

Case No.

~~706~~ 706

Application, Transcript,
Small Exhibits, Etc.

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. 706
Order No. R-560

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY COMMUNIT-
IZATION OF THE W/2 OF SECTION 6, TOWN-
SHIP 30 NORTH, RANGE 11 WEST, NMPM, SAN
JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case having come on for hearing at 9 o'clock a.m. on May 19, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as "Commission"; and the Commission having heard all testimony offered, permitted interested parties to file written briefs on or before June 15, 1954, and written briefs were filed on behalf of El Paso Natural Gas Company, Saul A. Yager, Morris Miesel, Marian Yager, Morris E. Gimp and Sam Miesel.

NOW, on this 16th day of December, 1954, the Commission, a quorum being present, having considered the records and testimony adduced and the written briefs filed by the parties, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
2. That Applicant, El Paso Natural Gas Company, and Delhi Oil Corporation were, on March 23, 1953, the owners of the entire working interest and operating rights under oil and gas leases covering the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, containing 328.17 acres of land, in the shape of a rectangle, said Section 6 being an irregular section containing more than 640 acres of land.
3. That the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.
4. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon 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 of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool."

6. That a Pictured Cliffs well was commenced on the NW/4 of Section 6, Township 30 North, Range 11 West, NMPM, pursuant to formal approval of Notice of Intention to Drill, which approval was granted March 23, 1953; and that, the Pictured Cliffs formation having proved dry, application was made to the Commission for approval of an unorthodox location and the designation of the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, as a location for a Mesaverde well; that on August 3, 1953, the Commission approved such unorthodox location and approved the designation of the drilling unit, and that on August 31, 1953, drilling operations were resumed, and that a well was completed in the Mesaverde formation on September 20, 1953, with an initial potential of 586,000 cubic feet of gas per day.

7. That at all times material hereto the working interest owners were the only persons who had the right to drill into and to produce from said Mesaverde Gas Pool and to appropriate the production for themselves, and that all of said owners agreed to pool or communitize their separate oil and gas leases into a drilling unit containing 328.17 acres as described above.

8. That the agreement of the owners in all things complied with the provisions of Order R-110 and the unit selected by the owners as a drilling unit complied with Order R-110.

9. That the agreement entered into by said owners to pool or communitize their oil and gas leases covering the W/2 of said Section 6, and the approval by the Commission of the unorthodox location and the designation of the W/2 of said Section 6, as a drilling unit, which approval was received by Applicant, El Paso Natural Gas Company, on August 3, 1953, effectively approved such communitized or pooled tract on August 3, 1953, the date of receipt of such approval, and that the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, has been and is an approved drilling unit containing 328.17 acres at all times thereafter.

10. That the drilling of an additional well or wells lying within the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, would be wasteful.

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Order No. R-560

IT IS THEREFORE ORDERED:

That the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, be and is hereby recognized as a communitized or pooled tract effective August 3, 1953, and at all times thereafter, and that such pooling or communitization be and it is hereby in all things confirmed.

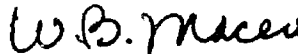
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



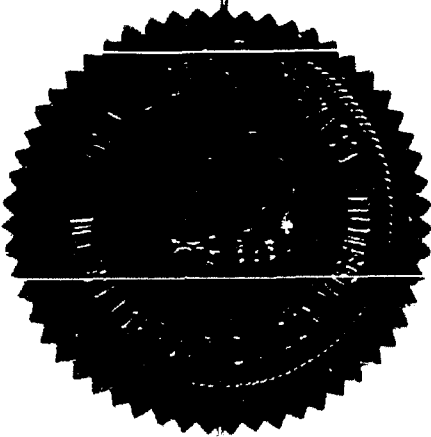
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



W. B. MACEY, Member and Secretary



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. 706
Order No. R-560-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF THE W/2 OF SECTION
6, TOWNSHIP 30 NORTH, RANGE 11 WEST,
NMPM, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION FOR REHEARING

This case came on for consideration upon petition of Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel, through their attorney, Jack M. Campbell, for rehearing on Order No. R-560 heretofore entered by the Commission.

