

United States Department of the Interior

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FEB 17 1972

GENERAL INVESTIGATIVE DIVISION

OIL CONSERVATION COMM.
SANTA FE

1. 57
Rose 1, 8

February 15, 1972

C. E. LaRue and B. N. Manly
Post Office Box 647
Artesia, New Mexico 88210

Gentlemen:

Your letter of December 29, 1971, requests approval to commingle Grayburg production from oil and gas leases New Mexico 04393, New Mexico 04712, and New Mexico 04713 in sec. 31, T. 16 S., R. 30 E., N.M.P.M., Eddy County, New Mexico.

For royalty purposes, production allocation will be based on monthly well tests and resulting lease production as reported on Lessee's Monthly Report of Operations, form 9-329. The Lessee's Monthly Report of Sales and Royalty, form 9-361, must show all computations used in the calculation of lease sales.

The method of commingling described in your application is hereby approved subject to like approval by the New Mexico Oil Conservation Commission. You are requested to notify the District Engineer, U. S. Geological Survey, Post Office Drawer U, Artesia, New Mexico 88210, when the installation is completed and operative, so that an inspection can be made.

Sincerely yours,



CARL C. TRAYWICK
ACTING Oil and Gas Supervisor

Artesia, N. M.
January 25, 1972

Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, N. M. 87501

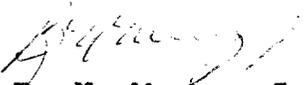
Dear Sir:

We would like to request exception to Rule 309-A to allow the comingling of production from three leases in the Square Lake pool, Eddy County, originally shown as the Etz Federal NCT 1-2, DeKalb Federal, and the John H. Trigg Federal E.

We propose to use metering equipment as shown on the enclosed diagram, and to rotate the metering of these wells on a daily basis to give a very close check of both oil and water produced from each well.

Application has been made for U. S. G. S. approval, and ownership both of working interest and overriding royalty is common for the Federal E and Etz Federal, and will be for the DeKalb as soon as assignments are completed and recorded.

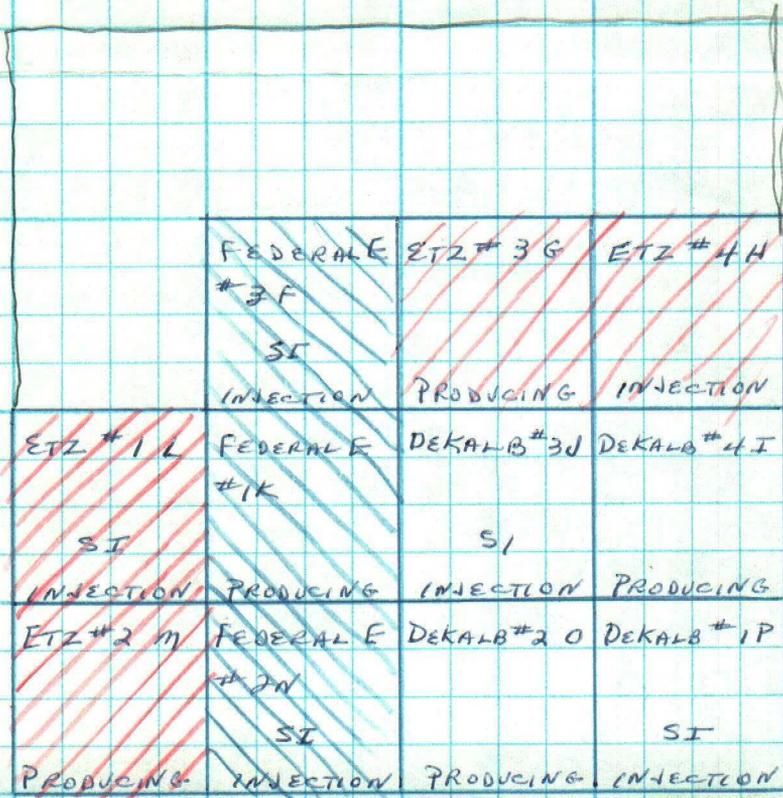
Very truly yours,
C. E. LaRue and B. N. Muncy, Jr.


B. N. Muncy, Jr.

C.E. HARVE and B.W. MURPHY JR.

