

Case No.

321

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Application, Transcript,  
Small Exhibits, Etc.

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

-----  
Transcript of Hearing

Case No. 321

October 23, 1951

E. E. GREESON  
ADA DEARNLEY  
COURT REPORTERS  
BOX 1302  
PHONES 5-9422 AND 5-9546  
ALBUQUERQUE, NEW MEXICO

BEFORE THE

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

))))))

Case No. 321

1990 1991 1992 1993

October 23, 1951

MR. SPURRIER: We will proceed with Case No. 321.

(Mr. Kellahin reads the Notice of Publication.)

MR. McLANE: My name is Alfred E. McLane, of the Delhi Oil Corporation, Dallas, Texas. I have two witnesses I would like to have sworn.

A. L. COLVIN,

having been first duly sworn, testified as follows;

DIRECT EXAMINATION

By MR. McLANE:

Q Would you state your name to the Commission please?

A A. L. Colvin.

Q What is your occupation, Mr. Colvin?

A Head of the Land Department, Delhi Oil Corporation.

Q Mr. Colvin, I hand you an instrument marked Exhibit A. Would you tell us what it is, please?

A It is a plat showing the ownership of the east half of Section 30, as well as the south half of the northwest quarter and the north half of the southwest quarter of Section 30, Township 32 north, Range 11 West.

Q Can you tell us what the ownership of the east half of that section 30, Township 32 north, Range 11 West is?

A Dena Riddle, is the record owner of the north half of the northeast quarter of the Federal land. Paul B. Horton is the record owner of the south half of the southeast quarter of Federal land, and the Delhi Oil Corporation is the lease

owner of the south half of the northeast quarter and the north half of the southeast quarter.

Q Now, the tract just mentioned in which Delhi owns the leasehold interests are patented lands?

A That's right.

Q Is that the entire leasehold interest in that particular lease or does the lease cover other lands?

A The lease covers other lands.

Q And the lands covered by that one lease in the particular section in question are what?

A The lands, the other lands covered by this lease, is the south half of the northwest quarter and the north half of the southwest quarter.

Q Is it Delhi's present desire to drill a well on the east half of that section?

A It is Delhi's desire to drill a well on the east half of the section. The location of the well to conform with the spacing pattern established by the New Mexico Oil Conservation Commission.

Q Now, what efforts, if any, has Delhi made to communitize the east half of that section to conform to the well spacing pattern for Mesa Verde wells prescribed by the Commission?

A We have a commitment from the record owners of the Federal lands in the east half of Section 30 in which they have agreed to communitize their lease with our patented land

lease, to form a 320-acre unit. Our lease from the land owners did not provide for a pooling provision. We have sent a man into the field, he has spent practically one month in the field, attempting to secure an amendment to the lease to provide for such 320-acre pooling, and we were unsuccessful. Then we have also prepared a communitization agreement specifically designating the east half of Section 30 for the 320-acre unit which has been executed by the working interest owners or will be executed by the one remaining working interest owner that we have been unable to contact and has been ratified by the larger portion of the overriding royalty interest. But we have as yet been unable to secure ratification of these royalty interest owners under this patented land.

Q I hand you an instrument marked Exhibit B, Mr. Colvin, and ask you if you can identify that instrument.

A It is a communitization agreement prepared designating the east half of Section 30 as a unit to be operated by Delhi in the drilling of this well for a Mesa Verde test.

Q Now is this the instrument to which you just referred as having been filed or agreed to be filed by all the working interest owners in the east half of Section 30?

A It is.

Q I now hand you an instrument marked Exhibit C and ask you to identify that instrument.

A This is the ratification of the communitization agreement which we presented to the over-riding royalty interest owners of record as well as the royalty interest owners of record and which have been executed by the San Juan Oil Company.

Q The San Juan Oil Company has an over-riding royalty interest in the Delhi lease?

A That's right, they do.

Q Then Delhi's present position -- correct me if I mistate this -- is that you have obtained the consent of all working interest owners to the communitization of the east half of the section, but the royalty owners and the over-riding royalty owners, or at least part of them, in the south half of the northeast quarter and the north half of the southeast quarter have refused to sign.

A That's right.

Q Now, if you should drill this well without their consent on the Delhi Hubbard lease, what would be the effect as to royalty and over-riding royalty holders?

A If we drilled on the Hubbard tract of land -- I presume you mean as to the east half.

Q Yes.

A It would then -- without a communitization order, it would require the payment of excess royalty and excess over-riding

royalty.

Q In other words, you would have to pay full one-eighth royalty out of the entire production of the well to the lessors, the Hubbards?

A That's right.

Q On the other hand, if this well should be drilled in the east half, and not on the Hubbard lease, what would be the effect as to the Hubbard lease?

A Without an order we would still have to pay -- with an order on the east half we would have to pay royalty to the Hubbards as well as to the other royalty under the east half.

Q When does the Hubbard lease primary term expire?

A November 16, 1951, and without an order we would be faced with the loss of our lease.

Q If you didn't drill on the lease because the lease would expire.

A Yes, sir.

Q Now, do you plan to continue your efforts to get the ratification of the Hubbards and these over-riding royalty holders also?

A We plan to. We prefer to have this done on an equitable basis, but our past experience has proven we are more or less butting our heads up against a stonewall. But we are going to continue in an effort to get it done. I have had a man in the field for the last two weeks.



Q This Hubbard lease covers 320 acres altogether in this one section?

A That's right.

Q But it doesn't conform to the present well-spacing pattern?

A That's right.

Q If the Commission should see fit to compel pooling or communitization of the east half of this section, would Delhi be agreeable to an order allowing it to consider the 320 acres in the Hubbard lease consisting of the south half of the north half and the north half of the south half of the section as a drilling unit?

A We would.

Q But that wouldn't conform to the regular well-spacing pattern?

A That's right.

MR. McLANE: I believe that is all. I would like to offer in evidence Exhibits A, B and C.

MR. SPURRIER: They will be accepted.

Does anyone have any question of this witness? If not, the witness will be excused.

(Witness excused.)

C. C. PETERS,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. McLANE:

Q What is your occupation, Mr. Peters?

A Well, I am working in the Land Department of the Delhi Oil Company.

Q This instrument, Exhibit C, which we have just introduced which is entitled, "Ratification of Communitization Agreement", has places for signatures of a number of persons who are stated to be over-riding royalty interest owners and royalty interest owners in Section 30, which Mr. Colvin was just testifying about. Can you tell the Commission whether or not you have contacted any of these people and attempted to obtain their signatures on that instrument?

A I have contacted Mr. Hubbard and his wife, and Mr. Brown and his wife.

Q That is Mr. J. C. Brown?

A J. C. Brown and Mr. Hubbard -- what is his initials, I have forgotten.

Q H. A.

A H. A. Hubbard, yes. And Mr. Turner.

Q He is the owner of Turner Securities?

A He is the owner of Turner Securities and Mr. Cummings.

Q That is Mr. M. L. Cummings?

A M. L. Cummings. I have contacted them and talked to them numerous times and they refuse to sign.

Q They refused to sign this instrument marked Exhibit C?

A Yes, sir.

MR. McLANE: I believe that is all.

BY MR. WHITE:

Q Mr. McLane, have all these parties in interest been served notice of this hearing today?

MR. McLANE: Yes, we have written by registered mail to the over-riding royalty holders which Mr. Peters has not contacted. Mr. Wayne Moore, we have written him to the last address which we had which was Midland, Texas. Which was his address at record when he assigned this Hubbard lease to Mr. -- I beg your pardon -- he assigned it to the Mudge Oil Company and reserved his over-riding royalty and we have not heard from Mr. Moore. The other over-riding royalty holders and Mr. Hubbard have all been contacted personally by Mr. Peters. Is that right, Mr. Peters?

A That's correct.

Q (By Mr. McLane) Did you tell them of this hearing personally?

A Mr. Hubbard had a letter with reference to it from the company.

Q But did all of them indicate they knew of this hearing?

A Oh, yes, they know of it.

MR. KELLAHIN: I would like to state for the record that the only parties named in the suit are Mr. H. A. Hubbard and Myrtle Hubbard, his wife, and none of the other parties have been named or served by the Commission. Their names didn't appear in the application.

MR. McLANE: Mr. Peters, did you discuss this hearing with the over-riding royalty holders?

A Oh, yes. All I have talked to.

Q Did they indicate whether or not they wanted to attend this hearing?

A Said they didn't want to, didn't want to and wouldn't. That is the way they put it.

Q Did they indicate what their attitude would be is the Commission should issue an order compelling the pooling of this half section?

A They said they would comply with it. Just do what you want to.

MR. COLVIN: If it please the Commission, I would like to offer additional testimony in line with what Mr. Colvin has mentioned. We had -- after discussing this matter and finding out the procedure to follow -- we had our firm of attorneys write a letter with reference to this proposed hearing and the things we could do, a copy of which letter was mailed to Mr. Peters for him to show to these royalty interest owners in an effort to show them we did have recourse

with the Commission and try to get voluntary execution of the instrument. I would like to offer that in line with Mr. Colvin's remarks.

MR. SPURRIER: Do you have anything further?

MR. McLANE: I would like to ask Mr. Peters if he showed each one of the royalty owners and over-riding royalty holders mentioned the letter Mr. Colvin just testified about?

A I did.