NOW, on this 14th day of January, 1955, the Commission, a quorum being present, having fully considered said application for rehearing,

IT IS HEREBY ORDERED:

That the above-entitled matter be reopened and a rehearing in said cause be held February 17, 1955, at 9 o'clock a.m. on said day at Santa Fe, New Mexico.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF THE W/2 OF SECTION 6, TOWN-
SHIP 30 NORTH, RANGE 11 WEST,
NMPM, SAN JUAN COUNTY, NEW
MEXICO.

CASE NO. 706) Consolidated
CASE NO. 846)
Order No. R-560-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
328.17 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 706 came on for hearing originally on May 19, 1954 before this Commission, at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission signed Order No. R-560 in Case No. 706 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from August 3, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-560-A on January 14, 1955, setting Case No. 706 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 846.

Thereafter, on March 17, 1955, at 9:00 a. m., Case No. 706 came on for rehearing and Case No. 846 came on for regular hearing, at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 706 should be considered applicable to Case No. 846.

NOW, on this 12th day of January, 1956, the Commission, a quorum being present, having considered all the evidence, testimony, exhibits and legal arguments and briefs adduced and presented during the course of these two cases, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter covered by the order for rehearing in Case No. 706.

2. That in making these findings and issuing this order, the Commission recognizes that there is a dispute as to whether certain leases involved in these cases remained in force and effect during all times relevant hereto; that the Commission cannot, and will not, attempt in this order to adjudicate the title to any such lease.

3. That by its Order No. R-110 this Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon 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 of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

4. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool".

5. That in order for a drilling unit to be established under the terms of Order R-110, it was necessary not only that the Commission approve a Notice of Intention to Drill a well properly located on a designated tract of land, all as required by said order, but also that the leases of the working interest owners first be pooled or integrated before such drilling unit could be so established.

6. That the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, and Delhi Oil Corporation were, on March 23, 1953, the owners of the entire working interest and operating rights under oil and gas leases covering the W/2 of said Section 6, containing 328.17 acres of land, in the shape of a rectangle, said Section 6 being an irregular section containing more than 640 acres of land.

8. That a Pictured Cliffs well was commenced on the NW/4 of Section 6, Township 30 North, Range 11 West, NMPM, pursuant to approval of a Notice of Intention to Drill, which approval was granted March 23, 1953; and that, the Pictured Cliffs formation having proved dry, application was made to the Commission for approval of an unorthodox location and the designation of the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, as a location for a Mesaverde well; that on August 3, 1953, the Commission approved such unorthodox location and approved the designation of the drilling unit, and that on August 31, 1953, drilling operations were resumed; that a well was completed in the Mesaverde formation on September 20, 1953, with an initial potential of 686,000 cubic feet of gas per day.

9. That the said working interest owners agreed to communitize their leases; that the evidence before the Commission is that such agreement had been made by May 19, 1954, the date of the first hearing in Case No. 706, no other competent evidence whatsoever being before the Commission as to when communitization was agreed upon and the consolidation of all interests therefore effected; that the Commission therefore finds that the date El Paso Natural Gas Company and Delhi Oil Corporation consolidated their leases was May 19, 1954.

10. That the said agreement of the working interest owners to communitize their lease complied with the provisions of Order R-110, and that the unit selected as a drilling unit likewise complied with Order R-110.

11. That the approval by the Commission of the unorthodox location, the designation of the W/2 of Section 6, Township 30 North, Range 11 West, as a drilling unit, and the agreement entered into by said working interest owners to pool their oil and gas leases covering said acreage, which agreement consolidated all interests therein, effectively established and created said drilling unit on May 19, 1954; that the W/2 of said Section 6 has been, and is, an approved drilling unit containing 328.17 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. That the W/2 of Section 6, Township 30 North, Range 11 West be, and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

Order No. R-560-B

2. IN THE ALTERNATIVE, and in the event that subsequent adjudication as to the title of the leases herein involved renders the foregoing paragraph null, void, and inoperative from May 19, 1954, it is ordered that in any event all the interests in the W/2 of Section 6, Township 30 North, Range 11 West be, and they are hereby, consolidated, and that the said acreage be, and the same is hereby established as a drilling unit, effective the date of this order.

