

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
EL PASO NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION OF THE
E/2 OF SECTION 27, TOWNSHIP 31 NORTH,
RANGE 11 WEST, N.M.P.M., SAN JUAN
COUNTY, NEW MEXICO, OR IN THE ALTERNATIVE
FOR UNORTHODOX SPACING

NO. 709

1951 APR 20 10 12 AM
MAIN OFFICE OF
OIL CONSERVATION

TO THE HONORABLE COMMISSION:

Your Applicant, EL PASO NATURAL GAS COMPANY, represents that it is a Delaware corporation with a permit to do business in the State of New Mexico and that it is the present owner and holder of leasehold rights or gas operating rights to the base of the Mesa-verde formation under the following described oil and gas leases:

- a. Oil and Gas Lease dated June 3, 1947, executed by James C. Sumruld and Fannie Sumruld, as Lessors, to Wayne Moore, as Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SW/4 SE/4
containing 40 acres, more or less.
- b. Oil and Gas Lease dated December 29, 1949, from Carl G. Calloway, Zella Calloway, J. R. Calloway, Mary Margaret Calloway, Wiley R. Calloway, Finette Calloway, Ann L. Dunning, Harold L. Dunning, Ruth Vandever and E. L. Vandever, Lessors, to H. F. Pettigrew, Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: NE/4 NE/4
containing 40 acres, more or less.
- c. Oil and Gas Lease dated May 26, 1953, from Sarah Meyers Hedges, Lessor, to El Paso Natural Gas Company, Lessee, embracing the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SW/4 NE/4
containing 40 acres, more or less.
- d. Oil and Gas Lease dated January 7, 1952, from Marion Vance, Betty D. Vance, Lothair Payne and Marguerite Payne, Lessors, to Primo Oil Company, Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SE/4 NE/4, also 35 acres out of the NE/4 SE/4 and 5 acres out of the SE/4 SE/4, being those portions of said subdivisions lying west of the middle of the channel of the Animas River,
containing 80 acres, more or less.
- e. Oil and Gas Leases dated August 29, 1949, one from Elinor Periman and one from Neal Willmuth and Nellie Willmuth, as Lessors, to C. H. Nye, as Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: S/2 SE/4 SE/4, also that part of the
N/2 SE/4 SE/4 and the NE/4 SE/4 lying east of the middle of
the Animas River as the same ran in its bed and course on
March 11, 1911,
containing 40 acres, more or less.

Your Applicant represents that the present owners and holders
of an Oil and Gas Lease dated April 30, 1951, from Ella Blaise,
Lessor, to Byrd-Frost, Inc., Lessee, embracing among other lands
the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: NW/4 NE/4
containing 40 acres, more or less;

are:

Western Natural Gas Company - an undivided 1/2;

Three States Natural Gas Company - an undivided 1/4; and

San Jacinto Petroleum Corporation - an undivided 1/4.

Your Applicant represents that it is the legal owner and
holder of that certain Oil and Gas Lease, in so far as gas rights
to the base of the Mesaverde formation are concerned, dated
September 1, 1948, executed by Saul A. Yager and Marian Yager, as
Lessors, to Wayne Moore, as Lessee, covering the following
described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: S/2 NW/4, (NW/4 SE/4), NE/4 SW/4
containing 160 acres, more or less;

that prior to August 31, 1953, at which time the primary term of
said lease would have expired, your Applicant filed with this
Commission its Notice of Intention to Drill a well to the Mesa-
verde formation located upon the NW/4 NE/4 of said Section 27,
which Notice was received by this Commission June 26, 1953, and
approved June 29, 1953, and, in said Notice, your Applicant dedi-
cated to said well the E/2 of said Section 27 which included the
NW/4 SE/4 of said Section 27 under which your Applicant held gas
operating rights to the base of the Mesaverde formation pursuant
to the lease above described from Saul A. Yager and Marian Yager.
Your Applicant owned and now owns gas operating rights on all the
remaining tracts of land lying within the E/2 of said Section 27
except the NW/4 NE/4. The owners of all the working interest in

the entire E/2 of said Section 27 and the owners of all royalty interests and overriding royalty interests, except those claiming under Saul A. Yager and Marian Yager, have joined or agreed to join a Communitization Agreement (unexecuted copy of which is attached hereto) dated June 1, 1953.

