

CASE 344: Application of SOUTHERN UNION PROTECTION CO. for an order freeze-pooling a standard 100-acre proration unit in Tapacito-PC Pool.

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Application, Transcript,
and Exhibits, Etc.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
APRIL 19, 1961

EXAMINER HEARING

PHONE CH 3-6691

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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IN THE MATTER OF:

CASE 2249 Application of Southern Union Production Com-
pany for an order force pooling a standard 160-
acre proration unit in the Tapacito-Pictured
Cliffs Gas Pool. Applicant, in the above-
styled cause, seeks an order force pooling all
mineral interests in the Tapacito-Pictured
Cliffs Gas Pool in the SW/4 of Section 2, Town-
ship 25 North, Range 3 West, NMPM, Rio Arriba
County, New Mexico, to form a standard 160-acre
gas proration unit.

BEFORE:

A. L. Porter, Examiner

T R A N S C R I P T O F P R O C E E D I N G S

MR. PORTER: We'll go back to the regular order of the
docket and take up Case 2249.

MR. MORRIS: Case 2249. Application of Southern Union
Production Company for an order force pooling a standard 160-acre
proration unit in the Tapacito-Pictured Cliffs Gas Pool.

MR. SANCHEZ: Manuel Sanchez, Santa Fe, New Mexico, at-
torney at law representing Southern Union Production Company.

MR. PORTER: Mr. Sanchez.



MR. SANCHEZ: The applicant is ready to proceed with the evidence.

MR. PORTER: Do you have any witness?

MR. SANCHEZ: Yes, I have two witnesses.

MR. PORTER: Will you have them stand and be sworn at this time?

(Witnesses sworn)

MR. PORTER: The witness may be seated.

MR. SANCHEZ: I'll have to offer to record first, and then I will ask the questions of the witnesses. I have here a certified copy of the documents in the United States Land Office at Santa Fe, New Mexico with reference to the title of Southern Union Production Company to the north half of the southwest quarter of Section 2, which is involved in this case.

MR. PORTER: Are you offering this as an Exhibit?

MR. SANCHEZ: Yes. I'm offering it in evidence to prove our title.

MR. PORTER: Let this document be identified as Southern Union Production Company's Exhibit No. 1. Is that all right, Mr. Sanchez?

MR. SANCHEZ: That's all right.

(Whereupon, Southern Union Production Company's Exhibit No. 1 was marked for identification)

MR. SANCHEZ: Now, with reference to the ownership of the south half of the southwest quarter of Section 2 involved in this

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suit, I desire to state that I have made an investigation as to the ownership of the said south half of the southwest quarter. I find that the south half of the southwest quarter was patented to Ricardo Martinez in 1931. Ricardo Martinez is now dead. There has been no judicial determination of the ownership of his estate or who his heirs are. I made an investigation, and find that the ownership is as set forth in the application under Paragraph 5 of the application on Page 2. I have verified that as well as I could with respect to the names and the addresses by contacting three of the parties who are listed in there; two of the parties giving me the information, and one of them advising me as to his ownership, namely, the party who owns the majority interest in the party, Jose Maria Martinez.

I will ask Mr. Whitlow to take the stand.

MR. PORTER: What's the witness' name, please?

MR. WHITLOW: Whitlow. W-h-i-t-l-o-w.

D. W. WHITLOW,

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

DIRECT EXAMINATION

BY MR. SANCHEZ:

Q Your name is Mr. Whitlow?

A D. W. Whitlow, assistant manager of the Land Department, Southern Union Production Company, Dallas, Texas.

Q How long have you been assistant manager of Southern Union



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Production Company?

A The past two years. I was District Landman for seven years.

Q Your total years of experience has been in connection with the Land Department with Southern Union Production?

A Nine years with the Gas Company.

Q Mr. Whitlow, you made an investigation with reference to the matters covered in this application as to the matter of drilling on the lands involved in the application --

A Yes.

Q -- requesting a proration unit of 160 acres --

A Yes.

Q -- including the north half of the southwest quarter of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico?

A Yes, sir.

Q Do you have any information with reference to wells around that area as to the cost of the installation of a well?

A We have drilled, we own the offset acreage and have drilled the four wells in this immediate area offsetting this proposed area. Our costs have ranged anywhere from forty thousand three hundred dollars to forty-three thousand four hundred dollars to drill and complete and get ready to go into the line.

MR. PORTER: You want this marked as Exhibit No. 2?

MR. SANCHEZ: Yes.



(Whereupon, Southern Union Production Company's Exhibit No. 2 was marked for identification)

Q (By Mr. Sanchez) Mr. Whitlow, I hand you a paper marked applicant's Exhibit 2, and ask you if you prepared or helped prepare that Exhibit?

A Yes, this was prepared in our exploration department on estimated cost of a well to be drilled in the southwest quarter of Section 2. And for a producing well, we estimated forty-one thousand six hundred dollars; for a dry well, thirty-two thousand three hundred eighty dollars.

MR. SANCHEZ: We offer the Exhibit in evidence.

MR. PORTER: Mr. Sanchez, I'll rule on your motion for the introduction of the Exhibits at the close of your direct testimony.

MR. SANCHEZ: That's all right. In connection with that Exhibit, I would like to state to the Commission that I have contacted Mr. Tom McKenna and Mr. Joseph Sommer, each of whom own a one-sixth working interest in this property, and they have agreed that the expenses shown on that would be reasonable, and have also advised them that I would request the Commission to allow Southern Union Production Company a 25 percent increase over the actual cost of the amount of the well. They said they had no objection to that.

Q (By Mr. Sanchez) Mr. Whitlow, with respect to the oil pool and the location of this well, if you put it in the southwest

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quarter of the southwest quarter, or even in the lands covered by the Southern Union Production Company's lease, with respect to the pool, would that well be in the middle of the pool or close to the fringe or just about where?

A It would be a northeast stepout from what we would classify as the pool. We're going toward a dry hole, plus an established water barrier. I would definitely call this a stepout, not particularly a development well. We think we will get a well, however.

Q But it's not proven territory?

A As far as the stepout goes, no, sir.

Q You know, of course, that the oil and gas lease from the Federal Government, held by Southern Union Production Company expires next August --

A Yes, sir, August 31.

Q -- if the land is not drilled on it?

A Yes, sir.

Q What about drilling there so that Southern Union Production will receive its just and proper portion of the oil and gas, is that necessary?

A Yes, that's the only way we can hold the lease, which also includes other lands other than the 80 acres.

MR. SANCHEZ: I believe that's all from this witness.

MR. PORTER: Does anyone have any questions of Mr. Whitlow?



MR. MORRIS: Yes, I do.

MR. PORTER: Mr. Morris.

CROSS-EXAMINATION

BY MR. MORRIS:

Q Mr. Whitlow, what attempts have you made to secure the approval, or have you been in charge of securing the approval of the nonconsenting interest owners in this tract?

MR. SANCHEZ: With respect to that, let me state that I will have a witness on that with respect to the securing of the interest, as far as oil and gas leases are concerned.

A But I have also tried, yes, sir, for the last year.

Q I see. Have you contacted the people listed under Paragraph 5 of the application?

A Only through people out here and through Mr. Sanchez.

Q Would you detail what other efforts you have made to secure the consent of the nonconsenting interest owners?

A Well, first of all, we talked to Mr. McKenna and Mr. Sommer last June, and asked if they would like to join us in a well, and also since the Martinez, et al, were clients of theirs, if they would contact them for us, since we did not at that time have any names, addresses or anything. It is my understanding that they talked to Mr. Martinez. who is up northeast, he was not willing to lease at all, under any circumstances. They would be willing with their third interest to go on anything that would be equitable to get the well drilled.

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Q Did you ever talk to Mr. Martinez?

A No, sir. I understand that he does not talk English, so I would be at a loss.

MR. MORRIS: That's all I have of this witness.

MR. PORTER: Mr. Nutter.

BY MR. NUTTER:

Q Mr. Whitlow, as I understand it, Southern Union Production Company has a Federal lease on the north half of the southwest quarter.

A Yes, sir.

Q The south half of the southwest quarter is not leased to anyone?

A That is correct, yes, sir.

Q Are there any overriding royalty interests under the north half of the south half?

A Yes, sir, three percent.

Q Have they agreed to the pooling?

A Yes. Mr. Langston will testify to that.

Q Southern Union is willing to pool?

A Yes.

Q And I presume the Federal Government would approve the communitization?

A Yes, sir.

Q And Mr. Langston would approve it?

A Yes.



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Q So everybody is in agreement except the owners of the south half?

A Yes.

Q The owners of the south half are the heirs to the man who received the patented deed in 1931?

A Yes.

Q What was his name again, please?

MR. SANCHEZ: Ricardo Martinez.

Q And Ricardo Martinez is now dead, is that correct?

A That's correct.

MR. SANCHEZ: That's correct.

Q His heirs have not leased the property, and do not wish to lease it, and they haven't expressed an interest in pooling their interest with Southern Union?

A A bonus offer was made to them, and they did not want it whatsoever. Actually, it was for a one-year lease, is what we were trying to get.

Q If this acreage were to be pooled by the Commission, we would be pooling the heirs of Ricardo Martinez as well as the other interests in that 80 acres, not only as working interest owners, but as royalty owners, as well?

A Yes, sir.

Q You are requesting that the cost of the hole, which would be forty-one thousand six hundred dollars, for a producer, be taken out of production?



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A Yes. We have evaluated the four wells that are producing out of the same zone, and we had our accounting department prepare the runs, gross income, and so forth, and it looks like it will be approximately a forty-eight month payout, based on present runs; in other words, to receive initial cost back.

Q You have drilled four producers in the area --

A Yes.

Q -- at an average cost of forty thousand three hundred to forty-four thousand three hundred?

A Yes. The second well was forty-two eight, and the other was forty-two thousand. Our well cost estimate, I believe, was forty-one thousand, approximately, a little less.

Q McKenna and Sommer each own a sixth, so that's a total of a third?

A Yes.

Q They have indicated they have no objection to the pooling order?

A That is correct, I believe.

MR. SANCHEZ: That is correct.

MR. PORTER: You estimated the time of the payout at forty-eight months, and that would be about five years to pay out a hundred twenty-five percent?

A Actually, we were trying to get a figure of actual net payout. I mean four years, five, including the additional twenty-



five percent, yes, sir.

MR. PORTER: Yes, sir.

MR. MORRIS: One more question.

MR. PORTER: Mr. Morris.

BY MR. MORRIS:

Q Have you given any thought to leaving out the south half and asking for a non-standard proration unit, consisting of only the north half?

A Other than there is a spacing order, I understand, already in existence there; we have followed a set pattern in this field.

Q Can you think of any reason, though, why an 80-acre non-standard unit would not be practical in this situation? Could you get a payout on 80 acres is what I'm really asking?

A Well, geologically, we're moving further away from the field if we do. In other words, our proposed location is southwest southwest on the 80.

Q Right. So you want the whole unit in order to locate your well on the part that's going to be forced pool?

A If at all possible, yes. For economic reasons we think it's much better.

BY MR. NUTTER:

Q Is Southern Union acreage productive, Mr. Whitlow?

A No, sir. You mean this lease in particular?

Q You stated that the preferable location was the -- the

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north half of the southwest quarter. Is the south half of the southwest quarter productive of gas?

A Yes. Just trying to get as nearly as we can.

Q Do you have any contour maps of the pool?

A No.

Q Does the other witness have contours of the pool?

A Not of the pool, as such.

Q Of the acreage?

A Of the acreage, no.

MR. NUTTER: That's all.

MR. PORTER: Any further questions? The witness may be excused.

(Witness excused)

MR. PORTER: If there are no objections, Southern Union's Exhibits 1 and 2 will be admitted to the record.

(Whereupon, Southern Union Production Company's Exhibits 1 and 2 were received in evidence)

MR. PORTER: Call your next witness, Mr. Sanchez.

CLAUDE S. SENA,

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

DIRECT EXAMINATION

BY MR. SANCHEZ:

Q State your name, please.

A Claude S. Sena..

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Q Your address?