SECTION 31 - T165-R30E

PRODUCTION FROM SQUARE LAKE GRAYBURG-SAN ANDRES



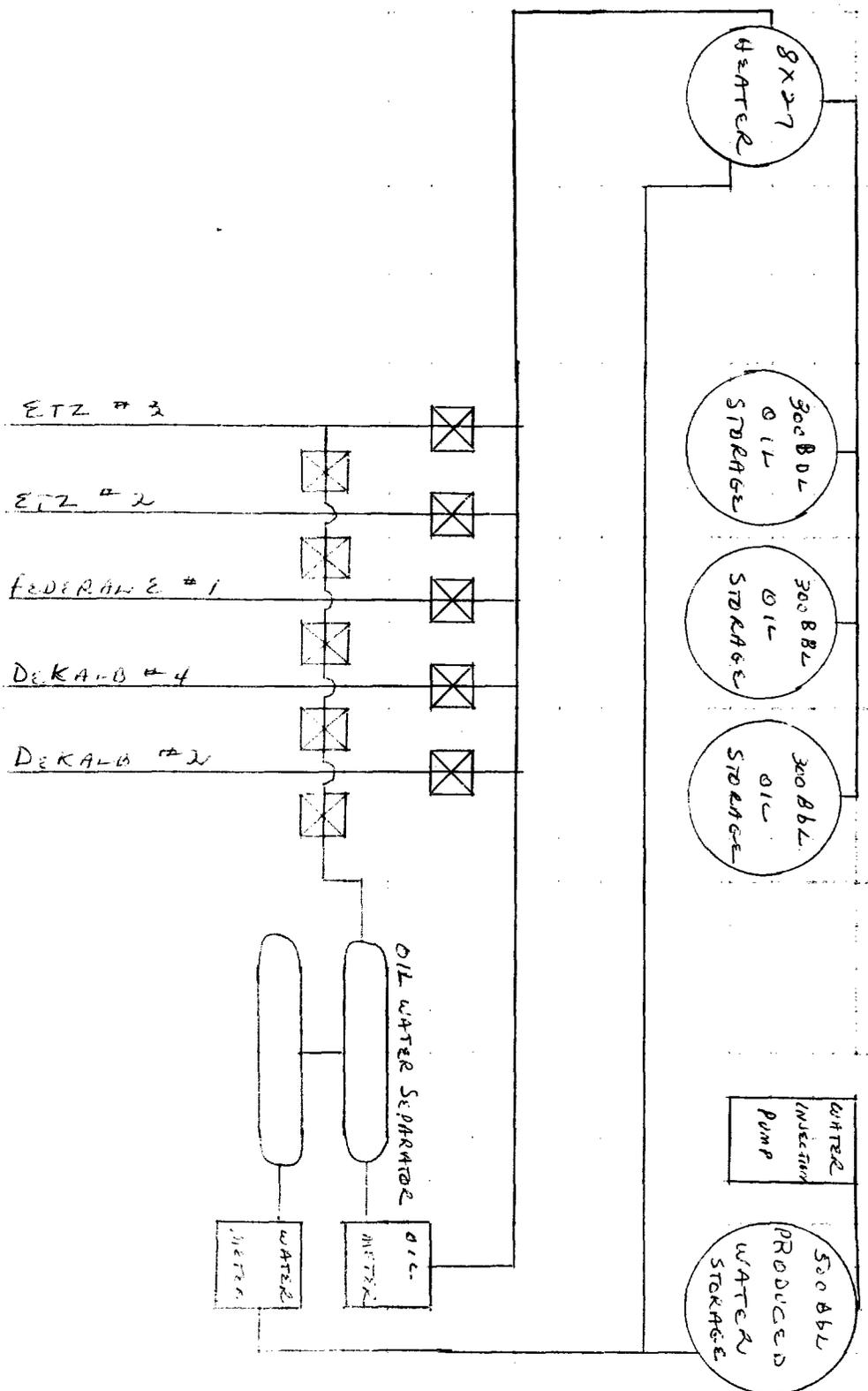
ETZ
NM 08529

Federal E
NM 04712

De Kalb NM 04393

2/17/72

OK to commingle Etz lease and Fed E lease, at this time as all ownership in these leases is now common. DeKalb lease can be added to commingling authority later when ORRT has been purchased and that ownership is common w/ the other two.



