

CASE 5270: Application of TEXACO
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

CASE No.

5270

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 10, 1974

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Texaco Inc. for)
compulsory pooling, Eddy County,)
New Mexico.)
)
)

CASE 5270

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Thomas Derryberry, Esq.
Conservation Commission: Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Ken Bateman, Esq.
WHITE, KOCH, KELLY & MCCARTHY
220 Otero Street
Santa Fe, New Mexico

I N D E X

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B. E. HELLMAN

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E X H I B I T S

Marked

Admitted

Texaco's Exhibits 1 through 3 -- 8

HELLMAN--DIRECT

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MR. NUTTER: We will call Case Number 5270.

MR. DERRYBERRY: Case 5270, application of Texaco, Inc. for compulsory pooling, Eddy County, New Mexico.

MR. BATEMAN: Mr. Examiner, I am Ken Bateman of White, Koch, Kelly and McCarthy appearing for the applicant. I have witness and I ask that he be sworn.

(Whereupon, the witness was sworn.)

B. E. HELLMAN

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

DIRECT EXAMINATION

BY MR. BATEMAN:

Q Would you state your full name, address and your occupation?

A My name is B. E. Hellman, Midland, Texas, and I am employed by Texaco, Inc. as Chief Contract Man.

Q Are you familiar with the area which is the subject of Texaco's application?

A I am.

Q Have you previously testified before the Commission?

A I have.

Q Have you made your qualifications a matter of record?

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HELLMAN-DIRECT

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A Yes.

MR. BATEMAN: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

BY MR. BATEMAN:

Q Mr. Hellman, would you refer to what has been marked Exhibit 1 and state what Texaco is seeking by its application?

A Exhibit 1 identifies, in the red outline, all of Section 33, Township 24 South, Range 26 East, Eddy County in which Texaco is seeking a compulsory pooling, and this compulsory pooling would cover the Morrow formation gas rights only, and the section is owned by the U. S. Government and the fee owners. The fee owners have 280 acres which is shown in blue hatch mark, and none of the fee royalty owners have ratified our pooling agreement, and the U. S. Geological Survey on behalf of the U. S. Government has approved the pooling agreement.

Q To what extent have the working interest owners ratified the agreement?

A Texaco is the operator and the owner of a majority of the working interest; and Gulf Oil Corporation is the only remaining working interest owner, and all working

interest owners have signed the pooling agreement and operating agreement.

Q Have Texaco's overriding interest owners ratified?

A That is correct. All of the overriding interest owners of the Federal leases have ratified.

Q Has there been a well completed in this area?

A That is correct, in Unit F of Section 33.

Q Would you describe the status and the potential of that well?

A This well was completed in the Morrow formation on December 13th, 1973, and since that date has been shut in.

Q What is the potential of that well?

A It had a calculated open flow of 4.3 million feet per day.

Q It is completed in the Morrow, is that correct?

A Yes, that is correct.

Q Is that well indicated on Exhibit 1?

A It is, Unit F, Section 33.

Q What percentage of the total interest, outstanding interest is calculated to be?

A The outstanding non-participating royalty interests which are uncommitted to the unit comprises 20 percent of

280 acres for a total of 56 acres in the 640-acre unit for a percentage, total percentage of 8.75 percent of the 640-acre Morrow gas unit.

Q What attempts have been made to obtain the consent of the non-consenting royalty interest owners?

A Gulf Oil Corporation initially contacted the royalty owners on August the 30th, 1973, furnishing copies of the pooling agreement and the ratification instrument, and, again, in the same manner on September the 21st, 1973, and were unsuccessful.

Q Identify for the record the names of the outstanding royalty interest owners.

A The outstanding royalty interest owners who own an equal interest under the 280 acres are Mr. and Mrs. Wayne Moore, 403 North Marienfeld, Midland, Texas; and Mr. and Mrs. Wilson M. Smith, 607 North Rio, Fort Stockton, Texas.

Q All right. Continue with what has been marked Exhibit Number 2 and describe generally the terms and conditions of the proposed unit agreement?

A This is a standard-type communitization agreement recommended by the U. S. Geological Survey, covering gas rights only in the Morrow formation underlying Section 33

in question; and providing that all communitized substances will be allocated to owners within the unit on the basis of acre interest and that operations anywhere on the unit will be considered as operations on each particular tract and on all lands within the unit for a two year term and so long thereafter as producing or capable of producing and 60-day continuous operations are conducted and other provisions that are recommended by the U. S. Geological Survey.

