

CASE 2624: Application of EL PASO
PRODUCTS for non-standard unit and
unorthodox location.

Had order yesterday
received confirmation
of receipt of shipment
of ~~water~~ ~~from~~ ~~the~~ ~~field~~
from Mr. A. F. ~~the~~

(5) That approval of the non-standard proration unit will avoid the drilling of unnecessary wells, protect correlative rights, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste.

(6) That the applicant further seeks permission to locate its Brimhall Well No. 1 at an unorthodox location 2580 feet from the South line and 1980 feet from the West line of said Section 17, and proposes to dedicate the above-described non-standard oil proration unit to said well.

(7) That all offset operators have consented to the proposed unorthodox well location and that approval of the unorthodox well location will not cause waste or impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That an 82.07-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool is hereby established comprising the following portions of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico: that part of the NE/4 SW/4 lying North of the centerline of the San Juan River, as the same is shown and designated on the U. S. Government Land Office Plat of Survey dated August 31, 1882; the SE/4 NW/4; and that part of the NE/4 NW/4 lying South of the centerline of U. S. Highway 550.

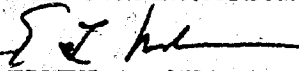
(2) That in the event it is determined by an official re-survey, or otherwise, that the acreage in said proration unit is greater or smaller than 82.07 acres, the acreage to be allocated to said unit shall be adjusted accordingly.

(3) That the applicant is hereby authorized to locate its Brimhall Well No. 1 at an unorthodox location 2580 feet from the South line and 1980 feet from the West line of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, and shall dedicate the above-described non-standard oil proration unit to said well.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


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

S E A L

esr/

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. 2624
Order No. R-2311

APPLICATION OF EL PASO NATURAL GAS
PRODUCTS COMPANY FOR A NON-STANDARD
PRORATION UNIT AND UNORTHODOX LOCA-
TION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 29, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 7th day of September, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, El Paso Natural Gas Products Company, seeks the establishment of an 82.07-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool comprising the following portions of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico: that part of the NE/4 SW/4 lying North of the centerline of the San Juan River, as the same is shown and designated on the U. S. Government Land Office Plat of Survey dated August 31, 1882; the SE/4 NW/4; and that part of the NE/4 NW/4 lying South of the centerline of U. S. Highway 550.

(3) That the proposed unit lies wholly within a single governmental section and may reasonably be presumed to be productive of oil from the Cha Cha-Gallup Oil Pool.

(4) That the entire subject area is included in a Royalty Owner's Unitization Agreement and that the applicant has been designated the unit operator by a Joint Operating Agreement.

8.

ROYALTY OWNERS' UNITIZATION AGREEMENT

THIS AGREEMENT made and entered into this 15th day of June, 1962, between the undersigned royalty owners, hereinafter called "First Parties", "Second Parties", etc., and the HUMBLE OIL & REFINING COMPANY, a Delaware corporation, with an office at Tulsa, Oklahoma, and EL PASO NATURAL GAS PRODUCTS COMPANY, a corporation, having an address at P. O. Box 1161, El Paso, Texas,

hereinafter called (whether one or more) "Operator";

WITNESSETH

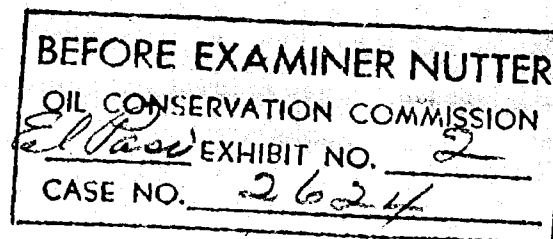
THAT:

WHEREAS the undersigned First Parties are the owners of oil and gas interests which are subject to the oil and gas lease or leases described under the heading "Tract 1" in the schedule marked "Exhibit A" which is attached hereto as a part hereof; and

WHEREAS the undersigned Second Parties are the owners of oil and gas interests which are subject to the oil and gas lease or leases described under the heading "Tract 2" in the schedule marked "Exhibit A" which is attached hereto; and

WHEREAS the other undersigned parties designated third, fourth, fifth and sixth parties are respectively the owners of oil and gas interests, which interests are subject to the oil and gas leases described under the headings, Tracts 3, 4, 5 and 6; and

WHEREAS one of the above named parties, El Paso Natural Gas Products Company, who is an Operator, also owns certain mineral interests which are not subject to lease and the undersigned El Paso Natural Gas Company has a certain interest in production from certain of the lands subject hereto; and



STATE OF TEXAS
COUNTY OF EL PASO

June 1, 1962

El Paso Natural Gas Products Co.
Case No. 2624
Exhibit 2

El Paso Natural Gas Products Co.
Case No. 2624
Exhibit 2

WHEREAS Operator is the owner of all of the oil and gas leases described in Exhibit A hereof in so far as they cover the lands described in said exhibit; and

WHEREAS the parties hereto desire, for the purposes of development and operation for the production of oil and gas, to unite the tract of land specifically described in the schedule marked "Exhibit B" attached hereto as a part hereof, which tract is hereinafter referred to as the "unitized area";

NOW, THEREFORE, for and in consideration of the sum of One Dollar (\$1.00) paid by Operator to each of the other parties hereto, receipt of which is hereby acknowledged, and of the benefits to accrue hereunder and of the covenants and obligations herein contained and provided, it is agreed as follows:

1. That all of the oil and gas leases described in Exhibit A hereof shall be and remain in full force and effect except that the unitized area shall be developed and operated for oil and gas by Operator as a single unit. For the purpose of making royalty payments there shall be allocated to each tract in the unitized area that percentage of the total production from the unitized area, except any part thereof unavoidably lost or used for production or development purposes hereunder, which the tract's area bears to the unitized area. Royalty shall be paid or delivered to each royalty owner in conformance with the provisions of the appropriate lease agreement but computed upon the production allocated to the tract as above set forth rather than upon the actual production therefrom. For the foregoing purpose each tract included in the unitized area shall be deemed to contain the number of acres specified in Exhibit A hereof.

2. There shall be no obligation on Operator to offset wells on separate tracts into which the property unitized by this agreement is now divided or may hereafter be divided, nor shall Operator be required to furnish separate measuring tanks or receiving tanks by reason of the diverse ownership of the minerals in and under the property unitized hereby; however, Operator is not hereby released from any obligation it may have to protect the unitized area from drainage by any well or wells which may be drilled effecting said unitized area.

3. The commencement or completion or operation or production of a well on any part of the unitized area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of said oil and gas leases referred to in Exhibit A hereof as to all land covered by such leases. The commencement or completion or operation or production of a well on a portion of the acreage covered by one of the leases referred to in said Exhibit A, which portion is not included within the unitized area, shall be respectively construed and considered as the commencement or completion or operation or production of a well as to all of the acreage covered by such lease.

4. (a) Each party hereto agrees that the oil and gas leases referred to in Exhibit A hereof, except as necessarily modified by this agreement, are hereby for the consideration aforesaid, adopted, ratified and confirmed in all respects, in so far as the title and ownership of each of the undersigned permits.

(b) It is understood and agreed that it is the purpose, intent and effect of this agreement to unitize all oil and gas interests owned by any of the undersigned in the unitized area described in Exhibit B hereof.

(c) The term "oil and gas" as used herein includes oil, gas and any other hydrocarbon or mineral substance producible under the oil and gas leases referred to in Exhibit A hereof.

(d) If there is now or should hereafter be any dispute as to the ownership of the land affected hereby, then, in order to avoid duplicate payment of royalties, the royalties payable to the interest in dispute may be withheld until such time as the dispute is finally settled or determined.

5. The provisions of this agreement shall be subject to all applicable federal and state laws, executive orders, rules and regulations, and no party shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions hereof if such compliance is prevented by or such failure results from compliance with any such law, order, rule or regulation.

6. This agreement shall remain in force and effect for a term coextensive with the present oil and gas leasehold estate of Operator or any extension thereof upon all of the separate tracts which together comprise the unitized area: Provided, however, that in the event, prior to the commencement of a well on the premises to be unitized hereunder, sufficient signatures hereto are not secured to render operations under this agreement practicable in the opinion of the Operator, then Operator, at its option, may give written notice to that effect to the persons executing this agreement, such notice to be given by mailing the same to such persons at their last known addresses according to the records of said Operator. In case of such notice, this agreement shall be wholly ineffective just as though it had never been entered into. The down-payment for this agreement shall be the consideration to support this option.

7. Duplicate copies of this agreement may be executed with the same force and effect as though the original hereof had been executed. This agreement shall be fully binding as to all parties signing the original or a duplicate hereof, even though the signatures of all of the owners of the entire oil and gas rights in the premises unitized hereby are not secured.

8. For initial purposes of this Agreement, the Southernly line of the unitized area is assumed to be the centerline of the San Juan River according to the U.S.G.L.O. Plat of Survey and Map No. 31, 1881. If, at and when it is established by a final determination of a court of competent jurisdiction, or otherwise established to the satisfaction of all parties, that the centerline of said river for the purpose of bounding present and future ownership is otherwise, then there shall be a readjustment of royalties payable, retroactive to the date hereof, based upon the finally established number of acres in the tracts unitized hereby which are bounded by the river.

8-2

9.

10. If any lease or leases in Exhibit A hereof contain what is known as a "prorate clause"—being a provision substantially to the effect that if the leased premises be owned in severalty or in separate tracts, all royalties hereunder shall be prorated and shall nevertheless be treated as an entirety and divided among and paid to each such owner in proportion to the acreage owned by such separate owner bears to the entire acreage covered by any such lease—then such "prorate clause" shall be ineffective as to the portion of the premises covered by any such lease which is included in the area unitized hereby, but such "prorate clause" shall otherwise be effective by this agreement. The provisions of this paragraph are intended to be effective for the entire life of any lease affected thereby and shall not be limited by the term of this agreement hereinabove provided.

10.

11. This agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns, and the undersigned hereby release all rights of dower and homestead in the premises affected hereby in so far as such release may in any way be necessary to effectuate the purposes of this agreement as recited herein.

Other provisions, if any, are:

11. The oil production payments to El Paso Natural Gas Company shall be and remain in full force and effect, except that the same shall be payable from allocated production to rather than from actual production from each tract in the unitized area subject thereto. The mineral interests of El Paso Natural Gas Company shall be regarded as subject to an identical lease to that lease to it covering other individual tracts in the same lands for royalty purposes and royalty shall be paid said mineral owner allocated in the same manner as to other royalty owners hereunder.

12. Each party commits hereto all of their interests in riparian rights, lands under roads or other rights of way and generally all of their interests in the land in the unitized area, whether completely or perfectly described in the oil and gas leases of record or in Exhibit A hereto or not. No execution hereof shall ever be deemed to be a representation or a waiver as to ownership or as to the number of acres in a tract for any purpose other than this SEE BELOW

IN WITNESS WHEREOF the parties have hereunto set their hands and seals the day and year first above written.

ATTEST:

EL PASO NATURAL GAS PRODUCTS COMPANY
 INCORPORATED IN TEXAS a corporation

By

Secretary

President

*12. continued -

agreement. No execution hereof shall ever be deemed to impair any right to claim ownership of a different river centerline than that established for initial purposes hereof.

HUBBARD OIL & REFINING COMPANY

By

Attorney in Fact

OPERATOR

(SEAL)

(SEAL)

(SEAL)

(SEAL)

(SEAL)

(SEAL)

(SEAL)

(SEAL)

FIRST PARTIES

(SEAL)

(SEAL)

(SEAL)

(SEAL)

(SEAL)

(SEAL)

SECOND PARTIES

8-c

STATE OF TEXAS

COUNTY OF TARRANT

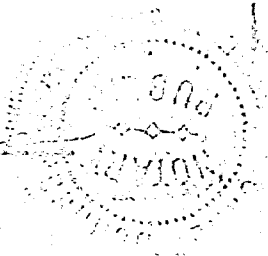
The foregoing instrument was acknowledged before me this 21th day of December, 1961, by FARMER D. SLOAN as Attorney-in-fact on behalf of FARMER OIL & REFINING COMPANY.

My commission expires:

July 25, 1965

Notary Public

John J. Sloan



STATE OF TEXAS

COUNTY OF TARRANT

ss.

The foregoing instrument was acknowledged before me this 7 day of December, 1961, by Roland L. Henslin, Attorney-in-fact of FARMER OIL & REFINING COMPANY, a corporation, on behalf of said corporation.

My commission expires:

July 1, 1963

Notary Public, State of Texas
My Commission Expires June 1, 1963

Notary Public

Walter H. Sloan

8-11

Witness: _____

Charles M. Phillips

Witness: _____

Wladyslaw Phillips

THIRD PARTIES

Witness: _____

Paul E. Schmidt

Witness: _____

Norma Schmidt

FOURTH PARTIES

Witness: _____

Wladyslaw Phillips

Witness: _____

Wladyslaw Holt Chavez

FIFTH PARTIES

Witness: _____

Wladyslaw Phillips

Witness: _____

Reta Wynn

SIXTH PARTIES

STATE OF New Mexico

COUNTY OF San Juan

SS.:

On this 23 day of April, 1962, before me personally appeared C. C. Thompson, Sr., a single person, to me known to be the person described in and who executed the foregoing instrument and acknowledged to me that he executed the same as his free act and deed.

My Commission expires:

11-22-64

St. Michael
Notary Public in and for San Juan
County

State of New Mexico

STATE OF NEW MEXICO

SS.:

COUNTY OF SAN JUAN

On this 27 day of April, 1962, before me appeared Wladyslaw Phillips and Norma Schmidt, persons known to me and who executed the foregoing instrument, and acknowledged to me that they executed the same as their free act and deed.

