provision for division of oil, gas and minerals produced pursuant to the provisions hereof, and to provide for exploration and development of said acreage by San Juan.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Brookhaven and San Juan as follows:

1. Assignment of Operating Rights. Brookhaven hereby transfers and assigns to San Juan operating rights on and designates San Juan as Operator of said acreage.

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2. Additional Assignments.

a. Upon the written request of San Juan, Brookhaven shall execute and deliver such appropriate requests, bonds or other agreements as may be required by the Bureau of Land Management, to enable San Juan to proceed with drilling operations hereunder as to any part of said acreage covered by lease from the United States of America. Until Brookhaven shall have been relieved from the liability of such bond, San Juan shall save, hold and protect Brookhaven harmless on account of all liability arising from or growing out of such bond or from liability on said bond for carrying on exploration and development operations thereunder, and San Juan shall initially pay all premiums in connection therewith and furnish an Indemnity Agreement to the Bonding Company. The liability of San Juan under the Indemnity Agreement specified in this paragraph shall include court costs, expenses and attorneys' fees incurred by Brookhaven in defending any action under the bond or in enforcing the Indemnity Agreement against San Juan.

b. Brookhaven shall execute, deliver, file and request approval of assignments to San Juan and Brookhaven jointly as lessees as to any part of said acreage covered by lease from the State of New Mexico. A copy of this Operating Agreement shall be filed in the Office of the Commissioner of Public Lands of the State of New Mexico to evidence the respective interests owned by the assignee in said leases.

c. In the event, pursuant to the terms of this agreement, San Juan is required to reassign any of said acreage covered by lease from the State of New Mexico, San Juan shall execute, deliver and make request for approval of all instruments required to revest title to the reassigned acreage in Brookhaven.

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d. Insofar as the Federal lease is concerned, this agreement shall not be construed as an assignment of the lease, but only as an operating agreement and contract.

3. Operator's Obligations to Lessors. San Juan agrees to perform all terms and conditions required to be performed by the lessee under the terms of each of said leases and to pay before delinquency (to be included in operating costs) all rentals required to be paid to the lessor under the terms of each of said leases, and to comply with all applicable and lawful requirements of the lessors or of governmental agencies having jurisdiction of operations conducted upon said acreage; provided that San Juan may relieve itself of further obligations under this section as to any part of said acreage by executing and delivering to Brookhaven a reassignment or relinquishment of all San Juan's right, title or interest in or to such part of said acreage prior to any default or delinquency and at least ninety (90) days prior to termination of the primary term of any lease.

4. Operator's Drilling Obligations.

a. San Juan shall select a drilling site upon said acreage and shall commence and prosecute diligently drilling operations thereon for a Mesa Verde well, as hereinafter defined, within sixty (60) days from the effective date hereof (which well is hereinafter termed "first well").

b. San Juan shall complete drilling a minimum of four (4) Mesa Verde wells (including the first well) during the first twelve (12) months' period beginning with the effective date of this Operating Agreement, and, thereafter, San Juan shall complete drilling a minimum of four (4) Mesa Verde wells in each twelve (12) months' period until all drilling sites have been drilled. Any well completed as a producing well in a formation lying above or below the Mesa Verde formation shall be deemed a

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well complying with the provisions of Subsection 4a and of this Subsection 4b. If San Juan obtains production in a formation lying above or below the Mesa Verde formation which San Juan desires to develop, San Juan may postpone drilling to the Mesa Verde formation as long as San Juan shall complete drilling a minimum of four (4) wells to the other formation in each twelve (12) months' period. After San Juan has drilled all available drilling sites which it deems desirable to the other formation, then San Juan shall resume drilling of any wells or deepening or plugging back existing wells to test the Mesa Verde formation, and shall complete drilling four (4) wells to the Mesa Verde formation in each twelve (12) months' period until a total of eighteen (18) Mesa Verde wells have been drilled, or shall reassign or relinquish the undrilled locations or the rights to all formations undrilled or non-producing on those locations. A well drilled upon a communitized tract to which a part of said acreage has been committed shall be deemed to be drilled upon said acreage whether actually located upon said acreage or upon other tracts committed to the communitization agreement. The drilling obligations specified in this Subsection 4b shall not be suspended or excused by San Juan's inability to obtain casing and other drilling and producing equipment.

c. If no drilling site is available, and, after using good faith efforts, San Juan is unable to obtain execution of a communitization agreement by adjoining leasehold owners in order to provide a drilling site, then San Juan's obligation to drill as specified in Subsection 4b shall be suspended for such time as no drilling site is available, and the period of such suspension shall be added to the twelve (12) months' period for drilling a minimum of four (4) wells.

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d. In addition to the drilling obligation provided in Subsection 4b, San Juan agrees to commence the actual drilling of an offset well (as soon as a communitization agreement can be obtained when communitization is necessary to provide a drilling site) within 90 days after a producing well is completed upon a drilling site which adjoins such undrilled drilling site on said acreage. This obligation to drill offset wells in excess of 4 wells required by Subsection 4b is further subject to San Juan's obtaining sufficient allocation of casing to drill the wells required by this Subsection 4d. Any well drilled as an offset well shall be included and credited as a well drilled pursuant to the provisions of Subsection 4b.

e. Any wells drilled in excess of four (4) in any twelve (12) months' period shall be credited to San Juan on its obligations under Subsections 4b and 4d in any subsequent twelve (12) months' period.

f. In the event San Juan fails to drill any well required by this Section 4, and the drilling of which is not excused as provided herein, then San Juan shall reassign or relinquish to Brookhaven all of said acreage except the rights in and to the formation on each drilling site upon which San Juan has commenced or completed drilling operations. The drilling site in the formation drilled upon which a producing well has been completed shall be retained unless abandoned as herein provided. In the event Brookhaven be entitled to reassignment or relinquishment of any tract or tracts hereunder, Brookhaven shall notify San Juan in writing specifying the tract or tracts and the formations, upon which Brookhaven claims San Juan is in default. If San Juan has failed to comply with the drilling obligations of this Operating Agreement, then San Juan shall execute and deliver to Brookhaven a release of this Operating Agreement as

to such tract or tracts and formations, which shall constitute a reassignment thereof, and shall reassign to Brookhaven any lease which Brookhaven has assigned to San Juan covering such tract or tracts and formations. San Juan shall notify Brookhaven of its intention not to drill an offset and reassign or relinquish as above provided within forty-five (45) days after completion of a producing well requiring an offset.

g. If, as a result of the failure of San Juan to drill an offset well or wells, the Federal or State governments shall require the payment of compensatory royalty, it shall be paid by San Juan for its own account.

5. Ownership of Production and Apportionment of Costs.

a. All oil, gas and/or other hydrocarbon substances produced, saved and marketed from said acreage shall be owned by Brookhaven and San Juan in equal shares. The royalties due lessors, the overriding royalties to which the leases are subject as shown in Exhibit "A", and all taxes upon the production or severance shall be paid by San Juan as Operator and apportioned one-half (1/2) to each party. Brookhaven shall reimburse San Juan for Brookhaven's share thereof. The production remaining after payment of royalties, overriding royalties and taxes is hereinafter termed "net working interest".

b. San Juan shall furnish rig, labor, equipment and materials necessary for drilling operations conducted hereunder and, as Operator, shall have authority to determine the location, depth, manner and methods of drilling, completing and equipping each well. Brookhaven shall have access to the derrick floor of any well drilled by San Juan for the purpose of observing drilling operations and shall be furnished promptly with copies of all well logs, tests and reports including projection reports obtained by San Juan on each well.

c. Each of the parties reserves the right to receive in kind its respective share of oil, gas and/or other hydrocarbon substances, produced from said acreage, together with right, individually, to sell or direct the sale thereof for its benefit, and, in the event all parties hereto sell or dispose of their respective share of production to the same purchaser, each party hereto shall be entitled to receive directly from the purchaser thereof its respective share of the proceeds of sale of such production; subject, however, to repayment of drilling costs as provided herein. Any oil and/or gas used in drilling, operating or reworking wells on said acreage shall be considered as furnished equally by the parties hereto.

d. Out of the proceeds of sale of the net working interest production from each well, Brookhaven shall pay to San Juan one-half (1/2) of Brookhaven's share of such production (25% of net working interest) until Brookhaven has repaid to San Juan one-half (1/2) of the actual drilling costs of each such well, but production from one well shall not be used to repay drilling costs of another well. Brookhaven's share is further defined as follows:

1. Brookhaven's obligations to pay drilling costs upon a Mesa Verde well out of production shall not exceed Twenty-two Thousand Five Hundred Dollars ($22,500.00), or one-half (1/2) the estimated cost of Forty-five Thousand Dollars ($45,000.00) per Mesa Verde well. The drilling costs of each well shall include drilling, installation of casing, shooting or acidizing, installation of field separator, pipe line connections and separator, lease tanks on oil, tubing, production head, lease production lines,

pumping equipment, if necessary, and all other equipment and labor necessary for a completed well ready to produce; but shall not include casing, which shall be furnished by San Juan without reimbursement from Brookhaven. The attached Exhibit "C" governs the accounting procedures to be followed by the parties in accounting for drilling and operating costs.

2. In the event any well be drilled upon said acreage to a greater or lesser depth than a Mesa Verde well, the drilling costs (except casing to be furnished by San Juan) to be paid out of production by Brookhaven shall be determined proportionately with the parties agreeing upon a maximum cost comparable to the maximum cost of a Mesa Verde well, as defined in Section 5d1 above.

e. San Juan agrees to maintain any producing well so as to obtain maximum production therefrom in accordance with the best recognized procedure in the industry. All costs of operating and reworking wells shall be paid equally by the parties; provided that San Juan shall consult with and obtain consent of Brookhaven before incurring any job expenditure in excess of Five Hundred Dollars ($500.00).

f. Except as herein expressly provided, San Juan shall pay all of the costs of drilling and equipping said wells without any liability or responsibility on the part of Brookhaven.

6. Abandonment of Wells. In the event San Juan desires to abandon any drilling or producing well, San Juan shall notify Brookhaven of such desire, and Brookhaven shall thereafter have a period of ten (10) days in which to take over said well and pay San Juan the salvage value

of any casing in the well and the salvage value of any other equipment present on the drilling site required for production of said well if it has produced, and thereby acquire the complete interest in all such equipment, development, and production from said well. If Brookhaven takes over said well and has reimbursed San Juan for any portion of the drilling costs of said well, Brookhaven's payment shall be reduced by the proportionate fraction of such total drilling costs hereof, as defined and limited by Subsection 5d1 for which Brookhaven has reimbursed San Juan. San Juan shall also execute a release of this Operating Agreement or reassignment of any leasehold interest assigned to San Juan. If Brookhaven does not desire to acquire San Juan's interest in said well, then San Juan, as Operator, shall plug said well, complying with all applicable regulations. If said well has not produced, then the expense of plugging shall be borne by San Juan and San Juan shall have complete ownership in all of the casing, equipment and materials thereof. If said well has produced, then Brookhaven shall bear that proportionate part of the cost of plugging that Brookhaven's reimbursement to San Juan for drilling costs bears to the total drilling costs, as defined and limited by Subsection 5d1, and the casing, equipment and materials recovered shall be divided in the same proportions.

7. San Juan shall carry the following insurance in favor of both parties to cover operations on the lease area and the equipment used in connection therewith:

a. Workmen's Compensation Insurance and Employer's Liability Insurance as required by the laws of the State of New Mexico.

b. Public Liability Insurance in not less than the amount of $100,000.00 for injuries to one person and not less than the amount of $300,000.00 for injuries in one accident, and [illegible] the amount of damage.

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c. Automotive Public Liability Insurance, for each automotive vehicle used in connection herewith, in not less than the amount of $100,000.00 for injuries to one person and not less than the amount of $500,000.00 for injuries in one accident, and not less than the amount of $50,000.00 for property damage.

All of such insurance so carried shall be at the original expense of San Juan, who shall keep all such insurance in force and effect at all times while operations are conducted on the lease area. San Juan will furnish Brookhaven with certificates of all such insurance so carried. In addition to the above, San Juan shall require contractors to carry additional insurance as described in a, b and c above, and will require such contractors to furnish certificates thereof to it of all such insurance so carried.

8. Fair Employment Practices. As to any Federal leases upon said acreage, San Juan shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin and shall require that an identical provision be included in all sub-contracts.

9. Communitization. Brookhaven shall cooperate with San Juan in obtaining consent of owners of leasehold interest on adjoining tracts of land for the purpose of complying with spacing regulations. If San Juan so requests, Brookhaven shall assign to San Juan, and, if required, to other community participants an undivided interest in the state leasehold interests, which assignment shall be subject to the terms of this Operating Agreement and shall not be assigned by San Juan and the others, except as necessary to communitization unless Brookhaven's consent be obtained. As to Federal leasehold interests, Brookhaven shall take whatever steps are necessary, subject to the terms of this Operating Agreement, to effect such communitization.

10. [illegible] a partnership between the parties, and [illegible]

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with all applicable laws and regulations of the State of New Mexico and of the United States in operating said leases. As to Brookhaven, San Juan shall be an independent contractor hereunder.

11. Approval of Governmental Authority. This agreement is subject to the approval of the Secretary of the Interior, or his duly authorized subordinate, as to any Federal lease. Unless disapproved by final administrative action by either the Federal or State government, and until such disapproval, this agreement shall be binding upon the parties. In the event of any decision disapproving of this agreement or of any provision or any part thereof, the parties agree that the intent of this contract shall prevail so that neither party shall be denied the intended rights described herein, and to that end, they will use their best efforts to agree on the necessary modifications hereof to cure the causes of disapproval.

12. Definitions.

Mesa Verde Well. By "Mesa Verde well" is meant a well drilled to test the deepest horizon of the Mesa Verde formation or a well producing from any horizon of the Mesa Verde formation unless impenetrable substances be encountered which, in the opinion of San Juan, prevent testing the Mesa Verde formation.

Other Formations. Where wells to other formations are provided herein the same standards shall apply.

Drilling Site. "Drilling site" means such quantity of acreage and legal subdivision as may be designated a drilling site by the New Mexico Oil Conservation Commission, for a well to be drilled to a specified formation.

13. Notice. All notices to be given hereunder shall be deemed sufficient when notice is deposited, postage paid, in first class, United States mail, addressed to the parties as follows:

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Brookhaven Oil Company
Post Office Box 644
Albuquerque, New Mexico

San Juan Production Company
Post Office Box 1492
El Paso, Texas

Either party may, from time to time, by notice in writing to the other designate another address for the giving of any such notice.

14. Force Majeure. Time shall be of the essence of this agreement. Except as herein otherwise expressly provided, if either party be prevented from performing the obligations of this agreement by causes beyond the control of such party, including but not limited to acts of the elements, fires, floods, earthquakes, war, riots, civil commotion, acts of the public enemy, regulations of governmental authority, embargoes, strikes, labor disputes, weather conditions, and unavoidable casualties, then such party shall not be liable for such failure so long as it results from any one or more of such causes.

15. San Juan may assign this agreement to any of its parent or subsidiary corporations but no such assignment shall relieve San Juan of its obligations hereunder. Otherwise, neither San Juan nor any assignee shall assign this agreement without the prior written consent of Brookhaven. It shall not be considered a breach of this subsection for San Juan to include its interest herein under any mortgage or indenture given by it to secure a bond issue of San Juan or its affiliated company, El Paso Natural Gas Company.

16. This agreement contains the entire contract of the parties. All prior negotiations, understandings, representations and warranties are merged herein. Any modification, amendment or change of this agreement shall be in writing, executed with the same formalities as this instrument.

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17. This contract is to be performed in New Mexico. All questions regarding its validity, construction, interpretation, performance and all other questions arising hereunder shall be determined by the law of said state.

18. This agreement may be executed in any number of counterparts, each of which shall be and constitute an original.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

BROOKHAVEN OIL COMPANY

By _____
President

ATTEST:

_____
Secretary

SAN JUAN PRODUCTION COMPANY

By _____
Vice President

ATTEST:

_____
Secretary

13717

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

On this the 27th day of November, 1951, before me personally appeared W. L. Peacock to me personally known, who, after being by me duly sworn did say that he is the President of BROOKHAVEN OIL COMPANY, a 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 W. L. Peacock 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, Bernalillo County, New Mexico

STATE OF TEXAS)
) ss
COUNTY OF EL PASO)

On this the 27 day of November, 1951, before me personally appeared O. L. Perkins to me personally known, who, after being by me duly sworn did say that he is the Vice President of SAN JUAN PRODUCTION COMPANY, a 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 O. L. Perkins 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: _____

Robert E. Hayes
Notary Public, El Paso County, Texas

Notary Public in and for El Paso County, Texas
My commission expires June 1, 1953

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3-1-B
3-1-C

San Juan is a wholly owned subsidiary of El Paso Natural Gas Company, a Delaware corporation. As a part of the consideration hereof and for the purpose of inducing Brookhaven to execute this agreement, the undersigned hereby unconditionally guarantees the performance of each and every term, covenant and condition hereof by SAN JUAN PRODUCTION COMPANY.

EL PASO NATURAL GAS COMPANY

By _____
Vice President

ATTEST:

_____
Assistant Secretary

STATE OF TEXAS)
) ss
COUNTY OF EL PASO)

On this the 27 day of December, 1951, before me personally appeared _____, to me personally known, who, after being by me duly sworn did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a 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.

_____
Notary Public, El Paso County, Texas

My commission expires:

[illegible]

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Form No. [illegible]
(Modeled after PASO-1949-1)

EL PASO NATURAL GAS COMPANY

EXHIBIT "C"

Attached to and made a part of Farmout Agreement dated November ___ 1951, by and between Brookhaven Oil Company and San Juan Production Company

ACCOUNTING PROCEDURE
(Unit and Joint Lease Operations)

I. GENERAL PROVISIONS

1. DEFINITIONS
The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.
The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.
The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. STATEMENTS AND BILLINGS
Operator shall bill Non-Operator on or before 45 days after the last day of each month for its proportionate share of costs and expenditures during the month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph ___B___ below:
A. Statement in detail of all charges and credits to the joint account.
B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.
C. Statements, as follows:
(1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;
(2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
(3) Statement of any other receipts and credits.

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

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

II. DEVELOPMENT AND OPERATING CHARGES

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

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

2. LABOR, TRANSPORTATION, AND SERVICES
Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property.

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

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

5. MOVING SURPLUS MATERIAL FROM JOINT PROPERTY
Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. USE OF OPERATOR'S EQUIPMENT AND FACILITIES
Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "~~Basis of Charges~~ to Joint Account."

7. DAMAGES AND LOSSES
Damages or losses incurred by fire, flood, storm, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damage or losses incurred by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

8. LITIGATION, JUDGMENTS, AND CLAIMS
All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.
   A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint account, but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
   B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. TAXES
All taxes of every kind and nature assessed upon or in connection with the properties which are the subject of this agreement; the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

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[illegible] insurance carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

11. DISTRICT AND CAMP EXPENSE

A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.

12. OVERHEAD

Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator including the division superintendent, the entire staff and expenses of the division office located at Farmington, New Mexico, and any portion of the office expense of the principal business office located at El Paso, Texas, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:

A. During the period of drilling, pluggingback or deepening such amounts as may be allocated to each well from "Overheads during Construction" as recorded on the books of the Operator.

B. $ 25.00 per well per month for the first five (5) producing wells.

C. $ 20.00 per well per month for the second five (5) producing wells.

D. $ 15.00 per well per month for all producing wells over ten (10).

E. In connection with overhead charges, the status of wells shall be as foll

(1) ~~In-put or key wells shall~~ be included in overhead schedule the same as producing gas wells.

(2) Producing oil wells shall be included in overhead schedule the same ~~as producing gas wells.~~

(3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shut down is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.

(4) Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month it shall not be included in the overhead schedule for such month.

(5) Salt water disposal wells shall not be included in overhead schedule

F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development the schedule shall be applied to the total number of wells, irrespective of individual leases.

G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. WAREHOUSE HANDLING CHARGES

~~A warehouse handling charge not to exceed eight per cent (8%) of cost of~~ materials. This charge shall apply only to materials issued from Operator's warehouses and/or storerooms.

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

III. BASIS OF CHARGES TO JOINT ACCOUNT

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

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

A. New Material
(1) New material transferred from Operator's warehouse shall be priced f.o.b. the issuing warehouse. This will include material such as tanks, rigs, pumps, sucker rods, boilers, engines and tubular goods.
(2) Material transferred from other properties of the Operator shall be priced at original cost as recorded on books of the Operator.

B. Used Material
(1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be priced as under A(2) above.
(2) Material which after reconditioning will be in sound and serviceable condition and suitable for reuse shall be priced at original cost of such material as recorded on books of the Operator but shall not include any cost of reconditioning.
(3) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at original cost as recorded on books of Operator but shall not include erection costs not applicable to joint account.

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

4. OPERATOR'S EXCLUSIVELY OWNED FACILITIES
The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account as recorded on books of Operator.

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

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

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

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

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interests of Non-Operator in surplus new or secondhand material. Derricks, tanks, buildings, and other major items shall not be removed by Operator from the joint property without the approval of Non-Operator. Operator shall not sell [illegible]

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[illegible] shall be charged to Joint Account at the net cost incurred as set forth in Section III, supra, unless otherwise agreed to in writing by the parties hereto.

1. MATERIAL PURCHASED BY OPERATOR
Material purchased by Operator shall be carried at the price paid and charged to the Joint Account in the monthly statement of operations for the month in which the material is removed from the joint property.

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

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

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

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

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

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

2. NEW MATERIAL
New material, being new material procured for the joint account but never used thereon, at original cost as recorded on books of Operator.

3. GOOD USED MATERIAL
Good used material, being used material in sound and serviceable condition, suitable for reuse without reconditioning, at original cost as recorded on books of Operator.

4. OTHER USED MATERIAL
Used material, being used material which after reconditioning will be serviceable for original function, at original cost as recorded on books of Operator. Any costs incurred in restoring material to serviceable condition shall be charged to the joint account.

5. JUNK
Junk, being obsolete and scrap material, shall carry no value.

6. TEMPORARILY USED MATERIAL
When the use of material is of a temporary nature and its service to the joint account does not justify the charge to joint account as provided in Paragraph 4 above, such material shall be priced at original cost as recorded on books of Operator.

VI. INVENTORIES

1. PERIODIC INVENTORIES
Periodic inventories shall be taken by Operator of the joint account material, which shall include all such material as is customarily inventoried in the operation of oil and gas properties.

3. [redacted] Joint Account to be accomplished at the [redacted] Non-Operator to accept the inventory taken by Operator, who shall in such event furnish Non-Operator with a copy thereof.

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

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

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

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ASSIGNMENT OF OPERATING AGREEMENT

THIS ASSIGNMENT, made and entered into this JAN 2 1952 by and between SAN JUAN PRODUCTION COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "Assignor"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas, (hereinafter called "Assignee"),

W I T N E S S E T H:

That the undersigned Assignor, for and in consideration of the sum of One Dollar ($1.00) and other good and valuable consideration to it in hand paid by Assignee, the receipt of which is hereby acknowledged, does hereby sell, assign, transfer, set over and convey unto Assignee, its successors and assigns, subject to the terms and conditions hereof, all Assignor's interest in and to that certain Operating Agreement dated November 27, 1951, by and between BROOKHAVEN OIL COMPANY, as owners of leasehold interest and San Juan Production Company as Operator, wherein and whereby operating rights were granted to Assignor under that certain oil and gas lease made and entered into on May 1, 1948, by and between the United States of America as Lessor and Bonnie Marie McClafferty as Lessee, bearing Serial Number Santa Fe 078504, in so far as said lease covers the following described land situated in San Juan County, State of New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.

Section 3: Lots 1, 2, 3, S/2 N/2, S/2
Section 4: S/2 S/2, S/2 S/2
Section 9: N/2, N/2 SW/4, SW/4 SW/4, SE/4
Section 9: E/2 NW/4, NE/4, NE/4 SW/4
Section 17: N/2, N/2 SW/4, SE/4, SW/4 SW/4, SW/4 SE/4, N/2 SE/4

Township 32 North, Range 10 West, N.M.P.M.

Section 33: NW/4, W/2 NE/4, NW/4 SE/4

[redacted]

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TO HAVE AND TO HOLD unto the said Assignee, its successors and assigns, subject, however, to the terms and conditions of the original lease, the Operating Agreement, and to the following liens, overriding royalties, charges, reservations and agreements affecting the lease and/or the Operating Agreement:

An overriding royalty of one-half of one per cent (1/2 of 1%) reserved by Bonnie Marie Coveney (formerly Bonnie Marie McClafferty) and B. J. Coveney in assignment dated July 21, 1948, which royalty has been assigned to Joseph C. McClafferty.

In consideration hereof, Assignee hereby assumes the obligations of Assignor contained in said Operating Agreement.

IN WITNESS WHEREOF, this assignment is executed on the day and year first hereinabove written.

SAN JUAN PRODUCTION COMPANY

ATTEST:

Assistant Secretary

By _____
Vice President

ASSIGNOR

EL PASO NATURAL GAS COMPANY

ATTEST:

Assistant Secretary

By _____
Vice President

ASSIGNEE

original copy filed in connection with S.L.-91 + approved

3-18-3117

On this 2nd day of December, 1951, before me personally appeared C. L. Lukens to me personally known, who, after being by me duly sworn did say that he is the Vice President of SAN JUAN PRODUCTION COMPANY, a 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 C. L. Lukens 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.

Robert E. Weyser
Notary Public, County of El Paso, State of Texas

My Commission Expires:
ROBERT E. WEYSER
Notary Public in and for El Paso County, Texas
My commission expires June 1, 1953

STATE OF TEXAS)
)
COUNTY OF EL PASO)

On this 2 day of ~~December, 1951~~ January 1952, before me personally appeared C. C. Cragin to me personally known, who, after being by me duly sworn did say that he is the ~~Vice President of EL PASO~~ NATURAL GAS COMPANY, a 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 C. C. Cragin 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.

R. L. Hamblin
Notary Public, County of El Paso, State of Texas

My Commission Expires:
R. L. HAMBLIN
Notary Public in and for El Paso County, Texas
My commission expires June 1, 1953

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(3) 7¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(4) 8¢ per mcf on all such gas produced and saved during the next one year thereafter.

(5) 9¢ per mcf on all such gas produced and saved during the next three years thereafter.

(6) 10¢ per mcf on all such gas produced and saved during the next one year thereafter.

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

The volume of gas, upon which the severance regulation described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in the Measurement Committee Report No. 2, dated May 6, 1935, of the National Gas Department of the Interstate Gas Association, including the appendix thereto and subsequent amendments and supplements thereto from time to time. Proper corrections shall be made for deviation from Boyle's law, the specific gravity and the flowing temperature of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the said lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

The severance regulation specified in (7) above shall in no event be less than the amount stated therein but shall be reduced on an individual [illegible] by ninety (90) days prior to the end of the [illegible] (10) years following the date hereof [illegible] severance [illegible] severance regulations for the next [illegible] severance regulations, [illegible] received by Assignor hereunder [illegible] upon such severance [illegible] are to be computed [illegible] before [illegible] which [illegible] the [illegible] value of [illegible]

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ours of gas, aggregate quantity of delivery and the then current field prices (or then newly negotiated contracts) of gas in other fields connected to or in the area of any of Assignee's pipe lines or gathering systems or of any pipe-line system to which any of Assignee's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties. The overriding royalties reserved by Assignor above shall be determined for each five-year period after the twentieth year following the date hereof in like manner as that provided above for the five-year period next following the fifteenth year after the date hereof, but in no event shall the amount of such overriding royalties be less than 10¢ per mcf.

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

6. All oil in, to and under the said lands and leases, together with the right of Assignee and agrees to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate for connection therewith.

B. All gas and other hydrocarbon substances in, to and under said lands and leases in all formations below the Mississippi formation, together with the right of Assignee and agrees to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate for connection therewith.

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in the official records of the [redacted], Tulsa County, Oklahoma, Volume _____, Page _____, reference to which agreement and the record thereof is hereby made for all purposes, and the terms and provisions of which agreement are all incorporated herein by reference the same as though set forth verbatim herein. In the event of any inconsistency between the provisions of this assignment and said Oil and Gas Lease Sale Agreement, the provisions of said Oil and Gas Lease Sale Agreement shall control.

4. For the same consideration, Assignor covenants with Assignee, its successors and assigns, that Assignor will warrant and forever defend unto Assignee, its successors and assigns, the title to the entire interest of Assignor in and to the said lands and leases purported to be assigned herein against any person or persons claiming or to claim any interest therein by, through, or under Assignor only.

5. Assignee, by its acceptance upon delivery of this assignment, warrants and agrees that it will comply with all terms, provisions and conditions of the agreement dated September 26, 1952, mentioned hereinabove, and, subject to the terms thereof, that it will comply with all obligations of the leases hereby assigned and that it hereby assumes and agrees to pay, as and when the same shall become due and payable, all royalty interests under the leases hereby assigned applicable to all gas and other hydrocarbons produced and saved by Assignee.

EXECUTED at Tulsa, Oklahoma, on this 14th day of January, 1953.

ATTEST: [redacted] SUNRAY OIL CORPORATION

By [redacted]

[redacted]

[redacted]

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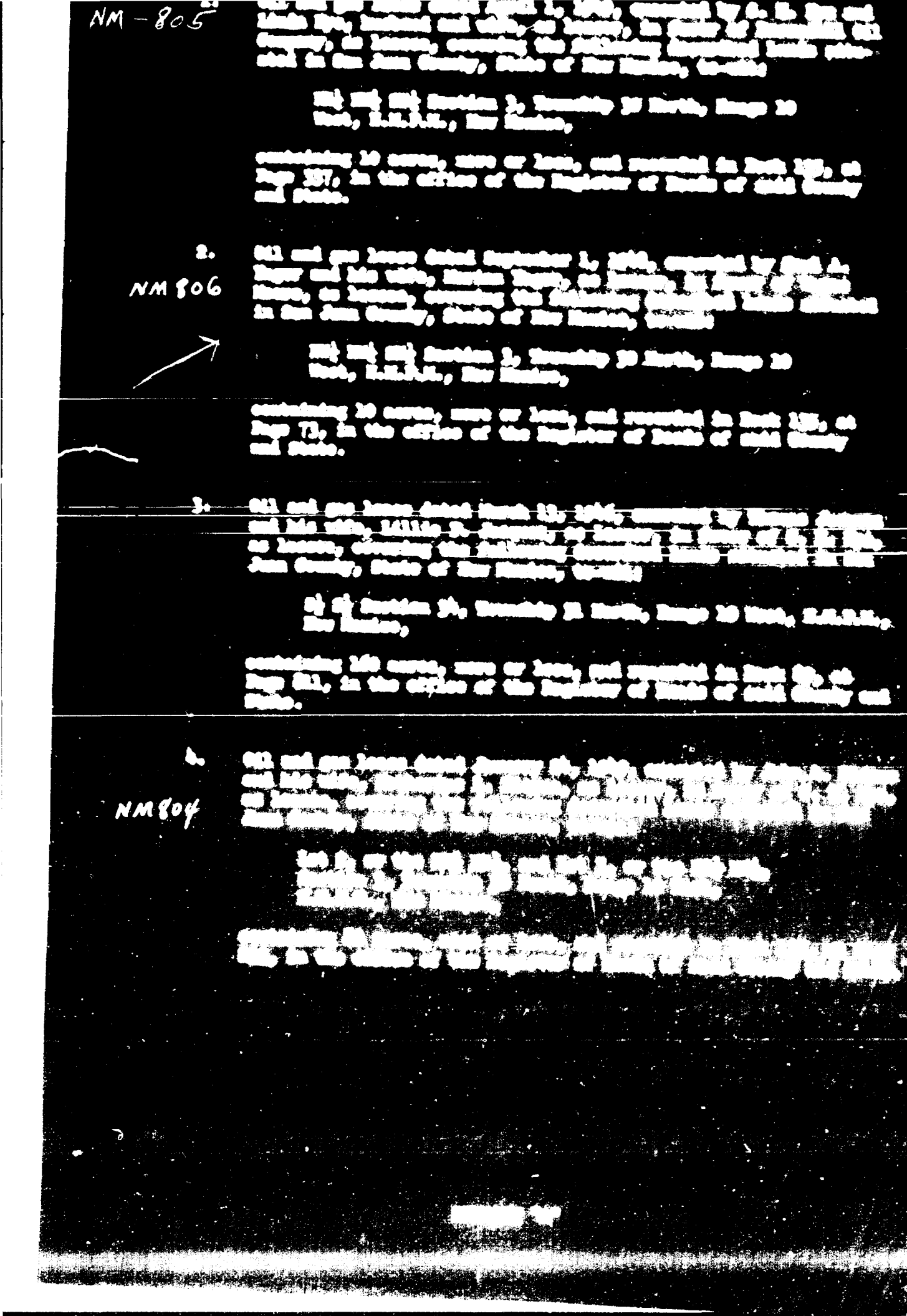

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FRED C. KOCH
321 West Douglas
WICHITA, 2, KANSAS

August 5, 1953

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

ATT'N: SAM SMITH

Re: K 559-2924
De Jarnette Lease
SW/4 NE/4; SW/4 NW/4 SE/4
Sec. 3-30N-10W
San Juan County, New Mexico

Communitization E/2 3-30-10
San Juan County, New Mexico

Gentlemen:

I hereby consent and agree to the Communitization of the above location, and will be pleased to execute your standard form of Communitization Agreement covering ~~the above tract, when~~ you submit same, and provided it does not contain any unusual terms and ~~provides for participation in the unit on the usual~~ acreage basis.

Yours truly,

FRED C. KOCH

BY: C C Chase

FCKoch/mb

Kle: Cm #11

3-1163

R-712-C

OPERATING AGREEMENT
Koch Pool Unit # 1

THIS AGREEMENT, made and entered into this 1st day of August, 1963, 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 "Operator"; and Fred C. Koch, and wife, Mary R. Koch, whose address is 321 West Douglas, Wichita, Kansas, herinafter sometimes referred to as "Non-Operators":

W I T N E S S E T H:

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

Township 30 North, Range 10 West, N.M.P.M.
Section 3: N/2
containing 320.68 acres, more or less; and

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

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

1. FORMATION OF UNIT

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

2. OPERATOR

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

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

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

3. WELL

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

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

4. COSTS AND EXPENSES

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

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

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

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

In the event that Operator elects to require any Non-Operator to advance its proportionate share of the above mentioned costs and expenses, Operator shall submit an itemized estimate of such costs and expenses for the succeeding calendar month to such Non-Operator, showing therein the proportionate part of the estimated costs and expenses chargeable to such Non-Operator. Within fifteen (15) days after receipt of said estimate, such Non-Operator shall pay to the Operator its proportionate share of the estimated costs and expenses. If payment of the estimated costs and expenses is not made when due, the unpaid balance thereof shall bear interest at the rate of six per cent (6%) per annum from the due date until paid. Adjustments between estimated and actual costs and ex-

[illegible] shall be made by Operator at the close of each calendar month and the account of the respective parties adjusted accordingly.

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

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

5. RENTALS

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

6. INSURANCE

Operator shall at all times while conducting operations hereunder, carry and require its contractors and their sub-contractors to carry insurance to protect and save the parties hereto harmless, as follows:

A. Workmen's Compensation and Employer's Liability Insurance sufficient to comply with the Workmen's Compensation law for the State of [illegible].

B. Comprehensive General Public Liability Insurance with limits of not less than $50,000 per person and $100,000 per incident, and General Public Liability Property Damage with limits of not less [illegible].

C. Automobile Public Liability Insurance including [illegible] and hired automobile [illegible] with limits of [illegible] per person and [illegible] per accident, and Automobile Property Damage Insurance with a limit of not less than $[illegible] per incident.

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

7. DISPOSAL OF PRODUCTION

Each of the parties hereto shall own and have the right, at its own expense to take in kind or separately dispose of its proportionate part of all gas and associated liquid hydrocarbons produced and saved from the acreage covered hereby, exclusive of the production which may be used by Operator in developing and continuing operations on the said tract under the Communitization Agreement referred to in paragraph 1 above, and of the production unavoidably lost, provided that each of the parties hereto shall pay or secure the payment of the royalty interests, overriding royalty interests, payments out of production and other similar interests, if any, from its proportionate part of said production. If at any time or times Non-Operator shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, Operator shall have the right, revocable by Non-Operator at will, to sell such part of such production at the same price which Operator received for its own portion of the production, or to take such gas for its own use for resale; should gas be delivered by either party during any period that such other party or parties have failed or refused to take or sell its or their gas, then the party receiving or taking delivery of the gas agrees to account to the other party or parties for its or their proportionate part of the gas so delivered, (1) if sold by the receiving party, at the market price at the wellhead for said gas, or at the price received at wellhead by such party, whichever is greater or, (2) if taken for its own use or transported for resale by the receiving party, at the highest price it is paying others in the area at the wellhead for gas of similar quality and [illegible] or, (3) if no such purchases are being made by the receiving party, at the [illegible] price at the wellhead. Any sales by [illegible] for such reasonable periods of time as are consistent with the [illegible] country under the circumstances, but in no event [illegible] excess of one (1) year.