Q Attest to the unit agreement's Exhibit A, would you briefly describe what that --

A (Interrupting) Exhibit A describes all lands within the unit by tracts, three tracts in this unit, two of which are separate Federal leases and the third tract is the one fee lease which contains 280 acres and also contains the interests who have not ratified the unit.

Q All right. Would you identify what has been marked as Exhibit Number 3?

A Exhibit Number 3 is a certificate signed by the Acting Oil and Gas Supervisor, U. S. Geological Survey indicating his approval to the communitization agreement on September 25th, 1973.

Q Mr. Hellman, in your opinion if the Commission approves the application of Texaco will it prevent waste and

HELLMAN DIRECT
CROSS

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protect correlative rights?

A That is correct.

Q Were Exhibits Numbers 1 and 2 prepared by you or
under your direction?

A They were.

Q Exhibit Number 3 you mentioned was given in re-
sponse from the U.S.G.S.?

A That is correct.

MR. BATEMAN: I offer Exhibits 1 through 3 at
this time.

MR. NUTTER: Texaco's Exhibits 1 through 3 will be
admitted into evidence.

(Whereupon, Texaco's Exhibits 1 through 3
were admitted into evidence.)

MR. BATEMAN: No further direct.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Hellman, I notice here on this Exhibit A to
the communitization agreement, Tract 3 which is the Gulf
acreage, it is noted here that the lessors are Mr. and Mrs.
Crawford. Now, how does Mr. and Mrs. Moore and Mr. and Mrs.
Smith get into this?

A They are successors in title to Mr. and Mrs.

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Crawford.

Q Then the notation here that the royalty owners are ratifying the communitization agreement, but as successors to Mr. and Mrs. Crawford, Mr. and Mrs. Moore and Mr. and Mrs. Smith didn't ratify the unitization agreement?

A That is correct. At the time this instrument was prepared Gulf Oil Corporation advised us that Mr. and Mrs. Smith had signed the ratification and furnished it to Mr. and Mrs. Moore, and that Mr. and Mrs. Moore had indicated they would sign and furnish it in turn back to Gulf, but the subsequent instrument contained stipulations that were added by these parties which Gulf was unwilling to accept and they in turn furnished again another ratification and pooling agreement to which no reply was received from either party.

Q Now, inasmuch as these non-committed interests are 100 percent royalty interests we don't have to have any accounting as far as drilling costs, operating costs or risk factor, or anything like this?

A That is correct. They are non-cost bearing royalty interests.

MR. NUTTER: Okay. Are there any further questions
— of Mr. Hellman?

MR. MORRIS: Yes, if I may.

MR. NUTTER: Yes, sir.

MR. MORRIS: I am Wayne Morris, the party referred to there, Midland, Texas.

I think the testimony is in error in one area and that is that I indicated that I would sign a communitization agreement; I never indicated that. I did receive, as you noted there, we are successors, Mr. Smith and myself to the Crawfords. We bought all their right title and interest in this area. That is a 20 percent lease below a depth of 5500, which Gulf has. The ratification included in that, to me there was no mention made of our 20 percent royalty interest there; it would be a little difficult to ratify a disclaimer. The stipulation that I included in the two replies was that we receive an average of no less than the three highest prices paid in the area for gas. However, it has developed since that time on examination of the title that we seriously question the validity of Gulf's ownership of these leases.

MR. NUTTER: Thank you, Mr. Moore.

Do you have anything further, Mr. Bateman?

MR. BATEMAN: Nothing further.

MR. NUTTER: Does anyone have anything further

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they wish to offer?

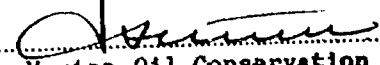
We will take Case Number 5270 under advisement.

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify
that the foregoing and attached Transcript of Hearing before
the New Mexico Oil Conservation Commission was reported by
me, and the same is a true and correct record of the said
proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5270
heard by me on 7/10, 1974.