My Commission expires:

11-20

St. Michael
Notary Public in and for
San Juan County, State of New Mexico

STATE OF NEW MEXICO

SS.:

COUNTY OF SAN JUAN

On this 23rd day of MAY, 1962, before me appeared Carl E. Schmitt and Socorro Schmitt, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

My Commission expires:

11-20-64

[Signature]
Notary Public in and for
San Juan County
State of New Mexico

STATE OF NEW MEXICO

SS.:

COUNTY OF SAN JUAN

On this 24th day of MAY, 1962, before me appeared Don Carlos M. and Concepcion M., his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

My Commission expires:

11-20-64

[Signature]
Notary Public in and for
San Juan County, State of New Mexico

STATE OF NEW MEXICO

SS.:

COUNTY OF SAN JUAN

On this 23rd day of MAY, 1962, before me appeared Robert R. Wind and Meta Wind, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

My Commission expires:

11-20-64

[Signature]
Notary Public in and for
San Juan County
State of NEW MEXICO

discussing author concerns that reading is a privilege that is not valued and gives readers confidence and understanding about the world. The book is a collection of 10 essays of the author's readings relevant to such a case. It may have covered more other than that of the author, but it is a good book. The book also covers other things not covered here."

1 (304.61 ACQUIS)

All of Lots 1, 2 and 6 of the said Section 17, excepting therefrom the following described Tract 2. The coverage content of this tract is stated for the initial term of this agreement only and is subject to the possible readjustment hereunder the within agreement.

Orders of record:

C. C. Birchall, Jr. (who with his wife, Emily M. Birchall
 lodged said trust to Hugh S. Birchall by O&M and Gas Lease
 dated July 24, 1957 and recorded in Book 348 of O&M and
 Gas at Page 127) 3/4ths
 minerals

The above mentioned oil and gas lease has been assigned to and is now owned by El Paso Natural Gas Products Company, subject to an oil payment out of 1/16th of 3/8ths in the amount of \$125,000.00.

El Paso Natural Gas Products Company ----- minerals
(unlicensed)

2 (1.77 acres)

That part of Lot One (1) or the Northwest Quarter of the Northwest Quarter of
 said Section 17 described as follows:

Beginning at a point which is 570 feet South of the Northwest corner of Section 17; thence East 368 feet; thence South 208 feet; thence West 368 feet; thence North 208 feet to the place of beginning.

Owners of record:

El Paso Natural Gas Products Company, not subject to
Oil and gas lease, but subject to the oil production payment above mentioned ----- All minerals

(See Sheet 2 of Exhibit A attached for Sheets 3, 4, 5 and 6)

IN TEST 13

(Description of United Area)

that part of the West Bank of Section 17, Township 35 North, Range 14 East, T. 1, which lies north of the confluence of the South Fork River. (See the plans of the wildlife area mentioned in paragraph 1 of the river thread or proposed land.)

Tract 2 (36.36 acres)

That part of the NW 1/4 of Section 17 and NW 1/4 of the NE 1/4 of Section 17, lying south of the centerline of U. S. Highway 550, comprising therefrom the following parcels of land: Beginning at the Southeast corner of said NE 1/4; thence North 310 feet; thence West 182 feet; thence South 3° 20' east 310 feet; thence East 170 feet to the place of beginning.

Owners of record:

Lawson W. Phillips and Gladys Phillips, his wife, who leased said tract to Humble Oil & Refining Company by Oil and Gas lease dated May 15, 1957 and recorded in Book 363 at Page 37 ----- All minerals

Tract 4 (16.36 acres)

That part of the NW 1/4 of Section 17, lying north of the centerline of U. S. Highway 550.

Owners of record:

Carl F. Schmidt and Norma Schmidt, his wife, who leased said tract to Humble Oil & Refining Company by Oil and Gas lease dated May 15, 1957 and recorded in Book 363 at Page 40 ----- All minerals

Tract 5 (24.72 acres)

That part of the NW 1/4 of the NE 1/4 of Section 17, lying north of the centerline of U. S. Highway 550.

Owners of record:

D. M. Chavez, Jr. and Gladys Rose Chavez, his wife, who leased said tract to Humble Oil & Refining Company by Oil and Gas lease dated May 15, 1957 and recorded in Book 363 at Page 42 ----- All minerals

Tract 6 (1.18 acres)

That part of the NW 1/4 of the NE 1/4 of Section 17, described as follows: Beginning at the Southeast corner of said NE 1/4; thence North 310 feet; thence West 182 feet; thence South 3° east 310 feet; thence East 170 feet to the place of beginning.

Owners of record:

Daniel R. Winn and Sara Winn, his wife, who leased said tract to Humble Oil & Refining Company by Oil and Gas lease dated May 15, 1961 and recorded in Book 486 at Page 175 ----- All minerals

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. 2624
Order No. R-2311

APPLICATION OF EL PASO NATURAL GAS
PRODUCTS COMPANY FOR A NON-STANDARD
PRORATION UNIT AND UNORTHODOX LOCA-
TION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 29, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 7th day of September, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, El Paso Natural Gas Products Company, seeks the establishment of an 82.07-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool comprising the following portions of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico: that part of the NE/4 SW/4 lying North of the centerline of the San Juan River, as the same is shown and designated on the U. S. Government Land Office Plat of Survey dated August 31, 1882; the SE/4 NW/4; and that part of the NE/4 NW/4 lying South of the centerline of U. S. Highway 550.

(3) That the proposed unit lies wholly within a single governmental section and may reasonably be presumed to be productive of oil from the Cha Cha-Gallup Oil Pool.

(4) That the entire subject area is included in a Royalty Owner's Unitization Agreement and that the applicant has been designated the unit operator by a Joint Operating Agreement.

-2-

CASE No. 2624
Order No. R-2311

(5) That approval of the non-standard proration unit will avoid the drilling of unnecessary wells, protect correlative rights, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste.

(6) That the applicant further seeks permission to locate its Brimhall Well No. 1 at an unorthodox location 2580 feet from the South line and 1980 feet from the West line of said Section 17, and proposes to dedicate the above-described non-standard oil proration unit to said well.

(7) That all offset operators have consented to the proposed unorthodox well location and that approval of the unorthodox well location will not cause waste or impair correlative rights.

IT IS THEREFORE ORDERED:

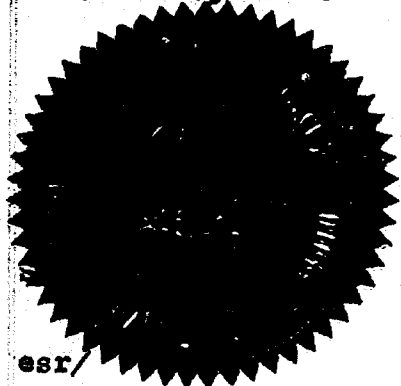
(1) That an 82.07-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool is hereby established comprising the following portions of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico: that part of the NE/4 SW/4 lying North of the centerline of the San Juan River, as the same is shown and designated on the U. S. Government Land Office Plat of Survey dated August 31, 1882; the SE/4 NW/4; and that part of the NE/4 NW/4 lying South of the centerline of U. S. Highway 550.

(2) That in the event it is determined by an official re-survey, or otherwise, that the acreage in said proration unit is greater or smaller than 82.07 acres, the acreage to be allocated to said unit shall be adjusted accordingly.

(3) That the applicant is hereby authorized to locate its Brimhall Well No. 1 at an unorthodox location 2580 feet from the South line and 1980 feet from the West line of Section 17, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, and shall dedicate the above-described non-standard oil proration unit to said well.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem
EDWIN L. MECHEM, Chairman

E. S. Walker
E. S. WALKER, Member

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

esr/

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

September 7, 1962

Re: CASE NO. 2624
ORDER NO. R-2311
APPLICANT:
El Paso Natural Gas Products

Mr. Charles C. Spann
Gratham, Spann and Sanchez
Attorneys at Law
914 Bank of New Mexico Building
P. O. Box 1031
Albuquerque, New Mexico

Dear Sir:

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

Very truly yours,

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

ir/

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

OTHER Mr. John Mason

CLASS OF SERVICE
This is a fast message
unless its deferred char-
acter is indicated by the
proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, President

1201 (4-00)

SYMBOLS	
DL	Day Letter
NL	Night Letter
LT	International Letter Telegram

The filing time shown in the date line or domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

EA177 3A403 CG192 KA363 K
BVF242 PD FAX DENVER COLO 28 359P MST
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BLDG SANTAFE NMEX
1962 AUG 28 PM 5 02

ATTENTION4 MR DANIEL S NUTTER, #

REF CASE NO. 2624 = REQUEST FOR NONSTANDARD
PROBATION UNIT AND UNORTHODOX LOCATION BY EL PASO
NATURAL GAS PRODUCTS COMPANY IN SEC. 17=T29N=R14W, SAN
JUAN COUNTY, NEW MEXICO. THIS IS TO ADVISE THAT HUMBLE
OIL & REFINING CO. HAS BEEN INFORMED OF EL PASO'S INTENT
TO REQUEST THAT THE WELL LOCATION BE CHANGED FROM THE
ADVERTISED LOCATION OF 2180 FEET FSL AND 1980 FEET FWL,
SEC. 17=T29N=R14W TO 2580 FEET FSL AND 1980 FEET FWL OF
THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
This is a fast message
unless its deferred char-
acter is indicated by the
proper symbol.

W. P. MARSHALL, PRESIDENT

1201 (4-60)

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

SYMBOLS
DL=Day Letter
NL=Night Letter
LT=International
Letter Telegram

WESTERN UNION TELEGRAM

SAID SEC. 17, AND APPROVES THE PROPOSED REVISED WELL
LOCATION.

J ROY DORROUGH HUMBLE OIL & REFINING CO.

1962 AUG 29 AM 8:38
MAIN OFFICE OCC

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 8/30/62

CASE 2624

Hearing Date 9am 8/29/62
DSN @ SF

My recommendations for an order in the above numbered cases are as follows:

Enter an order approving El Paso's request for a non std oil proration unit in the Cha-Gallup Oil Pool as described on docket. Include provision for ~~an~~ revision of acreage dedication similar to Order (4) of Order R-2137. Non std unit is to be dedicated to a well to be drilled at unorthodox location (amended) 2580' FSL & 1980' FWL of 17-29N-14W.

Held ~~for~~ order pending receipt of written waiver to amended location from Mr. A.F. Bloomfield, Kirtland, N. Mex

[Signature]
Staff Member

Case 2624

GRANTHAM, SPANN AND SANCHEZ
ATTORNEYS AT LAW
914 BANK OF NEW MEXICO BUILDING
POST OFFICE BOX 1031
ALBUQUERQUE, NEW MEXICO

EVERETT M. GRANTHAM
CHARLES C. SPANN
MAURICE SANCHEZ

R. RUSSELL RAGER

TELEPHONE
243-3525

August 7, 1962

Mr. A. L. Porter, Jr., Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

I enclose herewith for filing application of El Paso Natural Gas Products Company for a non-standard unit and unorthodox well location in the Cha Cha Gallup pool, San Juan County, New Mexico.

We would very much appreciate it if this matter could be set down for hearing at the Examiner's hearing scheduled for August 29, 1962.

Very sincerely yours,

GRANTHAM, SPANN AND SANCHEZ

By: *Charles C. Spann*

CCS:rr
Encls.

Handwritten:
8/17/62
[Signature]

Teller
WESTERN UNION
Teller **▲**

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is not a subsidiary of the Western Union
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FAX

1270 (1-81)



EL PASO NATURAL GAS PRODUCTS COMPANY

POST OFFICE BOX 1161, EL PASO, TEXAS

August 31, 1962

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Attention: Mr. Dan Nutter

Re: Case 2624

Gentlemen:

In accordance with the request of Mr. Dan Nutter, Examiner in the above styled cause which was heard on August 29, 1962, attached is the telegram received from Mr. A. F. Bloomfield stating that he has no objection to the change in well location which we advised Mr. Bloomfield would be requested at the hearing.

Very truly yours,

EL PASO NATURAL GAS
PRODUCTS COMPANY

By John B. Mason
John B. Mason
Office of Administrative Counsel

JBM:sh
Attach.

EL PASO NATURAL GAS PRODUCTS COMPANY

POST OFFICE BOX 1161, EL PASO, TEXAS

25

August 2, 1962

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

*Case
2624*

Attention: Mr. A. L. Porter, Jr., Secretary & Director

Gentlemen:

Please set for hearing on the next scheduled Examiner's Docket, this application of El Paso Natural Gas Products Company for the establishment of an 82.07 acre non-standard proration unit comprised of the following described lands, to-wit:

Section 17, Township ²⁹~~34~~ North, Range 14 West
N. M. P. M., San Juan County, New Mexico

That portion of the NE/4 of the SW/4 of Sec. 17
lying north of the centerline of the San Juan
River, consisting of 30.78 acres; and

The SE/4 of the NW/4 of Sec. 17, consisting
of 39.34 acres; and

That part of the NE/4 of the NW/4 of Section 17
lying south of the centerline of U.S. Highway
550, consisting of 11.95 acres.

Applicant further seeks approval of an unorthodox location for its Brimhall Well No. 1 to which the above described lands will be dedicated. The location sought is 1980 feet from the West line and 2180 feet from the South line of said Section 17. Said location is within the NE/4 of the SW/4 of said Section 17 and is approximately 350 feet north of the nearest point on the centerline of the San Juan River which forms the southerly boundary line of said unit and is 660 feet from the East and West lines of said quarter-quarter section.

Attached as Exhibit "A" is a plat showing the above described non-standard proration unit and unorthodox location together with the other operators in the immediate vicinity.

New Mexico Oil Conservation
Commission

August 2, 1962

The above described tract is included in a royalty owners' unit consisting of all of that portion of the W/2 of said Section 17 lying north of the mid-channel of the San Juan River, which lands are owned and/or under lease to the Applicant and Humble Oil and Refining Company. By a Joint Operating Agreement, Applicant has been designated the Unit Operator and files this application in such capacity.