8. DURATION OF AGREEMENT

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

9. ROYALTY INTERESTS

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

10. TAXES

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

11. RELATION OF PARTIES

The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, it being the express purpose and intention of the parties hereto that their ownership in said unit shall be as tenants in common; and nothing herein contained shall ever be construed as creating a partnership, joint venture, an association or trust or as imposing upon any one or more of the parties hereto any [illegible] liability [illegible] with respect to [illegible] this Agreement.

12. [illegible]

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

13. SURRENDER, EXPIRATION, ABANDONMENT OR RELEASE OF LEASE

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

14. [illegible]

In the event of the loss or failure of the title, in whole or in part, of any party hereto, so any lease, the interest of such party in and to the production [illegible]

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

15. ABANDONMENT OF WELL

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

16. LAWS AND REGULATIONS

This Agreement [illegible]

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

17. FORCE MAJEURE

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

18. OPERATOR'S LIEN

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

19. NOTICES

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

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

90. [redacted]

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

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

ATTEST:

_____
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By _____
Vice President

_____
Fred C. Koch

_____
Mary R. Koch

STATE OF TEXAS)
)
COUNTY OF EL PASO)

On this 5th day of July, 1955, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:
MARCH 1, 1957.

Notary Public, in and for El Paso County, Texas
My commission expires June 1, 1957

_____
State of Texas

37117

STATE OF KANSAS,
COUNTY OF Sedgwick

On this 27th day of June, 1938 before me appeared Fred C. Koch and Mary I. Koch, his wife, to me known to be the persons described in who executed the foregoing instrument, and acknowledged to me they executed the same 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:

[illegible]

Notary Public, County of Sedgwick
State of Kansas

5E1

Attached to and made a part of Operating Agreement dated August 1, 1953 between El Paso Natural Gas Company and Fred C. Koch, et ux.

ACCOUNTING PROCEDURE
(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. **Definitions**
The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.
The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.
The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. **Statements and Billings**
Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph A below:
A. Statement in detail of all charges and credits to the joint account.
B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.
C. Statements, as follows:
(1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;
(2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
(3) Statement of any other receipts and credits.

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

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

II. DEVELOPMENT AND OPERATING CHARGES
Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. **Rentals and Royalties**
Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when and as direct to royalty owners by the purchaser of the oil, gas, [illegible]

2. **Labor, [illegible]**
Labor, transportation, and [illegible] for the [illegible] property. Labor shall include (A) [illegible] expenditures or contributions [illegible]
(B) Operator's current [illegible] retirement, stock purch[illegible] payroll; provided, [illegible] total of [illegible]

3. [illegible]

4. [illegible]

6. **Moving Surplus Material from Joint Property**
Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving surplus material to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator; and no charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. **Use of Operator's Equipment and Facilities**
Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "Basis of Charges to Joint Account."

7. **Damages and Losses**
Damages or losses incurred by fire, flood, storm, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damage or losses incurred by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

8. **Litigation, Judgments, and Claims**
All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.
A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint account; but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. **Taxes**
All taxes of every kind and nature assessed upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. **Insurance**
A. Premiums paid for insurance carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.
B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

See Paragraph 2, Article 4, of this Agreement

11. **District and Camp Expense**
A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.

12. **Overhead**
Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator, including the division superintendent, the entire staff and expenses of the division office located at El Paso, Texas, and any portion of the office expense of the principal business office located at El Paso, Texas, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:
A. $ 250.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
B. $ 45.00 per well per month for the first five (5) producing wells.
C. $ XXXXXX per well per month for the second five (5) producing wells.
D. $ XXXXXX per well per month for all producing wells over ten (10).
E. In connection with overhead charges, the wells of each [illegible]
(1) Input or bay wells shall be included in [illegible]
(2) Producing gas wells shall be included [illegible]
(3) Wells permanently shut down but on which [illegible] overhead schedule at the time the [illegible] be charged at the [illegible]
(4) Wells being plugged [illegible] bay wells.
(5) Various wells may be shut down [illegible] in their name [illegible] due [illegible]
(6) Salt water disposal [illegible]

37 0 7 4 1 3 1 9

F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.

G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator, if in practice they are found to be insufficient or excessive.

2 Warehouse Handling Charges

None

3 Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond the [illegible] and, in case of defective material credit shall be [illegible] from the manufacturers or their agents.

4 Operator's Exclusively Owned Facilities

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

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

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

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

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

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

[illegible]

[illegible] Owners of Non-Operated in surplus new or secondhand [illegible]

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

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

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

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

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

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

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

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

3 **Good Used Material**
Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning:
A At 75% of current new price if material was charged to joint account as new, or
B At 75% of current new price less depreciation consistent with their usage on and service to the joint property if material was originally charged to the joint property as secondhand at 75% of new price.

4 **Poor Used Material**
(Condition "C"), being used material which after reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
B Is serviceable for original function but substantially not suitable for reconditioning, at 50% of current new price.

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

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

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

VI. INVENTORIES

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

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

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

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

5. **Adjustment of Inventory**
Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but each Non-Operator shall only be held accountable for its proportionate interest in such adjustments.

6. **Special Inventories**
Special inventories may be taken, as the [illegible] interest in the joint property, shall [illegible] quickly as possible after the [illegible] shall be represented and shall [illegible]

R-712-D

CONTRACT FOR DEVELOPMENT

THIS AGREEMENT made and entered into this 27th day of February, 1950, between THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, hereinafter called "ATLANTIC", and DELHI OIL CORPORATION, a Delaware corporation, hereinafter called "DELHI",

W I T N E S S E T H T H A T:

WHEREAS, ATLANTIC is the owner and holder of the following described oil and gas leases, subject to the payment of the overriding royalties hereinafter set out, to-wit:

(a) Oil and gas lease dated August 10, 1946 from the State of New Mexico, as Lessor, to ATLANTIC, as Lessee, being State Lease No. E-956, covering among other land the following described land in San Juan County, New Mexico:

T31N, R10W, N.M.P.M.

Section 32: SE/4 SW/4

containing 40 acres, more or less;

(b) Oil and gas lease dated June 21, 1943 from the State of New Mexico, as Lessor, to ATLANTIC, as Lessee, being State Lease No. B-10400, covering among other land the following described land in San Juan County, New Mexico:

T31N, R10W, N.M.P.M.

Section 32: NE/4 NW/4; SE/4 NW/4; SW/4 SW/4
Section 36: N/2 NW/4

containing 200 acres, more or less;

(c) Oil and gas lease dated January 1, 1945 from the United States of America, as Lessor, to John L. McCarty, as Lessee, being Federal Lease, Serial No. Santa Fe 077185, covering among other land the following described land in San Juan County, New Mexico;

T30N, R10W, N.M.P.M.

Section 3: Lot 1, SE/4 NE/4; SW/4 SE/4; SE/4 NW/4; E/2 SW/4; E/2 SE/4

containing 307.24 acres, more or less.

which said lease was assigned by the said Lessee to ATLANTIC by assignment dated May 17, 1947, recorded in Book 126, at Page 299, of the Records of San Juan County, New Mexico, in which assignment the Assignor reserved unto himself, his heirs and assigns, an overriding royalty of 2% of all of the oil and gas in and under and that may be produced, saved and sold from the lands covered by said assignment.

(d) Oil and gas lease dated January 1, 1945 from the United States of America, as Lessor, to James C. Phillips, as Lessee, being Federal Lease, Serial No. Santa Fe 077187, covering among other land the following described land in San Juan County, New Mexico;

NM-773

T31N, R10W, N.M.P.M.

Section 26: W/2 NW/4; NE/4 NW/4; S/2; SE/4 NE/4;
Section 27: All
Section 28: All

1760

and containing 1760 acres, more or less;

which said lease was assigned by the said Lessee to ATLANTIC by assignment dated May 15, 1947, recorded in Book 126, at Page 297, of the Records of San Juan County, New Mexico, in which assignment the Assignor reserved unto himself, his heirs and assigns, an overriding royalty of 2% of all of the oil and gas in and under and that may be produced, saved and sold from the lands covered by said assignment.

(e) Oil and gas lease dated June 1, 1944 from the United States of America, as Lessor, to ATLANTIC, as Lessee, being Federal Lease, Serial No. Santa Fe 077179, covering the following described land in San Juan County, New Mexico:

NM-775

T30N, R10W, N.M.P.M.

Section 3: Lot 4; SW/4 NW/4; W/2 SW/4
Section 4: Lots 1, 2, 3, 4; S/2 N/2; S/2
Section 5: Lots 1, 2, 3, 4; S/2 N/2; S/2

T31N, R10W, N.M.P.M.

Section 33: All
Section 34: N/2; N/2 S/2

and containing 2,562.32 acres, more or less;

(f) Oil and gas lease dated January 1, 1945 from the United States of America, as Lessor, to Sophia Meyer, as Lessee, being Federal Lease, Serial No. Santa Fe 077186, covering among other land the following described land in San Juan County, New Mexico:

T31N, R10W, N.M.P.M.

Section 24: E/2; E/2 W/2; SW/4 NW/4; SW/4 SW/4
Section 25: All-

containing 1200 acres, more or less, and

WHEREAS, ATLANTIC and DELHI desire to enter into an agreement to provide for the development for oil and gas of the lands described above in the manner hereinafter specified.

NOW, THEREFORE, in order to provide for the development of said lands for oil and gas at the depths hereinafter specified, and in consideration of the mutual beneifts to be derived hereunder, it is agreed as follows:

I.

TEST WELLS

Within 60 days after approval of this contract by the Secretary of the Interior (hereinafter called "Secretary"), DELHI agrees to start the actual drilling (spudding in) of a test well for oil and gas at a location to be selected by DELHI on some part of the land above described and to drill the same with due diligence, within a period which shall not exceed 150 days, completely through the Mesa Verde formation or to a depth of 5200 feet, whichever is the lesser depth, unless oil or gas in paying quantities is encountered in the Mesa Verde formation unless such first well be the well hereinafter provided for and designated and called throughout this Agreement as the "Deep Well", in which event the depth and time for completion shall be as hereinafter provided for the "Deep Well".

Within 60 days after the completion of the first well either as a producer of oil (into the tanks) or of gas or as a dry hole, DELHI, unless it shall elect not to do so and thereby forfeit its rights under this contract as to all of the above described lands except the acreage hereinafter called "earned gas acreage" or "earned oil acreage", shall commence the actual

drilling (spudding in) of a second well at a location to be selected by it upon the land above described, and said well, and all succeeding wells drilled by Delhi hereunder except the well hereinafter provided for and designated and called throughout this agreement as the "Deep Well", to be drilled to completion in the same manner and within the same time limit and to the same depth as prescribed in the next preceding paragraph.

Likewise, DELHI shall continue to drill one well at a time upon the lands above described with not more than 60 days elapsing between the completion of one well and the starting of the actual drilling (spudding in) of another, until it shall elect to discontinue such drilling operations and thereby forfeit its rights under this contract as to all of the above described lands except the acreage hereinafter called "earned gas acreage" or "earned oil acreage" to be selected in the manner and in the amount described below.

For each well drilled by DELHI in the manner set out above to completion as a commercial producer of gas or as a dry hole, DELHI shall select 320 acres in reasonably compact form around said well, the acreage so selected being hereinafter called "earned gas acreage", and for each well drilled by DELHI in the manner set out above to completion as a commercial producer of oil, DELHI shall select 80 acres in reasonably compact form around said well, the acreage so selected being hereinafter called "earned oil acreage", and in addition DELHI, within thirty (30) days after the completion of the first oil well into the tanks, shall select 1,000 acres in reasonably compact form around said well which shall be hereinafter called "selected oil acreage". Within 90 days from the completion of said well, subject to the condition hereinafter set forth, DELHI must start the actual drilling (spudding in) of a second well upon the "selected oil acreage," which shall be drilled with due diligence to a depth sufficient to test the sand or zone from which the first well produces oil in such quantities as well in like manner as selected the remainder of the "selected oil acreage," which must be done within 90 days of the completion of the first well into the tanks. The actual drilling (spudding in) of each well

(2) Amended by deletion and insertion.

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"selected oil acreage" shall result in the cancellation of the "selected oil acreage" but such cancellation shall not eliminate the "earned oil acreage" around the oil well or wells which may have been drilled. As to all subsequent wells drilled by DELHI to completion as a commercial producer of oil into the tanks, within the "selected oil acreage", DELHI shall select 80 acres in reasonably compact form around such well as "earned oil acreage". The wells required to be drilled on the "selected oil acreage" after the first oil well shall be in addition to those required by the third paragraph of this Section 1. In the event of the cancellation of the "selected oil acreage" block, any oil well thereafter completed by DELHI thereon shall be subject to the same conditions as if DELHI completed an oil well upon acreage lying outside the "selected oil acreage", which conditions are set out in the next succeeding paragraph hereof.

Should DELHI, after selecting the "selected oil acreage", complete an oil well upon the acreage above described lying outside the "selected oil acreage", then ATLANTIC shall have the option, for a period of sixty (60) days after said completion, of taking over said well, owning and operating the same for its sole and exclusive benefit upon reimbursing DELHI for the actual cost of drilling and completing said well; however, if ATLANTIC does not elect to take over and operate said well, then eighty (80) acres in reasonably compact form surrounding said well shall be added to the "earned oil acreage" and said well shall be operated by DELHI for the benefit of both DELHI and ATLANTIC as hereinafter outlined.

It is understood and agreed that DELHI is required to drill only one well at a time pursuant to this contract, with not more than a sixty (60) day interval between the completion of one well and the starting of the actual drilling (spudding in) of the next, unless oil is discovered, whereupon DELHI under the terms hereof shall be drilling two wells at a time, one for gas, and one upon "selected oil acreage".

Notwithstanding any other provision of this contract which might be construed to the contrary, it is expressly understood that DELHI shall have only the right to drill wells to be operated by DELHI and to only the oil produced from oil wells drilled by DELHI.

Approved
Court for Dist. of Alaska, 1st Div.

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The first two wells drilled pursuant to this contract, the locations of which DELHI alone shall select, and all subsequent wells drilled at locations which are approved in writing by ATLANTIC are hereinafter called "authorized wells." All other wells so drilled are hereinafter called "unauthorized wells". An "unauthorized well" shall be as effective in discharging DELHI'S drilling obligation hereunder as an "authorized well", provided that an "unauthorized well" located upon land previously classified as "earned gas acreage" shall not entitle DELHI to select or have any additional "earned gas acreage", nor shall an "unauthorized well" which produces oil from land theretofore classified as "earned oil acreage" (by reason of drilling a previous oil well thereon) entitle DELHI to select or have any additional "earned oil acreage".

II.

THE DEEP WELL

Anything express or implied in this Agreement to the contrary notwithstanding, it is hereby agreed and provided that DELHI, under and upon the conditions hereinafter provided, shall have the express obligation of drilling a well, at a location selected by it, upon the abovedescribed lands to a depth sufficient to test for oil and gas the Dakota formation or to a depth of 7,500 feet, whichever is the lesser depth. Such well is elsewhere hereinabove and hereinafter in this Agreement called the "Deep Well".

DELHI'S obligation to ATLANTIC to drill the "Deep Well" is upon and subject to the following express conditions;

(1) DELHI may, if it shall so elect, drill the "Deep Well" as the well required by the provisions of the first paragraph of Paragraph I hereof to be drilled by DELHI in which event the "Deep Well", for all purposes thereof, shall be in lieu of the well required by such paragraph and shall satisfy and discharge the obligation of DELHI provided by such paragraph.

(2) In the event DELHI shall not elect to drill the "Deep Well" in lieu of the well provided for in the first paragraph of Paragraph I hereof, that is to say, DELHI shall not elect to drill the "Deep Well" as the first well drilled by it hereunder, it is expressly provided that for a period of five (5) years from the date hereof, DELHI'S right, as hereinabove provided,

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Cont. for Gen. Atlantic Agmt.

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to cease drilling further or additional wells is expressly conditioned that it will commence the actual drilling (spudding in) of the "Deep Well" within sixty (60) days after the completion, either as a commercial producer of oil (into the tanks) or of gas or as a dry hole, of the preceding well drilled by DELHI hereunder and shall continue to drill the "Deep Well" to completion, either as a commercial producer of oil (into the tanks) or of gas or as a dry hole, to the depth hereinabove set forth and in the manner hereinafter set forth.

(3) At anytime after the expiration of one (1) year from the effective date of this contract, that is to say, one (1) year after the approval of this contract by the Secretary, and prior to three (3) years from such date, and if DELHI shall have not theretofore commenced the drilling of the "Deep Well", ATLANTIC shall have the right to demand that the next well drilled by DELHI hereunder be the "Deep Well", provided, however, such demand must be made by ATLANTIC at least forty-five (45) days prior to the date upon which the next succeeding well hereunder is to be commenced.

(4) After commencing the "Deep Well", DELHI shall thereafter prosecute the drilling thereof with reasonable diligence to the depth hereinabove provided.

(5) The "Deep Well" shall constitute an "authorized well" for all purposes of this contract and shall entitle DELHI to "earned gas acreage"; in the event such well is completed as a gas well and to "earned oil acreage" in the event such well is completed as an oil well; the option of ATLANTIC to take over and acquire oil wells drilled by DELHI outside the "selected oil acreage", as hereinafter provided, shall in no event be applicable to the "Deep Well".

I-I.

COST OF WELLS, OWNERSHIP OF WELLS, EQUIPMENT AND [illegible]

DELHI agrees to drill all of the wells to be drilled by it hereunder at its own expense and free of cost to ATLANTIC; however, in the instances hereinafter set out DELHI shall receive reimbursement therefor in the manner hereinafter set out:

Agreement [illegible]

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A. With respect to "authorized wells" drilled by DELHI hereunder, DELHI shall be reimbursed out of production from the following cost in connection with same in the following manner, to-wit:

(1) For cost and expense of drilling, plugging and abandoning of all "authorized wells" drilled by DELHI upon the above described lands shall be paid by DELHI, however, it shall charge all such cost and expense to an account hereinafter called the "development account".

(2) The first two oil wells drilled upon the "selected oil acreage", that is to say, the oil well creating the "selected oil acreage" and the next succeeding oil well drilled by DELHI on the "selected oil acreage", shall be drilled and completed at the sole cost and expense of DELHI without reimbursement to it out of production or otherwise and no part of said cost and expense shall be charged to the "development account". If the second well drilled for oil upon the "selected oil acreage" should be a dry hole, it shall nevertheless be counted as an oil well in discharging DELHI'S drilling obligation, and all cost and expense in connection with the drilling, plugging and abandoning of said well shall be borne by DELHI without reimbursement of any kind and no part of said cost and expense shall be charged to the "development account"; however, if said second well or any succeeding well drilled upon the "selected oil acreage" be a dry well, DELHI shall charge its drilling and equipping costs in connection therewith to the "development account", but any such dry wells shall not be counted as an oil well in discharging DELHI'S drilling obligation. The cost and expense of drilling and equipping the third and all subsequent oil wells drilled by DELHI upon the "selected oil acreage" shall be borne by DELHI, however, it shall charge same to the "development account". For all purpose of this paragraph the term "the first two oil wells" is hereby defined to mean the first two wells completed upon the "selected oil acreage" as a commercial producer of oil and/or as a dry hole.

(3) Until such time as the "development account" has been

(5) Accounts Attached Hereto

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liquidated and paid in the manner hereinafter set out, ATLANTIC shall receive one-fourth of all production from all "authorized wells" drilled hereunder, free of all development and operating costs and expenses but subject to 1/4 of all outstanding royalties and overriding royalties; and DELHI shall receive 3/4 of such production, out of which it shall pay and discharge all current operating costs and 3/4 of all outstanding royalties and overriding royalties, and apply the remainder thereof as a credit to the "development account". When, as and if the credits so applied become equal to and liquidate said "development account", all of the wells and the equipment used in connection therewith and the production therefrom shall be thereafter owned equally by ATLANTIC and DELHI, each being entitled to receive 1/2 of said production, subject to 1/2 of outstanding royalties and overriding royalties and subject also to 1/2 of current operating costs. No interest shall ever be charged to the "development account."

B. With respect to "unauthorized wells" drilled by DELHI hereunder the costs and expense of DELHI in connection therewith shall be borne as follows:

(1) As to "unauthorized wells" resulting in dry holes, all costs and expenses in connection with the drilling, plugging and abandoning of same shall be borne wholly by DELHI without reimbursement out of production or otherwise and no part of said costs or expenses shall be charged to the "development account".

(2) As to any "unauthorized well" which produces oil or gas, DELHI shall bear all costs and expenses in connection with the drilling, completion and equipping of same; however, it shall receive all of the production from said well, subject to the payment by DELHI of all outstanding royalties and overriding royalties and of all operating costs, until it shall have realized out of said production 200 per cent of its said costs and expenses, after which said well and the equipment used in connection therewith and the production therefrom shall be owned equally by ATLANTIC and DELHI, each being entitled to receive 1/2 of said production, subject to 1/2 of outstanding royalties and overriding royalties and subject also to 1/2 of current operating costs.

Asst. Cash. Clerk.

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IV.

For the purpose of this agreement, it is agreed that:

(a) Gas is defined as (including, but not by way of limitation, condensate) all of the products produced which, immediately preceding the first withdrawal of any product from the reservoir, were in the form of gas in such reservoir.

(b) Oil is defined as being any combination of liquid hydrocarbons, regardless of gravity, which, immediately preceding the first withdrawal of any product from the reservoir, was in the form of liquid in such reservoir.

(c) An oil well is any well which produces one barrel or more of oil, as hereinabove defined, to each 30,000 cubic feet of gas, as hereinabove defined.

(d) A gas well is a well producing gas, as hereinabove defined, and which produces no oil, as hereinabove defined, or less than one barrel of oil to each 30,000 cubic feet of gas.

(e) Regardless of the above definitions of oil and gas, the entire production, liquid as well as gaseous, from all gas wells, as hereinabove defined, shall be considered as gas production and the entire production, liquid as well as gaseous, from all oil wells, as hereinabove defined, shall be considered as oil production.

V.

WELL RECORDS AND ACCESS TO WELLS

DELHI agrees to keep a true and accurate log of all wells that may be drilled by it on the above described lands, and a correct tally of the various sizes and lengths of casing that may be set therein, and upon the completion of any such well shall either deliver to ATLANTIC at its office in the Magnolia Building, Dallas, Texas, or deposit in the United States mail, addressed to ATLANTIC at P. O. Box 871, McClintic Building, Midland, Texas, a true and complete log of such well, together with a true and accurate record of all casing set therein, showing the make, size, weight, thread and lengths thereof and points at which such casing shall have been set. DELHI shall also furnish to ATLANTIC at the above address, daily reports of the

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progress of each well drilled by it upon said lands, such report to be either mailed or delivered daily during the drilling of such well.

ATLANTIC, through its duly authorized agents and representatives, shall have access to the above described lands and any well or wells that may be drilled thereon by DELHI, at any and all times during the drilling thereof, and any and all information available, as secured, pertaining to the samples of all cuttings which may be encountered in the drilling thereof. DELHI shall not drill into any known producing horizon without giving to ATLANTIC sufficient notice to enable it to have a representative on the ground to witness the drilling in of such well or wells.

VI.

RENTALS AND COMPENSATORY ROYALTIES

DELHI shall reimburse ATLANTIC for all sums paid by ATLANTIC to the United States of America or the State of New Mexico, or paid by ATLANTIC upon demands of The United States of America or the State of New Mexico, after the effective date of this contract and while this contract remains in effect, on account of the following:

(1) As oil and gas lease rentals attributable to the land covered hereby except any such rentals as may be attributable to any of the abovedescribed leases upon which ATLANTIC may have drilled any well, provided, however, if DELHI shall elect to discontinue the drilling of additional wells hereunder and thereby forfeit its rights under this contract as to all of the abovedescribed lands except as to "earned oil acreage" and "earned gas acreage", as hereinabove provided for, DELHI'S liability for any such oil and gas lease rentals shall be limited to such rentals as are attributable to "earned oil acreage", "earned gas acreage" and selected oil acreage".

(2) As royalties on oil or gas produced from all wells operated by DELHI pursuant to this contract;

(3) As costs of plugging, or for damages for failure to plug, any well or wells which DELHI is required to plug under

Atlantic Ref. Co.

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the provisions of Paragraph III above;

(4) On account of any liability of DELHI, whether or not herein mentioned or described, arising out of operations on said lands.

DELHI shall also reimburse ATLANTIC for all sums paid by ATLANTIC to The United States of America, as compensatory royalties on account of the absence of operations for oil or gas after sixty days subsequent to the effective date of this contract, on all of the land above described as to which this contract is in force and effect for the period or periods for which said demands are made except compensatory royalties demanded or required by virtue of, with respect to or in anywise in connection with any oil well drilled or operated by ATLANTIC upon the abovedescribed land, provided, however, DELHI shall reimburse ATLANTIC for all such compensatory royalties on account of the absence of operations for oil upon the "selected oil acreage".

All sums paid by DELHI as compensatory royalties and all sums paid by DELHI as delay rentals under this Paragraph V, whether such payments are made direct or through reimbursement to ATLANTIC, shall be charged to the "development account", except compensatory royalties on account of the absence of operations for oil upon the "selected oil acreage".

If DELHI shall fail or refuse to reimburse ATLANTIC for any such payment made by it within thirty days after demand for reimbursement made upon DELHI, in writing, by ATLANTIC, then and in such event DELHI shall, at the option of ATLANTIC, and upon written notice from it, forfeit all rights hereunder, and shall, by an appropriate written instrument, surrender, quitclaim and release to ATLANTIC all rights and benefits under this contract.

VII.

COSTS OF OPERATION

Subject to DELHI'S right to reimbursement out of production for drilling and equipment costs in the instances and manner as set out above, and subject to the payment of all outstanding royalties and overriding royalties, all of the wells drilled by DELHI and the oil and gas produced

Reimbursements All to the Atlantic Coast Companies.

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therefrom (except any oil well drilled by DELHI on acreage outside of the "selected oil acreage" which may have been taken over by ATLANTIC under the terms of this contract) pursuant to this agreement shall be owned in the following proportions: ATLANTIC one-half (1/2), DELHI one-half (1/2); and each party shall own and have the right to receive its share of the production in kind; provided, however, that ATLANTIC shall have the continuing option to purchase at the wells, at the prevailing market price for oil of like kind and gravity on the day produced, DELHI'S share of all oil produced and saved from said premises.

DELHI shall operate all of the wells drilled by it hereunder (except any oil well drilled by DELHI on acreage outside of the "selected oil acreage" which may have been taken over by ATLANTIC under the terms of this contract) for the joint benefit of the parties hereto, and the costs and expenses in connection with such operation shall be borne as follows:

(a) As to the producing wells drilled and equipped by DELHI hereunder at its sole expense without being reimbursed for such drilling and equipment expense out of production, all cost and expense in connection with the operation of said wells thereafter shall be borne equally by the parties hereto, proper charges and credits to be made in accordance with the Accounting Procedure attached hereto and marked Exhibit "A".

(b) As to each of the remaining producing wells drilled and operated by DELHI hereunder, DELHI shall pay all cost of operation in connection therewith during such time as it is receiving reimbursement out of production for drilling, equipping and current operating costs; however, if, as and when DELHI has received reimbursement for such drilling, equipping and current operating costs in connection with each such well, the cost and expense of operating each such well thereafter shall be borne equally by the parties hereto, proper charges and credits to be made in accordance with the Accounting Procedure attached hereto and marked Exhibit "A".

VIII.

WELLS DRILLED BY ATLANTIC

After DELHI has selected the "selected oil acreage" ATLANTIC shall

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have the right to drill oil wells upon all of the above described acreage outside of said "selected oil acreage" and outside "earned gas acreage" and "earned oil acreage" at its sole cost and expense and ATLANTIC shall be the sole owner of any such wells and the production therefrom. Should ATLANTIC while drilling for oil complete a gas well as a producer, ATLANTIC shall notify DELHI and DELHI shall have the option for a period of sixty days after receipt of said notice of taking over said well and operating the same under this agreement upon reimbursing ATLANTIC for the actual cost of drilling and completing said well, DELHI to receive all production from such well until it has been reimbursed out of production for drilling, equipment and current operating costs, and thereafter such well and the production therefrom shall be owned by ATLANTIC in the proportion of one-half (1/2) and DELHI in the proportion of one-half (1/2) and such well thereafter shall be operated and shall be treated as though same had been drilled and completed as an "authorised gas well" by DELHI under the terms and provisions of this contract.

IX.

INDEMNITY TO ATLANTIC

DELHI hereby binds itself to save and hold harmless ATLANTIC against all suits, claims, liabilities, damages and losses of whatsoever character resulting from the failure of DELHI, in any particular, to perform the obligations incumbent upon it in this contract with respect to the exploration for, and production of, oil and gas under this contract from the lands above described, and also against all liabilities to third persons for loss or damage of any kind arising out of DELHI'S operations on said lands.

Prior to the commencement of the test wells provided for in Paragraph I hereof, DELHI shall make and furnish to ATLANTIC a performance bond, with a corporate surety acceptable to ATLANTIC, in the penal sum of $50,000.00, conditioned upon the faithful performance of all the provisions of this contract and the payment of all liabilities to ATLANTIC arising hereunder. But it is expressly understood and agreed that neither this provision for the making and furnishing of said bond nor the acceptance by ATLANTIC of any bond tendered pursuant hereto shall be construed as lessening or in anywise

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limiting the amount of any single liability, or the total amount of all the liabilities imposed upon DELHI under the terms of this contract, and the prosecution of any claim, demand or suit upon said bond shall not preclude, but shall be in addition to, any other remedy or remedies available to ATLANTIC for breath of this contract by DELHI.

X.

DEMANDS BY THE DEPARTMENT OF THE INTERIOR

If, during the term of this contract, demand is made upon ATLANTIC as lessee under any of the leases affected hereby by any duly authorized representative of the Department of the Interior to drill any well or wells or perform any other act or acts with respect to the lands covered hereby, ATLANTIC shall immediately communicate notice of such demand to DELHI and DELHI shall have ten days after receipt of said notice within which to assume the obligation to drill such well or wells or perform such act or acts at its expense (with the right to receive reimbursement for the cost of drilling and equipping any such required wells out of production in the same manner outlined in Paragraph II hereof for an "authorized well"), and if it does not assume such obligation within such time then DELHI'S rights under this contract, as to the acreage affected by said demand, shall ipso facto terminate.

XI.

INSURANCE

While and so long as it is engaged in operations under this contract, DELHI shall carry and pay for insurance as follows:

(1) Workmen's compensation insurance in compliance with the laws of the State of New Mexico.

(2) Employers' liability insurance providing for a death limit of not less than $25,000.00 per employee.

(3) Public Liability insurance covering all work carried on pursuant to this contract, with limits of not less than $25,000.00 as to any one person, and $50,000.00 as to any one accident.

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(4) Insurance against property damage arising out of all work carried on pursuant to this contract, with a limit of not less than $10,000.00 for each accident, and not less than $50,000.00 for any number of accidents.

(5) Automobile or teams public liability insurance with a limit of not less than $25,000.00 as to any one person, and $50,000.00 as to any one accident, and automobile or teams property damage insurance with a limit of not less than $5,000.00 covering all automotive equipment or teams used in operations carried on pursuant to this contract.

All of the insurance coverage herein provided for shall be written on policy forms and by insurance companies approved by ATLANTIC. DELHI shall furnish to ATLANTIC originals or duplicates of all insurance policies for approval prior to commencing any operations hereunder. Such policies shall be attested by authorized representatives of the insurance companies issuing them, and shall not be subject to alteration or cancellation without at least ten (10) days' prior written notice to ATLANTIC at its Dallas office.

XII.

NON-DISCRIMINATION

DELHI expressly agrees that in any and all operations conducted hereunder he shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and shall require an identical provision to be included in all subscontracts.

XIII.

FORFEITURE FOR NON-COMPLIANCE

If DELHI shall fail to comply with any of the provisions of this contract with respect to commencing or completing any one of the test wells required to be drilled by it within the time and manner herein provided, ATLANTIC, at its option, may terminate this contract as to all of the land covered thereby which is not then classified as "earned gas acreage" or "earned oil acreage" as those terms are hereinabove defined by written notice by registered mail to DELHI, the notice of termination to become effective thirty (30) days after date of receipt of said notice if DELHI has not by that

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tive corrected the defaults set forth in the said notice; provided however that the provisions of this paragraph shall never be construed to preclude either Party from resorting to any legal or equitable remedy which it might otherwise have for breach of this contract by the other.

XIV.

In the event DELHI shall, directly or indirectly, while this Agreement is in effect, acquire or become entitled to acquire, through option or other agreement, any interest in any facilities for the injection of gas or pressure maintenance of the field from which gas is being produced from the lands hereinabove described, or for the recovery from such gas of gasoline, butane, propane or other lighter hydrocarbons, DELHI shall notify ATLANTIC immediately of such fact and shall furnish to ATLANTIC together with such notice all available data and information concerning such facilities and the interest acquired or to be acquired. ATLANTIC shall have an option to be exercised within ninety (90) days from the receipt of such notice, data and information in which to elect whether or not it will join DELHI and acquire one-half of DELHI'S interest or rights in such facilities. If ATLANTIC elects to participate in such facilities then DELHI shall charge to the joint account its acquisition cost (purchase price, construction cost or otherwise, as the case may be) if the interest has already been acquired, or shall advance for the joint account, as the same shall become due, all monies for which DELHI shall be obligated for the acquisition of an interest in such facilities (purchase price, construction cost or otherwise, as the case may be) if DELHI has not then actually acquired any interest in such facilities but is then merely entitled to acquire an interest therein. DELHI shall receive all of the profits accruing from such facilities until it shall be reimbursed for all sums charged to the joint account. While DELHI is being reimbursed out of profits as aforesaid, it shall pay all operating and maintenance costs chargeable to the interest of DELHI and ATLANTIC and such operating and maintenance costs shall be added to the sums which DELHI shall receive out of the profits as aforesaid. When DELHI has been reimbursed, each party hereto shall be the owners equally of the interest in such facilities and shall be equally responsible for all operating and maintenance costs that may be chargeable to their respective interests in such facilities.

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XV.

TAXES

Except as otherwise provided below, all ad valorem and other taxes of whatsoever kind or nature chargeable against the properties covered hereby and the production therefrom becoming payable after the effective date of this contract, except ad valorem or other taxes for any year prior to the year 1950, shall be considered as an operating expense and shall be paid by DELHI as operator. In the event ATLANTIC should happen to pay any such taxes, it shall be reimbursed therefor by DELHI. The taxes paid by DELHI, either directly or by way of reimbursement to ATLANTIC, shall be charged to the joint operating account.

Anything in the preceding paragraph or elsewhere in this contract to the contrary notwithstanding, it is hereby expressly provided that DELHI shall never be liable or obligated for any ad valorem or other taxes against any of the above described lands attributable to wells drilled or operated by Atlantic, except gas wells completed by ATLANTIC and taken over by DELHI as elsewhere herein provided for, and for this purpose it is provided that 320 acres around the well are attributable to a gas well or dry hole and 80 acres around the well are attributable to oil wells; nor shall DELHI be liable or obligated for any tax on production from any well upon the above described land operated by ATLANTIC, nor shall DELHI be liable or obligated for any ad valorem or other taxes upon any of the above described land upon DELHI electing to discontinue further drilling of wells hereunder, as herein above provided for, except as may be attributable to "earned gas acreage" and "earned oil acreage".

XVI.

FORCE MAJEURE

In the event either party hereto is rendered unable wholly or in part to perform hereunder by force majeure, it is agreed that on such party's giving notice and reasonably full particulars of such force majeure in writing or by telegraph to the other party within a reasonable time after the occurrence of the cause relied on, then the performance by the party giving

(5) Agreement Dated for Area. Atlantic-Hancock

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such notice, so far as they are affected by such force majeure, shall be suspended (without the loss of any rights hereunder) during the continuance of any inability so caused, but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch.

The term "force majeure" as employed herein shall mean acts of Gods, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of the Government, either federal or state, civil or military, civil disturbances, explosions, inability to obtain necessary materials, supplies or permits due to existing or future rules, regulations, orders, laws or proclamations of Governmental authorities, both federal and state, including both civil and military, and any other causes whether of the kind herein enumerated or otherwise not reasonably within the control of the parties claiming suspension.

XVII.

REPRESENTATIONS OR WARRANTIES

ATLANTIC makes no representations or warranty of any kind concerning its title to the lands or leasehold estates covered hereby except that it has not heretofore conveyed the same and that, subject to the approval of the Secretary, it has the authority to make, enter into and carry out this contract, and ATLANTIC shall never be liable to DELHI hereunder for any loss of title in whole or in part as to said lands or the leasehold estates covered hereby.

XVIII.

SUCCESSION OF INTERESTS

This agreement shall be binding upon the heirs, successors and assigns of the parties hereto.

XIX.

TERM AND ASSIGNMENT

Unless sooner terminated as herein provided, this contract shall remain in force and effect for the full term of the leases covered hereby, or any of them.