DESIGNATION OF OPERATOR

The undersigned is, on the records of the Bureau of Land Management, holder of lease

DISTRICT LAND OFFICE:

SERIAL NO.: **NM 08529** **NM 04712** **NM 04393**

and hereby designates

NAME:

ADDRESS: **C. E. LaRue and E. S. Muncy, Jr.**
P. O. Box 196 Artesia, N. M. 88210

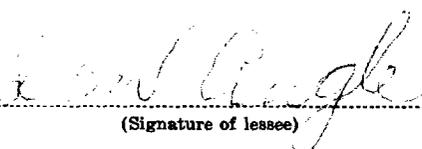
as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the supervisor or his representative may serve written or oral instructions in securing compliance with the Operating Regulations with respect to (describe acreage to which this designation is applicable):

NM 08529 **W $\frac{1}{2}$ SW $\frac{1}{4}$ Section 31, T 16S, R30E S $\frac{1}{2}$ NW $\frac{1}{4}$ Section 31, T 16S, R 30E**
NM 04712 **E $\frac{1}{2}$ W $\frac{1}{2}$ Section 31, T16S, R30E**
NM 04393 **SW $\frac{1}{4}$ Section 31, T16S, R30E.**

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Operating Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative.

The lessee agrees promptly to notify the supervisor of any change in the designated operator.



(Signature of lessee)

January 1, 1972
(Date)

Artesia, N. M.
(Address)

Don Angle
Don Angle

B. N. Muncy, Jr.
B. N. Muncy, Jr.

C. E. LaRue
C. E. LaRue

"Lease Owners"

John H. Trigg
John H. Trigg

Pauline V. Trigg
Pauline V. Trigg

"Overriding Royalty Owners"

STATE OF NEW MEXICO)
COUNTY OF EDDY)) ss.

The foregoing instrument was acknowledged before me
this February 7, 1972, by DON ANGLE, B. N. MUNCY, JR. and
C. E. LaRUE.

Marilyn Hammond
Notary Public

My commission expires:

12-4-73

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me
this February 3rd, 1972, by JOHN H. TRIGG and PAULINE V.
TRIGG, his wife.

Wayne Garry
Notary Public

My Commission expires:

9-28-75

AGREEMENT TO SUSPEND OVERRIDING ROYALTY

THIS AGREEMENT, made this February 2, 1972, between DON ANGLE, B. N. MUNCY, JR. AND C. E. LaRUE, hereinafter collectively called "Lease Owners," and JOHN H. TRIGG and PAULINE V. TRIGG, his wife, hereinafter called "Overriding Royalty Owners."

W I T N E S S E T H:

That Lease Owners, in the proportions of one-half to Don Angle, one-fourth to B. N. Muncy, Jr. and one-fourth to C. E. LaRue, are the owners of that certain oil and gas lease issued by the United States of America on December 1, 1951, bearing Serial No. NM 04712 ("Said Lease"), insofar as Said Lease covers the following lands ("Said Lands") in Eddy County, New Mexico:

Township 16 South, Range 30 East, N.M.P.M.

Section 31: $\frac{1}{2}$ of $\frac{1}{2}$ containing 160 acres, more or less.

That Overriding Royalty Owners are the owners of an overriding royalty equal to 1% of all the oil and gas which may be produced, saved and marketed from Said Lands under the terms of Said Lease.

That Lease Owners desire to attempt to re-establish production of oil in formations from the surface down to 100 feet below the depth of present wells, hereinafter called the Shallow Zone, in the Square Lake 31 Unit Area (terminated affective January 1, 1971), and commingle the production from Said Lands with the production of oil from the other lands formerly included in the Square Lake 31 Unit.

That Overriding Royalty Owners are willing to suspend the payment of their overriding royalty in the Shallow Zone upon the terms and conditions hereinafter set forth, so that the ownership of all interests may be common throughout the Square Lake 31 Unit Area and Lease Owners may obtain authority from the Oil Conservation Commission of New Mexico to commingle production therefrom.

NOW, THEREFORE, in consideration of Ten Dollars and other good and valuable considerations in hand paid to Overriding Royalty Owners by Lease Owners, the receipt and sufficiency of which are hereby acknowledged, it is signed:

1. That, effective at 7:00 A.M. January 1, 1972, and continuing so long as Lease Owners, their heirs and assigns, shall produce oil from the Shallow Zone, the 1% overriding royalty interest in the Shallow Zone payable to Overriding Royalty Owners on Said Lands under the terms of Said Lease, shall be suspended, and in lieu of said overriding interest Lease Owners shall pay all minimum royalty due the Department of the Interior.