Q Stating the time and place of this meeting?

A Yes, sir. And I also offered to bring them here if they would come.

Q You offered to bring them to the hearing if they would come?

A Yes, sir.

Q What did they say?

A Just refused to come, that's all.

MR. SPURRIER: Are there any further questions of this witness. If not, the witness may be excused.

MR. McLANE: That's all we have.

MR. SPURRIER: If there is nothing further in this case we will take it under advisement and proceed to Case No. 317.

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STATE OF NEW MEXICO     )  
                              :   SS.  
COUNTY OF BERNALILLO   )

I HEREBY CERTIFY, that the foregoing and attached transcript of hearing in Case No. 321, before the Oil Conservation Commission, taken on October 23, 1951, at Santa Fe, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 19 day of November, 1951.

E. E. Greer  
REPORTER

Case 321

H. C. PALMER  
ATTORNEY AT LAW  
AZTEC, NEW MEXICO

October 19, 1951

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

Mr. and Mrs. H.A. Hubbard and Mr. J.C. Brown of Durango, Colorado have been in to see me in connection with your letter of October 9 calling their attention to legal notice in case No. 321. For the purpose of the record, you are hereby informed that said parties have no objection to the Commission entering a pooling order as indicated in said notice and they would have had no objection to signing a pooling agreement with the Delhi Oil Corporation, had the same been properly drawn.

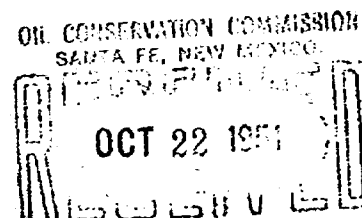
Very truly yours,



H. C. Palmer

HCP:ks

cc: Mr. H.A. Hubbard  
1507 West Third  
Durango, Colorado



DELHI OIL CORPORATION

1312 PACIFIC AVENUE

DALLAS 1, TEXAS

October 1, 1951

*Coal 321*

Mr. George A. Graham, Attorney  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Dear Mr. Graham:

This will acknowledge receipt and thank you for your letter of September 24 with reference to telephone conversation between you and Mr. Edward Francis in connection with lease on land in Section 30, Township 32 North, Range 11 West.

We own a fee lease, dated November 16, 1946, covering 560 acres of land in Sections 19, 25 and 30, Township 32 North, Ranges 11 and 12 West, which covers the  $S\frac{1}{2}$  of  $N\frac{1}{2}$  and  $N\frac{1}{2}$  of  $S\frac{1}{2}$  of said Section 30, Township 32 North, Range 11 West.

We also own a Federal lease covering, among other lands, the  $S\frac{1}{2}$  of  $SE\frac{1}{4}$  of Section 30 and in order to conform with spacing regulations for a Mesa Verde test, we have secured the necessary acquiesce from the lease owner of the  $N\frac{1}{2}$  of  $NE\frac{1}{4}$ .

The mineral owner under the fee land covered by our lease refuses to execute a pooling agreement which would enable us to conform to your spacing regulations. We have spent considerable time and money in attempting to secure such execution and as a result the telephone call was placed to you to obtain information as to the course of action, if any, open to us in order to drill the well in the  $E\frac{1}{2}$  of Section 30.

To drill the well on the land without pooling same would, as you state, result in a reduced allowable, in the event of production, which would make the venture unsatisfactory from an economical standpoint, and to pool the working interests without the joinder of the royalty interests would also create an additional burden to make the venture justifiable from such economical standpoint.

It is my understanding that it is within the power of the Commission, upon presentation of proper evidence, to issue order of compulsion pooling which would be effective on both the working interests and the royalty interests, although such may not be the case.

NEW MEXICO OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

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Yours very truly,

DELHI OIL CORPORATION

By *Aaron L. Colvin*  
Aaron L. Colvin,  
Land Department

P.S. I expect to be in Santa Fe on the 4th or 5th of this month and would appreciate the opportunity of discussing this matter with you in more detail.



OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

September 24, 1951

C  
O  
P  
Y  
  
Mr. A. L. Calvin  
1315 Pacific Avenue  
Dallas, Texas

Dear Sir:

At the request of Mr. Francis, who telephoned and outlined the general situation relating to the E/2 section 30, T. 32 N, R. 11 W, and as understood by the undersigned, you hold the N/2 NE/4 and the S/2 SE/4 of said section under Federal oil and gas lease. I am not entirely clear as to whether or not you hold a fee lease on the S/2 NE/4 and the N/2 SE/4, but assume that you do.

The spacing and proration unit in the Blanco pool within which this land now lies is 320 acres. Under the rules governing the Blanco pool, pooling of properties is permissible and may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan, deprive an owner of the opportunity to recover his fair share of the oil or gas. In any case, however, the owner of the smaller tract may not be deprived of his right to drill but could, under the rules, only produce his pro rata share.

We see no objection to your unitizing the working interest. However, with respect to the royalty interest, this office is of the belief that the royalty holder should react to what they consider their best interest.

Because of the possible misunderstanding of the whole situation, I would suggest that you write this office fully as to the situation in which case we shall assist you in any way we may be able to.

cc: Kellahin  
Utz

Very truly yours,

GAG:bpb

GEORGE A. GRAHAM  
Attorney

Francis

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1315

Dallas

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At

A. L. Calvin.

1315 Pacific Ave.

Dallas.

Sec. 70 Township No. 32N of Range No. 11W

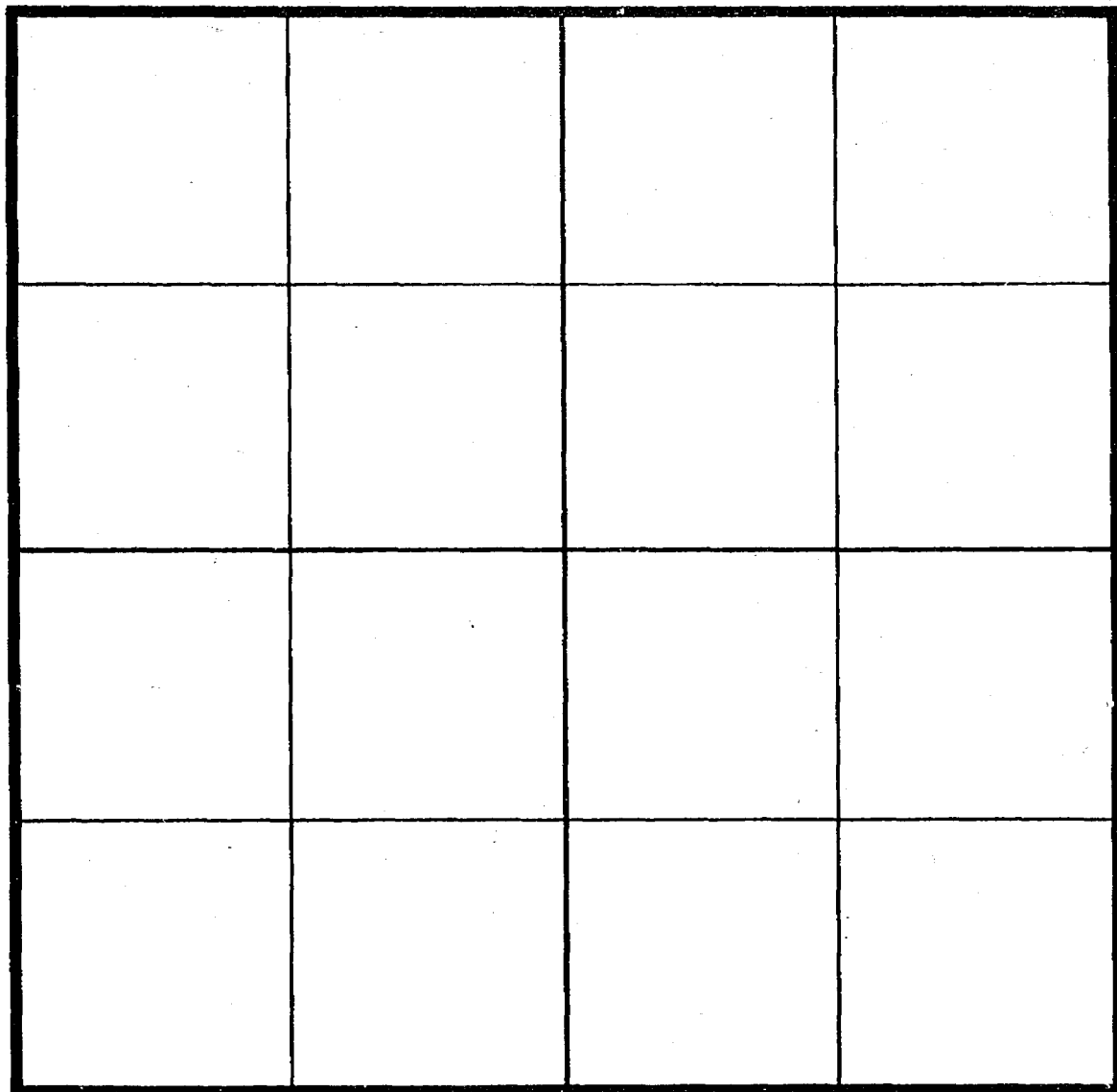
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✓	✓	✓	✓

Calvin

Calvin

Sec. 30 Township No. 32 N of Range No. 11 W.



OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

October 9, 1951

C  
O  
P  
Y  
Mr. and Mrs. H. A. Hubbard  
DURANGO, COLORADO

Dear Mr. and Mrs. Hubbard:

The Oil Conservation Commission, State of New Mexico, calls your attention to the attached legal notice of publication and specifically to Case 321 as advertised therein. This notice is designated for publication as required by law in the Santa Fe New Mexican and the Farmington (N.M.) Daily Times.

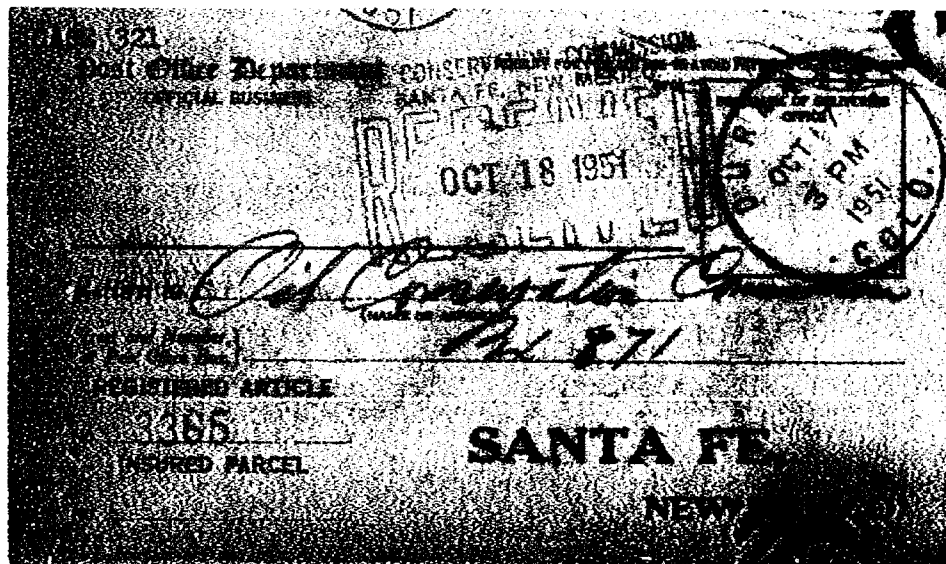
Very truly yours,

Jason Kellahin, Attorney

JKinf

Encl.

Case 321  
(Sent registered, return card)



Form 3811  
7-1-30

CASE 321

# RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original of which appears on the face of this Card.

*Miss H A Hubbard*  
(Signature or name of addressee)

(Signature of addressee's agent - Agent should enter addressee's name on face of this Card)

Delivery 10-17-35

U. S. POSTAGE PAID BY ADDRESSEE

TURNER, ATWOOD, WHITE, McLANE AND FRANCIS

ATTORNEYS AND COUNSELORS AT LAW

J. GLENN TURNER  
FELIX ATWOOD  
W.D. WHITE  
ALFRED E. McLANE  
EDWARD L. FRANCIS  
JAMES B. FRANCIS  
TREVOR REES-JONES  
HARRY S. WELCH  
THOS. R. HARTNETT III  
H.L. HITCHINS, JR.

SUITE 1711 MERCANTILE BANK BUILDING

DALLAS 1, TEXAS

October 6, 1951

Coal 321

George A. Graham, Esq.  
New Mexico Oil Conservation Commission  
State Capitol Building  
Santa Fe, New Mexico

Dear Mr. Graham:

In accordance with our conversation with you in your office yesterday, we have prepared an application for Delhi Oil Corporation for either compulsory pooling of the E/2 of Section 30, Township 32 North, Range 11 West, or some other relief so that Delhi can drill a well on its acreage in that section without special consent of its lessors and still get full allowable from the well. Two copies of the application are enclosed.

After leaving your office we discussed several plans which the Commission might adopt. The first, of course, is compulsory pooling. The second would be special permission for Delhi to consider its 320 acres as a drilling unit and allow the remaining 320 acres to be attributable to a second well when and if drilled in the section. This might be acceptable to the Commission if we obtained the consent of the owners of the other 320 acres.

A third plan would be to pool the entire section. If Delhi's lessors refused to sign such agreement we could drill one well on their land and one not on their land, so that they would get approximately the same royalty regardless of whether they signed, assuming that two wells were drilled.

A fourth plan would be for the Commission to authorize Delhi to drill on its 160 acres in the E/2 of the section. The more I consider this alternative, the more I am inclined to believe that the Commission would prefer one of the other plans. Delhi would not be willing to drill a well unless it could obtain a full allowable, since the wells will probably be small gas wells.

You will recall that we discussed the matter of getting the notice of the hearing published in a newspaper in Santa Fe and Farmington. I will call you Monday afternoon to see what the

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.

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George A. Graham, Esq.  
October 6, 1951  
Page 2

situation is as to this matter. If you feel that the newspapers might not publish the notice in time by handling through regular channels, I will be glad to see what can be done to expedite it.


Thank you again for your time and helpful advice on this problem.

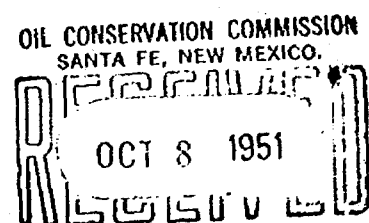
Yours very truly,

TURNER, ATWOOD, WHITE,  
McLANE and FRANCIS

AEM:bm  
Encls.

By

  
Alfred E. McLane



TURNER, ATWOOD, WHITE, McLANE AND FRANCIS

TURNER, ATWOOD, WHITE, MELANE AND FRANCIS

ATTORNEYS AND COUNSELORS AT LAW

SUITE 1711 MERCANTILE BANK BUILDING

DALLAS 1, TEXAS

October 6, 1951

J. GLENN TURNER  
FELIX ATWOOD  
W. D. WHITE  
ALFRED E. MELANE  
EDWARD L. FRANCIS  
JAMES B. FRANCIS  
TREVOR REES-JONES  
HARRY S. WELCH  
THOS. R. HARTNETT III  
H. L. HITCHINS, JR.

New Mexico Oil Conservation Commission  
Post Office Box 871  
Santa Fe, New Mexico

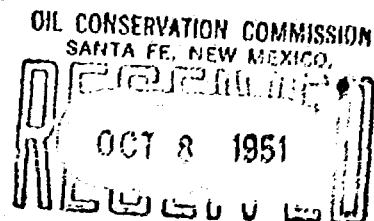
Re: Sec. 30, T 32 N, R 11 W, N.M.P.M.  
San Juan County, New Mexico

Gentlemen:

Delhi Oil Corporation is the present owner of the working interest in an oil and gas lease dated November 16, 1946, in which H. A. Hubbard and Myrtle Hubbard, his wife, of Durango, Colorado, are the Lessors, such lease covering, among other land, the S/2 of the N/2 and the N/2 of the S/2 of Section 30, Township 32 North, Range 11 West, N.M.P.M., containing 320 acres, more or less. This lease will lapse on November 16, 1951, at the end of its primary term, unless a well is commenced thereon prior to such date. The present well-spacing pattern for Mesaverde gas wells in this area is one well per 320-acre drilling unit, consisting of the N/2, S/2, E/2 or W/2 of a section. Although Delhi has 320 acres in this section, such 320 acres does not conform to the requirements of the Commission for a regular drilling unit.

Delhi has attempted to obtain the consent of the said Lessors, H. A. Hubbard et ux, to an agreement communitizing the E/2 of said section, in order to form a regular drilling unit for a Mesaverde well at or near the center of the SE/4 of the section, but such Lessors have refused to execute such an agreement. Delhi is willing to enter into a communitization agreement with reference to the said E/2 of the section upon some reasonable basis if the said Lessors will also execute the agreement, but Delhi is unwilling to enter into the agreement without their joinder, as this might necessitate payment of double royalty.

The N/2 of the S/2 and the S/2 of the N/2 of the said section is patented land and the entire working interest in the said lease insofar as it covers such land is owned by Delhi. It is our understanding that the remainder of the section is federal public domain.



New Mexico Oil Conservation Commission  
October 6, 1951  
Page 2

Delhi hereby requests that the Commission, either on its own motion or upon this application of Delhi, call a hearing before the Commission for the purpose of determining the number and location of wells to be drilled in the said Section 30 and the acreage to be included in the drilling unit for each.

Delhi specifically requests that the Commission issue its order providing for the following:

1. Compulsory communitization or pooling of the E/2 of the said Section 30 by all owners of working, royalty, mineral and any other interests therein, for the purpose of drilling a Mesaverde well thereon, or
2. Authorization for Delhi Oil Corporation to drill a Mesaverde well at or near the center of the SE/4 of said section with the drilling unit to consist of the N/2 of the S/2 and the S/2 of the N/2 of said section, or
3. Such other order as will provide Delhi with an opportunity to drill on its said lease and obtain a full allowable from such well without the joinder of the said Lessors, H. A. Hubbard et ux, or the owners of any other interest in such lease or the production therefrom.

In view of the fact that the primary term of the said lease will expire unless drilling operations are commenced before November 16, 1951, the setting of this hearing at as early a date as possible will be greatly appreciated, so that Delhi may have ample time after the hearing within which to commence drilling operations and thus avoid expiration of the lease.