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DELHI shall have the right and privilege to sell, assign, transfer, mortgage and otherwise dispose of and/or encumber its rights, titles and interests in and to "earned oil acreage" and "earned gas acreage" and the production from wells located thereon after same have come into existence as in this contract provided without the consent of ATLANTIC, but DELHI shall not have the right or privilege to sell, assign, transfer, mortgage or otherwise dispose of and/or encumber any other of its other rights or interests hereunder, except to a subsidiary of DELHI, without the prior consent in writing of ATLANTIC. For the purposes of this paragraph a subsidiary of DELHI is defined to be any corporation of which DELHI shall own more than fifty per cent. (50%) of the capital stock entitled to normal voting privileges.

XX.

WHEN CONTRACT EFFECTIVE

This contract shall not become effective until DELHI shall have submitted the same to the Department of the Interior and shall have secured the approval of that department, if such approval is requisite under applicable regulations to its recognition hereof.

XXI.

NOTICES AND DEMANDS

Unless another or different method is prescribed in this contract in specific instances, it is hereby expressly provided that all notices and demands required or permitted by the terms of this contract to be given to or made upon either party hereto by the other party, in order to be effective and binding, shall be reduced to writing and mailed to the other party by United States Mail, postage prepaid, addressed - - -

Atlantic Refining Company
Magnolia Building
Dallas 1, Texas

Delhi Oil Corporation
1315 Pacific Avenue
Dallas, Texas

If either party should change its address, such party shall notify the other of its new address, otherwise these addresses shall remain for the duration of this contract.

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WITNESS THE EXECUTION HEREOF in quadruplicate originals as of the date first above set out.

THE ATLANTIC REFINING COMPANY

ATTEST:

Assistant Secretary

By Vice President

E.V.
F.B.C.
J.W.W.

DELHI OIL CORPORATION

ATTEST:

Secretary

By President

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 1st day of March, 1950, before me appeared E. H. BLUM, to me personally known, who being by me duly sworn did say: that he is the Vice President of THE ATLANTIC REFINING COMPANY, a Pennsylvania 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 E. H. BLUM did acknowledge said instrument to be the free act and deed of said corporation.

Given under my hand and official seal this 1st day of March, 1950.

Holly Mae Tippett
Notary Public in and for
Dallas County, Texas

My Commission Expires
June 1, 1951

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 27 day of Feb., 1950, before me appeared C. H. Murchison to me personally known, who being by me duly sworn did say: that he is the President of DELHI OIL CORPORATION, a Delaware 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 C. H. Murchison did acknowledged said instrument to be the free act and deed of said corporation.

Given under myhand and official seal this 27 day of Feb, 1950.

Katherine Vaughn
Notary Public in and for
Dallas County, Texas
KATHERINE VAUGHN

My Commission Expires
June 1, 1951

(3) Accounting
Contract Rev. Atlantic Ave Cash.

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Mid-Continent Contractors Form No. 1-B
In stock and for sale by
The OLDS PRESS, Tulsa, Okla.

"EXHIBIT A"

Model Form—Adopted by Mid-Continent Oil & Gas Association (1936)

Attached to and made a part of CONTRACT FOR DEVELOPMENT
Between THE ATLANTIC REFINING COMPANY And DELHI OIL CORPORATION, Covering Lands in San Juan County, New Mexico.

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE SCHEDULE)

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

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

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

Operator shall bill Non-operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding calendar month. Itemized statements shall accompany such bills. Each party shall pay its proportion of all such bills within fifteen (15) days after the receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid. Payment of any such bill shall not prejudice the right of any party to protest or question the correctness thereof; provided that Operator shall not be required to adjust any item unless a claim therefor has been presented within a period of two (2) years from the date of the rendition of any itemized statement.

I. DEVELOPMENT AND OPERATING CHARGES

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

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

(2) Labor, teaming and other services necessary for the development, maintenance and operation of the joint property.

(3) Materials, equipment and supplies purchased and/or furnished by Operator from its warehouse stocks or from its other leases for use on the joint property. In so far as is practical and consistent with efficient and economical operation, only such materials shall be purchased for or transferred to the joint property as are required for immediate use, and the accumulation of warehouse and/or lease stock on the joint property shall be avoided.

(4) Moving materials to the joint property from vendor's or from Operator's warehouse in the district or from other properties of Operator, but in either of the last events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point.

(5) Moving surplus materials from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus materials to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-operator; and no charge shall be made to the joint account for moving materials to other properties belonging to Operator, except by special agreement with Non-operator.

(6) Use of and service by Operator's exclusively owned equipment and utilities as provided in Paragraph (6) of Section II: "Basis of Charges to Joint Account."

(7) Damages or losses incurred by fire, flood, storm or from any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-operator written notice of damages or losses incurred by fire, storm, flood or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

(8) Expenses of litigation, liens, judgments and liquidated claims involving the joint property or incident to its development and operation. Actual expenses incurred by Operator or Non-operator in securing evidence pertaining to the joint property shall be a proper charge against the joint account.
   (a) When any case, by prior agreement, is handled by Operator's and/or Non-operator's legal staff, thereby eliminating the retaining of outside counsel, a charge commensurate with the cost of services rendered may be made to the joint account. Charges of this nature shall not be rendered until the respective legal departments have agreed upon the proper amount.
   (b) Fees and expenses of outside attorneys shall not be charged to the joint account except where the employment of such outside attorneys is authorized by a vote of the majority interests.

(9) All taxes paid for the benefit of the parties hereto including ad valorem, property, gross production, occupation and any other taxes assessed against the jointly-owned properties, the production therefrom or the operations thereon.

(10) Insurance:
   (a) Premiums paid for insurance carried for the benefit of the joint account together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments and other expenses, including legal services, not recovered from insurance carrier.
   (b) If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments and any other expenses, including legal services, shall be charged to the joint account.

(11) District and Camp Expense:
   (a) District Expense: A proportionate share of the salaries and expenses of Operator's district superintendent and other general district employes serving the joint property whose time is not allocated directly to the joint property, and a proportionate share of the expense of maintaining and operating a district office in conducting the management of operations on the joint property and other properties in the same locality owned and operated by Operator, such charges to be apportioned to such properties served on the following basis: On a per well basis, one drilling well equal to four producing wells.
   (b) Camp Expense: The expense of providing and maintaining on or in the vicinity of the joint property all necessary camps, housing facilities for employes and boarding employes, if necessary. When properties other than the joint property are served by these facilities, then an equitable distribution of expense, including depreciation, or a fair monthly rental in lieu of the investment, maintenance and operating cost of buildings and other camp facilities, shall be prorated against all properties so served on the following basis: On a per well basis, one drilling well equal to four producing wells.

(12) Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employes of Operator, including the division superintendent, the entire staff and expenses of the division office located at ....., any portion of the office expense of the principal business office located at Dallas, Texas, but not in lieu of field office expenses incurred in operating any such properties, and such overhead charges do not include any other expenses of Operator incurred in the development and operation of said properties, and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:

(a) $ 150.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

(b) $ 35.00 per well per month for the first five (5) producing wells.

(c) $ 25.00 per well per month for the second five (5) producing wells.

(d) $ 15.00 per well per month for all producing wells over ten (10).

In connection with overhead charges, the status of wells shall be as follows:
   (1) In-put or key wells shall be included in overhead schedule the same as producing oil wells.
   (2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.
   (3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
   (4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.
   (5) Wells which are shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included on the overhead schedule for such month.
   (6) Salt water disposal wells shall not be included in overhead schedule.

The above specific overhead rates may be amended from time to time by agreement between Operator and Non-operator if, in practice, they are found to be insufficient or excessive.

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(13) Warehouse Handling Charges ..... None .....

.....

.....

(14) Any other expenditure incurred by Operator for the necessary and proper development, maintenance and operation of the joint property, except that Operator shall not charge the joint account with any expenditure or contribution made by Operator towards employes' stock purchase plan, group life insurance, pension, retirement, or bonus, other than such expenditures or contributions imposed or assessed by governmental authority.

II. BASIS OF CHARGES TO JOINT ACCOUNT

(1) Outside Purchases: All materials and equipment purchased and all service procured from outside sources shall be charged at their actual cost to Operator, after deducting any and all trade and/or cash discounts actually allowed off invoices, or received by Operator.

(2) New materials furnished by Operator (Condition "A"):

New materials transferred to the joint property from Operator's warehouse or other properties shall be priced f.o.b. the nearest supply store or railway receiving point at replacement cost of the same kind of materials. This will include large equipment such as tanks, rigs, pumps, boilers and engines. All tubular goods (2" and over) shall be charged on the basis of mill shipment or carload price. Other materials, where the replacement cost cannot be readily ascertained, may, for the purposes of consistency and convenience, be charged on the basis of a reputable supply company's preferential list price f.o.b. nearest supply store or railway receiving point to the joint property prevailing on the date of transfer of the materials to the joint property.

In determining the value of any transferred materials, all special and preferential discounts shall be allowed but the regular cash discount shall not be considered.

(3) Secondhand materials furnished by Operator (Conditions "B" and "C"):

(a) Tubular goods (2" and over), fittings, machinery and other equipment which is in sound and serviceable condition at date of transfer, will be classed as condition "B" and charged at 75% of the price of new materials, in accordance with the provisions of Paragraph (2) above.

(b) Tanks, derricks, and buildings or other equipment involving erection costs shall be charged on a basis not to exceed 75% of knocked-down new price for similar materials.

(c) Other secondhand materials, such as units of machinery or other equipment that is serviceable, but substantially not good enough to be considered first-class secondhand material when transferred to the joint property, shall be classed as condition "C" and charged at 50% of the new price.

(d) There may also be cases where some items of equipment, due to their unusual condition, should be fairly and equitably priced by Operator.

(4) Warranty of Materials Furnished by Operator: Operator does not warrant the materials furnished from its warehouse or other properties beyond or back of the dealer's or manufacturer's guaranty, and in case of defective materials, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

(5) If materials required are not available in Operator's surplus stocks, Operator shall, whenever in its judgment it is practical to do so, give Non-operator opportunity of furnishing the materials required in proportion to his or its interest, provided that the same can be furnished at the time such materials are required, and further provided that any such materials so furnished shall be in condition acceptable to Operator and shall be charged to the joint account on the same terms and conditions as are provided herein to cover the furnishing of materials by Operator.

(6) Operator's Exclusively-owned Facilities: The following rates shall apply to service rendered to the joint property by facilities owned exclusively by Operator:

(a) Water service, gas, teaming, power, and compressor service: All at rates currently prevailing in the field where the joint property is located.

(b) Automotive Equipment: Rates commensurate with cost of ownership and operation ~~and in line with schedule of rates adopted by the Petroleum Motor Transport Association or recommended uniform standardized charges against the joint account.~~ Automotive charges will be based on use in actual service on or in connection with the joint property. Truck, tractor and pulling unit rates shall include wages and expenses of driver.

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

(d) Whenever requested, Operator shall inform Non-operator in advance of the rates it proposes to charge.

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

III. DISPOSAL OF LEASE EQUIPMENT AND MATERIALS

(1) Materials purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the materials are removed from the joint property.

(2) Materials purchased by Non-operator shall be invoiced by Operator and paid for by Non-operator to Operator immediately following receipt of invoice and delivery of materials. Operator shall thereupon immediately pass credit to the joint account and include the same in the monthly statement of operations for the month in which the materials were paid for by Non-operator.

(3) Division of materials in kind, if made between Operator and Non-operator, shall be in proportion to their respective interests in the joint property. Each party will thereupon be charged individually with the value of the materials received or receivable and corresponding credits will be made to the joint account by Operator, and both credits shall appear in the same monthly operating statement.

(4) Sales to outsiders of major materials shall be made only with the consent of Non-operator as to both terms and price and where made the proceeds shall be credited by Operator to the joint account at the full amount collected from vendee. Any claims by vendee for defective materials or otherwise shall be charged back to the joint account, if and when paid by Operator.

IV. BASIS OF PRICING MATERIALS TRANSFERRED FROM JOINT ACCOUNT

Materials and equipment purchased by either Operator or Non-operator, or divided in kind between them, unless otherwise agreed, shall be valued on the following basis of condition and price: (New price as used in the following paragraphs shall have the same meaning and application as that used above in Section II: "Basis of Charges to Joint Account.")

(1) New Materials: (Condition "A") being new equipment or supplies purchased or procured for the joint property but never used thereon; at 100% of current new prices.

(2) Good Secondhand Materials: (Condition "B") being good serviceable materials which are further usable without repair, at:
(a) 75% of current new prices, if materials were new when originally charged to the joint property.
(b) 75% of current new prices less depreciation consistent with their usage on and service to the joint property, if materials were orginally charged to the joint property as secondhand at 75% of new prices.

(3) Other Used Materials: (Condition "C") being materials further usable for their original function only after repair and reconditioning; at 50% of current new prices.

(4) Bad Order Materials: (Condition "D") being materials not further usable for their original function but for possible other service; at 25% of current new prices.

(5) Junk: (Condition "E") being obsolete and unservicable materials; at prevailing junk prices in the district. Where practicable, junk should be disposed of at the joint property.

(6) Temporarily Used Materials: When the use of certain items of equipment on the joint property has been only temporary, and the time of actual use thereon does not justify the deduction of depreciation as listed in (a) and (b) of Paragraph (2) hereof, such materials will be priced on a basis that will leave a net charge against the joint account consistent with the service rendered and adequate for the time the materials were in use.

V. INVENTORIES

(1) Periodic inventories shall be taken by Operator of the materials and equipment on the joint property, which shall include such materials and equipment as are ordinarily considered controllable by operators of oil and gas properties.

(2) Notice of intention to take inventory shall be given by Operator to Non-operator a week before any inventory is to begin, so that Non-operator may be represented when any inventory is being taken.

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

(4) If the initial test on the joint property is a dry hole and no further tests thereon are immediately contemplated, Non-operator may require that an inventory be taken of all materials as soon as the casing has been recovered from the well and that the materials be classified before any materials are removed from the joint property by Operator or otherwise disposed of.

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

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

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

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WITNESS THE EXECUTION HEREOF in quadruplicate originals as of the date first above set out.

ATTEST:

Assistant Secretary

THE ATLANTIC REFINING COMPANY

By
Vice President

ATTEST:

Secretary

DELHI OIL CORPORATION

By
President

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 2nd day of March, 1950, before me appeared F. H. BLUM, to me personally known, who being by me duly sworn did say: that he is the Vice President of THE ATLANTIC REFINING COMPANY, a Pennsylvania 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 F. H. BLUM did acknowledge said instrument to be the free act and deed of said corporation.

Given under my hand and official seal this 2nd day of March, 1950.

My Commission Expires
June 1, 1951

Notary Public in and for
Dallas County, Texas

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 27 day of Feb, 1950, before me appeared
to me personally known, who being by me duly sworn did say: that he is the President of DELHI OIL CORPORATION, a Delaware 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 did acknowledge said instrument to be the free act and deed of said corporation.

Given under my hand and official seal this 27 day of Feb, 1950.

My Commission Expires
June 1, 1951

Dallas County, Texas

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R-712-E

THE STATE OF TEXAS
COUNTY OF MIDLAND

made and entered into by and between DELHI [illegible]
COMPANY, a Delaware corporation, hereinafter called
"Atlantic" [illegible] hereinafter called "Delhi" and EL PASO NATURAL GAS COMPANY,
a Delaware corporation, hereinafter called "El Paso,"

W I T N E S S E T H :

WHEREAS, under date of February 27, 1960, Atlantic and Delhi duly made and entered into a certain written contract relative to the development of various oil, gas and mining leases covering lands situated in San Juan County, New Mexico, hereinafter called the "subject lands"), all as is more fully shown by said contract, to which reference is here made for all pertinent purposes; and,

WHEREAS, thereafter and on July 21, 1960, Atlantic and Delhi entered into a supplemental contract amending in certain particulars said contract for development between Atlantic and Delhi dated February 27, 1960, all as is more fully shown by said supplemental contract, to which reference is here made for all pertinent purposes; and,

WHEREAS, under date of January 10, 1962, Delhi and El Paso entered into a certain oil and gas lease which [illegible]
by the terms of which, among other things, Delhi [illegible]
sell and deliver to El Paso its interest in all of the oil
and gas leases described in said [illegible] dated January
1962, as amended by [illegible]

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Illegible

contract dated July 21, 1950. Whenever El Paso hereafter shall be entitled to select a 320 acre tract as "earned gas acreage", El Paso may prepare a written recordable instrument designating such tract as "earned gas acreage" and at El Paso's request, Atlantic shall execute and deliver such instrument to El Paso.

2. El Paso expressly agrees to be bound by all of the terms and provisions of said contract of development dated February 27, 1950, as amended by said supplemental contract dated July 21, 1950, as such contracts are modified and changed by this agreement.

4. The parties mutually agree that as of January 31, 1952, the amount as shown by Delhi's books as unrecovered by Delhi from the "development account" provided for in Article III, Section A, of said contract dated February 27, 1950, is $296,198.13, which "development account" as the same may be increased under the terms and provisions of said contract dated February 27, 1950, as amended by said supplemental contract dated July 21, 1950, is hereby assigned by Delhi to El Paso and shall be recovered by El Paso as assignee of Delhi out of 3/4ths of the production from said property as provided in said contracts.

5. Atlantic hereby waives the provisions of Article XIV of said contract dated February 27, 1950, and said Article XIV shall hereafter be considered as having been entirely deleted from said contract.

6. It is agreed that for the purposes of [illegible] hereafter as between El Paso and Atlantic, El Paso will account for all gas taken from the subject lands at the highest price being paid at date of purchase by any bona fide pipeline company for gas at the well head within 100 miles of the subject lands, considering quantity of delivery, quality of gas, [illegible] of delivery and right of curtailment of [illegible]. For

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and Delhi shall be entitled to recover all of such expense out of 3/4ths of the production from formations below the Mesaverde formation only, in accordance with the terms and provisions of said contract dated February 27, 1950, as amended by said contract dated July 21, 1950. If any well drilled by Delhi should not be so plugged as a commercial oil or gas well in a formation(s) below the Mesaverde formation, and if spacing requirements should permit and Delhi should plug such well back to the Mesaverde formation and such well should be productive of gas in the Mesaverde formation in quantities comparable to those of other Mesaverde wells on the subject lands, then El Paso agrees to take over such well and to pay Delhi therefor the usual cost for drilling (but not completing) a Mesaverde well at that time in said field, and such well shall thereafter be completed by El Paso at its cost, and thereafter such well shall be considered the same as any other Mesaverde well under the said contract of February 27, 1950, as amended. Atlantic agrees that the acreage to be earned by any such deep well or wells drilled to a formation below the Mesaverde shall be the same as is provided in said contract dated February 27, 1950, as amended.

9. El Paso agrees to purchase from Atlantic, and Atlantic agrees to sell to El Paso, all of Atlantic's interest in all gas (and the liquid hydrocarbons contained therein) produced from the Mesaverde or shallower formations from the subject lands for a period of ten years from this date, and El Paso shall account to Atlantic for its interest in all such gas under the terms and provisions of this contract on the basis of the prices stipulated in Paragraph 6 hereof.

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...ny party hereto may, without relieving itself of
its obligations under this ... to
Delhi by ... and Delhi may ... to
any ... which ... by virtue of this ...
of ... or ... or ... this
... to ... or ... or ... its
... to ... or ... or ... its
obligations or activities under this ... by ... assuming
in writing to ... any ... of Delhi to perform the obligations of
the assignor under this ... or under said contract dated
February 21, 1950, as amended by supplemental contract dated July
21, 1950, and if such trustee be a corporation, without its being
required to qualify to do business in any state in which any
performance of this contract may occur.

11. Article IX, entitled "Indemnity to Atlantic," in said contract of date February 21, 1950, is amended to provide for the deletion of the indemnity bond in the penal sum of $50,000.00 heretofore furnished by Delhi to Atlantic, and Atlantic agrees that said bond may be cancelled. All other provisions of Article IX as to indemnity except as to the furnishing of such $50,000.00 bond to Atlantic shall be and remain in full force and effect.

IN TESTIMONY WHEREOF the parties hereto have executed this Agreement this 20th day of ... 1951.

THE ATLANTIC REFINING COMPANY

By g. h. mendenhall

DELHI OIL CORPORATION

By ...

ATTEST:

...

...

...

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THE STATE OF TEXAS }
COUNTY OF DALLAS }

On this 26th day of February, 1952, before me appeared J. N. NEWDEHALL, to me personally known, who being by me duly sworn did say: that he is Attorney-in-Fact for THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed by him as Attorney-in-Fact for said corporation by authority of its board of directors and said J. N. NEWDEHALL did acknowledge said instrument to be the free act and deed of said corporation.

GIVEN under my hand and official seal this 26th day of February, A. D., 1952.

Holly Mae Tippett
Notary Public in and for Dallas County, Texas.

HOLLY MAE TIPPETT

My commission expires:
June 1, 1953.

THE STATE OF TEXAS }
COUNTY OF DALLAS }

On this 29th day of February, 1952, before me appeared P. T. BEE, to me personally known, who being by me duly sworn did say: that he is the VICE President of DELHI OIL CORPORATION, a Delaware 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 P. T. BEE did acknowledge said instrument to be the free act and deed of said corporation.

GIVEN under my hand and official seal this 29th day of February, A. D., 1952.

[illegible]
Notary Public in and for Dallas County, Texas.

My commission expires:
[illegible]

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El Paso

On this 27th day of February, A.D., before me appeared C. L. Perkins to me known to be the person who executed the foregoing instrument, and who being by me duly sworn did say that he is the Vice President of the FIRST NATIONAL BANK, a National 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 C. L. Perkins did acknowledge said instrument to be the free act and deed of said corporation.

GIVEN under my hand and official seal this 27th day of February, A. D., 1953.

Billye Doria
Notary Public in and for
El Paso County, Texas.

My commission expires:

BILLYE DORIA
Notary Public, In and for El Paso County, Texas
My commission expires June 1, 1953

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R-712-F

STATE OF NEW MEXICO, County of San Juan ss.
I hereby certify this instrument was filed for record
on Jan 13, 1954 at 9:30 A.M.
and duly recorded in book 23 page 4 of
Records of said county.
Register

ASSIGNMENT OF OPERATING RIGHTS

This Agreement is made and entered into this 1st day of November, A.D., 1953, by and between THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, (hereinafter called "Atlantic"), DELHI OIL CORPORATION, a Delaware Corporation, (hereinafter called "Delhi"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, on February 27, 1950, Atlantic and Delhi entered into a certain contract (hereinafter referred to as the "Original Contract") relative to the development of various oil, gas and mining leases covering lands situated in San Juan County, New Mexico, and described therein, and amended on July 21, 1950, by Supplemental Contract; and

WHEREAS, under date of January 18, 1952, Delhi and El Paso entered into a certain Oil and Gas Lease Sale Agreement providing for sale of some of the interests acquired by Delhi in the Original Contract, as amended; and

WHEREAS, under date of February 26, 1952, Atlantic, Delhi and El Paso entered into a Contract and Memorandum of Contract which provided, among other things, for the assignment of gas rights to the base of the Mesaverde formation to El Paso, and for execution and delivery by Atlantic to El Paso of a written, recordable instrument designating "Earned Gas Acreage" as defined in the Original Contract; and

WHEREAS, El Paso has completed a gas well described as South #1 upon the following described tract of land in San Juan County, New Mexico, covered by United States Oil and Gas Lease dated 5-1-50, bearing Serial Number NMA-[illegible], to-wit:

Township 29 North, Range 13 West, N.M.P.M.
Section 9: [illegible]
containing 320 acres, more or less;

and is entitled to a designation of such tract as Earned Gas Acreage and to assignment of certain operating rights therein;

NOW, THEREFORE, in consideration of the premises, Atlantic, Delhi and El Paso agree that the above described tract of land constitutes Earned Gas Acreage as defined in and specified by the Original Contract, as amended; that El Paso is and shall be Operator of said well and the above described tract of

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land; and that gas and hydrocarbons produced and saved therefrom after payment of royalties due the Lessor and an overriding royalty of [redacted] per cent ([redacted] %) set out in [redacted] shall be owned in the following proportions:

1. Until El Paso has recovered its expenditures from the "Development Account" as provided in the Original Contract, as amended, Atlantic shall own and receive free and clear of all development and operating costs, one-fourth (1/4) thereof, and El Paso shall own and receive three-fourths (3/4) thereof, out of which it shall pay and discharge all current operating costs and all of the overriding royalty reserved by Delhi as provided by the Oil and Gas Lease Sale Contract of January 19, 1952;

2. After El Paso has recovered its expenditures from the "Development Account", then Atlantic shall own and receive one-half (1/2) thereof, subject to its proportionate share of outstanding royalties, overriding royalties and current operating costs; and El Paso shall own and receive one-half (1/2) thereof, subject to its proportionate share of outstanding royalties, overriding royalties and current operating costs, and subject to the burden of overriding royalties reserved by Delhi upon such share.

Atlantic has agreed to sell to El Paso and El Paso has agreed to purchase from Atlantic all of Atlantic's interest in such gas and the liquid hydrocarbons contained therein for a period of ten(10) years from February 26, 1952. El Paso will account to Atlantic for all gas taken from the above described well and tract of land at the highest price being paid at date of purchase by any bona fide pipe line company for gas at the wellhead within one hundred (100) miles thereof considering quantity of delivery, quality of gas, pressure of delivery, and right of extraction of liquids. For Atlantic's interest in all liquid hydrocarbons hereafter recovered or extracted from such gas, El Paso shall pay to Atlantic in cash a price equivalent of the fair market value of thirty-three and one-third per cent (33 1/3%) thereof. At all times prior to the completion of construction and commencement of operation by El Paso of a plant for the extraction of such liquids, El Paso shall pay to Atlantic in cash the estimated value of thirty-three and one-third per cent (33 1/3%) of all liquids produced with or contained in gas produced from the Mesaverde formation and removed from the subject lands

are extracted from the plat.

This Assignment supplements the Original Contract of February 27, 1950, as amended, the Oil and Gas Lease Sale Agreement of January 18, 1952, and the Contract and Memorandum of Agreement of February 26, 1953, but does not modify or change any provisions contained in any of said contracts or agreements, and this Assignment is made subject to the applicable terms and provisions thereof.

IN WITNESS WHEREOF, this Assignment of Operating Rights is executed the day and year first hereinabove written.

ATTEST:

M. E. Miller
Assistant Secretary

THE ATLANTIC REFINING COMPANY

By L. A. Sunkel
Vice President

ATTEST:

Assistant Secretary

DELHI OIL CORPORATION

By
Vice President

ATTEST:

Assistant Secretary

EL PASO NATURAL GAS COMPANY

By
Vice President

STATE OF TEXAS

COUNTY OF DALLAS

On this 18th day of December 1953, before me personally appeared L. A. Sunkel, to me personally known, who, after being by me duly sworn did say that he is the Vice President of THE ATLANTIC REFINING COMPANY, a 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 L. A. Sunkel 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:

6-1-56

HOLLY MAE TIPPETT

STATE OF TEXAS

COUNTY OF DALLAS

On this 21st day of

3179

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

MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

STATE OF TEXAS

COUNTY OF EL PASO

On this 6 day of January, 1955, before me personally appeared M. F. STEER, to me personally known, who, after being by me duly sworn did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a 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 M. F. STEER 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:

Elsie M. Richardson
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1955

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

Return to: El Paso Natural Gas Co.

3717

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5

OIL AND GAS LEASE

PRODUCERS 88 SPECIAL (with pooling clause)

Agreement, Made and entered into the 2nd day of June, 1953 by and between Rose Rosenwein, a feme sole,

of 6607 Cedar Street, Huntington Park, California, hereinafter called lessor (whether one or more), and El Paso Natural Gas Company, Post Office Box 1492, El Paso, Texas, (a Delaware Corporation) hereinafter called lessee:

Witnesseth: That the said lessor, for and in consideration of ..... Dollars, 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, and of laying of pipe lines, and of building tanks, powers, 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:

SE/4 NW/4 SE/4

f Section 3 Township 30 North Range 10 West and containing Ten (10) acres more or less.

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

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 all oil produced and saved from the leased premises.

2nd. To pay Lessor one-eighth (1/8) of the market value at the mouth of the well of gas from gas wells produced from the leased premises and sold; or one-eighth (1/8) of the market value at the mouth of the well of gas from gas wells produced from the leased premises and used in production of liquid hydrocarbons or otherwise used off the leased premises; such royalties to be payable monthly; and 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 connection with the well at Lessor's own risk and expense.

id land, the sum of TEN ($10.00) ..... or its successors, which shall continue as the depository regardless of changes in the ownership

shall operate as a rental and cover the privilege of deferring the commencement of a well for Twelve (12) ..... months from said date. e manner and upon like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of ns successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privi- ranted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and d all other rights conferred.

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 ther 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 ly 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 d from said premises, such pooling to be of tracts contignous to one another and to be into a unit or units not exceeding 40 acres the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing ord in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pool- ge. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production 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 n this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalty stipulated herein the lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acre- d in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved. uld 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 t commenced on said land, or on acreage pooled therewith, within twelve months from the expiration of the last rental period for tal has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months me the payment of rentals, in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the n of the payment of rentals as above provided, that the provisions, hereof, governing the payment of rentals and the effect thereof, nue in force just as though there had been no interruption in the rental payments, and if the lessee shall commence to drill a well with- n of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion nable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in like effect as if such well had been completed within the term of years first mentioned.

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

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

l shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

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

hall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and re-

tate of either party hereto is assigned—and the privilege of assigning in whole or in part is expressly allowed—the covenants tend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land, or assignments yalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands s 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 efault shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said lessee 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 h respect to the assigned portion or portions arising subsequent to the date of assignment.

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

y warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by ntitled to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, and possess all rights of dower and homestead in the premises described herein, hereby as said right of dower and homestead

IN WITNESS WHEREOF, This the 2 day of June, 1953.

Rose Rosenwein

93177

STATE OF California
COUNTY OF Los Angeles } SS.

ACKNOWLEDGMENT, Applicable where lands are in Oklahoma, Kansas, Nebraska, South Dakota, Arkansas and/or New Mexico

BE IT REMEMBERED, That on this 2nd day of July A. D., 19 53, before me, a Notary Public, in and for said County, personally appeared [illegible], a feme sole,

.... to me known to be the identical person.... described in and who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal, the day and year first above written.

My commission expires June 2, 1957 .... [signature] Notary Public

(Seal: G. H. CLA[illegible] NOTARY PUBLIC In and for the County of [illegible], State of California)

STATE OF ....
COUNTY OF .... } SS.

ACKNOWLEDGMENT, Wyoming or Colorado

I, ... a Notary Public, in and for said County and State, do hereby certify that .... personally known to me to be the person...... whose name.......... subscribed to the within instrument, appeared before me this day in person and acknowledged that.......... signed, sealed and delivered the said instrument of writing as.................... free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal this.................... day of.. A. D., 19..........

My commission expires........................ .... Notary Public

STATE OF ....
COUNTY OF .... } SS.

ACKNOWLEDGEMENT, CORPORATION

Before me, the undersigned, a Notary Public, in and for said County and State, on this.............. day of........................ 19.........., personally appeared.. to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its.. and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires........................ .... Notary Public

P. O. ....

No. ....

OIL AND GAS LEASE

FROM ....

TO ....

Dated .... 19......

Lot .... Block .... Addition ....

Section .... Township .... Range ....

.... County.

No. of Acres .... Term ....

STATE OF New Mexico
COUNTY OF San Juan } SS.

This instrument was filed for record on the 27 day of July 1953 at 8:35 o'clock A.M., and duly recorded in Book 216 Page 66 of the records of this office.

[signature] County Clerk—Register of Deeds

By .... Deputy

When Recorded Return to [illegible]

The Okla. Press [illegible] Okla.

OKLAHOMA FORM OF ACKNOWLEDGMENT WHERE GRANTOR SIGNS BY MARK

Note—with reference to Oklahoma lands, when this instrument is signed by a person who cannot write his name he shall execute the same by his mark, and his name shall be written near such mark by one of two persons who saw such mark made, who shall write their names as such instrument as witnesses.

STATE OF ....
COUNTY OF .... } SS.

On this.................... day of........................ A. D., 19.........., before me, the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared.. and.. to be the identical person...... who executed the within [illegible] .... presence of.. and.. as witnesses, the said [illegible] signing the name...... of the said .... and acknowledged [illegible]

P-1-1

El Paso Nat'l - 706 N.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO
SANTA FE, NEW MEXICO

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

CASE NO. 317
ORDER NO. R-110

THE APPLICATION OF THE OIL CON-
SERVATION COMMISSION OF NEW
MEXICO UPON ITS OWN MOTION FOR
AN ORDER AMENDING ORDER NUMBER
799 RELATING TO THE BLANCO POOL,
SAN JUAN COUNTY, NEW MEXICO,
SPECIFICALLY INCLUDING SECTION
4-A CASING AND CEMENTING PROGRAM,
AND OTHER MATTERS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on regularly for hearing on October 23, 1951, at 10 a.m., at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter called the "Commission".

NOW, on this 9th day of November, 1951, the Commission, a quorum being present, having considered the testimony adduced and exhibits received at said hearing, and being fully advised in the premises,

FINDS: (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause, of all interested parties, and the subject matter thereof.

(2) That this matter originally came up for hearing on petition of the Blanco Gas Company for an exception to Section 4-A of Order 799, Blanco Pool Casing Requirements, San Juan County, in Case Number 283, which Case Number 283 was dismissed by Commission Order Number R-90.

(3) That evidence submitted and testimony received in Case Number 283 tended to show modification of Order Number 799 is advisable and necessary.

(4) That Order Number 799 relating to the Blanco Pool, in San Juan County, New Mexico, should be amended to provide for the orderly development of the pool as defined and described in Order Number R-89 issued in Case Number 291 and designated as the Blanco (Mesaverde) Pool, and as the pool may hereafter be changed or extended, for the purpose of promoting conservation and preventing waste, and as amended herein, be the special pool rules of the Blanco (Mesaverde) Pool as described in Order Number R-89.

IT IS THEREFORE ORDERED:

(1) That Order Number 799, being the Blanco Pool special rules, as hereinafter amended shall be the rules of the Blanco (Mesaverde) Pool, as said pool is more fully defined and described in Commission Order Number R-89, and as said pool may hereafter be changed, reduced or extended.

(2) That Order Number 799 be, and the same hereby is amended as follows:

That, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or re-completed to the Mesaverde Pool in the Blanco area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not to conflict herewith:

Section 1. No well shall be drilled or completed or recompleted and no Notice of Intention to Drill or Drilling Permit shall be approved, unless,

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

(b) Such drilling unit be in the shape of a rectangle except for normal variations in legal subdivisions of the United States Land Surveys, the north half, south half, east half or west half of each section of land constituting a drilling unit;

(c) Such well shall be located 330 feet from the center of either the northeast or southwest quarter of the section, subject to variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

Section 2. The special rules and regulations for the Blanco (Mesaverde) Pool contained herein shall be limited in their application to the present 4200-5100 foot productive horizon where the productive sands are contained between the top of the Cliff House Sand and the base of the Point Lookout Sand of the Mesaverde.

Section 3. Proration Units: The proration unit shall consist of 320 acres or (a) a legal United States General Land Office Survey half-section and (b) the approximate 320 acre unit shall follow the usual legal subdivision of the General Land Office Section Surveys and (c) where proration units lie along the edge of field boundaries described in Section 1 above, exceptions shall be permissible in that contiguous tracts of approximately 320 acres, following regular United States General Land Office Subdivisions may be classed as proration units.

(a) The pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of

the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract if same can be done without waste; but in such case the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in the ratio of the area of such tract to the area of a full unit of 320 acres.

Section 4. Casing and Cementing Program:

A. Surface Pipe:

The surface pipe shall be set to a minimum depth of 100 feet, and where shallow potable water-bearing beds are present, the surface pipe shall be set to such shallow potable water-bearing beds and a sufficient amount of cement shall be used to circulate the cement behind the pipe to the bottom of the cellar. This surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. The surface casing shall be tested after drilling plug by bailing the hole dry. The hole shall remain dry for one hour to constitute satisfactory proof of a water shut-off. In lieu of the foregoing test the cement job shall be tested by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory. This test shall be made both before and after drilling the plug. In this regard all fresh waters and waters of present or probable future value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precaution shall be taken in drilling and abandoning wells to guard against any loss of artesian potable water from the strata in which it occurs and the contamination of artesian potable water by objectionable water, oil or gas. The Commission shall be notified at least 24 hours prior to the conducting of any test.

B. Production String:

The production string shall be set on top of the Cliff House Sand with a minimum of 100 sacks of cement and shall stand cemented not less than 36 hours before testing the casing. This test shall be made by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory.

C. General:

All cementing shall be done by the pump and plug method. Bailing tests may be used on all casing and cement tests, and drill stem tests may be used on cement tests in lieu of pressure tests. In making bailing test, the well shall be bailed dry and remain approximately dry for thirty minutes. If any string of casing fails while being tested by pressure or by bailing tests herein required, it shall be re-cemented and re-tested or an additional string of casing should be run and cemented. If an additional string is used, the same test shall be made as outlined for the original string. In submitting Form C-101,"Notice Intention to Drill", the number of sacks of cement to be used on each string of casing shall be stated.

