

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

*K-31-32-11*  
*Vasaly #2*

September 4, 1968



Mr. Joe E. Starks  
Attorney  
Aztec Oil & Gas Company  
2000 First National Bank Building  
Dallas, Texas 75202

Re: Application for administrative approval  
for a non-standard unit comprising Lots  
1, 2, 3, and 4 and the E/2 W/2 of Sec-  
tion 31, Township 32 North, Range 11 West,  
San Juan County, New Mexico

Dear Sir:

The above-described application has been forwarded to  
the Supervisor of our Aztec District Office for approval  
under the provisions of Rule 5(B) of Order No. R-1670, as  
amended.

Very truly yours,

GEORGE M. HATCH  
Attorney

GMH/esr

cc: Mr. Emery C. Arnold  
Supervisor, District 3  
Oil Conservation Commission  
1000 Rio Brazos Road  
Aztec, New Mexico

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# AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING  
DALLAS, TEXAS 75202

LAND DEPARTMENT  
KENNETH A. SWANSON, MANAGER

August 30, 1968



CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Mr. A. L. Porter, Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Re: Application of Aztec Oil & Gas  
Company for an exception to Rule  
1(a) of Order R-1287 for Administrative  
Approval of a Non-Standard Unit in the  
Basin Dakota Gas Pool, San Juan  
County, New Mexico

Dear Sir:

Pursuant to Rule 1(b) of Order R-1287, Aztec Oil & Gas Company hereby submits its Application in triplicate for an exception to Rule 1(a) of such Order and Administrative Approval of a Non-Standard Unit consisting of Lots 1, 2, 3, 4 and the  $E\frac{1}{2}W\frac{1}{2}$  of Section 31, T-32-N, R-11-W, N.M.P.M., San Juan County, New Mexico.

In support of this application, Applicant respectfully submits the following:

1. A location has been staked eighteen hundred and fifty feet (1850') from the South line and sixteen hundred feet (1600') from the West line of Section 31 for the proposed well to be known as the Vasaly-Federal Well No. 2.

2. Applicant and its co-owners as indicated in Communitization Agreement attached hereto as Exhibit "B" are the owners of all the acreage within the proposed non-standard unit shown on Exhibit "A" attached hereto and made a part hereof. Operators of all offsetting acreage are the applicants herein except for minor interests in a portion of the  $E\frac{1}{2}$  of Sec. 31 owned by Tenneco Oil Company and Continental Oil Company, and each of them has been furnished a copy of this application with a request that their consent in the form of a waiver of notice and hearing be forwarded to the Commission.

SEP 3 1968

August 30, 1968

3. The non-standard unit consists of contiguous quarter-quarter sections or lots.

4. The non-standard unit lies wholly within a single governmental section.

5. The entire non-standard unit may reasonably be presumed to be productive of gas.

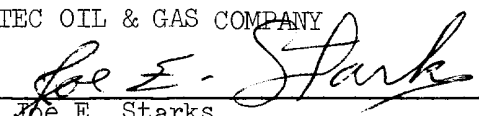
6. The length or width of the non-standard unit does not exceed five thousand two hundred and eighty feet (5280').

WHEREFORE, Applicant respectfully requests that this Application be promptly considered and that approval be administratively granted pursuant to Rule 1(b) of Order R-1287 for the non-standard unit above described.

