

*file
100-1531*

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

December 12, 1957.

New Mexico Oil Conservation Commission,
Capital Building,
Santa Fe, New Mexico.

Re: Magnolia-Humble Communitization
agreement encompassing Sections
18 and 19, Township 26 North,
Range 2 West, N.M.P.M., Rio Arriba
County, New Mexico.
Our No. 116-35

Gentlemen:

We enclose herewith, pursuant to your captioned order, a copy of the Communitization Agreement of June 13, 1957, bearing Contract number 14080014645, and the instrument was approved by the United States Geological Survey on November 6, 1957.

Respectfully,

HERVEY, DOW & HINKLE

By *S. B. Christy IV*

SBC/ki
Enclosure as per above.
cc - Magnolia Petroleum Company,
Roswell, New Mexico.
cc - Magnolia Petroleum Company,
P. O. Box 900,
Dallas, Texas.
Attention: Mr. Jack Vickrey.

COMMUNITIZATION AGREEMENT

14-08-001-4645

THIS AGREEMENT, made and entered into as of the 13th day of June, 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

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ALBUQUERQUE, NEW MEXICO

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 19, Township 26-North, Range 2-West

Lot 1 - 44.02 acres
Lot 2 - 44.30 acres
Lot 3 - 44.58 acres
Lot 4 - 44.86 acres

TOTAL 177.76 acres

Tract 2 - Lots 1, 2, 3 and 4 of Section 18, containing 173.56 acres, more or less, and Lots 1, 2, 3, and 4 of Section 19, containing 177.76 acres, more or less, Township 26-North, Range 2-West, aggregating in all 351.32 acres, more or less.

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 19:

Lots 1, 2, 3 and 4 of Section 19, Township 26-North, Range 2-West, N.M.P.M., containing 177.76 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 - Mesaverde Spacing Unit:

Lots 1, 2, 3 and 4 of Section 18, and Lots 1, 2, 3, and 4

of Section 19, Township 26-North, Range 2-West, N.M.P.M., containing 351.32 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. Magnolia Petroleum Company, a corporation with offices at Dallas, 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 well or wells located upon the Pictured Cliffs spacing unit as set forth in Section 2 hereof shall be allocated to the leasehold interests within

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 4 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 offsetting 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 subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

15. This agreement may be executed in any number of counter-
 parts, 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 hereinabove written.

MAGNOLIA PETROLEUM COMPANY

ATTEST:

L. J. Dolben
 Asst. Secretary

BY:

[Signature]
 Vice President

with
 cum
 [Signature]

APPROVED	
Law	CSA
Acctg	
Prod	
Expl	[Signature]

HUMBLE OIL & REFINING COMPANY

ATTEST:

[Signature]
 Secretary

BY:

[Signature]
 VICE PRESIDENT

[Signature]
 Martha Featherstone

[Signature]
 Olen B. Featherstone

Earl J. McDonald

[Signature]
 Maymezell McDonald independent of estate
 of the estate of Earl J. McDonald deceased
 and individually

R. E. McKenzie, Jr.
R. E. McKenzie, Jr.

Agatha P. McKenzie
Agatha P. McKenzie

John Guy Fidel
John Guy Fidel

John S. Fidel
John S. Fidel

STATE OF TEXAS }
COUNTY OF DALLAS } SS.

The foregoing instrument was acknowledged before me this 13th day of June, 1957 by _____, Vice-President of Magnolia Petroleum Company, a Texas corporation, on behalf of said corporation.

My Commission Expires:

Ellie Hodge
Notary Public

STATE OF TEXAS }
COUNTY OF HARRIS } SS.

The foregoing instrument was acknowledged before me this 13th day of August, 1957 by H. W. FERGUSON, VICE PRESIDENT of Humble Oil & Refining Company, a Texas corporation, on behalf of said corporation.

My Commission Expires:

My Commission Expires June 1, 1959

Lilla Smith LILLA SMITH
Notary Public

NOTARY PUBLIC IN AND FOR
HARRIS COUNTY, TEXAS

STATE OF NEW MEXICO }
COUNTY OF CHAVES } SS.

The foregoing instrument was acknowledged before me this 9th day of October 1957 by Martha Featherstone and Olen F. Featherstone, her husband.

My Commission Expires:

Jan. 20, 1960. *Jasphine Gutierrez*
Notary Public

STATE OF Texas }
COUNTY OF El Paso } SS.

The foregoing instrument was acknowledged before me this 30 day of August, 1957 by ~~Earl J. McDonald and his wife, Maymezell McDonald,~~ *individually and as independent executor of the estate of Earl J. McDonald, deceased.*

My Commission Expires:

June 1, 1959

Ernest Gunn
Notary Public El Paso, Tex

STATE OF NEW MEXICO }
COUNTY OF San Juan } SS.