D. Rules and Regulations of the Commission relating to drilling, abandonment, production shall be applicable.

Section 5. Tubing:

Any completed well which produces any oil shall be tubed. This tubing shall be set as near the bottom of the hole as practicable, but in no case shall tubing perforations be more than 250 feet from the bottom. The bottom of the tubing shall be restricted to an opening of less than 1 inch or bull-plugged in order to prevent the loss of pressure bombs or other measuring devices.

Section 6. pecial Equipment:

Any well which produces oil shall be equipped with a meter setting of adequate size to measure efficiently the gas, with this meter setting to be installed on the gas vent or discharge line. Wellhead equipment for all wells shall be installed and maintained in first class condition, so that static, bottom hole pressures and surface pressures may be obtained at any time by a duly authorized agent of the Commission. Valves shall be installed so that pressures may be readily obtained on the casing and also on the tubing, wherever tubing is installed. All connections subject to well pressure and all wellhead fittings shall be of first class material, rated at 2,000 psi working pressure and maintained in gas-tight condition. Bradenheads rated at 2,000 psi shall be installed on all production string and bradenhead connections maintained in gas-tight condition. There shall be at least one valve on each bradenhead. Operators shall be responsible for maintaining all equipment in first class condition and shall repair or replace equipment where gas leakage occurs.

Section 7. Safety Requirements:

Drilling boilers shall not be set closer than 200 feet to any well or tank battery. All electrical equipment shall be in first class condition and properly installed.

Section 8. Shooting of Wells:

Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such manner as will not cause injury to the sand or result in water entering the oil or gas sa[illegible] and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treatment results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned. (See Rule 42, Order Number 4, Effective 8-12-35.)

Section 9. Testing of Pays:

All wells drilled through the Point Lookout Pay will be tested by means of separate back pressure tests in accordance with the methods adopted by the United States Bureau of Mines (Monograph 7) of (a) the Cliff House Pay (b) the Point Lookout Pay (c) both pays commingled with a minimum of three stabilized readings from a total minimum of three different sized orifices.

A. Wells which penetrate the Cliff House Pay only will take minimum of three stabilized tests covering a total of three different sized orifices.

B. The foregoing tests shall be taken either in the process of completion, or in drilling, or by means of packer separations between the Point Lookout and Cliff House Pays after completion. All tests should be certified and filed with the Commission, and the Commission shall be notified at least 24 hours prior to conducting any test.

C. Annual back pressure tests, using total of three different sized orifices, shall be taken in June, July or August on each completed well. Each test must be stabilized and plotted as a straight line function on logarithmic paper as outlined in United States Bureau of Mines Monograph Number 7.

D. Within six months of the effective date of this order, and every six months thereafter, there shall be a meeting of all operators within the Blanco-Mesaverde pool in the Commission Offices in Santa Fe, New Mexico, to present and discuss new information and data gathered subsequent to the effective date of this order. The Commission may discontinue these meetings when in its opinion, the pool has reached a stage of development where such meetings are unnecessary.

Section 10. Protection of Mineral Deposits:

Since the Menefee coal beds bear some gas and since these coal beds are of non-commercial value, Rule 20, Order Number 4 of the Commission dated August 12, 1935, shall not apply to this field.

Section 11. Gas Wastage:

Mesaverde gas shall not be flared since this is principally a gas reservoir and any well not connected to a commercial or domestic taker shall be shut-in until such market is obtained. Wells in this field shall be permitted to produce and market gas, as long as such can be done without waste, equitably between proration units for the field.

Section 12. Bradenhead Gas:

Bradenhead gas shall not be used either directly or expansively in engines, pumps or torches, or otherwise wasted. It may be used for lease and development purposes and - for the development of nearby leases, except as prohibited above. Wells shall not be completed as Bradenhead gas wells unless special permission is obtained from the Commission.

Section 13. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Sections 1 through 12 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, or irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its order powers conferred by law express or implied.

Section 14. All additional lands located within one mile of any land in the pool as defined above or as it may be extended shall conform to these rules and regulations; provided, however, that by order of this Commission the pool may be re-designated from time to time so as to embrace other lands in the vicinity which are believed on the basis of additional developments, to be capable of producing gas from the Mesaverde formation, whether or not such other lands shall have been at one time included in another designated field or pool producing from Mesaverde.

IT IS FURTHER ORDERED, That the Commission retain jurisdiction of this case for such other and further order or orders in the premises as may become necessary in order to make spacing and other adjustments and to protect correlative rights and further prevention of waste.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

S/ EDWIN L. MECHEM, Chairman

S/ GUY SHEPARD, Member

S/ R. R. SPURRIER, Secretary

S E A L

Conditional Oral Approval Granted by Emery Arnold March 16, 1953. Ex. #

El Paso Natl (Rev)

NE[illegible]MEXICO OIL CONSERVATION COM[illegible]SION

Santa Fe, New Mexico

Need Commercial March 17, 1953

NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Notice must be given to the District Office of the Oil Conservation Commission and approval obtained before drilling or recom[illegible] begins. If changes in the proposed plan are considered advisable, a copy of this notice showing such changes will be returned to the [illegible] Submit this notice in QUINTUPLICATE. One copy will be returned following approval. See additional instructions in Rules and R[illegible]tions of the Commission.

Farmington, New Mexico (Place) — March 16, 1953 (Date)

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Gentlemen:

You are hereby notified that it is our intention to commence the (Drilling) ([illegible] of a well to be known as

El Paso Natural Gas Company (Company or Operator)

Unger Pool Unit (Lease), Well No. 2, in [illegible] (Unit). The well is located 1090 feet from the North line and 1090 feet from the West line of Section 6, T. 30N, R. 11W, NMPM.

(GIVE LOCATION FROM SECTION LINE) [illegible] (Unit.), Pool, San Juan County

If State Land the Oil and Gas Lease is No.

If patented land the owner is Emil A. Unger, 613 Oil Capital Bldg.,

Address Tulsa, Oklahoma (NW¼ NW¼)

We propose to drill well with drilling equipment as follows: Rotary tools to the top of the Pictured Cliffs formation, completing the well with cable tools.

The status of plugging bond is State Wide Bond

Drilling Contractor El Paso Natural Gas Company Tools

We intend to complete this well in the Pictured Cliffs formation at an approximate depth of feet.

[illegible]	C	B	A
E	F	G	H
L	K	J	I
M	N	O	P

Elev. 5808' G, 5818' DF

CASING PROGRAM

We propose to use the following strings of Casing and to cement them as indicated:

Size of Hole	Size of Casing	Weight per Foot	New or Second Hand	Depth	Sacks Cement
13-3/4	9-5/8	25.4	New	100	75
6-7/8	7	20	New	2226	150

If changes in the above plans become advisable we will notify you immediately.

ADDITIONAL INFORMATION (If recompletion give full details of proposed plan of work.) Total depth 2262'. It is intended to shoot the entire Pictured Cliffs formation with two quarts S.N.G. per foot. (NE¼ NW¼ SW 078781 by Hazel Gentle) and (S½ NW¼ William C. Christman - Fee). Communitization dedicating NW¼ of Section 6 will be filed as soon as possible.

RECEIVED
MAR 19 1953
OIL CON. COM.
DIST. 3

Approved 3-23, 19 53
Except as follows:

OIL CONSERVATION COMMISSION
By Emery C Arnold
Oil and Gas Inspector Dist. #3.

Sincerely yours,
EL PASO NATURAL GAS COMPANY (Company or Operator)
By E J Coal
Position Petroleum Engineer
Send Communications regarding well to
Name E. J. Coal
Address Box 991, Farmington, New Mexico

El Paso Nat Gas R3

(Form C-103)
(Revised 7/1/52)

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

MISCELLANEOUS REPORTS ON WELLS

Submit this report in TRIPLICATE to the District Office, Oil Conservation Commission, within 10 days after the work specified is completed. It should be signed and filed as a report on Beginning Drilling Operations, Results of test of casing shut-off, result of plugging of well, result of well repair, and other important operations, even though the work was witnessed by an agent of the Commission. See additional instructions in the Rules and Regulations of the Commission.

Indicate Nature of Report by Checking Below

REPORT ON BEGINNING DRILLING OPERATIONS		REPORT ON RESULT OF TEST OF CASING SHUT-OFF		REPORT ON REPAIRING WELL	
REPORT ON RESULT OF PLUGGING WELL		REPORT ON RECOMPLETION OPERATION		REPORT ON (Other) Notice on completing well,	X

May 28, 1953 (Date) Farmington, New Mexico (Place)

Following is a report on the work done and the results obtained under the heading noted above at the

El Paso Natural Gas Company (Company or Operator) Yager Pool Unit (Lease)

Company Tools (Contractor), Well No. 2 in the ¼ NW ¼ of S 6

T. 30N, R. 11W, NMPM., Aztec Pool (Ext.) Pool, San Juan County

The Dates of this work were as follows: May 28, 1953

Notice of intention to do the work (was) ~~(was not)~~ submitted on Form C-102 on March 16 (Cross out incorrect words) 19 53

and approval of the proposed plan (was) ~~(was not)~~ obtained

DETAILED ACCOUNT OF WORK DONE AND RESULTS OBTAINED

Well drilled to a total depth of 2283'. There was no show of gas.

Pictured Cliffs top was 2208'. The 7" casing was perforated with 30 regular bullets from 2208' to 2218', 3 shots per foot.

No show of gas, well temporarily shut-in.

Witnessed by _____ _____

Approved:
OIL CONSERVATION COMMISSION

By _____

Title _____

I hereby certify that the information given above is true and complete to the best of my knowledge.

Name _____

Position _____

Representing _____

Address _____

Blanco Pict. #R4/2nd

(Form C-102)
(Revised 7/1/52)

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

MISCELLANEOUS NOTICES

Submit this notice in TRIPLICATE to the District Office, Oil Conservation Commission, before the work specified is to begin. A copy will be returned to the sender on which will be given the approval, with any modifications considered advisable, or the rejection by the Commission or agent, of the plan submitted. The plan as approved should be followed, and work should not begin until approval is obtained. See additional instructions in the Rules and Regulations of the Commission.

Indicate Nature of Notice by Checking Below

Notice of Intention to Change Plans	X	Notice of Intention to Temporarily Abandon Well		Notice of Intention to Drill Deeper	
Notice of Intention to Plug Well		Notice of Intention to Plug Back		Notice of Intention to Set Liner	
Notice of Intention to Squeeze		Notice of Intention to Acidize		Notice of Intention to Shoot (Nitro)	
Notice of Intention to Gun Perforate		Notice of Intention (Other)		Notice of Intention (Other)	

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Farmington, New Mexico (Place) May 26, 1953 (Date)

Gentlemen:

Following is a Notice of Intention to do certain work as described below at the Yager Pool Unit

El Paso Natural Gas Company (Company or Operator) Well No. 2 in (Unit)

¼ NW (40-acre Subdivision) ¼ of Sec. 6, T. 30N, R. 11W, NMPM., Blanco Pool

San Juan County.

FULL DETAILS OF PROPOSED PLAN OF WORK
(FOLLOW INSTRUCTIONS IN THE RULES AND REGULATIONS)

This well has been drilled to a total depth of 2283' through the Pictured Cliffs formation and found non-productive in this formation.

It is intended to change plans in the following manner:

1. **To drill this well through the Mesaverde formation.**
2. **To set 5" O.D. liner at 4103' total depth through Mesaverde 4638'.**
3. **To shoot lower Mesaverde with approximately two quarts S.N.G. per foot.**

The W/2 of Section 6 will be dedicated to this well.

RECEIVED
MAY 28 1953
OIL CON. COM.
DIST. 3

Approved July 31, 1953
Except as follows:

EL PASO NATURAL GAS COMPANY
Company or Operator

By E. J. Coal

Position Petroleum Engineer
Send Communications regarding well to:

Approved
OIL CONSERVATION COMMISSION

By A. L. Porter, Jr.

Title Supervisor Dist. #3

Name E. J. Coal

Address Box 997, Farmington, New Mexico

Pet. Ex. R5 (706)

New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEM
CHAIRMAN
LAND COMMISSIONER E.S. WALKER
MEMBER
STATE GEOLOGIST R.R. SPURRIER
SECRETARY AND DIRECTOR

P. O. BOX 871
SANTA FE, NEW MEXICO

July 31, 1953

Mr. W. T. Hollis
Production Superintendent
El Paso Natural Gas Company
P. O. Box 997
Farmington, New Mexico

Dear Sir:

Receipt is acknowledged of plat and waivers that were necessary for the approval of your Notice of Intention to Change Plans for the No. 2 Yager Pooled Unit in the NW/4 of Section 6, Township 30 North, Range 11 West.

Approval is hereby given to deepen the above well to the Mesaverde formation.

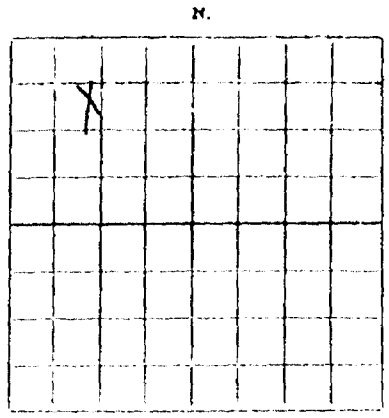
Very truly yours,

R. R. Spurrier

R. R. Spurrier
Secretary and Director

cc: Mr. Emery Arnold
Oil Conservation Commission
P. O. Box 697
Aztec, New Mexico

(Revised 7/1/52)
(Form C-105)



AREA 640 ACRES
LOCATE WELL CORRECTLY

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

WELL RECORD

Mail to District Office, Oil Conservation Commission, to which Form C-101 was sent not later than twenty days after completion of well. Follow instructions in Rules and Regulations of the Commission. Submit in QUINTUPLICATE.

El Paso Natural Gas Company (Company or Operator) Yager Pool (Lease)

Well No. 2, in ¼ of NW ¼, of Sec. 6, T. 30N, R. 11W, NMPM.

Aztec (Ext.) Pool, San Juan County.

Well is 1090 feet from N line and 1090 feet from W line of Section 6. If State Land the Oil and Gas Lease No. is .....

Drilling Commenced 3-17-53, 19..... Drilling was Completed 9-19-53, 19.....

Name of Drilling Contractor Company Tools, Chilton & Son, Conley Cox, and C. M. Carroll

Address .....

Elevation above sea level at Top of Tubing Head 5802' The information given is to be kept confidential until ....., 19.....

OIL SANDS OR ZONES

No. 1, from 2208 to 2263 (G) No. 4, from 4531 to 4640 (G)

No. 2, from 3783 to 3885 (G) No. 5, from ..... to .....

No. 3, from 3885 to 4531 (G) No. 6, from ..... to .....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from ..... to ..... feet. .....

No. 2, from ..... to ..... feet. .....

No. 3, from ..... to ..... feet. .....

No. 4, from ..... to ..... feet. .....

CASING RECORD

SIZE	WEIGHT PER FOOT	NEW OR USED	AMOUNT	KIND OF SHOE	CUT AND PULLED FROM	PERFORATIONS	PURPOSE
9-5/8	est.	New	140'	Armco			Surface
7	23	New	2218	Baker		2208-2218	Prod. Csg.
5½	15.50	New	2287	Baker		(COVERED BY LINER)	Liner
2	4.7	New	4623				Prod. Tbg.

MUDDING AND CEMENTING RECORD

SIZE OF HOLE	SIZE OF CASING	WHERE SET	NO. SACKS OF CEMENT	METHOD USED	MUD GRAVITY	AMOUNT OF MUD USED
13-3/4	9-5/8	140'	100	Circulated		
8-3/4	7	2223	150	Sing. Stage		
4-1/8	5½	4630	200	Sing. Stage		

RECORD OF PRODUCTION AND STIMULATION

(Record the Process used, No. of Qts. or Gals. used, interval treated or shot.)

Shot well with 220 grains of S.N.G. 4530'-4640'

Natural gage 62 MCF

Result of Production Stimulation 686 MCF/D

Depth Cleaned Out 4640'

ORD OF DRILL-STEM AND SPECIAL TE

If drill-stem or other special tests or deviation surveys were made, submit report on separate sheet and attach hereto

TOOLS USED

Rotary tools were used from 0 feet to 2228 feet and from 2336' feet to 4640' feet
Gas Drilling

Cable tools were used from 2228 feet to 2336 feet, and from ..... feet to ..... feet.

PRODUCTION

Put to Producing ....., 19.....

OIL WELL: The production during the first 24 hours was ..... barrels of liquid of which ..... % was was oil; ..... % was emulsion; ..... % water; and ..... % was sediment. A.P.I. Gravity .....

GAS WELL: The production during the first 24 hours was 686 M.C.F. plus ..... barrels of liquid Hydrocarbon. Shut in Pressure 1046 lbs.

Length of Time Shut in 10 days

PLEASE INDICATE BELOW FORMATION TOPS (IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE):

Southeastern New Mexico			Northwestern New Mexico	
T. Anhy	T. Devonian		T. Ojo Alamo	705
T. Salt	T. Silurian		T. Kirtland [illegible]	800
B. Salt	T. Montoya		T. [illegible]	
T. Yates	T. Simpson		T. Pictured Cliffs	2208
T. 7 Rivers	T. McKee		T. Menefee	3885
T. Queen	T. Ellenburger		T. Point Lookout	4531
T. Grayburg	T. Gr. Wash		T. Mancos	[illegible]
T. San Andres	T. Granite		T. Dakota	
T. Glorieta	T.		T. Morrison	
T. Drinkard	T.		T. Penn	
T. Tubbs	T.		T. Fruitland	1885
T. Abo	T.		T. Lewis	2263
T. Penn	T.		T. Cliff House	3783
T. Miss	T.		T.	

FORMATION RECORD

From	To	Thickness in Feet	Formation	Thickness in Feet
0	452	452	Tan cr-grn ss w/thin sh breaks.	
452	560	108	Variegated sh w/thin ss breaks.	
560	705	145	Tan to gry cr-grn ss interbedded w/gry sh.	
705	800	95	Ojo Alamo ss. White cr-grn s.	
800	1885	1085	[illegible] formation. Gry sh interbedded w/tight [illegible] ss.	
1885	2208	323	Fruitland formation. Gry carb sh, scattered coals [illegible] fine-grn ss.	
2208	2263	55	Pictured Cliffs formation. Gry, fine-grn, tight, [illegible]	
2263	3783	1520	Lewis formation. Gry to white dense sh w/silty to shaly ss breaks. Cliff House ss. Gry, fine-grn, dense sil ss. [illegible] formation. Gry, fine-grn ss, carb sh and coal.	
3783	3885	102		
3885	4531	646	Point Lookout Formation. Gry, very fine sil ss w/frequent sh breaks.	
4531	4640	109	[illegible] formation. Gry carb sh.	

NOTE:
Tops from the Pictured Cliffs down to total depth calculated from log on Yager Pool Unit #1.

[illegible] COMMISSION
AZTEC DISTRICT OFFICE
No. Copies Received 6

DISTRIBUTION

	NO FURNISHED
Operator	2
Santa Fe	1
Proration Office	
State Land Office	
U. S. G. S.	
Transporter	
File	1

ATTACH SEPARATE SHEET IF ADDITIONAL SPACE IS NEEDED

I hereby swear or affirm that the information given herewith is a complete and correct record of the well and all work done on it so far as can be determined from available records.

October 30, 1953
(Date)

Company or Operator EL PASO NATURAL GAS COMPANY Address BOX 997 FARMINGTON, NEW MEXICO

Name [signature] Position or Title Petroleum Engineer.

(Ne... MEXICO OIL CONSERVATION COMMISSION

NOTICE OF INTENTION TO DRILL

See Rules 101 and 1104.

If changes in the proposed plan are considered advisable, a copy of this notice showing such changes will be returned to the sender. Submit this notice in triplicate. One copy will be returned following approval.

Farmington, New Mexico (Place) February 10, 1953 (Date)

Notice hereby is given that it is our intention to commence the drilling of a well to be known as

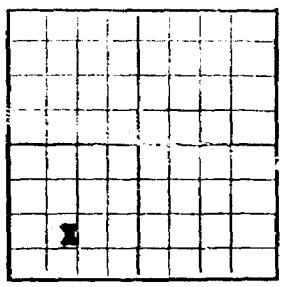
El Paso Natural Gas Company (Company or Operator) Yager Pool Unit (Lease) well No. 1 in SW¼

of Sec. 31, T. 31N, R. 11W, N. M. P. M., Blanco Pool, San Juan County.

The well is 990 feet from (S) (S.) line and 990 feet from (W) (W.) line of the above section.

(Give location from section lines. Cross out wrong directions.)

N



AREA 640 ACRES

LOCATE WELL CORRECTLY

If state land the oil and gas lease is No. ..... Assignment No. .....

If patented land the owner is Saul Yager, Tulsa, Oklahoma. (SW¼ of SW¼)

Address .....

If government land the permittee is S.H. Newbury. (NW 078097, NE¼ NW¼ of SW¼);

Address A.S. Grenier. (NW 078115, NW¼ of SW¼)

The lessee is El Paso Natural Gas Company

Address P.O. Box 997, Farmington, New Mexico

We propose to drill well with drilling equipment as follows: Rotary through the Verde formation.

The status of a bond for this well in conformance with Rule 101 of the General Rules and Regulations of the Commission is as follows: State Wide Bond.

We propose to use the following strings of casing and to land or cement them as indicated:

Size of Hole	Size of Casing	Weight Per Foot	New or Second Hand	Depth	Landed or Cemented	Sacks Cement
13-1/4	9-5/8	25.4	New	160	Cemented	125
8-3/4	7	23	New	3905	Cemented	300

If changes in the above plans become advisable we will notify you before cementing or landing casing. We estimate that the first productive oil or gas sand should occur at a depth of about 3945 feet.

Additional information: Total Depth 4770'.

1. To use gas circulation through pay section.
2. To shoot Mesa Verde with 2 quarts S.N.G. per foot.
3. S½ of Section 31 is dedicated to this well. Communitization will be filed soon.

RECEIVED FEB 11 '53 OIL CON. COM. DIST. 3

Approved 2-19, 19 53

except as follows:

El Paso Natural Gas Company (Company or Operator)

By E. J. Coel

Position Petroleum Engineer

OIL CONSERVATION COMMISSION

By Emery C. Arnold

Title Oil and Gas Inspector Dist. #3.

Send communications regarding well to:

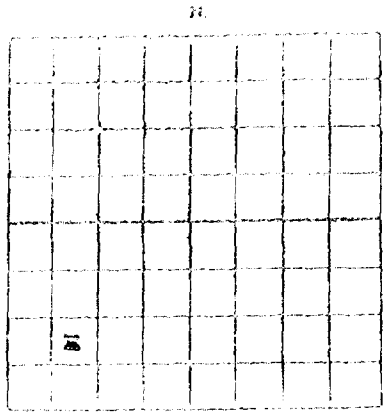
Name E. J. Coel

Address P.O. Box 997, Farmington, New Mexico

I CERTIFY THAT THIS IS A TRUE AND EXACT PHOTO COPY OF THE ORIGINAL NEGATIVE AND WAS MADE BY ME THIS 10 DAY OF May 19 54

J. H. Bean

Photostat Operator
B. & R. SERVICE CO.
FARMINGTON, NEW MEXICO



AREA 640 ACRES
LOCATE WELL CORRECTLY

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

WELL RECORD

Mail to District Office, Oil Conservation Commission, to which Form C-101 was sent not later than twenty days after completion of well. Follow instructions in Rules and Regulations of the Commission. Submit in QUINTUPLICATE.

El Paso Natural Gas Company (Company or Operator) Yager Pool Unit (Lease)

Well No. 1, in NW ¼ of SW ¼, of Sec. 31, T. 31N, R. 11W, NMPM.

Blanco Pool, San Juan County.

Well is 990 feet from South line and 990 feet from West line of Section 31. If State Land the Oil and Gas Lease No. is .....

Drilling Commenced March 2, 19 53 Drilling was Completed March 17, 19 53

Name of Drilling Contractor El Paso Natural Gas Company

Address Farmington, New Mexico

Elevation above sea level at Top of Tubing Head 5650 The information given is to be kept confidential until ....., 19.....

OIL SANDS OR ZONES

No. 1, from 3880 to 4035 (G) No. 4, from ..... to .....

No. 2, from 3955 to 4708 (G) No. 5, from ..... to .....

No. 3, from ..... to ..... No. 6, from ..... to .....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from ..... to ..... feet. .....

No. 2, from ..... to ..... feet. .....

No. 3, from ..... to ..... feet. .....

No. 4, from ..... to ..... feet. .....

RECEIVED
MAY 6 53
OIL CON. COM.
DIST. 3

CASING RECORD

SIZE	WEIGHT PER FOOT	NEW OR USED	AMOUNT	KIND OF SHOE	CUT AND PULLED FROM	PERFORATIONS	PURPOSE
9 5/8"	25.4	New	161'	Armco			Surface
7"	20	New	4155'	Baker			Prod. Csg.
4½"	10.5	New	4796'				Prod. Liner

MUDDING AND CEMENTING RECORD

SIZE OF HOLE	SIZE OF CASING	WHERE SET	NO. SACKS OF CEMENT	METHOD USED	MUD GRAVITY	AMOUNT OF MUD USED
13 3/4"	9 5/8"	171'	150	circulated		
8 3/4"	7"	4165'	300	Stage Stage		

RECORD OF PRODUCTION AND STIMULATION

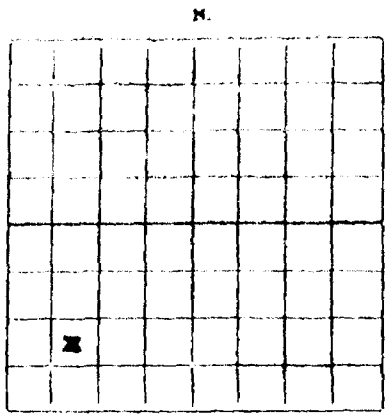
(Record the Process used, No. of Qts. or Gals. used, interval treated or shot.)

Shot well with 1302 quarts of S.N.G. from 4038' to 4058'.

Natural flow 60 MCF.

Result of Production Stimulation Well tested 710 MCF/D

Depth Cleaned Out 4058'



AREA 640 ACRES
LOCATE WELL CORRECTLY

(Revised 7/1/52)
(Form C-105)

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

WELL RECORD

Mail to District Office, Oil Conservation Commission, to which Form C-101 was sent not later than twenty days after completion of well. Follow instructions in Rules and Regulations of the Commission. Submit in QUINTUPLICATE.

El Paso Natural Gas Company (Company or Operator) Eager Pool Unit (Lease)

Well No. 1, in SW ¼ of SW ¼, of Sec. 31, T. 31N, R. 11W, NMPM.

Blanco Pool, San Juan County.

Well is 990 feet from South line and 990 feet from West line of Section 31. If State Land the Oil and Gas Lease No. is .....

Drilling Commenced March 2, 19 53 Drilling was Completed March 17, 19 53

Name of Drilling Contractor El Paso Natural Gas Company

Address Farmington, New Mexico

Elevation above sea level at Top of Tubing Head 5850 The information given is to be kept confidential until ....., 19.....

OIL SANDS OR ZONES

No. 1, from 3880 to 3955 (G) No. 4, from ..... to .....

No. 2, from 3955 to 4708 (G) No. 5, from ..... to .....

No. 3, from ..... to ..... No. 6, from ..... to .....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from ..... to ..... feet. .....

No. 2, from ..... to ..... feet. .....

No. 3, from ..... to ..... feet. .....

No. 4, from ..... to ..... feet. .....

RECEIVED
MAY 6 53
OIL CON. COM.
DIST. 3

CASING RECORD

SIZE	WEIGHT PER FOOT	NEW OR USED	AMOUNT	KIND OF SHOE	CUT AND PULLED FROM	PERFORATIONS	PURPOSE
9 5/8"	32.3	New	161'	Armco			Surface
7"	20	New	4155'	Baker			Prod. Csg.
8"	4.7	New	4796'				Prod. Tbg.

MUDDING AND CEMENTING RECORD

SIZE OF HOLE	SIZE OF CASING	WHERE SET	NO. SACKS OF CEMENT	METHOD USED	MUD GRAVITY	AMOUNT OF MUD USED
13 3/4	9 5/8"	171'	150	circulated		
8 3/4	7"	4165'	300	Bing. Stage		

RECORD OF PRODUCTION AND STIMULATION

(Record the Process used, No. of Qts. or Gals. used, interval treated or shot.)

Shot well with 1305 quarts of S.N.G. from 4838' to 4852'.

Natural flow 62 MCF.

Result of Production Stimulation Well tested 710 MCF/D

Depth Cleaned Out 4852'

RECORD OF DRILL-STEM AND SPECIAL TESTS

If drill-stem or other special tests or deviation surveys were made, submit report on separate sheet and attach hereto

TOOLS USED

Rotary tools were used from 0 feet to 4165 feet, and from 4165 feet to 4852 feet (Gas Drilling)

Cable tools were used from ..... feet to ..... feet, and from ..... feet to ..... feet

PRODUCTION

Put to Producing ....., 19....

OIL WELL: The production during the first 24 hours was ..... barrels of liquid of which ..... % was was oil; .....% was emulsion; .....% water; and .....% was sediment. A.P.I. Gravity .....

GAS WELL: The production during the first 24 hours was 710 M.C.F. plus ..... barrels of liquid Hydrocarbon. Shut in Pressure 896 lbs.

Length of Time Shut in 15 days

PLEASE INDICATE BELOW FORMATION TOPS (IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE):

Southeastern New Mexico			Northwestern New Mexico	
T. Anhy	T. Devonian		T. Ojo Alamo	905
T. Salt	T. Silurian		T. Kirtland-[redacted]	1018
B. Salt	T. Montoya		T. [redacted]	
T. Yates	T. Simpson		T. Pictured Cliffs	[redacted]
T. 7 Rivers	T. McKee		T. Menefee	3955
T. Queen	T. Ellenburger		T. Point Lookout	4603
T. Grayburg	T. Gr. Wash		T. Mancos	4708
T. San Andres	T. Granite		T. Dakota	
T. Glorieta	T.		T. Morrison	
T. Drinkard	T.		T. Penn	
T. Tubbs	T.		T. Fruitland	1988
T. Abo	T.		T. Lewis	2435
T. Penn	T.		T. Cliff House	3855
T. Miss	T.		T.	

FORMATION RECORD

From	To	Thickness in Feet	Formation
0	510	510	Tan cr-grn ss w/thin sh breaks.
510	815	305	Variegated sh w/thin ss breaks.
815	905	90	Tan to gry cr-grn ss interbedded w/gry sh.
905	1018	113	Ojo Alamo ss. Wh cr-grn s[illegible] Top Ojo Alamo 905.
1018	1988	970	Kirtland formation. Gry sh interbedded w/tight gry fine-grn ss. Top of Kirtland 1018.
1988	2880	358	Fruitland formation. Gry carb sh, scattered coals and gry, tight, fine-grn ss. Top of Fruitland 1988
2880	3435	155	Pictured Cliffs formation. Gry, fine-grn, tight, varicolored soft ss. Top of Pictured Cliffs 2880.
3435	3855	1420	Lewis formation. Gry to wh dense sh w/silty to shaly ss breaks. Top of Lew is 3435.
3855	3955	100	Cliff House ss. Gry, fine-grn, dense sil ss. Top Cliff House 3855.
3955	4603	648	Menefee formation. Gry, fine-grn ss, carb sh and coal. Top Menefee 3955.
4603	4708	105	Point Lookout formation. Gry, very fine sil ss w/frequent sh breaks. Top of Point Lookout 4603.
4708	4852	144	Mancos formation. Gry carb sh. Top Mancos 4708.

ATTACH SEPARATE SHEET IF ADDITIONAL SPACE IS NEEDED

I hereby swear or affirm that the information given herewith is a complete and correct record of the well and all work done on it to far as can be determined from available records.

April 23, 1953 (Date)

Company or Operator El Paso Natural Gas Company Address Box 997 Farmington, New Mexico

Name [signature] Position or Title Petroleum Engineer

(Form C-101)
(Revised 7/1/52)

NEW XICO OIL CONSERVATION COMM. ION
Santa Fe, New Mexico

NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Notice must be given to the District Office of the Oil Conservation Commission and approval obtained before drilling or recompletion begins. If changes in the proposed plan are considered advisable, a copy of this notice showing such changes will be returned to the sender. Submit this notice in QUINTUPLICATE. One copy will be returned following approval. See additional instructions in Rules and Regulations of the Commission.

[redacted] (Place) [redacted] (Date)

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Gentlemen:

You are hereby notified that it is our intention to commence the (Drilling) (Recompletion) of a well to be known as

[redacted] (Company or Operator)

[redacted] (Lease), Well No. [redacted], in [redacted] (Unit). The well is

located [redacted] feet from the [redacted] line and [redacted] feet from the [redacted] line of Section [redacted], T. [redacted], R. [redacted], NMPM.

(GIVE LOCATION FROM SECTION LINE) [redacted] Pool, [redacted] County

D	C	B	A
E	F	G	H
L	K	J	I
M	N	O	P

[redacted]

If State Land the Oil and Gas Lease is No. [redacted]

If patented land the owner is [redacted]

Address [redacted]

We propose to drill well with drilling equipment as follows: [redacted]

The status of plugging bond is [redacted]

Drilling Contractor [redacted]

We intend to complete this well in the [redacted] formation at an approximate depth of [redacted] feet.

CASING PROGRAM

We propose to use the following strings of Casing and to cement them as indicated:

Size of Hole	Size of Casing	Weight per Foot	New or Second Hand	Depth	Sacks Cement
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

If changes in the above plans become advisable we will notify you immediately.

ADDITIONAL INFORMATION (If recompletion give full details of proposed plan of work.)

It is intended to shoot the well with 2 quarts of S.N.G. per foot. Total depth [redacted].

The W½ of Section 15 is dedicated to this well.

Approved 6-3, 19 53
Except as follows:

OIL CONSERVATION COMMISSION
By [redacted]
Oil and Gas Inspector Dist. #3.

Sincerely yours,
EL PASO NATURAL GAS COMPANY
(Company or Operator)
By [redacted]
Position Petroleum Engineer.
Send Communications regarding well to
Name B. J. Cool
Address Box 997 Farmington, New Mexico

(Over)

SF 070051 (Re, Wk Int)

Emil A. Hage (Op Opr)
Tulsa, Oklahoma

OIL CONSERVATION COMMISSION		
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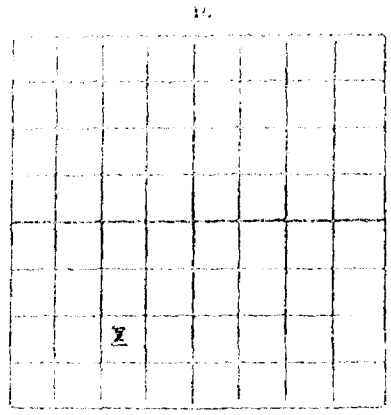
T 17S R 31E



AREA 640 ACRES
LOCATE WELL CORRECTLY

(Revised 3/1/53)
(Form C-105)

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

WELL RECORD

Mail to District Office, Oil Conservation Commission, to which Form C-101 was sent not later than twenty days after completion of well. Follow instructions in Rules and Regulations of the Commission. Submit in QUINTUPLICATE.

El Paso Natural Gas Company (Company or Operator) Ute (Lease)

Well No. 3, in ¼ of SW ¼, of Sec. 15, T. 32 N., R. 14 W., NMPM.

Blanco Pool, San Juan County.

Well is 990 feet from South line and 1650 feet from West line of Section 15. If State Land the Oil and Gas Lease No. is .....

Drilling Commenced 8-7-53, 19.... Drilling was Completed 8-20-53, 19....

Name of Drilling Contractor Noss Drillers

Address Farmington, New Mexico

Elevation above sea level at Top of Tubing Head 5878 The information given is to be kept confidential until ....., 19....

OIL SANDS OR ZONES

No. 1, from 2523 to 2592 (G) No. 4, from 4736 to 4836 (G)

No. 2, from 4308 to 4316 (G) No. 5, from .....

No. 3, from 4316 to 4736 (G) No. 6, from .....

OIL CONSERVATION COMMISSION
NEW MEXICO
OCT 5 1953

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from ..... to ..... feet. .....

No. 2, from ..... to ..... feet. .....

No. 3, from ..... to ..... feet. .....

No. 4, from ..... to ..... feet. .....

CASING RECORD

SIZE	WEIGHT PER FOOT	NEW OR USED	AMOUNT	KIND OF SHOE	CUT AND PULLED FROM	PERFORATIONS	PURPOSE
9-5/8	25.4	New	160'	Armco			Surface
7"	23	New	2900'	Baker			Prod. casing
7"	20	New	2539'				" "
2"	4.7	New	4316				

MUDDING AND CEMENTING RECORD

SIZE OF HOLE	SIZE OF CASING	WHERE SET	NO. SACKS OF CEMENT	METHOD USED	MUD GRAVITY	AMOUNT OF MUD USED
13-3/8	9-5/8	175	125	Circulated		
8-3/4	7"	4590	500	Single stage		

RECORD OF PRODUCTION AND STIMULATION

(Record the Process used, No. of Qts. or Gals. used, interval treated or shot.)