, Examiner
New Mexico Oil Conservation Commission

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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

July 30, 1974

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Ken Bateman
White, Koch, Kelly & McCarthy
Attorneys at Law
Post Office Box 787
Santa Fe, New Mexico

Re: CASE NO. 5270
ORDER NO. R-4832
Applicant:
Texaco Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other Mr. & Mrs. Wayne Moore - Midland, Texas
Mr. & Mrs. Wilson Smith, Fort Stockton, Texas

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. 5270
Order No. R-4832

APPLICATION OF TEXACO INC. FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 10, 1974, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of July, 1974, the Commission, a quorum being present, having considered the testimony, the record and the recommendations of the Examiner, 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 the applicant, Texaco Inc., seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 33, Township 24 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico.
- (3) That the applicant proposes to dedicate the above-described area to its White City Com Well No. 1 in Unit F of said Section 33.
- (4) That there are royalty interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

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Case No. 5270
Order No. R-4832

(7) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying all of Section 33, Township 24 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 640-acre gas spacing and proration unit to be dedicated to applicant's White City Com Well No. 1 in Unit F of said Section 33.

(2) That Texaco Inc. is hereby designated the operator of the subject well and unit.

(3) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

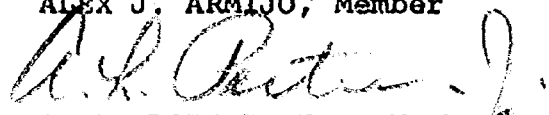
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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


S E A L

dr/

Docket No. 19-74

Dockets Nos. 21-74 and 22-74 are tentatively set for hearing on July 24 and August 7. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 10, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for August, 1974;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for August, 1974.

CASE 3608: (Reopened) (Continued from the June 19th Examiner Hearing)

In the matter of Case No. 3608 being reopened pursuant to the provisions of Order No. R-3282, which order established temporary rules for the Carlsbad Permo-Penn Gas Pool, Eddy County, New Mexico, including a provision for 640-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 5265: Application of David Fasken for an unorthodox location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled to the Morrow formation at a point 1664 feet from the North line and 660 feet from the East line of Section 1, Township 21 South, Range 26 East, Eddy County, New Mexico. Applicant further seeks approval for a 281.3-acre non-standard proration unit for said well comprising all of Lots 1 through 8 of said Section 1.

CASE 5266: Application of David Fasken for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for a well to be drilled to the Morrow formation at a point 1300 feet from the South and West lines of Section 29, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 29 to be dedicated to the well.

CASE 5267: Application of Mark Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 1, Township 18 South, Range 26 East, Atoka-Pennsylvanian Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location 990 feet from the South and East lines of said Section 1. Also to be considered will

(Case 5267 continued from Page 1)

be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5268: Application of Anadarko Production Company, General American Oil Company of Texas and Shenandoah Oil Corporation for four waterflood projects, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to institute four cooperative waterflood projects by the injection of water into the Grayburg-San Andres formation in Township 17 South, Range 30 East, Grayburg-Jackson Pool, Eddy County, New Mexico as follows:

Project No. 1: Anadarko's Loco Hills "A" Federal lease by the conversion of four wells in Sections 10 and 15 to water injection;

Project No. 2: Anadarko's Loco Hills "B" Federal lease by the conversion of three wells in Section 9;

Project No. 3: General American Parke "F" lease by the conversion of one well in Section 10;

Project No. 4: Shenandoah's Parke "B" lease by the conversion of two wells in Section 15.

CASE 5269: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Estacado Unit Area comprising 1280 acres, more or less, of State and fee lands in Township 14 South, Range 35 East, Lea County, New Mexico.

CASE 5270: Application of Texaco Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 33, Township 24 South, Range 26 East, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to applicant's White City Com. Well No. 1 in Unit F of said Section 33.

CASE 5271: Application of Merrion & Bayless for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 13, Township 24 North, Range 6 West, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit in Unit F of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5272: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Consolidated Oil and Gas, Inc., United States Fidelity & Guaranty Company and all other interested parties to appear and show cause why the Consolidated Oil and Gas, Inc., Price Well No. 1 located in Unit N, Section 15, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be recompleted as a single-zone well or be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5273: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Eastern Petroleum Corporation, United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the following wells should not be abandoned in accordance with a Commission-approved plugging program:

Castillo #1 located in Unit P, Section 35, Township 20 North, Range 7 West, McKinley County, New Mexico;

Chopup #1 located in Unit N, Section 30, Township 19 North, Range 6 West, McKinley County, New Mexico;

Chacra Mesa #1 located in Unit B, Section 14, Township 19 North, Range 7 West, McKinley County, New Mexico;

Blackjack #1 located in Unit P, Section 12, Township 21 North, Range 9 West, San Juan County, New Mexico;

Pornada #1 located in Unit H, Section 27, Township 18 North, Range 7 West, McKinley County, New Mexico.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338-A, which order continued special rules for the Humble City-Strawn Pool, Lea County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing.