Your Applicant represents that the royalty interest on all of the lands described in said lease from Saul A. Yager and Marian Yager is now owned by the following named persons:

Saul A. Yager, 613 Oil Capital Building, Tulsa, Oklahoma -	1/4;
Marian Yager, c/o C. H. Rosenstein, McBirney Bldg., Tulsa, Oklahoma -	1/4;
M. E. Gimp, c/o Zales Jewelry Company, 1606 Main Street, Dallas, Texas -	1/4;
Morris Mizel and wife, Flora Mizel, 101 West Cameron Street, Tulsa, Oklahoma -	1/8;
Sam Mizel, 101 West Cameron Street, Tulsa, Oklahoma -	1/8.

Your Applicant represents that Saul A. Yager and Morris Mizel informed your Applicant that all of the above named owners of royalty interest would join in the execution of a Communitization Agreement and that your Applicant forwarded to Saul A. Yager and Marian Yager partially executed original Communitization Agreements which have been retained and are now in the possession of one or more of the said royalty owners named above; that some or all of said royalty owners have refused to join in the execution of said Communitization Agreement and have refused to return to your Applicant the partially executed Communitization Agreements.

Your Applicant represents that prior to August 31, 1953, your Applicant and other working interest owners owning leasehold or gas operating rights to the base of the Mesaverde formation commenced a well located upon the NW/4 NE/4 of said Section 27 and continued said well with due diligence, completing it as a well producing gas from the Mesaverde formation on July 30, 1953. By reason of the designation of the E/2 of said Section 27 as a communitized tract attributable to said well and by reason of the commencement and completion of said well prior to August 31, 1953, at which time your Applicant's lease from Saul A. Yager and Marian

Yager was in full force and effect and at which time one or more of said royalty owners had actually executed the Communitization Agreement, all of such actions operated to extend said lease from Saul A. Yager and Marian Yager as long as production occurs from said well.

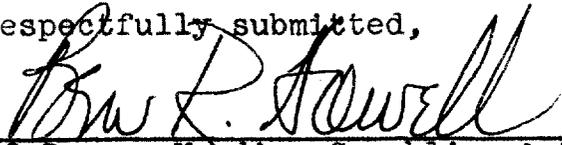
Your Applicant represents that, pursuant to the terms and provisions of Order No. R-110 made by this Commission, spacing of 320 acres has been established for drilling gas wells to the Mesaverde formation in San Juan County, New Mexico, and that the E/2 of said Section 27, containing 320 acres, constitutes a proper spacing unit for drilling a Mesaverde well and that all persons except those named above as royalty owners have agreed to communitize and pool the above described oil and gas leases in so far as said leases cover the E/2 of said Section 27 in order to form one tract or drilling unit for the production of dry gas and liquid hydrocarbons extracted therefrom from the surface to the base of the Mesaverde formation. Your Applicant represents that it has made diligent efforts to negotiate an agreement with the royalty owners who have refused to join the Communitization Agreement and that your Applicant and the other owners of oil and gas leasehold rights who desire to communitize or pool their leases into a uniform spacing unit will be deprived of their opportunity to recover their just and equitable share of the natural gas in the gas pool lying under the tracts of land covered by their leases unless this Commission requires the owners of all interests in oil and gas leases, royalties or mineral rights who have not joined in the Communitization Agreement to communitize or pool their interests effective as of June 29, 1953, to form a proper spacing unit.

Your Applicant respectfully requests that an appropriate order be entered by the Commission directing Saul A. Yager, Marian Yager, M. E. Gimp (also known as Morris E. Gimp), Morris Mizel and wife, Flora Mizel, and Sam Mizel to communitize or pool their interests effective on June 29, 1953, in accordance with the terms of the attached Communitization Agreement, partially executed copies of which have been delivered to and are now in the possession of one or more of said persons.

In the alternative, your Applicant requests that, if the above relief, effective on June 29, 1953, is not granted by the Commission, the Commission enter its order designating the following tracts as an unorthodox spacing unit and gas allocation unit for gas produced from the surface to the base of the Mesaverde formation, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: NE/4, E/2 SE/4, SW/4 SE/4
containing 280 acres.