For the purposes of this application, the mid-channel, or center-line, of the San Juan River is assumed to be in conformance with the U. S. G. L. O. Plat of Survey dated August 31, 1882. Applicant will request, however, that the order sought hereby provide that in the event it is determined by an official resurvey, or otherwise that the acreage in said proration unit is greater or smaller than 82.07 acres, the acreage allocated to said unit shall be adjusted accordingly, provided that Applicant shall have the right to file for a new unit for the purpose of making any other adjustments thereby deemed necessary or desirable.

The operators, other than Applicant and Humble, offsetting the unit sought and their addresses are as follows:

<u>Operator</u>	<u>Address</u>
Pan American Petroleum Corporation	Oil & Gas Building Fort Worth, Texas
Grossman - Lockie	4400 Beckland Drive Farmington, N. M.

Granting of the order sought by this application would not impair the correlative rights of anyone.

Very truly yours,

GRANTHAM, SPANN AND SANCHEZ

By Chas. C. Spann
Albuquerque, New Mexico
Attorneys for El Paso Natural
Gas Products Company

CASE 2621:

*Dick Kowalski
Dick Vassar
Ed Piggman*

Application of Shell Oil Company for approval of a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Middleton Federal "A" Well No. 1, located in Unit H of Section 18, Township 19 South, Range 32 East, Lea County, New Mexico, as a dual completion (tubingless) in such a manner as to produce oil from the Lusk-Strawn Pool and gas from the Morrow formation through parallel strings of 2 7/8-inch casing, cemented in a common well bore. Applicant proposes to run a third string of 2 7/8-inch casing to total depth as a spare casing string.

CASE 2622:

Application of Cactus Drilling Company for a non-standard gas unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 120-acre non-standard gas unit comprising the E/2 NE/4 and NW/4 NE/4 of Section 11, Township 18 South, Range 36 East, Arkansas Junction-Queen Gas Pool, Lea County, New Mexico.

CASE 2623:

*to be
called
Lost*

Application of W. K. Byrom for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in a 160-acre unit comprising the NE/4 of Section 23, Township 18 South, Range 36 East, Arkansas Junction-Queen Gas Pool, Lea County, New Mexico, or, in the alternative, to establish an 80-acre non-standard gas unit comprising the N/2 NE/4 of said Section 23.

CASE 2624:

*Chas Spence
John Moron
Norton-Lauder
Lel. Ayers
Rex Engle*

Application of El Paso Natural Gas Products Company for a non-standard proration unit and unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an 82.07-acre non-standard proration unit comprising the following portions of Section 17, Township 29 North, Range 14 West, Cha Cha-Gallup Oil Pool, San Juan County, New Mexico: that part of the NE/4 SW/4 lying North of the centerline of the San Juan River; the SE/4 NW/4; and that part of the NE/4 NW/4 lying South of the centerline of U. S. Highway 550. Said unit is to be dedicated to a well to be drilled at an unorthodox location 2180 feet from the South line and 1980 feet from the West line of said Section 17.

2580 FSL 1980 F10L

CASE 2625:

Application of Sinclair Oil & Gas Company for an order establishing special rules and regulations for the Medicine Rock-Devonian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order establishing special rules and regulations for the Medicine Rock-Devonian Pool Lea County, New Mexico, to include provisions for 80-acre oil proration units therein.

DOCKET: EXAMINER HEARING - WEDNESDAY, AUGUST 29, 1962

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

The following cases will be heard before Daniel S. Nutter, Examiner or
A. L. Porter, Jr., as Alternate Examiner:

CASE 2355:

(Continued)

In the matter of the application of H. L. Brown, Jr. and
Clem E. George for establishment of special rules and
regulations for the Bluitt-Wolfcamp Gas Pool, Roosevelt
County, New Mexico. Case 2355 will be reopened pursuant
to Order No. R-2051 to permit the applicant and other
interested parties to appear and show cause why the Bluitt-
Wolfcamp Gas Pool should not be developed on 160-acre
proration units.

adw
H.L. Brown Jr

CASE 2345:

(Continued)

In the matter of the application of Continental Oil Company
for the establishment of special rules and regulations for
the Rattlesnake-Pennsylvanian Pool, San Juan County, New
Mexico. Case 2345 will be reopened pursuant to Order No.
R-2049 to permit the applicant and other interested parties
to appear and show cause why the subject pool should not
be developed on 40-acre proration units.

Robert Fox
Bill Griffith
M.A. MacLennan

CASE 2617:

(Continued)

Application of Continental Oil Company for a dual completion,
San Juan County, New Mexico. Applicant, in the above-styled
cause, seeks permission to complete its Rattlesnake Well No.
140, located in Unit H of Section 11, Township 29 North,
Range 19 West, San Juan County, New Mexico, as a dual
completion (conventional) in the Organ Rock and Pennsylvanian-
Paradox formations in the Rattlesnake-Pennsylvanian Field,
with the production of oil and gas from the Pennsylvanian-
Paradox formation to be through 2 7/8 inch tubing at a
depth of 6658 to 6710 feet; applicant proposes to dispose
of salt water into the Organ Rock formation at a depth of
4175 to 4320 feet through a parallel string of 2 7/8 inch
tubing.

Fox
Griffith
Geo Brown

CASE 2620:

Application of Shell Oil Company for a dual completion,
Eddy County, New Mexico. Applicant, in the above-styled
cause, seeks permission to complete its Henshaw Deep Unit
Well No. 5, located 660 feet from the North and East lines
of Section 23; Township 16 South, Range 30 East, Eddy County,
New Mexico, as a dual completion (conventional) in the
Wolfcamp and Devonian formations.

Dick Henshaw
dismiss

THE STATE OF TEXAS }
COUNTY OF EL PASO }

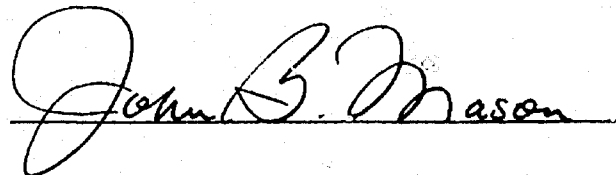
On this 28th day of August, 1962, before me, the undersigned authority, personally appeared JOHN B. MASON to me personally known, who, being by me duly sworn upon his oath did say that on August 28, 1962 he did notify by telegram the offset operators and/or owners to the tract upon which is to be located the unorthodox well location for which El Paso Natural Gas Products Company seeks approval in Case 2624 before the New Mexico Oil Conservation Commission that El Paso Natural Gas Products Company will request at the hearing scheduled for 9:00 AM August 29, 1962 that the advertised location of 2180 feet from the South line and 1980 feet from the West line of Section 17, T-29-N, R-14-W, San Juan County, New Mexico, be changed to 2580 feet from the South line and 1980 feet from the West line of said Section 17; and that the offset operators and/or owners so notified and the address to which such notice was sent are:

✓ Pan American Petroleum Corp.
Farmington, New Mexico
Attn: Mr. Tom Curtis

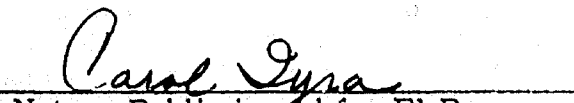
Mr. R. L. Grossman
c/o Grossman - Lockie
4400 Beckland Drive
Farmington, New Mexico

✓ Humble Oil & Refining Company
1845 Sherman St.
Attn: Mr. J. Roy Dorrough

✓ Mr. & Mrs. A. F. Bloomfield
Kirtland, New Mexico


John B. Mason

SUBSCRIBED AND SWORN TO before me, the undersigned authority, on this 28th day of August, 1962.


Notary Public in and for El Paso
County, Texas

My Commission Expires:
CAROL TYRA
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1963

FAST SERVICE
This is a fast message
unless its deferred char-
acter is indicated by the
proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, President

1201 (4-00)

SYMBOL
DL=Day Letter
NL=Night Letter
LT=Long Telegram
LT=Long Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

2LA061 \$SL048

L FRA020 DL PD=FARMINGTON NMEX 29 958A MST=

NEW MEXICO OIL CONSERVATION COMMISSION=

SANTA FE NMEX=

ATTENTION MR A L PORTER JR

REFERENCE IS TO CASE 2624 AUGUST 29, 1962 EXAMINER
HEARING DOCKET, APPLICATION OF EL PASO NATURAL GAS
PRODUCTS COMPANY FOR A NONSTANDARD PRORATION UNIT AND
UNORTHODOX LOCATION EL PASO HAS ADVISED OF PLANT TO
CHANGE THE UNORTHODOX LOCATION FROM THE ADVERTIZED
LOCATION OF 2180 FEET FROM THE SOUTH LINE AND 1980 FEET
FROM THE WEST LINE OF SECTION 17, T=29=N, R=14=W, SAN
JUAN COUNTY NEW MEXICO, TO 2580 FEET FROM THE SOUTH

THE COMPANY WILL APPROPRIATE SUBSIDIZING FROM THE EXISTING CONSERVATION AND PRODUCTION

CLASS OF SERVICE
This is a fax message
unless its deferred char-
acter is indicated by the
proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-00)

SYM.
DL=Day Lc
NL=Night Lc
LT=Letter Telegram
Internat

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

LINE AND 1980 FEET FROM THE WEST LINE OF SAID SECTION
17 THIS IS TO ADVISE THAT PAN AMERICAN HAS NO OBJECTION
TO THE CHANGE IN LOCATION AND NO OBJECTION TO THE 8-07
ACRE NON-STANDARD PROBATION UNIT AS DEPICTED BY
EXHIBIT "A" ATTACHED TO THE DOCKET NO 25-62. PLEASE READ
THIS TELEGRAM INTO THE RECORD OF THE HEARING.
PAN AMERICAN PETROLEUM CORPORATION FRED L NABORS
FARMINGTON, NEW MEXICO

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 29, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas Products Company for a non-standard proration unit and unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an 82.07-acre non-standard proration unit comprising the following portions of Section 17, Township 29 North, Range 14 West, Cha Cha-Gallup Oil Pool, San Juan County, New Mexico: that part of the NE/4 SW/4 lying North of the centerline of the San Juan River; the SE/4 NW/4; and that part of the NE/4 NW/4 lying South of the centerline of U. S. Highway 550. Said unit is to be dedicated to a well to be drilled at an unorthodox location 2180 feet from the South line and 1980 feet from the West line of said Section 17.

CASE 2624

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: The hearing will come to order, please. We will take next Case 2622.

MR. DURRETT: Application of Cactus Drilling Company for a non-standard gas unit, Lea County, New Mexico.

MR. NUTTER: Anyone here representing Cactus Drilling Company? We'll call this case later. Call next Case 2624.

MR. DURRETT: Application of El Paso Natural Gas



Company for a non-standard proration unit and unorthodox location, San Juan County, New Mexico.

(Whereupon, Applicant's Exhibits Nos. 1, 2, 3, & 4 marked for identification.)

MR. SPANN: My name is Charles C. Spann, attorney at law, Albuquerque, New Mexico, representing the Applicant, El Paso Natural Gas Products Company, and I have associated with me Mr. John Mason, attorney, El Paso, Texas.

MR. MASON: Before we get into the testimony, Mr. Examiner, we would like to make a motion to amend our application, to change the unorthodox well location which we set forth in our application. That location was described as 1980 feet from the west line, 2180 feet from the south line of Section 17, Township 29 North, Range 14 West, San Juan County. We want to change that location to read 1980 from the west line and 2580 from the south line, which will move it 400 feet directly north. We have advised by telegram yesterday the offset operators and owners to the effect that we were going to request this change, and I have an affidavit that I have prepared to the effect that they have been so notified.

MR. NUTTER: What was the means of notification?

MR. MASON: It was by telegram. You will notice on the affidavit there's one name listed as Mr. and Mrs. A. F. Bloomfield. They were not shown on the exhibit to our application, that exhibit being the plat of the area. They were not shown as being an offset owner or operator. We had shown Grossman and Locke to be the

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offset operator of the acreage to the northeast of our non-standard unit. In contacting Mr. Grossman yesterday, we were advised that their lease had expired in December of 1961 and they no longer held the lease. We examined the records and found that the acreage is not under lease to anyone at this time and that the record owner is A. F. Bloomfield, so we notified Mr. Bloomfield by telegram along with the offsetting operators, and we have received telegrams in our El Paso office, a copy of one of which was forwarded to me, a copy from Humble stating that they have no objection to change of location. I was advised this morning by phone from our El Paso office that Mr. Bloomfield had wired that he had no objection to the change in location. We did contact Pan American by phone, and also by sending them a wire yesterday, and they indicated by phone that they would send a wire but I have no information to the effect that they have done so as yet.

MR. NUTTER: Do you have a plat of the area, Mr. Mason, so I could examine the previous location as well as the new location?

MR. MASON: Yes, sir. We have what we were going to introduce as Exhibit 1 and from which one of our witnesses will testify for this purpose now. This was the original location, this is the new location (indicating).

MR. NUTTER: The light blue area is the area that would be dedicated as the non-standard unit, is that correct?

MR. MASON: That's right. This is the acreage that I'm



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referring to that is not under lease at this time, but Mr. Bloomfield is the fee owner and he has advised us that he has no objection to the change in location.

MR. NUTTER: So Pan American owns the acreage to the south of the unit and a portion of the acreage to the east; and Humble owns part of the acreage to the east and acreage to the north; El Paso is the owner of all the acreage to the west of the proposed unit; and the Bloomfield property is the red property to the northeast?

MR. MASON: Yes, sir.

MR. NUTTER: Mr. Mason, if the Commission does accept the amendment of the application, I presume that you would be willing for the Commission to withhold any order authorizing the location and the unit until such time as we had received copies of the telegrams which you have received in your office from Pan American and Mr. Bloomfield?

MR. MASON: Yes, sir, we will be agreeable to that.

MR. DURRETT: Mr. Examiner, for the purpose of the record, I would like to state at this time that the Oil Conservation Commission has received the original of the telegram from Humble that Mr. Mason was referring to, and we now have that in our files, stating that Humble has no objection to the proposed change.