CASE 4946: (Reopened)

In the matter of Case No. 4946 being reopened pursuant to the provisions of Order No. R-4581, which order established temporary rules for the Crosby-Fusselman Associated Pool, Lea County, New Mexico. All interested parties may appear and show cause why said rules should not be rescinded.

CASE 5110: (Continued from January 16, 1974)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the institution of gas prorationing in

(Case 5110 continued from Page 3)

the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool. NOTE: This case will be continued to the first Examiner Hearing in January, 1975.

CASE 5274: Southeastern nomenclature case calling for the creation, abolishment, and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Black River-Wolfcamp Gas Pool. The discovery well is Amoco Production Company Herren Federal Gas Com Well No. 1 located in Unit K of Section 7, Township 24 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 27 EAST, NMPM
Section 7: SW/4

(b) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Cooper-Morrow Gas Pool. The discovery well is the El Paso Natural Gas Company Cooper Federal Well No. 1 located in Unit F of Section 21, Township 24 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 21: N/2

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Malaga-Morrow Gas Pool. The discovery well is Phillips Petroleum Company Malaga A Well No. 1 located in Unit L of Section 2, Township 24 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM
Section 2: W/2

(d) Abolish the Bell Lake-Pennsylvanian Gas Pool in Lea County, New Mexico, described as:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 36: SE/4

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: All
Section 31: All

(Case 5274 continued from Page 4)

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 1: NE/4

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: NW/4

(e) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production with a provision for 160-acre spacing units and designated as the Bell Lake-Atoka Gas Pool. The discovery well is the Continental Oil Company Bell Lake Unit Well No. 2 located in Unit N of Section 30, Township 23 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 30: SW/4

(f) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the South Bell Lake-Atoka Gas Pool. The discovery well is the Continental Oil Company Bell Lake Unit 1 Well No. 4 located in Unit F of Section 6, Township 24 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: W/2

(g) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production with a provision for 160-acre spacing units and designated as the South Bell Lake-Morrow Gas Pool. The discovery well is the Continental Oil Company Bell Lake State 3 Well No. 5 located in Unit G of Section 1, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 36: SE/4

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 31: SW/4

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 1: NE/4

(h) Extend the North Bagley-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 33 EAST, NMPM
Section 6: NE/4

(i) Extend the Black River-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 12: SW/4

(j) Extend the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 27: N/2

(k) Extend the Cabin Lake-Strawn Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM
Section 11: W/2 NE/4

(l) Extend the Cemetary-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 8: All

(m) Extend the North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 17: N/2

(n) Extend the Eagle Creek-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM
Section 13: W/2 SW/4
Section 28: SW/4
Section 29: S/2

(o) Extend the Hat Mesa-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 10: E/2
Section 11: W/2

(p) Extend the Loco Hills Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 23: NE/4 NE/4

(q) Extend the Red Lake-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 18: N/2

(r) Extend the Rocky Arroyo-Canyon Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 4: S/2
Section 5: S/2

(s) Extend the Townsend-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 9: N/2 and SE/4

(t) Extend the Twin Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
Section 36: SW/4 SE/4