A Santa Fe, New Mexico.

Q What is your occupation?

A I'm an attorney at law.

Q Mr. Sena, are you acquainted with Jose Maria Martinez, the party who owns the majority interest in this case?

A Yes, I am.

Q When did you meet him?

A I met him on the 28th day of March, 1960 at his home at Parkview, New Mexico, Rio Arriba County.

Q You say 1960 or '61?

A '61, I'm sorry.

Q Was there any discussion at the time that you met him there with reference to the matter of the drilling of this acreage which he owns?

A Yes. On that date, approximate hour of one-thirty, yourself, myself and Mr. and Mrs. Jose Maria Martinez were present, and the entire conversation was in Spanish, for his convenience. At that time you explained to him as to whether he would consent to a unit pool at this particular Tapacito area of his land there, and he definitely and emphatically stated that he would not consent to a unit pool. He said that the only way, that, he wanted definitely a hundred fifty dollar bonus or nothing, and that he would not consent.

Q Was it a hundred or one hundred fifty that he said about



the bonus?

A I think he said one hundred to one hundred fifty.

Q Did I explain to him the proposition of pooling, that he could throw in his property with Southern Union Production Company, that Southern Union Production Company would drill a well on the premises and then give him the share of the production?

A Yes, you explained the whole thing to him. You also advised him that he would not bear any expenses up to the time -- I mean in the drilling process, and that all that he would have to incur in expenses is if minerals or oil was hit later on, he would have to pay for his proportionate share of the well.

Q Did I also tell him that if he did not agree to this pooling, that the Southern Union Production Company would bring in a proceeding for forced pooling?

A Yes, you advised him of that. All this was done in Spanish.

Q Did I try to get from him at that time the addresses of some of the heirs that had an interest, that we thought had an interest in this property?

A At that time we tried to secure the address, or you tried to secure the address of that party, Mrs. Fred something, in San Diego, and he said he did not know where she was or could not locate her.

Q Did I try to get from him the addresses of his nephews in Ogden, Utah?

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A Yes.

Q And did he give me the addresses?

A He did not give me the addresses. He stated that they would visit him once a year, but that he did not have contact with this particular line of the family.

Q Definitely Mr. Martinez said that he would not agree to anything except the giving of a lease and the bonus that you mentioned?

A Yes. And his explanation of that was, "Well, if I get a lease, I'll get something, but yet if I give my consent and they do not hit oil, I lose everything."

MR. SANCHEZ: That's all.

MR. PORTER: Any questions of the witness?

MR. MORRIS: Yes, sir.

MR. PORTER: Mr. Morris.

CROSS-EXAMINATION

BY MR. MORRIS:

Q Mr. Sena, what efforts have you made to secure the consent of the other persons named in Paragraph 5 of your application?

A Mr. Morris, I'm not the attorney for Southern Union, I'm not in this proposition for obtaining a consent. I was just there to witness this approval.

Q Mr. Sena, I asked the same question of Mr. Whitlow, and I was informed that you would answer, or that the other witness would answer the question. What efforts, to your knowledge, have



been made to secure the consent of the other persons listed in Paragraph 5?

MR. SANCHEZ: For the sake of the record and shorten it up, he doesn't know what efforts have been made. The only one that has made efforts has been myself, and, of course, previous to that time Mr. Whitlow had contacted specifically Mr. Martinez to try to get a lease from him.

A I would like to say something, Mr. Morris. As far as attempting contacts to get consent, I did have a conversation with McKenna and Sommer, the attorneys, and they say that they had tried to get Mr. Martinez to go along on something reasonable and were unable to do so. But other than that, like I say, I'm just here as a witness to see what occurred at this particular time.

Q Is it not possible, Mr. Senna, that if you had contacted the other persons listed in Paragraph 5 there, and shown Mr. Martinez that they were willing to go along, you would have had a little better arguing point?

A I don't believe so. Mr. Martinez is rather bitter about this whole Tierra land grant proposition and land grabbing, and things like that, and he has been through Court before, and I think he's rather reluctant to go along on anything. It's just conjecture, like you asked a question that called for conjecture.

Q I'll ask another one. Do you feel that the proposition that was put to Mr. Martinez was fair, under the circumstances?

A I do. Not only Mr. Sanchez had contacted him, but I

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know that his own attorneys had contacted him also.

Q Do you feel that Mr. Martinez' interest would have to be force pooled in order to assure him of his equitable share of the production from this pool?

A I feel, yes, he has to be forced, otherwise he will never gain anything by not being forced into it. He will not consent.

Q He owns an undivided interest in this south half as do the other persons mentioned here, so that there's no possibility of partitioning and excluding his interest from the unit?

A No, I believe it's impossible. I think that McKenna and Sommer took as a retainer one-sixth of his interest or one-third of his interest, and then he has a certain interest, and then remaining heirs of another interest. That's too complicated. I have not seen the abstract.

Q But participation in your opinion, would not be possible?

A It would not work at all, I feel.

MR. MORRIS: That's all I have. Thank you.

MR. PORTER: Mr. Nutter.

BY MR. NUTTER:

Q Mr. Sena, you keep mentioning Serafino Martinez --

MR. SANCHEZ: No, Sam.

Q He's the one that's listed as living at Parkview and having an interest?

A That's right.



Q Now, you stated that he had expressed his view that a hundred to one hundred fifty dollar bonus was proper, is that correct?

A I believe he said he would do it on that basis, a rental on that basis, and then if they would hit that, he would still have his bonus, but if they would not hit, he would have nothing.

Q What did Southern Union actually offer him, do you know?

A No, I do not.

MR. SANCHEZ: I can tell you.

Q How much did they offer him?

A In July of 1960, some more than seven months prior to this time, they offered him twenty-five dollars an acre bonus on the 80 acres. I did not know at the time that he did not own all of it, and that the one-tenth of it was -- ten percent of it, we'll say, was still not acquired by him. It was still in the heirs, in other heirs.

Q In other words, you offered him twenty-five dollars an acre, assuming that he had a hundred percent?

A Yes.

Q Now, he agrees that the 17/30 --

A He would be entitled, with the agreement with McKenna and Sommer, to have a percent of the bonus.

MR. PORTER: What percent would that make of the total?

MR. SANCHEZ: 90 percent.

MR. PORTER: Of the bonus?

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A Of the bonus.

MR. PORTER: Does anyone else have a question?

MR. SANCHEZ: Yes, I have one.

REDIRECT EXAMINATION

BY MR. SANCHEZ:

Q At the time that I spoke to him about the other interests, did I tell him that I had contacted Mr. Tom McKenna and Mr. Joseph Sommer, and that they were willing to go along with this pooling?

A Yes. You did state to them to that effect, I think he had knowledge of this also.

Q As a matter of fact, did he tell us that he had two lawyers who represented him in this matter?

A Yes, he did.

Q One was Tom McKenna, and the other was Joe Sommer?

A That's right.

MR. PORTER: Any further questions?

MR. SANCHEZ: No, that's all.

MR. PORTER: The witness may be excused.

MR. SANCHEZ: That's our recollection, if the Court please, except for this fact that I want in the record that I contacted Mr. Martinez about the middle of July of 1960; I offered him a bonus of twenty-five dollars per acre for one year's lease on the property, and told him that Southern Union Production Company would definitely drill within a year, and he turned that down for the time being. He said that he did not think he wanted to go

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on, and then I found out later that there were other interests besides Sommer, McKenna and Martinez, and I wrote him a letter asking him to give me the addresses of the other parties who had an interest. The letter, of course, remains unanswered. Mr. Martinez is in the room this morning.

MR. SEYM: Mr. McKenna has just walked in.

MR. PORTER: At this time we would recognize Mr. Martinez if he has something to say.

MR. MARTINEZ: The first thing --

MR. PORTER: As I understand, his daughter will interpret his statement, for the record. You may proceed.

OLIVIA CORDOVA: He wants to know why he was called here.

MR. PORTER: He's just being given an opportunity to make a statement in this case, to state his position.

OLIVIA CORDOVA: His position is, he says that Mr. Sanchez told him that they had, I don't know, some kind of deal that they could force his land.

MR. PORTER: Did he have anything further to say?

OLIVIA CORDOVA: Why do they want to go in and drill without his consent?

MR. PORTER: Do you want to answer that, Mr. Morris?

MR. MORRIS: In answer to your question, Mr. Martinez, there is a law in the State of New Mexico where, under proper circumstances, the land of one person may be pooled with the lands of another to form what we call a standard unit.

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OLIVIA CORDOVA: He says he's willing to lease his place if he gets paid for it. He's willing to let anybody go in there.

MR. MORRIS: We are here today to determine whether this is a proper instance for the application of this law of forced pooling. I cannot tell you at this time what the decision of this Commission will be.

OLIVIA CORDOVA: He says he wants to get paid for his. for going into his property and for all the trips he's made.

MR. MORRIS: Mr. Martinez, how much did Mr. Sanchez and Southern Union Production Company offer you per acre for your land?

OLIVIA CORDOVA: He says he was never offered anything.

MR. MORRIS: Never offered anything?

OLIVIA CORDOVA: Anything by Mr. Sanchez.

MR. MORRIS: How about by Southern Union?

OLIVIA CORDOVA: By Southern Union, no.

MR. MORRIS: We are going to take the case under advisement, and we won't rule on it right away. Does Mr. Martinez have anything further he would like to say at this time?

OLIVIA CORDOVA: That's all. He just wants to be respected.

MR. SANCHEZ: I have a question to ask him.

MR. PORTER: Mr. Sanchez would like to ask you a question.

MR. SANCHEZ: Do you remember I was there in July of 1960

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last summer at your place?

OLIVIA CORDOVA: Yes.

MR. SANCHEZ: At that time I offered you some money for a lease?

OLIVIA CORDOVA: He says that you didn't offer him anything.

MR. SANCHEZ: I'm not talking about this last time that we went there. In July?

OLIVIA CORDOVA: He said that you never had made him an offer.

MR. SANCHEZ: Don't you recollect that I offered twenty-five dollars per acre bonus?

OLIVIA CORDOVA: He said that he had never offered anything.

MR. MORRIS: Let me interrupt here. I think for purposes of proper procedure, I would like to call Mr. Martinez as a witness and ask him one question. At first, I thought he was going to make a statement. I would like to call him and ask him to answer one question. Would you explain this to him? Explain that I want to swear him in as a witness.

OLIVIA CORDOVA: He says he told you what happened.

MR. SANCHEZ: At this time I want every statement that Mr. Martinez makes to be put under oath. He just has been making a statement here.

MR. MORRIS: Mr. Martinez, I want to call you as a witness and swear you in so that your testimony will be a part of the record of this case. We cannot consider anything that is said here

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for purposes of decision in this case unless Mr. Martinez is put under oath, and then his testimony is put into the record; otherwise, we can't consider what he says as part of the testimony of this case. Will you just explain that one fact to him?

OLIVIA CORDOVA: Okay, he says.

MR. PORTER: Is he willing to be sworn?

OLIVIA CORDOVA: Yes.

(Witness sworn)

JOSE MARIA MARTINEZ,

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

The following proceedings were interpreted from English to Spanish and from Spanish to English by Olivia Cordova.

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Martinez, Mr. Sanchez and Mr. Sena have both testified that they approached you in 1960, in the year 1960.

MR. SANCHEZ: No -- that's right. Mr. Sena and I were there on March 20, 1961. I was there in July of 1960.

Q Mr. Sanchez was there in July of 1960, and that Mr. Sanchez and Mr. Sena were there in March of 1961.

A He says that this last time Mr. Sena was with him on March.

Q At that time, when they were at your home, did they make you an offer of any price per acre to lease your land in question here today?

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A No. All he said, that there was a law that could force him if he didn't want to.

Q No offer was made to lease the land?

A No, just the royalties of the well.

Q And an offer was made to buy the royalty interest at that time, to lease the land and pay you so much for your royalty?

A He was offered the royalties of the pool, but no lease, no bonus for a lease.

Q No bonus?

A And that all they wanted was 40 acres of the property.