Yours truly,

AZTEC OIL & GAS COMPANY

By

  
Joe E. Starks  
Attorney

JES/sb



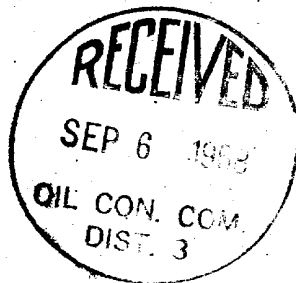
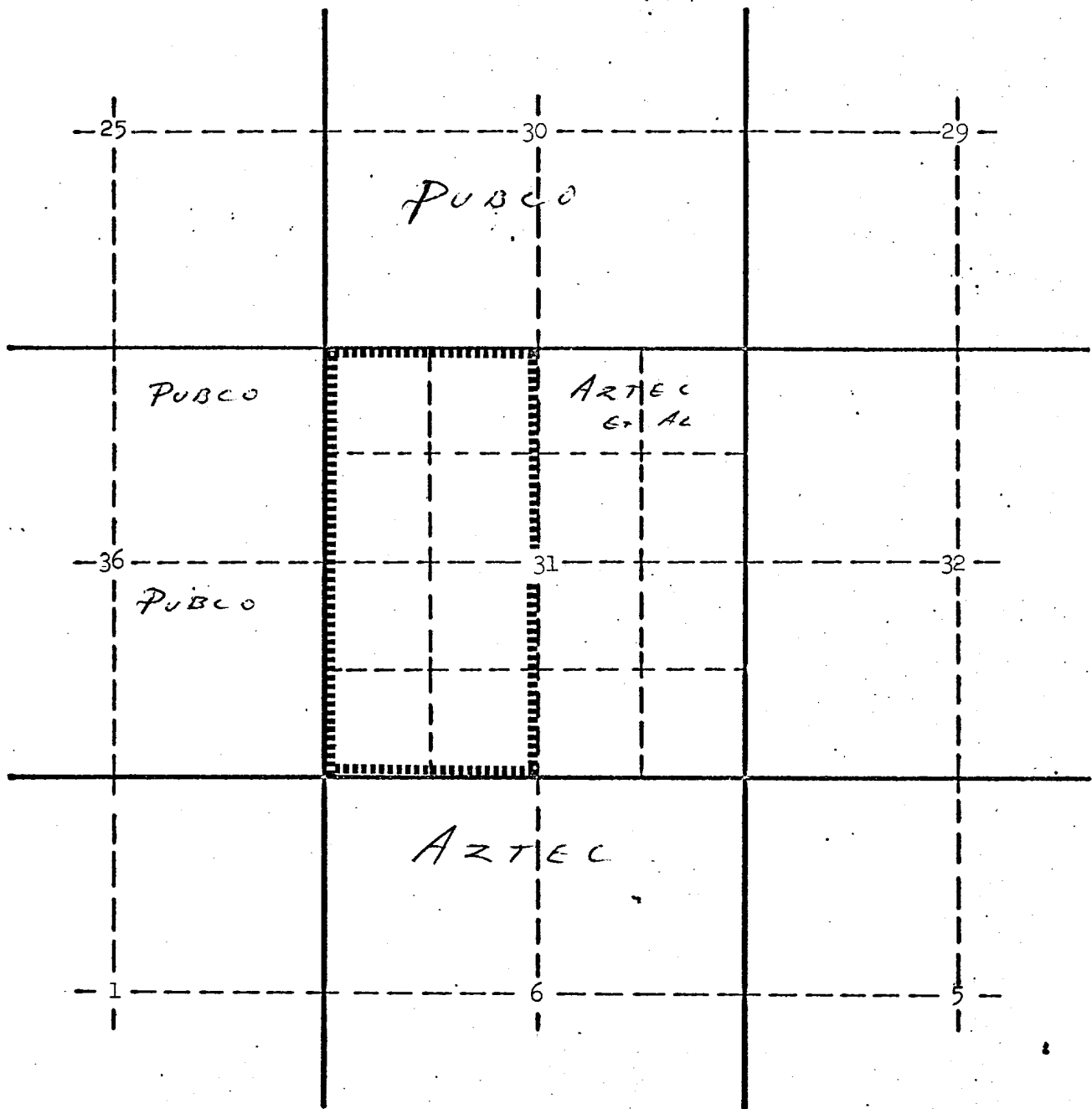


EXHIBIT "A"

County San Juan

State New Mexico

Scale 0 2000

COMMUNITIZATION AGREEMENT

Contract No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 16th day of August, 1968, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H :

WHEREAS, the act of February 25, 1920, Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease or any portions 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, the parties hereto own working, royalty, or other leasehold interest, or operating rights under the oil and gas leases and lands subject to this agreement which 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

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interest in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

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

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are located in the County of San Juan, State of New Mexico, and are described as follows:

Township 32 North, Range 11 West, NMPM  
Section 31: W/2

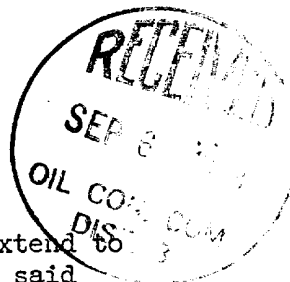
containing 306.40 acres, more or less, and this agreement shall extend to and include only the Dakota formation underlying said lands and the dry gas and associated liquid hydrocarbons hereinafter referred to as "communitized substances," producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit A designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interest in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Regional Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, a log and history of any well drilled on the communitized area, monthly reports of operations, statements of communitized substances, sales and royalties, and 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.

5. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.



6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. For any Federal lease bearing a sliding or step scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any non-communitized lease production; provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease and any non-communitized lease production. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provision of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the formation covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees shall not be released from their obligation to protect the communitized area from drainage of communitized substances by a well or wells drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

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 Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive 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 or can be produced from the communitized area 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. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.