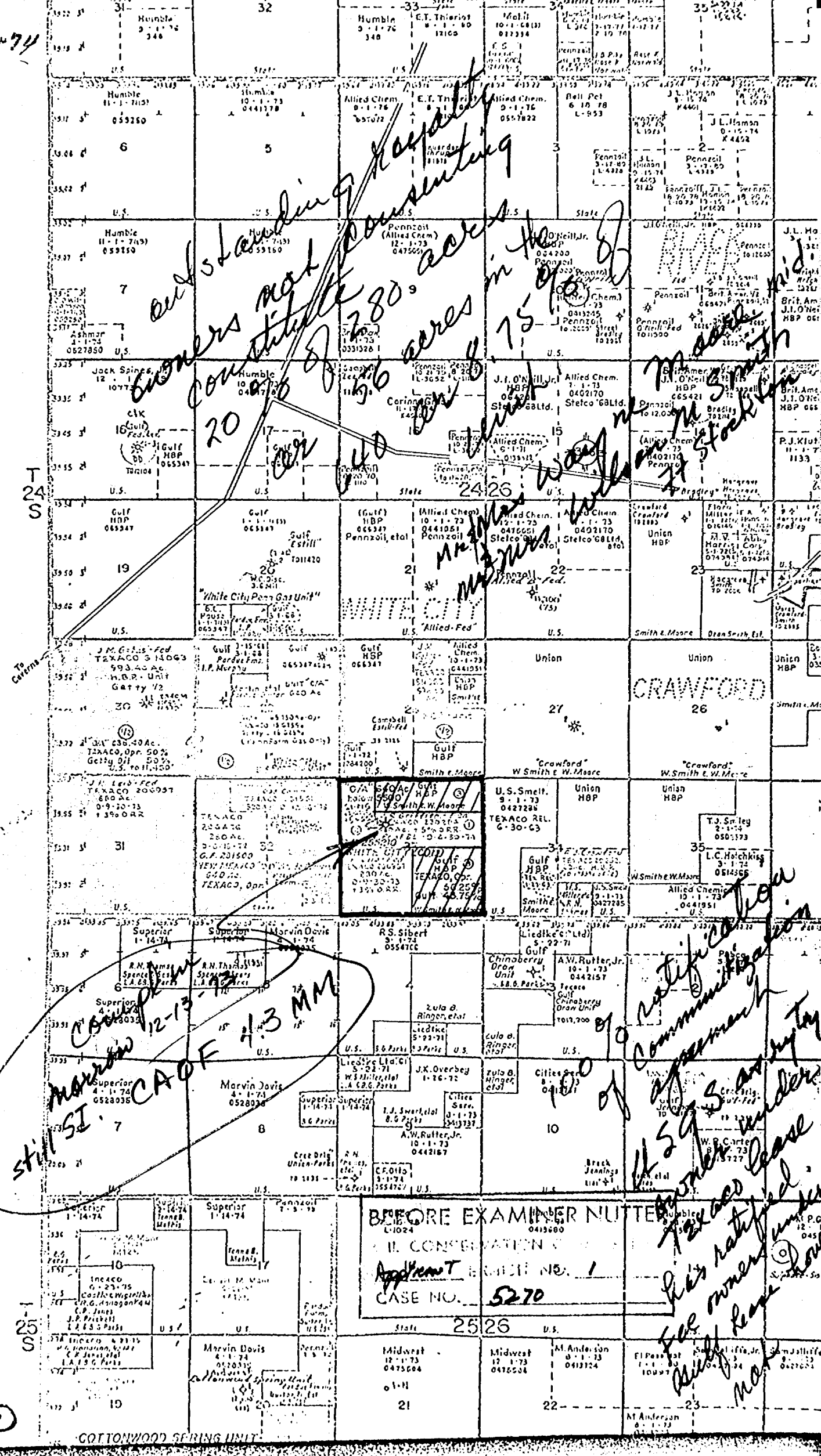
(u) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 16: SE/4

(v) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 11: NW/4

Re
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BEFORE EXAMINER NUTTE
IL CONSERVATION
Apprentice
CASE NO. 5270

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S

COTTONWOOD SPRING UNIT

COMMUNITIZATION AGREEMENT

THIS AGREEMENT entered into as of the 1st day of September, 1973, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H :

WHEREAS, the act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease or any portions thereof with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 24 South, Range 26 East, N.M.P.M.
Eddy County, New Mexico
Section 33: All

containing 640 acres, more or less, and this agreement shall extend to and include only the Morrow formation underlying said lands and the dry gas and associated liquid hydrocarbons hereinafter referred to as "communitized substances," producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit A designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Regional Oil and Gas Supervisor.

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
Applicant	EXHIBIT NO. 2
CASE NO.	5270

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, a log and history of any well drilled on the communitized area, monthly reports of operations, statements of communitized substances sales and royalties, and 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.

5. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom 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 to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement 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, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the formation covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees shall not be released from their obligation to protect the communitized area from drainage of communitized substances by a well or wells drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages 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 and regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are or can be produced from

the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non-production.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas operating regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

APPROVED AS TO:

Terms: 1/16

Form: 13A

Date: _____

TEXACO Inc.

By _____

Its Attorney-in-Fact

Address: P. O. Box 3109
Midland, Texas 79701

OPERATOR AND WORKING INTEREST
OWNER

GULF OIL CORPORATION

By _____

Its Attorney-in-Fact

Address: P. O. Drawer 1150
Midland, Texas 79701

WORKING INTEREST OWNER

Assistant Secretary

Date: 9-6-73

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 11 day of Sept, 1973, by Attorney-in-Fact for TEXACO Inc., a Delaware corporation, on behalf of said corporation.