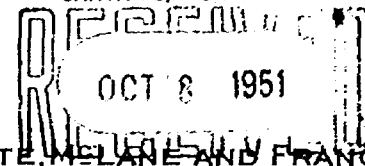
Respectfully submitted,

TURNER, ATWOOD, WHITE,  
McLANE and FRANCIS

By Alfred E. McLane  
Alfred E. McLane

Attorneys for Delhi Oil Corporation

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.



TURNER, ATWOOD, WHITE, McLANE and FRANCIS

Case 321

DELHI OIL CORPORATION  
1315 PACIFIC AVENUE  
DALLAS 1, TEXAS

November 1, 1951

Mr. R. R. Spurrier  
Oil and Gas Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Re: NM-339  
H. A. Hubbard Lease  
Section 30, T32N, R11W  
San Juan County, New Mexico

Dear Mr. Spurrier:

Under date of October 6, 1951, application was made by us for an order from the Commission for the formation of a forced unit covering the East 1/2 of Section 30 for the drilling of a Mesa Verde well thereon, or in lieu thereof, authority to drill a well at or near the center of the Southeast 1/4 of said section on a drilling unit of 320 acres consisting of the North 1/2 of the South 1/2 and the South 1/2 of the North 1/2 of said section, or such other relief as would enable us to drill a well on our lease and which would enable us to receive full allowable from such well.

Hearing was held under date of October 23, 1951, in which testimony was given in support of our application for the formation of the unit consisting of the East 1/2 of said section.

We are extremely anxious to receive an answer to our application as we must protect our lease before its expiration under date of November 16, 1951, and if the Commission is not <sup>amenable</sup> to issuing order pooling the East 1/2 of Section 30, we would appreciate their order authorizing us to drill on our 320 acre lease and consider same as a drilling unit consisting of the North 1/2 of the South 1/2 and the South 1/2 of the North 1/2 of said section.

This matter was discussed with Mr. Foster Morrell of the United States Geological Survey and he advised that if the New Mexico Oil Conservation Commission was acceptable to same, it would meet with the approval of the United States Geological Survey to form two units out of Section 30 as follows:

1. North 1/2 of the South 1/2 and the South 1/2 of the North 1/2.
2. North 1/2 of the North 1/2 and the South 1/2 of the South 1/2.

DELHI OIL CORPORATION


PAGE 2  
DATE 11-1-51  
NAME Mr. R. R. Sourrier

In the event such units were agreeable to the Commission, the well for the #two unit referred to above would, of course, be located on some portion of the North 1/2 of the Northwest 1/4.

We would appreciate very much the Commission's favorable action on our application for relief in one of the manners set out above. As it appears, we will not receive the hoped for cooperation of the royalty interest owners under the fee tract leased to us.

Very truly yours,

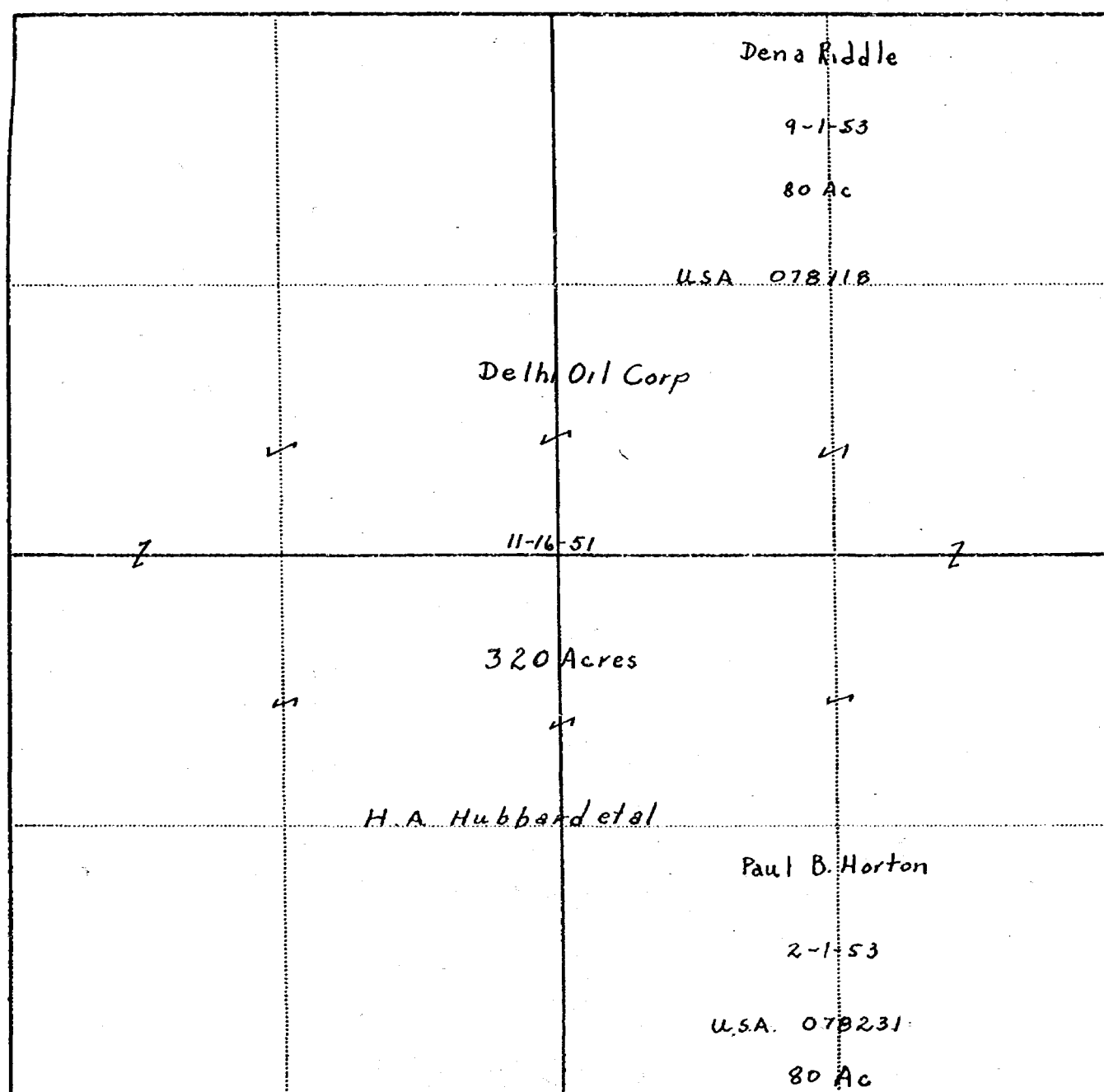
DELHI OIL CORPORATION

By   
Aaron L. Colvin  
Land Department

ALC:ml

Case 321

Sec. 30 Township No. 32 NORTH of Range No. 11 WEST



Proposed Location SE/4

Exhibit A

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 321  
ORDER NO. R-118

THE APPLICATION OF DELHI OIL  
CORPORATION FOR AN ORDER  
REQUIRING THE POOLING OF TRACTS  
OF LAND IN THE E/2 SECTION 30,  
TOWNSHIP 32N., RANGE 11 W., NMPM,  
FOR THE PURPOSE OF PRODUCING OIL  
AND GAS, AND OTHER PURPOSES.

ORDER OF DISMISSAL

BY THE COMMISSION:

This cause came on for hearing at Santa Fe, New Mexico,  
at 10 a. m. October 23, 1951, before the Oil Conservation Commission  
of New Mexico, hereinafter referred to as the "Commission." Upon  
completion of testimony the Commission ordered the case continued to  
December 20, 1951.

Proper motion was timely filed by Petitioner Delhi Oil  
Corporation for dismissal, and the same being well taken,

IT IS HEREBY ORDERED, that Case No. 321 be and the  
same hereby is dismissed.

DONE at Santa Fe, New Mexico, this 20<sup>th</sup> day of December,  
1951.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Edwin L. Mechem*  
EDWIN L. MECHEM, Chairman

*Guy Shepard*  
GUY SHEPARD, Member

*R. R. Spurrer*  
R. R. SPURRIER, SECRETARY

SEAL

9-1

COMMUNITIZATION AGREEMENT

This AGREEMENT made and entered into this \_\_\_\_ day of \_\_\_\_\_, 1951, by and between DELHI OIL CORPORATION, a Delaware corporation, whose address is 1315 Pacific Avenue, Dallas, Texas (hereinafter sometimes referred to as "Delhi"), PAUL B. HORTON and wife, SUSAN HORTON, the address of both of whom is Mercantile Securities Building, Dallas, Texas (both being hereinafter sometimes collectively referred to as "Horton"), and DENA RIDDLE joined by H. K. RIDDLE, her husband, the address of both of whom is \_\_\_\_\_, Albuquerque, New Mexico (both being hereinafter sometimes collectively referred to as "Riddle"), as owners of the following described oil and gas leases (for convenience and identification, all of said parties being hereinafter sometimes referred to collectively as "Lessees"), in order to form a cooperative drilling unit for the purpose of properly conserving the gas resources thereof,

W I T N E S S E T H :

WHEREAS, Delhi is the present owner and holder of all operating rights in, to and under that certain oil and gas lease dated November 16, 1946, from H. A. Hubbard et ux to Wayne Moore, recorded in Book 125, page 106 of the Records of San Juan County, New Mexico, to which reference is here made, in so far as said lease covers the following described land situated in San Juan County, New Mexico, to wit:

Township 32 North, Range 11 West, N.M.P.M.

