

J. M. HERVEY 1874-1953

HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV

J. PENROD TOLES
LEWIS C. COX, JR.
PAUL W. EATON, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
FIRST NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510

April 5, 1957

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

Re: Case No. 1227
Communitization Agreement
Rio Arriba County, New Mexico

Dear Mr. Porter:

A hearing was held before Warren Mankin, examiner, at Farmington on March 21 in connection with the above case which was to approve two unorthodox well locations and two spacing units for the Pictured Cliffs formation and a spacing unit for the Mesaverde formation. At the time of this hearing, the Communitization Agreement was in the process of being executed by the necessary parties. It has now been executed by John J. Eisner and wife, Ernest A. Hanson and wife, and Magnolia Petroleum Company, the owners of all of the working interests involved, and by Martha Featherstone, the owner of the overriding royalty under Lot 4 of Section 7.

This agreement has been submitted to the United States Geological Survey for approval and as soon as it has been approved by the U.S.G.S. an approved copy will be filed in your office. The U.S.G.S. has heretofore approved the Communitization Agreement as to form, and we do not anticipate any trouble in having the Communitization Agreement approved by the Director of the U.S.G.S.

Yours very truly,

HERVEY, DOW & HINKLE

BY: 

CEH:jy

DOCKET: EXAMINER HEARING MARCH 21, 1957FARMINGTON CITY HALL, 10:00 a.m., FARMINGTON, NEW MEXICO

The following cases will be heard before Warren W. Mankin, Examiner:

CASE 1227:

Application of John J. Eisner for an order authorizing two unorthodox well locations and three non-standard gas proration units in an undesignated Pictured Cliffs Gas Pool and the Blanco Mesaverde Gas Pool in exception to Rule 104 of the Statewide Rules and Regulations and Orders R-110 and R-128-D of the Special Rules and Regulations of the Blanco Mesaverde Gas Pool. Applicant, in the above-styled cause, seeks authorization for an unorthodox well location for its Hanson-Federal Well No. 1 to be located 990 feet from the North line and 682 feet from the West line of fractional Section 6 in an undesignated Pictured Cliffs Gas Pool; applicant further desires authorization for an unorthodox well location for its M. D. Reickhaus Well No. 1 to be located 990 feet from the North line and 700 feet from the West line of fractional Section 7 in an undesignated Pictured Cliffs Gas Pool and the Blanco Mesaverde Gas Pool; applicant further desires approval for a 165.34 acre non-standard gas proration unit consisting of all of fractional Section 6 in an undesignated Pictured Cliffs Gas Pool, said unit to be dedicated to its Hanson-Federal Well No. 1; applicant further desires a 170.32 acre non-standard gas proration unit consisting of all of fractional Section 7 to be dedicated to its Reickhaus Well No. 1 in an undesignated Pictured Cliffs Gas Pool, and in addition applicant desires to form a 335.66 acres non-standard gas proration unit consisting of all of fractional Sections 6 and 7 to be dedicated to its Reickhaus Well No. 1 in the Blanco Mesaverde Gas Pool; all of the above in Township 26 North, Range 2 West, Rio Arriba County, New Mexico. Said unorthodox locations and non-standard units are necessitated by the variations of legal sub-divisions in this area.

CASE 1228:

Application of Sun Oil Company for an unorthodox well location in an undesignated Gallup Gas Pool in San Juan County, New Mexico, in exception to Rule 104, Paragraph (b) (2), of the New Mexico Oil Conservation Commission Statewide Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing an unorthodox gas well location in an undesignated Gallup Gas Pool for its Harold Regay Well No. 1 located 1980 feet from the South line and 660 feet from the West line of Section 25, Township 25 North, Range 11 West, San Juan County, New Mexico. Application is occasioned by the drilling of a gas well in an area that is normally considered to be oil productive and was drilled under the provisions of Rule 104, Paragraph (b) (1) of the Commission Statewide Rules and Regulations.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 14, 1957

C

O

P

Y

Mr. S. B. Christy
Hervey, Dow & Hinkle
P.O. Box 547
Roswell, New Mexico

Dear Sir:

On behalf of your client, John J. Eisner, we enclose two copies of Order R-988 issued May 10, 1957, by the Oil Conservation Commission in Case 1227, which was heard on March 21st at Farmington.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encls.