IT IS FURTHER ORDERED:

That Order No. R-560, in Case No. 706 be, and the same is, hereby superseded by this order.

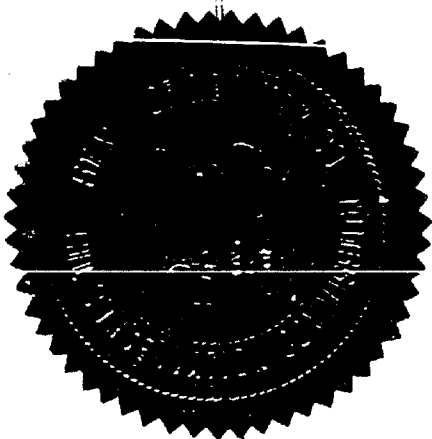
DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



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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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF THE W/2 OF SECTION 6, TOWNSHIP
30 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 706)
CASE NO. 846) Consolidated
Order No. R-560-C

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
328.17 ACRES.

ORDER OF THE COMMISSION FOR REHEARING

BY THE COMMISSION:

These cases came on for consideration upon the application of
Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel,
and Sam Mizel, the "Yager Group", through their attorney Jack M. Campbell
and upon the application of El Paso Natural Gas Company through its attorney
Ben R. Howell, for rehearing on Order Number R-560-B heretofore entered
by the Commission.

NOW, on this 10th day of February, 1956, the Commission, a
quorum being present, having fully considered said applications for rehearing,

IT IS HEREBY ORDERED:

That a rehearing in said causes be held March 16, 1956, at
9:00 o'clock a.m. on said day at Santa Fe, New Mexico.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF THE W/2 OF SECTION 6,
TOWNSHIP 30 NORTH, RANGE 11
WEST, NMPM, SAN JUAN COUNTY,
NEW MEXICO.

CASE NO. 706)
CASE NO. 846) Consolidated
Order No. R-560-D

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
328.17 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 706 came on for hearing originally at 9:00 o'clock a.m. on May 19, 1954, at Santa Fe, New Mexico, before the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," at which time testimony and evidence offered by the interested parties was received by the Commission, and after which time written briefs were submitted by said parties and considered by the Commission.

Thereafter, the Commission entered Order No. R-560 in Case No. 706 on December 16, 1954, declaring that the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from August 3, 1953.

Thereafter, on January 6, 1955, Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, and Sam Mizel, the "Yager Group," filed their application for rehearing, pursuant to which the Commission entered its Order No. R-560-A on January 14, 1955, setting Case No. 706 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 846.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 706 came on for rehearing and Case No. 846 came on for regular hearing before the Commission at Santa Fe, New Mexico at which time the two cases were consolidated for hearing, it being understood that the entire record on Case No. 706 should be considered applicable to Case No. 846.

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Case No. 706)
Case No. 848)
Order No. R-560-D

Thereafter, the Commission entered Order R-560-B in Cases 706 and 848 (consolidated) on January 12, 1956, declaring that the W/2 of Section 6, Township 30 North, Range 11 West, NMPL, was recognized as a communitized and pooled tract from May 19, 1954.

Thereafter, both El Paso Natural Gas Company and Saul Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel and Sam Mizel, the "Yager Group," filed their applications for rehearing, pursuant to which the Commission entered its Order No. R-560-C on February 10, 1956 setting Case No. 706 and 848 (consolidated) for rehearing.

Thereafter, on March 15, 1956, at 9:00 a.m., Case 706 and 848 (consolidated) came on for rehearing at Santa Fe, New Mexico, before the Commission.