Section 30: S/2 NE/4, N/2 SE/4

containing 160 acres, more or less;

and

WHEREAS, Horton is the present owner and holder of all operating rights in, to and under that certain United States oil and gas lease bearing serial number Santa Fe 078231, executed in favor of \_\_\_\_\_ as lessee, of date February 1, 1948, in so far as said lease covers the following described

EX. B



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

Township 32 North, Range 11 West, N.M.P.M.

Section 30: S/2 SE/4

containing 80 acres, more or less;

and

WHEREAS, Riddle is the present owner and holder of all operating rights in, to and under that certain United States oil and gas lease bearing serial number Santa Fe 078118, executed in favor of \_\_\_\_\_ as lessee, of date September 1, 1948, in so far as such lease covers the following described land situated in San Juan County, New Mexico, to wit:

Township 32 North, Range 11 West, N.M.P.M.

Section 30: N/2 NE/4

containing 80 acres, more or less;

and

WHEREAS, Lessees desire to communitize the above described oil and gas leases in so far as they pertain to the above described land, in order to form one tract or unit consisting of the E/2 of Section 30, Township 32 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, containing 320 acres, more or less; and

WHEREAS, Horton and Riddle have or will execute and file a Designation of Operator naming and designating Delhi as Operator of their said leases in so far as they pertain to the land above described; and

WHEREAS, in order to be consistent with existing rules and regulations governing well spacing and production allowables, Lessees desire to operate the entire communitized unit for the purpose and intention of developing and producing dry gas and/or condensate producible from formations down to and including the Mesaverde Formation in accordance with the terms and provisions of this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual advantages offered by this Agreement, it is mutually

covenanted and agreed by and between the parties hereto as follows:

1. The lands subject to this agreement shall be developed and operated for dry gas and/or condensate producible from formations down to and including the Mesaverde Formation, as an entirety, with the understanding and agreement that the dry gas and/or condensate so produced from the communitized area down to and including the Mesaverde Formation shall be allocated among the leasehold tracts comprising said area in the proportion that the acreage interest of each leasehold tract bears to the entire acreage interest committed hereto. Each party hereto reserves the right to take his or its allocated proportion of the communitized production in kind. The royalties payable for dry gas and/or condensate so allocated to the lands comprising the leasehold tracts and the rentals provided for therein shall be determined and paid on the basis prescribed in the respective leases.

There shall be no obligation on parties hereto to offset any dry gas well or wells on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall the parties hereto be required to separately measure said dry gas and/or condensate by reason of the diverse ownership of the dry gas in and under said tract, but Lessees shall not be released from their obligations to protect said communitized tract from drainage by dry gas well or wells which may be drilled offsetting said tract. Payment of rentals under the terms of the leases hereinabove referred to and described shall not be affected by this agreement except as may herein be provided.

2. Except as herein modified and changed, the said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued.

3. The commencement, completion, continued operation, or production of a well or wells for dry gas on the communitized tract down to and including the Mesaverde Formation shall be construed and considered as the commencement, completion, continued operation or production from each and all of the lands within and comprising said communitized tract.

4. 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 statute. The provisions of this Agreement shall be subject to all applicable federal and state laws or 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 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 law or rule or regulation.

5. Delhi shall be the Unit Operator of said communitized tract, and all matters of operation, adjustments between the parties hereto and payment of royalties and rentals shall be governed and performed by Delhi.

6. This Agreement shall be effective as of the date hereof, upon approval by the Director of the Geological Survey and shall remain in force and effect for a period of two (2) years and so long thereafter as dry gas and/or condensate is produced from any part of said communitized tract in paying quantities, provided that prior to production in paying quantities from said communitized tract and upon fulfillment of all requirements of the Director of the Geological Survey with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by mutual agreement of the parties.

7. Unit Operator of said communitized tract hereby agrees to furnish the Secretary of the Interior, or his duly authorized representative, with the log and history of any well or wells; the monthly report of operations; the statement of oil and gas runs and royalties, together with such 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 within the communitized tract.

The parties hereto agree that the Secretary of the Interior, or his representative, shall have the right of super-

vision over all operations within the communitized tract to the same extent and degree as provided in said department oil and gas leases and in the oil and gas regulations of the Department of the Interior.

8. Delhi as 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 included in all subcontracts.

9. This Agreement shall be binding upon the parties hereto and shall extend to and be binding upon their heirs, executors, administrators, successors and assigns.

10. This Agreement 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 both parties had in fact executed but a single instrument.

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

DELHI OIL CORPORATION

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

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Paul B. Horton

\_\_\_\_\_  
Susan Horton

\_\_\_\_\_  
Dena Riddle

\_\_\_\_\_  
H. K. Riddle

STATE OF TEXAS |  
COUNTY OF DALLAS | ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared \_\_\_\_\_, to me known, who, being by me duly sworn, did say that he is Vice President of DELHI OIL CORPORATION, a corporation organized under the laws of the State of Delaware, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation, by authority of the Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires:

Notary Public in and for Dallas County,  
T e x a s .

STATE OF TEXAS |  
COUNTY OF DALLAS | ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared PAUL B. HORTON and SUSAN HORTON, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public in and for Dallas County,  
T e x a s .

STATE OF NEW MEXICO |  
COUNTY OF \_\_\_\_\_ | ss.

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared LENA RIDDLE and H. K. RIDDLE, wife and husband, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public in and for \_\_\_\_\_  
County, New Mexico.

EX. C

RATIFICATION OF COMMUNITIZATION AGREEMENT

WHEREAS, DELHI OIL CORPORATION, PAUL B. HORTON et ux, and DENA KIDDLE et vir have executed a certain Communitization Agreement dated October 20, 1951, under the terms of which the oil and gas leasehold interests in the E/2 of Section 30, Township 32 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, were communitized as to gas and/or condensate down through the Mesaverde Formation for the purpose of complying with the rules, regulations and orders of the New Mexico Oil Conservation Commission, and for the further purpose of properly conserving the gas and/or condensate resources in and under such land; and

WHEREAS, the undersigned parties hereto are the owners of the various royalty and overriding royalty interests in and to the minerals in and under the said land, and desire to ratify the said Communitization Agreement;

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration and the mutual covenants herein contained, the full receipt of which is hereby acknowledged, the undersigned hereby ratify and confirm said Communitization Agreement and agree that their respective royalty and overriding royalty interests in so far as gas and/or condensate in and under the said land down through the Mesaverde Formation is concerned shall be communitized under such Communitization Agreement upon the same basis as the working interests of the said Delhi Oil Corporation, Paul B. Horton et ux and Dena Kiddle et vir, so that such royalty and overriding royalty interests shall be payable out of production from the entire communitized lands, but only in the proportion that the acreage to which the respective interest pertains bears to the acreage in the entire communitized lands.

EXECUTED this 20 day of October, 1951.

ATTEST:

Thos T. Higgins  
Asst. Secretary

SAN JUAN OIL COMPANY

By Robert D. Bradley  
President

Name

Address

Wayne Moore

Jo Ann Moore

J. C. Brown

Alice H. Brown

TURNER SECURITIES

By President

ATTEST:

Secretary

W. L. Cummins

Myra Cummins

H. A. Hubbard

Myrtle Hubbard

J. D. Hancock

Hancock

Ruby Griffin Johns

Johns

STATE OF TEXAS

COUNTY OF DALLAS

On this 20 day of October, 1951, before me appeared Robert T. Bradley, to me personally known, who, being by me duly sworn, did say that he is the president of SAN JUAN OIL COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said Robert T. Bradley acknowledged said instrument to be the free act and deed of said corporation.

My commission expires:

June 1, 1953

William J. Carey  
Notary Public  
William J. Carey

STATE OF

COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared WAYNE MOORE and JO ANN MOORE, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

My commission expires:

Notary Public

STATE OF

COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared J. C. BROWN and ALICE H. BROWN, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public

My commission expires:



STATE OF  
COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is the President of TURNER SECURITIES, a \_\_\_\_\_ corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that 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.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF  
COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared U. L. CUMMINS AND MYRA CUMMINS, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF  
COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared H. A. HUBBARD and MYRTLE HUBBARD, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF  
COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared J. D. HANCOCK and \_\_\_\_\_ HANCOCK, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF

COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared RUBY GRIFFIN JOHNS and \_\_\_\_\_ JOHNS, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Notary Public

My commission expires:  
\_\_\_\_\_

INTER-OFFICE TRANSMITTAL SLIP

TO PPS

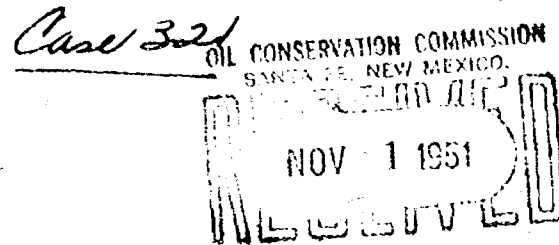
FROM JK

- ( ) For Approval  
( ) For Signature  
( ) Note and Advise  
(☒) Note and Return  
( ) For Your Files  
( ) For Your Handling

RS

Remarks:

This represents Delhi's efforts  
to reach some voluntary pooling  
agreement in case 321.