Shot well with 658 quarts of S.N.G. from 4597' to 4841'. Natural gage 481 MCF/D.

Result of Production Stimulation Well tested 2,630 MCF/D

RECEIVED
SEP 28 1953
OIL CON. COM.
DIST. 3

Depth Cleaned Out 4845'

374

ILL 391

RECORD OF DRILL-STEM AND SPECIAL TESTS

If drill-stem or other special tests or deviation surveys were made, submit report on separate sheet and attach hereto

TOOLS USED

Rotary tools were used from 0 feet to 4550 feet, and from 4550 feet to 4845 feet (Gas drilling)

Cable tools were used from ..... feet to ..... feet, and from ..... feet to ..... feet

PRODUCTION

Put to Producing ....., 19.....

OIL WELL: The production during the first 24 hours was ..... barrels of liquid of which ..... % was was oil; ..... % was emulsion; ..... % water; and ..... % was sediment. A.P.I. Gravity .....

GAS WELL: The production during the first 24 hours was 2,630 M.C.F. plus ..... barrels of liquid Hydrocarbon. Shut in Pressure 1230 lbs.

Length of Time Shut in 8 Days

PLEASE INDICATE BELOW FORMATION TOPS (IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE):

Southeastern New Mexico		Northwestern New Mexico	
T. Anhy	T. Devonian	T. Ojo Alamo	1360
T. Salt	T. Silurian	T. Kirtland-Fruitland	1502
B. Salt	T. Montoya	T. [illegible]	
T. Yates	T. Simpson	T. Pictured Cliffs	2523
T. 7 Rivers	T. McKee	T. Menefee	4316
T. Queen	T. Ellenburger	T. Point Lookout	4736
T. Grayburg	T. Gr. Wash	T. Mancos	4836
T. San Andres	T. Granite	T. Dakota	
T. Glorieta	T.	T. Morrison	
T. Drinkard	T.	T. Penn	
T. Tubbs	T.	T. Fruitland	2094
T. Abo	T.	T. Lewis	2592
T. Penn	T.	T. Cliff House	4108
T. Miss	T.	T.	

FORMATION RECORD

From	To	Thickness in Feet	Formation
0	808	808	Tan coarse-grained ss with thin shale breaks.
808	938	130	Variegated shales with thin sandstone breaks.
938	1360	422	Tan to grey coarse-grained sandstone interbedded with grey shales.
1360	1502	142	Ojo Alamo sandstone. White coarse-grained sand.
1502	2094	592	Kirtland formation. Grey shale interbedded with tight grey fine-grained ss
2094	2523	429	Fruitland formation. Grey carbonaceous shales, scattered coals and grey tight, fine-grained sandstone.
2523	2592	69	Pictured Cliffs formation. Grey, fine-grained, tight, varicolored soft sandstone.
2592	4108	1516	Lewis formation. Grey to white dense shale with silty to shaly sandstone breaks.
4108	4316	208	Cliff House sandstone. Grey, fine-grained, dense siliceous sandstone.
4316	4736	420	Menefee formation. Grey, fine-grained sands, carbonaceous shales and coal.
4736	4836	100	Point Lookout formation. Grey, very fine siliceous sandstone with frequent shale breaks.
4836	4845	9	Mancos formation. Grey carbonaceous shale.

ATTACH SEPARATE SHEET IF ADDITIONAL SPACE IS NEEDED

I hereby swear or affirm that the information given herewith is a complete and correct record of the well and all work done on it so far as can be determined from available records.

September 23, 1953 (Date)

Company or Operator El Paso Natural Gas Company Address P.O. Box 997, Farmington, New Mexico

Name [signature] Position or Title Petroleum Engineer

31

(C) Ex. #R-11(601)

(Form C-101)
(Revised 7-1-52)

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Notice must be given to the District Office of the Oil Conservation Commission and approval obtained before drilling or recompletion begins. If changes in the proposed plan are considered advisable, a copy of this notice showing such changes will be returned to the sender. Submit this notice in QUINTUPLICATE. One copy will be returned following approval. See additional instructions in Rules and Regulations of the Commission.

Farmington, New Mexico (Place) April 10, 1953 (Date)

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Gentlemen:

You are hereby notified that it is our intention to commence the (Drilling) (Recompletion) of a well to be known as

El Paso Natural Gas Company (Company or Operator)

Calloway Pool Unit (Lease), Well No. 1, in NE (Unit). The well is located 990 feet from the North line and 1790 feet from the East line of Section 27, T. 31N, R. 11W, NMPM.

(GIVE LOCATION FROM SECTION LINE) Blanco Pool, San Juan County

D	C	B	A
E	F	G	H
L	K	J	I
M	N	O	P

Elev. 5750' Gr., 5762' DF

If State Land the Oil and Gas Lease is No. Fee

If patented land the owner is Elsie Blanco (NE NE)

Address West Colorado Springs, Colorado

We propose to drill well with drilling equipment as follows: Rotary tools through the Mesaverde, drilling the pay with gas circulation.

The status of plugging bond is State Wide Bond

Drilling Contractor El Paso Natural Gas Company, Farmington, New Mexico

We intend to complete this well in the Point Lookout formation at an approximate depth of 4775 feet.

CASING PROGRAM

We propose to use the following strings of Casing and to cement them as indicated:

Size of Hole	Size of Casing	Weight per Foot	New or Second Hand	Depth	Sacks Cement
13-1/4	9-5/8"	25.4#	New	160'	125
8-3/4	7 "	20 #	New	3907'	300

If changes in the above plans become advisable we will notify you immediately.

ADDITIONAL INFORMATION (If recompletion give full details of proposed plan of work.)

It is intended to shoot the well with two quarts S.N.G. per foot.
Total depth 4775'.
NE of Section 27 will be dedicated to this well. (See back for ownership)

RECEIVED
APR 13 1953
OIL CON. COM.
DIST. 3

Approved 6-29-, 1953
Except as follows:

OIL CONSERVATION COMMISSION
By John F. Simpson
Title Oil and Gas Inspector Dist. #3

Sincerely yours,
EL PASO NATURAL GAS COMPANY (Company or Operator)
By
Position Petroleum Engineer
Send Communications regarding well to
Name E. J. Coal
Address Box 997, Farmington, New Mexico

3-1-69

The ownership for the remainder of E½:

1. SW NE — Sarah Hodges, Aztec, New Mexico - Fee
2. NW SE — Shal Unger, Tulsa, Oklahoma - Fee
3. NE NE — Shal Unger, Tulsa, Oklahoma - Fee
4. SE NE — J. Parrinas & E. Willmeth, Aztec, New Mexico - Fee
5. SW SE — T. C. Semrald, Aztec, New Mexico - Fee
6. NE SE & NE SE — M. I. Vance, Duque, Arizona, & Lothair Payne, Virden, New Mexico

Communitization will be filed as soon as possible.

DISTRIBUTION	No. Furnished
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Proration Office	
State Land Office	1
U. S. G. S.	2
Transporter	
File	1

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AZTEC DISTRICT OFFICE
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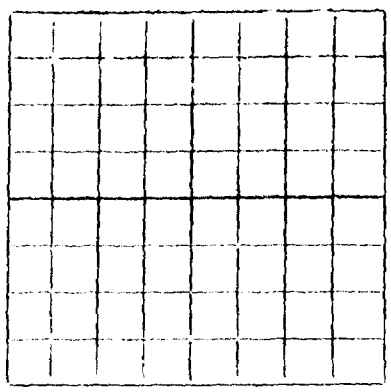
D. C. no. retained E-R12 (709)

(Revised 7/1/58)
(Form C-105)



AREA 640 ACRES
LOCATE WELL CORRECTLY

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

WELL RECORD

Mail to District Office, Oil Conservation Commission, to which Form C-101 was sent not later than twenty days after completion of well. Follow instructions in Rules and Regulations of the Commission. Submit in QUINTUPLICATE.

El Paso Natural Gas Company (Company or Operator) — Calloway Pool Unit (Lease)

Well No. 1, in ¼ of NE ¼, of Sec. 27, T. 31N, R. 11W, NMPM.

Blanco Pool, San Juan County.

Well is 990 feet from North line and 1750 feet from East line of Section 27. If State Land the Oil and Gas Lease No. is .....

Drilling Commenced July 12, 19 53 Drilling was Completed July 29, 19 53

Name of Drilling Contractor Mesa Drillers

Address Farmington, New Mexico

Elevation above sea level at Top of Tubing Head 5738 The information given is to be kept confidential until ....., 19.....

OIL SANDS OR ZONES

No. 1, from 2356 to 2410 (G) No. 4, from 4555 to 4774 (G)

No. 2, from 3950 to 4160 (G) No. 5, from ..... to .....

No. 3, from 4160 to 4555 (G) No. 6, from ..... to .....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from ..... to ..... feet. .....

No. 2, from ..... to ..... feet. .....

No. 3, from ..... to ..... feet. .....

No. 4, from ..... to ..... feet. .....

CASING RECORD

SIZE	WEIGHT PER FOOT	NEW OR USED	AMOUNT	KIND OF SHOE	CUT AND PULLED FROM	PERFORATIONS	PURPOSE
9-5/8	25.4	New	161	Armco			Surface
7"	23	New	711.59	Baker			Prod. csg.
7"	20	New	3828.41	Baker			Prod. csg.
2"	4.7	New	4836				Prod. tbg.

MUDDING AND CEMENTING RECORD

SIZE OF HOLE	SIZE OF CASING	WHERE SET	NO. SACKS OF CEMENT	METHOD USED	MUD GRAVITY	AMOUNT OF MUD USED
13-3/4	9-5/8	174	150	Circ.		
8-3/4	7"	4550	283	Single Stage		

RECORD OF PRODUCTION AND STIMULATION

(Record the Process used, No. of Qts. or Gals. used, interval treated or shot.)

Shot well w/760 qts SNG from 4600 to 4890. Nat'l gage 60 MCF.

Result of Production Stimulation Well tested 1,280 MCF/D

Depth Cleaned Out 4690

RECEIVED
AUG 5 1953
OIL CON. COM.
DIST. 3

T-31-N R-11-W 379

ECORD OF DRILL-STEM AND SPECIAL TS

If drill-stem or other special tests or deviation surveys were made, submit report on separate sheet and attach hereto

TOOLS USED

Rotary tools were used from .... feet to .... feet, and from .... feet to .... feet.

Cable tools were used from .... feet to .... feet, and from .... feet to .... feet.

PRODUCTION

Put to Producing ...., 19........

OIL WELL: The production during the first 24 hours was .... barrels of liquid of which .... % was was oil; .... % was emulsion; .... % water; and .... % was sediment. A.P.I. Gravity ....

GAS WELL: The production during the first 24 hours was [illegible] M.C.F. plus .... barrels of liquid Hydrocarbon. Shut in Pressure [illegible] lbs.

Length of Time Shut in 7 days

PLEASE INDICATE BELOW FORMATION TOPS (IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE):

Southeastern New Mexico		Northwestern New Mexico
T. Anhy	T. Devonian	T. Ojo Alamo [illegible]
T. Salt	T. Silurian	T. Kirtland-Fruitland [illegible]
B. Salt	T. Montoya	T. Farmington
T. Yates	T. Simpson	T. Pictured Cliffs [illegible]
T. 7 Rivers	T. McKee	T. Menefee [illegible]
T. Queen	T. Ellenburger	T. Point Lookout [illegible]
T. Grayburg	T. Gr. Wash	T. Mancos [illegible]
T. San Andres	T. Granite	T. Dakota
T. Glorieta	T.	T. Morrison
T. Drinkard	T.	T. Penn
T. Tubbs	T.	T. [illegible]
T. Abo	T.	T. [illegible]
T. Penn	T.	T. [illegible]
T. Miss	T.	T.

FORMATION RECORD

From	To	Thickness in Feet	Formation	From	To	Thickness in Feet	Formation
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ATTACH SEPARATE SHEET IF ADDITIONAL SPACE IS NEEDED

I hereby swear or affirm that the information given herewith is a complete and correct record of the well and all work done on it so far as can be determined from available records.

September 14, 1953
(Date)

Company or Operator EL PASO NATURAL GAS COMPANY Address Box 997 Farmington, New Mexico

Name .... Position or Title Petroleum Engineer.

Ex. R 13 (710)

(Form C-101)
(Revised 7-1-52)

NEW . ..XICO OIL CONSERVATION COMM.. ..ION
Santa Fe, New Mexico

NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Notice must be given to the District Office of the Oil Conservation Commission and approval obtained before drilling or recompletion begins. If changes in the proposed plan are considered advisable, a copy of this notice showing such changes will be returned to the sender. Submit this notice in QUINTUPLICATE. One copy will be returned following approval. See additional instructions in Rules and Regulations of the Commission.

..... (Place) ..... August 12, 1953 (Date)

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Gentlemen:

You are hereby notified that it is our intention to commence the (Drilling) (Recompletion) of a well to be known as

El Paso Natural Gas Company (Company or Operator)

Navajo Ref Unit (Lease), Well No. 1, in E (Unit). The well is located 1650 feet from the North line and 1650 feet from the East line of Section 3, T. 31N, R. 10W, NMPM.

(GIVE LOCATION FROM SECTION LINE) Blanco Pool, San Juan County

If State Land the Oil and Gas Lease is No.....

If patented land the owner is Navajo Lodge Oil Corporation

Address Mercantile Commerce Building, Dallas, Texas

We propose to drill well with drilling equipment as follows: cable tools to 175', rotary tools to total depth.

The status of plugging bond is Statewide.

Drilling Contractor Carroll Drilling Co.

We intend to complete this well in the Mesaverde formation at an approximate depth of 5050' feet.

D	C	B	A
E	F	G	H
L	K	J	I
M	N	O	P

RECEIVED
AUG 13 1953
OIL CON. COM.
DIST. 3

CASING PROGRAM

We propose to use the following strings of Casing and to cement them as indicated:

Size of Hole	Size of Casing	Weight per Foot	New or Second Hand	Depth	Sacks Cement
13-3/4	9-5/8	32.3	New	175'	125
8-3/4	7"	23#, 20#	New	5050'	300

If changes in the above plans become advisable we will notify you immediately.

ADDITIONAL INFORMATION (If recompletion give full details of proposed plan of work.)
The Mesaverde will be drilled with gas circulation and shot with two quarts of S.N.G. per ft.

The E½ of Section 3 is dedicated to this well.

(OVER)

Approved 8-25, 1953
Except as follows:

OIL CONSERVATION COMMISSION

By .....

Title .....

Sincerely yours,
EL PASO NATURAL GAS COMPANY
(Company or Operator)

By Jewel D. Walsh

Position Petroleum Engineer.

Send Communications regarding well to

Name R. J. Coal

Address Box 777 Farmington, New Mexico

I 179 E 3 I 7

Communitization will be filed with the following lease holders as soon as possible:

SW¼, SE¼, W½, NE¼, Section 8 - T-31S-R-10W. Brookhaven Oil Company
First National Bank Bldg.
Albuquerque, New Mexico

SW¼,NW¼ Section 8 T-31S R-10W Denver Lodge Oil Corporation
Mercantile Commerce Bldg. Dallas, Texas

E½,NW¼,W½,SW¼,SE¼ ection 8 T-31S- R-10W Denver Lodge Oil Corporation

1 ac in W½, NW¼, Section 8 T-31S R-10W Denver Lodge Oil Corporation

Portion of right-of-way of Denver & Rio Grande Western Railroad Co. in extreme
North westerly corner of W½,SW¼,NW¼ Section 8 T-31S R-10W-Denver Lodge Oil Corporation.

W½,NW¼,NE¼ Section 8 T-31S R-10W Delhi Oil Corporation, Covington Tower, Dallas, Texas.

NE¼,NE¼ Section 8 T-31S R-10W Emil A. Unger, 613 Oil Capitol Building, Salem, Oklahoma.
Martel Unger c/o C. H. Bonnewell, Mahoney Building, Salem, Oklahoma.
H.H. Gibbs c/o Gibbs Jewelry Co., 1606 Main St. Dallas, Texas.
Harvie and Flora Himel, 102 W. Commerce St. Salem, Oklahoma.
Ann Hirsh, 101 N. Commerce St. Salem, Oklahoma.

OIL CONSERVATION COMMISSION
AZTEC DISTRICT OFFICE
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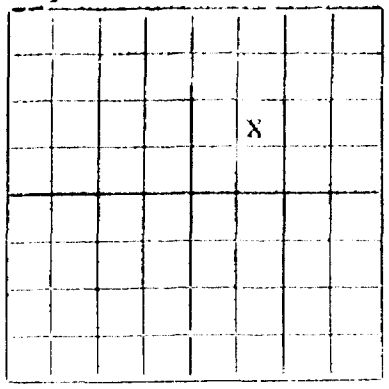
	1	
Transporter		
File	1	

31

T-31S R-10W



AREA 640 ACRES
LOCATE WELL CORRECTLY

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

WELL RECORD

Mail to District Office, Oil Conservation Commission, to which Form C-101 was sent not later than twenty days after completion of well. Follow instructions in Rules and Regulations of the Commission. Submit in QUINTUPLICATE.

El Paso Natural Gas Company (Company or Operator) Marcote Pool Unit (Lease)

Well No. 1, in ¼ of NE ¼, of Sec. 8, T. 31N, R. 10W, NMPM.

Blanco Pool, San Juan County.

Well is 1650 feet from North line and 1650 feet from East line of Section 8. If State Land the Oil and Gas Lease No. is Fee

Drilling Commenced August 30, 19 53 Drilling was Completed October 11, 19 53

Name of Drilling Contractor C. M. Carroll; Conley Cox

Address

Elevation above sea level at Top of Tubing Head 5847 Ground The information given is to be kept confidential until ....., 19.....

OIL SANDS OR ZONES

No. 1, from 2441 to 2505 (G) No. 4, from 4835 to 5055 (G)

No. 2, from 4325 to 4483 (G) No. 5, from ..... to .....

No. 3, from 4483 to 4835 (G) No. 6, from ..... to .....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from ..... to ..... feet. .....

No. 2, from ..... to ..... feet. .....

No. 3, from ..... to ..... feet. .....

No. 4, from ..... to ..... feet. .....

CASING RECORD

SIZE	WEIGHT PER FOOT	NEW OR USED	AMOUNT	KIND OF SHOE	CUT AND PULLED FROM	PERFORATIONS	PURPOSE
9-5/8	36	New	164	HOWCO			Surface
7	23	New	2057	Baker			Prod. Casing
7	20	New	2241	Baker			Prod. Casing
2	4.7	New	5024				Prod. Tubing

MUDDING AND CEMENTING RECORD

SIZE OF HOLE	SIZE OF CASING	WHERE SET	NO. SACKS OF CEMENT	METHOD USED	MUD GRAVITY	AMOUNT OF MUD USED
13-3/4	9-5/8	175	150	Circulated		
8-3/4	7	4308	500	Single Stage		

RECORD OF PRODUCTION AND STIMULATION

(Record the Process used, No. of Qts. or Gals. used, interval treated or shot.)

Shot well with 1755 quarts S_o, N_a C_o from 4375 to 5055

Natural gauge 560 MCF/D

Result of Production Stimulation 40,400 MCF/D

Depth Cleaned Out 5055

1139

37

TOOLS USED Gas Drilling

Rotary tools were used from 161 feet to 4308 feet, and from 08 feet to 5055 feet

Cable tools were used from 0 feet to 161 feet, and from ..... feet to ..... feet.

PRODUCTION

Completed ~~For to Producing~~ October 13, 1953

OIL WELL: The production during the first 24 hours was ..... barrels of liquid of which ..... % was was oil; ..... % was emulsion; ..... % water; and ..... % was sediment. A.P.I. Gravity .....

GAS WELL: The production during the first 24 hours was 10,900 M.C.F. plus ..... barrels of liquid Hydrocarbon. Shut in Pressure 1102 lbs.

Length of Time Shut in 22 Days

PLEASE INDICATE BELOW FORMATION TOPS (IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE):

Southeastern New Mexico		Northwestern New Mexico	
T. Anhy	T. Devonian	T. Ojo Alamo	1566
T. Salt	T. Silurian	T. Kirtland-~~Fruitland~~	1681
B. Salt	T. Montoya	T. Farmington	
T. Yates	T. Simpson	T. Pictured Cliffs	2441
T. 7 Rivers	T. McKee	T. Menefee	4483
T. Queen	T. Ellenburger	T. Point Lookout	4835
T. Grayburg	T. Gr. Wash	T. Mancos	
T. San Andres	T. Granite	T. Dakota	
T. Glorieta	T.	T. Morrison	
T. Drinkard	T.	T. Penn	
T. Tubbs	T.	T. Lewis	2505
T. Abo	T.	T. Cliff House	4325
T. Penn	T.	T.	
T. Miss	T.	T.	

FORMATION RECORD

From	To	Thickness in Feet	Formation
0	435	435	Tan cr-grn ss w/thin sh breaks.
435	1080	645	Variegated sh w/thin ss breaks.
1080	1566	486	Tan to gry cr-grn ss interbedded w/gry sh
1566	1681	115	Ojo Alamo ss. White cr-grn s.
1681	2195	514	Kirtland formation. Gry sh interbedded w/tight gry fine-grn ss.
2195	2441	246	Fruitland formation. Gry carb sh, scattered coals coals and gry, tight, fine-grn ss.
2441	2505	64	Pictured Cliffs formation. Gry, fine-grn, tight, varicolored soft ss.
2505	4325	1820	Lewis formation. Gry to white dense sh w/silty to shaly ss breaks.
4325	4483	153	Cliff House ss. Gry, fine-grn, dense sil ss. Menefee formation. Gry, fine-grn ss, carb sh and coal.
4483	4835	352	Point Lookout formation. Gry very fine sil ss w/frequent sh breaks.
4835	5055	220	~~Mancos formation. Gry carb sh~~

OIL CONSERVATION COMMISSION
AZTEC DISTRICT OFFICE
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	No.	
Operator	2	1
Santa Fe	1	
Proration Office		
State Land Office		
U. S. G. S.	2	
Transporter		
	1	

ATTACH SEPARATE SHEET IF ADDITIONAL SPACE IS NEEDED

I hereby swear or affirm that the information given herewith is a complete and correct record of the well and all work done on it so far as can be determined from available records.

November 13, 1953 (Date)

Company or Operator El Paso Natural Gas Company Address Box 997, Farmington, New Mexico

Name Harold L. Kendrick Position or Title Petroleum Engineer

1139

679

Form 9-331a
(Feb. 1951)

Budget Bureau 42-R358.2.
Approval expires 12-31-52.

(SUBMIT IN TRIPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Land Office Santa Fe
Lease No. 078097
Unit Rincon

RECEIVED
MAR 5 1953
U. S. GEOLOGICAL SURVEY
FARMINGTON, N. M.

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL	X	SUBSEQUENT REPORT OF WATER SHUT-OFF	
NOTICE OF INTENTION TO CHANGE PLANS		SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING	
NOTICE OF INTENTION TO TEST WATER SHUT-OFF		SUBSEQUENT REPORT OF ALTERING CASING	
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL		SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR	
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		SUBSEQUENT REPORT OF ABANDONMENT	
NOTICE OF INTENTION TO PULL OR ALTER CASING		SUPPLEMENTARY WELL HISTORY	
NOTICE OF INTENTION TO ABANDON WELL			

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

March 4, 1953

Well No. 3 is located 990 ft. from (N) line and 990 ft. from (W) line of sec. 32

SW Sec. 32 (¼ Sec. and Sec. No.) 31N (Twp.) 12W (Range) N.M.P.M. (Meridian)

Rincon (Field) San Juan (County or Subdivision) New Mexico (State or Territory)

The elevation of the derrick floor above sea level is 5807 ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

It is intended to drill a well with rotary tools through the Mesa Verde, drilling the pay with gas circulation, and to shoot the entire Mesa Verde with two quarts of S. N. G. per foot. Total Depth 4000'.

Casing Program:

7 5/8" @ 160' with 125 sacks of regular cement circulated to surface.
4½" @ 3874' with 300 sacks of regular cement.

The S½ of Section 32 is dedicated to this well.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company EL PASO NATURAL GAS COMPANY

Address BOX 997

FARMINGTON, NEW MEXICO

By E. J. Kosel

Title PETROLEUM ENGINEER

U. S. GOVERNMENT PRINTING OFFICE 16—51637-4

IL 1391

El Paso Natural Ex R 1(4(11)

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
P. O. Box 965
Farmington, New Mexico

March 9, 1953

El Paso Natural Gas Company
P. O. Box 997
Farmington, New Mexico

Re: Santa Fe 078097

Gentlemen:

Receipt is acknowledged of your "Notice of Intention to Drill" dated March 4, 1953, covering your well No. 3 Heaton on the subject lease, in the SW¼ SW¼ sec. 32, T. 31 N., R. 11 W., N. M. P. M., San Juan County, New Mexico, Blanco Pool.

Your proposed work is hereby approved subject to compliance with the provisions of the "Oil and Gas Operating Regulations" revised May 25, 1942, a copy of which will be sent to you on request, and subject to the following conditions:

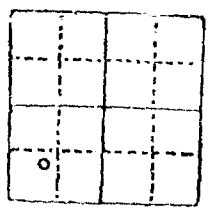
1. Drilling operations so authorized are subject to the attached sheet for general conditions of approval.
2. Furnish copies of all logs.
3. Approved subject to the communitization of the S½ sec. 32 to form a unit of 320 acres more or less.

Very truly yours,

P. T. McGrath

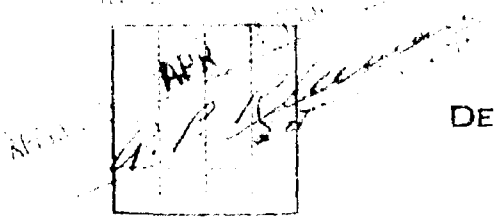
P. T. McGrath,
District Engineer

PTMcGrath:jhb



3-1-9-11

Form 9-331a
(Feb. 1951)



(SUBMIT IN TRIPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Ex. R 12 (7th)

Land Office
Lease No.
Unit

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL		X	SUBSEQUENT REPORT OF WATER SHUT OFF
NOTICE OF INTENTION TO CHANGE PLANS			SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING
NOTICE OF INTENTION TO TEST WATER SHUT-OFF			SUBSEQUENT REPORT OF ALTERING CASING
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL			SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR
NOTICE OF INTENTION TO SHOOT OR ACIDIZE			SUBSEQUENT REPORT OF ABANDONMENT
NOTICE OF INTENTION TO PULL OR ALTER CASING			SUPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL			

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

April 3, 1953

Well No. 3 is located 990 ft. from [N/S] line and 990 ft. from [E/W] line of sec. 32

SW Section 32 (¼ Sec. and ¼ Sec. No.) | 31 N (Twp.) | 11W (Range) | N. M. P. M. (Meridian)

Blanco (Field) | San Juan (County or Subdivision) | New Mexico (State or Territory)

The elevation of the derrick floor above sea level is 5807 ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

It is intended to change plans on this well as follows:

The W ½ of Section 32 is dedicated to this well. Instead of the S ½.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company EL PASO NATURAL GAS COMPANY

Address BOX 997 Farmington, New Mexico

By [signature]

Title Petroleum Engineer.

U. S. GOVERNMENT PRINTING OFFICE 16—84871-4

71693

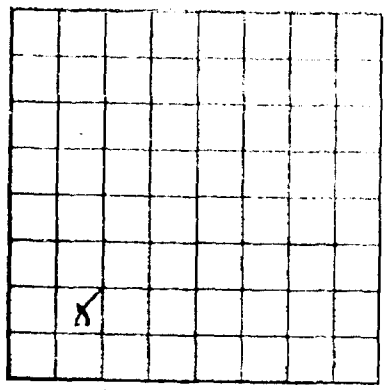
13

Ex R.R.(111)

Form 9-330

U.S. Land Office
Serial Number
Lease or Permit to Prospect

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY



LOCATE WELL CORRECTLY

LOG OF OIL OR GAS WELL

Company El Paso Natural Gas Company Address Box 997 Farmington, New Mexico

Lessor or Tract Beaton Field Blanco State New Mexico

Well No. 3 Sec. 32 T. 31N R. 11W Meridian N.M.P.M. County San Juan

Location 990 ft. (N.) of S Line and 990 ft. (E.) of W Line of Section 32 Elevation 5807

The information given herewith is a complete and correct record of the well and all work done thereon so far as can be determined from all available records.

Signed Original Signed School Schulemann

Date May 11, 1953 Title Petroleum Engineer.

The summary on this page is for the condition of the well at above date.

Commenced drilling March 27, 1953 Finished drilling April 25, 1953

OIL OR GAS SANDS OR ZONES

(Denote gas by G)

No. 1, from 2260 to 2302 (G) No. 4, from 4575 to 4692 (G)

No. 2, from 3688 to 4053 (G) No. 5, from ... to ...

No. 3, from 4053 to 4575 (G) No. 6, from ... to ...

IMPORTANT WATER SANDS

No. 1, from ... to ... No. 3, from ... to ...

No. 2, from ... to ... No. 4, from ... to ...

CASING RECORD

Size casing	Weight per foot	Threads per inch	Make	Amount	Kind of shoe	Cut and pulled from	Perforated From—	Perforated To—	Purpose
9 5/8"	25.4	8 R.	ABMCO	160'	ABMCO				Surface
7"	23	8 RD	Spang	4158'	BAKER				Prod. Csg.
2"	4.7	8 RD	Youngst.	4782					Prod. Tbg.

MUDDING AND CEMENTING RECORD

Size casing	Where set	Number sacks of cement	Method used	Mud gravity	Amount of mud used
9 5/8"	178'	150	Circulated		
7"	4150'	300	Sing. Stage		

MARK

4717

3

67

FOLD

PLUGS AND ADAPTERS

Heaving plug—Material ..... Length ..... Depth set .....

Adapters—Material ..... Size .....

SHOOTING RECORD

Size	Shell used	Explosive used	Quantity	Date	Depth shot	Depth cleaned out
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOOLS USED

Rotary tools were used from 0 feet to [illegible] feet, and from [illegible] feet to [illegible] feet

Cable tools were used from ..... feet to ..... feet, and from ..... feet to ..... feet

DATES

April 28, 19 53 Put to producing ....., 19....

The production for the first 24 hours was ..... barrels of fluid of which ..... % was oil; ..... % emulsion; ..... % water; and ..... % sediment. Gravity, °Bé. .....

If gas well, cu. ft. per 24 hours 1,625,000 Gallons gasoline per 1,000 cu. ft. of gas .....

Rock pressure, lbs. per sq. in. 960

EMPLOYEES

....., Driller ....., Driller

....., Driller ....., Driller

FORMATION RECORD

FROM	TO	TOTAL FEET	FORMATION
0	405	405	Tan cr-grn ss w/thin sh breaks.
405	690	285	Variegated sh w/thin ss breaks.
690	1150	460	Tan to gry cr-grn ss interbedded w/gry sh.
1150	1240	90	Ojo Alamo ss. Wh cr-grn s. Top Ojo Alamo 1150.
1240	1575	335	Kirtland formation. Gry sh interbedded w/tight gry fine-grn ss. Top Kirtland 1240.
1575	2260	685	Fruitland formation. Gry carb sh, scattered coal and gry, tight, fine-grn ss. Top Fruitland 1575.
2260	2302	42	Pictured Cliffs formation. Gry, fine-grn, tight, varicolored soft ss. Top Pictured Cliffs 2260.
2302	3822	1520	Lewis formation. Gry to sh dense sh w/silty to shaly ss breaks. Top Lewis 2302.
3822	4053	231	Cliff House ss. Gry, fine-grn, dense sil ss. Top of Cliff House 3822.
4053	4575	522	Menefee formation. Gry, fine-grn ss, carb sh and coal. Top Menefee 4053.
4575	4692	117	Point Lookout formation. Gry, very fine sil ss w/frac, wht to brown. Top Point Lookout 4575.
4692	5045	353	Mancos formation. Dk gry carb sh. Top Mancos 4692.

FOLD

ILL 3 1 9

E x R.19 (713)

Form 9-331a
(Feb. 1951)

Budget Bureau 42-R358.3.
Approval expires 12-31-55.

(SUBMIT IN TRIPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Land Office New Mexico
Lease No. 0607
Unit Koah

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL	X	SUBSEQUENT REPORT OF WATER SHUT-OFF	
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NOTICE OF INTENTION TO TEST WATER SHUT-OFF		SUBSEQUENT REPORT OF ALTERING CASING	
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL		SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR	
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		SUBSEQUENT REPORT OF ABANDONMENT	
NOTICE OF INTENTION TO PULL OR ALTER CASING		SUPPLEMENTARY WELL HISTORY	
NOTICE OF INTENTION TO ABANDON WELL			

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

August 6, 1953

Well No. 1 is located 1800 ft. from {N/S} line and 890 ft. from {E/W} line of sec. 3

NE Section 3 (¼ Sec. and Sec. No.) 30 N (Twp.) 10 W (Range) N.M.P.M. (Meridian)

Blanco (Field) San Juan (County or Subdivision) New Mexico (State or Territory)

The elevation of the derrick floor above sea level is 6367 ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

It is intended to drill a well with rotary tools through the Mesaverde, drilling the pay with gas circulation, and to shoot the entire Mesaverde with two quarts of S.N.G. per foot. Total depth 5410'.

Casing Program:

9-5/8" at 160' with 125 sacks of regular cement circulated to surface.
7" at 4640' with 500 sacks of regular cement.

The E½ of Section 3 is dedicated to this well.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company Delhi Oil Corporation

Address Corrigan Tower

Dallas, Texas

By J. B. Howell
J. B. Howell
Title Superintendent

U. S. GOVERNMENT PRINTING OFFICE 16—8437-5

713

Ex R 20 (1-17)

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

P. O. Box 965
Farmington, New Mexico

August 14, 1953

Delhi Oil Corporation
Corrigan Tower
Dallas, Texas

Re: New Mexico 0607

Gentlemen:

Receipt is acknowledged of your "Notice of Intention to Drill" dated August 6, 1953, covering your well No. 1 Koch on the subject lease, in the NE¼ sec. 3, T. 30 N., R. 10 W., N. M. P. M., San Juan County, New Mexico, Blanco pool.

Your proposed work is hereby approved subject to compliance with the provisions of the "Oil and Gas Operating Regulations" revised May 25, 1942, a copy of which will be sent to you on request, and subject to the following conditions:

1. Drilling operations so authorized are subject to the attached sheet for general conditions of approval.

2. Furnish copies of all logs.

3. Subject to communitization of the E½ sec. 3 to form a drilling unit of 320 acres more or less.

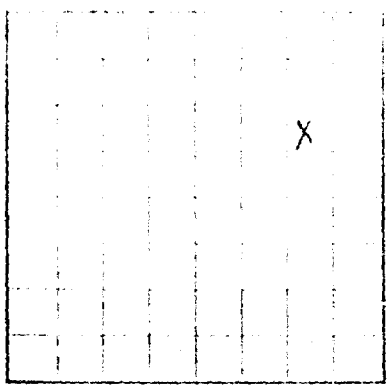
Very truly yours,

A. P. Kleeman
Acting District Engineer

APKleeman:ac

T 30 N
R 10 W
37

FSR 21(14)



LOCATE WELL CORRECTLY

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

LOG OF OIL OR GAS WELL

Company [illegible] Address [illegible]

Lessor or Tract [illegible] Field [illegible] State [illegible]

Well No. [illegible] Sec. [illegible] T. [illegible] R. [illegible] Meridian [illegible] County [illegible]

Location [illegible] ft. [illegible] of [illegible] Line and [illegible] ft. [illegible] of [illegible] Line of [illegible] Elevation [illegible]

The information given herewith is a complete and correct record of the well and all work done thereon so far as can be determined from all available records.

Signed ORIGINAL SIGNED E. J. COEL

Date November 25, 1922 Title [illegible]

The summary on this page is for the condition of the well at above date.

Commenced drilling August [illegible], 19[illegible] Finished drilling November [illegible], 19[illegible]

OIL OR GAS SANDS OR ZONES

(Denote gas by G)

No. 1, from 3070 to 3220 (G) No. 4, from [illegible] to [illegible]

No. 2, from 4600 to 4825 (G) No. 5, from [illegible] to [illegible]

No. 3, from 4825 to 5210 (G) No. 6, from [illegible] to [illegible]

IMPORTANT WATER SANDS

No. 1, from [illegible] to [illegible] No. 3, from [illegible] to [illegible]

No. 2, from [illegible] to [illegible] No. 4, from [illegible] to [illegible]

CASING RECORD

Size casing	Weight per foot	Threads per inch	Make	Amount	Kind of shoe	Cut and pulled from	Perforated From	Perforated To	Purpose
9-5/8	36	8 rd	Spang	115	Lowco				Surface
7	23	8 rd	Spang	2071	Baker				Water Sh.
7	20	8 rd	Spang	3816	Baker				Prod. Sh.
2	4.7	8 rd	Youngst	5210	[illegible] OIL OR GAS [illegible]				Prod. Sh.