MR. NUTTER: So the only written confirmation agreeing to the amendment would be Pan American and the Bloomfield property, and the application will be amended subject to receipt of these



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telegrams, or confirmation, prior to entering an order. Would you proceed, please?

MR. MASON: We will have two witnesses. Would you like to swear them both at the same time?

MR. DURRETT: Yes, please.

(Witnesses sworn.)

MR. MASON: There is one other change in our application. It's not an amendment. There was a typographical error which I note that the Commission caught themselves. The application describes the acreage as Section 17, Township 26 North, Range 14 West; that should have been Township 29 North. The notices went out with the 29 North.

MR. NUTTER: The legal notice is correct in that respect, then?

MR. MASON: Yes, sir. Our first witness is Mr. Norton.

ED NORTON

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

DIRECT EXAMINATION

BY MR. MASON:

Q Mr. Norton, would you state your full name and by whom and in what capacity and where you are employed?

A My name is Ed Norton. I'm employed with El Paso Natural Gas Products Company in Farmington, New Mexico, Senior Landman.

Q Have you testified before this Commission before in the



capacity of a landman?

A Yes, sir, I have.

Q And your qualifications as a landman have been accepted and are a matter of record?

A Yes, sir.

MR. MASON: Can we proceed with this witness?

MR. NUTTER: Yes, sir, please do.

Q (By Mr. Mason) I wish to refer to you what has been marked as El Paso's Exhibit No. 1 and ask you to explain what this exhibit shows.

A This is a plat covering all of Section 17, Township 29 North, Range 14 West, San Juan County, New Mexico. We have shown on this plat the non-standard proration unit for which we have made application; and we have also shown the offset operators to our proposed non-standard location. We would like to point out that in Exhibit 1, the Grossman-Locke acreage which is colored in red on the map and would be described as the Northwest of the Northeast Quarter is owned by Mr. A. F. Bloomfield, as has been stated previously. The map also reflects the proposed location for our well.

Q Would you describe the acreage that is to be included in this non-standard unit?

A Yes, sir. It is that portion of the Northeast Quarter of the Southwest Quarter lying north of the mid-channel of the San Juan River. Also the Southeast Quarter of the Northwest Quarter, and also that portion of the Northeast Quarter of the Northwest

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Quarter lying south of the center line of U. S. Highway 550, which contains 11.95 acres. The total acreage in our proposed unit is 80.27 acres, or 82.07 acres, I am sorry.

Q Would you explain who the offset operators and/or land owners are?

A Yes, sir, to the west El Paso Products Company is the lessee and also mineral interest owner. To the south Pan American is the lessee; the part colored in green is a unit in which Pan American, Humble and El Paso Products Company are participants. The blue directly to the east is Humble, and the red, as I stated previously, is A. F. Bloomfield, Jr.; and to the north we are bounded by Humble again, and the blue.

Q For the sake of the record, would you state the location of this well for which we seek approval?

A Yes, sir, it's 2,580 feet from the south line and 1,980 feet from the west line.

Q This acreage that you have described as comprising the non-standard unit, Humble owns a portion of that acreage, do they not?

A Yes, sir, they do.. They own the Southeast Quarter of the Northwest Quarter, and also the 11.95-acre tract shown at the extreme north of our proposed non-standard unit.

Q I now refer you to what has been marked as El Paso's Exhibit No. 2, and ask that you explain what this exhibit is.

A Exhibit 2 is a royalty owner's unitization agreement.

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It's dated November 15, 1961, and it's a unitization agreement entered into by and between all of the royalty interest owners and the working interest owners in that portion of the West Half of Section 17 which lies north of the mid-channel of the San Juan River, which would include the acreage for which we are requesting a non-standard proration unit.

Q That agreement has been executed by all the royalty owners and the working interest owners in this area--

A Yes, sir, it has.

Q -- for this acreage. I now refer you to what has been marked El Paso's Exhibit 3 and ask that you explain what that exhibit shows.

A This instrument is a joint operating agreement executed at the same time as the unitization agreement, and it is between the working interest owners, covering the same acreage as the unitization agreement. This joint operating agreement appoints El Paso Products Company as the unit operator of the unit.

Q Under this operating agreement and the royalty owners agreement, each of the interest owners will share in production to the extent of the proportion of their acreage that has been contributed to the overall unit, and not just that contributed to the non-standard unit?

A That is correct.

Q I wish to refer you back to Exhibit 1 just a moment, Mr. Norton. You show the southern boundary of this non-standard unit



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to be mid-channel of the San Juan River. I notice that you show another channel and dashed lines. I would like for you to distinguish between these two channels; that is, to explain what the solid lines indicate and what the dashed lines indicate.

A The solid lines indicate location of the San Juan River in 1882, which was the date of the last official survey of this area. The dashed line to the south shows the present location of the river as it exists today.

Q From your exhibit, it appears that you are accepting, for the purpose of this hearing and for the purpose of describing this non-standard unit, you are accepting the last official survey or the 1882 survey as constituting the southern boundary of this particular unit?

A That is correct.

Q Do you have any proposals to make with respect to this?

A Yes, sir. I believe that the Commission in the order for which we have applied should provide that in case there is a re-survey of this area which would change the acreage dedicated to our unit, that we be allowed to dedicate that additional, or subtract from our proposed unit to take care of that re-survey. There is considerable title question as to who owns the land between the center of the present river and the center of the river as it was in 1882. This has been done by the Commission before in several cases, in Order No. 1867, 1926, 2027, 2028, and 2137.

Q So for the purpose of this hearing, we are accepting the



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1882 survey and do not raise any question concerning title, provided that the order which is issued, if any, would make arrangements for a readjustment or an adjustment of the acreage to be included in this non-standard unit?

A That is correct.

MR. MASON: Mr. Examiner, that concludes our direct testimony of this witness. First, though, I would like to get our exhibits into the record.

Q (By Mr. Mason) Was Exhibit 1 prepared by you or under your direction, Mr. Norton?

A Yes, it was.

Q And Exhibit 2 and 3 do represent true copies of the royalty owners unitization agreement and the joint operating agreement?

A Yes, they do.

MR. MASON: We move that El Paso's Exhibits 1 through 3 be accepted for the record.

MR. NUTTER: El Paso's Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits Nos. 1, 2, and 3 entered in evidence.)

MR. NUTTER: Does anyone have any questions of Mr. Norton? He may be excused.

(Witness excused.)

MR. MASON: Our next witness is Mr. Ayers.



LEE AYERS

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

DIRECT EXAMINATION

BY MR. MASON:

Q Mr. Ayers, would you state your name and by whom and in what capacity and where you are employed?

A My name is Lee Ayers, A-y-e-r-s. I'm reservoir engineer in El Paso. I am employed by El Paso Natural Gas Products Company.

Q You have testified before this Commission previously and your qualifications as a petroleum engineer or reservoir engineer have been accepted?

A Yes, sir.

Q And you are familiar with this application of El Paso?

A Yes, sir.

MR. MASON: May we proceed with this witness?

MR. NUTTER: Yes, sir, please do.

Q (By Mr. Mason) Mr. Ayers, you understand, of course, that this application is for a non-standard unit for El Paso. Would you explain to the Commission or to the Examiner in what respect this is a non-standard unit?

A This is a non-standard unit because it is not made up of two complete quarter quarter sections, as so provided in the field rules for the Cha-Cha Pool. This is essentially caused by the southern boundary of our acreage being the center of the San

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Juan River. Also it does not consist of 80 acres, it's 82.07 acres.

Q In what respect is the location which we seek approval for an unorthodox location?

A The field rules for the Cha Cha Pool provides that the wells should be located within 150 feet of the center of either quarter quarter section. In our application, our proposed location is not within 150 feet of the center of either quarter quarter.

Q You are familiar with the reasons for changing the location from that described in the application to the new location?

A Yes, sir.

Q Would you state the reason for that change?

A We have two reasons for why we want to locate the well in this particular location. First of all, we feel like from a primary recovery standpoint, this well would be marginal and would probably not be drilled. We feel that there's a good chance, though, that we will be able to waterflood the acreage and get secondary reserves, in which case we believe it will be a profitable operation. As was testified by Mr. Norton, all of the West Half of Section 17 north of the river is communitized between El Paso and Humble, so we would anticipate eventually drilling a second well. That well would probably be located in the Northwest of the Northwest of Section 17. Undoubtedly one well would be a producing well under secondary operations and one well an injection well. We feel to properly sweep the acreage that the wells need to be as

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far apart as possible. On the other hand, we don't know if this will be flooded under competitive operations, or if there will be a new unit formed north of the river, or perhaps the existing unit south of the river might be expanded to include the acreage north of the river. In trying to prepare for the future, and recognizing at this time that the well under application today might possibly be an injection well in the future, we felt like that the location of that well from the border of the center of the San Juan River should be fairly consistent with the existing wells that have already been drilled so that the push of oil across the river either from the north or from the south would result in essentially zero migration.

Q I refer you to what has been identified as El Paso's Exhibit 4. I notice that you have outlined the proposed non-standard unit in yellow. Could all of this acreage be reasonably considered productive of oil or gas?

A Yes, the contouring on Exhibit 4, although it is contouring by myself, the control or the thicknesses that were assigned to each well were taken from the Engineering Sub-Committee's report that was done in the Northwest Cha Cha Unit study. Extrapolating that control for the northern part of Section 17 would certainly suggest that all of the acreage that we would dedicate to this well could be reasonably considered to be productive.

Q Would the granting of this application, Mr. Ayers, in your opinion violate anyone's correlative rights?

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A No, sir. We think they're protecting everyone's correlative rights.

Q From a conservation standpoint, would you consider the granting of this application necessary in order to prevent waste?

A Yes, sir.

Q And in what respect would waste occur if this application were not granted?

A Well, if the application is not granted, there's reasonable doubt as to whether or not the well will be drilled at all, in which case I think everyone is the loser, the working interest owners of the lease, the royalty interest owners, and the State.

Q The granting of this application and the basis upon which you make that statement is primarily the unorthodox location which is located more to the south rather than to the center of the unit or farther north?

A Yes, that's correct. Also we would like to point out, however, that in the field rules for the Cha Cha Pool, 80-acre spacing is provided for, and it furthermore states that the location can be in the center of either quarter quarter, so that the normal drilling to be consistent with the field rules does not provide that the wells be located in the center of the acreage dedicated to the well.

Q Mr. Ayers, was this Exhibit 4 prepared by you or under your direction?

A Yes, sir.

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MR. MASON: Mr. Examiner, we move that El Paso's Exhibit 4 be accepted in the record.

MR. NUTTER: Exhibit No. 4 will be entered in evidence.

(Whereupon, Applicant's Exhibit No. 4 entered in evidence.)

MR. MASON: That concludes our direct testimony of Mr. Ayers.

MR. NUTTER: Does anyone have any questions of Mr. Ayers?

CROSS EXAMINATION

BY MR. NUTTER:

Q You actually have very little control for drawing the contour lines in the manner that you have drawn them for the north side of this field, is that correct, particularly the extensions to the northwest?

A Well, I am not quite sure if I understand your question, Mr. Nutter. This particular exhibit is showing only a very small portion of the Cha Cha Pool. I can show you a map that shows contouring for a much larger portion of the Pool, in which the trend of the sand, which is a sandbar type deposition, is well established direction-wise over many miles. I believe that the extrapolation, the part that's dashed on the isopach line, is in my opinion quite well controlled.

Q You anticipate from your contours here, your isopach contours, that you'll obtain approximately four feet of sand in this well, is that correct?

A Four feet of net pay, that's correct. The gross section

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would be, we feel, more than that, but we're trying to represent true net pay, the part of the sand that would be productive.

Q Now this Well No. 14, 17 in the extreme southwest corner of Section 17 --

A Yes, sir.

Q -- is that the same well as Well No. 4 on Exhibit 1 in this case?

A Yes, sir.

Q And then on Exhibit No. 1 there is a proposed location depicted just north of that well. Does Pan American contemplate drilling that well in the near future, do you know?

A We don't know for sure. Pan American, of course, applied for that location back before the Northwest Cha Cha Unit was formed. They probably would have drilled the location had not the unit been formed. However, the unit has been formed and water is now going in the ground in the Northwest Cha Cha Unit. The unit is quite concerned with the problems on protecting boundary both on the San Juan River to the northwest and also the common boundary with the Southeast Cha Cha Unit. There has been several informal telephone discussions about the need for possible additional drilling, and it has been decided now by Humble, who is the operator for the North Cha Cha Unit, to have an Engineering Committee meeting next week in Durango, at which time they're going to discuss the need for additional drilling for protection of the boundary. So I can't answer your question accurately today to say

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whether they plan to drill that or not. Pan American and El Paso and Humble will jointly consider this problem next week, that particular location and perhaps numerous others.

Q If that location is drilled, will it be an injection well?

A It could well be, but I couldn't say for sure.

Q Do you contemplate that your proposed well will be an injection well?

A We're not sure at all, but we're merely trying to locate it so that it could be used as an injection well and be as equitable as possible in the amount of oil that it is pushing to the south with relation to how much oil will be pushed from the south north to other locations, and at the same time be spread apart well enough between this well and the second well, if and when it is drilled, to give a proper sweep of the particular acreage we're considering today.

Q And you stated that if you drilled another well in the West Half of Section 17, it would probably be in the Northwest Northwest, is that correct?

A I would think so, yes, sir, and certainly two wells in this unitized tract would be the maximum that we could ever drill from an economic consideration.

MR. NUTTER: Are there any other questions of Mr. Ayers? He may be excused.

(Witness excused.)

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MR. NUTTER: Do you have anything further, Mr. Mason?

MR. MASON: No, that is all.

MR. NUTTER: Anyone have anything further?

MR. DURRETT: Mr. Examiner, for the purpose of the record I would like to state at this time that the Commission has now received a telegram, since this case has been presented, from Pan American, and they have requested that I read this telegram into the record, and I will do so at this time, with your permission.