October 30, 1951

Mr. M. L. Cummins & Wife, Myra Cummins  
Turner Securities  
1507 Main Street  
Durango, Colorado

Dear Mr. & Mrs. Cummins:

As you know under date of October 23, 1951, we appeared before the New Mexico Oil Conservation Commission and made application for forced pooling of interests under the East 1/2 of Section 30, T32N, R11W, and we believe our application will meet with a favorable response from said Commission.

As you are well aware our Mr. C. C. Peters has been continuously, since said meeting, attempting to secure your voluntary approval of our unitizing the acreage as we would prefer that all our relations with lease interest owners be on friendly and amicable basis, but he has advised that you are still unwilling to execute the original instruments prepared for your execution.

Mr. Peters has advised us that you would prefer the instruments prepared in a manner that will be more understandable to you and we have prepared such instrument and are attaching same herewith for your approval. You will note we have attempted to clearly set out your interest under a pooled tract so that there will be no question in your mind as to the nature of this royalty interest in the production from such unit.

You will also note we have incorporated a provision whereby we will drill a well on a unit to include at least 160 acres of the land under which you own an interest and, also, will use our best efforts to incorporate in other units the remainder of the acreage under which you own a royalty interest. We have been approached by another company to include a portion of your own lease acreage in a unit, but we are unable to do so due to your failure to cooperate with us and if we receive favorable action from the Commission on our pending application and you still refuse to execute the Pooling Amendment before we can include the other acreage in an additional unit we will have to again look to the Commission for relief.

2

10-30-51

Mr. M. L. Cummins & Wife, Myra Cummins

As to the shut-in gas well provision incorporated in the instrument attached hereto, we have made such provision far more advantageous to the royalty interest owners than is usually the case in that the normal or usual shut-in royalty is on the basis of \$50.00 per well per year. We believe that there will not be an excessive length of time before we will be able to market gas from one or more of the units that include a portion of the acreage under which you own an interest and we will use our best efforts to this end.

This letter is being sent to our Mr. Peters, who will call on you personally in an effort to secure your cooperation as we are very anxious to immediately make our preparation for drilling the well referred to in the instrument and we trust you will cooperate with us to such extent. Should you still have a question regarding this matter, the writer would appreciate your calling him collect while Mr. Peters is presently with you.

Very truly yours,

DELHI OIL CORPORATION

By

Aaron L. Colvin  
Land Department

ALC:ml  
Encl.

CC: Mr. R. R. Spurrier  
Oil & Gas Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

October 30, 1951

Turner Securities  
1507 Main Street  
Durango, Colorado

Gentlemen:

As you know under date of October 23, 1951, we appeared before the New Mexico Oil Conservation Commission and made application for forced pooling of interests under the East 1/2 of Section 30, T32N, R11W, and we believe our application will meet with a favorable response from said Commission.

As you are well aware our Mr. C. C. Peters has been continuously, since said meeting, attempting to secure your voluntary approval of our unitizing the acreage as we would prefer that all our relations with lease interest owners be on friendly and amicable basis, but he has advised that you are still unwilling to execute the original instrument prepared for your execution.

Mr. Peters has advised us that you would prefer the instruments prepared in a manner that will be more understandable to you and we have prepared such instrument and are attaching same herewith for your approval. You will note we have attempted to clearly set out your interest under a pooled tract so that there will be no question in your mind as to the nature of this royalty interest in the production from such unit.

You will also note we have incorporated a provision whereby we will drill a well on a unit to include at least 160 acres of the land under which you own an interest and, also, will use our best efforts to incorporate in other units the remainder of the acreage under which you own a royalty interest. We have been approached by another company to include a portion of your own lease acreage in a unit, but we are unable to do so due to your failure to cooperate with us and if we receive favorable action from the Commission on our pending application and you still refuse to execute the Pooling Amendment before we can include the other acreage in an additional unit we will have to again look to the Commission for relief.

2

10-30-51

Turner Securities

As to the shut-in gas well provision incorporated in the instrument attached hereto, we have made such provision far more advantageous to the royalty interest owners than is usually the case in that the normal or usual shut-in royalty is on the basis of \$50.00 per well per year. We believe that there will not be an excessive length of time before we will be able to market gas from one or more of the units that include a portion of the acreage under which you own an interest and we will use our best efforts to this end.

This letter is being sent to our Mr. Peters, who will call on you personally in an effort to secure your cooperation as we are very anxious to immediately make our preparation for drilling the well referred to in the instrument and we trust you will cooperate with us to such extent. Should you still have a question regarding this matter, the writer would appreciate your calling him collect while Mr. Peters is presently with you.

Very truly yours,

DELHI OIL CORPORATION

By

Aaron L. Colvin  
Land Department

AJC:ml  
Encl.

CC: ✓ Mr. R. R. Spurrier  
Oil & Gas Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

October 30, 1951

Mr. Harry A. Hubbard & Wife, Myrtle Hubbard  
Durango, Colorado

Dear Mr. & Mrs. Hubbard:

As you know under date of October 23, 1951, we appeared before the New Mexico Oil Conservation Commission and made application for forced pooling of interests under the East 1/2 of Section 30, T32N, R11W, and we believe our application will meet with a favorable response from said Commission.

As you are well aware our Mr. C. O. Peters has been continuously, since said meeting, attempting to secure your voluntary approval of our unitizing the acreage as we would prefer that all our relations with lease interest owners be on friendly and amicable basis, but he has advised that you are still unwilling to execute the original instruments prepared for your execution.

Mr. Peters has advised us that you would prefer the instruments prepared in a manner that will be more understandable to you and we have prepared such instrument and are attaching same herewith for your approval. You will note we have attempted to clearly set out your interest under a pooled tract so that there will be no question in your mind as to the nature of this royalty interest in the production from such unit.

You will also note we have incorporated a provision whereby we will drill a well on a unit to include at least 160 acres of the land under which you own an interest and, also, will use our best efforts to incorporate in other units the remainder of the acreage under which you own a royalty interest. We have been approached by another company to include a portion of your own lease acreage in a unit, but we are unable to do so due to your failure to cooperate with us and if we receive favorable action from the Commission on our pending application and you still refuse to execute the Pooling Amendment before we can include the other acreage in an additional unit we will have to again look to the Commission for relief.



2

10-30-51

Mr. Harry A. Hubbard & Wife, Myrtle Hubbard

As to the shut-in gas well provision incorporated in the instrument attached hereto, we have made such provision far more advantageous to the royalty interest owners than is usually the case in that the normal or usual shut-in royalty is on the basis of \$50.00 per well per year. We believe that there will not be an excessive length of time before we will be able to market gas from one or more of the units that include a portion of the acreage under which you own an interest and we will use our best efforts to this end.

This letter is being sent to our Mr. Peters, who will call on you personally in an effort to secure your cooperation as we are very anxious to immediately make our preparation for drilling the well referred to in the instrument and we trust you will cooperate with us to such extent. Should you still have a question regarding this matter, the writer would appreciate your calling him collect while Mr. Peters is presently with you.

Very truly yours,

DELHI OIL CORPORATION

By

Aaron L. Colvin  
Land Department

ALC:ml  
Encl.

CC. Mr. R. R. Spurrier  
Oil & Gas Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

October 30, 1951

Mr. J. D. Hancock  
916 Kirby Building  
Dallas, Texas

Dear Mr. Hancock:

As you know under date of October 23, 1951, we appeared before the New Mexico Oil Conservation Commission and made application for forced pooling of interests under the East 1/2 of Section 30, T32N, R11W, and we believe our application will meet with a favorable response from said Commission.

As you are well aware our Mr. C. C. Peters has been continuously, since said meeting, attempting to secure your voluntary approval of our unitizing the acreage as we would prefer that all our relations with lease interest owners be on friendly and amicable basis, but he has advised that you are still unwilling to execute the original instruments prepared for your execution.

Mr. Peters has advised us that you would prefer the instruments prepared in a manner that will be more understandable to you and we have prepared such instrument and are attaching same herewith for your approval. You will note we have attempted to clearly set out your interest under a pooled tract so that there will be no question in your mind as to the nature of this royalty interest in the production from such unit.

You will also note we have incorporated a provision whereby we will drill a well on a unit to include at least 160 acres of the land under which you own an interest and, also, will use our best efforts to incorporate in other units the remainder of the acreage under which you own a royalty interest. We have been approached by another company to include a portion of your own lease acreage in a unit, but we are unable to do so due to your failure to cooperate with us and if we receive favorable action from the Commission on our pending application and you still refuse to execute the Pooling Amendment before we can include the other acreage in an additional unit we will have to again look to the Commission for relief.

2  
10-30-51  
Mr. J. D. Hancock

As to the shut-in gas well provision incorporated in the instrument attached hereto, we have made such provision far more advantageous to the royalty interest owners than is usually the case in that the normal or usual shut-in royalty is on the basis of \$50.00 per well per year. We believe that there will not be an excessive length of time before we will be able to market gas from one or more of the units that include a portion of the acreage under which you own an interest and we will use our best efforts to this end.

Very truly yours,

DELHI OIL CORPORATION

By

Aaron L. Colvin  
Land Department

AJC:ml  
Encl.