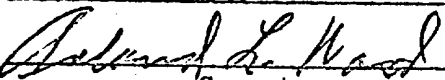
12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas operating regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

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

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 force and effect as if all parties had signed the same document.


IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:  
  
Secretary

ATTEST:  
  
Secretary

AZTEC OIL & GAS COMPANY  
By:   
Vice President

PUBCO PETROLEUM CORPORATION  
By:   
Vice President

V. F. NEUHAUS  
  
  
CECIL L. LANIER

LEE W. KILGORE

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

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IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

*Adrian L. Reed*  
Secretary

ATTEST:

*L. B. Hoover, Jr.*  
Secretary  
L. B. HOOVER, JR.

AZTEC OIL & GAS COMPANY

By: *Edward M. Anderson*  
Vice President

PUBCO PETROLEUM CORPORATION

By: *Frank D. Gorham, Jr.*  
Vice President

LAND	<i>an</i>
PROD.	<i>oil</i>
ACCT.	<i>8</i>
GEO.	<i>land</i>

V. F. NEUHAUS

CECIL L. LANIER

LEE W. KILGORE



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

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

*Edward L. Wood*  
Secretary

AZTEC OIL & GAS COMPANY  
By: Edward M. Andersen  
Vice President

Secretary

By: \_\_\_\_\_ Vice President

V. F. NEUHAUS

CECIL L. LANIER

*Lee W. Kilgore*  
LEE W. KILGORE

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

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IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

Edward L. Wood  
Secretary

AZTEC OIL & GAS COMPANY

By: Edward M. Anderson  
Vice President

ATTEST:

\_\_\_\_\_  
Secretary

PUBCO PETROLEUM CORPORATION

By: \_\_\_\_\_  
Vice President

Carl F. M. M. M. M.  
Carl F. M. M. M.

V. F. Neuhaus  
V. F. NEUHAUS

CECIL L. LANIER

LEE W. KILGORE

STATE OF TEXAS

COUNTY OF DALLAS

The foregoing instrument was acknowledged before me this 16th day of August, 1968, by Edward M. Anderson, Vice President of AZTEC OIL & GAS COMPANY, a Delaware corporation, on behalf of said corporation.

Peggy Tapp  
Notary Public in and for  
Dallas County, Texas

My Commission Expires:  
June 1, 1969

PEGGY TAPP  
NOTARY PUBLIC, DALLAS COUNTY, TEXAS  
MY COMMISSION EXPIRES JUNE 1, 1969

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1968, by \_\_\_\_\_, Vice President of PUBCO PETROLEUM CORPORATION, a corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for  
County,

My Commission Expires:  
\_\_\_\_\_

STATE OF

COUNTY OF

On this \_\_\_\_ day of \_\_\_\_\_, 1968, personally appeared V. F. NEUHAUS, before me \_\_\_\_\_, whose name is subscribed to the foregoing instrument, who duly acknowledged to me that he executed the same.

\_\_\_\_\_  
Notary Public in and for  
County,

My Commission Expires:  
\_\_\_\_\_

STATE OF Texas

COUNTY OF Hidalgo

On this 20 day of August, 1968, personally appeared CECIL L. LANIER, before me \_\_\_\_\_, whose name is subscribed to the foregoing instrument, who duly acknowledged to me that he executed the same.

John R. Kinard, Jr.  
Notary Public in and for  
County,

My Commission Expires:  
June 1 1969

JOHN R. KINARD, JR.  
Notary Public in and for  
Hidalgo County, Texas

Exhibit A to Communitization Agreement  
dated August 16, 1968,  
embracing: T-32-N, R-11-W  
Sec. 31: W/2  
Containing 306.40 acres

Operator of Communitized Area: Aztec

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

File No.:

Lease Committed By: Aztec Oil & Gas Company, V. F. Neuhaus, Cecil L. Lanier and  
Lee W. Kilgore

Lessor(s): Mary F. Vasaly

Original Lessee: William Hamm, Jr.

Lessee(s) of Record: Aztec Oil & Gas Company, V. F. Neuhaus, Cecil L. Lanier, Lee W.  
Kilgore

Operating Agreements: Joint Operating Agreement dated July 2, 1968, by and between  
AZTEC OIL & GAS COMPANY, Operator, and V. F. NEUHAUS, CECIL L.  
LANIER, LEE W. KILGORE, and PUBCO PETROLEUM CORPORATION, Non-  
Operators.