MUDDING AND CEMENTING RECORD

Size casing	Where set	Number sacks of cement	Method used	Mud gravity	Amount of mud used
9-5/8	155	125	Circulated		
7	1630	500	Sing. Stage		

MARK

379

1631

FOLD

PLUGS AND ADAPTERS

Heaving plug—Material ..... Length ..... Depth set .....

Adapters—Material ..... Size .....

SHOOTING RECORD

Size	Shell used	Explosive used	Quantity	Date	Depth shot	Depth cleaned out
Quart	Regular	S.S.G.	207#	11-6-53	4690-5452	5452

TOOLS USED

Rotary tools were used from 185 feet to 4690 feet, and from 4690 feet to Gas Drilling feet

Cable tools were used from 0 feet to 185 feet, and from ..... feet to ..... feet

DATES

November 9, 19 53 — Put to producing ....., 19.....

The production for the first 24 hours was ..... barrels of fluid of which .....% was oil; .....% emulsion; .....% water; and .....% sediment.

If gas well, cu. ft. per 24 hours 5,550,000 — Gravity, °Bé. .....

Rock pressure, lbs. per sq. in. 1088 — Gallons gasoline per 1,000 cu. ft. of gas .....

EMPLOYEES

....., Driller — ....., Driller

....., Driller — ....., Driller

FORMATION RECORD

FROM -	TO -	TOTAL FEET	FORMATION
0	560	560	Tan cr-grn ss w/thin sh breaks.
560	1190	630	Variegated sh w/thin ss breaks.
1190	1720	522	Tan to gry cr-grn ss interbedded w/gry sh.
1720	1822	102	Ojo Alamo ss. White cr-grn s.
1822	2725	903	Kirtland formation. Gry sh interbedded w/tight gry fine-grn ss.
2725	3070	345	Fruitland formation. Gry carb sh, scattered coals coals and gry, tight, fine-grn ss.
3070	3120	50	Pictured Cliffs formation. Gry, fine-grn, tight, varicolored soft ss.
3120	4660	1540	Lewis formation. Gry to white dense sh w/silty to shaly ss breaks.
4660	4895	235	Cliff House ss. Gry, fine-grn, dense sil ss.
4895	5212	317	Menefee formation. Gry fine-grn ss, carb sh and coal.
5212	5452	240	Point Lookout formation. Gry, very fine sil ss w/frac sh breaks.
			~~Mancos formation. Gry carb sh~~

Tops

Ojo Alamo	1720	Cliff House	4660
Fruitland	1822	Menefee	4895
Kirtland	2725	Pt. Lookout	5212
Pict. Cliffs	3070		
Lewis	3120		

3-1-93

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. C-2
CASE 706

-A F F I D A V I T-

STATE OF NEW MEXICO

County of San Juan

BEFORE ME, the undersigned authority, on this day personally appeared Conley Cox, a resident of San Juan County, New Mexico, known to me to be a credible person, who being by me duly sworn, on his oath deposes and says:

I am the Supervisor of the Conley Cox cable tool drilling rigs operating in the San Juan Basin. One of our cable tool drilling rigs was employed by the El Paso Natural Gas Company to drill its Yager Pool Unit #2 located in the NE/4 NW/4 of Section 6, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico. Under my personal direction a cable tool drilling rig was moved on the above location and began drilling prior to midnight of August 31, 1953.

Conley Cox

SWORN TO AND SUBSCRIBED before me on this 26th day of MAY, A.D., 1954.

L. V. Golding
Notary Public in and for San Juan County, State of New Mexico

My commission expires:
My Commission Expires Mar. 2, 1957

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. ____
CASE ____

A F F I D A V I T

STATE OF NEW MEXICO

COUNTY OF SAN JUAN

BEFORE ME, the undersigned authority, on this day personally appeared Conley Cox, a resident of San Juan County, New Mexico, known to me to be a credible person, who being by me duly sworn, on his oath deposes and says:

I am the Supervisor of the Conley Cox tool drilling rigs operated in the San Juan Basin. One of our cable tool drilling rigs was employed by the El Paso Natural Gas Company to drill its Marcotte Pool Unit #1 well located in the SW/4 NE/4 of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico. Under my personal direction a cable tool drilling rig was moved on the above location on August 29, 1953, and drilling was commenced on August 30, 1953. Drilling was continued until the surface hole had been completed.

Conley Cox

SWORN TO AND SUBSCRIBED before me on this 31st day of JAN. A. D. 1955.

Notary Public in and for San Juan County, State of New Mexico

My commission expires:

BEFORE THE OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CASE

A F F I D A V I T

STATE OF NEW MEXICO

County of San Juan

BEFORE ME, the undersigned authority, on this day personally appeared Conley Cox, a resident of San Juan County, New Mexico, known to me to be a credible person, who being by me duly sworn, on his oath deposes and says:

I am the Supervisor of the Conley Cox cable tool drilling rigs operated in the San Juan Basin. One of our cable tool drilling rigs was employed by the El Paso Natural Gas Company to drill its Koch Pool Unit #1 located in the SE/4 NE/4 of Section 3, Township 30 North, Range 10 West, N.M.P.M., San Juan County, New Mexico. Under my personal direction a cable tool drilling rig was moved on the above location on August 29, 1953, and commenced drilling on August 30, 1953. Drilling was continued until surface casing had been set.

Conley Cox

SWORN TO AND SUBSCRIBED before me on this 26th day of _____, A. D., 1954.

Notary Public in and for San Juan County, State of New Mexico

CAMPBELL & RUSSELL
LAWYERS
J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

JACK M. CAMPBELL
JOHN F. RUSSELL

TELEPHONES
4975 - 4287

April 4, 1955

W. B. Macey,
Secretary-Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Bill:

I am enclosing herewith for filing in Cases 706 through 712, Yager exhibits R-1, R-2 and R-3, which were furnished to us by El Paso Natural Gas Company.

With kindest regards, I am

Very truly yours,

Jack M. Campbell

Jack M. Campbell

JMC:le
Enc. 3

Hager Exhibit R-1 (700)

El Paso Natural Gas Company
DAILY DRILLING REPORT

LEASE NAME: Conley Cox
DATE: 8-31-53
COMPANY: EL PASO
WELL NO.: 2
DIG NO.:
DISTRICT:
COUNTY: San Juan
STATE: New Mexico
I. P. SERIAL NO.:
FILE:

FROM	TO	FORMATION	ROTARY SPEED	WEIGHT ON BIT	PUMP PRES		NAME	HRS.
[redacted]						DM		
						EM		
						H		
SLOPE TEST		ACCIDENT:— (GIVE NAME)				H	James Chapman	12
@	FT.							
	DEG. OFF					DRLR	W. G. Lewis	12

BIT AND COREHEAD RECORD			MUD RECORD		TIME RECORD		DRILL STEM RECORD	
RUN NO.			WEIGHT		DRILLING		SIZE D. P.	
SIZE			VISC.		CORING		SIZE COLL.	
MAKE			WTR. LOSS-C.C.		OTHER		JTS. D. P.	FT.
SERIAL NO.			FILTER CAKE		REPAIRS		KELLY DOWN	FT.
DEPTH IN			PH		TRIP		COLLARS	FT.
HOURS RUN			MTL. ADDED (REMARKS)				TOTAL	FT.

REMARKS: [redacted] Drilling in Rig up

FROM	TO	FORMATION	ROTARY SPEED	WEIGHT ON BIT	PUMP PRES		NAME	HRS.
22,75	2294					DM		
						EM		
						H	VERNON RHEA	12
SLOPE TEST		ACCIDENT:— (GIVE NAME)				H		
@	FT.							
	DEG. OFF					DRLR	FRANK MELTON	12

BIT AND COREHEAD RECORD			MUD RECORD		TIME RECORD		DRILL STEM RECORD	
RUN NO.			WEIGHT		DRILLING		SIZE D. P.	
SIZE			VISC.		CORING		SIZE COLL.	
MAKE			WTR. LOSS C.C.		OTHER		JTS. D. P.	FT.
SERIAL NO.			FILTER CAKE		REPAIRS		KELLY DOWN	FT.
DEPTH IN			PH		TRIP		COLLARS	FT.
HOURS RUN			MTL. ADDED (REMARKS)				TOTAL	FT.

REMARKS: Drilling in Rig up
Cmtd 4½" liner w/ 225 sx

FROM	TO	FORMATION	ROTARY SPEED	WEIGHT ON BIT	PUMP PRES		NAME	HRS.
						DM		
						EM		
						H		
SLOPE TEST		ACCIDENT: (GIVE NAME)				H		
@	FT.							
	DEG. OFF					DRLR		

BIT AND COREHEAD RECORD			MUD RECORD		TIME RECORD		DRILL STEM RECORD	
RUN NO.			WEIGHT		DRILLING		SIZE D. P.	
SIZE			VISC.		CORING		SIZE COLL.	
MAKE			WTR. LOSS C.C.		OTHER		JTS. D. P.	FT.
SERIAL NO.			FILTER CAKE		REPAIRS		KELLY DOWN	FT.
DEPTH IN			PH		TRIP		COLLARS	FT.
HOURS RUN			MTL. ADDED (REMARKS)				TOTAL	FT.

Yager Exhibit R.2 (712)

El Paso Natural Gas Company

DAILY DRILLING LOG

CONTRACTOR Cooley Corp.

STATION Foothills Unit #1

DATE 8-30-53

WELL NO. 1

Report under remarks all defects in machinery, coring, along test and injuries.

Tour	From	To	Formation	Name	Occupation	Hours
1				Jimmy Russell	Driller	12
					Derrickman	
					Fireman	
				Bob Martin	Helper	12
					"	
					"	
					"	

Struck Water At Ft.

Water Sample Taken At Ft.

Formation Sample Taken At Ft.

Remarks: Rigging up

Tour	From	To	Formation	Name	Occupation	Hours
2	0	20	top soil	G. Ted Powell	Driller	12
					Derrickman	
					Fireman	
				William Reynolds	Helper	12
					"	
					"	

Struck Water At Ft.

Water Sample Taken At Ft.

Formation Sample Taken At Ft.

Remarks: SQUD

Tour	From	To	Formation	Name	Occupation	Hours
3					Driller	
					Derrickman	
					Fireman	
					Helper	
					"	
					"	

Struck Water At Ft.

Water Sample Taken At Ft.

Formation Sample Taken At. Ft.

Remarks:

Approved Cooley Corp Field Supt.

Yager Exhibit R-3 (7/12)

El Paso Natural Gas Company

DAILY DRILLING LOG

CONTRACTOR Cooley Corp DATE 8-31-63

STATION Ford Pool Unit #1 WELL NO. 1

Report under remarks all defects in machinery, caving, sloughing, test and injuries.

Tour	From	To	Formation	Name	Occupation	Hours
1	20	96	sandstone	Jim Ethington	Driller	12
					Derrickman	
					Fireman	
Struck Water At Ft.				Tell Ethington	Helper	12
Water Sample Taken At Ft.					"	
Formation Sample Taken At Ft.					"	
					"	

Remarks:

Tour	From	To	Formation	Name	Occupation	Hours
2	96	120	sandstone	R.T. Chadwick	Driller	12
					Derrickman	
					Fireman	
				Marshall Chadwick	Helper	12
Struck Water At Ft.					"	
Water Sample Taken At Ft.					"	
Formation Sample Taken At Ft.					"	

Remarks:

Tour	From	To	Formation	Name	Occupation	Hours
3					Driller	
					Derrickman	
					Fireman	
Struck Water At Ft.					Helper	
Water Sample Taken At Ft.					"	
Formation Sample Taken At. Ft.					"	
					"	

Remarks:

Approved [signature] Field Supt.

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

February 17, 1954

IN THE MATTER OF:

CASE NO. 706-712, Incl.

TRANSCRIPT OF PROCEEDINGS

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

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 17, 1955

IN THE MATTER OF:

Notice is hereby given by the State of New Mexico through its Oil Conservation Commission, that Saul A. Yager, Mariam Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 706, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-560 as erroneous and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-560-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico. — Case 706 - (Rehearing)

Notice is hereby given by the State of New Mexico through its Oil Conservation Commission, that Saul A. Yager, Mariam Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 707, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of Lots 3 and 4, E/2 SW/4, and SE/4 (these tracts comprising the south half) of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-546 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-546-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico. — Case 707 - (Rehearing)

Notice is hereby given by the State of New Mexico through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 708, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the W/2 of Section — Case 708 (Rehearing)

15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-547 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-547-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

Notice is hereby given by the State of New Mexico through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 709, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-548 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-548-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico. Case 709 (Rehearing)

Notice is hereby given by the State of New Mexico through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 710, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 8, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-549 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-549-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico. Case 710 (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 711, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the W/2 of Section 32, Township 31 North, Range 11 West, Case 711 (Rehearing)

NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-557 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-557-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 712, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-558 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-558-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

Case 712 (Rehearing)

(Continued.)

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

R E G I S T E R

JACK M. CAMPBELL	Saul Yager, et al	Roswell, New Mexico
F. NORMAN WOODRUFF	El Paso Natural Gas Co.	El Paso, Texas
MERLE B. ROGERS	El Paso Natural Gas Co.	Jal, New Mexico

TRANSCRIPT OF HEARING

MR. MACEY: The first cases on the docket for today are Cases 706 through 712, involving a rehearing in those cases. We have a letter from Mr. Jack M. Campbell addressed to Oil Conservation Commission, pertaining to these cases.

" Gentlemen: You are hereby requested to postpone the rehearing set on Cases 706-712 before the Oil Conservation Commission on February 17. It is requested that this matter be continued until the day following the regular statewide hearing in March.

Mr. Saul Yager, who is one of the applicants for rehearing is in New York City and will be there for about three weeks. As you know, I am presently a member of the House of Representatives of the State Legislature and would prefer not to have this rehearing until after the Legislature adjourns in March.

Your favorable consideration of this application for a continuance will be appreciated. Very truly yours, /s/ Jack M. Campbell."

Is there objection to continuance of Cases 706 through 712 to March 17th? We will continue the Cases 706 through 712 to March 17th.

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 22nd day of February, 1955.

Notary Public, Court Reporter

My Commission Expires:
June 19,1955

ADA DEARNLEY & ASSOCIATES
STENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

February 17, 1955

IN THE MATTER OF:

CASE NO. 846 through 852

TRANSCRIPT OF PROCEEDINGS

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

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 17, 1955

IN THE MATTER OF:

The application of El Paso Natural Gas Company for determination and ratification of communitization of Lots 3, 4, 5 and 6, SE/4 NW/4, E/2 SW/4, and SW/4 SW/4 (these lands comprising the W/2) of Section 6, Township 30 North, Range 11 West, San Juan County, New Mexico, containing 328.17 acres.	Case No. 846
The application of El Paso Natural Gas Company for determination and ratification of communitization of Lots 3 and 4, E/2 SW/4, and SE/4 (these lands comprising the S/2) of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 322.90 acres.	Case No. 847
The application of El Paso Natural Gas Company for determination and ratification of communitization of W/2 of Section 15, Township 31 North, Range 11 West, containing 320 acres in San Juan County, New Mexico.	Case No. 848
The application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 320 acres.	Case No. 849
The application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico, containing 320 acres.	Case No. 850
The application of El Paso Natural Gas Company for determination and ratification of communitization of W/2 of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 320 acres.	Case No. 851
The application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico, containing 320 acres.	Case No. 852

BEFORE:
Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

R E G I S T E R

Jack M. Campbell	Saul Yager, et al.	Roswell, New Mexico
F. Norman Woodruff	El Paso Natural Gas Co.	El Paso, Texas.
Merle B. Rogers	El Paso Natural Gas Co.	Jal, New Mexico

TRANSCRIPT OF HEARING

MR. MACEY: The next group of cases, which are not on the docket but are related to Cases 706-712, are Cases 846 through 852. They are similar cases and involve similar matters in Cases 706-712. The Commission feels that prior to any hearing in Cases 846 through 852, the matters in Cases 706 through 712 should be disposed of. Mr. Kitts can probably explain it better than I can. There is a very serious question involved we feel that we should dispose of Cases 706 through 712 before we go into those matters. Therefore, we will continue those cases until March 17th.

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 23rd day of February, 1955.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:
June 19, 1955

ADA DEARNLEY & ASSOCIATES
STENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

February 17, 1955

IN THE MATTER OF:

CASE NO. 846 through 852

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

ROOMS 105, 106, 107 EL CORTEZ BUILDING

TELEPHONE 7-9546

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 17, 1955

IN THE MATTER OF:

The application of El Paso Natural Gas Company for determination and ratification of communitization of Lots 3, 4, 5 and 6, SE/4 NW/4, E/2 SW/4, and SW/4 SW/4 (these lands comprising the W/2) of Section 6, Township 30 North, Range 11 West, San Juan County, New Mexico, containing 328.17 acres.	Case No. 846
The application of El Paso Natural Gas Company for determination and ratification of communitization of Lots 3 and 4, E/2 SW/4, and SE/4 (these lands comprising the S/2) of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 322.90 acres.	Case No. 847
The application of El Paso Natural Gas Company for determination and ratification of communitization of W/2 of Section 15, Township 31 North, Range 11 West, containing 320 acres in San Juan County, New Mexico.	Case No. 848
The application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 320 acres.	Case No. 849
The application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico, containing 320 acres.	Case No. 850
The application of El Paso Natural Gas Company for determination and ratification of communitization of W/2 of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 320 acres.	Case No. 851
The application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico, containing 320 acres.	Case No. 852

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

R E G I S T E R

Jack M. Campbell	Saul Yager, et al.	Roswell, New Mexico
F. Norman Woodruff	El Paso Natural Gas Co.	El Paso, Texas.
Merle B. Rogers	El Paso Natural Gas Co.	Jal, New Mexico

TRANSCRIPT OF HEARING

MR. MACEY: The next group of cases, which are not on the docket but are related to Cases 706-712, are Cases 846 through 852. They are similar cases and involve similar matters in Cases 706-712. The Commission feels that prior to any hearing in Cases 846 through 852, the matters in Cases 706 through 712 should be disposed of. Mr. Kitts can probably explain it better than I can. There is a very serious question involved we feel that we should dispose of Cases 706 through 712 before we go into those matters. Therefore, we will continue those cases until March 17th.

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 23rd day of February, 1955.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:
June 19, 1955

ADA DEARNLEY & ASSOCIATES
STENOTYPE REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

NAME:		
L. A. Johnson	C.C.C.	Ottawa, Kans.
Earl Arnold	Kansas State Agency	
H. L. Arnold	Schuyler	Ft Hood Texas
P. J. Moder	U. S. A.	Leavenworth
Jack M. Campbell	Sid Yager	Roswell
Paul A Yager		
[illegible]	[illegible]	[illegible]

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 W½ OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, N.MP.M, SAN JUAN COUNTY, NEW MEXICO.	))))))	Case No. 706

APPLICATION FOR REHEARING

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

(a) Applicants are the owners of interests in Lot 4, Section 6, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico and are parties affected by Order No. R-560 entered by the Commission on December 17, 1954.

(b) Order No. R-560 is erroneous in the following respects:

1. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.

2. Finding No. 6 is contrary to the testimony and evidence.

3. Finding No. 6 is erroneous in that any approval of an unorthodox location for a Mesaverde well was never properly or legally obtained.

4. Findings No. 7, 8 and 9 are contrary to law.

5. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.

6. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

7. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.

8. The Order deprives Applicants of their property without due process of law.

9. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

10. The order bears no relation to prevention of waste.

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

WHEREFORE, Applicants request a rehearing in Case No. 706 before the Commission.

Respectfully submitted,

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

By Jack M. Campbell
Jack M. Campbell
their attorney

1-4-55

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. 706
Order No. R-560-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF THE N/2 OF SECTION
6, TOWNSHIP 30 NORTH, RANGE 11 WEST,
NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-560 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Member and Secretary

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 1, 1955

Mr. Jack Campbell
J. P. White Building
ROSWELL, NEW MEXICO

Dear Sir:

For your information and that of your clients, Mr. Saul Yager, et al, we attach a copy of the legal notices sent out today in Cases 846 - 852, incl., scheduled to be heard on February 17, 1955 by this Commission.

We note that El Paso Natural Gas Company has sent you a copy of its application in each case involved.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:nr

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

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following public hearings to be held at 9 o'clock a.m. on February 17, 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 cases, and notice to the public.

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

CASE 846:

In the matter of the application of El Paso Natural Gas Company for determination and ratification of communitization of Lots 3, 4, 5 and 6, SE/4 NW/4, E/2 SW/4, and SW/4 SW/4 (these lands comprising the W/2) of Section 6, Township 30 North, Range 11 West, San Juan County, New Mexico, containing 328.17 acres.

CASE 847:

In the matter of the application of El Paso Natural Gas Company for determination and ratification of communitization of Lots 3 and 4, E/2 SW/4, and SE/4 (these lands comprising the S/2) of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 322.90 acres.

CASE 848:

In the matter of the application of El Paso Natural Gas Company for determination and ratification of communitization of S/2 of Section 15, Township 31 North, Range 11 West, containing 320 acres, in San Juan County, New Mexico.

CASE 849:

In the matter of the application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 320 acres.

CASE 850:

In the matter of the application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico, containing 320 acres.

CASE 851:

In the matter of the application of El Paso Natural Gas Company for determination and ratification of communitization of W/2 of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico, containing 320 acres.

CASE 852:

In the matter of the application of El Paso Natural Gas Company for determination and ratification of communitization of E/2 of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico, containing 320 acres.

GIVEN under the seal of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 1st day of February, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

W. B. MACEY
SECRETARY

S E A L

JACK M. CAMPBELL
CHAVES COUNTY
HOME ADDRESS
BOX 721
ROSWELL, NEW MEXICO

COMMITTEES:
VICE-CHAIRMAN:
OIL AND GAS
MEMBER:
ENROLLING AND ENGROSSING--A
JUDICIARY
RULES AND ORDER OF BUSINESS
TAXATION AND REVENUE

State of New Mexico

House of Representatives

TWENTY-SECOND LEGISLATURE

Santa Fe

2 February 1955

Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

You are hereby requested to postpone the rehearing set on Cases 706-712 before the Oil Conservation Commission on February 17. It is requested that this matter be continued until the day following the regular statewide hearing in March.

Mr. Saul Yager, who is one of the applicants for rehearing is in New York City and will be there for about three weeks. As you know, I am presently a member of the House of Representatives of the State Legislature and would prefer not to have this rehearing until after the Legislature adjourns in March.

Your favorable consideration of this application for a continuance will be appreciated.

Very truly yours

Jack M. Campbell

JACK M. CAMPBELL

jmc:s

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

COPY

January 18, 1955

Mr. Jack Campbell, Attorney
J. P. White Building
ROSWELL, NEW MEXICO

Dear Mr. Campbell:

We attach copies of the Commission's orders for rehearing as signed January 14, 1955, in answer to your petition on behalf of your clients, Mr. Saul Yager et al, in Cases 706 - 712, incl.

As we discussed the matter last week with legal representatives of El Paso Natural Gas Company, it seems most advisable to hold these rehearings on a day separate from the regular hearing date, and we have accordingly reserved Mabry Hall for February 17 (the day following the regular hearing) and will this week issue legal advertisements in proper form.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:nr

cc: Mr. Don Howell, Attorney
El Paso Natural Gas Company
Box 1492
EL PASO TEXAS

CAMPBELL & RUSSELL
LAWYERS
J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

JACK M. CAMPBELL
JOHN F. RUSSELL

TELEPHONES
4975 - 4287

Dec. 4, 1955

Mr. W. B. Macey
Director, Oil Conservation Commission of N. M.
Santa Fe, New Mexico

Dear Bill:

Enclosed for filing please find original and two copies of Applications for Rehearing in Cases No. 706, 707, 708, 709, 710, 711 and 712.

With kindest regards, I am

Very truly yours,

Jack M. Campbell

JMC:le

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 E½ OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO	))))))	Case No. 712

APPLICATION FOR REHEARING

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

(a) Applicants are the owners of interests in the NW¼NW¼SE¼ of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico and are parties affected by Order No. R-558 entered by the Commission on December 17, 1954.

(b) Order No. R-558 is erroneous in the following respects:

1. The U. S. Geological Survey is without power or authority to grant permission to create or form a drilling unit under the Laws of the State of New Mexico.

2. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.

3. Findings No. 7, 8 and 9 are contrary to law.

4. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.

5. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

6. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.

7. The order deprives Applicants of their property without due process of law.

8. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

9. The order bears no relation to prevention of waste.

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

WHEREFORE, Applicants request a rehearing in Case No. 712 before the Commission.

Respectfully submitted,

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

1-4-55

By Jack M. Campbell
Jack M. Campbell
their attorney

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

Case No. 612
Order No. R-558-A

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE E/2 OF SECTION 5, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Paul A. Yager, Marian Yager, M. E. Olmp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-558 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. Walker, Member

A. L. Porter, Jr., Member & Secretary

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W½ OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO	))))))	Case No. 711

APPLICATION FOR REHEARING

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

(a) Applicants are the owners of interests in the N½SW¼, SE¼SW¼ and SW¼SE¼ of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico and are parties affected by Order No. R-557 entered by the Commission on December 17, 1954.

(b) Order No. R-557 is erroneous in the following respects:

1. The U. S. Geological Survey is without power or authority to grant permission to create or form a drilling unit under the Laws of the State of New Mexico.

2. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.

3. Findings No. 7, 8 and 9 are contrary to law.

4. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.

5. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

6. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.

7. The order deprives Applicants of their property without due process of law.

8. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

9. The order bears no relation to prevention of waste.

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

WHEREFORE, Applicants request a rehearing in Case No. 711 before the Commission.

Respectfully submitted,

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

1-4-55

By Jack M. Campbell
Jack M. Campbell
their attorney

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 711
Order No. R-557-A

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-557 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Member and Secretary

sr

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 E½ OF SECTION 8, TOWNSHIP 31 NORTH, RANGE 10 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO	))))))	Case No. 710

APPLICATION FOR REHEARING

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

(a) Applicants are the owners of interests in the SE¼SE¼ of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico and are parties affected by Order No. R-549 entered by the Commission on December 17, 1954.

(b) Order No. R-549 is erroneous in the following respects:

1. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.

2. Findings No. 7, 8 and 9 are contrary to law.

3. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.

4. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.

6. The order deprives Applicants of their property without due process of law.

7. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

8. The order bears no relation to prevention of waste.

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

WHEREFORE, Applicants request a rehearing in Case No. 710 before the Commission.

Respectfully submitted,

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

1-4-55

By Jack M. Campbell
Jack M. Campbell
their attorney

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 710
Order No. R-549-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF THE E/2 OF SECTION
8, TOWNSHIP 31 NORTH, RANGE 10 WEST,
NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-549 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

[illegible], Chairman

[illegible], Member

[illegible], Member and Secretary

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

Case No. 709
Order No. R-548-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF E/2 OF SECTION 27,
TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION ON REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gingo, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-548 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Member and Secretary

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E½ OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO	)	Case No. 709

APPLICATION FOR REHEARING

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

(a) Applicants are the owners of interests in the S½NW¼, NW¼SE¼, NE¼SW¼ of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico and are parties affected by Order No. R-548 entered by the Commission on December 17, 1954.

(b) Order No. R-548 is erroneous in the following respects:

1. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.

2. Findings No. 7, 8 and 9 are contrary to law.

3. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.

4. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.

6. The order deprives Applicants of their property without due process of law.

7. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

8. The order bears no relation to prevention of waste.

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

WHEREFORE, Applicants request a rehearing in Case No. 709 before the Commission.

Respectfully submitted,

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

By Jack M. Campbell
Jack M. Campbell
their attorney

1-4-55

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 LOTS 3 AND 4, E½ SW¼, SE¼ (S½) OF SECTION 31, TOWNSHIP 31 NORTH, RANGE 11 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO	))))))	Case No. 707

APPLICATION FOR REHEARING

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

(a) Applicants are the owners of Lot 4, Section 31, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico and are parties affected by Order No. R-546 entered by the Commission on December 17, 1954.

(b) Order No. R-546 is erroneous in the following respects:

1. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.

2. Findings No. 7, 8 and 9 are contrary to law.

3. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.

4. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.

6. The Order deprives Applicants of their property without due process of law.

7. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

8. The order bears no relation to prevention of waste.

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

WHEREFORE, Applicants request a rehearing in Case No. 707 before the Commission.

Respectfully submitted,

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

By Jack M. Campbell
Jack M. Campbell
their attorney

1-4-55

IN THE MATTER OF THE APPLICATION
OF THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 707
Order No. R-546-A

IN THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMMUNITIZATION
COMMUNITIZATION OF LOTS 3 AND 4, E/2
SW/4, SE/4 (S/2) OF SECTION 31, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gilsp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-546 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. [illegible], Member

A. L. MACEY, Member and Secretary

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

CASE NO. 112
ORDER NO. R-558-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMMUNITIZATION
COMMUNITIZATION OF THE E/2 OF SECTION 3,
TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION ON REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. B. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-558 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary

S E A L

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. 706
Order No. R-560-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF THE W/2 OF SECTION
6, TOWNSHIP 30 NORTH, RANGE 11 WEST,
NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-560 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

[illegible], Chairman

[illegible], Member

[illegible], Member and Secretary

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

Case No. 707
Order No. R-946-A

THE APPLICATION OF THE SOUTHERN NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF LOTS 3 AND 4, E/2
SW/4, SE/4 (S/2) OF SECTION 31, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-946 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

[illegible], Chairman

[illegible], Member

[illegible], Member and Secretary

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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

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

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

ORDER OF THE COMMISSION FOR REHEARING

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

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member and Secretary

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 708
Order No. R-548-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF E/2 OF SECTION 27,
TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul F. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-548 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

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

CASE No. 710
Order No. R-549-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
UNITIZATION OF THE E/2 OF SECTION
8, TOWNSHIP 31 NORTH, RANGE 10 WEST,
NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gump, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-549 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member and Secretary

OF THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 711
Order No. R-557-A

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE N/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-557 heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member and Secretary

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

TO: Governor John F. Simms, Chairman

FROM: W. B. Macey, Secretary-Director

SUBJECT: Cases 706 - 712, incl. - Rehearing

COPY

Jack Campbell, who is attorney for royalty owners adversely affected by the provisions of the orders entered in the above-captioned cases, has requested rehearings in each of the cases. The other party interested in the cases is the applicant, El Paso Natural Gas Company. Mr. Campbell filed requests for rehearings on January 6, and the statute requires us to act within ten days on the granting of a rehearing; (Sect. 19 of Ch. 168, Laws of 1949, as amended).

Although I feel that the decisions made in these cases are probably the proper ones, there are a number of features which should be clarified. I therefore think we should grant the rehearing. I discussed the matter yesterday with Mr. Campbell and with legal representatives of El Paso Natural Gas Company, and they both agree that the rehearings, if granted, should be held on a day separate from the regular hearing date. I suggested February 17, and they both agreed to that date.

I realize that the problems involved in these matters which require immediate action are completely foreign to you, but I believe that the best interests of this Commission would be served if a rehearing were granted. I would appreciate your immediate advice in this matter, inasmuch as it will be necessary to prepare and date an order granting rehearing before 5 o'clock tonight.

I am attaching a copy of the notices published in each case so that you can obtain some idea of the nature of the cases.

W. B. M.

WBM:nr

January 14, 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 hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following special public hearings to be held at 9 o'clock a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel; and to El Paso Natural Gas Company, and any persons having any right, title, interest or claim in the following cases, and notice to the public.

CASE 706: (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 706, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-560 as erroneous and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-560-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

CASE 707: (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 707, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of Lots 3 and 4, S/2 SW/4, and SE/4 (these tracts comprising the south half) of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-546 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-546-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

CASE 708: (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 708, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-547 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-547-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

CASE 709: (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 709, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-548 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-548-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

CASE 710: (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 710, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 8, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-549 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-549-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

CASE 711: (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 711, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the W/2 of Section 32, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-557 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-557-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

CASE 712: (Rehearing)

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, upon proper petition, have requested a rehearing in Case 712, originally heard on May 19, 1954, upon application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico; that in said petition, petitioners attack Commission Order No. R-558 as erroneous, and seek rehearing in the matter considered therein, which rehearing has been granted by the Commission in its Order R-558-A dated January 14, 1955, and set for 9 a.m. on February 17, 1955, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

GIVEN under the seal of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 18th day of January, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

A. L. PORTER
Secretary

SEAL

BEFORE THE

OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATIONS OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF SEVEN TRACTS:	Cases numbered 706-712, both inclusive

TO THE HONORABLE COMMISSION:

El Paso Natural Gas Company submits this written brief in support of its position, as announced on hearing. The seven cases were heard together, and in the view of Applicant are governed by the same principles.

The undisputed evidence adduced upon the hearing reveals that El Paso Natural Gas Company and other lessees owning all of the leasehold interests in seven tracts of land comprising 320 acre (or approximately 320 acres in case of irregular sections) half sections of land all agreed to communitize or pool the leasehold interests for the purpose of drilling a gas well to the Mesaverde Formation within the boundaries of the Blanco-Mesaverde Gas Pool, as established by the Commission.

The tracts will be referred to by identifying the well. The undisputed evidence reveals that the dates operations were commenced on each well are as follows:

Case No. 706: Yager Pool Unit #2; spudded March 17, 1953 (Pictured Cliffs Test); notice of intention to drill filed March 17, 1953; Commission approval March 23, 1953; re-working to test Mesaverde commenced August 31, 1953; authorized by

Commission August 3, 1953; completed September 20, 1953.

Case No. 707: Yager Pool Unit #1; spudded March 2, 1953; notice of intention to drill approved by Commission February 19, 1953; completed March 25, 1953.

Case No. 708: Neal #3 well; spudded August 7, 1953; notice of intention to drill approved by Commission August 3, 1953; completed August 22, 1953.

Case No. 709: Calloway Pool unit well; spudded July 12, 1953; approval granted by Commission June 2, 1953; completed July 30, 1953.

Case No. 710: Marcotte Pool Unit #1; spudded August 30, 1953; approval of notice of intention to drill granted August 25, 1953; completed November 13, 1953.

Case No. 711: Heaton #3 well. Spudded March 27, 1953; approval of notice of intention to drill granted March 9, 1953; completed April 28, 1953.

Case No. 712: Koch Pool Unit #1; spudded August 30, 1953; approval of notice of intention to drill granted by U.S.G.S., August 14, 1953; completed November 9, 1953.

Reports and records of the Commission reveal that gas was being produced from Yager Pool Unit #1 well, Neal #3 well, Calloway Pool #1 well, and Heaton #3 well on August 31, 1953, and that drilling operations were then in progress on each of the other three wells (Transcript pp. 26-32, inclusive).

The evidence is uncontradicted that one gas well in the Mesaverde Formation in this pool will drain 320 acres, and that failure to pool or communitize severally owned tracts into drilling units of 320 acres would deprive some of the owners of leases of their opportunity to recover their fair share of the oil and gas (Transcript p. 38).

The Commission has already made a similar finding of

fact, and has designated the regular drilling unit and well spacing in the Blanco-Mesaverde for wells drilled to the Mesaverde Formation as 320 acres. The Commission's Order R-110 constitutes a determination by the Commission of this fact.

The applicable laws and regulations are as follows:

New Mexico Annotated Statutes: Section 69-213½, subsections (b) and (c); Section 69-230, subsection (e) is as follows:

> "Owner means the person who has the right to drill into and to produce from any pool, or to appropriate the production, either for himself or for himself and another."

General Rule 102, adopted by the Commission, requires filing of notice of intention to drill.

Your Applicant contends that the pooling or communitization into drilling units of 320 acres as shown on the approved notice of intention to drill, and presently contained within the Commission records, was accomplished and became effective immediately upon approval by the Commission of the proposed drilling tract. Whennotice of intention to drill was filed pursuant to the rules and approved by the Commission, only the person filing such notice could begin drilling operations on the land committed to the proposed well as described in the notice. The undisputed testimony reveals that the "owners", as defined in the statute, had agreed to pool or communitize the leasehold interests covering each 320 acre drilling block.

Your Applicant contends that no further agreement by royalty owners was necessary to effectuate a pooling when such pooling was pursuant to and complied with the established spacing

unit. In the drilling and spacing of wells the lessee represents the royalty owners. 31-A Tex. Jur., Section 426. Your Applicant recognizes that operators, in the absence of judicial determination and interpretation of the applicable statutory provisions in this State have obeyed the counsel of caution, and have followed the practice of obtaining consent from royalty owners to pooling or communitizing separate leases into a drilling unit. Regardless of such practice, the Lessee has the legal right and is the only person who has the legal right to conduct drilling operations during the term of the lease. The applicable statutory definition of owner, as quoted above, refers to the lessee, and only to the lessee. Therefore, the statutory language:

> "The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum or natural gas, or both, in the pool; . . . "

refers to lessees, and not royalty owners.