Q Did they offer to lease your undivided interest in the south half, southwest quarter of Section 2, which is in question here today?

A He says that although no bonus was offered, they did want to make him come to some understanding with them.

Q They offered to lease but not to give a bonus, is that correct?

A That's right. Well, I guess give him just the royalties, no bonus what he wanted.

MR. SANCHEZ: I understand a little Spanish myself. The statement which Mr. Martinez says, he said that Mr. Sena and I approached him on the proposition of the pooling, and that if he didn't pool, I told him that we could force pool the property. That's correct, that's what he said. There wasn't anything about royalty or anything else at that time.



Yes.

Q (By Mr. Morris) This conversation that we have been talking about was in March of 1961, is that correct?

A He says that took place in March, and that if he wasn't willing, the law would go in and drill anyway, and if they would drill, they could drill a well on the other side and drain his place.

Q Was any offer made at the meeting between Mr. Sanchez and yourself in July of 1960 to lease your land?

A He told him he had somebody with him that would drill a well and --

MR. SANCHEZ: That the man that was with him would drill the well, is what he was testifying, with me.

A -- that he would let him think it over, whatever he thought.

Q (By Mr. Morris) Was an offer to lease made at that time?

A He said no offer to lease was made.

MR. SANCHEZ: Ask him again.

MR. WUTTER: In July?

A He didn't tell him anything that would be paid him for the lease, any bonus would be given him. He just told him he had somebody that would drill a well, and that if he would be willing to think it over --

MR. WUTTER: That was in July, is that correct?

A That was in July, when Mr. Sanchez was there alone.

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MR. MORRIS: I have no further questions of this witness.

MR. POWELL: Mr. Sanchez, do you have a question of the witness?

MR. SANCHEZ: Yes.

CROSS-EXAMINATION

BY MR. SANCHEZ:

Q Mr. Martinez, don't you remember that I offered you twenty-five dollars per acre bonus for a one year lease?

A That they would drill before the year.

Q Before the end of the year?

A Before the end of the year.

Q Don't you recollect that I offered you twenty-five dollars per acre bonus for that one year lease?

A That you offered him the opportunity to have a well drilled, but not any bonus.

Q And he further testified that I had a man there present who would drill?

A Yes, and that if he didn't want you to go in there, that he could drill himself.

Q And that if he didn't want me to go in there, that he could drill himself?

A Yes.

Q Now, with regard to the conversation, with regard to the drilling of your land, that would drain your land, did I tell you

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that the people that I represented were going to drill a well to drain your land?

MR. SANCHEZ: Okay, that's fine.

MR. MORRIS: I want an interpretation of this.

MR. SANCHEZ: He's saying correctly now.

A Not in July you didn't tell him about the draining, but in March when you and Mr. Sens were there, you then told him that if he didn't agree, they could still make a well on the land that Southern Union has, and drain his land.

Q (By Mr. Sanchez) No, he didn't say that himself. What he said was that if he didn't drill, someone might drill and drain his land. I didn't say Southern Union or somebody else. It's what he testified just now.

A No. No.

MR. SANCHEZ: That's right.

MR. PORTER: Will you interpret what he just said, please?

A That Mr. Sanchez didn't specifically say that Southern Union would drill a well, but that they would drill a well, somebody would, anybody, and they could drain his land.

MR. PORTER: Would you now give us your name, for the record, as interpreter in this case?

INTERPRETER: Olivia Cordova.

MR. PORTER: Olivia Cordova. Thank you very much.

MR. SANCHEZ: You are his daughter?

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A Yes.

MR. PORTER: No further questions here?

MR. SANCHEZ: Yes, I want to ask some questions here to clear up the situation.

CROSS-EXAMINATION (Continued)

BY MR. SANCHEZ:

Q I didn't tell you that the man in the car was a driller in July, did I?

A He doesn't know if you said. He can't testify to that.

MR. SANCHEZ: All right. That's all that I have from him.

Q (By Mr. Sanchez) Just a minute. Did I tell you that Mr. McKenna and Mr. Sommer were willing to go in on this agreement?

A Yes, you told him that they would go into the agreement.

Q When I first went into your home, you told me that Mr. McKenna and Mr. Sommer represented you in this deal -- no, no, when I first went into your home this last time?

A Yes. They were the lawyers that cleared up the land.

MR. PORTER: What was his last statement, please?

A They were the lawyers that cleared up his land from the state business.

MR. PORTER: All right, Mr. Sanchez.

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Q (By Mr. Sanchez) You further told me that they represented you in this matter, didn't you?

A He just meant that they were his lawyers for the tax deal, but not --

MR. PORTER: Just a minute, please. Would you begin now, and give us his last statement?

INTERPRETER: That Mr. McKenna and Mr. Sommer were his lawyers when he was clearing up his land from the tax, but not for this.

MR. MORRIS: Not for what?

INTERPRETER: Not for the drilling business.

MR. MORRIS: Nothing to do with this forced pooling?

INTERPRETER: No, he doesn't have anybody representing him now.

MR. PORTER: Does that conclude your questioning, Mr. Sanchez?

MR. SANCHEZ: Yes. I want to make a further statement. Put me under oath, if you desire. I will make a statement of the attorney, the truth of which, I assure you, that it will be truthful. I went to Mr. Martinez' house in the middle of July of 1960. Mr. Whitlow had told me that Mr. Hoover, an oil and gas man here in Santa Fe and Mr. Wright had contacted Mr. Martinez one way or another for an oil and gas lease on the property, and he asked me to go up there and try to get an oil and gas lease from him. I went up on the following day and took Mr. -- a fellow by the name of Colonel

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Williams with me. He knows nothing about drilling. He went as a companion to me. As a matter of fact, we went fishing. We stopped at his place, and I definitely offered him a bonus of twenty-five dollars per acre, and told him that we would take a lease for one year, and that we would drill for one year. It wasn't any five year proposition; and his wife was there when the offer was made. I told him at the time that the property could be drained if wells were -- if he didn't agree to take a bonus or something like that, he was in danger of having his property drained through wells around him. That was the subject of the conversation in 1960. He definitely didn't turn me down. He said that he would consider the proposition, although someone else was offering him seventy-five an acre for a longer period. That, I don't know if it's correct or not, but he told me that himself. Now, this last time, going back to the July proposition, I came back to Santa Fe, and I wrote him a letter and found out that there were other people who had ten percent interest in the property which he had not acquired, and it was not McKenna and Sommer. I wrote him a letter telling him that these other people have a ten percent interest in the property and to give me their names and addresses, and he would not give me the names and addresses of these other parties. This last time we went up there, I explained to him what we were up there for, trying to form a pool just like Mr. Sena testified, and he said that the only way that anyone could get in there would be by paying him one hundred, one hundred fifty dollars an acre on the property;



otherwise, no one could go in there, no one would get his consent. He definitely and emphatically said he wasn't interested and wouldn't agree to any pooling at all, and the only way he would ever agree would be to pay that much bonus on the acreage. That's exactly what happened.

MR. NUTTER: One question, Mr. Sanchez.

MR. SANCHEZ: Yes.

MR. NUTTER: When the offer was made to pay him the twenty-five dollars for the one year lease, was that on behalf of the applicant here today?

MR. SANCHEZ: Yes.

MR. NUTTER: That was on behalf of Southern Union Production Company?

MR. SANCHEZ: Yes. Since that time Southern Union Gas Company has transferred the lease to Southern Union Production Company, but it was made by the party who at that time owned the lease in the north half of the Section.

(Witness excused)

MR. SANCHEZ: I would like to recall Mr. Whitlow.

D. W. WHITLOW,

recalled as a witness, having been previously duly sworn, testified as follows:

REDIRECT EXAMINATION

BY MR. SANCHEZ:

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Q Mr. Whitlow, I show you a carbon copy of a letter dated April 3rd, 1959, addressed to Mr. Wright with reference to obtaining a lease on this property.

A Yes, sir.

Q Will you take it out of the files?

A All right.

(Whereupon, Southern Union Production Company's Exhibit No. 3 was marked for identification)

Q Now, with reference to the paper marked Exhibit 3, Mr. Whitlow, was that letter sent out to Mr. Wright?

A Yes.

Q Did he acknowledge receipt of the letter?

A Yes.

Q Did he advise you whether or not he had contacted Mr. Martinez?

A Yes, he had. The situation that brought this about, actually, that lease was to expire in September of 1959. We made our first offer in April of '59 to Mr. Martinez through Mr. Wright, and I think Leo Shutes went up with him. That's jumping a little bit; that was my understanding back two or three years ago. Then, we got the two year extension on the lease. There is also correspondence in here that we have talked to Mr. McKenna and Mr. Sommer as early as 1959 on this, and in that a definite offer of twenty-five dollars per acre was made, and the leases were to be drafted in on us. At that time Mr. Sanchez said that we were under the

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impression he had all of it. That's been the theory we had gone on from the beginning. We then had a letter from Sommer and McKenna explaining how they got their third interest.

CROSS-EXAMINATION

BY MR. PORTER:

Q This is addressed to Mr. Hoover Wright of the Federal Abstract Company, Santa Fe?

A Yes.

Q Does the letter mention that a lease bonus was being offered?

A At the top of the second page, yes, sir. Twenty-five dollars is drafted in. So, I mean this is not something that we haven't been working on, actually, over a period of two years.

Q This is a letter that was signed by yourself?

A Yes, sir, it is. Much to my regret, Mr. White has correspondence at his office with Mr. Martinez being turned down, or possibly the heirs, I haven't seen it. He also needed an interpreter, and I understand Mr. Shutes went up.

MR. PORTER: Do you have any questions, Mr. Nutter?

MR. NUTTER: No, sir.

MR. PORTER: You may be excused.

(Witness excused)

MR. SANCHEZ: For the record, I'll say this, that I did not contact any of the other heirs since Mr. Martinez would not agree, and he held the majority interest. To me, there was no

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necessity of trying to get the lease from the other heirs.

MR. PORTER: The other heirs were the holders of the ten percent interest?

MR. SANCHEZ: That's right. That concludes what I want to submit, except I believe I have already said that Southern Union Gas Company is now asking in connection with expenses of the well a twenty-five percent increase over the amount actually spent.

MR. PORTER: You wish to have this letter from Mr. Whitlow to Mr. Wright admitted in evidence?

MR. SANCHEZ: Yes.

MR. PORTER: Without objection, the letter will be admitted to the record.

(Whereupon, Southern Union Production Company's Exhibit No. 3 was received in evidence)

MR. PORTER: Does anyone else have anything further? Mr. McKenna.

MR. MCKENNA: Just a brief statement. May I have the letter made a part of the record? The only point I want to make is that McKenna and Sommer believe the statute is clear, that all that can be recovered is a cost of expenditures for the drilling of the well, and I believe Mr. Sanchez has indicated just now and did indicate personally that he was asking for one hundred twenty-five dollars. I would just like to call to the attention of the Commission that my opinion of the law is explicit, that the expenditures are limited to actual cost. In the letter I have

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indicated the statute involved. That is the only statement I care to make.

MR. PORTER: Let the record show that the letter addressed to the Oil Conservation Commission under date of April 19, 1961, from Thomas S. McKenna, relative to Case No. 2249, has been made a part of the record. If nothing further, it will be offered to Mr. Morris.

MR. MORRIS: Mr. Examiner, I have a letter from Mr. Amadito Valdez, Chicago, Illinois, with reference to this case, stating that he is, in effect, the owner of an undivided interest in the south half of the southwest quarter of Section 2 in question, and he wishes to inform the Commission that he does not agree to force pooling of the interests in this unit.

MR. PORTER: Anything else to be offered in the case? The case will be taken under advisement, and we will have a ten-minute recess.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript, under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 29th day of April,
1961, in the City of Albuquerque, County of Bernalillo, State of
New Mexico.

Ada Kearney
NOTARY PUBLIC

My Commission expires:

June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2284 heard by me on April 13, 1961.