Respectfully submitted,



of Jones, Hardie, Grambling & Howell
El Paso, Texas
Attorneys for El Paso Natural Gas
Company

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of June, A.D., 1953, by and between El Paso Natural Gas Company, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); Delhi Oil Corporation, a Delaware corporation, whose address is 823 Corrigan Tower, Dallas, Texas; Western Natural Gas Company, a Delaware corporation, whose address is 1006 Main Street, Houston, Texas; Three States Natural Gas Company, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; San Jacinto Petroleum Corporation, a Delaware corporation, whose address is San Jacinto Building, Houston, Texas; Ella Blaise, a widow, whose address is 1916 West Colorado Avenue, Colorado Springs, Colorado; Saul A Yager, a single man, whose address is 613 Oil Capital Building, Tulsa, Oklahoma; Marian Yager, a feme sole, whose address is c/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. Gimp and his wife, _____ Gimp, whose address is c/o Zales Jewelry Company, 1606 Main Street, Dallas, Texas; and Morris Mizel and his wife, Flora Mizel, and Sam Mizel and his wife, _____ Mizel, whose address is 101 West Cameron Street, Tulsa, Oklahoma;

WITNESSETH:

WHEREAS, Western Natural Gas Company, as to an undivided one-half ($\frac{1}{2}$) interest, Three States Natural Gas Company, as to an undivided one-fourth ($\frac{1}{4}$) interest and San Jacinto Petroleum Corporation, as to an undivided one-fourth ($\frac{1}{4}$) interest, are the present owners and holders of that certain oil and gas lease executed by Ella Blaise, a widow, as Lessor, in favor of Byrd-Frost, Inc., as Lessee, under date of April 30, 1951, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: NW/4 NE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 157, at Page 462, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by Saul A. Yager and his wife, Marian Yager, as Lessors, in favor of Wayne Moore, as Lessee, under date of

September 1, 1946, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: NW/4 SE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 135, at Page 86, of the Oil and Gas Lease Records of San Juan County, New Mexico; and

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties on the last above described tract; and

WHEREAS, Saul A. Yager is no longer the owner of the full royalty interest under the last above described lease but has conveyed an undivided one fourth ($\frac{1}{4}$) interest in said royalty to Morris Mizel and Sam Mizel jointly, an undivided one fourth ($\frac{1}{4}$) interest in said royalty to M. E. Gimp, and an undivided one fourth ($\frac{1}{4}$) interest in said royalty to Marian Yager; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by James C. Sumruld and his wife, Fannie Sumruld, as Lessors, in favor of Wayne Moore, as Lessee, under date of June 3, 1947, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SW/4 SE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 125, at Page 238, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, by an Extension of Oil and Gas Lease executed by James C. Sumruld and his wife, Fannie Sumruld, under date of February 19, 1952, and recorded in Book 179, at Page 156, of the Oil and Gas Records of San Juan County, New Mexico, pooling by the Lessee of the lands covered by the last above described oil and gas lease is provided for as follows, to-wit:

"Lessee at its option is hereby given the right and power to pool or combine the acreage covered by said lease or any portion thereof with other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises, such pooling to be into a unit or units not to exceed 320 acres each. The entire acreage so pooled into a tract or unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in said lease. If production is found on the pooled acreage it shall be treated as if production is had from said lease whether the well or wells be located on the premises covered by said lease or not. In lieu of the royalties elsewhere herein specified, Lessor

shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties on the last above described tract; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by Carl G. Calloway, Zella Calloway, J. R. Calloway and his wife, Mary Margaret Calloway, Wiley R. Calloway and his wife, Finette Calloway, Ann L. Dunning and her husband, Harold L. Dunning, and Ruth Vandever and her husband, E. L. Vandever, as Lessors, in favor of H. F. Pettigrew, as Lessee, under date of December 29, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: NE/4 NE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 140, at Page 335, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by lessee of the lands covered thereby as follows, to-wit:

"Lessees, at their option, are hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessees' judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 320 acres each in the event of a gas well. Lessees shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessors shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of their acreage placed in the unit or their royalty interest therein on the acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, Delhi Oil Corporation is the present owner and holder of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties in the last above described tract; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Sarah Meyers Hedges, a feme sole, as Lessor, in favor of El Paso Natural Gas Company, as Lessee, under date of May 26, 1953, embracing the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SW/4 NE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 212, at Page 211, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by lessee of the lands covered thereby as follows, to-wit:

"Lessee at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 320 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Marion Vance and his wife, Betty D. Vance, and Lothair Payne and his wife, Marguerite Payne, as Lessors, in favor of Primo Oil Company, as Lessee, under date of January 7, 1952, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SE/4 NE/4; Also thirty-five (35) acres out of the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) and five (5) acres out of the Southeast Quarter of the Southeast Quarter (SE/4 SE/4), being those portions of said subdivisions lying West of the middle of the channel of the Animas River, containing 80.00 acres, more or less,

said lease being recorded in Book 186, at Page 172, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by lessee of the lands covered thereby as follows:

"9. As to the gas leasehold estate hereby granted (excluding casing-head gas produced from oil wells), lessee is expressly granted the right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated gas leasehold estate which shall not exceed a total area of 320 acres; and in the event lessee exercises the right and privilege of consolidation, as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom.

WHEREAS, El Paso is the present owner and holder of an oil and gas lease executed by each of the following listed Lessors, each of said leases being executed in favor of C. H. Nye, as Lessee, under date of August 29, 1949, and embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: S/2 SE/4 SE/4; Also that part of the North half of the Southeast Quarter of the Southeast Quarter (N/2 SE/4 SE/4) and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) lying East of the middle of the Animas River as the same ran in its bed and course on March 11, 1911, containing 40.00 acres, more or less;

<u>Lessor</u>	<u>Undivided interest in the above described acreage</u>
Elinor Periman, a widow	1/2
Neal Willmuth & wife, Nellie Willmuth	1/2

said leases being recorded in Book 139, at Pages 223 and 224, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas leases provide for the pooling by Lessees of the lands covered thereby as follows, to-wit:

"5. Lessee is hereby granted the right and option, at any time prior to commencement of actual drilling for oil and/or gas on the land herein leased, to pool any part or all of such land (including lessor's royalty interest as well as the leasehold estate created by this lease) with any other lands or leasehold interests in lands, regardless of the ownership thereof, of lessee's selection in the same vicinity so as to form one or more Pooled Units for the purpose of drilling for and producing oil and/or gas. A Pooled Unit shall be a combination of contiguous tracts of land, including a part or all of the land hereby leased, which lessee shall designate as constituting a Pooled Unit by filing with the County Clerk in the county in which all or any part of the land herein leased is located a written designation of such Pooled Unit indicating the Unit so created and the several tracts of land combined into such Unit, and by mailing a copy of such designation to lessor at his last known address, provided that no Pooled

Unit shall embrace more than 640 surface acres. Lessor agrees that operations for or production of oil and/or gas on any part of a Pooled Unit after it has been so created shall for all purposes of this lease be considered as operations or production on the land herein leased (except that operations or production on one Pooled Unit shall not affect lessee's right to alter, dissolve or re-form other Pooled Units as hereinafter provided), and in the event of production of oil and/or gas from any part of the Pooled Unit the royalty payable by lessee to lessor under this lease shall, any provision herein to the contrary notwithstanding, be thereafter computed and paid upon that portion of such production which bears the same ratio to the total as the number of acres herein leased and included in such Pooled Unit bears to the total number of acres comprising said Pooled Unit. Prior to the commencement of actual drilling thereon, a Pooled Unit may be altered by lessee in any way, dissolved and re-formed, by filing an appropriate notice thereof with the County Clerk with whom the original designation of such Pooled Unit was filed and mailing a copy of same to lessor at his last known address. After drilling has been commenced on a Pooled Unit, such Pooled Unit may not thereafter be altered or dissolved without the written consent of lessor. Lessee shall not, however, be liable to any party for alteration or dissolution of a Pooled Unit resulting from loss of its title or any cause beyond the control of lessee."