MR. NUTTER: Please do.

MR. DURRETT: The telegram is directed to the New Mexico Oil Conservation Commission, Attention Mr. A. L. Porter, Jr. It reads as follows: "Reference is to Case 2624, August 29, 1962, Examiner Hearing Docket, application of El Paso Natural Gas Products Company for a non-standard proration unit and unorthodox location. El Paso has advised of plan to change the unorthodox location from the advertised location of 2180 feet from the south line and 1980 feet from the west line of Section 17, T-29-N, R-14-W, San Juan County, New Mexico, to 2580 feet from the south line and 1980 feet from the west line of said Section 17. This is to advise that Pan American has no objection to the change in location and no objection to the 82.07 acre non-standard proration unit as depicted by Exhibit 'A' attached to the Docket No. 25-62. Please read this telegram into the record of the hearing." Pan American.

MR. MASON: Actually that should reflect that that's



82.07 acres. You have the telegram from Pan American and the other from Humble?

MR. DURRETT: Yes.

MR. MASON: You will need a copy from Mr. Bloomfield.

MR. NUTTER: We need one telegram, or one waiver of objection from Mr. Bloomfield. Does anyone have anything further they wish to offer in this case? We will take Case 2624 under advisement.

* * * * *

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings was reported by me in stenotype and reduced to typewritten transcript under my personal supervision; and that the same contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 9th day of October, 1962, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:
June 19, 1963.

I do hereby certify that the foregoing is a true and correct record of the proceedings in the 1st hearing of Case No. 2624, heard by me on Aug 29, 1962.

Asst. Ex., Examiner
New Mexico Oil Conservation Commission

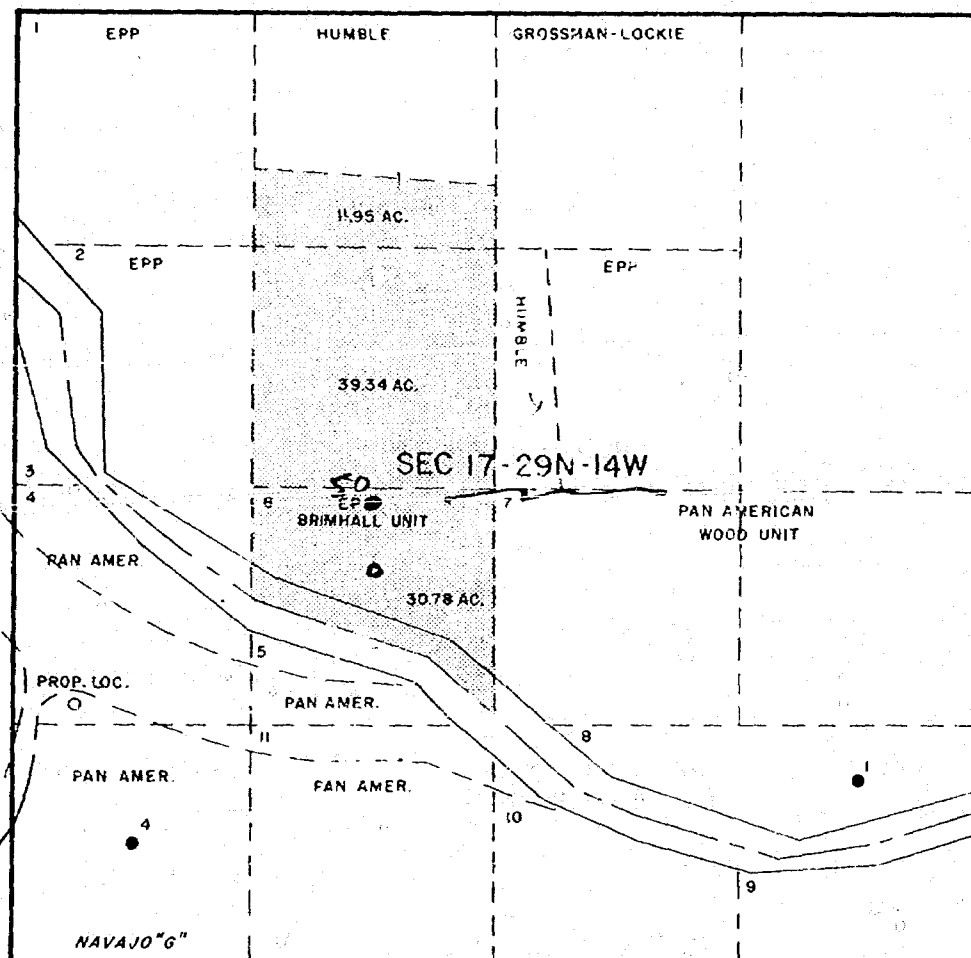


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EXHIBIT "A"



SAN JUAN COUNTY, NEW MEXICO

SCALE 1"=1000'

1980
1320
660

JOINT OPERATING AGREEMENT

WELLS

AREA

COUNTY OF SAN JUAN
STATE OF NEW MEXICO

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Alvase EXHIBIT NO. 3
CASE NO. 2624

TABLE OF CONTENTS

Preliminary Recitals	1
----------------------------	---

ARTICLE 1—DEFINITIONS

Section 1.1 Definitions	1
Section 1.2 Subject Lands	1
Section 1.3 Committed Interest	1
Section 1.4 Committed Substances	1
Section 1.5 Operator	1
Section 1.6 Party	1
Section 1.7 Drilling Party	1
Section 1.8 Non-Drilling Party	1
Section 1.9 Costs	1
Section 1.10 Lease Burdens	1
Section 1.11 Salvage Value	1
Section 1.12 Available Production	1
Section 1.13 Participating Interest	1
Section 1.14 Beneficial Interest	1

ARTICLE 2—APPORTIONMENT OF COSTS AND OWNERSHIP OF AVAILABLE PRODUCTION AND PROPERTY

Section 2.1 Commitment of Interests	2
Section 2.2 Apportionment	2

ARTICLE 3—MINIMUM ROYALTIES, DELAY RENTALS, SHUT-IN WELL PAYMENTS AND LEASE BURDENS

Section 3.1 Payment of Minimum Royalties, Delay Rentals and Shut-in Well Payments	2
Section 3.2 Failure to Make Proper Payment	2
Section 3.3 Notices Regarding Shut-in Wells	2
Section 3.4 Payment of Lease Burdens listed on Exhibit 1	2
Section 3.5 Payment of Lease Burdens Not Listed on Exhibit 1	2

ARTICLE 4—OPERATOR'S POWERS AND RIGHTS

Section 4.1 In General	2
Section 4.2 Resignation of Operator or Sale of all Interest	2
Section 4.3 Designation of Successor Operator	2
Section 4.4 Employees	2
Section 4.5 Nonliability	2
Section 4.6 Force Majeure	2
Section 4.7 Operator's and Party's Lien	3
Section 4.8 Advances	3
Section 4.9 Drilling Contracts	3

ARTICLE 5—OPERATOR'S DUTIES AND LIMITATIONS

Section 5.1 Specific Duties	3
Section 5.2 Insurance	3
Section 5.3 Taxes	3
Section 5.4 Nondiscrimination	4
Section 5.5 Limitation on Expenditures	4

ARTICLE 6—EXAMINATION AND APPROVAL OF TITLES

Section 6.1 Title Examinations	4
Section 6.2 Approval of Titles	4
Section 6.3 No Drilling Until Title Approved	4
Section 6.4 Termination of Agreement if Title is Disapproved	4

ARTICLE 7—FAILURE OF TITLE

Section 7.1 Joint Loss upon Title Failure	4
---	---

ARTICLE 8—INITIAL TEST WELLS

Section 8.1 Drilling of Test Wells	4
Section 8.2 Cost of Drilling	4

ARTICLE 9—DRILLING, COMPLETING, DEEPENING
OR PLUGGING BACK OF WELLS

Section 9.1 Joint Account Wells.....	5
Section 9.2 Procedure to Initiate Drilling.....	5
Section 9.3 Drilling by Less than All Parties.....	5
Section 9.4 Election at Casing Point.....	5
Section 9.5 Deepening or Plugging Back of Drilling Wells.....	5
Section 9.6 Deepening or Plugging Back of Abandoned Producing Well	5
Section 9.7 Contributions	5

ARTICLE 10—RELINQUISHMENT OF INTEREST
BY NON-DRILLING PARTY

Section 10.1 Payment of Cost of Operation by Less than All Parties	6
Section 10.2 Relinquishment of Interest.....	6
Section 10.3 Materials and Equipment Used in Non-Joint Operation	6

ARTICLE 11—DISPOSITION OF PRODUCTION

Section 11.1 Taking in Kind	6
Section 11.2 Failure to Take in Kind.....	7

ARTICLE 12—TRANSFERS OF INTERESTS

Section 12.1 Assumption of Obligations	7
Section 12.2 Multiple Transferees	7

ARTICLE 13—ABANDONMENT

Section 13.1 Consent Required	7
Section 13.2 Election to Continue Production	7
Section 13.3 Relinquishment of Interest to Non-Abandoning Party	7
Section 13.4 Operation Continued by Non-Abandoning Parties as Segregated Lands	7
Section 13.5 Obligations of Non-Abandoning Parties.....	7

ARTICLE 14—SURRENDER

Section 14.1 Right to Surrender	7
Section 14.2 Offer of Assignment by Surrendering Parties.....	7
Section 14.3 Operation of Assigned Interest as Segregated Lands.....	8

ARTICLE 15—SEGREGATED LANDS

Section 15.1 Lands Treated as Segregated.....	8
Section 15.2 Operation of Segregated Lands	8
Section 15.3 Interest of Parties in Segregated Lands.....	8

ARTICLE 16—LIABILITY OF PARTIES AND
PARTNERSHIP ELECTION

Section 16.1 Liability of Parties	8
Section 16.2 Partnership Election	8

ARTICLE 17—NOTICES

Section 17.1 Giving and Receipt	8
Section 17.2 Proper Addresses	8

ARTICLE 18—HEADINGS FOR CONVENIENCE

Section 18.1 Headings	8
-----------------------------	---

ARTICLE 19—EFFECTIVE DATE AND TERM

Section 19.1 Effective Date	9
Section 19.2 Terms	9
Section 19.3 Effect of Termination	9
Section 19.4 Effect of Signature	9

ARTICLE 20—OTHER PROVISIONS

.....	9
-------	---

ALTERNATE ARTICLE

Article 6—Titles Approved

EXHIBITS

Exhibit 1—Part I Description of Subject Lands (referred to in Section 1.2) Part II—Committed Interests (referred to in Sections 1.3, 1.13, 1.14, 3.4 and 3.5)	
Exhibit 2—Map of Subject Lands (referred to in Section 1.2)	
Exhibit 3—Accounting Procedure (referred to in Sections 1.9, 1.11, 5.1(E), 5.2, 10.2 and 13.4)	
Exhibit 4—Test Wells (referred to in Sections 2.1, 2.2 and 9.1)	
Exhibit 5—Insurance (referred to in Section 5.2)	

JOINT OPERATING AGREEMENT

RENEWED

AREA

STATE OF NEW MEXICO
COUNTY OF SANTA FE

THIS AGREEMENT, made and entered into as of the 25th day of December, 1961, by and between the following parties:

EL PASO OIL & GAS COMPANY, a corporation, having an address of P. O. Box 120, El Paso, Texas, hereinafter called "El Paso" and EL PASO NATURAL GAS PRODUCTS COMPANY, a corporation, having an address at P. O. Box 1161, El Paso, Texas, hereinafter called "El Paso".

WITNESSETH:

WHEREAS, the Parties hereto have reached an agreement to explore, develop and operate the hereinafter described Subject Lands for oil and gas as herein provided;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the Parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions.

Wherever the following terms are used in this agreement they shall have the meanings assigned to them in this Article 1.

1.2 "Subject Lands" means the lands described in Part I of Exhibit 1, attached hereto and made a part hereof, but is limited to such formations or depths as are set forth in said Part I of Exhibit 1. Exhibit 2 is a map of the surface boundaries of Subject Lands and, if attached, is made a part hereof.

1.3 The "Committed Interest" of a Party means the interest of each Party hereto as shown in Part II of Exhibit 1 to be owned by such Party in the Subject Lands.

1.4 "Committed Substances" shall mean all oil, gas, gaseous and liquid hydrocarbons, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons which under the Committed Interests may be produced.

1.5 "Operator" means El Paso herein designated as Operator, or its duly appointed successor, and acting as Operator under this agreement and not acting as an owner of a Committed Interest.

1.6 "Party" means a Party to this agreement, including the Party acting as Operator when acting as an owner of a Committed Interest.

1.7 "Drilling Party" means the Party or Parties who have elected to participate in the Costs incurred in the drilling, completing, deepening or plugging back of a well in accordance with this agreement.

1.8 "Non-Drilling Party" means the Party or Parties who have not elected to participate in the Costs incurred in the drilling, completing, deepening or plugging back of a well under this agreement.

1.9 "Costs" means all expenditures incurred pursuant to this agreement and determined in accordance with the Accounting Procedure attached hereto as Exhibit 3, and made a part hereof, and such other expenditures as are herein made chargeable as Costs.

1.10 "Lease Burdens" means the royalty reserved to the lessor in any oil and gas lease, an overriding royalty, a production payment, or any similar burden, but does not include a carried working interest, a net profits interest or any other interest which is payable out of profits.

1.11 "Salvage Value" of materials and equipment means the value of such materials and equipment determined in accordance with Exhibit 3 less the reasonably estimated Costs of salvaging the same.

1.12 "Available Production" means all Committed Substances produced, saved and sold hereunder, except that portion which is used in the conduct of operations hereunder, and that which is unavoidably lost, and that portion which is delivered in kind to owners of Lease Burdens.