Serial No. of Lease:

Date of Lease: July 28, 1951

Recorded: 170/272 Records of San Juan County, New Mexico

Description of Lands Committed: T-32-N, R-11-W, NMPM  
Sec. 31: Lots 2, 3, 4, NE/4 SW/4

Number of Acres: 149.65 acres

Working Interest and Percentage:	Aztec Oil & Gas Company	39.375%
	V. F. Neuhaus	27.5625%
	Cecil L. Lanier	16.1875%
	Lee W. Kilgore	4.375%

R. I. and Percentage:	Mary F. Vasaly	12.5%
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O.R.R.I. and Percentage: None

Provision of Fee Lease Authorizing Pooling: Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereto with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas or any other minerals. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten per cent (10%) thereof, provided that if any Federal or State law, Executive order, rule or regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed or as may be used in such allocation or allowable. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of wells. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into a unit shall be treated for all purposes, except the  
~~is-acreage-committed-to-a-gas-purchase-contract~~

~~If so, give name of company:~~

payment of royalties on production from the pooled unit, as if it were included in this lease. In lieu of the royalties herein provided, 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.

Tract No. 2

Lease Committed By: Aztec Oil & Gas Company, V. F. Neuhaus, Cecil L. Lanier and Lee W. Kilgore

Lessor(s): Fred L. Lawson and wife, Grace P. Lawson

Original Lessee: William Hamm, Jr.

Lessee(s) of Record: Aztec Oil & Gas Company, V. F. Neuhaus, Cecil L. Lanier and Lee W. Kilgore

Operating Agreements: Joint Operation Agreement dated July 2, 1968, by and between AZTEC OIL & GAS COMPANY, Operator, and V. F. NEUHAUS, CECIL L. LANIER, LEE W. KILGORE and PUBCO PETROLEUM CORPORATION, Non-Operators.

Date of Lease: January 23, 1951

Recorded: 167/226 Records of San Juan County, New Mexico

Description of Lands Committed: T-32-N, R-11-W, NMPM  
Section 31: SE/4 NW/4

Number of Acres: 40 acres

Working Interest and Percentage: Aztec Oil & Gas Company 39.375%  
V. F. Neuhaus 27.5625%  
Cecil L. Lanier 11.8125% + 4.375% = 16.1875%  
Lee W. Kilgore 4.375%

R. I. and Percentage: Fred L. Lawson and wife, Grace P. Lawson 12.5%

O.R.R.I. and Percentage: None

Provision of Fee Lease Authorizing Pooling:

Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereto with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas or any other minerals. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten per cent (10%) thereof, provided that if any Federal or State law, Executive order, rule or regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed or as may be used in such allocation or allowable. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of wells. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into a 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. In lieu of the royalties herein provided, 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.

Tract No. 3

File No: NM-10

Lease Committed By: Aztec Oil & Gas Company

Tract No. 3 (Continued)

Lessor(s): United States of America

Original Lessee: Roy L. Flood

Lessee(s) of Record: Aztec Oil & Gas Company

Operating Agreements: Joint Operating Agreement dated July 2, 1968, by and between AZTEC OIL & GAS COMPANY, Operator, and V. F. NEUHAUS, CECIL L. LANIER, LEE W. KILGORE and PUBCO PETROLEUM CORPORATION, Non-Operators

Serial No. of Lease: SF-079960

Date of Lease: February 1, 1948

Description of Lands Committed: T-32-N, R-11-W  
Sec. 31: SE/4 SW/4

Number of Acres: 40 acres

Working Interest and Percentage: Aztec Oil & Gas Company 83%

R. I. and Percentage: United States of America 12 $\frac{1}{2}$ %

O.R.R.I. and Percentage: Ernest A. Hanson 1.575%  
Featherstone Farms, Ltd. 1.575%  
Roy L. Flood .35%  
R. B. Lea 1.0%

Tract No. 4

Lease Committed By: Pubco Petroleum Corporation

Lessor(s): United States of America

Original Lessee: Ruby Griffin Johns, nee Holt

Lessee(s) of Record: Pubco Petroleum Corporation

Operating Agreements: Joint Operating Agreement dated July 2, 1968, between AZTEC OIL & GAS COMPANY, Operator, and V. F. NEUHAUS, CECIL L. LANIER, LEE W. KILGORE and PUBCO PETROLEUM CORPORATION, Non-Operators.

Serial No. Of Lease: SF-078118

Date of Lease: September 1, 1948

Description of Lands Committed: T-32-N, R-11-W, NMPM  
Section 31: Lot 1 and NE/4 NW/4

Number of Acres: 76.75 acres

Working Interest and Percentage: Pubco 82 $\frac{1}{2}$ %

R.I. and Percentage: United States of America 12 $\frac{1}{2}$ %

O.R.R.I. and Percentage: Ruby Griffin Johns 2 $\frac{1}{2}$ %  
Sunshine Royalty Co. 2 $\frac{1}{2}$ %