WHEREAS, in order to expedite the execution of this agreement, all of the overriding royalty owners on each of the above described tracts are ratifying this agreement; and

WHEREAS, it is the desire of the parties hereto to communitize their respective interests in the above described oil and gas leases in order to form one tract or drilling unit described as follows:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: E/2
containing 320.00 acres, more or less; and

WHEREAS, in order to be consistent with the existing rules and regulations covering well spacing and production allowables, all of the parties to this Agreement desire to operate the communitized tract for the purpose and intention of developing and producing dry gas and liquid hydrocarbons extracted therefrom in accordance with the terms and provisions of this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual advantages resulting from this Agreement, it is mutually covenanted and agreed by and between the parties hereto that the land subjected to this Agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesaverde formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the communitized area from such formation allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed hereto. The royalties payable on the dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the

leaseholds and the rentals provided for in said leases shall be determined and paid on the basis respectively prescribed in the individual leases. There shall be no obligation on the parties hereto to offset any dry gas well or wells completed in the Mesaverde formation on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall either party be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse ownership of the dry gas or liquid hydrocarbons extracted therefrom in or under said tract, but the parties hereto shall not be released from their obligation to protect said communitized tract from drainage by a dry gas well or wells which may be drilled offsetting said tract. Payment of the rentals under the terms of the leases hereinabove mentioned and described shall not be affected by this Agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

Except as herein modified and changed, said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued. It is further agreed that the commencement, completion, continued operation or production of a well or wells for dry gas on the communitized tract from the Mesaverde formation shall be construed and considered as the commencement, completion, continued operation or production as to each lease committed thereto.

It is further agreed that all production of dry gas and disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable federal or state statutes. The provisions of this agreement shall be subject to all applicable federal and state laws, executive orders, rules and regulations which affect performance of any of the provisions of this agreement, and no party hereto shall suffer a forfeiture or be liable in damage for failure to comply with any of the provisions of this Agreement if such compliance is prevented by, or if such failure results from compliance with any such laws, orders, rules or regulations.

"El Paso" shall be the unit operator of said communitized tract, and all matters of operation, adjustments between the parties hereto, and payment of royalties shall be determined and performed by "El Paso."

This Agreement shall be effective as of the date hereof, upon execution by the parties hereto, notwithstanding the date of execution, upon approval by the Director of the Geological Survey and shall remain in full force and

effect for a period of two (2) years and so long thereafter as dry gas is produced from any part of said communitized tract in paying quantities; provided, that, upon fulfillment of all requirements of the Director of the Geological Survey with respect to any dry hole or abandoned well, and prior to production in paying quantities of gas and liquid hydrocarbons extracted therefrom from said communitized tract, this Agreement may be terminated at any time by mutual agreement of the parties hereto.

The unit operator ("El Paso") agrees to furnish the Secretary of the Interior, or his duly authorized representatives, with a log and history of any well or wells, the monthly report of operations and the statement of all oil and gas runs and royalties, together with such other reports as are deemed necessary to compute monthly the royalty due the United States as specified in the applicable oil and gas operating regulations for any well completed within the communitized tract. The unit operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin, and shall require an identical provision to be inserted in all subcontracts.

It is further agreed between the parties hereto that the Secretary of the Interior, or his representatives, shall have the right of supervision over all operations within the communitized tract to the same extent and degree as provided in each of said oil and gas leases under which the United States of America is Lessor, and in the applicable oil and gas regulations of the Department of the Interior.

This Agreement shall be binding upon the parties hereto and shall extend and be binding upon their heirs, executors, administrators, successors and assigns, and may be executed in one or more counterparts by any of the parties hereto, and all counterparts so executed shall be taken as a single agreement and shall have the same force and effect as if all parties had in fact executed a single instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year hereinabove written.