[Signature]
Notary Public in and for
Midland County, Texas

My Commission Expires:
11/1/75

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 6 day of Sept, 1973, by Attorney-In-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

Emily Jones
Notary Public in and for
Midland County, Texas

My Commission Expires:

75

Exhibit "A" to Communitization Agreement
dated September 1, 1973, Embracing all of
Section 33, T-24-S, R-26-E, N.M.P.M., Eddy
County, New Mexico.

Operator of Communitized Area: TEXACO Inc.
P. O. Box 3109
Midland, Texas 79701

Description of Leases Committed

TRACT NO. 1

230234
Lessor: United States of America
Lessee of Record: TEXACO Inc.
Serial No. of Lease: NM-0539977-A
Date of Lease: May 1, 1964
Description of Lands Committed: S/2 NE/4 and SE/4 NW/4 of Sec-
tion 33, T-24-S, R-26-E, N.M.P.M., Eddy County, New Mexico.
Number of Acres: 120
Working Interest and Percentage: TEXACO Inc. 100%
O.R.R.I. and Percentage: J. R. Griffeth and wife, 5%
Mary K. Griffeth
621 Meadows Building
Dallas, Texas 75200

TRACT NO. 2

226957
Lessor: United States of America
Lessee of Record: TEXACO Inc.
Serial No. of Lease: NM-0441951-A
Date of Lease: October 1, 1963
Description of Lands Committed: SW/4 and W/2 NW/4 of Section 33,
T-24-S, R-26-E, N.M.P.M., Eddy County, New Mexico.
Number of Acres: 240
Working Interest and Percentage: TEXACO Inc. 100%
O.R.R.I. and Percentage: J. H. Leib and wife, 3% until \$440,000 is paid.
Kathryn J. Leib
14 Wall Street
New York, New York 10000

TRACT NO. 3

Lessor: A. J. Crawford and wife, Minnie May Crawford
Lessee of Record: Gulf Oil Corporation
Serial No. of Lease: Fee Lease-Recorded in Book 82, Page 317,
Oil and Gas Records, Eddy County, New Mexico
Date of Lease: February 13, 1957
Description of Lands Committed: NE/4 NW/4, N/2 NE/4, and SE/4 of
Section 33, T-24-S, R-26-E, N.M.P.M., Eddy County, New Mexico
Number of Acres: 280
Working Interest and Percentage: Gulf Oil Corporation 100%
O.R.R.I. and Percentage: None
Provision of Fee Lease Authorizing Pooling: None (Royalty owners
are ratifying communitization agreement)

Recapitulation

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	120	18.75%
2	240	37.50%
3	280	43.75%
	640	100.00%

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that
this instrument was filed for record on the 13th day of November
1973 at 1:20 o'clock P.M., and duly recorded in Book 109
page 627 of the Records of Miscellaneous

GERALDINE MAHARLEY, County Clerk
By Cuni C. Boyd, Deputy

APPRAISAL-CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under Section 17(J) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(J)), and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached commitment agreement covering

~~xxxx~~ all of section 3, T. 24 S., R. 26 E., N.M.P.M.,

Eddy County, New Mexico,

as to (dry gas and associated liquid hydrocarbons)

~~XXXXXXXXXXXX IN XXXXHYDROCARBONSXXXXXXXXXXXX~~ producible from the

Morrow formation.

B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated: September 25, 1973

Orvil C. Taggart
Acting Area Oil and Gas Supervisor
U. S. Geological Survey

Contract No. Com. App. -SW- 776

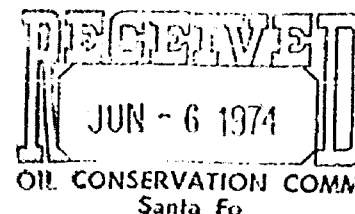
BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

Appendix T EXHIBIT NO. 3

CASE NO. 5270

(16)



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF TEXACO INC. FOR COMPULSORY
POOLING, WHITE CITY-PENNSYLVANIAN
GAS POOL, EDDY COUNTY, NEW MEXICO.