1.13 "Participating Interest" of a Party means that proportion (expressed as a percentage) which the acreage of its Committed Interest or Interests bears to the total acreage of all Committed Interests. For the purposes of this definition, (a) the acreage of the Committed Interest in a tract containing Subject Lands shall be the acreage of such tract as set forth in Part II of Exhibit 1, and (b) if the Committed Interest in a tract is owned by two or more Parties, the acreage of such tract shall be apportioned among them in proportion to their respective Committed Interests therein.

1.14 "Net Acreage Interest" means that proportion (expressed as a percentage) which the net acreage of a Party's Committed Interest or Interests bears to the total net acreage of all Committed Interests; for the purposes of this definition the net acreage of the Committed Interest owned by a Party in a tract containing Subject Lands shall be calculated by multiplying the acreage of such tract, as shown in Part II of Exhibit 1, by the percentage of the Committed Substances which, if produced from such tract in the course of this agreement, would accrue to such Committed Interest after deducting all Lease Burdens (whether payable in cash or in kind) shown on Part II of Exhibit 1 as an encumbrance upon such tract containing Subject Lands.

ARTICLE 2
COMMITMENT AND THE OBLIGATIONS AND OBTAINMENT OF
AVAILABLE PRODUCTION AND THE PROPERTY

- 2.1 Commitment. Each Party hereby subjects and commits to this agreement all of its Committed Interest in the Subject Lands.
- 2.2 Apportionment. Except as otherwise stated in this agreement, the apportionment of Costs and Available Production and the ownership of property shall be as follows:
- A. All Costs incurred by Operator in the conduct of operations under this agreement shall be borne by the Parties in proportion to their respective Participating Interests.
 - B. All Available Production shall be owned by the Parties in proportion to their respective Beneficial Interests.
 - C. All materials, equipment and other property, whether real or personal, acquired by Operator, and the cost of which is chargeable as Costs hereunder, shall be owned by the Parties in proportion to their respective Participating Interests.

ARTICLE 3
PAYMENTS OF RENTALS, MINIMUM ROYALTIES,
SHUT-IN WELL PAYMENTS AND LEASE BURDENS

3.1 Payment of Rentals, Minimum Royalties, Shut-In Well Payments. Each Party whose Committed Interest is held under an oil and gas lease, shall make a diligent effort to properly and timely pay each installment of rental, minimum royalty, shut-in royalty and shut-in well payments that may become due and payable under such lease with respect to such interest and shall submit evidence of each such payment to Operator at least 2 weeks prior to the payment date specified in such lease. Upon receipt of such evidence, Operator shall reimburse each Party making such payment for the amount so paid which shall be charged as Costs. If such lease is owned in undivided interests by two or more Parties, each such Party shall see to it that the full amount of such rental, minimum royalty, shut-in royalty and shut-in well payment is timely and properly paid in accord with such lease.

3.2 Failure to Make Proper Payment. No Party shall be liable in damages to the other Parties for the failure to make such a payment required in Sec. 3.1 provided it acted in good faith.

3.3 Notice Regarding Shut-In Wells. Operator shall promptly notify each other Party hereto of the date on which any well located on the Subject Lands is shut-in and the reason therefor and the date on which such a well is placed back on production.

3.4 Payment of Lease Burdens Listed on Exhibit 1. Any and all payments accruing to owners of Lease Burdens shown on Exhibit 1, in respect of Committed Substances, shall be made or caused to be made by Operator for the account of the Party liable therefor. All such payments shall be charged to and borne by the Parties in proportion to their respective Beneficial Interests, except that all such payments made in respect of Committed Substances produced from a well owned by less than all the Parties shall be charged to and borne by the Party or Parties owning such well in the proportions that such Parties share in the Available Production therefrom. Operator shall deliver to the owners of Lease Burdens who have the right and who elect to take the same in kind their share of Committed Substances.

3.5 Payment of Lease Burdens Not Listed on Exhibit 1. Any Lease Burden not listed on Exhibit 1 and all carried working interests, net profits interests, and all other interests payable out of profits, shall be paid and borne by the Party whose Committed Interest is burdened thereby.

ARTICLE 4
OPERATOR'S POWERS AND DUTIES

4.1 In General. Subject to the provisions of this Agreement, Operator shall direct and have control of all operations conducted hereunder and shall have exclusive custody of all materials, equipment and other property owned by the Parties.

4.2 Resignation of Operator or Sale of all Interest. The Party acting as Operator may resign from such position at any time after having given 3 months' written notice to all Parties. Should the Party acting as Operator sell all of its Committed Interest, it shall, upon consummation of such sale, give written notice thereof to the other Parties.

4.3 Designation of Successor Operator. Should the Operator resign or sell all of its Committed Interest, then within a period of 60 days after such resignation or giving of the notice of sale as provided in Sec. 4.2, the other Parties may, by a majority vote of their Participating Interests, select a successor Operator. The retiring Operator shall continue to serve as Operator until its successor has been so selected and has taken over the operations, provided that the retiring Operator shall not be required to continue as Operator for longer than said 60-day period. In the event of the sale by Operator of all of its Committed Interest and if a successor has not been selected within the time provided therefor, the transferee of the Operator shall become the Operator.

4.4 Employees. The number of employees to be used in operations conducted by Operator hereunder and their selection, as well as their hours of labor and compensation, shall be determined by Operator. All such employees shall be the employees of Operator.

4.5 Nonliability. Operator shall not be liable to any other Party for losses sustained in the conduct of its operations hereunder, except such losses as may result from Operator's bad faith.

4.6 Force Majeure. If, as a result of Force Majeure, any Party is unable to carry out, wholly or in part, its obligations under this agreement, such Party shall give to all other Parties prompt written notice of the Force Majeure with reasonably full particulars concerning it; thereupon, except for obligations to make payment of money, the obligations of the Party giving the notice, so far as they are affected by the Force Majeure, shall be suspended during, but no longer than, the continuance of the Force Majeure. The Party so affected shall use all reasonable diligence to remove the Force Majeure as quickly as possible. The requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not release the obligation to furnish, maintain, or other labor difficulty suffered by the Party concerned, and all such difficulties shall be entirely within the discretion of the Party concerned.

The term "Force Majeure" as employed in this Article shall mean an act of God, strike, lockout, or other industrial disturbance, war, civil commotion, riot, blockade, public riot, lightning, fire, storm, flood, explosion, sabotage, or any other cause, the responsibility of equipment, inability to obtain access to Subject

Lands and any other cause except liability to pay money, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party claiming the suspension.

4.7. **Operator's Lien.** As security for the payment of all sums due Operator from each Party, Operator shall have a lien on the Committed Interest of each Party, and upon each Party's interest in all material and equipment installed on the Subject Land and upon its interest in all proceeds from the sale of Available Production.

Each Party is given a lien on the Committed Interest, materials, equipment and proceeds from the sale of Available Production of the Operator as a Committed Interest owner, to secure the payment of all sums due hereunder from Operator to each such Party.

As the Operator or any Party fails to pay, within the time limited for payment thereof, any sum owing by it for Costs, the Party to whom such sum is due is authorized, at its election and without prejudice to other remedies, to collect the amount owing from the purchaser of Available Production out of the proceeds accruing to the delinquent Party. Each purchaser of Committed Substances is authorized to rely upon Operator's statement as to the amount owing by such Party.

4.8. **Estimated Costs.** Operator, at its election, shall have the right, from time to time, to demand and receive from the Parties payment, in advance, for their respective shares of the estimated amount of Costs to be incurred hereunder during any month, which right may be exercised only by submitting to each Party, between the first and twentieth day of the next preceding month, an itemized statement of such estimated Costs, together with an invoice for its share thereof. Each Party shall pay to Operator its proportionate share of such estimated Costs within 15 days after such statement of estimated Costs and invoice are received. Should any Party fail to pay its share of such estimated Costs within said time, the amount due shall thereafter bear interest at the rate of 6% per annum until paid. Proper adjustment shall be made monthly between advances and actual Costs incurred.

4.9. **Drilling Contracts.** All wells drilled on the Subject Lands shall be drilled on a competitive contract basis; provided, however, Operator, if it so desires, may employ its own tools and equipment in the drilling, completing, deepening or plugging back of any well, but only in the event its charges, terms and conditions therefor shall have first been agreed to in writing by the Parties before such operations are commenced.

ARTICLE V

OPERATOR'S DUTIES AND REMUNERATION

5.1 **Special Duties.** In the conduct of operations hereunder, Operator shall:

A. **Drilling of Wells.** Drill, complete, deepen or plug back a well or wells only in accordance with the provisions of this agreement.

B. **Consultation with Parties.** Consult freely with the other Parties concerning operations hereunder and keep them advised of all matters arising in operations hereunder which Operator deems important in the exercise of its best judgment.

C. **Compliance with Laws and Agreements.** Comply with the terms of the oil and gas leases or agreements under which each Committed Interest is held and with all applicable laws and regulations.

D. **Keep Property Free from Liens.** Keep the Committed Interests and all property acquired or used hereunder free and clear of all liens created by or arising from its operations under this agreement.

E. **Payment of Costs.** Pay all Costs incurred in operations hereunder promptly as and when due and payable and make proper charges to the Parties for their proportionate shares and should any provision of the Accounting Procedure attached as Exhibit 3 be inconsistent with any provision contained in this agreement, the provision in this agreement shall prevail.

F. **Access to Subject Lands and Related Records.** Each Party at all reasonable times, but at its sole risk, shall have access to the surface overlying the Subject Lands to inspect or observe operations, and each Party shall have access to all available information pertaining to operations hereunder, including Operator's books and records relating thereto. In addition, and with respect to each well drilled upon Subject Lands, Operator shall, upon request and as soon as available, furnish to each of the Parties the following:

- (1) Samples of cores or cuttings to be delivered at the well in containers furnished by the Party requesting same.
- (2) A copy of all drilling logs and well surveys, except velocity surveys.
- (3) A copy of all core analysis reports.
- (4) A copy of all reports of well tests.
- (5) A copy of all daily drilling reports.

5.2 **Insurance.** At all times while operations are being conducted hereunder, Operator shall comply with the Workmen's Compensation and Employer's Liability Laws of the state where the operations are being conducted. Operator shall also carry such insurance for the benefit of the joint account of the Parties as specified in Exhibit 5 hereto attached and made a part hereof. Operator shall require all contractors engaged in work on or for the benefit of the Subject Lands, to comply with the Workmen's Compensation and Employer's Liability Laws of the state where the Subject Lands are located, and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in Exhibit 5 or is subsequently required to be carried, then, in consideration of the charge to be made by Operator under Exhibit 3 for Operator's fully owned automotive equipment used in operations hereunder (which charge will include such portion of the premiums paid for Automobile Public Liability and Property Damage Insurance on Operator's fully owned automotive equipment as is properly allocable on the basis of use hereunder), no separate charge shall be made by Operator for premiums paid for such insurance.

5.3 **Taxes.** Any and all ad valorem taxes payable upon the Committed Interests (and upon Leasehold interests which are not payable by the owner thereof), or upon materials, equipment or other property required and used by Operator hereunder, and any and all taxes (other than income taxes) upon or measured by the sale of the proceeds from the Subject Lands which are not payable by the purchaser

4. The following bills, and amendments thereto, were duly received and held in Committee: Har-
mon's bill, introduced by the Senate by the President, and the same in proposition to their respective
Reading, the 1st of March.

B. All of or to be paid by Operator shall be paid to and borne by the Parties in proportion to their respective Shares of Interest, except that in the case of a well owned by less than all the Parties, the same shall be charged to and borne by the Party or Parties owning such well in the same proportion as their share in the production therefrom. All such payments from current oil and gas sales, or other obtained in cash or by deduction from Lease Burdens, on account of any thing paid for such current and oil or credited to the Parties in the same proportion as such sales were charged to same Parties.

C. Each Party shall promptly furnish Operator with copies of notices, correspondence, levies or attachments received by it pertaining to the taxes paid by Operator. Operator shall make such returns, reports and collections as may be required by law in connection with any taxes above provided to be paid by it and shall furnish copies to the Parties upon request. It shall notify the Parties of any tax which it does not intend to pay before such tax becomes delinquent.

3.4. Classification If any loan controlled inside contains a noncharacteristic class, then

(b) As the production effort in the 1949 campaign, Germany agreed to comply with the "Four Big Goals" and "Four Big Principles" (1949, p. 1977). The production principles of Article 117 of the German Basic Law are:

complement, notices to be furnished by Operator setting forth the provisions of the nondiscrimination clause set forth in Section 5.4(e) above.

(c) ~~Contractor shall insert said noncircumvention clause in all subcontracts hereunder except~~
~~subcontracted work of a non-circumvention nature.~~

3.3 Mitigation on Expenditures. Operator shall not, without the consent of all Parties chargeable with the Costs thereof, undertake any single project reasonably estimated to require an expenditure in excess of Five Thousand Dollars (\$ 5,000.00);

provided that (1) whenever the Parties have initiated the drilling, completing, deepening or plugging back of a well, Operator shall (except as provided in Articles 9 and 10 hereto) be authorized to make all reasonable and necessary expenditures in connection therewith, and (2) in case of emergency, Operator may make such expenditures as, in its opinion, are necessary to safeguard life and property, but Operators shall so promptly as possible, notify the emergency to the Parties.

Operator shall furnish to each Party who makes a timely request therefor, copies of Operator's authorizations for expenditure or nomination of estimated expenditures in excess of \$.....2,000.00.....

EXAMINATION AND JUDICIAL OF TESTS

SEC. 1117. Immediately and promptly after the date above in the header, Operator shall arrange for and obtain the examination of the title to all Committed Interests within Subject Lands, and for such purposes shall select such attorney or attorneys as may be approved by the Parties. Except as otherwise provided in this article, all expenses incurred in connection with title examination shall be charged to and borne by the Parties as Costs. Each Party, at its own expense, shall promptly obtain and transmit to Operator such evidence of title to its Committed Interests as may be requested by Operator. Promptly upon receipt, Operator shall submit to each Party a copy of the title opinions rendered. Each Party, at its own expense, shall perform such curative work as it may deem advisable to satisfy the requirements in such opinions pertaining to its Committed Interests. After all title opinions have been rendered, Operator shall notify each Party in writing whether it approves or disapproves the title to each Committed Interest and if it disapproves title to any Committed Interest, it shall state the reasons therefor.

