

State of New Mexico

MR. MCPHED
KEJ.



Commissioner of Public Lands

December 17, 1969

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Skelly Oil Company
P. O. Box 1650
Tulsa, Oklahoma 74102

Re: COMMUNITIZATION
State "C" No. 1 Eumont
Gas Well- N/2NW/4,
29-21S-36E,
Lea County, New Mexico

ATTENTION: Mr. Kenneth E. Jones

Gentlemen:

The Commissioner of Public Lands has this date approved your Communitization Agreement covering the N/2NW/4 of Section 29, Township 21 South, Range 36 East, Lea County, New Mexico. This approval is given pending approval of an 80-acre proration unit by the New Mexico Oil Conservation Commission.

We are retaining both copies of the agreement for our files. Enclosed are five (5) Certificates of Approval.

We have received your Five (\$5.00) Dollar filing fee.

Very truly yours,

Ted Bilberry
Ted Bilberry, Director
Oil and Gas Department

TB/ML/s
encls.

cc: OCC-Santa Fe, New Mexico

COMMUNITIZATION AGREEMENT

STATE OF NEW MEXICO)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LEA)

THAT THIS AGREEMENT is entered into as of the 1st day of June, 1969, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 7-11-47, New Mexico Statutes, Annotated, 1955 Laws, in the interest of conservation of oil and gas and the prevention of waste, to consent to and approve the development or operation of State lands under agreements made by lessees of oil and gas leases thereon, jointly or severally with other oil and gas lessees of State lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Commission, where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the commissioner to be fair and equitable.

WHEREAS, the parties hereto, being oil and gas lessees of record, covering lands subject to this agreement, insofar as such leases cover the lands hereinafter described, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes, and

WHEREAS, said leases, insofar as they cover the Eumont Formation in and under the land hereinafter described cannot be independently developed and operated in conformity with the well-spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this Agreement for the purpose of developing, operating and producing dry gas and associated liquid hydrocarbons in the Eumont Formation in and under the land hereinafter described subject to the terms hereof.

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

Township 21-South Range 36-East, N.M.P.M.

Section 29: N/2 NW/4

Lea County, New Mexico

containing 80 acres, more or less, and so hereby declare that it is the judgement of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of dry gas and associated liquid hydrocarbons from the Eumont Formation in and under said land is necessary and advisable in order to properly develop and produce the dry gas and associated liquid hydrocarbon substances in the said Eumont Formation beneath said land in accordance with the spacing rules of the Conservation Commission of the State of New Mexico, and in order to promote the conservation of the dry gas and associated liquid hydrocarbons in and what may be produced from said formation in and under said land, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize, for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover dry gas and associated liquid hydrocarbons within and that may be produced from the Eumont Formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the dry gas and associated liquid hydrocarbons in said formation beneath said land.

Attached hereto and made a part of this Agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all lands within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases

described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.

3. The royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this Agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the undersigned be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

5. The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

6. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws or statutes. This Agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules or regulations.

7. Skelly Oil Company shall be the Unit Operator of said communitized area and all matters of operation shall be determined and performed by Skelly Oil Company.

8. This Agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in commercial quantities; provided, however, that prior to production in commercial quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This Agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of non production.

9. Operator will furnish the Conservation Commission and the Commissioner of Public Lands, of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

10. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

11. If any order of the Oil Conservation Commission upon which this agreement is predicated or based is in anywise changed or modified, then and in such event said agreement is likewise modified to conform thereto.

12. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall

be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

OPERATOR: SKELLY OIL COMPANY

ATTEST:

By: R. Kendall Sherrill
Assistant Secretary

By: James H. Cullum
Vice-President

Approved as to
Form LLB
J.M. KEJ.