CC: ✓ Mr. R. R. Spurrier  
Oil & Gas Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

October 30, 1951

Mr. J. C. Brown & Wife, Alice Brown  
Mr. C. C. Peters  
Avery Hotel  
Farmington, New Mexico

Dear Mr. & Mrs. Brown:

As you know under date of October 23, 1951, we appeared before the New Mexico Oil Conservation Commission and made application for forced pooling of interests under the East 1/2 of Section 30, T32N, R11W, and we believe our application will meet with a favorable response from said Commission.

As you are well aware our Mr. C. C. Peters has been continuously, since said meeting, attempting to secure your voluntary approval of our unitizing the acreage as we would prefer that all our relations with lease interest owners be on friendly and amicable basis, but he has advised that you are still unwilling to execute the original instruments prepared for your execution.

Mr. Peters has advised us that you would prefer the instruments prepared in a manner that will be more understandable to you and we have prepared such instrument and are attaching same herewith for your approval. You will note we have attempted to clearly set out your interest under a pooled tract so that there will be no question in your mind as to the nature of this royalty interest in the production from such unit.

You will also note we have incorporated a provision whereby we will drill a well on a unit to include at least 160 acres of the land under which you own an interest and, also, will use our best efforts to incorporate in other units the remainder of the acreage under which you own a royalty interest. We have been approached by another company to include a portion of your own lease acreage in a unit, but we are unable to do so due to your failure to cooperate with us and if we receive favorable action from the Commission on our pending application and you still refuse to execute the Pooling Amendment before we can include the other acreage in an additional unit we will have to again look to the Commission for relief.

As to the shut-in gas well provision incorporated in the instrument attached hereto, we have made such provision far more advantageous to the royalty interest owners than is usually the case in that the normal or usual shut-in royalty is on the basis of \$50.00 per well per year. We believe that there will not be an excessive length of time before we will be able to market gas from one or more of the units that include a portion of the acreage under which you own an interest and we will use our best efforts to this end.

2

10-30-51

Mr. J. C. Brown & Wife, Alice Brown

This letter is being sent to our Mr. Peters, who will call on you personally in an effort to secure your cooperation as we are very anxious to immediately make our preparation for drilling the well referred to in the instrument and we trust you will cooperate with us to such extent. Should you still have a question regarding this matter, the writer would appreciate your calling him collect while Mr. Peters is presently with you.

Very truly yours,

DELHI OIL CORPORATION

By

Aaron L. Colvin  
Land Department

ALC:ml  
Encl.

CC: Mr. R. B. Spurrier  
Oil & Gas Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

AMENDMENT OF OIL AND GAS LEASE

THIS AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_, 1951, by and between \_\_\_\_\_ and \_\_\_\_\_ his wife, \_\_\_\_\_ of \_\_\_\_\_ hereinafter called "Lessors", and DELHI OIL CORPORATION, a corporation having its office and principal place of business at 1315 Pacific Avenue, Dallas, Texas, hereinafter called "Lessee",

W I T N E S S E T H:

WHEREAS, DELHI OIL CORPORATION is now the present owner of that certain oil and gas lease made and entered into by and between H. A. HUBBARD and MYRTLE HUBBARD, his wife, as joint tenants of Durango, Colorado, as Lessors, and WAYNE MOORE of Midland, Texas, dated November 16, 1946, insofar as it covers the following described land situated in San Juan County, New Mexico, to-wit:

W $\frac{1}{2}$  of the SW $\frac{1}{4}$  of Section 19, the S $\frac{1}{2}$  of the N $\frac{1}{2}$ , and the N $\frac{1}{2}$  of the S $\frac{1}{2}$  of Section 30 in Township 32 North, Range 11 West, N. M. P. M., and the E $\frac{1}{2}$  of the NW $\frac{1}{4}$  and the N $\frac{1}{2}$  of the SE $\frac{1}{4}$  of Section 25, in Township 32 North, Range 12 West, N.M.P.M. and containing 560 acres, more or less

said lease being recorded in Book 125 at page 106 of the records of said County; and

WHEREAS, Lessors being the owners of various undivided interests in and to the minerals under the above described property and Lessee desire to amend said oil and gas lease,

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration and the mutual covenants herein contained, the parties hereto hereby agree that said above described lease shall be amended by adding the hereinafter set out two paragraphs which shall be and become a part of said oil and gas lease the same as if contained therein when originally executed,

I.

Lessee is hereby given the right and power to pool or combine all or part of the acreage covered by this lease with other lands, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be in a unit or units not to exceed said 320 acres each. The entire acreage so pooled into a tract or unit

shall be treated for all purposes, except the payment of royalties on production on the pooled unit, as if the pooled acreage were included in this lease when originally executed, and if production is found on the pooled acreage it shall be treated as if the production is had from this lease although the well may or may not be located on the acreage originally covered by this lease. In payment of royalties from a unit so created by the pooling of this acreage or a portion of same with other land, Lessor shall receive on production from such pooled unit the portion of the royalty stipulated in the lease as originally written as the amount of the acreage placed in the pooled unit as the amount of the acreage placed in the pooled unit and his royalty interest therein on an acreage basis bears to the total acreage pooled in the particular unit involved. For example, if Lessor owns an undivided one-half (1/2) royalty interest under a 160 acre tract out of this said lease, and said 160 acre tract is pooled with another tract or other acreage to comprise a 320 acre unit, Lessor will receive as royalty out of the production from the 320 acre units so formed whether or not the producing well is located on the 160 acre tract under which Lessor owns said undivided interest, one-half of 160 over 320, or one-quarter of the royalty paid.

## II.

Lessee agrees on or before November 16, 1951, to form a 320 acre unit which will include ~~the 160~~ at least <sup>160</sup> acres out of the leased premises in Section 30, Township 32 North, Range 12 West, and commence operations for drilling of a well at a location to be selected by Lessee, which location is anticipated to be in the SE $\frac{1}{4}$  of said section, and shall continue with due diligence such drilling operations in a good and workman like manner, with no cessation of operations for more than 30 days to a sufficient depth to test the Mesaverde Formation, or to production at a lesser depth, and if production of oil or gas is encountered in such formation or at a lesser depth, this lease shall continue in full force and effect so long as such production is produced from the lands covered by this lease or lands pooled therewith. It is further understood there is at present no available market for gas in this ~~area~~, and if the drilling of such well, or wells should result in production of gas alone, Lessee shall have a reasonable time, not to exceed three (3) months from the date of completion of said well in which to secure a market for the gas production from said well and/or pay as shut-in royalty a sum of money equal to the delay rentals as provided for in said lease, such payment to be for the period November 16, 1951, to November 16, 1952, or in a like manner upon the anniversary date thereof, Lessee may make similar payment for the succeeding anniversary periods in the manner provided for the payment of delay rentals, and if such payment (or payments) is made this lease shall be considered as producing in quantities sufficient to continue this lease in full force and effect for all purposes until the next delay rental or next anniversary date thereof, or until drilling operations are continued on the lease premises or on land pooled therewith, or until production is marketed from said lease premises or from land pooled therewith.

As a further consideration for the execution of this amendment, Lessee hereby agrees that if the first well shall be drilled in the proposed location setout above and is completed as a commercial producer in paying quantities, Lessee shall endeavor to secure the co-operation of lease owners of other acreage in Section 30 not owned by Lessee for the formation of a unit

to cover the remaining acreage in said section not included in the first unit so formed, and shall commence or <sup>cause</sup> ~~cause~~ to be commenced operation for drilling of a second well on a unit to include the remaining acreage located in said Section 30, under which Lessor owns an undivided interest.

Lessee further agrees to use its best efforts to incorporate other acreage not included in the units in Section 30 in other drilling units in order that Lessor shall receive as much benefit as possible from the execution of this instrument.

IN WITNESS WHEREOF, the parties hereto have executed this contract amending said oil and gas lease as of the day and year first above written.

\_\_\_\_\_  
\_\_\_\_\_  
DELHI OIL CORPORATION

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

ATTEST:

\_\_\_\_\_  
Secretary

STATE OF

COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared \_\_\_\_\_ his wife, to me personally known to be the persons described in and who executed the foregoing instrument and acknowledged that 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 certified first above written.