No. 5270

APPLICATION

COMES NOW TEXACO INC. by its attorneys, and in support
hereof respectfully states:

1. Applicant is the owner of the entire working
interest in lands embraced in two federal leases covering the
SW/4, NW/4 NW/4, S/2 NW/4, S/2 NE/4 of Section 33, Township 24
South, Range 26 East, N.M.P.M., Eddy County, New Mexico.
2. Gulf Oil Corporation is the owner of the entire
working interest of the balance of Section 33, Township 24 South,
Range 26 East, N.M.P.M., Eddy County, New Mexico, comprised of
the SE/4, N/2 NE/4, and NE/4 NW/4.
3. Applicant drilled and completed on December 13,
1973, a Morrow Gas Well completed to a depth of 11,488 feet which
well is currently shut-in. Texaco's well, designated White City
Com. Well # 1, is located 1,650 feet from the North and 1,650
feet from the West boundaries of said Section 33, Township 24
South, Range 26 East, N.M.P.M. Existing pool rules promulgated
by the New Mexico Oil Conservation Commission for the White
City - Pennsylvanian gas pool requires the dedication of 640
acres to the proration unit for the well. Accordingly, applicant
has prepared a communitization agreement, a copy of which is
attached hereto as Exhibit "A", which agreement has been executed
both by applicant and Gulf Oil Corporation, comprising one hundred
percent (100%) of the working interest in Section 33, T 24S,

DOCKET MAILED

Date 6-27-74

See page 2 for original docket

DOCKET MAILED

Date 6-27-74

R 26E, N.M.P.M. In addition, the communitization agreement has been reviewed and approved by the United States Geological Survey.

4. A copy of Exhibit "A" has been approved by the overriding royalty interest owners of Applicant's federal leases.

5. A copy of Exhibit "A" has been forwarded to the royalty owners of the lease held by Gulf Oil Corporation, namely Mr. and Mrs. Wayne Moore, 403 North Marienfeld, Midland, Texas and Mr. and Mrs. Wilson Smith, 607 North Rio, Fort Stockton, Texas, however said royalty owners have not responded as of the date of the filing of this application.

6. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford the owner of each mineral interest in foresaid Section 33, T 24S, R 26E, N.M.P.M., the opportunity to recover or receive their just and fair share of the gas in said Morrow formation underlying said proration unit, all mineral, royalty and working interest whatever they may be, from the surface through the Pennsylvanian formation underlying the above described gas proration unit should be dedicated to the applicant's well.

7. Applicant desires that it be designated the operator of the unit as provided for in Exhibit "A".

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing, the Commission enter its order pooling all mineral, royalty and working interest, whatever they may be, from the surface through the Pennsylvanian formation underlying Section 33, T 24S, R 26E, N.M.P.M., Eddy County, New Mexico, to form a standard gas proration unit to be

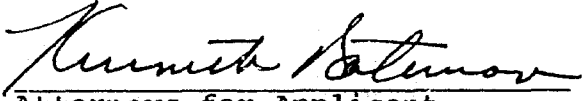
dedicated to the Applicant's White City Com. Well # 1.

C. That upon hearing, the Applicant be designated as the operator of the newly formed unit.

D. For such other and further relief as there may be just in the premises.

TEXACO INC.

By:
WHITE, KOCH, KELLY & MCCARTHY
P. O. Box 787
Santa Fe, New Mexico 87501


Attorneys for Applicant

Com 5270

COMUNITIZATION AGREEMENT

THIS AGREEMENT entered into as of the 1st day of September, 1973, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H :

WHEREAS, the act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease or any portions thereof with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 24 South, Range 26 East, N.M.P.M.
Eddy County, New Mexico
Section 33: All

containing 640 acres, more or less, and this agreement shall extend to and include only the Morrow formation underlying said lands and the dry gas and associated liquid hydrocarbons hereinafter referred to as "communitized substances," producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit A designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Regional Oil and Gas Supervisor.

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4. Operator shall furnish the Secretary of the Interior, or his authorized representative, a log and history of any well drilled on the communitized area, monthly reports of operations, statements of communitized substances sales and royalties, and 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.

5. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 202(i) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom 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 to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement 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, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the formation covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees shall not be released from their obligation to protect the communitized area from drainage of communitized substances by a well or wells drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages 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 and regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are or can be produced from

the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non-production.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas operating regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

APPROVED AS TO:

Terms 11/2

Form 13A

Date: _____

Assistant Secretary

Date: 9-6-73

PEXACO Inc.

By _____

Its Attorney-in-Fact

Address: P. O. Box 3109
Midland, Texas 79701

OPERATOR AND WORKING INTEREST
OWNER

GULF OIL CORPORATION

By _____

Its Attorney-in-Fact

Address: P. O. Drawer 1150
Midland, Texas 79701

WORKING INTEREST OWNER

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 11 day of Sept., 1973, by Attorney-in-Fact for TEXACO Inc., a Delaware corporation, on behalf of said corporation.