LESSEES OF RECORD: SKELLY OIL COMPANY

ATTEST:

By: R. Kendall Sherrill
Assistant Secretary

By: James H. Cullum
Vice-President

SHELL OIL COMPANY

By: E. Larson
Attorney-in-Fact

OWNER OF DRY GAS RIGHTS
as to tract 2:

EL PASO NATURAL GAS COMPANY

By: Bartholomew
Attorney-in-Fact

STATE OF Oklahoma)
COUNTY OF Tulsa) SS

The foregoing instrument was acknowledged before me this 21st day of November, 19 69, by James H. Cullum, Vice-President of Skelly Oil Company, a Delaware corporation, on behalf of said corporation.

My commission expires

April 1, 1973

Bartholomew
Notary Public

STATE OF Texas)
) SS
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 8th
day of October, 1969, by J. P. Pecos, Attorney-in-
Fact on behalf of Shell Company.

My commission expires

6-1-71

Rosalyn Magee
Notary Public

Rosalyn Magee
Notary Public in and for
Midland County, Texas

STATE OF Texas)
) SS
COUNTY OF El Paso)

The foregoing instrument was acknowledged before me this 20th
day of October, 1969, by Sam Smith, Attorney-in-Fact
on behalf of El Paso Natural Gas Company.

My commission expires

June 1, 1971

Theresa K. Round
Notary Public

EXHIBIT "A"

Attached to and made a part of that Communitization Agreement dated June 1, 1969
by and between Skelly Oil Company, and Shell Oil Company covering the N/2 NW/4 Sec.
29 Township 21-South Range 36-East, NMPM, Lea County, New Mexico

Operator of Communitized Area:

Company SKELLY OIL COMPANY

Description of Leases Committed:

Company SKELLY OIL COMPANY : B-1330
SHELL OIL COMPANY : B-1167

Tract No. 1

Lessor:

State of New Mexico acting by and through
its Commissioner of Public Lands

Lessee of Record:

Skelly Oil Company

Serial No. of Lease:

B-1330

Date of Lease:

11-16-32

Description of Lands

NE/4 NW/4, Section 29

Committed:

T-21-S, R-36-E

No. of Acres

40

Company:

Tract No. 2

Lessor:

State of New Mexico acting by and through
its Commissioner of Public Lands

Lessee of Record:

Shell Oil Company

Serial No. of Lease:

B-1167

Date of Lease:

9-15-33

Description of Lands

NW/4 NW/4, Section 29

Committed:

T-21-S, R-36-E

No. of Acres

40

EL PASO NATURAL GAS COMPANY
holds dry gas rights in and
to the following tract:

NW/4 NW/4, Sec. 29, T-21-S, R-36-E

RECAPITULATION

<u>TRACT NO.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
Lease No. 1	40	50%
Lease No. 2	40	50%



JAN 2 1970

SKELLY OIL COMPANY

P. O. BOX 1650

TULSA, OKLAHOMA 74102

December 30, 1969

Re: State "C" Well No. 1
Eumont Pool
Lea County, New Mexico

Mr. A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

We are attaching four copies of our application requesting administrative approval for the formation of a non-standard gas unit in the Eumont Gas Pool, said unit being described as the N/2 of the NW/4 of Section 29, Township 21 South, Range 36 East, Lea County, New Mexico.

Yours very truly,

RJJ:br
Attach.

Handwritten notes:
821-2-2-70
NSP-
since 30 days from
receipt of requested information

LAW DEPARTMENT

RONALD J. JACOBS
ATTORNEY



CELEBRATING OUR

50th ANNIVERSARY

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF SKELLY)
OIL COMPANY FOR APPROVAL OF A NON-STANDARD) CASE NO. _____
GAS UNIT COMPRISING THE N/2 NW/4 OF SEC-)
TION 29, TOWNSHIP 21 SOUTH, RANGE 36 EAST,)
EUMONT POOL, LEA COUNTY, NEW MEXICO.)

A P P L I C A T I O N

Comes now Skelly Oil Company and alleges and states:

1. That it is the operator of the State "C" Well No. 1, Eumont Gas Pool, which well is located in the Center of the NE/4 of the NW/4 of Section 29, Township 21 South, Range 36 East, Lea County, New Mexico.