Agreement exactly the same as if the Magnolia Petroleum Company had been named as the original operator therein.

IN WITNESS WHEREOF, this instrument is executed by the undersigned on this the 8 day of June, 1957.

ATTEST:

R. W. Walker
Asst. Secretary

MAGNOLIA PETROLEUM COMPANY

BY: Ruechan

John J. Eisner
John J. Eisner

Mildred G. Eisner
Mildred G. Eisner

Ernest A. Hanson
Ernest A. Hanson

Boulah Irene Hanson
Boulah Irene Hanson

STATE OF TEXAS }
COUNTY OF DALLAS } SS.

The foregoing instrument was acknowledged before me this 8 day of June 1957 by Ruechan, Vice-President of the Magnolia Petroleum Company, a Texas corporation, on behalf of said corporation.

My Commission Expires:

Alma Hodge
Notary Public

STATE OF TEXAS }
COUNTY OF TAYLOR } SS.

The foregoing instrument was acknowledged before me this 27 day of JUNE, 1957 by John J. Eisner and wife, Mildred G. Eisner.

My Commission Expires:

6-1-59

Helen Ford
Notary Public

STATE OF NEW MEXICO }
COUNTY OF CHAVES } SS.

The foregoing instrument was acknowledged before me this 21st day of June, 1957 by Ernest A. Hanson and wife, Boulah Irene Hanson.

My Commission Expires:

My Commission Expires:
February 28, 1958

Emerson B. Johnson
Notary Public



COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into as of the 11th day of March, 1957, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto",

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C. Secs. 181 et seq., authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, under existing rules, regulations and orders of the New Mexico Oil Conservation Commission, the normal or standard spacing unit for the development and production of gas and liquid hydrocarbon substances from the Pictured Cliffs formation is 160 acres and from the Mesaverde formation is 320 acres in the area in which the lands hereinafter described are situated; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests or operating rights under the oil and gas leases covering the lands hereinafter described, which said interests are more particularly set forth on the schedule attached hereto, made a part hereof, and for purposes of identification marked Exhibit "A"; and

WHEREAS, the parties hereto are desirous of pooling and communitizing their respective leasehold interests above referred to embracing the lands hereinafter described for the purpose of forming spacing units for the development and production of dry gas and

liquid hydrocarbon substances from the Pictured Cliffs and Mesaverde formations underlying said lands; subject, however, to the approval of the Director of the United States Geological Survey and the New Mexico Oil Conservation Commission.

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

1. That the following described land situated in Rio Arriba County, New Mexico, hereinafter referred to as the "communitized tracts" shall be the lands covered by this agreement, to-wit:

Tract 1 - Section 6, Township 26 North, Range 2 West

Lot 1 - 39.88 acres
Lot 2 - 41.53 acres
Lot 3 - 41.82 acres
Lot 4 - 42.11 acres

TOTAL 165.34 acres

Tract 2 - Section 7, Township 26 North, Range 2 West

Lot 1 - 42.34 acres
Lot 2 - 42.50 acres
Lot 3 - 42.66 acres
Lot 4 - 42.82 acres

TOTAL 170.32 acres

Tract 3 - Lots 1, 2, 3 and 4, Section 6, Lots 1, 2, 3 and 4, Section 7, Township 26 North, Range 2 West - containing 335.66 acres

2. That the following shall constitute spacing units for the production and allocation of dry gas and liquid hydrocarbon substances produced from the Pictured Cliffs and Mesaverde formations:

(a) Tract 1 - Pictured Cliffs Spacing Unit - Section 6:
Lots 1, 2, 3 and 4 of Section 6, Township 26 North, Range 2 West, N.M.P.M., containing 165.34 acres, more or less, shall constitute a spacing unit for the production and allocation of dry gas and liquid hydrocarbon substances from the Pictured Cliffs formation underlying said land.

(b) Tract 2 - Pictured Cliffs Spacing Unit - Section 7:

Lots 1, 2, 3 and 4 of Section 7, Township 26 North, Range 2 West, N.M.P.M., containing 170.32 acres, more or less, shall constitute a spacing unit for the production and allocation of dry gas and liquid hydrocarbon substances from the Pictured Cliffs formation underlying said land.