2. This agreement shall be construed as a covenant running with the Shallow Zone underlying Said Lands, and shall be binding upon and inure to the benefit of the heirs and assigns of the parties hereto.

EXECUTED on the day and year first hereinabove written.

AGREEMENT TO SUSPEND OVERRIDING ROYALTY

THIS AGREEMENT, made this January 18, 1972, between DON ANGLE, B. N. MUNCY, JR. and C. E. LARUE, hereinafter collectively called "Lease Owners," and ROBERT W. ETZ, a single man and ALVA N. ETZ II and JEAN ETZ, his wife, hereinafter collectively called "Overriding Royalty Owners,"

W I T N E S S E T H:

That Lease Owners, in the proportions of one-half to Don Angle, one-fourth to B. N. Muncy, Jr. and one-fourth to C. E. LaRue, are the owners of that certain oil and gas lease issued by the United States of America on April 1, 1953, bearing Serial No. NM 08529 ("Said Lease"), insofar as Said Lease covers the following lands ("Said Lands") in Eddy County, New Mexico:

Township 16 South, Range 30 East, N.M.P.M.

Section 31: Lots 3 and 4 and S/2 NE/4

containing 153.53 acres, more or less.

That Overriding Royalty Owners are the owners, in equal shares, of an overriding royalty equal to 5% of all of the oil and gas which may be produced, saved and marketed from Said Lands under the terms of Said Lease.

That Lease Owners desire to attempt to re-establish production of oil in formations from the surface down to 3,750 feet below the surface ("Shallow Zone") in the Square Lake 31 Unit Area (terminated effective January 1, 1971), and to commingle the production of oil from Said Lands with the production of oil from the other lands formerly included in the Square Lake 31 Unit.

That Overriding Royalty Owners are willing to suspend the payment of their overriding royalty in the Shallow Zone upon the terms and conditions hereinafter set forth, so that the ownership of all interests may be common throughout the Square Lake 31 Unit Area and Lease Owners can obtain authority from the Oil Conservation Commission of New Mexico to commingle production therefrom.

NOW, THEREFORE, in consideration of Ten Dollars and other good and valuable considerations in hand paid to Overriding Royalty Owners by Lease Owners, the receipt and sufficiency of which are hereby acknowledged, it is agreed:

1. That, effective at 7:00 A.M. January 1, 1972, and continuing so long as Lease Owners, their heirs and assigns, shall produce oil from the Shallow Zone, the 5% overriding royalty interest in the Shallow Zone payable to Overriding Royalty Owners on Said Lands under the terms of Said Lease, shall be suspended, and in lieu of said overriding

interest Lease Owners shall pay to Overriding Royalty Owners the sum of \$20.00 per month, commencing February 10, 1972, and continuing thereafter on the tenth day of each and every month so long as oil is produced from the Shallow Zone. All of said payments shall be mailed to Overriding Royalty Owners at P. O. Box 1992, Roswell, New Mexico, 88201, or to such other address that Overriding Royalty Owners designate in writing to Lease Owners.

2. This agreement shall be construed as a covenant running with the Shallow Zone underlying Said Lands, and shall be binding upon and inure to the benefit of the heirs and assigns of the parties hereto.

EXECUTED on the day and year first hereinabove written.



Don Angle

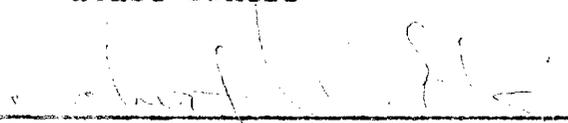


B. M. Muncy, Jr.

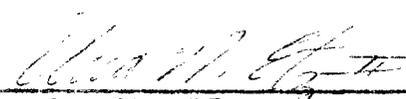


C. E. LaRue

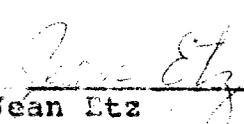
"Lease Owners"



Robert W. Etz



Alva N. Etz II



Jean Etz

"Overriding Royalty Owners"

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this January 18th, 1972, by DON ANGLE, B. N. MUNCY, JR. and C. E. LaRUE.



Notary Public

My commission expires:

March 3 1974

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me
this January 31, 1972, by ROBERT W. ETZ, a single man,
ALVA N. ETZ II and JEAN LTZ, his wife.

Alley Eko Meathers

Notary Public

My commission expires:
Feb. 1975