Similar statutory provisions have been construed by the Supreme Courts of Mississippi and Louisiana. Superior Oil Co. v. Beery, 59 So. (2d) 85, 59 So. (2d) 844; Humble Oil & Refining Co. v. Hutchins, 59 So. (2d) 103, 64 So. (2d) 733; both by the Supreme Court of Mississippi; Smith v. Holt, 67 So. (2d) 93, by the Supreme Court of Louisiana.

If these cases are followed by the New Mexico courts,

no action by the Commission would be necessary, as the pooling of leases was accomplished when the Commission approved the well location and the dedication of 320 acres to that well. In the absence of judicial determination, your Applicant requests that the Commission enter an order in each of these cases determining that the 320 acre communitized or pooled unit was actually effected on the date of approval of the notice of intention to drill, and that such order find that a regular 320 acre location for a gas well has been made, and that an appropriate unit for production of gas has existed at all times since such date.

Your Applicant recognizes that issues as to lease termination or title are not before the Commission, and that such issues will be determined before the Courts. Your Applicant does request that the Commission determine the effect of its rules, and by order declare that a pooled or communitized unit has existed as to each well since the Commission's action approved and ratified the agreement of the owners to combine the several leasehold interests.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY,

By: Tom L. Howell

JACK M. CAMPBELL
ATTORNEY AT LAW
224 J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

PHONE 4075

June 11, 1954

Mr. R. R. Spurrier,
Secretary & Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

I am enclosing herewith a Memorandum Brief to be filed in connection with Cases 706 - 712 inclusive before the Oil Conservation Commission. I have furnished Mr. Ben Howell with a copy of this Brief and I am forwarding a copy to the other members of the Commission, and to Mr. Bill Kitts for the use of the Commission attorneys. I appreciate the consideration of the Commission in allowing me to file this Memorandum Brief even though I was unable to appear at the hearing.

Very truly yours,
Jack M. Campbell
Jack M. Campbell

JMC:le
Enc.

cc: Hon. Edwin L. Mechem
Mr. E. S. Walker

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. 317
ORDER NO. R-110

THE APPLICATION OF THE OIL CON-
SERVATION COMMISSION OF NEW MEXICO
UPON ITS OWN MOTION FOR AN ORDER
AMENDING ORDER NUMBER 799 RELATION
TO THE BLANCO POOL, SAN JUAN COUNTY,
NEW MEXICO, SPECIFICALLY INCUDING
SECTION 4-A CASING AND CEMENTING
PROGRAM, AND OTHER MATTERS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This matter came on regularly for hearing on October 23, 1951, at 10 a.m. at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter called the "Commission".

NOW, on this 9th day of November, 1951, the Commission, a quorum being present, having considered the testimony adduced and exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause, of all interested parties, and the subject matter thereof.

(2) That this matter originally came up for hearing on petition of the Blanco Gas Company for an exception to Section 4-A of Order 799, Blanco Pool Casing Requirements, San Juan County, in Case Number 283, which Case Number 283 was dismissed by Commission Order Number R-90.

(3) That evidence submitted and testimony received in Case Number 283 tended to show modification of Order Number 799 is advisable and necessary.

(4) That Order Number 799 relating to the Blanco Pool, in San Juan County, New Mexico, should be amended to provide for the orderly development of the pool as defined and described in Order Number R-89 issued in Case Number 291 and designated as the Blanco (Mesaverde) Pool, and as the pool may hereafter be changed or extended, for the purpose of promoting conservation and preventing waste, and as amended herein, be the special pool rules of the Blanco (Mesaverde) Pool as described in Order Number R-89.

IT IS THEREFORE ORDERED:

(1) That Order Number 799, being the Blanco Pool special rules, as hereinafter

amended shall be the rules of the Blanco (Mesaverde) Pool, as said pool is more fully defined and described in Commission Order Number R-89, and as said pool may hereafter be changed, reduced or extended.

(2) That Order Number 799 be, and the same hereby is amended as follows:

That, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or re-completed to the Mesaverde Pool in the Blanco area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not to conflict herewith:

Section 1. Now well shall be drilled or completed or re-completed and no Notice of Intention to Drill or Drilling Permit shall be approved, unless,

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

(b) Such drilling unit be in the shape of a rectangle except for normal variations in legal subdivisions of the United States Land Surveys, the north half, south half, east half or west half of each section of land constituting a drilling unit;

(c) Such well shall be located 330 feet from the center of either the northeast or southwest quarter of the section, subject to variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

Section 2. The special rules and regulations for the Blanco (Mesaverde) Pool contained herein shall be limited in their application to the present 4200-5100 foot productive horizon where the productive sands are contained between the top of the Cliff House Sand and the base of the Point Lookout Sand of the Mesaverde.

Section 3. Proration Units: The proration unit shall consist of 320 acres or (a) a legal United States General Land Office Survey half-section and (b) the approximate 320 acre unit shall follow the usual legal subdivision of the General Land Office Section Surveys and (c) where proration units lie along the edge of field boundaries described in Section 1 above, exceptions shall be permissible in that contiguous tracts of approximately 320 acres, following regular United States General Land Office subdivisions may be classed as proration units.

(a) The pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract if same can be done without waste; but in such case the allowable production from such tract, as compared with the allowable production therefrom is such tract were a full unit, shall be in the ratio of the area of such tract to the area of a full unit of 320 acres.

Section 4. Casing and Cementing Program:

A. Surface Pipe:

The surface pipe shall be set to a minimum depth of 100 feet, and where shallow potable water-bearing beds are present. The surface pipe shall be set to such shallow potable water-bearing beds and a sufficient amount of cement shall be used to circulate the cement behind the pipe to the bottom of the cellar. This surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. The surface casing shall be tested after drilling plug by bailing the hole dry. The hole shall remain dry for one hour to constitute satisfactory proof of a water shut-off. In lieu of the foregoing test the cement job shall be tested by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory. This test shall be made both before and after drilling the plug. In this regard all fresh waters and waters of present or probable future value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precaution shall be taken in drilling and abandoning wells to guard against any loss of artesian potable water from the strata in which it occurs and the contamination of artesian potable water by objectionable water, oil or gas. The Commission shall be notified at least 24 hours prior to the conducting of any test.

B. Production String:

Production string shall be set on top of the Cliff House Sand with a minimum of 100 sacks of cement and shall stand cemented not less than 36 hours before testing the casing. This test shall be made by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory.

C. General:

All cementing shall be done by the pump and plug method. Bailing tests may be used on all casing and cement tests, and drill stem tests may be used on cement tests in lieu of pressure tests. In making bailing test, the well shall be bailed dry and remain approximately dry for thirty minutes. If any string of casing fails while being tested by pressure or by bailing tests herein required, it shall be re-cemented and re-tested or an additional string of casing should be run and cemented. If an additional string is used, the same test shall be made as outlined for the original string. In submitting Form C-101, "Notice of Intention to Drill", the number of sacks of cement to be used on each string of casing shall be stated.

D. Rules and Regulations of the Commission relating to drilling, abandonment, production shall be applicable.

Section 5. Tubing:

Any completed well which produces any oil shall be tubed. This tubing shall be set as near the bottom of the hole as practicable, but in no case shall tubing perforations be more than 250 feet from the bottom. The bottom of the tubing shall be restricted to an opening of less than 1 inch or bull-plugged in order to prevent the loss of pressure bombs or other measuring devices.

Section 6. Special Equipment:

Any well which produces oil shall be equipped with a meter setting of adequate size to measure efficiently the gas, with this meter setting to be installed on the gas vent or discharge line. Wellhead equipment for all wells shall be installed and maintained in first class condition, so that static, bottom hole pressures and surface pressures may be obtained at any time by a duly authorized agent of the Commission. Valves shall be installed so that pressures may be readily obtained on the casing and also on the tubing,

wherever tubing is installed. All connections subject to well pressure and all wellhead fittings shall be of first class material, rated at 2,000 psi working pressure and maintained in gas-tight condition. Braden-heads rated at 2,000 psi shall be installed on all production string and bradenhead connections maintained in gas-tight condition. There shall be at least one valve on each bradenhead. Operators shall be responsible for maintaining all equipment in first class condition and shall repair or replace equipment where gas leakage occurs.

Section 7. Safety Requirements:

Drilling boilers shall not be set closer than 200 feet to any well or tank battery. All electrical equipment shall be in first class condition and properly installed.

Section 8. Shooting of Wells:

Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such manner as will not cause injury to the sand or result in water entering the oil or gas sand, and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treatment results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned. (See Rule 42, Order Number 4, Effective 8-12-35.)

Section 9. Testing of Pays:

All wells drilled through the Point Lookout Pay will be tested by means of separate back pressure tests in accordance with the methods adopted by the United States Bureau of Mines (Monograph 7) of (a) the Cliff House Pay (b) the Point lookout Pay (c) both pays commingled with a minimum of three stabilized readings from a total minimum of three different sized orifices.

A. Wells which penetrate the Cliff House Pay only will take minimum of three stabilized tests covering a total of three different sized orifices.

B. The foregoing tests shall be taken either in the process of completion, or in drilling, or by means of packer separations between the Point Lookout and the Cliff House Pays after completion. All tests should be certified and filed with the Commission, and the Commission shall be notified at least 24 hours prior to conducting any test.

C. Annual back pressure tests, using total of three different sized orifices, shall be taken in June, July or August on each completed well. Each test must be stabilized and plotted as a straight line function on logarithmic paper as outlined in United States Bureau of Mines Monograph Number 7.

D. Within six months of the effective date of this order, and every six months thereafter, there shall be a meeting of all operators within the Blanco-Mesaverde Pool in the Commission Offices in Santa Fe, New Mexico, to present and discuss new information and data gathered subsequent to the effective date of this order. The Commission may discontinue these meetings when in its opinion, the pool has reached a stage of development where such meetings are unnecessary.

Section 10. Protection of Mineral Deposits:

Since the Menefee coal beds bear some gas and since these coal beds are of non-commercial value, Rule 20, Order Number 4 of the Commission dated August 12, 1935, shall not apply to this field.

Section 11. Gas Wastage:

Mesaverde gas shall not be flared since this is principally a gas reservoir and any well not connected to a commercial or domestic taker shall be shut-in until such market is obtained. Wells in this field shall be permitted to produce and market gas, as long as such can be done without waste, equitable between proration units for the field.

Section 12. Bradenhead Gas:

Bradenhead gas shall not be used either directly or expansively in engines, pumps, or torches, or otherwise wasted. It may be used for lease and development purposes and - for the development of nearby leases, except as prohibited above. Wells shall not be completed as Bradenhead gas wells unless special permission is obtained from the Commission.

Section 13. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Sections 1 through 12 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, or irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its order powers conferred by law express or implied.

Section 14. All additional lands located within one mile of any land in the pool as defined above or as it may be extended shall conform to these rules and regulations; provided, however, that by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed on the basis of additional developments, to be capable of producing gas from the Mesaverde formation, whether or not such other lands shall have been at one time included in another designated field or pool producing from Mesaverde.

IT IS FURTHER ORDERED, That the Commission retain jurisdiction of this case for such other and further order or orders in the premises as may become necessary in order to make spacing and other adjustments and to protect correlative rights and further prevention of waste.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

GUY SHEPARD, Member

R. R. SPURRIER, Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 708
Order No. R-547

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

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

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

4. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units,

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

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool."

6. That on August 3, 1953, a Notice of Intention to Drill (Form C-101) was approved by a duly authorized Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the Applicant, El Paso Natural Gas Company and permission was granted to drill a well to be known as the Neil Well No. 3, to be located 990 feet from the South Line and 1650 feet from the West Line of said Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled tothe Mesaverde formation, and said Notice of Intention to Drill designated the W/2 of said Section 15, Township 31 North, Range 11 West, NMPM, as the designated drilling unit as provided in Order R-110; that drilling operations were commenced in said well on August 7, 1953, and the well completed on August 22, 1953, in the Mesaverde formation with an initial potential of 2,630,000 cubic feet of gas per day.

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

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

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

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

IT IS THEREFORE ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 328.17 ACRES.

CASE NO. 706)
CASE NO. 846) Consolidated
Order No. R-560-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-560-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF LOTS 3 AND 4, E/2 SW/4, SE/4, (S/2) OF SECTION 31, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF LOTS 3 AND 4, E/2 SW/4, AND SE/4 (THESE LANDS COMPRISING THE S/2) OF SECTION 31, TOWNSHIP 31 NORTH, RANGE 11 WEST, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 707) Consolidated
CASE NO. 847)
Order No. R-546-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-546-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L
ir/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

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

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

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

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

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

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 709) Consolidated
CASE NO. 849)
Order No. R-548-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-548-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 8, TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 8, TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 710) Consolidated
CASE NO. 850)
Order No. R-549-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-549-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF W/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 711) Consolidated
CASE NO. 851)
Order No. R-557-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-557-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320.68 ACRES.

CASE NO. 712) Consolidated
CASE NO. 852)
Order No. R-558-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-558-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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All Yager leases date Sep 1, '48 for 5 yr. term

Case 706
W/2 S-6 T-3 O R-11
Chrisman lease has pooling clause
(206.30 acres) Delhi + ElPaso owned all working interest
agreed to pool

S. Yager lease no pooling clause
(41.75 ac.) assigned to EPNG + Delhi

Fed lease Delhi + EPNG
(80.12 ac)

Com agreement prepared and delivered to
Yager Aug 14, 1953.
Notice of Change to NMOCC July 31, 1953

Assignment
El Paso owned all operating rights by assignment
from W/1 ~~not~~ owners prior to July 31, 1953.

Well on Yager lease.

Case 707

S/2 S-31 T-11 R-31

Fed lease
(240 acres) Delhi & PNG. acres w/1

Paul Yager lease
(41.52 ac)

± PNG acres w/1
no pooling clause
Com. agreement on S/2 31
delivered to S. Yager 4 Aug 53.

Well on Yager lease

Notice approved Feb. 19, 1953

Assignment prior to Feb 19, 1953

Case 708

W/2 5-15 T-31 R-11

Fed lease
240 EPNG & Delhi owners w/1

S. Yager lease
80 acre Delhi + EPNG owners

no pooling clause

Com agmt as to W/2 delivered
to S. Yager prior to Sep 1, 53

well on Yager lease

Notice approved Aug 3, 53

Assignment prior to Aug 3 53

Case 709
E/2 Sec 27 T-31 R-11

40	Sunmuld	E.P. + D.O. pooling clause
..	Callaway	" " "
..	~~Hodges~~	EP "
80	Vance	" "
40	Perciman	" "
40	Blaise	Del + 6 Pan ~~Am~~ + ~~Phillips~~ clause ~~with Nat. Gas~~
40	Yager	

all agreed to pooled but yager

well not on Yager lease

Notice approved June 29, 1955

-LETTERS- (EX. R-709A, R-709-B, R 709-C)
EPNG owned operating rights in all of unit except tract No. 1 (N/2 NE/4) as shown ~~on~~ on Exhibit No. R-709.

~~Lone~~ ~~Pine~~ authorized to ~~open~~ op. stor. ~~for~~ + pipeline
~~Pine~~ by agreement with Western Nat. Gas, ~~Pine~~ State, and San Jacinto Petroleum Co.
authorized by letters from:

	Date
Western State Nat. Gas Co.	3/31/55
~~Pine~~ State Nat. Gas Co.	2/27/55
San Jacinto Pet. Corp.	4/9/55

Case 710
E/2 Sec 8 T-51 R-10

all leases pooled except one 40 acre
Yager lease

Well not on Yager lease
Notice opened July 25, 1955

EP N G has owned operating rights on:
Sec 8: a/2 SW/4 NE/4 20 acres
SE/4 160

LETTER (Ex. R-710-A)
from Beaver Lodge Oil Corp
Dated Aug 5, 1955 agreeing to
communitize: ~~E/2 NE/4~~
~~SE/4 NE/4~~
~~E/2 SW/4 NE/4~~

El Paso owned all operating except tracts
~~No. 1 & 2~~
No. 1 (NW/4 NE/4) and tract No. 2 (E/2 NE/4 and
E/2 SW/4 NE/4) as shown on Exhibit A R-710.

Case 711 Federal Well

W/2 32 T31 R-11

120 acre Gayer lease
everyone else agreed to com.

Well not on Gayer land

Motion approved by USGS Apr 7, 1953

El Paso owned all operating rts.
prior to Apr 7, 1953.

Case 712 Federal well

E/2 3 T-30 R-10

10 acre gagon lease
everyone else agreed.

Well not on gagon land

Notice opproved by USGS Aug 14, 1953

EPNG owned following op. rights prior to Aug 14, 53:

Sec 3

E/2 E/2
SW/4 SE/4
N/2 NW/4 SE/4
SE/4 NW/4 SE/4
NW/4 NE/4

LETTER (Exh R-712-B)
granting op rts from Fred C. Koch
Dated Aug 5, 1953 following acreage:

Sec 3:

SW/4 NE/4
SW/4 NW/4 SE/4

El Paso owned all op. Rts in unit except tracts 2 (SW/4 NE/4) and 6 (SW/4 NW/4 SE/4). as shown on exhibit R-712

CYRUS H. JONES 1858 1952
THORNTON HARDIE
ALLEN R. GRAMBLING
BEN R. HOWELL
HAROLD L. SIMS
WILLIAM B. HARDIE
JOHN A. GRAMBLING
R. H. FEUILLE

JONES, HARDIE, GRAMBLING & HOWELL
ATTORNEYS AND COUNSELORS AT LAW
SEVENTH FLOOR BASSETT TOWER
EL PASO, TEXAS

RECEIVED
JUN 11 9 32

June 10, 1954

Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Spurrier:

We enclose four copies of brief filed on behalf of El Paso Natural Gas Company in cases numbered 706-712, upon which hearing was conducted in May. Each party was allowed until June 15th to file brief.

A copy of this brief has been sent to Mr. Campbell and to Mr. Yager.

Yours very truly,

JONES, HARDIE, GRAMBLING & HOWELL,

BY: Ben R. Howell

BRH/R.
Encls.

BEFORE THE

OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATIONS OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION IN SAN JUAN COUNTY:	Cases numbered 706-712, both inclusive

Cases Nos. 705 and 706 and 712
Order No. R-[illegible]

IN THE MATTER OF CASES:

On September 1, 1940 [illegible] A. Yager and Marian Yager, his wife, executed certain oil and gas leases identical in form, covering certain lands hereinafter described, situated in San Juan County, New Mexico. None of these leases contains any authority to the lessee or his successors or assigns to pool any of the acreage described with any other acreage nor does any of the leases contain "force majeure" clauses. Each of the leases, in addition to the customary terms, contains the following provision:

> "The words 'commencement of a well' or words of like import, wherever used in this lease, shall mean the actual spudding-in of a well for oil or gas."

Each of these leases was for a term of five years from the date of execution and as long thereafter as oil or gas or either of them was produced from the leased land. The description of the land covered by each of the leases with reference to the cases now pending before the Commission is as follows:

(1) Case No. 706

NE¼NW¼ (Lot 4) of Section 6, Township 30 North, Range 11 West, San Juan County, New Mexico. 41.75 acres more or less.

(2) Case No. 707

[illegible] (Lot 4) of Section [illegible], Township 31 North, [illegible] West, San Juan County, New Mexico. 41.98 acres more or less.

(3) Case No. 708

[illegible] of Section 15, Township 31 North, [illegible] West, San Juan County, New Mexico. 80 acres more or less.

(4) Case No. 712

[illegible] of Section 27, Township 31 North, [illegible] West, San Juan County, New Mexico. 160 acres more or less

(5) Case No. 710

SE¼ of Section 3, Township 31 North, Range 10 West, San Juan County, New Mexico.
40 acres more or less.

(6) Case No. 711

W½W½, SE¼SW¼, SW¼SE¼ of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico.
160 acres more or less.

(7) Case No. 712

W½NW¼SE¼ of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico.
10 acres more or less.

On November 9, 1951 the Oil Conservation Commission, in Case No. 317, issued its Order No. R-110, setting up rules and regulations applying to wells thereafter drilled in the Basin Dakota Pool in the Blanco area. There was not then, and there is not now, any prorationing of gas in this Pool. This order contained the following provisions which are pertinent to the cases here involved:

"Section 1. No well shall be drilled or completed and no Notice of Intention to Drill or Drilling Permit shall be approved, unless;

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

"Section 3. Proration Units: The proration unit shall consist of 320 acres of (a) legal United States General Land Office Survey half-section and (b) the approved 320 acre unit shall follow the said legal subdivision of the General Land Office section survey; (c) [illegible] the outside boundaries of field boundaries described in Section 1 above, such units shall be permissible in that designated tract of approximately 320 acres, following regular United States General Land Office subdivisions may be allowed as hereinafter [illegible]

(c) [illegible] the proration unit shall be [illegible], the [illegible] may be modified in any case when and to the extent that a [illegible] of a reasonably uniform character [illegible] giving [illegible] drilled, [illegible] to give an equitable opportunity to the owner of such tract or the opportunity to recover his just and equitable share of the oil and gas in the pool; provided, however, that no [illegible] the drilling unit assigned [illegible] shall not be allowed of the right to drill on an [illegible] such [illegible] be allowed. [illegible] such tract [illegible] such tract [illegible] such tract [illegible] such tract [illegible]

The first sitting of the Board was devoted to each of these cases and to one, as noted above, [illegible] Lea Cobb, for the purpose of attempting to keep the cases alive, the facts are set out by cases numbers.

(1) Case No. 706

Leases covering all but lot 4, which is the Tiger acreage, contained pooling clauses or are federal leases. A well was commenced on the Tiger acreage on March 17, 1953. This was a Pictured Cliff well, and in the Notice of Intention to Drill only the NE¼ was dedicated to the well inasmuch as there was 160-acre spacing in the area for Pictured Cliff wells. This well was apparently dry in the Pictured Cliff formation and was temporarily shut in. According to the testimony of Mr. Coul (page 28 Tr) permission was received from the Commission for an unorthodox location and to convert this to a Mesa Verde well in the NE¼ of the section. There is no indication of Notice or hearing on this unorthodox location. This witness testified (page 28 Tr) that the well work was again started on August 31, 1953. It should be borne in mind that this lease expired by its terms on midnight, August 31, 1953 unless a well had been commenced (as added in) prior to that time and hour.

(2) Case No. 707

There are three tracts involved in this case. Two of these are Federal leases; the other is the Tiger lease which contains no pooling clause. A well was commenced on said lease on or about June 2, 1953 and completed on March 15, 1953. [illegible] Inasmuch as a commercial well of Pictured Cliffs gas was had and not been pooled, [illegible] be a waste thereof by order R-410. The Notice of Intention to Drill [illegible] June 2, 1953 and approved February 17, 1953.

(3) Case No. 708

[illegible] one tract involved in this case, one of which [illegible]

is the 80-acre lease of Yager's, which contains no pooling clause. A well was commenced August 7, 1953, without pooling of all the interests in the unit as contemplated by Order R-110. This well was completed August 22, 1953. The well was drilled on a portion of the Yager lease.

(4) Case No. 709

There are six leases involved in this case, all of them being fee leases. Five of these leases contain pooling clauses, but the Yager lease does not contain such a clause. A well was commenced on July 12, 1953 without the pooling of all the interests as contemplated by Order R-110, and was completed July 30, 1953. This well was not drilled upon any portion of the Yager tract. The Notice of Intention to Drill was approved June 2, 1953. It should be noted that the lease in Case No. 709 covered 120 acres outside the unit.

(5) Case No. 710

There are six fee leases and one federal lease in this case. All of the fee leases, with the exception of the Yager lease, contain pooling clauses. A well was commenced August 30, 1953, prior to pooling all interests, as contemplated by Order R-110, and was completed November 13, 1953. The well was not located on any portion of the Yager tract. It should be borne in mind that the Yager lease expired by its terms on August 31, 1953 unless a well had been commenced on the Yager tract prior to that time.

(6) Case No. 711

[illegible] pooling clause. A well was commenced [illegible] pooling of all interests, as contemplated by Order R-110, and was completed [illegible]. [illegible] 40 acres in the [illegible] unit. The well involved in this case was not located on any portion of the Yager tract.

(7) <u>Case No. 712</u>

One federal lease and five fee leases are involved in this case. All of the fee leases, except the Yager lease, contain pooling clauses. A well was commenced on August 30, 1953 without pooling of all interests as contemplated by Order R-110, and completed November 9, 1953. It should be noted that the Yager lease expiration date was August 31, 1953. This well was not drilled on any portion of the Yager tract.

Some eight months after the normal expiration date of the Yager leases, the El Paso Natural Gas Company filed applications in Cases 706 through 712 before the Oil Conservation Commission of New Mexico, seeking compulsory communitization or pooling of the Yager acreage with other tracts in seven 320-acre drilling units. With the exception of the different fact situations noted above, the applications in each of the cases are essentially the same. In Cases 709, 710, 711 and 712 the applicant alleges that certain representations were made by Paul Yager in connection with a proposed communitization agreement, which allegations I believe to be completely immaterial to the matter now before the Commission. Each of the applications requests the Commission to order Yager and other royalty owners to pool their interests on the basis of a communitization agreement prepared by El Paso Natural Gas Company, attached to the applications. I find that under no circumstances does the Commission have any power to order any owner of an interest to enter into a particular communitization agreement [illegible]. If the Commission has [illegible] compulsory pooling it must be exercised by [illegible].

[illegible] on May 19, 1954, [illegible]

by Mr. Howell:

(p. 40 Tr) "I want to for the benefit of the Commission and Mr. Yager what our position is, and that is we think is the equitable and just rule to be followed by the Commission in these cases. When, pursuant to an order which has been adopted by the Commission, an area of 320 acres, as required by the Commission for a drilling site, has been dedicated by notice of intention to drill, it is our position that that has effected the communitization of that tract. Now, in the alternative, if the Commission should see fit not to enter an order making the communitizations effective as of the date the notice of intention to drill was filed, in the alternative, it would appear that in the seven cases we have two situations. We have three cases in which the leases had been perpetuated by drilling operations prior to the expiration of the leases. If the communitization as to the other four is not effective until this time, we ask that the Commission enter an order in the alternative, either permitting us to complete the units on an unorthodox location. Since Mr. Yager and his group do not desire to join with us, why we are willing that they keep their 40 acres in those units, and that we be given an unorthodox location, or, in the alternative, should they desire to enter the agreement, the communitization agreement, that they be required to pay their proportionate share in cash with six percent interest from the date of well completion, or failing to pay that, as operator, we recover out of their share of the production 200 percent of the drilling cost."

At p. 42 Tr. Mr. Howell further states:

"It is our position that the matter of whether a lease was extended or not is not before the Commission. We have asked the Commission for a specific order. We are asking that the order be made effective as of the filing of the notice of intention to drill. What results from that is a matter for the courts rather than for the Commission. That is our position."

ARGUMENT

In order to analyze properly the power of the New Mexico Oil Conservation Commission relative to compulsory pooling, it is essential that a careful study be made of the New Mexico statute and the orders which have been promulgated by the Commission under that statute. It is necessary, further, that a careful comparison be made between the statutes and orders in New Mexico and the statutes and orders in those states which have upheld compulsory pooling, and have upheld it on evidence similar to ours. The courts of the State of Louisiana have, without doubt, gone the furthest in upholding compulsory pooling orders under the Louisiana statutes, and it is even more essential that a clear understanding of the differences between the Louisiana statute and order and the New Mexico statute and orders be had.

Any authority of the Commission to require oil conservation commission to communitize oil and gas properties must be found either in section 13 (b) or 13 (c), Chapter 128 of the Laws of 1949, as amended by Chapter 70 of the Laws of 1953. Those sections are as follows:

"(b) The Commission may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the Commission shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

"(c) The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum or natural gas, or both, in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract, if same can be done without waste; but in such case, the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in ratio of the area of such tract to the area of a full unit. All orders requiring such pooling shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract in the pool the opportunity to recover or receive his just and equitable share of the oil or gas, or both, in the pool as above provided, so far as may be practicably recovered without waste. In the event such pooling is required the costs of development and operation of the pooled unit shall be limited to the lowest actual expenditures required for such purpose including a reasonable charge for supervision; and in case of any dispute as to such costs, the Commission shall determine the proper costs."

The authority of the Mississippi Oil and Gas Board to require pool [illegible] is found in Mississippi Code 1942 Section 6313-22 which reads as follows:

"(a) Each and all of the separate owners of land [illegible] within an established drilling unit, and persons owning the drilling rights therein or the right to share in the production therefrom may voluntarily agree to integrate their interests to develop such drilling unit. Where, however, such persons have not agreed to integrate their interests, the Board may, for the prevention of waste and/or the drilling of unnecessary wells require such persons to integrate their interests and to develop their lands as a drilling unit. All orders requiring such pooling shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract in the pool the opportunity to recover or receive his just and equitable share of the oil and gas in the pool without unnecessary expense.

[illegible] the Board [illegible] owner of

shall, when produced, be considered as if it had been produced from such tract by a well drilled thereon. In the event such pooling is required, the cost of development and operation of the pooled unit chargeable by the operator to the other interested owner or owners shall be limited to the actual expenditures required for such purpose, not in excess of what are reasonable, including a reasonable charge for supervision; provided, however, that production of oil or gas is not secured in paying quantities as a result of such forced unitization, the operator shall have no charge against the nonconsenting owner or owners. In the event of any dispute relative to such costs, the board shall determine the proper costs, after due notice to all interested parties and hearing thereon. Appeals may be taken from such determination as from any other order of the board.

"(b) The board shall in all instances where a unit has been formed out of lands or areas of more than one ownership, require the operator when so requested by an owner, to deliver to such owner or his assigns his proportionate share of the production from the well common to such drilling unit, provided, however, that such owner receiving same shall provide at his own expense proper receptacles for the receipt or storage of such oil, gas or distillate.

"(c) Should the persons owning the drilling or other rights in separate tracts embraced within a drilling unit fail to agree upon the integration of the tracts and the drilling of a well on the unit, and should it be established that the board is without authority to require integration as provided for in this section, then, subject to all other applicable provisions of this act, the owner of each tract embraced within the drilling unit may drill on his tract; but the allowable production from such tract shall be such proportion of the allowable production for the full drilling unit as the area of such separately owned tract bears to the full drilling unit.

"(d) The board in order to prevent waste and avoid the drilling of unnecessary wells may permit (1) the cycling of gas in any pool or portion thereof or (2) the introduction of gas or other substance into an oil or gas reservoir for the purpose of repressuring such reservoir, maintaining pressure or carrying on secondary recovorying operations. The board shall permit the pooling or integration of separate tracts when reasonably necessary in connection with such operations.

"(e) Agreements made in the interest of conservation of oil or gas, or both, or for the prevention of waste, between and among owners or operators, or both, owning separate holdings in the same field or pool, or in any area that appears from geologic or other data to be productive by a common accumulation of oil or gas, or both, and agreements between and among such owners or operators, or both, and royalty owners therein, for the purpose of bringing about the development and operation of the field, pool or area, or any part thereof; as a unit, and for establishing and carrying out a plan for the cooperative development and operation thereof, when such agreements are approved by the board, are hereby authorized and shall not be held or construed to violate any of the statutes of this state relating to trusts, monopolies, or contracts and combinations in restraint of trade."

There have been a number of cases decided by the courts from

any compulsory pooling order if two or more owners [illegible]

[illegible] owners have been such owners [illegible]

[illegible]

appealed to the Supreme Court from an order of the Mississippi Oil and Gas Board.

It will be observed that the Mississippi statute is much more extensive than the New Mexico statute with regard to interests of owners of drilling rights, and that the New Mexico statute in Section 13(b) is more specific with reference to the royalty owner and the protection of correlative rights.

In analyzing the approaches in the two states, it is necessary to have in mind not only the statutory provisions but the general rules on gas spacing and proration units which are in effect in the two states. With regard to the New Mexico rules, reference is made to Order No. R-110 in Case 217, the pertinent portion of which is set out at Page 2 of this brief. With regard to the Mississippi rules, which were promulgated on September 11, 1947, it should be noted that before a drilling unit can be approved "the rights of all owners in the drilling unit upon which the well is located shall first be pooled" and then the order defines the term "owner" as "the person who has the right to drill into and produce from a well or pool, and to appropriate the production either for himself, or for himself and other."

It will be observed that there are the following differences between the statutes and orders in New Mexico and Mississippi:

1. The Mississippi statute, throughout, obviously refers to the persons owning the drilling rights, that is, the lessees. The New Mexico statute in Section 13(b) refers to royalty owners.

2. The Mississippi statute refers to "a [illegible] drilling unit" while the New Mexico statute refers to "a [illegible] spacing unit or proration unit". As this appears to be [illegible] it is [illegible] to be required under the [illegible] only, since it is provided for the establishment of drilling units in that all of the lessees pool their interests. Under such a [illegible] is unnecessary to refer to be required [illegible] all the interests are committed by pooling [illegible] (Underscoring ours.)

[illegible] provision [illegible] drilling unit [illegible] drilling [illegible] and produce

from such tract, but that, if such is the case, the allowable production from the tract shall be in the ratio of the area of the tract to the area of a full unit. The Mississippi statute provides for such a contingency only. Here it is contended that the Board is without authority to require pooling. It must be borne in mind that the areas involved in these cases is not now and was not at the time of the drilling, or the application for compulsory pooling, subject to prorating of gas. All of the cases arising out of the Mississippi statute were in areas where gas prorationing was in effect. This is important in much as it cannot be said here that a royalty owner would obtain the same amount of royalty whether a well is drilled on his tract or on some other portion of the drilling unit due to the allocation of production on an acreage basis.

4. The New Mexico statute in Section 13 (c) seems to contemplate that a compulsory pooling order may be entered only where the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the oil or gas in the pool. There is no such restriction on the power of the Mississippi Oil and Gas Board.

In examining the New Mexico statute in the light of the circumstances of the cases now to be considered, one can it be said that it does [illegible] authority, and has to [illegible] interest in the entire unit and controlling [illegible] production from the tract in question, is in addition there the [illegible] or shape of the tract which deprives it of the opportunity to recover its just and equitable share of the oil in this pool? On the other hand, it will [illegible] circumstances [illegible] to [illegible] the other hand [illegible] to [illegible].

that it will apply to [illegible] in the [illegible]sition of Yeger, who are being [illegible]rained by production from [illegible] drilling unit [illegible] to the [illegible] of the [illegible] within the [illegible]ted drainage. It seems apparent that the reasons [illegible] Natural Gas Company now seeks compulsory pooling orders are:

1. To extend the term of the Yeger leases, and

2. To acquire additional allowable for the Yeger acreage in the event prorationing of gas is established in this area.

Neither of these two reasons, in my opinion, has any bearing whatsoever on the conservation of oil and gas, and certainly neither of them serves to protect the correlative rights of Yeger and the other mineral owners under the separate tracts.

Mississippi has a series of court cases, the first of which was Superior Oil Company vs. Foote, 59 So. 2d85, decided in May, 1952, concerned with the constitutionality of the compulsory pooling statute in Mississippi. In the first case the Supreme Court of Mississippi specifically stated that they were not passing upon whether individual leases had expired, but were simply construing the authority of the State Oil and Gas Board to compulsorily pool whatever interest existed within a drilling unit. The later cases in 1953 held that a drilling unit was established by the granting of the permit to drill, the filing of the plat of the lands and the approval of it, the pooling of the working interest and the granting of a full allowable [illegible] on a acreage basis, perpetuated a lease even though no well had been drilled on the unit prior to the [illegible] date of a lease [illegible] that must be drilled on it. There was a dissenting opinion by one judge in all of these cases.

In the case of Superior Oil Co. [illegible] case, but unlike the Mississippi statute construed the board to order compulsory pooling. Under, as held in the case, drilling of wells [illegible] production. It could be held that a lease [illegible] the date of the order or the decision of the Court, [illegible] and in that event [illegible]

could be said that the royalty owners would acquire the right of royalty whether the well was drilled on their land or somewhere else on the unit. The solution required the lessee to deliver to the royalty owners their share of production. It is interesting to note, as has been indicated above, that Section 1(a) of Order No. R-110 in the New Mexico regulations seems to contemplate that a drilling unit cannot be established or drilling undertaken until all the interests are consolidated by pooling agreement or otherwise. It would seem that this is a distinction which would preclude our Commission from entering a compulsory pooling order after a well is drilled, except for the specific purpose of protecting correlative rights of owners of small tracts.

After the constitutionality of the compulsory pooling statute was sustained in Mississippi in 1952, suits were brought to cancel certain leases upon the ground that they expired by their terms inasmuch as production was not obtained on the leased acreage within the primary term. The case of Superior Oil Company vs. Berry, 63 So. 2d115, resolves this question in Mississippi under the facts and statutes there by holding that the requirement of oil and gas leases to pool their leases in set drilling units has the effect of extending the primary terms of such leases, and also has the effect of pooling mineral interests of royalty owners. A number of distinctions between the facts and statutes in Mississippi the cases here involved are called to the attention of the Commission:

1. The Mississippi oil and gas statute, by prior orders and regulations of the Board of Supervisors of the drilling unit upon which one well is required must first be obtained. Then after then defined "interest" in the statute, section 24 of Order R-110, Mississippi requires that all the interests be pooled and by pooling the oil or gas in place. The term "interest" means the portion of royalty or oil or gas in place owned by persons before the drilling unit is pooling established.