(c) Tract 3 - Mesaverde Spacing Unit:

Lots 1, 2, 3 and 4 of Section 6, and Lots 1, 2, 3 and 4 of Section 7, containing 335.66 acres, more or less, shall constitute a spacing unit for the production and allocation of all dry gas and liquid hydrocarbon substances which may be produced from the Mesaverde formation underlying said land.

3. John J. Eisner of Abilene, Texas is hereby designated as the operator of the communitized tracts for the purpose of developing and operating the same in accordance with the terms of this agreement.

4. All matters of operation shall be under the exclusive control of and governed by the operator in accordance with the terms and provisions of this agreement, subject, however, to such limitations as may be provided in the Operating Agreement entered into simultaneously herewith by and between the working interest owners of the oil and gas leases committed hereto, which said Operating Agreement shall govern the allocation of all expenses incurred by the operator in the development and operation of the communitized tracts and shall also cover the accounting procedure to be followed in connection therewith.

A successor operator may be designated by the owners of the working interest in the communitized tracts and upon such designation, four executed copies of the designation of successor operator shall be filed with the Oil and Gas Supervisor of the United States Geological

Survey, hereinafter referred to as "Supervisor", and one copy with the New Mexico Oil Conservation Commission.

5. Each communitized tract shall be developed and operated as an entirety, and all dry gas and liquid hydrocarbon substances which may be produced from the Pictured Cliffs formation from the respective wells located upon the Pictured Cliffs spacing units as set forth in Section 2 hereof shall be allocated to the leasehold interests within each such spacing unit in the proportion that the acreage interest of each leasehold committed thereto bears to the entire leasehold interest on an acreage basis committed to such spacing unit.

All dry gas and liquid hydrocarbon substances produced from the Mesaverde formation shall be allocated among the leaseholds comprising the Mesaverde spacing unit as set forth in Section 2 hereof in the proportion that the acreage interest of each leasehold committed thereto bears to the entire leasehold interest on an acreage basis committed to said spacing unit. The allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners shall be on the basis prescribed by the Operating Agreement entered into by and between the working interest owners referred to in Section 6 hereof whether in conformity with the basis of allocation herein set forth or otherwise.

6. The royalties payable under the respective leasehold interests committed to this agreement and overriding royalties or obligations payable out of production, if any, shall be paid out of the communitized substances allocated to the respective leasehold interests as provided in the preceding section.

7. Except as expressly modified by this agreement, said leases shall remain in full force and effect according to their terms

and conditions, and nothing herein contained shall modify the provisions of said leases with respect to the payment of rentals and royalties as therein provided.

8. There shall be no obligation of the operator or of the owners of the respective leasehold interests in each tract committed to this agreement to offset any dry gas wells completed in the same formation as covered by this agreement on separate component parts into which each communitized tract is now or may hereafter be divided, nor shall the respective lease owners be required to measure separately communitized substances by reason of the diverse ownership thereof, but nothing herein contained shall modify the obligations of said lease owners to protect each communitized tract from drainage of communitized substances by well or wells which may be drilled effecting each such tract.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on each communitized tract shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and comprising such communitized tract, and operations or production on each tract pursuant to this agreement shall be deemed to be operations upon and production from each committed leasehold interest in such tract.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable State statutes. This agreement shall be subject to all applicable laws, orders, rules and regulations, 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 such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his

duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced from the communitized tracts in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized tracts to the same extent and degree as provided in the 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.

13. The covenants hereof shall be considered as covenants running with the ownership of the respective leasehold interests committed hereto and shall extend to the heirs, personal representatives, successors and assigns of the parties hereto.

14. In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause.

Operator agrees to insert the foregoing provision in all sub-contracts hereunder, except sub-contracts for standard commercial supplies or raw materials.

15. 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 instrument 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 full force and effect as if all parties had signed the same instrument.