\_\_\_\_\_  
Notary Public

My commission expires:  
\_\_\_\_\_



STATE OF TEXAS  
COUNTY OF DALLAS

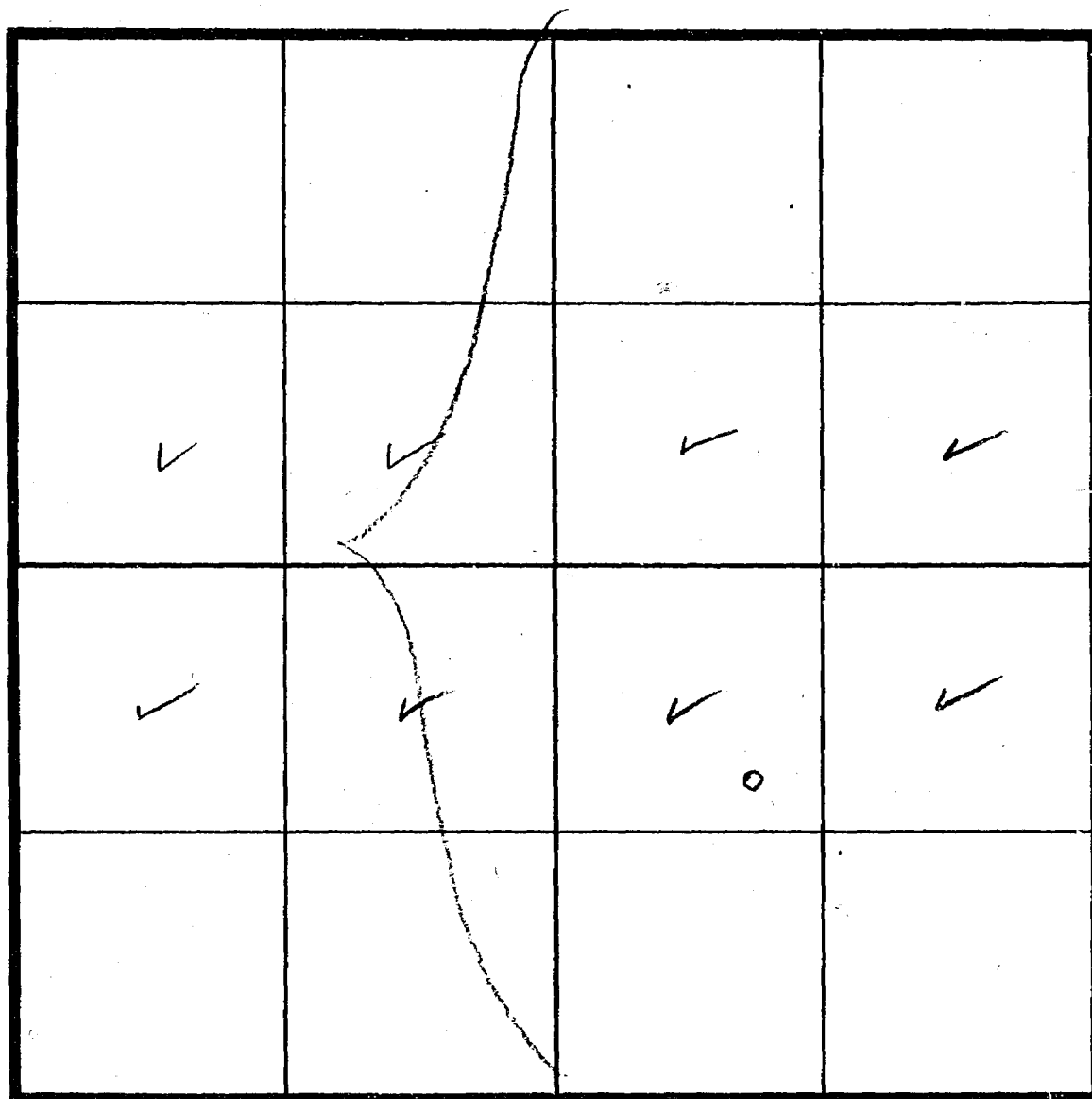
On this \_\_\_\_\_ day of \_\_\_\_\_, 1951, before me personally appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that he is \_\_\_\_\_ Vice President of DELHI OIL CORPORATION, a corporation organized under the laws of the State of Delaware, and that the seal affixed to said instrument is the corporate seal of said corporation and that 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.

WITNESS my hand and seal on this the day and year first above written.

\_\_\_\_\_  
Notary Public

My commission expires:  
\_\_\_\_\_

Sec. 30 Township No. 32 of Range No. 11



E/2

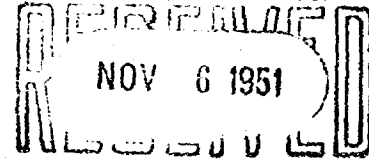


UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

P. O. Box 997  
Roswell, New Mexico

IN REPLY REFER TO:

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO.



November 2, 1951

AIR MAIL

Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Subject: Hubbard lease, fee land;  
N.M. 03190 and Santa Fe  
078118, 078231, federal  
land, sec. 30, T. 30 N.,  
R. 11 W.

Gentlemen:

I have received a copy of a letter dated November 1, to Mr. R. R. Spurrier from Mr. Aaron L. Colvin, Land Department, Delhi Oil Corporation concerning communitization of lands to form a 320 acre drilling unit for a Mesaverde test well on the subject section. A hearing was held by the Commission on this subject on October 23.

This is to confirm the opinion of this office that no objection will be offered to forming a drilling unit for communitization of Federal lands in the  $N\frac{1}{2}N\frac{1}{2}$  and  $S\frac{1}{2}S\frac{1}{2}$  sec. 30, to permit consideration of the fee land embracing the  $S\frac{1}{2}N\frac{1}{2}$  and  $N\frac{1}{2}S\frac{1}{2}$ , sec. 30 as an acceptable drilling unit, if approved by the Oil Conservation Commission.

This would be an exception to the practice of communitizing legal one-half sections for drilling units in the Blanco-LaPlata pool. However, it is our opinion that an exception should be granted when an acceptable unit can be formed from contiguous lands and not require communitizing of fee land with other lands, either State or Federal.

In granting the exception, it is suggested that one Mesaverde test well be required in the  $NE\frac{1}{4}$  and the other such test well in the  $SW\frac{1}{4}$  sec. 30 at any of the optional well locations shown on the section plat attached hereto, (10 acre locations out of the center of the respective quarter sections), one of the wells to be located on the fee lease, the other to be located on Federal land. This would permit compensating drainage as between the two types of land and result in recoveries for the interested parties in essentially the same percentage as if legal one-half sections were required for drilling units. At the same time afford the opportunity for Delhi Oil Corporation to commence a well immediately to protect its fee lease which is reported to have an expiration date of November 16, 1951.

Very truly yours,

*Foster Morrell*  
FOSTER MORRELL

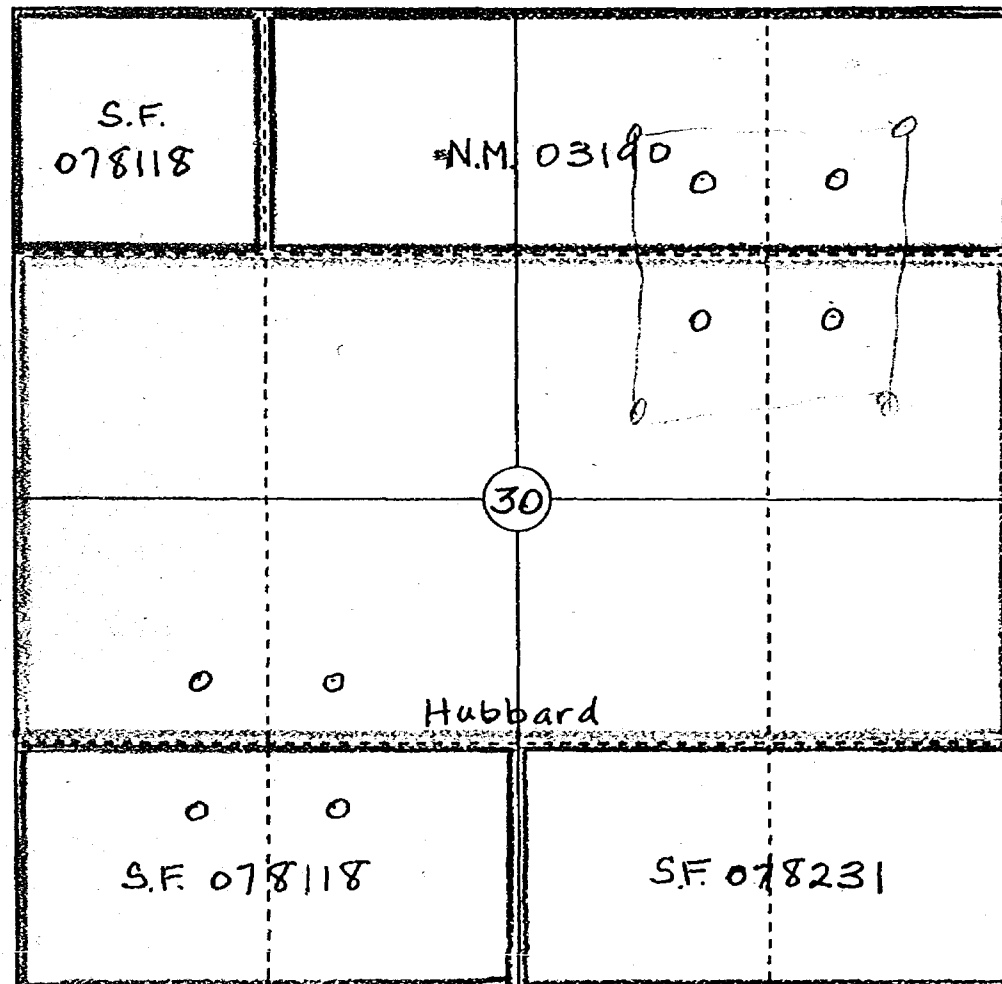
Regional Oil and Gas Supervisor

Attachment

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
CONSERVATION BRANCH

## Section Well Record Plat

T. 32N R. 11W N.M.P. Mer. State N. Mex.



Scale: 1 inch = 1000 feet

○ Optional Well Locations  
(Mezaverde Tests)

□ Federal  
Oil & Gas Leases  
□ Fee

0 500 1000 2000 feet  
0 330 660 990 1320 1980 2640 feet