2. That this gas well has been operated as a non-standard 40-acre gas unit consisting of the NE/4 of the NW/4 of said Section 29.

3. That Skelly Oil Company has entered into a Communitization Agreement with El Paso Natural Gas Company who owns the gas rights underlying the adjoining 40-acre tract (NW/4 NW/4 of said Section 29) to the west of Skelly's State "C" lease above described.

4. That attached hereto is a copy of the Communitization Agreement which has been approved by the Commissioner of Public Lands.

5. That the following operators are offset operators to the proposed non-standard unit comprising the N/2 of the NW/4 of Section 29, Township 21 South, Range 36 East, Eumont Pool, Lea County, New Mexico:

✓ Atlantic Richfield Company
Box 1978
Roswell, New Mexico 88201

✓ Humble Oil and Refining Company
Box 1600
Midland, Texas 79701

✓ Continental Oil Company
Box 460
Hobbs, New Mexico 88240

✓ Phillips Petroleum Company
Box 791
Midland, Texas 79701

✓ Gulf Oil Corporation
Box 1938
Roswell, New Mexico 88201

✓ Texaco Inc.
Box 3109
Midland, Texas 79701

WHEREFORE, PREMISES CONSIDERED, applicant prays that the Secretary-Director of the New Mexico Oil Conservation Commission grant administrative approval to the non-standard gas unit proposed, in accordance with Rule 104 D. II., and if for some reason administrative approval cannot be granted applicant requests that this matter be set for hearing and that notice be given as required by law, and that at the conclusion of said hearing the Commission issue its order granting approval to a non-standard gas unit for the Eumont Gas Pool composing the N/2 of the NW/4 of Section 29, Township 21 South, Range 36 East, Eumont Pool, Lea County, New Mexico, and for such other orders, rules and regulations as may be necessary in the premises.

Respectfully submitted,

SKELLY OIL COMPANY

George W. Selinger
Ronald J. Jacobs
Charles C. Chastain
Its Attorneys

By



Adm Order No.
NSP-587

A F F I D A V I T

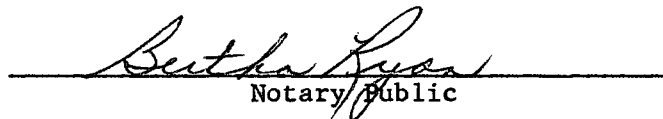
STATE OF OKLAHOMA)
) ss
COUNTY OF TULSA)

Comes now Ronald J. Jacobs of lawful age, being first duly sworn, deposes and says that he is one of the attorneys for applicant, Skelly Oil Company, in the foregoing application, and that the matters contained therein are to his best knowledge and belief true and correct. That on the 30th day of December, 1969 he has mailed by certified mail a copy of this application to the offset operators listed in Paragraph 5 of the foregoing application by depositing same in the United States mail with sufficient postage for first-class delivery, and that he has also requested said offset operators to furnish waivers.

Further, affiant saith not.

A handwritten signature in cursive script, reading "Ronald J. Jacobs", written over a horizontal line.

Subscribed and sworn to before me this 30th day of December, 1969.

A handwritten signature in cursive script, reading "Bertha Ryan", written over a horizontal line.
Notary Public

My Commission Expires April 1, 1973.

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
SKELLY'S-STATE "C" NO. 1 SUMMIT COM WELL

LEA COUNTY, NEW MEXICO

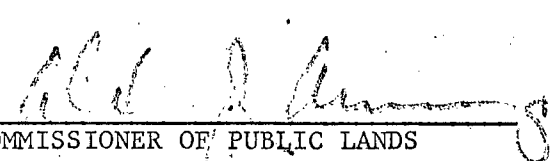
N/2NW/4, Section 29, Township 21 South, Range 36 East-Summit Formation-80.00 A.

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated June 1, 1969, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 1st day of December, 19 69.



COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico