

MAIN OFFICE OCC

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 8, TOWNSHIP 31 NORTH,
RANGE 10 WEST, N.M.P.M., SAN JUAN
COUNTY, NEW MEXICO, OR, IN THE ALTERNATIVE,
FOR UNORTHODOX SPACING

NO. 710

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, all embracing land located in the E/2 of Section 8, Township 31 North, Range 10 West, N.M.P.M., San Juan County, New Mexico:

Oil and Gas Lease dated September 23, 1952, from R. L. Sprott and Edna Sprott, as Lessors, to Delhi Oil Corporation, as Lessee, embracing among other lands the W/2 SW/4 NE/4 of said Section 8, containing 20 acres, more or less.

Your Applicant represents that your Applicant and Brookhaven Oil Company own gas operating rights under the following described oil and gas lease:

United States Oil and Gas Lease, Serial Number Santa Fe 078604, Bonnie Marie McClafferty, Lessee, dated May 1, 1948, embracing among other lands the SW/4 SE/4 and N/2 SE/4 of said Section 8, containing 120 acres, more or less.

Your Applicant represents that Beaver Lodge Oil Corporation owns leasehold rights or gas operating rights to the base of the Mesa-verde formation in the following described oil and gas leases:

- a. Oil and Gas Lease dated June 23, 1952, from W. W. McEwen and others, as Lessor, to Beaver Lodge Oil Corporation as Lessee, embracing among other lands the NW/4 NE/4 of said Section 8 excepting that portion of the right of way of The Denver and Rio Grande Western Railroad Company lying in said subdivision, the leased tract containing 39.91 acres, more or less.
- b. Oil and Gas Lease dated October 19, 1952, from Thomas R. Marcotte and Eula Marcotte, as Lessors, to Beaver Lodge Oil Corporation, as Lessee, embracing among other lands the E/2 NE/4, E/2 SW/4 NE/4 of said Section 8 excepting one acre located in the E/2 SW/4 NE/4 of said Section 8, which leased tract contains 99 acres, more or less.
- c. Oil and Gas Lease dated May 18, 1953, from R. L. Sprott and Edna Sprott, as Lessors, to Beaver Lodge Oil Corporation as Lessee, embracing the following land, to wit: One acre in the E/2 SW/4 NE/4 of said Section 8.

- d. Oil and Gas Lease dated January 5, 1953, from The Denver and Rio Grande Western Railroad Company, as Lessor, to Beaver Lodge Oil Corporation, as Lessee, embracing among other lands that portion of the right of way of The Denver and Rio Grande Western Railroad Company lying and being within the NW/4 NE/4 of said Section 8, containing .09 acres, more or less.

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 10 West, N.M.P.M.
Section 8: SE/4 SE/4
containing 40 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 Mesaverde formation located upon the E/2 SW/4 NE/4 of said Section 8, which Notice was received by this Commission August 25, 1953, and approved August 25, 1953, and, in said Notice, your Applicant dedicated to said well the E/2 of said Section 8 which included the SE/4 SE/4 of said Section 8 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 8 except the NW/4 NE/4, E/2 NE/4, E/2 SW/4 NE/4 and one-half interest in the SW/4 SE/4 and N/2 SE/4. The owners of all the working interest in the entire E/2 of said Section 8 and the owners of all royalty interests and overriding royalty interest, 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 August 1, 1953.

Your Applicant represents that the royalty interests on all 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 Building,
 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; and 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 commenced a well located upon the E/2 SW/4 NE/4 of said Section 8 and continued said well with due diligence, completing it as a well producing gas from the Mesaverde formation on October 13, 1953. By reason of the designation of the E/2 of said Section 8 as a communitized tract attributable to said well and by reason of the commencement of drilling 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 8, 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 8 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 August 25, 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 August 25, 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 August 25, 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 10 West, N.M.P.M.
Section 8: NE/4, N/2 SE/4, SW/4 SE/4
containing 280 acres, more or less.

Respectfully submitted,



of Jones, Hardie, Grambling & Howell
El Paso, Texas

Attorneys for El Paso Natural Gas Company

COMMUNITIZATION AGREEMENT

Marcotte Pool Unit #1

THIS AGREEMENT, made and entered into this 1st day of August, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); DELHI OIL CORPORATION, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; SAUL A. YAGER, a single man, whose address is 613 Oil Captial Building, Tulsa, Oklahoma; MARIAN YAGER, a feme sole, whose address is C/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. GIMP, whose address is C/o Zale's Jewelry Company, 1606 Main Street, Dallas, Texas; MORRIS MIZEL and wife, FLORA MIZEL, whose address 101 West Cammeron Street, Tulsa, Oklahoma; SAM MIZEL, whose address is 101 West Cammeron Street, Tulsa, Oklahoma; BROOKHAVEN OIL COMPANY, a Delaware corporation, whose address is First National Bank Building, Albuquerque, New Mexico; BEAVER LODGE OIL CORPORATION, a Delaware corporation, whose address is Mercantile Commerce Building, Dallas, Texas;