ATTEST:

EL PASO NATURAL GAS COMPANY

Assistant Secretary

By _____
Vice President

ATTEST:

Secretary

ATTEST:

Secretary

ATTEST:

Secretary

ATTEST:

Secretary

DELHI OIL CORPORATION

By _____
President

WESTERN NATURAL GAS COMPANY

By _____
President

THREE STATES NATURAL GAS COMPANY

By _____
President

SAN JACINTO PETROLEUM CORPORATION

By _____
President

Ella Blaise, a widow

Saul A. Yager, a single man

Marion Yager, a feme sole

M. E. Gimp

Gimp, his wife

Morris Mizel

Flora Mizel

Sam Mizel

Mizel, his wife

STATE OF TEXAS

COUNTY OF EL PASO

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, County of El Paso,
State of Texas

STATE OF TEXAS

COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of DELHI OIL CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, County of Dallas,
State of Texas

STATE OF TEXAS

COUNTY OF HARRIS

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of WESTERN NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of the corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, County of Harris,
State of Texas

STATE OF TEXAS

COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of THREE STATES NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, County of Dallas, State of Texas

STATE OF TEXAS

COUNTY OF HARRIS

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SAN JACINTO PETROLEUM CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, County of Harris, State of Texas

STATE OF COLORADO

COUNTY OF EL PASO

On this _____ day of _____, 1953, before me appeared Ella Blaise, a widow, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me she executed the same as her free act and deed.

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

My commission expires:

Notary Public, County of El Paso, State of Colorado

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Saul A. Yager, a single man, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me he executed the same as his free act and deed.

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

My commission expires:

Notary Public, County of Tulsa,
State of Oklahoma

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Marion Yager, a feme sole, to known to be the person described in and who executed the foregoing instrument, and acknowledged to me she executed the same as her free act and deed.

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

My commission expires:

Notary Public, County of Tulsa,
State of Oklahoma

STATE OF TEXAS

COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared M. E. Gimp and _____, 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.

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

My commission expires:

Notary Public, County of Dallas,
State of Texas

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Morris Mizel and Flora Mizel, 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.

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

My commission expires:

Notary Public, County of Tulsa,
State of Oklahoma

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Sam Mizel and _____, 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.

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

My commission expires:

Notary Public, County of Tulsa,
State of Oklahoma

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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF E/2 OF SECTION 27, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 709 }
CASE NO. 849 } Consolidated

Order No. R-548-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 27, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320 ACRES.

APPLICATION FOR REHEARING

Your Applicant, EL PASO NATURAL GAS COMPANY, applies for re-hearing and states:

1. Applicant is the owner of oil and gas leasehold interests in and under the tract of land described in the caption and is a party affected by Order No. R-548-B entered by the Commission on January 12, 1956.

2. Your Applicant would show the Commission that its Order No. R-548-B is erroneous as follows:

a. That the Commission's Finding No. 9, insofar as it finds that the date upon which the working interest owners agreed to communitize their leases of May 19, 1954 is not supported by and is contrary to the credible evidence.

b. That the Commission's Finding No. 11 that the pooling and drilling unit was established on May 19, 1954 is not supported by and is contrary to the weight of the credible evidence.

c. That the portion of Paragraph 1 of the Commission's Order establishing May 19, 1954 as the date the drilling unit upon a pooled and communitized tract became effective is erroneous.

d. That there is no evidence in the record to show that the working interest owners made any agreement on the 19th day of

May, 1954, the date when the original hearing was conducted, and that the evidence shows the agreement to have been made and consummated prior to that date and the selection of that date is arbitrary and unreasonable.

e. That the evidence shows the working interest owners had agreed to communitize and pool their respective interests prior to June 29, 1953, on which date a Notice of Intention to Drill was filed with the Commission.

f. That the finding of the Commission that an agreement was made on May 19, 1954, is an arbitrary and unreasonable finding and not necessary to a determination of the applications.

g. The Commission having held that the working interest owners have the power without the joinder of the lessors to enter an agreement for the communitizing or pooling of tracts of land into drilling units in conformity with Order R-110, the Commission exceeded its jurisdiction by determining the date upon which the working interest owners made such agreement and exceeded its jurisdiction in determining that such agreement did not become effective until the date of the first hearing, which findings were not necessary to a determination of the applications. The Commission, having found that the working interest owners effectively pooled or communitized the tracts of land into a drilling unit, has no further jurisdiction and the Commission's Order is erroneous in attempting to determine the date and the effect of the agreement made by the working interest owners. When that agreement effectively pooled the several tracts into a drilling unit, there remained nothing further for the Commission to do, and those portions of the Commission's Order which attempt to pool or communitize at a later date are invalid and void.

h. Paragraph 2 of the Commission's Order is beyond its jurisdiction and is not supported by the evidence, and is contradictory and contrary to all of the findings and conclusions of the

Application for Rehearing

Cases Nos. 709 and 849

Commission made in the remaining portions of the Order.