2. In the Mississippi statute the [illegible] and [illegible] and royalty interest, [illegible]

interests in the map to be [illegible] of the pooling agreement.

3. The principal [illegible] there were certain conditions required for the establishment of a [illegible] drilling unit which would result in the pooling of the leases irrespective of a compulsory pooling order:

(a) the granting of a permit to drill;

(b) the filing of the plat or map of the lands to be included in the unit and the approval thereof;

(c) the pooling of the leases by the lessees; and

(d) the granting of the 320 acre allowable and the allocating of the same to each separate tract of land therein on an acreage basis.

In the instant cases all interests were not pooled, and the permits to drill were probably invalid or at least could not justifiably be used as the basis for the contention that the approval of the intention to drill constituted the pooling of interests. Furthermore, in the instant cases there was no allocation of production on an acreage basis since there is no prorating of gas in the pool. It certainly cannot be concluded that the attitude of the board and the courts in Mississippi is any basis for the adoption of policy by the New Mexico Commission under different statutes and orders to the effect that a retroactive compulsory pooling order may be entered to extend a lease. This is particularly true where the order is sought by one who cannot say that it will be unable to recover its share of the gas in the absence of such an order.

[illegible]

For the benefit of the Commission, the position of [illegible] with which I have to do is as follows:

1. [illegible] [illegible] of the Commission to issue compulsory pooling orders unless two or more [illegible] [illegible] the right to drill [illegible] in the future if still they are not successful.

2. [illegible] [illegible] [illegible]

[illegible] of 11 interests, (or [illegible] to all) under the law exists [illegible] 320. [illegible] drilling units but only uniform ones consisting of the N½, S½, E½, or W½ of a section. The order specifically requires that the unit may be established "for 320 acres of land" . . . in which unit all the interests are consolidated by pooling agreement or otherwise . . ." This should, and we believe it does, include owners of royalty interests. Unless voluntary agreements are obtained from royalty owners then the pooling must be accomplished "otherwise" (by compulsory order) before the unit is created. The reason for this is apparent. The New Mexico Commission in its order must seek to protect the correlative rights of all, including royalty owners. Where a section of land is covered by more than one lease with different expiration dates, and where structural conditions vary in different parts of the section, the royalty owner has a definite stake in determining how the unit shall be formed and his interests may be, and often are, in direct conflict with those of the working interest owner or other royalty owners. We think this is a wise provision which should be strictly followed.

3. Unless a unit is properly created it is obvious that unless production is obtained on a leased tract before the expiration of the lease, then the lease has simply expired. Production elsewhere can hold the lease only if [illegible] has been properly pooled. It is difficult to make the proper determination as to whether the expiration of one lease in a unit [illegible] of the leased land is [illegible]. There could be a number of [illegible] we do not believe that all of these [illegible] should be [illegible] as such.

4. [illegible] modification by [illegible] Why [illegible] the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] since they are not called in question [illegible]

[illegible] unit and thereby increase the [illegible] proper share of the drilling and development costs [illegible] pulsory pooling statute contemplates. [illegible] Company says the fair share is each with 6/8 interest or 200% of the drilling cost out of our share of the production. The law says:

> "In the event such pooling is required the costs of development and operation of the pooled unit shall be limited to the lowest actual expenditures required for such purpose including a reasonable charge for supervision; and in case of any dispute as to such costs, the Commission shall determine the proper costs." (Underlining mine.)

Nowhere is there any authority, nor is there any justification, for the imposition of a penalty, either by way of interest or 100% addition, upon an owner who seeks to protect his contractual rights. It is no fault of Yuger that El Paso Natural Gas Company chose to wait until the last 6 months of its lease to take action. (Tr p. 18) We believe that if alternative orders are entered calling for reimbursement they must provide only for the lowest actual expenditure with a reasonable charge for supervision - without interest or penalty. We believe, further, that the reimbursement out of our share of production should be taken out of 7/8ths working interest only. This is the procedure followed in Oklahoma and we believe it is fair. (Summers Oil and Gas, Vol. I, p. 351) Any order entered must, of course, require El Paso Natural Gas Company to [illegible] Yuger's share of production be [illegible] the unit.

5. [illegible] Commission [illegible] Commission must be aware of the natural element [illegible] this pool. It must be aware of the fact, [illegible] will not [illegible] [illegible] for a Basin Dakota well, [illegible] (Tr. p. 28 Ex) [illegible] Order No. R-1670, dated December 3, 1958 [illegible] Dakota well, which [illegible] on March 21, 1963 by the

moving in of a cable tool rig. I have serious doubts that, under Order A-110, a notice of intention to drill a properly be approved or a drilling unit established in the absence of prior evidence to the Commission that all interests within the proposed unit have been pooled. I have further serious doubts as to whether the Commission may, by letter, in the absence of notice and hearing, approve an unorthodox location. These leases contain specific provisions with reference to commencement of a well, as has been noted above, and I do not feel the Commission should pass upon what interest it is pooling if it decides to enter a compulsory pooling order in Case No. 706. An order could be entered in this particular case pooling the interests without specifically passing upon the nature of the interest pooled, leaving this question open and leaving open the question of charging of costs, in the event the interest pooled is determined to be an unleased mineral interest.

6. Referring specifically to Cases No. 707 and 708, I feel that the drilling of the well within the primary term of the Yager leases perpetuated those leases, and that the Commission can properly enter its order pooling the one-eighth interest under the tracts therein involved, requiring El Paso Natural Gas Company to account immediately to the royalty owners for their proper share of the production to date.

CONCLUSION

In conclusion it must be pointed out to the Commission that Yates does not object to the acreage being pooled in each of these units. The only thing it does, however, object to is the way in which the pooling is to be done. It is the opinion of Yates that the pooling should not be made in the form of a penalty. It is the opinion of Yates that the well should be allowed to be drilled, that the royalty interest should be pooled, but that the working interest should not be pooled. It is the opinion of Yates that the well will drain just about as much gas if it is drilled as it will if it is not drilled, and that the

-3-

each of these units will drain the Yager properties. We therefore want the interests pooled. As has been discussed with regard to Sections 7 9 through 712, the interests pooled must be unleased mineral interests, and we are willing to reimburse El Paso Natural Gas Company upon a fair and proper basis under the circumstances for the cost of the drilling and operation of the wells. We are perfectly willing to endeavor to work out with El Paso Natural Gas Company and with the Commission orders in these cases which will be fair, but we cannot go along with a retroactive pooling order inasmuch as we feel that the leases in the last four cases have definitely expired and we do not believe the Commission can or should require us to sign a pooling agreement prepared by the applicant. It would appear from Mr. Howell's statement that since we desire to have our unleased mineral interest pooled, that the only question remaining would be whether the Commission enters a retroactive order or whether it enters a present order requiring us to make reimbursement on proper terms.

Respectfully submitted,

Jack M. Campbell

Jack M. Campbell,
Attorney for Saul A. Yager, et al

BEFORE THE

OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF APPLICATIONS OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF SEVEN TRACTS:	))))	Cases numbered 706-712, both inclusive

TO THE HONORABLE COMMISSION:

El Paso Natural Gas Company submits this written brief in support of its position, as announced on hearing. The seven cases were heard together, and in the view of Applicant are governed by the same principles.

The undisputed evidence adduced upon the hearing reveals that El Paso Natural Gas Company and other lessees owning all of the leasehold interests in seven tracts of land comprising 320 acre (or approximately 320 acres in case of irregular sections) half sections of land all agreed to communitize or pool the leasehold interests for the purpose of drilling a gas well to the Mesaverde Formation within the boundaries of the Blanco-Mesaverde Gas Pool, as established by the Commission.

The tracts will be referred to by identifying the well. The undisputed evidence reveals that the dates operations were commenced on each well are as follows:

Case No. 706: Yager Pool Unit #2; spudded March 17, 1953 (Pictured Cliffs Test); notice of intention to drill filed March 17, 1953; Commission approval March 23, 1953; re-working to test Mesaverde commenced August 31, 1953; authorized by

Commission August 3, 1953; completed September 20, 1953.

Case No. 707: Yager Pool Unit #1; spudded March 2, 1953; notice of intention to drill approved by Commission February 19, 1953; completed March 25, 1953.

Case No. 708: Neal #3 well; spudded August 7, 1953; notice of intention to drill approved by Commission August 3, 1953; completed August 22, 1953.

Case No. 709: Calloway Pool unit well; spudded July 12, 1953; approval granted by Commission June 2, 1953; completed July 30, 1953.

Case No. 710: Marcotte Pool Unit #1; spudded August 30, 1953; approval of notice of intention to drill granted August 25, 1953; completed November 13, 1953.

Case No. 711: Heaton #3 well. Spudded March 27, 1953; approval of notice of intention to drill granted March 9, 1953; completed April 26, 1953.

Case No. 712: Koch Pool Unit #1; spudded August 30, 1953; approval of notice of intention to drill granted by U.S.G.S., August 14, 1953; completed November 9, 1953.

Reports and records of the Commission reveal that gas was being produced from Yager Pool Unit #1 well, Neal #3 well, Calloway Pool #1 well, and Heaton #3 well on August 31, 1953, and that drilling operations were then in progress on each of the other three wells (Transcript pp. 26-32, inclusive).

The evidence is uncontradicted that one gas well in the Mesaverde Formation in this pool will drain 320 acres, and that failure to pool or communitize severally owned tracts into drilling units of 320 acres would deprive some of the owners of leases of their opportunity to recover their fair share of the oil and gas (Transcript p. 36).

The Commission has already made a similar finding of

fact, and has designated the regular drilling unit and well spacing in the Blanco-Mesaverde for wells drilled to the Mesa-verde Formation as 320 acres. The Commission's Order R-110 constitutes a determination by the Commission of this fact.

The applicable laws and regulations are as follows:

New Mexico Annotated Statutes: Section 69-213, subsections (b) and (c); Section 69-230, subsection (e) is as follows:

> "Owner means the person who has the right to drill into and to produce from any pool, or to appropriate the production, either for himself or for himself and another.

General Rule 102, adopted by the Commission, requires filing of notice of intention to drill.

Your Applicant contends that the pooling or communitization into drilling units of 320 acres as shown on the approved notice of intention to drill, and presently contained within the Commission records, was accomplished and became effective immediately upon approval by the Commission of the proposed drilling tract. When notice of intention to drill was filed pursuant to the rules and approved by the Commission, only the person filing such notice could begin drilling operations on the land committed to the proposed well as described in the notice. The undisputed testimony reveals that the owners, as defined in the statute, had agreed to pool or communitize the leasehold interests covering each 320 acre drilling block.

Your Applicant contends that no further agreement by royalty owners was necessary to effectuate a pooling when such pooling was pursuant to and complied with the established spacing

unit. In the drilling and spacing of wells the lessee represents the royalty owners. 31-A Tex. Jur., Section 420. Your Applicant recognizes that operators, in the absence of judicial determination and interpretation of the applicable statutory provisions in this State have obeyed the counsel of caution, and have followed the practice of obtaining consent from royalty owners to pooling or communitizing separate leases into a drilling unit. Regardless of such practice, the lessee has the legal right and is the only person who has the legal right to conduct drilling operations during the term of the lease. The applicable statutory definition of owner, as quoted above, refers to the lessee, and only to the lessee. Therefore, the statutory language:

> "The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum or natural gas, or both, in the pool; . . ."

refers to lessees, and not royalty owners.

Similar statutory provisions have been construed by the Supreme Courts of Mississippi and Louisiana. Superior Oil Co. v. Beery, 59 So. (2d) 65, 59 So. (2d) 844; Humble Oil & Refining Co. v. Hutchins, 59 So. (2d) 103, 60 So. (2d) 733; both by the Supreme Court of Mississippi; Smith v. Holt, 67 So. (2d) 93, by the Supreme Court of Louisiana.

If those cases are followed by the New Mexico courts,

no action by the Commission would be necessary, as the pooling of leases was accomplished when the Commission approved the well location and the dedication of 320 acres to that well. In the absence of judicial determination, your Applicant requests that the Commission enter an order in each of these cases determining that the 320 acre communitized or pooled unit was actually effected on the date of approval of the notice of intention to drill, and that such order find that a regular 320 acre location for a gas well has been made, and that an appropriate unit for production of gas has existed at all times since such date.

Your Applicant recognizes that issues as to lease termination or title are not before the Commission, and that such issues will be determined before the Courts. Your Applicant does request that the Commission determine the effect of its rules, and by order declare that a pooled or communitized unit has existed as to each well since the Commission's action approved and ratified the agreement of the owners to combine the several leasehold interests.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY,

By: Ben L. Howell

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF THE W/2 OF SECTION 6, TOWNSHIP
30 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 706) Consolidated
CASE NO. 846)
Order No. R-560-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
328.17 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 706 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-560 in Case No. 706 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from August 3, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-560-A on January 14, 1955, setting Case No. 706 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 846.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 706 came on for rehearing and Case No. 846 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 706 should be considered applicable to Case No. 846.

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 706.

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

6. That the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, and Delhi Oil Corporation were, on March 23, 1953, the owners of the entire working interest and operating rights under oil and gas leases covering the W/2 of said Section 6, containing 328.17 acres of land, in the shape of a rectangle, said Section 6 being an irregular section containing more than 640 acres of land.

8. That a Pictured Cliffs well was commenced on the NW/4 of Section 6, Township 30 North, Range 11 West, NMPM, pursuant to approval of a Notice of Intention to Drill, which approval was granted March 23, 1953; and that, the Pictured Cliffs formation having proved dry, application was made to the Commission for approval of an unorthodox location and the designation of the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, as a location for a Mesaverde well; that on August 3, 1953, the Commission approved such unorthodox location and approved the designation of the drilling unit, and that on August 31, 1953, drilling operations were resumed; that a well was completed in the Mesaverde formation on September 20, 1953, with an initial potential of 686,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 706, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company and Delhi Oil Corporation consolidated their leases was May 19, 1954.

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

11. That the approval by the Commission of the unorthodox location, the designation of the W/2 of Section 6, Township 30 North, Range 11 West, as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the W/2 of said Section 6 has been, and is, an approved drilling unit containing 328.17 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the W/2 of Section 6, Township 30 North, Range 11 West be, and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the W/2 of Section 6, Township 30 North, Range 11 West be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

That Order No. R-560, in Case No. 706 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF LOTS 3 AND 4, E/2 SW/4, SE/4,
(S/2) OF SECTION 31, TOWNSHIP 31
NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF LOTS 3
AND 4, E/2 SW/4, AND SE/4 (THESE
LANDS COMPRISING THE S/2) OF SECTION
31, TOWNSHIP 31 NORTH, RANGE 11 WEST,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 707)
CASE NO. 847) Consolidated
Order No. R-546-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 707 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-546 in Case No. 707 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from February 19, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-546-A on January 14, 1955, setting Case No. 707 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 847.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 707 came on for rehearing and Case No. 847 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 707 should be considered applicable to Case No. 847.

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

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 707.

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

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

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, and Aztec Oil and Gas Company were, on February 19, 1953, the owners of the entire working interest and operating rights under oil and gas leases covering the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 322.90 acres of land, in the shape of a rectangle, said Section 31 being an irregular section containing more than 640 acres of land.

8. That on February 19, 1953, a Notice of Intention to Drill (Form C-101) was approved by a Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the Applicant, El Paso Natural Gas Company; that permission was granted to drill a well to be known as the Yager Pool Unit No. 1 Well, and to be located 990 feet from the South line and 990 feet from the West line of said Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; said Notice of Intention to Drill designated the S/2 of said Section 31, Township 31 North, Range 11 West, NMPM, as the drilling unit; that drilling operations were commended in said well on March 2, 1953, and the well completed on March 25, 1953, in the Mesaverde formation with an initial potential of 710,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 707, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company, Delhi Oil Corporation, and Aztec Oil and Gas Company consolidated their leases was May 19, 1954.

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

11. That the approval of the Notice of Intention to Drill by the Commission's Inspector, the designation of S/2 of said Section 31, as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the S/2 of said Section 31 has been, and is, an approved drilling unit containing 322.90 acres at all times thereafter.

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

IT IS THEREFORE ORDERED:

1. That the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, be, and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the S/2 of Section 31, Township 31 North, Range 11 West, be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

That Order No. R-546 in Case No. 707 be, and the same is hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

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

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

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

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

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

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

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

FINDS:

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

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

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

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

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

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

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

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

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

IT IS THEREFORE ORDERED:

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

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the W/2 of Section 15, Township 31 North, Range 11 West, NMPM, San Juan County, be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 709) Consolidated
CASE NO. 849)
Order No. R-548-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 709 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-548 in Case No. 709 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that E/2 of Section 27, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from June 29, 1953.

Thereafter, and on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group" filed their application for rehearing, pursuant to which the Commission entered its Order No. R-548-A, on January 14, 1955, setting Case No. 709 for rehearing.

Thereafter, on February 2, 1955 El Paso Natural Gas Company filed its application for hearing in Case No. 849.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 709 came on for rehearing and Case No. 849 came on for regular hearing, at which time the two

cases were consolidated for hearing, it being understood that the entire record on Case No. 709 should be considered applicable to Case No. 849.

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 709.

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed and recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

6. That the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, Western Natural Gas Company, Three States Natural Gas Company and San Jacinto Petroleum Corporation, were, on June 29, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 acres of land, more or less.

8. That on June 29, 1953, a Notice of Intention to Drill (Form C-101) was approved by Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the Applicant, El Paso Natural Gas Company; that permission was granted to drill a well to be known as the Calloway Pool Unit Well No. 1, and to be located 990 feet from the North line and 1750 feet from the East line of said Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; that said Notice of Intention to Drill designated the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, as the drilling unit; that drilling operations were commenced in said well on July 12, 1953, and the well completed on July 30, 1953 in the Mesaverde formation with an initial potential of 1,280,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 709, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company, Delhi Oil Corporation, Western Natural Gas Company, Three States Natural Gas Company and San Jacinto Petroleum Company consolidated their leases was May 19, 1954.

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

11. That the approval of the Notice of Intention to Drill by the Commission's inspector, the designation of E/2 of said Section 27 as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that E/2 of said Section 27 has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the E/2 of Section 27, Township 31 North, Range 11 West, be and is hereby recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the E/2 of Section 27, Township 31 North, Range 11 West be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED: That Order No. R-548 in Case 709 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY COM-
MUNITIZATION OF E/2 OF SECTION 8,
TOWNSHIP 31 NORTH, RANGE 10 WEST,
NMPM, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 710)
CASE NO. 850) Consolidated
Order No. R-549-B

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR DETERMINATION AND
RATIFICATION OF COMMUNITIZATION OF
E/2 OF SECTION 8, TOWNSHIP 31 NORTH,
RANGE 10 WEST, NMPM, SAN JUAN COUNTY,
NEW MEXICO, CONTAINING 320 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 710 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-549 in Case No. 710 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the E/2 of Section 8, Township 31 North, Range 10 West, NMPM, was recognized as a communitized or pooled tract from August 25, 1953

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-549-A on January 14, 1955, setting Case No. 710 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 850.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 710 came on for rehearing and Case No. 850 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 710 should be considered applicable to Case No. 850.

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 710.

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

6. That the E/2 of said Section 8, Township 31 North, Range 10 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, Beaver Lodge Oil Corporation and Brookhaven Oil Corporation were, on March 9, 1953 the owners of the entire working interest under oil and gas leases covering E/2 of Section 8, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, containing 320 acres of land, more or less.

8. That on August 25, 1953, a Notice of Intention to Drill (Form C-101) was approved by a Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the Applicant, El Paso Natural Gas Company; that permission was granted to drill a well to be known as the Marcotte Pool Unit No. 1 Well and to be located 1650' from the North line and 1650' from the East line of said Section 8, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; that said Notice of Intention to Drill designated the E/2 of said Section 8, Township 31 North, Range 10 West, NMPM, as the drilling unit. That drilling operations were commenced in said well on August 30, 1953, and the well completed on October 13, 1953, in the Mesaverde formation with an initial potential of 10,900,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 710, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company, Delhi Oil Corporation, Beaver Lodge Oil Corporation, and Brookhaven Oil Corporation consolidated their leases was May 19, 1954.

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

11. That the approval of the Notice of Intention to Drill by the Commission's inspector, the designation of the E/2 of said Section 8 as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated oil interests therein, effectively established and created said drilling unit on May 19, 1954; that the E/2 of said Section 8 has been, and is, an approved drilling containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the E/2 of said Section 8, Township 31 North, Range 10 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the E/2 of Section 8, Township 31 North, Range 10 West, NMPM, be, and is hereby recognized as a pooled and communitized tract and a

duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the E/2 of Section 8, Township 31 North, Range 10 West, be, and they are hereby, consolidated, and the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

That Order No. R-549, in Case No. 710 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

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

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR DETERMINATION AND
RATIFICATION OF COMMUNITIZATION OF
W/2 OF SECTION 32, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN COUNTY,
NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 711) Consolidated
CASE NO. 851)
Order No. R-557-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 711 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-557-, in Case No. 711 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the W/2 of Section 32, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from April 17, 1953.

Thereafter, and on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-557-A on January 14, 1955, setting Case No. 711 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 851.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 711 came on for rehearing and Case No. 851 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 711 should be considered applicable to Case No. 851.

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 711.

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

6. That the W/2 of Section 32, Township 31 North, Range 11 West, NMPM, is situated within the Blanco Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, and Delhi Oil Corporation were on March 9, 1953, the owners of the entire working interest under oil and gas leases covering W/2 of Section 32, Township 31 North, Range 11

West, NMPM, San Juan County, New Mexico, containing 320 acres of land, more or less.

8. That on March 9, 1953, qualified permission was granted by the U.S. Geological Survey to applicant, El Paso Natural Gas Company, to drill a well, known as the Heaton #3 well, to be located 990' from the South line and 990' from the West line of said Section 32, said well to be drilled to the Mesaverde formation, that the W/2 of said Section 32 was designated as the drilling unit, which designation was approved by the U. S. Geological Survey on April 7, 1953, after the applicant had changed the designation of the 320 acres proposed to be dedicated to the well, that drilling operations were commenced on said well on March 27, 1953, and the well completed on April 28, 1953, in the Mesaverde formation with an initial potential of 1,625,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case 711, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company and Delhi Oil Corporation consolidated their leases was May 19, 1954.

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

11. That the approval by the U. S. Geological Survey of the Notice of Intention to Drill, the designation of the W/2 of said Section 32 as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954, that the W/2 of said Section 32, has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the W/2 of said Section 32, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the W/2 of Section 32, Township 31 North, Range 11 West, be, and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null,

void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the W/2 of Section 32, Township 31 North, Range 11 West be, and they are hereby, consolidated, and the said acreage be, and the same is, hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

That Order No. R-557, in Case No. 711 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF E/2 OF SECTION 3, TOWNSHIP
30 NORTH, RANGE 10 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 3, TOWNSHIP 30 NORTH,
RANGE 10 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320.68 ACRES.

CASE NO. 712)
CASE NO. 852) Consolidated
Order No. R-558-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 712 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-558 in Case No. 712 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, was recognized as a communitized or pooled tract from August 14, 1953.

Thereafter, and on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. 558-A on January 14, 1955, setting Case No. 712 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 852.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 712 came on for rehearing and Case No. 852 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 712 should be considered applicable to Case No. 852.

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

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 712.

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

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

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

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

6. That the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, is situated within the Blanco Mesaverde Gas Pool as designated by the Commission.

7 That applicant El Paso Natural Gas Company, Delhi Oil Corporation, Atlantic Refining Company, Sunray Oil Corporation, Fred C. Koch, and the Aztec Oil and Gas Company were, on August 14, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, containing 320.68 acres of land more or less.

8. That on August 14, 1953, qualified permission was granted by the U.S. Geological Survey to applicant, El Paso Natural Gas Company, to drill a well known as the Koch Pool Unit #1 Well, to be located 1800' from the North line and 890' from the East line of said Section 3, said well to be drilled to the Mesaverde formation; that the E/2 of said Section 3 was designated as the drilling unit; that drilling operations were commenced on said well on August 30, 1953, and the well completed on November 9, 1953, in the Mesaverde formation with an initial potential of 5,550,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 712, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date the said working interest owners consolidated their leases was May 19, 1954.

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

11. That the approval by the United States Geological Survey of the Notice of Intention to Drill, the designation of the E/2 of said Section 3 as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the E/2 of said Section 3 has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the E/2 of said Section 3, Township 30 North, Range 10 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the E/2 of Section 3, Township 30 North, Range 10 West be and is hereby recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the E/2 of Section 3, Township 30 North, Range 10 West, NMPM, be and they are hereby, consolidated, and the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED: That Order No. R-558, in Case No. 712 be, and the same is, hereby superseded by this order.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

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

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

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

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

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

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 709) Consolidated
CASE NO. 849)
Order No. R-548-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-548-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 8, TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 8, TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 710)
CASE NO. 850) Consolidated
Order No. R-549-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-549-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF W/2 OF SECTION 32, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 ACRES.

CASE NO. 711) Consolidated
CASE NO. 851)
Order No. R-557-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager. Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-557-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 3, TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320.68 ACRES.

CASE NO. 712) Consolidated
CASE NO. 852)
Order No. R-558-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-558-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 328.17 ACRES.

CASE NO. 706)
CASE NO. 846) Consolidated
Order No. R-560-C

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell and upon the application of El Paso Natural Gas Company through its attorney Ben R. Howell, for rehearing on Order Number R-560-B heretofore entered by the Commission.

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

IT IS HEREBY ORDERED:

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

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W. B. MACEY, Member and Secretary

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 706)
CASE NO. 846) Consolidated

Order No. R-560-B

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 328.17 ACRES.

APPLICATION FOR REHEARING

Your Applicant, EL PASO NATURAL GAS COMPANY, applies for rehearing and states:

1. Applicant is the owner of oil and gas leasehold interests in and under the tract of land described in the caption and is a party affected by Order No. R-560-B entered by the Commission on January 12, 1956.

2. Your Applicant would show the Commission that its Order No. R-560-B is erroneous as follows.

a. That the Commission's Finding No. 9, insofar as it finds that the date upon which the working interest owners agreed to communitize their leases of May 10, 1954 is not supported by and is contrary to the credible evidence.

b. That the Commission's Finding No. 11 that the pooling and drilling unit was established on May 10, 1954 is not supported by and is contrary to the weight of the credible evidence.

c. That the portion of Paragraph 1 of the Commission's Order establishing May 10, 1954 as the date the drilling unit upon a pooled and communitized tract became effective is erroneous.

d. That there is no evidence or and there is no showing that the working interest owners made any agreement as of the 10th day of

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

e. That the evidence shows the working interest owners had agreed to communitize and pool their respective interests prior to March 23, 1953, on which date a Notice of Intention to Drill was filed with the Commission.

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

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

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

Commission made in the remaining portions of the Order.

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

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By Ben S. Howell
Attorney

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF THE W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF W/2 OF SECTION 6, TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 328.17 ACRES.

CASE NO. 706) Consolidated
CASE NO. 846)

APPLICATION FOR REHEARING

Come now Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife, Flora Mizel, and Sam Mizel, by their attorneys, Campbell & Russell, and make application to the Commission for rehearing upon Order No. R-560-B, and as a basis for the application state:

(a) Applicants are the owners of interests in Lot 4, Section 6, Township 30 North, Range 11 West, N.M.P.M., San Juan County, New Mexico and are parties affected by Order No. R-560-B entered by the Commission on January 12, 1956.

(b) Order No. R-560-B is erroneous in the following respects:

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

2. Finding No. 11 is erroneous in that the approval of the Commission of the unorthodox location was not after notice and hearing as required by law, and said finding is further erroneous in that all interests within said unit were not consolidated by pooling agreement or otherwise as required by

Order No. R-110.

3. Order No. R-560-B is contrary to Section 1(a) of Order No. R-110 of the Commission.

4. Order No. R-560-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. Order No. R-560-B is an unreasonable and arbitrary interpretation of the Commission's rules and regulations and deprives Applicants of their correlative rights.

6. Order No. R-560-B deprives Applicants of their property without due process of law.

7. Order No. R-560-B impairs the obligations of a valid lease contract between Applicants and El Paso Natural Gas Company.

WHEREFORE, Applicants request a rehearing in Case No. 706 - 846 Consolidated on Order No. R-560-B.

Respectfully submitted,

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

By _____

for CAMPBELL & RUSSELL
their attorneys

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATIONS OF EL PASO NATURAL GAS COMPANY FOR REHEARING	))))	CASES NOS. 705-712 845-852 both inclusive

To the Honorable Commission:

Upon rehearing in captioned cases, your applicant, El Paso Natural Gas Company, would show:

1. The Commission's findings of fact are contradictory and inconsistent, and do not support the orders issued therein.

The Commission found that a drilling unit was established under the terms of Order R-110 upon approval of the Notices of Intention to Drill a well properly located on a designated tract of land in which the leases of all working interest owners had first been pooled or integrated (Finding No. 5). It found that the agreement of the working interest owners to communitize their leases complied with the provisions of Order R-110, and that the units selected as drilling units likewise complied with Order-110. However, the Commission also found that communitization of the leases involved was agreed upon and effected on May 19, 1954, the date of the first hearing, held several months after the Notice of Intention to Drill had been filed and approved.

Manifestly, the units involved in these cases were not established in accordance with Order R-110 if the leases therein were first communitized on May 19, 1954. No citation of authority is necessary for the proposition that a valid administrative order must be supported by a sufficient finding of facts. The Commission cannot issue an alternative order postulated on first one set of facts and then another. 73 C.J.S. 465 et seq.

Admittedly, the Commission does not have the authority to settle disputes as to the ownership of leases. But it necessarily has the power and the obligation to determine for itself whether the requirements of its orders have been published by persons subject to its jurisdiction.

In Cheesman v. American Interstate Corporation, [illegible], the court said:

> "We recognize that the commission cannot adjudicate the validity of an agreement any more than it can adjudicate title, but it has the same power to appraise the objections made to the issuance of a permit as it has to appraise the title on which an application for permit is based." See also: Magnolia Petroleum Co. v. Railroad Commission, 170 S.W.2d 189.

Such appraisal involves nothing more than a conclusion as to a past or present state of facts. In no sense, does it constitute retroactive administrative action.

2. Each of the orders in captioned cases is a nullity.

By definition, an order conclusively determines status, commands action in unequivocal terms, or definitively interprets some law or rule. United States v. Los Angeles & Salt Lake R. Co., 273 U.S. 299; Carolina Aluminum Co. v. Federal Power Commission, 97 F.2d 435, 73 C.J.S. 471 et seq. The alternative orders involved do none of these things. The parties do not know whether the Commission has confirmed the units as of May 19, 1954 or communitized them as of January 12, 1956. It is true that they can go to court to find out, but such action will not validate a void order.

As alternative orders communitizing all interests in the units, effective January 12, 1956, the orders are also insufficient in that they fail to prescribe the terms and conditions under which such communitization shall be accomplished, contrary to the requirements of Section 13(c) of the statute.

3. Written, oral or implied agreements to communitize satisfied the requirements of Order R-116, as interpreted by the Commission prior to August 31, 1954.

The unrefuted testimony of Mr. Elvisa Utz on this point was as follows:

> "Q. What was the practice and the requirements of the Commission with reference to obtaining permission to drill a well upon a drilling tract within the Blanco-Mesaverde Pool?
>
> "A. The only thing that we required during the period in question was that the operator make a statement on his C-101 as to what acreage was dedicated to that well and, if communitization was necessary, that he would communitize it. To the best of my knowledge, other than that there was nothing required in the way of communitization. (Tr. II, p. 45)

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"Q. Do you feel that the procedure followed by the Commission prior to August 31, 1953, in approving notices of intention to drill, without evidence of consolidation by pooling agreement or otherwise, complies with that rule?

"A. The Commission apparently thought that it did or it wouldn't have authorized the District Offices to approve C-101's in lieu. The fact that it took a considerable length of time sometimes to get communitization, I think probably prompted that procedure. (Tr. II, pp. 47-48)"

The plain import and reasonable implication of this testimony is that prior to August 31, 1953 the Commission only required the assurance that the working interest owners in the dedicated acreage would execute, within a reasonable time, a communitization agreement. While an oral or implied agreement to communitize interests in land might not satisfy the Statute of Frauds, part performance in filing a Notice of Intention to Drill in reliance thereon, together with actual drilling operations, render the agreement enforceable. Griswold v. Public Service Company, 238 P.2d 322.

While the practice of approving Notices on the operator's unsupported declaration that all leases in the unit "will be communitized" is not all that might be desired in the way of definite assurance, it is submitted that recognition of oral and implied agreements to communitize actually made prior to approval of the Notices subserves the principal purpose of Section 1(a) of Order R-110, while recognizing the practical exigencies of the situation. The purpose of any rule is a relevant and highly persuasive consideration in determining its meaning. Hines v. Stein, 298 U.S. 94.

When the Commission establishes spacing units and determines that the drilling of more than one well thereon will create waste, none of the owners of separately owned tracts in the unit has an absolute right to drill for and produce oil or gas from his lands. Each of them has a qualified right to drill, subject to the requirement that they conduct their operations for the development of the entire unit. When all of the working interest owners agree that one of them shall file the Notice of Intention to Drill with the understanding that they shall each share in the benefits and burdens of unit operations, the purposes of the rule are substantially satisfied. As of that date, the unit operator, the location of the

unit well and the acreage dedicated thereto are fixed. Thereafter, the owners in the unit are obligated to execute such reasonable memorandum of their understanding and agreement as may be submitted to them. The performance of drilling obligations should not be prohibited until the negotiation of every detail of the agreement has been completed.

4. The law and the evidence support the conclusion that the working interest owners agreed to communitize their leases in each of the units involved on or before the date the Commission approved the Notices of Intention to Drill thereon.

Order R-110 prohibits the drilling of a well until all interests in the unit have been communitized by agreement or otherwise. Ordinarily, a permit to drill carries with it a presumption that it was regularly issued in accordance with the statute and the Commission's rules. Cheesman v. Amerada Petroleum Corporation, supra; Humble Oil & Refg. Co. v. Lasseter, 120 S.W.2d 541; 31A Tex. Jur. 630, 264. Until some substantial and credible evidence is introduced to the contrary, a presumption exists in all of these cases that the spacing units were established in accordance with the provisions of R-110. That is, that the working interest owners therein had consolidated their leases by agreement or otherwise on or before the date the Notices of Intention to Drill were approved.

In any event, the record in four of these cases clearly shows that communitization of the alleged working interests, effective May 19, 1994, was a legal impossibility. At the hearing held May 19, 1994, Mr. Roland Hamblin, witness for applicant, testified that all the working interests in each of the units involved were then communitized (Tr. I, pp. [illegible], 9, 10, 13, 14 and 15). [illegible] Exhibits I-1, I-2, I-3 and I-4, the testimony of Mr. Edward John Cook pertaining to drilling and production operations on the lands and leases [illegible] (Tr. I, pp. 23-32), and Yates's Exhibits A-4, A-5, A-6, A-7 and A-10 (Tr. II, p. 4[illegible]) taken together support [illegible] conclusion: [illegible] working interests in the Ordovician (Cases 10[illegible] and 11[illegible]), Devonian (Cases 10[illegible]-10[illegible]), Hunton (Cases 10[illegible] and 11[illegible]) [illegible] (Cases 10[illegible]-10[illegible]) in the area

communitized on May 15, 1954, they had necessarily been communitized prior to September 1, 1953, the date on which the primary term of the Yager leases expired.

No evidence was entered in the record which refutes the presumption that the operator of any of the units involved in these cases had failed to obtain the necessary agreements to communitize contrary to the requirements of Order R-110. Mr. Hamblin was cross-examined closely as to the names of the persons who had actually executed communitization agreements prior to the filing of the Notices of Intention to Drill (Tr. I, pp. 22-24). The substance of Mr. Hamblin's answer was that he could not now be sure. The executed agreements were sent to Mr. Yager in August of 1953 and have not been returned (Tr. I, p. 19).

It is suggested that the executed or partially executed agreements believed to be in Mr. Yager's possession are the best evidence as to the identity of the persons who had executed them prior to August 31, 1953. If it deems this evidence necessary and material, the Commission's attention is directed to its powers under Section 6 of the statute.

It is applicant's posititon that the law and evidence of record are sufficient to establish the date on which the working interest owners agreed to communitize their leases in the units involved. However, should the Commission desire additional evidence on this point, applicant, upon rehearing, will introduce further testimony for the purpose of establishing that all working interest owners agreed to communitize their leases in each of the units involved no later than the date the Notices of Intention to Drill were approved.

In conclusion, applicant urges the Commission to grant the Applications for Rehearing filed herein, and that, upon rehearing, the Commission determine that each of the units involved in captioned cases be recognized as a communitized or pooled tract, effective on the date the Notice of Intention to Drill thereon was approved by the proper authority, and that such pooling or communitization

accomplished by agreement of the working interest owners having the right to drill into and produce from the Mesaverde Gas Pool be confirmed and ratified.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By John A Woodward
Attorney