W I T N E S S E T H:

WHEREAS, El Paso Natural Gas Company is the present owner and holder of the gas rights down to and including the base of the Mesaverde formation under that certain Oil and Gas Lease executed in favor of Delhi Oil Corporation, as Lessee, under date of September 23, 1952, by R. L. Sprott and wife, Edna Sprott, as Lessors, embracing among other lands, the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 8: W/2 SW/4 NE/4
containing 20 acres, more or less; and

WHEREAS, the above described lease provides for the pooling by the lessee of the lands covered thereby as follows:

"4. 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 properly to develop and operate said premises in compliance with any lawful spacing rules or orders which may be prescribed by any duly authorized authority, for the field(s) in which this lease acreage or any part thereof is situated, or when to do so would, in the judgment of Lessee, promote the conservation or economical production of the oil, gas and/or other minerals from said premises, such pooling to be into a unit or units not exceeding the number of acres required or recommended by the state regulatory authority having jurisdiction over well spacing, drilling units, and other matters relating to the production of oil, gas, and other minerals. To accomplish such pooling, Lessee shall execute in writing and file for record in the proper county 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

for the payment of royalties on production from the pooled unit, as if it were included in this lease, and if production is had from any portion of the pooled acreage, it shall be treated as production from the land covered by this lease, whether the well or wells be located on the land covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled 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."; and

WHEREAS, El Paso Natural Gas Company is the present owner and holder of the gas rights down to and including the base of the Mesaverde formation under that certain Oil and Gas Lease executed in favor of Wayne Moore as Lessee, by Saul A. Yager, and wife, Marian Yager, as Lessors, under date of September 1, 1948, embracing among other lands, the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 8: SE/4 SE/4
containing 40 acres, more or less,

said lease being recorded in Book 153, at Page 441, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, Delhi Oil Corporation is the present owner of all the oil rights, the gas rights below the base of the Mesaverde formation, and certain gas overriding royalties on the above described tracts; 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, and 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, Brookhaven Oil Company is the present owner and holder of that certain United States Oil and Gas Lease, bearing Serial Number Santa Fe 078604, executed in favor of Bonnie Marie McClafferty, as Lessee, under date of May 1, 1948, by the United States of America, as Lessor, embracing among other lands, the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 8: SW/4 SE/4, N/2 SE/4
containing 120.00 acres, more or less; and

WHEREAS, by an Operating Agreement dated November 27, 1951, which Agreement has been filed with the Bureau of Land Management for approval, Brookhaven Oil Company granted the operating rights and an undivided one half ($\frac{1}{2}$) interest in the above described tract to San Juan Production Company; and

WHEREAS, by an Assignment dated January 2, 1952, and approved by a decision dated January 8, 1953, San Juan Production Company assigned the last above described Operating Agreement to El Paso; and

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of June 23, 1952, by W. W. McEwen and his wife, Gertrude McEwen, Ida McEwen Kenyon, Eve McEwen, a widow, Wright G. McEwen and his wife, Velma Irene McEwen, Artie T. Sisley and her husband, Sam A. Sisley, Irene Blair and her husband, Onus L. Blair, Lena McEwen Faris and her husband, J. W. Faris, Ida McEwen Bartholomew and her husband, Lynn Bartholomew, as Lessors, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 8 West, N.M.P.M.

Section 8: NW/4 NE/4

SAVE AND EXCEPT, HOWEVER, the following described tract: All of that .09 acre portion of the Right-of-Way of The Denver and Rio Grande Western Railroad Company for the main tract of its Farmington Branch, lying and being situated within the most extreme Northwesterly (NW'ly) corner of the NW/4 NW/4 NE/4 of said Section 8, conveyed to The Denver and Rio Grande Western Railroad Company by Warranty Deed from W. W. McEwen, a widower, dated April 1, 1905, and filed for record in San Juan County, New Mexico, on May 19, 1905.

containing 39.91 acres, more or less,

said lease being recorded in Book 186, at Page 149, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, the last above described lease provides for the pooling by the 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; 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."; and

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of October 19, 1952, by Thomas R. Marcotte and Eula Marcotte, his wife, as Lessors, embracing among other lands, the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.

Section 8: E/2 NE/4, E/2 SW/4 NE/4

SAVE AND EXCEPT, HOWEVER, 1 acre, more or less, in the E/2 SW/4 NE/4, containing 99.00 acres, more or less,

said lease being recorded in Book 200, at Page 75, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, the last above described lease provides for the pooling by the 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."; and

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of May 18, 1953, by R. L. Sprott and his wife, Edna Sprott, as Lessors, embracing the following land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 8: 1 acre, more or less, in the E/2 SW/4 NE/4, being described more particularly as follows:

BEGINNING at the center of the NE/4 of said Section 8; THENCE West 568 feet; THENCE South 405 feet for the point of beginning; THENCE South 209 feet; THENCE East 209 feet; THENCE North 209 feet; THENCE West 209 feet to the place of beginning,

said lease being recorded in Book 210, at Page 105, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, the last above described lease provides for the pooling 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 640 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."; and

WHEREAS, Beaver Lodge Oil Corporation is the present owner and holder of that certain Oil and Gas Lease executed in favor of Beaver Lodge Oil Corporation, as Lessee, under date of January 5, 1953, by The Denver and Rio Grande Western Railroad Company, as Lessor, embracing among other lands the following described

land in San Juan County, New Mexico, to wit:

Township 31 North, Range 10 West, N.M.P.M.