NOW, on this 13th day of December, 1956, the Commission, a quorum being present, having considered all the evidence, testimony, exhibits and legal arguments and briefs adduced and presented during the course of these two cases, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of these cases, and the subject matter thereof.

2. That in making these findings and issuing this order, the Commission recognizes that there is a dispute as to whether certain leases involved in these cases remained in force and effect during all times relevant hereto; that the Commission cannot, and will not, attempt in this order to adjudicate the title to any such lease.

3. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon 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 or proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool."

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Case No. 706)
Case No. 846)
Order No. R-560-D

4. That by its Order R-110, the Commission further provided that "no well shall be drilled completed or recompleted and no Notice of Intention to Drill or drilling permit shall be approved, unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool."

5. That the "interests" which Order R-110 requires to be "Consolidated by pooling agreement or otherwise" to form a drilling unit are the interests of the "owners" as that term is defined in Section 65-3-29 (e) New Mexico Statutes Annotated (1953) i.e., "the person who has the right to drill into and produce from any pool, and to appropriate the production either for himself or for himself and another."

6. That on July 31, 1953 the W/2 of said Section 6, Township 30 North, Range 11 West, NMPM, was situated within the Blanco Mesaverde Gas Pool as then designated by the Commission.

7. That El Paso Natural Gas Company was the sole owner of the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico on July 31, 1953.

8. That after an unsuccessful attempt to complete a Pictured Cliffs gas well in the NW/4 of said Section 6, El Paso Natural Gas Company applied to the Commission on May 26, 1953 for approval of an unorthodox well location and the designation of the W/2 of said Section 6 as a drilling unit for a Blanco Mesaverde gas well, which application was approved by the Commission on July 31, 1953.

9. That the formation of the drilling unit consisting of the W/2 of said Section 6 complied in all respects with Order R-110.

10. That the drilling of an additional well in the W/2 of said Section 6 would be wasteful.

IT IS THEREFORE ORDERED:

1. That the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 328.17 acres, more or less, should be and the same is hereby recognized and treated as an authorized drilling unit duly formed and established in accordance with the provisions of Order R-110 as of July 31, 1953.

2. That the application of El Paso Natural Gas Company for an order force communitizing or pooling the W/2 of Section 6, Township 30 North, Range 11 West, NMPM, pursuant to the terms of

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Case No. 706) Consolidated
Case No. 846)
Order No. R-560-D

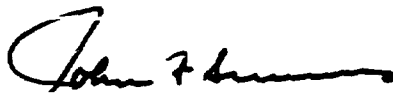
the communitization agreement submitted with the application
in Case 706 be and the same is hereby denied.

IT IS FURTHER ORDERED:

That Order R-560 and Order R-560-B be and the same are
hereby revoked and superseded.

DONE at Santa Fe, New Mexico, on the day and year
hereinaabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



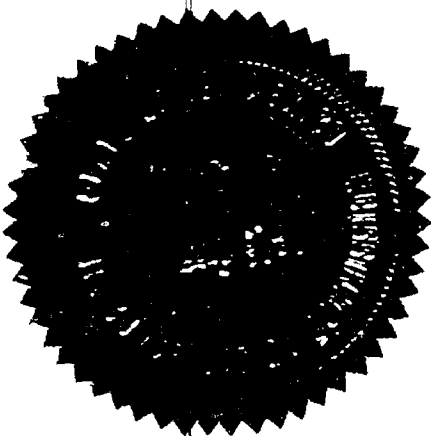
JOHN F. SIMMS, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary



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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:

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION
OF THE W/2 OF SECTION 6, TOWN-
SHIP 30 NORTH, RANGE 11 WEST,
NMPM, SAN JUAN COUNTY, NEW
MEXICO.

CASE NO. 706) Consolidated
CASE NO. 846)

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
328.17 ACRES.