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

John J. Kiser
JOHN J. KISER

Milred G. Kiser
MILRED G. KISER

Ernest A. Hanson
ERNEST A. HANSON

Beulah Irene Hanson
BEULAH IRENE HANSON

LUTHER COLLINS

MYRTLE COLLINS

MAGNOLIA PETROLEUM COMPANY

BY: R. D. Hanley
Vice President R. D. Hanley

Marta Featherstone
MARTA FEATHERSTONE

ATTEST:

Marta Featherstone

Secretary

STATE OF TEXAS }
COUNTY OF TAYLOR } SS.

11th The foregoing instrument was acknowledged before me this day of March, 1957 by John J. Eisner and wife, Mildred G. Eisner.

My Commission Expires:
6-1-57

Helen Ford
Notary Public

STATE OF NEW MEXICO }
COUNTY OF CHAVES } SS.

28th The foregoing instrument was acknowledged before me this day of March, 1957 by Ernest A. Hanson and wife, Beulah Irene Hanson.

My Commission Expires:
My Commission Expires:
February 28, 1958

Emerson B. Johnson
Notary Public

STATE OF NEW MEXICO }
COUNTY OF CHAVES } SS.

The foregoing instrument was acknowledged before me this day of March, 1957 by Luther Cullins and wife, Myrtle Cullins.

My Commission Expires:

Notary Public

STATE OF Texas }
COUNTY OF Dallas } SS.

The foregoing instrument was acknowledged before me this 26 day of March, 1957 by R. D. Hanley, Vice President of Magnolia Petroleum Company, a Texas corporation on behalf of said corporation.

My Commission Expires:
June 1, 1957

Juannad Hoffman
Notary Public

JUANNAD HOFFMAN, Notary Public
In and for Dallas County, Texas

STATE OF New Mexico }
COUNTY OF Chaves } SS.

The foregoing instrument was acknowledged before me this 4th day of April March, 1957 by Martha Featherstone.

My Commission Expires:
Jan. 20, 1960

Josephine Gutierrez
Notary Public

(M)

Case # 1227

J. M. HERVEY 1874-1953

HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV

J. PENROD TOLES
LEWIS C. COX, JR.
PAUL W. EATON, JR.

LAW OFFICES
HERVEY, DOW & HINKLE
FIRST NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE Box 547

July 2, 1957

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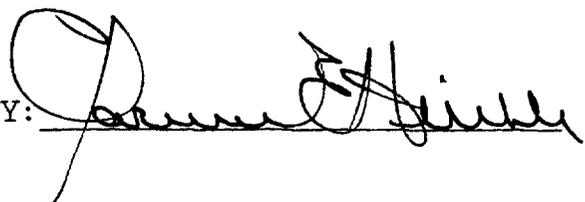
New Mexico Oil Conservation Commission
Santa Fe
New Mexico

Gentlemen:

We enclose executed copy of Designation of Magnolia Petroleum Company as Operator in the place of John J. Eisner in connection with the Communitization Agreement heretofore approved by the New Mexico Oil Conservation Commission covering all of Sections 6 and 7, Township 26-North, Range 2-West, N.M.P.M., Rio Arriba County, New Mexico.

Yours very truly,

HERVEY, DOW & HINKLE

BY: 

CEH:jy
Encl.

- cc: Magnolia Petroleum Company
P. O. Box 662, Roswell, New Mexico
- cc: Mr. John J. Eisner
P. O. Box 1158, Abilene, Texas

COPY

HERVEY, DOW & HINKLE, ATTORNEYS
ROSWELL, NEW MEXICO

July 2, 1957

Mr. John Anderson, Supervisor
United States Geological Survey
Roswell, New Mexico

Dear John:

We enclose herewith four executed copies of Designation of the Magnolia Petroleum Company as Operator in place of John J. Eisner in connection with the Communitization Agreement covering Sections 6 and 7, Township 26-North, Range 2-West, N.M.P.M., Rio Arriba County, New Mexico.

This Designation is filed in accordance with the provisions of the Communitization Agreement and an executed copy is also being filed with the New Mexico Oil Conservation Commission.

Yours very truly,

HERVEY, DOW & HINKLE

BY: 

CEH:jy
Encl.

cc: New Mexico Oil Conservation Commission
Santa Fe, New Mexico
cc: Magnolia Petroleum Company
P. O. Box 662, Roswell, New Mexico
cc: Mr. John J. Eisner
P. O. Box 1158, Abilene, Texas