Section 8: All of that portion of the Right-of-Way of The Denver and Rio Grande Western Railroad Company for the main tract of its Farmington Branch, lying and being situated within the most extreme Northwesterly (NW'ly) corner of the NW/4 NW/4 NE/4, and being more particularly described by metes and bounds as follows:

BEGINNING at a point in the center line of the aforementioned Right-of-Way for the most Northwesterly (NW'ly) corner of this tract, said point being also the Northwest (NW) corner of the NE/4 of said Section 8; THENCE South (S) along the West (W) boundary line of said NE/4 of Section 8 a distance of 150 feet, more or less, to the point where the same intersects the Southeast (SE) boundary line of said Right-of-Way for the most Southerly (S'ly) corner of this tract; THENCE Northeast (NE) along the Southeast (SE) boundary line of said Right-of-Way a distance of 162.5 feet, more or less, to the point where the same intersects the North (N) boundary line of said Section 8 for the most Northeasterly (NE'ly) corner of this tract; THENCE West (W) along the North (N) boundary line of said Section 8 a distance of 153.75 feet, more or less, to the place of beginning.

containing .09 acres, more or less,

said lease being recorded in Book 205, at page 47, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, the last above described lease provides for the pooling of the lands covered thereby as follows:

"1. The Railroad Company, for and in consideration of the sum of TWENTY-SIX AND 60/100 DOLLARS (\$26.60) -----, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be performed, kept and paid, does hereby lease and let the Railroad Lands as hereinbefore described and as outlined in specific coloring upon the attached map exclusively unto the Lessee with the right and permission granted the Lessee to pool or combine all or any portion of the Railroad Lands with adjacent lands into drilling units in order to properly develop and operate the premises for the sole and only purpose of obtaining the oil and gas therefrom. Lessee shall execute in writing an instrument identifying and describing any drilling unit or units created hereunder and shall mail the same, together with map showing such drilling unit or units, to the Railroad Company; provided, however, that no drilling unit so created shall exceed three hundred twenty (320) acre units on gas production from Mesa Verde formation or lower, one hundred sixty (160) acre units on gas production from formation shallower than said Mesa Verde formation, forty (40) acre units on oil production, but provided further that if the spacing regulations of the Oil Conservation Commission of the State of New Mexico or any governmental agency, state or federal, shall prescribe a spacing pattern or shall allocate a producing allowable based in whole or in part on acreage per well, then the unit or units herein contemplated may have the maximum surface acreage content so prescribed or allocated. The proposed drilling units have not, as yet, been definitely established or determined; therefore, it is not possible to identify such units by defined locations on the attached map in their relation to the Railroad Lands; however, royalty due the Railroad Company as a result of its participation in this Agreement shall be determined in the manner hereinafter provided."; and

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 as follows, to wit:

Township 31 North, Range 10 West, N.M.P.M.
Section 8: 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 unit 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, THEREFROM, 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 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:

Assistant Secretary

ATTEST:

Assistant Secretary

ATTEST:

Assistant Secretary

ATTEST:

Assistant Secretary

EL PASO NATURAL GAS COMPANY

By _____
Vice President

BROOKHAVEN OIL COMPANY

By _____
Vice President

BEAVER LODGE OIL CORPORATION

By _____
Vice President

DELHI OIL CORPORATION

By _____
Vice President

Saul A. Yager, a single man

Marian 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 in and for El Paso
County, 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 Vice President of BEAVER LODGE 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 in and for Dallas County,
State of Texas

STATE OF NEW MEXICO
COUNTY OF BERNALILLO

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 BROOKHAVEN OIL 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 in and for Bernalillo
County, State of New Mexico

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 in and for Tulsa County,
State of Oklahoma

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 Vice 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 in and for Dallas County,
State of Texas

STATE OF OKLAHOMA |
 |
COUNTY OF TULSA |

On this _____ day of _____, 1953, before me appeared Marian Yager, a feme sole, 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 in and for Tulsa County,
State of Oklahoma

STATE OF TEXAS |
 |
COUNTY OF DALLAS |

On this _____ day of _____, 1953, before me appeared M. E. Gimp and _____ Gimp, 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 in and for Dallas County,
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 in and for Tulsa County,
State of Oklahoma

STATE OF OKLAHOMA |
 |
COUNTY OF TULSA |

On this _____ day of _____, 1953, before me appeared Sam Mizel and _____ 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 in and for Tulsa County,
State of Oklahoma