Notary Public in and for
Midland County, Texas

My Commission Expires:
11/1/75

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 6 day of Sept., 1973, by Attorney-In-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

Emily Jones
Notary Public in and for
Midland County, Texas

My Commission Expires:

75

Exhibit "A" to Communitization Agreement
dated September 1, 1973, embracing all of
Section 33, T-24-S, R-26-E, N.M.P.M., Eddy
County, New Mexico.

Operator of Communitized Area: TEXACO Inc.
P. O. Box 3109
Midland, Texas 79701

Description of Leases Committed

TRACT NO. 1

230234
Lessor: United States of America
Lessee of Record: TEXACO Inc.
Serial No. of Lease: NM-0539977-A
Date of Lease: May 1, 1964
Description of Lands Committed: S/2 NE/4 and SE/4 NW/4 of Sec-
tion 33, T-24-S, R-26-E, N.M.P.M., Eddy County, New Mexico.
Number of Acres: 120
Working Interest and Percentage: TEXACO Inc. 100%
O.R.R.I. and Percentage: J. R. Griffeth and wife, 5%
Mary K. Griffeth
621 Meadows Building
Dallas, Texas 75200

TRACT NO. 2

206957
Lessor: United States of America
Lessee of Record: TEXACO Inc.
Serial No. of Lease: NM-0441951-A
Date of Lease: October 1, 1963
Description of Lands Committed: SW/4 and W/2 NW/4 of Section 33,
T-24-S, R-26-E, N.M.P.M., Eddy County, New Mexico.
Number of Acres: 240
Working Interest and Percentage: TEXACO Inc. 100%
O.R.R.I. and Percentage: J. H. Leib and wife, 3% until \$440,000 is paid.
Kathryn J. Leib
14 Wall Street
New York, New York 10000

TRACT NO. 3

Lessor: A. J. Crawford and wife, Minnie May Crawford
Lessee of Record: Gulf Oil Corporation
Serial No. of Lease: Fee Lease-Recorded in Book 82, Page 317,
Oil and Gas Records, Eddy County, New Mexico
Date of Lease: February 13, 1957
Description of Lands Committed: NE/4 NW/4, N/2 NE/4, and SE/4 of
Section 33, T-24-S, R-26-E, N.M.P.M., Eddy County, New Mexico
Number of Acres: 280
Working Interest and Percentage: Gulf Oil Corporation 100%
O.R.R.I. and Percentage: None
Provision of Fee Lease Authorizing Pooling: None (Royalty owners
are ratifying communitization agreement)

Recapitulation

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	120	18.75%
2	240	37.50%
3	280	43.75%
	640	100.00%

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that
this instrument was filed for record on the 13th day of November
1973 at 1:20 o'clock P.M., and duly recorded in Book 129
page 627 of the Records of Miscellaneous.

GERALDINE MARSHALL, County Clerk
By Curtis R. Boyd Deputy

dr/

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. 5270

Order No. R-4832

APPLICATION OF TEXACO INC. FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 10 1974, 1
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this day of July, 1974, the Commission,
a quorum being present, having considered the testimony, the record
and the recommendations of the Examiner, 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 the applicant, Texaco Inc.,
seeks an order pooling all mineral interests in the
Morrow formation underlying ~~the~~ all
of Section 33, Township 24 South, Range 26 East,
NMPM, White City-Pennsylvanian Gas Pool Eddy County, New
Mexico.

(3) That the applicant ~~has the right to drill and~~ proposes to dedicate ~~its White City Com Well No. in Unit F of said Section 33~~ ~~to drill a well~~ ~~the above-described area to its White City Com Well No. 1 in Unit F of said Section 33.~~

(4) That there are ^{Royalty} interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional _____ thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

Case No.

Order No. R

(11) That _____ per month should be fixed as a reasonable charge for supervision (combined fixed rates). That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 1, 1974, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying ~~the~~ all of Section 33, Township 24 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, are hereby pooled to form a standard 640 - acre gas spacing and proration unit to be dedicated to ~~applicant's~~ applicant's White City Com Well No. 1 in Unit F of said Section 33.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of November, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of November, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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~~PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.~~

(2) That Texaco Inc. is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and ^{within} at least 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well _____ of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That _____ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(3) (12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(4) (13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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