W. K. Patton, Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Ex 3
1009
April 3, 1959

Mr. Hoover Wright
Federal Abstract Company
P. O. Box 1681
Santa Fe, New Mexico

Re: Leasehold Interest of
Messrs. McKenna and Sommer
S $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 2, T-25-N, R-3-W
Rio Arriba County, New Mexico

Dear Mr. Wright:

In line with your telephone request of Monday, March 30, this is to advise you of Southern Union's plans for the drilling of a test well in the SW $\frac{1}{4}$ of Section 2, T-25-N, R-3-W.

As you know, Southern Union presently holds under lease the NE $\frac{1}{4}$ SW $\frac{1}{4}$. You have stated that in your contacts with Mr. Sommer and Mr. McKenna and their client, Mr. Jose Martinez, they have set out that they would like a letter stating further information pertaining to the drilling, completion, royalty and potential take of gas from said well.

Our lease expires September 1, 1959. Mr. Wiederkehr, Manager of our Exploration Department has advised that we plan to move a rig onto this area within fifteen to twenty days. This location is on our immediate agenda, and we will move on location as soon as title to the S $\frac{1}{2}$ SW $\frac{1}{4}$ is clear.

The test will be drilled to a depth of approximately 4,000' to the Pictured Cliffs formation. This well will be in a prorated field; and the take is based upon acreage and deliverability factors. Wells in this vicinity have had allowables varying from eight to nineteen million cubic feet per month.

Our discussions have indicated that Mr. McKenna and Mr. Sommer have a one-third interest in the 160 acres being the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 2. Eighty acres, being the S $\frac{1}{2}$ SW $\frac{1}{4}$, would be communitized with the NE $\frac{1}{4}$ SW $\frac{1}{4}$ to furnish the necessary 160 acre drilling unit.

Their royalty interest in total unit production will be 1/6 of 1/8, or

Mr. Hoover Wright

-2-

April 3, 1959

2.0833% royalty interest. As further agreed, Southern Union is offering a lease bonus of \$25.00 per acre for the lease.

After you have discussed this with all parties concerned, we shall appreciate your drafting this lease in to us and also would appreciate your approaching Mr. Martinez so that we may obtain a lease on his two-thirds interest.

If there are any questions or I have not covered in full any information which is still required, please write or call me collect; and I shall attempt to clarify the situation, as we are extremely anxious to commence drilling operations on this well.

Yours very truly,

D. W. Whitlow, Assistant Manager

DWW/cdd

2249
Ex # 4

LAW OFFICES
MCKENNA & SOMMER
NASON BUILDING
302 E. PALACE AVENUE
SANTA FE, NEW MEXICO

THOMAS F. MCKENNA, SR.
JOSEPH A. SOMMER

TELEPHONE 3 4901

April 19, 1961

Oil Conservation Commission of New Mexico
Santa Fe, New Mexico

Re: Case No. 2249. Application of
Southern Union Production Company
for an Order forcing pooling a
standard 160 acre proration
unit in the Tapacito-Picture
Cliffs Gas Pool, SW $\frac{1}{4}$ of Sec. 2,
T. 25 N., R. 3 W., NMPM

Gentlemen:

In connection with the above identified matter Joseph A. Sommer and Thomas F. McKenna each is the owner of an undivided one-sixth interest in the said SW $\frac{1}{4}$ of Section 2. Our statutes, Sec. 65-3-14, 1953 Compilation, Sub-section C, referring to pooling, states that the cost 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." The section also deposits jurisdiction in the Commission to determine the proper cost in case of any dispute.

We do not of course oppose the pooling but reserve the right to inquire into the actual costs expended. Also the statute indicates that the cost of development and operation shall be based on the lowest actual expenditures. This apparently would appear to preclude the recovering of anything over and above 100% of the cost of development and operation.

Our position is that the applicant should be limited to the lowest actual expenditures plus a reasonable charge for supervision after the well is completed and put on production if such is the case.

Please consider this letter as an appearance in the matter by Joseph A. Sommer and Thomas F. McKenna in accordance with the above.

Yours very truly

McKenna & Sommer

By



Thomas F. McKenna

TFMcK:b

SOUTHERN UNION PRODUCTION COMPANY

WELL COST ESTIMATE

#2
2249

Well Name _____ Well No. _____ Field Tapacito P. C.
 Location SW 1/4 Sec. 2, T-25N, R-3W County Rio Arriba State New Mexico
 Formation Pictured Cliffs Estimated Total Depth 3800'

WELL COST - TANGIBLE

Casing & Tubing

Surface 200' 9-5/8" @ 3.65/ft

Production String 3600' 5-1/2" @ 1.85/ft

Tubing 3730' 2-3/8" @ .68/ft

Well Head Connections

Xmas Tree and Other _____

WELL COST - INTANGIBLE

Drilling

Footage 3800' @ 3.25/ft

Rotary Day Work _____

Cable Tool Day Work _____

Special Services

Logging & Misc'l Surveys _____

Cement & Cementing _____

~~Stucco~~ Perforate & Pads _____

Supplies

Drilling Mud & Chemicals _____

Bits _____

Guide Shoes & Centralizers _____

Water & Fuel _____

Miscellaneous

Roads Trucking and location

Unforeseen _____

Estimated Total Cost

Producing Well		Dry Hole
Sub	Total	
730		730
7090		8000
2530	10,310	
1200	1,200	
12350		12350
2000	14,350	2000
750		750
1200		1200
6500	8,450	6500
1500		1500
250		250
1500	3,250	1500
2000		2000
1500	3,500	1500
41060	41,060	32280

Working Interest

Our Working Interest Southern Union Production 50%

Others _____ Other Interests 50%

Date _____ 19 _____	Partner's Approval
Prepared by _____	Date _____ 19 _____
Approved _____	By: _____



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

LAND OFFICE
P. O. Box 1251
Santa Fe, New Mexico

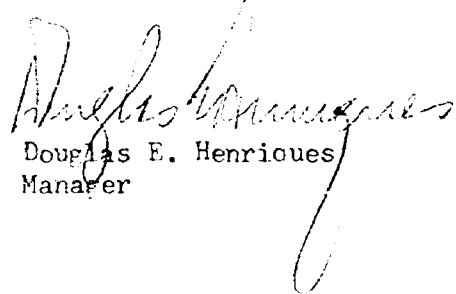
April 14, 1961

CERTIFICATE

I hereby certify that the attached documents pertaining to
oil and gas lease NM 014856, to wit:

- (1) Offer to lease and lease for oil and gas
dated April 1, 1954;
- (2) Approved assignment of oil and gas lease
dated January 31, 1956;
- (3) Application for approval of assignment
dated February 6, 1956;
- (4) Decision approving assignment dated
February 19, 1957;
- (5) Application for extension of oil and gas lease,
and approval thereof, dated October 12, 1959;
- (6) Approved assignment of oil and gas lease
dated January 1, 1961;
- (7) Decision approving assignment dated
April 13, 1961,

constitute true copies of the official record contained in
the file of said oil and gas lease in my custody in this office.


Douglas E. Henriques
Manager

Case 2249
App. Ex #1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
P. O. Box 1251, Santa Fe, N. Mex.

NM 014856

Lease Date: 9-1-54

DECISION

April 13, 1961

Assignment

Filed at ~~Albuquerque~~

March 17, 1961

(Date)

ASSIGNOR: Southern Union Gas Company

ASSIGNEE: Southern Union Production Company

OIL AND GAS LEASE ASSIGNMENT APPROVED

The above-captioned assignment of oil and gas lease is hereby approved, effective on the first day of the lease month following the date of its filing or completion.

Acceptable evidence of the qualifications and holdings of the assignee under the Mineral Leasing Act, as amended, has been filed. The showing as to overriding royalties and payments out of production conforms to the regulations.

Extent of interest assigned: All

Southern Union Production Company maintains a nation-wide bond.

Howard M. Grothberg

Howard M. Grothberg, Chief
Mineral Adjudication Section

(Title)

ATTACHMENT

Orig: Assignee

cc: Assignor

O&G Supv. (3) Farmington

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

BM 014396

Date of Base Lease

Sept. 1, 1974

ASSIGNMENT AFFECTING RECORD TITLE TO OIL AND GAS LEASE

The undersigned, as owner of record title in the above-designated oil and gas lease, does hereby transfer and assign

to: Southwestern Union Transportation Company
(Name)

Fidelity Union Trust, Dallas, Texas
(Address)

the record title interest in and to such lease as specified below:

1. Lands affected by this assignment:

Township 25 North, Range 3 West, N.M.P.M.
El Paso County, New Mexico
Sec. 21: 1/2 E 3/4
Sec. 12: NW/4

containing 300 acres, more or less

This assignment is executed and delivered subject to any outstanding and valid gas purchase contracts, farmout agreements, subleases, pooling or communitization agreements covering all or a part of the above lands. Assignor excepts and expressly retains all its right, title and interest to all gas gathering lines, and appurtenances thereto, which presently lie downstream of the Christmas tree located on each gas producing well presently located on the land and lease herein assigned. Assignor hereby grants, conveys and assigns all other personal property, machinery and well equipment, including the Christmas tree and well equipment located upstream thereof, to the above Assignee.

2. Interest of assignor in above-described lands 100%

3. Extent of interest conveyed to assignee 100%

4. Overriding royalty or production payments reserved herein to assignor (State percentage only) (See item 4 of Instructions)

None

5. Overriding royalties or production payments previously reserved (State percentage only) 3%

The undersigned agrees that the obligation to pay any overriding royalties or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of 17 1/2 percent, shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less.

It is hereby certified that the statements made herein are true, complete, and correct to the best of the undersigned's knowledge and belief.

Executed and witnessed this 1 day of January, 1961.

WITNESS:

Assistant Emma Bookout
(Witness signature)

(Address)

SOUTHWESTERN UNION GAS COMPANY

W. M. C. Tidwell
Vice President
(Assignor's signature)

Fidelity Union Trust, Dallas, Texas
(Address)

Assignment approved effective:

APR 1 1961
(Date)

THE UNITED STATES OF AMERICA

By Edward M. Grothberg
(Signing Officer)
Mineral Adjudication Section
(Title)

Title 18 USC, sec. 101 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

Note: This form may be reproduced provided that the copies are exact reproductions on one sheet of both sides of this official form in accordance with the provisions of 44 CFR 101.11(a).

REQUEST FOR APPROVAL OF ASSIGNMENT

The Assignee hereby requests approval of assignment and certifies as follows:

1. Assignee is 21 years of age or over, and is a citizen of the United States: ☐ Native Born ☐ Naturalized
-
2. Assignee is a corporation or other legal entity (specify kind) A Delaware corporation whose qualifications
to take this assignment are on file in SL 06703
-
- and is qualified to take this assignment as shown by statements attached hereto. (See Item 2 of Instructions)
-
3. Assignee's interests, direct and indirect, in oil and gas leases and applications or offers therefor in the same State together with the acreage in this assignment do not exceed 46,080 chargeable acres, or 300,000 chargeable acres in each of the 2 Alaska Learning Districts.
-
4. Assignee ☒ is ☐ is not the sole party in interest in this assignment. (If assignee is not the sole party in interest, information as to interests of other parties in the assignment must be furnished as prescribed in Item 3 of the Instructions)
-
5. Amount remitted: Filing fee, \$10.

The assignee agrees to be bound by the terms and provisions of the lease described herein, provided the assignment is approved by the signing officer of the Bureau of Land Management.

It is hereby certified that the statements made herein are true, complete, and correct to the best of the undersigned's knowledge and belief.