6.2 Approval of Title. If Operator approves the title to each Committed Interest, then, within fifteen (15) days after receipt of Operator's approval, each Party shall notify Operator in writing whether it approves or disapproves the title to each Committed Interest. If any Party fails to give such notice within the time required, such Party shall be deemed to have approved the title to each Committed Interest. Any Party objecting title to any Committed Interest shall state the reasons therefor.

6.8 No Drilling Until Title Approved. No well shall be drilled or production facilities erected on Subject Lands until title to all of the Committed Interests has been approved by all Parties in the manner herein provided.

~~04 Termination of Agreement If Title Is Discovered. In the event that title to any Committed In-~~
~~vestment Is Discovered by One or More of any other Party as herein provided, this agreement shall terminate.~~

TABLE 1. CONTINUED

7.1 Joint Loss upon Title Failure. If, for any reason, the title to a Conveyed Interest fails or is lost in whole or in part after the title thereof has been approved by all Parties, such loss shall be the joint loss of all Parties and there shall be no readjustment of interests hereunder.

EXTRA! EXTRA! NEWS

81 Drilling of Test Well. Operator shall commence the drilling of a test well or wells for Committed Product in the field or fields specified in Schedule A hereto attached and made a part hereof, and shall thereafter continue the drilling of each well or wells in accordance with the conditions and provisions of Schedule A hereto attached and made a part hereof, and the provisions of this agreement.

3.2. Contractor shall be responsible for the installation and testing and completing the initial test shall be borne in the contract with the client.

ARTICLE 10
DEEPENING OR PLUGGING BACK OF A WELL OR
PLUGGING BACK OF A WELL

10.1 Deepening or Plugging Back of a Well. The provisions of this Article shall apply to a well as provided in Exhibit 4 attached hereto with respect to the initial depth of the well, and shall be applicable to a well which is deepened, deepened or plugged back for the account of all Parties owning an interest in the well.

10.2 Notice of Proposed Deepening or Plugging Back. Any Party may propose the deepening or plugging back of a well by giving to all other Parties written notice (hereinafter, "notice") of the location of the well, (b) the objective depth to which the well is to be deepened or plugged back, and whether such objective depth is the total depth specified or such lesser depth at which oil or gas may be discovered, and (c) the estimated cost of the well properly itemized. Each Party shall have the right to participate in the deepening or plugging back of the proposed well by giving to all other Parties written notice of election to do so within thirty (30) days after receipt of the initial notice. If a Party fails to participate in the deepening or plugging back of the proposed well within said thirty (30) day period, such Party shall be deemed to be an elect not to participate therein, provided, however, that any Party who fails to elect or elects not to participate within said thirty (30) day period may elect to so participate by giving written notice to all other Parties at any time prior to the actual grading of the well. If all Parties elect to participate, the well shall be drilled for the account of all Parties, but if all Parties do not elect to participate, the well, if drilled, shall be drilled for the account of the proposing Party and any other Party or Parties that had elected to participate within the required time, provided, however, that the well shall not be drilled for the account of less than all Parties, unless (a) the location of the well conforms to the zoning pattern, if any, then established for the pool by applicable law, order or regulation, or by the spacing then being followed in the field, and (b) operations for the drilling of the well are commenced within sixty (60) days after the giving of notice of proposal to drill the well.

10.3 Drilling by Less than All Parties. If the proposed well is drilled for the account of less than all Parties, the provisions of Article 10 relating to Relinquishment of Interest by Non-Drilling Parties shall apply to the drilling and testing of the well to the objective depth stated in the notice, but the consent to the drilling of such well shall not be deemed consent to the running and setting of the production string of casing therein or to the attempted completion thereof. After oil or gas in paying quantities has been discovered in any zone or formation in the subject lands, no additional well drilled for the account of less than all Parties shall be completed in the same zone or formation without the consent of all Parties, unless such additional well conforms to the spacing pattern or well density then prevailing in the pool or established by any state or governmental authority.

10.4 Election as Casing Point. After any well has been drilled to the objective depth stated in the initial notice and appropriate tests have been made, the Operator shall give immediate notice by telegraph or telephone, to be confirmed in writing, to all Drilling Parties setting forth its recommendation with respect to the running and setting of a production string of casing and completing the well. Each such Party shall have a period of 48 hours thereafter within which to notify Operator in the manner whether or not it desires to participate in the running and setting of the production string of casing and the completion of the well. Failure of a Party to so notify Operator within the time required shall be deemed an election not to participate. If all Drilling Parties elect to participate, Operator shall conduct the proposed operation with respect to the running and setting of the production string of casing and completing the well for the account of all such Parties, but if less than all Drilling Parties elect to participate, the provisions of Article 10 relating to Relinquishment of Interest by Non-Drilling Parties shall apply to the running and setting of the production string of casing and completing the well so and including any loss connections at the well head. If the running and setting of the production string of casing and the completion operations results in a dry hole, Operator shall plug and abandon the well at the cost of all Drilling Parties who participated in the drilling of the well.

10.5 Deepening or Plugging Back of a Well. If no Party elects to run a production string of casing and complete a well drilled to the objective depth as provided in Sec. 9.4 Casing with Election as Casing Point, but if Operator in its notice at casing point, or any other Drilling Party in its responsive notice as therein provided, gives notice of election to deepen or plug back the well, such notice shall be immediately transmitted by Operator to all Drilling Parties. Each such Party shall have a period of 48 hours thereafter within which to notify Operator in the manner whether or not it desires to participate in the proposed deepening or plugging back operation. If all Drilling Parties elect to participate, Operator shall conduct the proposed operation for the account of all such Parties, but if less than all Drilling Parties elect to participate, the provisions of Article 10 relating to Relinquishment of Interest by Non-Drilling Parties shall apply to the deepening or plugging back operation. If conflicting proposals are made as between deepening or plugging back, the proposal for deepening shall have priority. An election to plug back shall include the running and setting of a production string of casing and the completion of the well at the objective depth, and when the well is deepened to the objective depth, the provisions of Sec. 9.4 Casing with Election as Casing Point shall again be applicable.

10.6 Deepening or Plugging Back of a Well. Whenever a well has ceased to produce in paying quantities or when the production of a well that has produced is proposed by any Party owning an interest in the well, any other Party owning an interest in the well may propose the deepening or plugging back of such well by giving Operator written notice (hereinafter, "notice") of the objective depth to be reached, and upon receipt of such notice, or if Operator itself proposes the deepening or plugging back of such well, Operator shall give notice of such proposal to all Parties owning an interest in the well. Each such Party shall have thirty (30) days thereafter within which to give Operator written notice of whether or not it desires to participate in the proposed deepening or plugging back operation. If all Parties owning an interest in the well elect to participate, Operator shall conduct the proposed operation for the account of all such Parties, but if less than all Parties owning an interest in the well elect to participate, then, subject to the prior right of a Non-Abandoning Party to continue production in the well, the provisions of Article 10 relating to Relinquishment of Interest by Non-Drilling Parties shall apply to the deepening or plugging back operation. When the well is deepened to its objective depth, the provisions of Sec. 9.4 Casing with Election as Casing Point shall be applicable.

10.7 Contribution to the Cost of Drilling. If a Party owning an interest in the drilling of a well has received an offer, either oral or in writing, for a cash or other consideration for the drilling of the well, it shall so state in its initial notice and if any such offer or cash or other consideration is thereafter received before the actual drilling of the well, such Party shall promptly notify all Non-Drilling Parties owning an interest in the well, and all such Non-Drilling Parties shall thereupon have the right, by notifying Operator

...shall execute any division order or con-

[illegible]

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

12. The Party of the Plaintiff, its Board and all its members and any member of it, on a written instrument with-out notice of the transfer, is hereby released, discharged and relieved, in writing, to execute and to cause to be done all obligations of the Plaintiff under this agreement relating to the instant contract. Its Board shall not be liable to the Plaintiff or to the Parties until the last day of the month following the delivery to the Chairman of the original or a certified copy of the instrument attesting the completion of its obligations of this Section. He shall transfer shall relieve the transferring Party of any obligation assumed hereunder prior to such effective date, and any agreement to participate in the drilling, completing, deepening, or plugging back of a well prior to such effective date shall be deemed an assumed obligation as to all costs subsequently incurred in connection therewith.

12.5 Multiple Transferees. If the Committed Interest of any Party is transferred to four or more transferees, a Partner may, at its discretion, require such transferees to appoint a single trustee with full authority to receive notices and payments, approve expenditures and pay the share of Costs which is chargeable to each such transferee.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

18.1 Cement Plugging. No well that has been completed as a producer shall be plugged and abandoned nor shall the operation of such a well for production, from the formation or zones in which it has been completed, be discontinued without the written consent of all parties then owning the well.

13.2 Abandonment of Continuing Production. If any Party proposes the abandonment or discontinuance of production from a well that has been completed as a producer, Operator shall give written notice thereof to all other Parties then owning an interest in the well. Within 60 days after receipt of such notice by the Operator, any Party who objects to the abandonment of the well and desires to attempt to continue to produce the well from the formation or zone in which it is then completed (hereinafter called Non-Abandoning Party) may give written notice thereof to all other Parties (hereinafter called Abandoning Parties) then having an interest in the well, whereupon the Non-Abandoning Party, or Parties, shall pay to the Abandoning Party, or Parties, their respective shares of the Salvage Value of the materials and equipment in or pertinent to the well. If any Party makes a proposal to deepen or plug back the well in accordance with Articles 9 and 10 herein, the right to continue to produce the well under the provisions of this Article 13 shall have priority.

1815 Well equipment of interest to Non-Abandoning Party. Upon the making of the payment provided for in Section 1813, the Abandoning Party shall be deemed to have relinquished unto the Non-Abandoning Party, or Parties, all of their operating rights and working interest in the well and the area described for such well by spacing order of state or governmental authority, or if there is no such order, the area established for such well by the spacing pattern then in use in the field, or if there is no such order or spacing pattern, then the entire legal subdivision, or fractional lot or lots, approximating the same, embracing such well, if it be an oil well, or 240 acre legal subdivision or fractional lot or lots approximating or included within the same, if it be a gas well, but only with respect to the formation or zone in which such well is then completed together with all of its interest in the materials and equipment in or pertinent to the well. If there is more than one Non-Abandoning Party, each shall be deemed to have acquired the operating rights and working interest so relinquished in the proportion that the Participating interest of each such Party bore to such relinquishment then bears to the total Participating interest of all Non-Abandoning Parties.

15.4 Operation Conducted by Non-Abandoning Parties on Segregated Lands. After the relinquishment above provided for in Section 15.2 the tract so relinquished shall be operated by the Non-Abandoning Parties as Segregated Lands in accordance with Article 18 hereof; provided, however, that when the Non-Abandoning Parties desire to ultimately abandon the well, notice shall be given to Operator, and the provisions of Articles 9 and 10 insofar as they relate to the right to seep or plug back the well shall again be applicable.

If operations for deepening or plugging have been conducted in such well, an adjustment will be made so that the ownership of the well will be vested in the Parties participating in such operations, and the Party owning such equipment before such adjustment shall be reimbursed by the Parties acquiring interests therein in proportion to their share of the new ownership of such equipment based upon its then relative value in accordance with the Formulaic Procedure attached hereto as Exhibit 3.

19.5 Obligations of Non-Abandoning Parties. The Non-Abandoning Parties shall bear the Costs of any additional logs, flow lines or other facilities needed to produce currently the Committed Substances produced from the well and if the well is not subsequently plugged or plugged back in compliance with the provisions of Articles 3 and 10, all costs of plugging and abandoning the well shall be borne by the Non-Abandoning Parties.

[illegible]

14.1 The above information, though correct, does not show the 24.5 percent, no Committed Interest in the Public Debt of the Government of the United States, and the amount of all Parties.

34.2. The Party declares to surrender its

115. Any assignment of rights in inventions or discoveries made pursuant to the provisions of this Article shall be subject to the Participating or Beneficial Interests of the Parties, provided that, after such assignment, the interest owned by the Committee in the inventions or discoveries shall be limited to the amount of the investment made in the inventions or discoveries.

13.1 Except as provided in paragraph 12.1, the amount of an assignment pursuant to Article 13 and 14, or in the event of an exercise of revocation pursuant to Article 15, shall be covered by such assignment or payment contribution that be limited to, provided, that such contribution shall be limited to:

15.8 Interest of Parties in Segregated Lands. After the instrument creating Segregated Lands, as above provided, has been made, the following Parties will come to have any interest in the land which becomes Segregated Lands with respect to the Interest retained, and the Participating Interest and Beneficial Interest therein of the underlying land, and it is agreed to have been transferred to and acquired by the Party or Parties receiving such instrument. In the event two or more Parties are entitled to Participating Interest which become Segregated Lands, the Participating Interest and Beneficial Interest of each must be apportioned among the Parties in the same proportion that their several Participating Interests bear to the total Participating Interest of all concerned. Each of the other Parties retaining an interest in the Segregated Lands shall retain the same Participating Interest and Beneficial Interest therein as it had immediately prior to such segregation.

22.1 Liability of Parties. The liability of the Parties shall be several, not joint or collective. Each Party shall be responsible only for its actions and omissions. It is not the intention of the Parties to create a partnership and this agreement shall not be construed so as to render the Parties liable as partners, joint debtors, or joint venturers in any manner, whether or not such liability or association.