The foregoing instrument was acknowledged before me this 28th day of September, 1957 by R. E. McKenzie, Jr. and his wife, Agatha P. McKenzie.

My Commission Expires:

June 18, 1958

Woodrow W. Berry
Notary Public

STATE OF N.M. }
COUNTY OF Berni } SS.

The foregoing instrument was acknowledged before me this 6 day of Sept, 1957 by John Guy Fidel and his wife, Jo Ann S. Fidel.

My Commission Expires:

2-9-59

Betty Leaf
Notary Public

EXHIBIT "A" TO COMMUNITIZATION AGREEMENT
COVERING SECTIONS 18 AND 19 OF TOWNSHIP 26-NORTH,
RANGE 2-WEST, N.M.P.M., RIO ARriba COUNTY, NEW MEXICO
OPERATOR: MAGNOLIA PETROLEUM COMPANY

Tract No. 1

Lessor: United States
Lessee of Record: Magnolia Petroleum Company
Serial No. of Lease: SF 079995 - ~~4~~
Date of Lease: September 1, 1949
Description of Lands
Committed: Lots 1, 2, 3, and 4 of Section 18, and Lot 1
of Section 19, Township 26-North, Range 2-West,
N.M.P.M.
Number of Acres: 217.58 acres, more or less
Working Interest and
Percentage: Magnolia Petroleum Company - 84.5%
O.R.R.I. and Percentage: Martha Featherstone and Olen Featherstone - 3%

Tract No. 2

Lessor: United States
Lessee of Record: Magnolia Petroleum Company
Serial No. of Lease: NM 04764-A
Date of Lease: February 1, 1951
Description of Lands
Committed: Lots 2 and 3 of Section 19, Township 26-North,
Range 2-West, N.M.P.M.
Number of Acres: 88.88 acres, more or less
Working Interest and
Percentage: Magnolia Petroleum Company - 84.5%
O.R.R.I. and Percentage: Earl J. McDonald and Maymezell McDonald,
his wife - 3%

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under the Act approved February 25, 1920, 41 Stat. 437, 30 U.S.C. secs. 181 et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey, pursuant to Departmental Order No. 2365 of October 8, 1947, 43 CFR sec. 4.613, 12 FR 6784, I do hereby:

- A. Approve the attached communitization agreement covering Lots 1, 2, 3 and 4 of Section 18 and Lots 1, 2, 3 and 4 of Section 19, Township 26-North, Range 2-West, N.M.P.M., Rio Arriba County, New Mexico.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.



Acting Director, United States Geological Survey

Dated _____

Contract No. 14-08-001-4645

Tract No. 3

Lessor: United States
Lessee of Record: Humble Oil & Refining Company
Serial No. of Lease: NM 014773
Date of Lease: July 1, 1954
Description of Lands Committed: Lot 4 of Section 19, Township 26-North, Range 2-West, N.M.P.M.
Number of Acres: 44.86 acres, more or less
Working Interest and Percentage: Humble Oil & Refining Company - 82.5%
O.R.R.I. and Percentage: John Guy Fidel and Jo Ann S. Fidel, his wife - 3%
R. E. McKenzie, Jr. and Agatha P. McKenzie, his wife - 2%

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

November 13, 1957

C

O

P

Y

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

Dear Sir:

On behalf of your client, Magnolia Petroleum Company, we enclose two copies of Order R-1088 issued November 13, 1957, by the Oil Conservation Commission in Case 1331, which was heard on October 24th at Santa Fe.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encl.

HONOLULU OIL CORPORATION

P. O. DRAWER 1391
MIDLAND, TEXAS

September 25, 1957

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SEP 26 1957

HERVEY DOW & HINKLE
ROSWELL, NEW MEXICO

Hervey, Dow & Hinkle
First National Bank Building
P. O. Box 547
Roswell, New Mexico

Attention: Mr. S. B. Christy, IV

Re: Magnolia - Humble Communitization
Agreement Involving Sections 18 &
19, Township 26 North, Range 2 West,
N. M. P. M., Rio Arriba County,
New Mexico. Your File No. 188

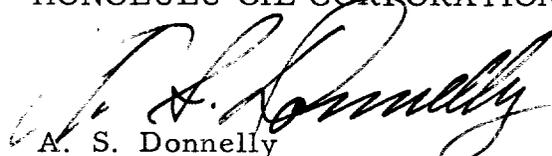
Gentlemen:

Honolulu Oil Corporation has received notice of Application of Magnolia Petroleum Company for approval of unorthodox well locations and spacing units for Pictured Cliffs and Mesaverde formations involving the Rio Arriba County, New Mexico leases referred to above.

Honolulu, as Operator of an offset lease to these tracts, has no objection to the application as submitted to it by your letter of September 16, 1957.

Very truly yours,

HONOLULU OIL CORPORATION


A. S. Donnelly
Vice President

ASD:led

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
 EXHIBIT NO. 1
CASE 1331