Executed and witnessed this 1 day of January, 1961

REF ID: A52932

Abstract

Emma Lookout

(Address)

SOUTHERN UNION PRODUCTION COMPANY



VOE

(Assignee's signature) Tom Lane

Fidelity Union Tower, Dallas, Texas

(Address)

INSTRUCTIONS

1. *Use of Form.* This form is to be used only for assignment of record title interests in oil and gas leases. It is *not to be used* for assignments of working or royalty interest, operating agreements, or subleases. The assignment, if approved, will take effect as of the first day of the lease month following the date of filing in the proper Land Office of three original executed counterparts thereof, together with any required bond and proof of the qualification of the assignee to take and hold the interest assigned. Assignments must be filed within 90 days from date of final execution and each must be accompanied by a filing fee of \$10. Any assignment not accompanied by the required fee will *not* be accepted for filing. An assignment of record title may cover lands in only *one lease*. Where more than one assignment is made out of a lease, a separate instrument of transfer must be filed for *each* assignment.
2. *Qualifications of Assignee.* Assignee must indicate whether a citizen by birth or naturalization. If assignee is an unincorporated association (including a partnership), the assignment must be accompanied by a statement giving the same showing as to citizenship and holdings of its members as required of an individual. If assignee is a corporation, it must submit a statement containing the following information: (a) the State in which it is incorporated; (b) that it is authorized to hold oil and gas leases; (c) that the officer executing the assignment is authorized to act on behalf of the corporation in such matters; and (d) the percentage of the voting stock and of all of the stock owned by aliens or those having addresses outside the United States. Where such ownership is over 10 percent, additional information may be required by the Bureau of Land Management prior to approval of the
- assignment. If 20 percent or more of the stock of any class is owned or controlled by or on behalf of any one stockholder, a separate showing of his citizenship and holdings must be furnished. Where such information has previously been furnished, a reference by serial number to the record in which it has been filed, together with a statement as to any amendments, will be sufficient.
3. *Statement of interests.* If assignee is not the sole party in interest to this assignment, the following information must be furnished: (a) the names and nature of the interest of all other interested parties; (b) the nature of the agreement between them, if oral; and, (c) a copy of any written agreement. Any such statement must be signed by all interested parties and include information as to citizenship, and acreage holdings of each interested party.
4. *Overriding Royalties or Payments out of Production.* Any overriding royalties or payments out of production created by the assignment but not set out therein must be described in an accompanying statement. If payments out of production are reserved by the assignor, outline in detail the amount, method of payment, and other pertinent terms.
5. *Effect of Assignment.* Upon approval of the assignment, the assignee becomes the lessee of the Government as to the assigned interest and will be responsible for compliance with all the lease terms and conditions, including timely payment of annual rentals and maintenance of bond, if required. Oil and gas leases are governed by the regulations 43 CFR, Parts 191 and 192, of which Secs. 192.140-192.145 relate to assignments of such leases or interests therein.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTOffice New Mexico
Serial No. 014876
Date of lease September 1, 1954APPLICATION FOR EXTENSION OF OIL AND GAS LEASE
Section 17, Mineral Leasing Act, as amended (60 Stat. 951, 30 U. S. C. sec. 226)

(Use a typewriter or print plainly in ink and sign in ink)

1. **Southern Union Gas Company**
(Name)
East Building
(Number and street)
Dallas, Texas
(City and State)

- ☒ The record title holder of the above-noted lease, or
☐ An assignee of such lease whose assignment has been filed for approval, or
☐ An operator under such lease whose operating agreement has been filed for approval
(Check appropriate box)

hereby applies for an extension of the lease pursuant to the regulations 43 CFR 192.120.

2. The lands included in the lease are:

Township 25 North, Range 3 West, N.M.P.M.
El Paso County, New Mexico

Section 2: East
Section 12: West

3. Rental for the sixth year of the lease in the amount of \$ 240.00 is remitted herewith.

ATTORNEY:

Emma Bookout
(Signature) Secretary

SOUTHERN UNION GAS COMPANY

J. C. [Signature]
(Signature) Vice President

LEASE EXTENDED

4. Lands not in known geologic structure of producing oil or gas field.

5. Lands within known geologic structure of producing oil or gas field.

Same as lands in item 2

6. The lease is extended for a period of 5 years, ending _____, as to the land in item No. 4 and for a period of 2 years, ending AUG 31 1961, as to the lands in item No. 5 and so long thereafter as oil or gas is produced in paying quantities.

Subject to Public Law 555, 83rd Congress

THE UNITED STATES OF AMERICA

By Howard M. Grothberg
(Signature) Chief

Howard M. Grothberg, Chief
Mineral Adjudication Section OCT 12 1959
(Title) (Date)

Cards noted
10-19-59 D.H.



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FEB 25 1957

In Reply Refer to:
O&G: NM 014856

Land Office
P. O. Box 1251
Santa Fe, New Mexico

February 19, 1957 Oil and Gas

DECISION

Lease date
September 1, 1954

Assignor: H. C. Langston

Assignment
Filed or completed:
February 10, 1956

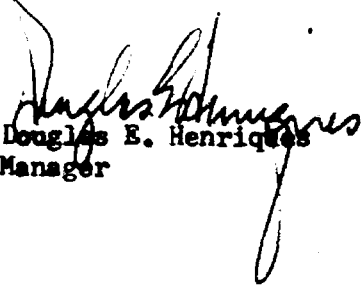
Assignee: Southern Union Gas Company

Assignment Approved

The above-captioned assignment of oil and gas lease is hereby approved, effective on the first day of the lease month following the date of its filing or completion.

Acceptable evidence of the qualifications and holdings of the assignee under the Mineral Leasing Act, as amended, has been filed. The showing as to overriding royalties and payments out of production conforms to the regulations.

3% overriding royalty reserved.


Douglas E. Henriques
Manager

Orig: Assignee(w/asgmt)
cc:Assignor
cc:O&G Supv.(3)

APPLICATION FOR APPROVAL OF
ASSIGNMENT OF OIL AND GAS LEASE AND
STATEMENT AS TO HOLDINGS AND CITIZENSHIP

United States Department of the Interior
Bureau of Land Management
United States District Land Office
Santa Fe, New Mexico

TO THE DIRECTOR OF THE BUREAU OF LAND MANAGEMENT:

The Undersigned, Southern Union Gas Company, hereby makes application for approval of the following assignment of United States Oil and Gas Lease, said assignment, in triplicate, accompanying this application:

Assignment of United States Oil and Gas Lease New Mexico Serial No. 014856, executed by H. C. Langston and Lucy E. Langston, his wife, as Assignor, in favor of Southern Union Gas Company, as Assignee, under date of January 31, 1956,

and in support of this application states that:

1.

Applicant's address is Burt Building, Dallas, Texas.

2.

Applicant agrees to comply with the terms and provisions of said lease in creating any additional overriding royalties and/or payments out of production under said lease.

3.

Applicant is a corporation duly organized, created and existing under the laws of the State of Delaware. Applicant has heretofore filed with the Bureau of Land Management, under Serial No. Las Cruces 028446(a), evidence of its qualifications to hold and own leasehold, operating, option and other contractual rights covering the public lands of the United States.

Listed below is the percentage, according to the last survey of applicant's stock lists, of each class of stock of applicant which is owned or controlled by or on behalf of persons whom the applicant knows to be or who applicant has reason to believe are aliens or who have addresses outside of the United States:

<u>Class of Stock</u>	<u>Percentage</u>
Common - voting rights	.4224 %
4 1/2% Preferred - no voting rights	1.0695 %
4 3/4% Preferred - no voting rights	3.6969 %

Applicant hereby represents that there has been no significant change in the above percentages since the last survey.

4.

Applicant's other interests, direct and indirect, in oil and gas leases and applications or offers therefor, within the State of New Mexico, including the above described lease, do not exceed 46,080 chargeable acres.

DATED: February 6, 1956

SOUTHERN UNION GAS COMPANY

By J. C. Paul
Vice President

A P P L I C A N T

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 10 1956	
FBI - ALBUQUERQUE	

ASSIGNMENT OF OIL AND GAS LEASE

RECEIVED
BUREAU OF LAND MANAGEMENT

THIS ASSIGNMENT, made and entered into this the 31st day of February, 1956,
by and between H. C. Langston and Lucy E. Langston, his wife

of 2702 Castaneda Road, NW SANTA FE, NEW MEXICO
Albuquerque, New Mexico

hereinafter referred to as "Assignor" (whether one or more), and
Southern Union Gas Company

of
hereinafter referred to as "Assignee" (whether one or more).

WITNESSETH:

That the undersigned Assignor, for and in consideration of the sum of \$10.00 and other good and valuable considerations to Assignor in hand paid by said Assignee, the receipt whereof is hereby confessed and acknowledged, does hereby sell, assign, transfer, set over and convey unto said Assignee, his heirs, personal representatives (or its successors) and assigns that certain Oil and Gas Lease made and entered into on the 1st day of September, 1954, by and between the United States, as Lessor, and H. C. Langston

as Lessee, bearing New Mexico Serial No. 014856, insofar and only insofar as said Oil and Gas Lease covers and effects the following described land situated in Rio Arriba County, New Mexico, to-wit:

Township 25 North, Range 3 West, N.M.P.M.

Section 2: N $\frac{1}{2}$ SW $\frac{1}{4}$

Section 12: NW $\frac{1}{4}$

containing 240 acres, more or less

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following:

The assignor hereby excepts and reserves an overriding royalty equal to Three Percent (3%)

of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof. Said overriding royalty shall be computed and paid at the same time and in the same manner as royalties payable to the United States under the terms of said lease are computed and paid, and the assignor shall be responsible for assignor's proportionate part of all taxes and assessments levied upon or against or measured by the production of oil and gas therefrom. Said overriding royalty shall be the total overriding royalty for which the assignee shall be obligated and shall include all overriding royalties, if any, heretofore created and payable out of production of oil and gas from said land. The assignor's interest in said overriding royalty shall be subject to any cooperative or unit plan of operation or development approved by the Secretary of the Interior, or any communitization or other agreement for the purpose of forming a well spacing or a proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may have heretofore or may hereafter be committed by the assignee, his successors or assigns, and in such event, said overriding royalty shall be computed and paid on the basis of the oil and gas allocated to the above described lands under and pursuant to the terms of any such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of the assignee; however, nothing herein contained shall relieve the assignee from compliance with any of the terms and conditions of said oil and gas lease. No change in the ownership of said overriding royalty, or any interest therein, shall be binding upon the assignee until such time as assignee shall have been furnished with either the original, a certified copy or an acceptable photostatic copy of the recorded instrument or instruments affecting such change in ownership.

ASSIGNMENT APPROVED:

[Handwritten Signature]

1956

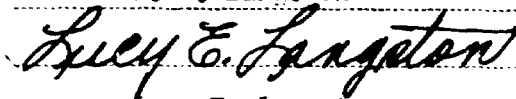
If the Assignee should at any time desire to release or surrender said Oil and Gas Lease as to all or any portion of the above described lands, Assignee shall tender a reassignment of said Lease as to the lands sought to be surrendered or relinquished to the Assignor at least thirty (30) days prior to the time for the payment of the next annual rental under the terms of said Lease or any extension or renewal thereof or at least thirty (30) days prior to the expiration of said Lease in the event the same may be extended or renewed. In such event, the Assignor shall accept such reassignment within ten (10) days from the time the same is tendered, failing in which, the Assignee shall be free to surrender or relinquish said Lease as to such lands. In the event the reassignment is accepted by the Assignor as herein provided, the Assignor shall save, hold and protect the Assignee harmless from all rentals and liability of whatsoever character subsequently accruing under said Lease on account of the lands covered by said reassignment.

TO HAVE AND TO HOLD said Oil and Gas Lease covering the above described lands unto said Assignee, his heirs, personal representatives (or its successors) and assigns forever. For the same consideration, the Assignor covenants with and warrants to said Assignee that said Oil and Gas Lease is in good standing and is free and clear of all liens and encumbrances and obligations of whatsoever character except those hereinabove referred to and that Assignor will warrant and forever defend the title thereto unto said Assignee, his heirs, personal representatives (or its successors) and assigns, against all persons whomsoever lawfully having or claiming an interest therein.

IN WITNESS WHEREOF, this Assignment is executed as of the day and year first hereinabove written.



H. C. Langston



Lucy E. Langston

STATE OF NEW MEXICO }
COUNTY OF BERNALILLO } SS.

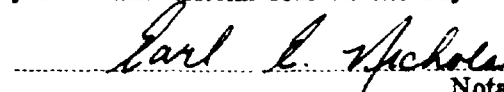
On this the 31st day of January, 195 6, before me personally appeared
H. C. Langston and Lucy E. Langston, his wife

to me personally known to be the person ■ described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires:

My Commission Expires July 15, 1959



Notary Public.