WHEREFORE, your Applicant respectfully requests the Commission to grant a rehearing in these consolidated cases and to hear such further evidence as may be material, and to reconsider the Order entered by the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By  Attorney

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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF E/2 OF SECTION 27, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 709) Consolidated
CASE NO. 849)

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 27, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320 ACRES.

APPLICATION FOR REHEARING

Come now Saul A. Yager, Marian Yager, M. E. Gimp,
Morris Mizel and wife, Flora Mizel, and Sam Mizel, by their
attorneys, Campbell & Russell, and make application to the
Commission for rehearing upon Order No. R-548-B, and as a basis
for the application state:

(a) Applicants are the owners of interests in the
NW/4 SE/4, S/2 NW/4, and NE/4 SW/4 of Section 27, Township 31
North, Range 11 West, N.M.P.M., San Juan County, New Mexico
and are parties affected by Order No. R-548-B entered by the
Commission on January 12, 1956.

(b) Order No. R-548-B is erroneous in the following
respects:

1. Finding No. 10 is erroneous in that Order
No. R-110 was not complied with in the establishment of the
drilling unit.

2. Finding No. 11 is erroneous in that all interests within said unit were not consolidated by pooling agreement or otherwise as required by Order No. R-110.

3. Order No. R-548-B is contrary to Section 1(a) of Order No. R-110 of the Commission.

4. Order No. R-548-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. Order No. R-548-B is an unreasonable and arbitrary interpretation of the Commission's rules and regulations and deprives Applicants of their correlative rights.

6. Order No. R-548-B deprives Applicants of their property without due process of law.

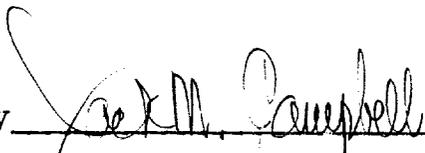
7. Order No. R-548-B impairs the obligations of a valid lease contract between Applicants and El Paso Natural Gas Company.

WHEREFORE, Applicants request a rehearing in Case No. 709 - 849 Consolidated on Order No. R-548-B.

Respectfully submitted,

Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and
wife, Flora Mizel, and Sam
Mizel

By


for CAMPBELL & RUSSELL
their attorneys

MAIN OFFICE 600

1955 JAN 10 AM 11-20

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
EL PASO NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION OF E $\frac{1}{2}$ OF
SECTION 27, TOWNSHIP 31 NORTH,
RANGE 11 WEST, N.M.P.M., SAN JUAN
COUNTY, NEW MEXICO

)
)
)
)
)
)

Case No. 709

APPLICATION FOR REHEARING

Come now Applicants, Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel,
by their attorney, and state:

(a) Applicants are the owners of interests in the
S $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 27, Township 31 North, Range 11
West, San Juan County, New Mexico and are parties affected by
Order No. R-548 entered by the Commission on December 17, 1954.

(b) Order No. R-548 is erroneous in the following
respects:

1. The order neither grants nor denies the relief sought and is therefore not within the call of the hearing.
2. Findings No. 7, 8 and 9 are contrary to law.
3. The order is contrary to Section 1(a) of Order No. R-110 heretofore issued by the Commission.
4. The order is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.
5. The order is an unreasonable and arbitrary interpretation of the Commission's rules and deprives Applicants of their correlative rights.
6. The order deprives Applicants of their property without due process of law.
7. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.
8. The order bears no relation to prevention of waste.

9. The order renders meaningless pooling clauses in leases referred to in the original application and the testimony and renders meaningless the application in the instant case.

WHEREFORE, Applicants request a rehearing in Case No. 709 before the Commission.

Respectfully submitted,

Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and
wife Flora Mizel, and Sam
Mizel

By Jack M. Campbell
Jack M. Campbell
their attorney

1-4-55