10.3 Excluded Election. All of the Parties must agree to elect, and so hereby elect, that all operations heretofore, and all Parties heretofore engaged in such operations, be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954 and all amendments thereto. It is the intent and law of the state or states, in which the property covered hereby is located, owned, or beneficially owned, provisions similar to those in the aforesaid Subchapter K under which a similar election is available, all of the Parties make the same election. Each Party agrees to furnish necessary information and furnish such documents to evidence or effectuate the election as may be requested by the court, and each Party certifies and directs Operator to execute and file with the proper state or states, any and all documents are required to evidence or effectuate such election.

17.1. Messages of a kind to be sent by the United States, any action provided for or permitted to be taken by the United States or by a Party, shall be taken in making, by delivery in person, or by United States mail or by telegraph, cable, radio, or other Party to whom given, with postage and charges prepaid. A notice shall under any provision herein shall be deemed given only when received by the Party to whom such notice is directed, except that any notice given by United States registered or certified mail or by telegraph, postage and charges prepaid to the Party to whom given, with all postage and charges prepaid, shall be deemed given to and received by the Party to whom directed 48 hours after such notice is dispatched to the United States mail, or by telegraph or cable, or notice is filed with an operating telegraph company for immediate transmission by telegraph; and except also that a notice to Operate shall not be deemed given until actually received by the station.

17.3 Party, before any signature of such Party, shall make or have its signature made as in the case of the Party to be bound by the present Treaty, and Party gives all other Parties notice of such signature.

[illegible]

[illegible]

IN WITNESS WHEREOF, this agreement has been executed by the undersigned Parties as of the day and year first above written.

Address:

P. O. Box 1161
El Paso, Texas

EL PASO NATURAL GAS PRODUCTS COMPANY

By
President

ATTEST:
Secretary

As Operator and Owner of a Committed
Interest

Address:

P. O. Box 120
Denver 1, Colorado

HUMBLE OIL & REFINING COMPANY

By
President Attorney in Fact

ATTEST:
Secretary

Address:

.....
.....

By
President

ATTEST:
Secretary

Address:

.....
.....

By
President

ATTEST:
Secretary

Parties owning Committed Interest

ARTICLE I
GENERAL PROVISIONS

Section 1.1. This Agreement is made this 1st day of April, 1968, by and between the undersigned parties, Joint Operating Agreement for the purpose of the following:

Section 1.2. The purpose of this Agreement is to provide for the joint operation of the following:

Section 1.3. The undersigned parties, after having exchanged title information and data pertaining to the Committed Interests, and after having taken such action, as it has deemed necessary, to satisfy itself with respect to the ownership of the Committed Interests. All Parties to this agreement do hereby approve each other's title to its Committed Interests.

Exhibit 1 - Part I Description of subject: 1.1.
Use of subject in subject 1.1.1, under to
Section 10.1.1.1.

Part II Committee Instructions:
The Committee Instructions of the parties are all of
their own and not being the interests covering any
part of the subject 1.1.1.

Exhibit 2 - Map of Subject Land:
(Waived by the parties)

Exhibit 3 - Accounting Procedure:
Accounting Procedure (waived attached).

Exhibit 4 - Test Well:

At 1000 ft. or greater shall commence or caused to be commenced
within 100 ft. (100) after the effective date hereof, the
subject test well at a location mutually agreeable on Lot 6
of the said Section 17 and shall continue said well with
the diameter to a depth sufficient to test the casing
the well at a minimum depth of 4700 feet. Said well
shall be drilled at joint expense of the parties according
to their participating interests.

Exhibit 5 - Insurance:

No additional insurance other than that required by the
within Section 10.1 shall be carried as joint expense.
Operator shall drill the subject Test Well by retaining
an independent contractor and shall require that contractor
to have adequate insurance coverage in line with operator's
usual practices. Each party may, individually and severally
at its own expense, obtain such insurance in addition as
it may desire; provided, however, that such additional
insurance shall contain an endorsement waiving all rights
by contribution or otherwise against the other party,
if the other party is not named as a co-insured in the
policy.

(UNIT AND JOINT LEASE OPERATIONS)

1. GENERAL PROVISIONS

1. Definitions

"Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject area for the joint account of the parties hereto.

"Non-Operator:" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Subparagraph below:

- A. Statement in detail of all charges and credits to the joint account.
- B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.
- C. Statements as follows:
 - (1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;
 - (2) Statement of ordinary charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
 - (3) Detailed statement of any other charges and credits.

3. Payments by Non-Operator

Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 5 of this section I, all statements rendered to Non-Operator by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year, provided, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. Where there are two or more Non-Operators, the Non-Operators shall⁽¹⁾ make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid directly to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor

- A. Salaries and wages of Operator's employees directly engaged or the joint property in the development, maintenance, and operation thereof, including salaries or wages paid to geologists and other employees who are temporarily assigned to and directly employed on a drilling well.
- B. Operator's cost of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages as provided under Subparagraphs 2 A, 2 B, and Paragraph 11 of this Section II.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost, provided that the total of such charges shall not exceed ten per cent (10%) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

4. Material

Material, equipment, and supplies purchased or furnished by Operator for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as may be required for immediate use and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

- A. If material is moved to the site by express from vendor's or from the Operator's warehouse or other properties, no charge shall be made to the joint account for transportation charges; if such material is delivered to the site by rail or water at the most reliable supply dock or railway receiving point where such material is available, except by Special Agreement between the parties.

- B. If surplus material is moved to Operator's warehouse or other storage, when no claim shall be made to the joint account for a distance greater than the distance from the nearest reliable supply source or refinery to the joint property, except by special agreement with Non-Operator. No charge shall be made to the joint account for surplus material or for its proper collection to Operator, except by special agreement with Non-Operator.

6. Service

A. Outside Services:

The cost of contract services and utilities procured from outside sources.

B. Use of Operator's Equipment and Facilities:

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

7. Damages and Losses to Joint Property and Equipment:

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

8. Litigation Expenses

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorneys' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

- A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective parties hereto.

- B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. Insurance and Claims

- A. Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.
- B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. District and Camp Expense (Field Supervision and Camp Expense)

A pro rata portion of the salaries and expenses of Operator's production superintendent and other employees serving the joint property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's _____ (for a comparable office if location changed), and necessary substices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of, less any revenue from, these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

12. Administrative Overhead

Operator shall have the right to assess against the joint property covered hereby the following management and administrative overhead charges, which shall be in lieu of all expenses of all offices of the Operator not covered by Section II, Paragraph 11, above, including salaries and expenses of personnel assigned to such offices, except the salaries of geologists and other employees of Operator who are temporarily assigned to and directly serving on the joint property will be charged as provided in Section II, Paragraph 2, above. Salaries and expenses of other technical employees assigned to such offices will be considered as covered by overhead charges in this paragraph unless charges for such salaries and expenses are agreed upon between Operator and Non-Operator as a direct charge to the joint property.

WELL BASIS (Rate Per Well Per Month)

Well Depth	DRILLING WELL RATE	PRODUCING WELL RATE (Use Completion Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
0-100'	25.00	32.00	25.00	25.00
101-200'	25.00	32.00	25.00	25.00
201-300'	25.00	32.00	25.00	25.00
301-400'	25.00	32.00	25.00	25.00
401-500'	25.00	32.00	25.00	25.00

- A. Overhead charges for drilling wells shall begin on the date each well is spudded and terminate when it is on production or is plugged, in the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

- B. In connection with overhead charges, the status of wells shall be as follows:

- (1) Injection wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule the same as producing oil wells.
- (2) Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.
- (3) Producing gas wells shall be included in the overhead schedule the same as producing oil wells.

- (4) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
- (5) Wells being plugged back, drilled deeper, or converted to a source of supply well shall be included in the overhead schedule the same as drilling wells.
- (6) Temporarily shut-down wells (other than by governmental regulatory body) which are not produced or worked upon for a period of a full calendar month shall not be included in the overhead schedule. However, wells shut in by governmental regulatory body shall be included in the overhead schedule only in the event the allowable production is transferred to other wells on the same property. In the event of a unit allowable, all wells capable of producing will be counted in determining the overhead charge.
- (7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.
- (8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.
- C. The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is attached, irrespective of individual leases.
- D. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of distributive expense.
- E. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Operator's Fully Owned Warehouse Operating and Maintenance Expense

(Describe fully the agreed procedure to be followed by the Operator.)

14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions of this Section II, incurred by the Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

Material and equipment purchased and service procured shall be charged at price paid by Operator after deduction of all discounts actually received.

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on car-load basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

B. Used Material (Condition "B" and "C")

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning,
 shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant material furnished beyond or beyond the vendor's or manufacturer's warranty; and in case of defective material, credit shall not be passed until or unless it has been received by credit from the manufacturers or their agents.

5. Operator's Excluded or Owned Facilities

The following services are excluded from the joint account and shall be charged exclusively by Operator:

- (a) Drilling, reworking, and other auxiliary services performed by the Operator or its agents.
- (b) Services performed by the Operator or its agents for the purpose of providing and furnishing such service to the joint property.

ii. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended in the charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service or, in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.

C. A fair rate shall be charged for the use of drilling and clean-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.

D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.

E. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.

F. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major items of surplus material, such as derricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties hereto; provided Operator shall have the right to dispose of normal accumulations of junk and scrap material either by transfer or sale from the joint property.

1. Material Purchased by the Operator or Non-Operator

Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

2. Division in Kind

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding credits will be made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning:

A. At seventy-five per cent (75%) of current new price if material was charged to joint account as new, or

B. At sixty-five per cent (65%) of current new price if material was originally charged to the joint property as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

Used material (Condition "C"), at fifty per cent (50%) of current new price, being used material which:

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

B. Is serviceable for original function but substantially not suitable for reconditioning.

5. Bad-Order Material

Material and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

6. Junk

Junk (Condition "E"), being obsolete and scrap material, at prevailing prices.

7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Paragraph 3 B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. INVENTORIES

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interval, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property; and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

EL PASO NATURAL GAS PRODUCTS COMPANY

CASE NO. 2634

EXHIBIT NO. 4

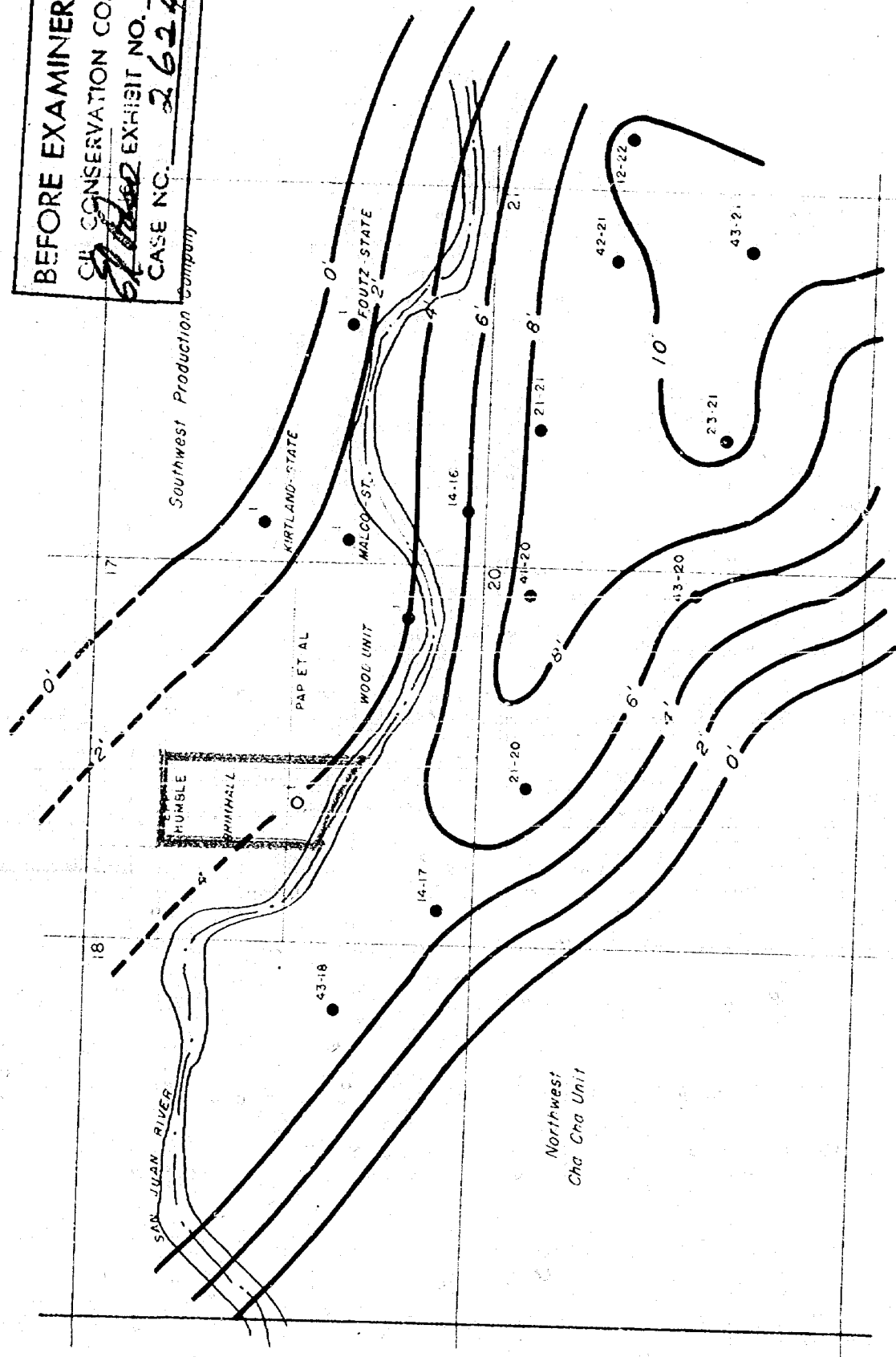
BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

EXHIBIT NO. 4

CASE NO. 2634

Southwest Production Company



ISOPACHOUS MAP SHOWING NET GALLUP SAND THICKNESS
FOR A PORTION OF THE CHA CHA POOL.

SAN JUAN COUNTY, NEW MEXICO