Office **New Mexico**

Serial No. 014856

Receipt No.

OFFER TO LEASE AND LEASE FOR OIL AND GAS

(Sec. 17 Noncompetitive 5-Year Public Domain Lease)

THIS OFFER WILL BE REJECTED AND RETURNED TO THE OFFEROR AND WILL AFFORD THE OFFEROR NO PRIORITY IF IT IS NOT PROPERLY FILLED IN AND EXECUTED OR IF IT IS NOT ACCOMPANIED BY THE REQUIRED DOCUMENTS OR PAYMENTS. SEE ITEM 9 OF GENERAL INSTRUCTIONS

(Fill in on a typewriter or print plainly in ink and sign in ink)

1. Miss **Mr. H. C. Langston**


2702 Castaneda Bl., NW

Number and Street

Albuquerque, N. M.

**PLEASE NOTIFY THE
SIGNING OFFICER OF
ANY CHANGE OF ADDRESS**

hereby offers to lease all or any of the lands described in item 2 that are available for lease, pursuant and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437, 30 U. S. C. sec. 181), as amended, hereinafter referred to as the act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force, when not inconsistent with any express and specific provisions herein, which are made a part hereof.

2. Land requested	3. Land included in lease
<p>New Mexico El Alamo (State) (County)</p> <p>T. 23 N. R. 2 E. N2P Meridian</p> <p>Sec. 2: N$\frac{1}{2}$W$\frac{1}{2}$ " 12: NW$\frac{1}{4}$</p> <p>Total Area 240 Acres</p>	<p>(Not to be filled in by Officer)</p> <p>(State) (County)</p> <p>T. : R. : Meridian</p> <p>This lease embraces the area and the land described in Item 2.</p> <p></p> <p>The rental retained is the rental amount shown in Item 4.</p> <p>Total Area : Acres Rental retained \$.</p>

4. Amount remitted: Filing fee \$10, Rental \$ 120.00, Total \$ 130.00

5. Undersigned certifies as follows:

(a) Offeror is a citizen of the United States. Native born Yes Naturalized _____ Corporation or other legal entity (specify what kind): _____

Introduction

(b) Offeror's interests direct and indirect in oil and gas leases and applications or offers thereof including this offer in the same State do not exceed 15,360 chargeable acres. (c) Offeror accepts as a part of this lease, to the extent applicable, the stipulations provided for in 43 CFR 191.6. (d) Offeror is 21 years of age or over (or if a corporation or other legal entity, is duly qualified as shown by statements made or referred to herein). (e) Offeror has described all surveyed lands by legal subdivisions and unsurveyed lands by notes and bounds, and further states that there are no settlers on unsurveyed lands described herein.

6. Offeror's signature to this offer shall also constitute offeror's signature to, and acceptance of, this lease and any amendment thereto that may cover any land described in this offer open to lease application at the time the offer was filed but omitted from this lease for any reason, or signature to, or acceptance of, any separate lease for such land. The offeror further agrees that (a) this offer cannot be withdrawn, either in whole or in part, unless the withdrawal is received by the land office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed in behalf of the United States, and (b) this offer and lease shall apply only to lands not within a known geologic structure of a producing oil or gas field at the time the offer is filed.

7. It is hereby certified that the statements made herein are true, complete and correct to the best of offeror's knowledge and belief, and are made in good faith.

IN WITNESS WHEREOF, Offeror has duly executed this instrument this 1st day of April 1954

WITNESSES

..... (Name and address)

P.O. Box 181
Santa Fe, N.M.

.....
(Name and address)

(Lessee signature)

(Lessor signature)

(Attorney-in-fact)

This lease for the lands described in item 3 above is hereby issued, subject to the provisions of the offer and on the reverse side hereof.

Subject to Public Law 555, 83rd Congress

THE UNITED STATES ~~OF~~ AMERICA

By [Signature]
(8) [Signature] officer

Effective date of lease

SEP 1 1954

MANAGER
(TU)

AUG 13 1954

18 U. S. C. sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

1. I HEREBY CERTIFY THAT THE CONTENTS ARE EXACT REPRODUCTIONS ON ONE SHEET OF BOTH SIDES OF THIS OFFICIAL FORM, IN ACCORDANCE WITH THE PROVISIONS OF 43 CFR 102.42 (a).

15-6327-1

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 2249
Order No. R-1960

APPLICATION OF SOUTHERN UNION
PRODUCTION COMPANY FOR AN ORDER
FORCE-POOLING A STANDARD 160-
ACRE GAS PRORATION UNIT IN THE
TAPACITO-PICTURED CLIFFS GAS
POOL, RIO ARriba COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 19, 1961, at Santa Fe, New Mexico, before A. L. Porter, Jr., Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 5th day of May, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, A. L. Porter, Jr., 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, Southern Union Production Company, is the owner and operator of Federal Lease No. NM 014856, comprising the N/2 SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.
- (3) That the applicant seeks an order force-pooling all mineral interests in the Tapacito-Pictured Cliffs Gas Pool in the SW/4 of said Section 2, in order to form a 160-acre gas proration unit.
- (4) That inasmuch as denial of the subject application would deprive, or tend to deprive, the mineral interest owners in the above-described 160-acre tract of the opportunity to recover their just and equitable share of the hydrocarbons in the Tapacito-Pictured Cliffs Gas Pool, all mineral interests therein should be force-pooled.

-2-

CASE No. 2249
Order No. R-1960

(5) That the applicant should furnish the Commission with an itemized schedule of well costs upon completion of a well on the subject gas proration unit.

IT IS THEREFORE ORDERED:

That the interests of all persons having the right to drill for, produce, or share in the production of hydrocarbons from the Tapacito-Pictured Cliffs Gas Pool underlying the SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, are hereby force-pooled to form a standard 160-acre gas proration unit comprising all of said acreage. Said unit is to be dedicated to a well to be located at an orthodox location thereon.

PROVIDED HOWEVER, That the proportionate share of the costs of development and operation of the pooled unit shall be borne by each consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

PROVIDED FURTHER, That the proportionate share of the costs of development of the pooled unit, including a reasonable charge for supervision, shall be paid out of production by each non-consenting working interest owner and shall be 110 per cent of the same proportion to the total costs of drilling and completing the well that his acreage bears to the total acreage in the pooled unit.

PROVIDED FURTHER, That the share of the costs for development of the pooled unit, as determined above, which is to be paid by the mineral interest owners shall be withheld only from the working interests' share (7/8) of the revenues derived from the sale of the hydrocarbons produced from the well on the pooled unit. Royalty payments are not to be affected by the withholding of any funds for the purpose of paying out a proportionate share of the costs of development and operation of the pooled unit.

PROVIDED FURTHER, That the applicant shall furnish the Commission with an itemized schedule of well costs upon completion of a well on the subject gas proration unit.

IT IS FURTHER ORDERED:

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

-3-

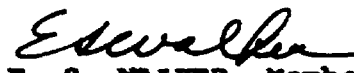
CASE No. 2249
Order No. R-1960

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

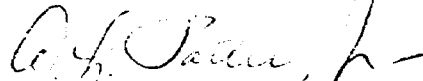
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



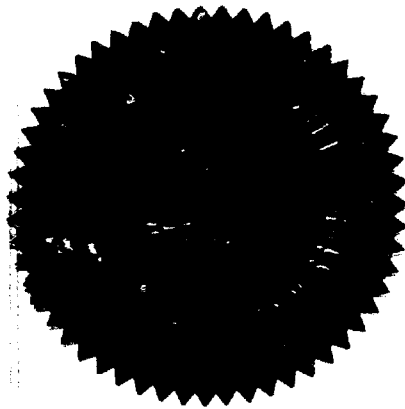
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



esr/

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

C
O
P
Y

February 6, 1962

Mr. Manuel Sanchez
Attorney at Law
54 Lincoln Avenue
Santa Fe, New Mexico

Dear Mr. Sanchez:

This letter will acknowledge receipt of three copies of an itemized statement of well costs on Southern Union Production Company's Well No. 1, SW/4 of Section 2, Township 25 North, Range 3 West, Rio Arriba County, New Mexico, as required to be submitted by Commission Order No. R-1960 entered in Case No. 2249 on May 5, 1961.

Very truly yours,

RICHARD S. MORRIS
Attorney

RSN/og

SOUTHERN UNION PRODUCTION COMPANY

MARTINEZ #1
T-25-N, R-3-W, SW $\frac{1}{4}$ of Section 2
Rio Arriba County, New Mexico

Well - 7069
Lease- 8209
Page 1 of 3

MAIN OFFICE OCC

1962 FEB 5 AM 11:42

File Acc 2249
R-1960 5/5/61

Ref.	Description	June	July	August	Sept.	October	Total Actual
So. 71	Administrative Overhead			\$125.00			\$125.00
So. 71	Company Labor			495.00	\$219.00		714.00
So. 72	Company Auto			125.00	90.00	2.00	217.00
So. 74							
101-004	1627' 1 1/2" Tubing 275 Jal-Conweld 50 2040' 1 1/2" Tubing 275 Jal-Conweld 50			508.00	1,166.00		508.00 1,166.00
101-013	251' 2 3/8" Tubing 470 J55 <251'> 2 3/8" Tubing 470 J55			152.00	<153.00>		152.00 <153.00>
101-016	154' 2 7/8" Tubing 650 J55			120.00			120.00
101-068	26' 5 1/2" Casing 1550 J55			49.00			49.00
	Used to build catleguard - Left for Martinez after completion of well						
101-026	3962' 3 1/2" Tubing 930 N80 <91'> 3 1/2" Tubing 930 N80			6,185.00	<142.00>		6,185.00 <142.00>
101-332	201' 8 5/8" Casing 3200 J55			842.00			842.00
370-102	30 Gal. Premium Auto Gas			10.00			10.00
501-724	2 1 1/2" Plug Lift.			37.00			37.00
931-265	1 Xmas Tree Assembly 10" 400 X 6" 600			400.00			400.00
				\$9,048.00	\$1,180.00	\$ 2.00	\$10,230.00

<u>Ref.</u>	<u>Description</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Sept.</u>	<u>October</u>	<u>Total Actual</u>
30. 75 12274	Jose Maria Martinez - For surface damages	\$530.00					\$530.00
10719(438)	Jeffries - Eaves, Inc. - Haul 3940' 3 1/2" Tubing to Martinez #1 Well			\$217.00			217.00
10719(439)	New Mexico Tankers, Inc. - Haul drilling water to Martinez #1 Well			1,135.00			1,135.00
10747	Fleeger Drilling, Inc. - Drill 3850'			11,666.00			11,666.00
10775	Basin Builders Supply - 2-8 X 10 - 14' Rough Pine - 187'			29.00			29.00
10776	Murphy Welding - 10 Hours making cattleguard			72.00			72.00
10772	Goodno Welding & Mfg. Inc. - Welded on slip on shoe; welded crack on gas separator; belled out 8" ft. of pipe and cut off threads			7.00			7.00
10817(432)	T. S. Schmitz - Water for drilling & frac for Martinez #1			250.00			250.00
10817(433)	Road right of way to Martinez #1			60.00			60.00
10933(453)	Jeffries - Eaves, Inc. - Haul 3900' - 1 1/2" Tubing and 2 3/8" Tubing to Martinez #1			217.00			217.00
10939(449)	B. F. Walker, Inc. - Haul 6 fts. 8 5/8" Casing to Martinez #1			132.00			132.00
10939(459)	New Mexico Tankers, Inc. - Haul frac water to Martinez #1			1,092.00			1,092.00
11015	Ernest G. Motto - Build location & pit on Martinez #1			388.00			388.00
11027	Baroid Division Drilling Mud			373.00			373.00
11029	B & R Service, Inc. - Temperature Survey on 3 1/2" Casing			102.00			102.00
11030	B J Service, Inc. - Special Services			570.00			570.00
11034	McCullough Tool Co. - Logging Service			969.00			969.00
11045	Monarch Construction Co. - Move & install cattleguard	\$530.00		\$22,484.00	\$5,169.00	\$ 2.00	\$28,165.00
					146.00		146.00

<u>Ref.</u>	<u>Description</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Sept.</u>	<u>October</u>	<u>Total Actual</u>
11105	Dowell - Special Services				\$5,001.00		\$5,001.00
11107	Drilling Mud - Baroid				1,326.00		1,326.00
11117	Signal Oilfield Service				1,337.00		1,337.00
11154	E J Service, Inc. - Special Services				1,062.00		1,062.00
11192	Atomic Sign Service - Metal Well Sign				18.00		18.00
11193	Murphy Welding Co. - Make pin collar & perforate 1 1/2" Tubing. Cut off 3 1/2" Casing & set slips				7.00 68.00		7.00 68.00
11222	Snaffer Tool Works, Inc. - Ram blocks w/Rubbers				20.00		20.00
11240	The Western Company - Special Services				678.00		678.00
11243	Jones & Laughlin Supply Division - M & S				15.00		15.00
11343	Basin Industrial Company - Fishing Tool Rental				83.00		83.00
11352	Leonard & Youtsey - Fill pits & clean up location				227.00		227.00
11117(474)	Mountain States Telephone				11.00		11.00
11-15	M.B.R. Inc. - Clean up location					74.00	74.00
11-37	Lane Wells Company - Logging Company					663.00	663.00
11-77	Mountain States Telephone					9.00	9.00
11-78	Jones & Laughlin Supply Division - M & S					53.00	53.00
11-79	Beacon Supply Company - Valve Sealant					2.00	2.00
88103	Southwestern Bell Telephone Co. - Telephone Bill to Mr. Sanchez - Santa Fe		2.00				2.00
		\$530.00	\$ 2.00	\$22,484.00	\$15,522.00	\$803.00	\$39,341.00

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 5, 1961

Mr. Jose Maria Martinez
Park View, New Mexico

Dear Mr. Martinez:

By Commission Order No. R-1960, a copy of which is enclosed, all of the mineral interests in the SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, were force-pooled to form a 160-acre gas proration unit. This unit includes the S/2 SW/4 of Section 2 in which you own a 17/30 undivided interest.

This order was issued pursuant to Section 65-3-14 (c) of the New Mexico Statutes Annotated, 1953 Compilation, and its effect is to place the mineral interest in your acreage into a common pool with the mineral interests of all other persons in the 160-acre unit in order that a well can be economically drilled and assigned a full allowable. This order in no way affects your ownership in the surface of the land; it only affects your interest in the Tapacito-Pictured Cliffs Gas Pool.

The effect of this force-pooling order upon you is to recognize you as a royalty owner to the extent of 1/8 of your proportionate interest in the 160-acre tract and to recognize you as the owner of what is termed a working interest in the remaining 7/8 of your proportionate interest in the unit. This means that you will receive payment, without charge of operating costs, for your royalty interest beginning as soon as a well is drilled and is producing on this unit. You will also receive payment for your working interest, but rather than receiving any money immediately, this payment will be delayed until 110 per cent of your proportionate share of the well costs have been paid out of money from the production of gas. It is possible, and even probable,

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

-2-

May 5, 1961

Mr. Jose Maria Martinez
Park View, New Mexico

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that in several years the well will be paid for and you will then begin receiving payments for your working interest.

The force-pooling order does not, in any way, deprive you from receiving payment for the gas that will be produced from under your land. In fact, were it not for this order, it is quite probable that you would never derive any benefit from your mineral interest ownership in this land.

I am hoping that this explanation of the effect of force-pooling will help you understand what has been done by this order. If there are additional questions you would like to ask about this matter, please feel free to call upon us.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/RSM/esr
Enclosure

POST OFFICE BOX 666

MANUEL A. SANCHEZ
ATTORNEY AT LAW
BATTS BUILDING
SANTA FE, NEW MEXICO

TELEPHONE YUCCA 3-4631

June 13, 1961

Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

Enclosed is photostat copy of Exhibit 3 in Cause No. 2249
Oil Conservation Commission of New Mexico.

At the hearing we requested withdrawal of the original
exhibit and filing a photostat copy of the same.

Yours very truly,

Manuel A. Sanchez

MAS/JF
Enc.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

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

P. O. BOX 871
SANTA FE

May 5, 1961

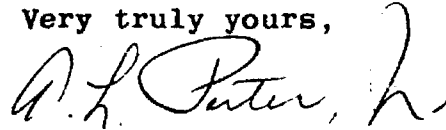
Mr. Manuel Sanchez
Attorney at Law
P. O. Box 666
Santa Fe, New Mexico

Re: Case No. 2249
Order No. R-1960
Applicant:
Southern Union Production
Company

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.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC **x**
Artesia OCC
Aztec OCC **x**

OTHER Jose Maria Martinez

Printed copies sent to all interested parties.

BEFORE THE OIL CONSERVATION COMMISSION, SANTA FE, NEW MEXICO

In the Matter of the Application of
Southern Union Production Company
for an order force pooling interests
for the formation of a standard drilling
and proration unit in the Tapacito
Pictured Cliff Pool consisting of the
SW $\frac{1}{4}$ Section 2, T. 25 N., R. 3 W.

Case No. 2249

A P P L I C A T I O N

Comes now Southern Union Production Company, a corporation authorized to transact business in New Mexico, and applies to the Oil Conservation Commission of the State of New Mexico for an order force pooling all of the interests in and under the S $\frac{1}{2}$ SW $\frac{1}{4}$ Section 2, T. 25 N., R. 3 W., N.M.P.M., Rio Arriba County, New Mexico, in the formation of standard drilling and proration unit as provided by the pool rules for the Tapacito Pictured Cliff Pool, under the provisions of Order No. R-1670, and in support thereof states:

1. That applicant is the owner of Federal oil and gas lease NM 014856 covering the N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 2, T. 25 N., R. 3 W., Rio Arriba County, New Mexico; that said lease will expire on August 31, 1961, unless applicant drills a well thereon prior to said date.
2. Applicant is informed that there are no royalty interests and that all interests in the minerals underlying said S $\frac{1}{2}$ SW $\frac{1}{4}$ are working interests; that a majority of said working interests do not agree to pooling and unitization of their interests in said unit, although applicant has made an effort to obtain such agreement.
3. That said S $\frac{1}{2}$ SW $\frac{1}{4}$, joined with said N $\frac{1}{2}$ SW $\frac{1}{4}$, will make a standard drilling and proration unit of 160 acres as required by the rules for said pool hereinbefore mentioned, with the unit well to be located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of said Section 2.
4. That unless said interests are force pooled, applicant will be deprived of its right to drill the lands covered by its lease and of its right to recover its just and equitable share of the oil and gas underlying said lands covered by applicant's lease.

Application & Decree 2249 filed April 5, 1961
W. L. ...

5. That the names and addresses of the working interest owners, together with their interests therein, as applicant is informed and believes, are as follows:

copy of agreement and declaration to pool

<u>Name</u>	<u>Address</u>	<u>Amount of Interest</u>
Thomas F. McKenna	Santa Fe, New Mexico	1/6
Joseph A. Sommer	Santa Fe, New Mexico	1/6
Luis Martinez	170 West Rushton, Ogden, Utah	1/40
Porfiria Martinez	2935 Grant Avenue, Ogden, Utah	1/40
Josie M. Gallegos	2315 E. 23rd St. Oakland, Calif.	1/40
Maximo Valdez	Dulce, New Mexico	1/160
✓ Anadito Valdez	722 W. Sheridan Road, Chicago, Ill.	3/1280
Maximo Valdez Jr.	2737 W. 18th St., Chicago, Ill.	3/1280
Mae Valdez	2737 W. 18th St., Chicago, Ill.	3/1280
Madalena Valdez	2737 W. 18th St., Chicago, Ill.	3/1280
Eleberta V. Johnson	2737 W. 18th St., Chicago, Ill.	3/1280
Anita V. Montoya	504 Auburn, Farmington, New Mexico	3/1280
Levi Valdez	504 Auburn, Farmington, New Mexico	3/1280
Lucia V. Jacquez	504 Auburn, Farmington, New Mexico	3/1280
Jose Maria Martinez	Park View, New Mexico	17/30

That all of said owners are over 21 years of age except Madalena Valdez who is approximately 19 years of age.

6. That applicant is informed that the interest owners Thomas F. McKenna and Joseph A. Sommer are not opposed to said force pooling.

7. That applicant is ready and willing to undertake the drilling of a well in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 2 to an approximate depth of 3900 feet completed in the Pictured Cliff Formation and to arrange for or advance the expense in connection with the drilling of said well, and, in the event of production of oil and gas, to properly account for and distribute the proceeds derived from said production.

WHEREFORE, applicant prays that this application be set for hearing;

at as early a date as possible, and that after notice and hearing as required by law, the Commission enter its order force pooling the interests in said S₂S₄, and enter an order providing for the distribution of proceeds in the event of production.

Respectfully submitted,

SOUTHERN UNION PRODUCTION COMPANY

By Manuel A. Sanchez
Attorney
Santa Fe, New Mexico

BT-666

NEW MEXICO PRINCIPAL #15284

A 30x30 grid with numbered cells. The numbers are arranged in a 6x5 pattern, with each number appearing in two adjacent cells. The numbers are: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30. A diagram of a building layout is overlaid on the grid, showing a central corridor and several rooms. The diagram includes a large rectangular area on the right side, a smaller rectangular area on the left side, and a central corridor connecting them. The diagram is drawn with thick black lines.

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April 18, 1961

4429 No. Whipple
Chicago 25, Ill.

State of New Mexico
Oil Conservation Commission
P.O. Box 871
Santa Fe, New Mexico No. 2249

Dear Sirs;

The letter sent each and everyone concerning the Southren Union Production Company Forse Pool, for Tapasita Cliff Pool for April 19 was mistakenly sent back.

It was address to me at 2737 W. 18th Chicago 5, Illinois. It should have read; 4429 No. Whipple, Chicago 25, Illinois.

If it is not to late I would appreciate it if you in return mail it back to me this time to the right address.

Thank you for your trouble,

Sincerely your

Eliverta Johnson

*Application
+ Letter Mailed
4-15-61
JK*

DOCKET: EXAMINER HEARING - WEDNESDAY, APRIL 19, 1961

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

The following cases will be heard before Elvis A. Utz, Examiner, or A. L. Porter, Secretary-Director, as alternate examiner:

- CASE 2246: Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a) and Rule 309 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the oil production from the Tubb Gas Pool, the oil production from the Blinebry Gas Pool and the oil production from the Drinkard Pool from all wells presently completed on its J. R. Cone "A" lease, comprising the W/2 SW/4 of Section 26, Township 21 South, Range 37 East, Lea County, New Mexico, and on its J. R. Cone "B" lease comprising the SE/4 SW/4 and the SW/4 SE/4 of said Section 26.
- CASE 2247: Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the distillate production from the Tubb Gas Pool, the distillate production from the Blinebry Gas Pool, the oil production from the Drinkard Pool and the oil production from the Wantz Abo Pool from all wells presently completed on the S. J. Sarkeys lease, comprising the the SE/4 of Section 23, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 2248: Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the oil production from the Drinkard Pool with the oil production from the Tubb Gas Pool from all wells presently completed on its A. M. York "B" lease, comprising the NE/4 NE/4 of Section 20, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 2249: Application of Southern Union Production Company for an order force pooling a standard 160-acre proration unit in the Tapacito-Pictured Cliffs Gas Pool. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Tapacito-Pictured Cliffs Gas Pool in the SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, to form a standard 160-acre gas proration unit.

MAIN OFFICE OCC

1961 APR 13 AM 8:03

April 10, 1961

State of New Mexico
OIL CONSERVATION COMMISSION
P. O. Box 871
Santa Fe.


Gentlemen:

This is to acknowledge receipt of your notice relative to case #2249, in the matter of the Application of Southern Union Production Company for an order force pooling interests for the formation of a standard drilling and proration unit in the Tapacito Pictured Cliff Pool consisting of the SW $\frac{1}{2}$ Section 2, T. 25 N., R. 3W, set for examiner hearing April 19, 1961 at Santa Fe, New Mexico.

I wish to inform you that I do not agree to force pooling and unitization of the interests in said unit.

Thank you for your consideration.

Very truly yours,


AMADITO VALDEZ
722 West Sheridan Road
Chicago 13, Illinois

AV/mj

April 15, 1961

Oil Conservation Commission
P.O. Box 871
Santa Fe, New Mexico

Gentlemen:

This letter is in reply to the application of Southern Union Production Company concerning an order force pooling interests for the formation of a standard drilling and production unit in the Tapacito Pictured Cliff Pool consisting of the SW $\frac{1}{4}$ Section 2, T. 25 N., R. 3 W.


I have no objection to the drilling of a well on my property as long as:

1. I am not obligated in any way to produce or contribute funds that will be used in the drilling of this well.
2. That I receive a distribution of profits in the event of production.

I have made no other provision for use of the property.

Yours truly,

Luis Martinez



gcp

DOCKET: EXAMINER HEARING - WEDNESDAY, APRIL 19, 1961

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

The following cases will be heard before Elvis A. Utz, Examiner, or A. L. Porter, Secretary-Director, as alternate examiner:

CASE 2246:

Application of Sinclair Oil & Gas Company for an exception to Rule 302 (a) and Rule 309 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the oil production from the Tubb Gas Pool, the oil production from the Blinebry Gas Pool and the oil production from the Drinkard Pool from all wells presently completed on its J. R. Cone "A" lease, comprising the W/2 SW/4 of Section 26, Township 21 South, Range 37 East, Lea County, New Mexico, and on its J. R. Cone "B" lease comprising the SE/4 SW/4 and the SW/4 SE/4 of said Section 26.

CASE 2247:

Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the distillate production from the Tubb Gas Pool, the distillate production from the Blinebry Gas Pool, the oil production from the Drinkard Pool and the oil production from the Wantz Abo Pool from all wells presently completed on the S. J. Sarkeys lease, comprising the SE/4 of Section 23, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 2248:

Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the oil production from the Drinkard Pool with the oil production from the Tubb Gas Pool from all wells presently completed on its A. M. York "B" lease, comprising the NE/4 NE/4 of Section 20, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 2249:

Application of Southern Union Production Company for an order force pooling a standard 160-acre proration unit in the Tapacito-Pictured Cliffs Gas Pool. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Tapacito-Pictured Cliffs Gas Pool in the SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, to form a standard 160-acre gas proration unit.

RSM
4/28
DRAFT

RSM/esr
April 28, 1961

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 2249

Order No. R- 1960

OK
5/1
APPLICATION OF SOUTHERN UNION
PRODUCTION COMPANY FOR AN ORDER
FORCE-POOLING A STANDARD 160-
ACRE GAS PRORATION UNIT IN THE
TAPACITO-PICTURED CLIFFS GAS
POOL, RIO ARriba COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 19, 1961, at Santa Fe, New Mexico, before A. L. Porter, Jr., Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this day of May, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, A. L. Porter, Jr., 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, Southern Union Production Company, is the owner and operator of ~~the~~ Federal Lease No. NM 014856, comprising the N/2 SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks an order force-pooling all mineral interests in the Tapacito-Pictured Cliffs Gas Pool in the SW/4 of said Section 2, in order to form a 160-acre gas proration unit.

(4) That inasmuch as denial of the subject application would deprive, or tend to deprive, the mineral interest owners in the above-described 160-acre tract of the opportunity to recover their just and equitable share of the hydrocarbons in

the Tapacito-Pictured Cliffs Gas Pool, all mineral interests therein should be force-pooled.

(5) That the applicant should furnish the Commission with an itemized schedule of well costs upon completion of a well on the subject gas proration unit.

IT IS THEREFORE ORDERED:

That the interests of all persons having the right to drill for, produce, or share in the production of hydrocarbons from the Tapacito-Pictured Cliffs Gas Pool underlying the SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, are hereby force-pooled to form a standard 160-acre gas proration unit comprising all of said acreage. Said unit is to be dedicated to a well to be located at an orthodox location thereon.

PROVIDED HOWEVER, That the proportionate share of the costs of development and operation of the pooled unit shall be borne by each consenting working interest owner in the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

PROVIDED FURTHER, That the proportionate share of the costs of development ~~and operation~~ of the pooled unit, including a reasonable charge for supervision, shall be paid out of production by each non-consenting working interest owner and shall be 110 ^{of drilling and completing the well} per cent of the same proportion to the total costs that his acreage bears to the total acreage in the pooled unit.

PROVIDED FURTHER, That the share of the costs for development ~~and operation~~ of the pooled unit, as determined above, which is to be paid by the mineral interest owners shall be withheld only from the working interests' share (7/8) of the revenues derived from the sale of the hydrocarbons produced from the well on the pooled unit. Royalty payments are not to be affected by the withholding of any funds for the purpose of paying out a proportionate share of the costs of development and operation of the pooled unit.

PROVIDED FURTHER, That the applicant shall furnish the

-3-
CASE No. 2249

Commission with an itemized schedule of well costs upon completion of a well on the subject gas proration unit.

IT IS FURTHER ORDERED:

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 herein-
above designated.

END OF ROLL

57

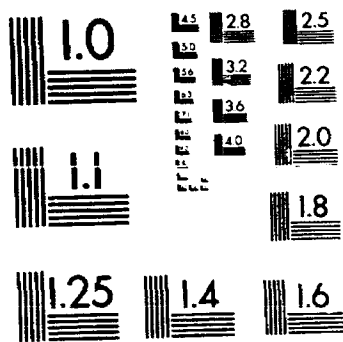
ROLL NUMBER

DOCUMENT TYPE NIM OIL CONSERVATION DIVISION

DATE OF FILMING JUNE 17th, 1985

CAMERA OPERATOR PHIL A. WILDE

ENDING DOCUMENT CASE # 2249, APRIL 28th, 1961



MICROCOPY RESOLUTION TEST CHART
 NATIONAL BUREAU OF STANDARDS
 STANDARD REFERENCE MATERIAL 1010a
 (ANSI and ISO TEST CHART No. 2)

STATEMENT OF DOCUMENT CERTIFICATION

All microphotographics images of documents following this certificate are of authorized documents in the possession of this Agency. These documents are routinely microfilmed as a necessary operation in the generation of an inviolate document file.

R. David Ortiz
SUPERVISOR

STATE OF NEW MEXICO)
) SS.
COUNTY OF VALENCIA)

Sworn and Subscribed to me, A Notary Public,

This 1st day of December, 19 93

Lydia Aragon
NOTARY PUBLIC

MY COMMISSION EXPIRES: 10-2-86

CERTIFICATE OF AUTHENTICITY

THIS IS TO CERTIFY that the microphotographs appearing on this Roll of Film are accurate and complete reproductions of the records of the, NM OIL CONSERVATION DIV. as delivered in the regular course of business for Micro Filming.

Philip A. Wilde
CAMERA OPERATOR

STATEMENT OF DOCUMENT CERTIFICATION

All microphotographs images of documents following this certificate are of authorized documents in the possession of this Agency. These documents are routinely microfilmed as a necessary operation in the generation of an inviolate document file.

R. David Ortiz
SUPERVISOR

STATE OF NEW MEXICO)
) SS.
COUNTY OF VALENCIA)

Sworn and Subscribed to me, A Notary Public,

This 1st day of December, 19 93

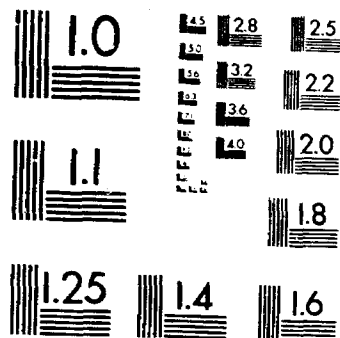
Lynda Aragon
NOTARY PUBLIC

MY COMMISSION EXPIRES: 10-2-86

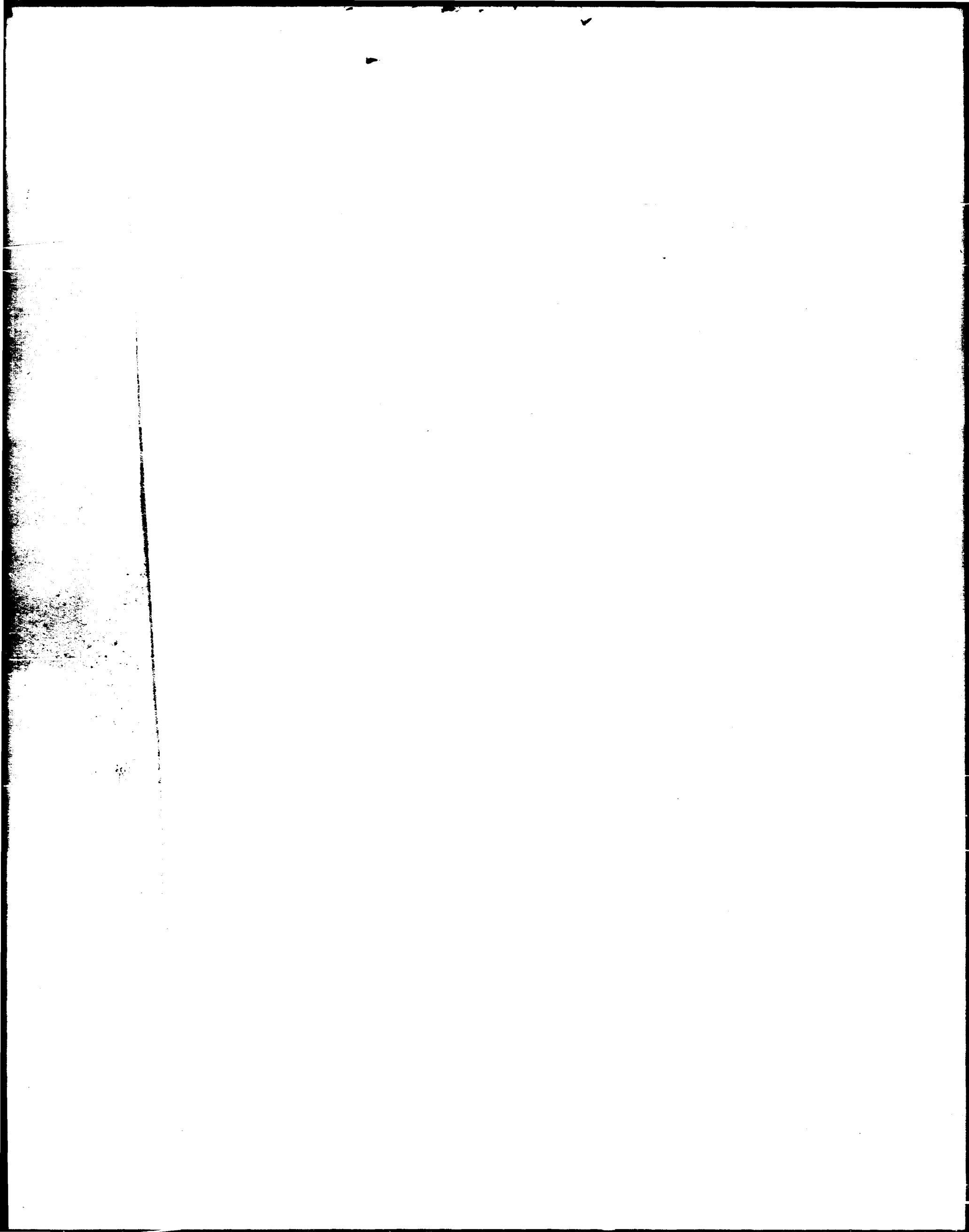
CERTIFICATE OF AUTHENTICITY

THIS IS TO CERTIFY that the microphotographs appearing on this Roll of Film are accurate and complete reproductions of the records of the, NM OIL CONSERVATION DIV. as delivered in the regular course of business for Micro Filming.

Philip A. Wilde
CAMERA OPERATOR



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ROLL NUMBER

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DATE OF FILMING

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