APPLICATION FOR REHEARING

Come now Saul A. Yager, Marian Yager, M. E. Gimp,
Morris Mizel and wife, Flora Mizel, and Sam Mizel, by their
attorneys, Campbell & Russell, and make application to the
Commission for rehearing upon Order No. R-560-B, and as a basis
for the application state:

(a) Applicants are the owners of interests in Lot 4,
Section 6, Township 30 North, Range 11 West, N.M.P.M., San Juan
County, New Mexico and are parties affected by Order No. R-560-B
entered by the Commission on January 12, 1956.

(b) Order No. R-560-B is erroneous in the following
respects:

1. Finding No. 10 is erroneous in that Order No.
R-110 was not complied with in the establishment of the drilling
unit.

2. Finding No. 11 is erroneous in that the approval
of the Commission of the unorthodox location was not after
notice and hearing as required by law, and said finding is further
erroneous in that all interests within said unit were not con-
solidated by pooling agreement or otherwise as required by

Order No. R-110.

3. Order No. R-560-B is contrary to Section 1(a) of Order No. R-110 of the Commission.

4. Order No. R-560-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. Order No. R-560-B is an unreasonable and arbitrary interpretation of the Commission's rules and regulations and deprives Applicants of their correlative rights.

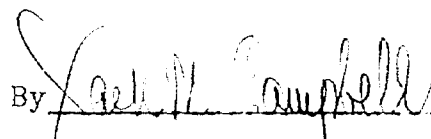
6. Order No. R-560-B deprives Applicants of their property without due process of law.

7. Order No. R-560-B impairs the obligations of a valid lease contract between Applicants and El Paso Natural Gas Company.

WHEREFORE, Applicants request a rehearing in Case No. 706 - 846 Consolidated on Order No. R-560-B.

Respectfully submitted,

Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and
wife, Flora Mizel, and Sam
Mizel

By 
for CAMPBELL & RUSSELL
their attorneys

El Paso Natural Gas Company

El Paso, Texas

January 30, 1956

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

Gentlemen:

Enclosed you will find five copies each of Applications for Rehearing in the Yager cases.

A copy of each Application has been furnished to Mr. Jack Campbell, attorney for Mr. Yager.

Yours very truly,


Ben R. Howell

s
enc.
c-Lease Department

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
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NMPM, SAN JUAN COUNTY, NEW
MEXICO.

CASE NO. 706)
CASE NO. 846} Consolidated

Order No. R-560-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF W/2 OF
SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
328.17 ACRES.

APPLICATION FOR REHEARING

Your Applicant, EL PASO NATURAL GAS COMPANY, applies for re-hearing and states:

1. Applicant is the owner of oil and gas leasehold interests in and under the tract of land described in the caption and is a party affected by Order No. R-560-B entered by the Commission on January 12, 1956.

2. Your Applicant would show the Commission that its Order No. R-560-B is erroneous as follows.

a. That the Commission's Finding No. 9, insofar as it finds that the date upon which the working interest owners agreed to communitize their leases of May 19, 1954 is not supported by and is contrary to the credible evidence.

b. That the Commission's Finding No. 11 that the pooling and drilling unit was established on May 19, 1954 is not supported by and is contrary to the weight of the credible evidence.

c. That the portion of Paragraph 1 of the Commission's Order establishing May 19, 1954 as the date the drilling unit upon a pooled and communitized tract became effective is erroneous.

d. That there is no evidence in the record to show that the working interest owners made any agreement on the 15th day of

May, 1954, the date when the original hearing was conducted, and that the evidence shows the agreement to have been made and consummated prior to that date and the selection of that date is arbitrary and unreasonable.

e. That the evidence shows the working interest owners had agreed to communitize and pool their respective interests prior to March 23, 1953, on which date a Notice of Intention to Drill was filed with the Commission.

f. That the finding of the Commission that an agreement was made on May 19, 1954 is an arbitrary and unreasonable finding and not necessary to a determination of the applications.

g. The Commission having held that the working interest owners have the power without the joinder of the lessors to enter an agreement for the communitizing or pooling of tracts of land into drilling units in conformity with Order R-110, the Commission exceeded its jurisdiction by determining the date upon which the working interest owners made such agreement and exceeded its jurisdiction in determining that such agreement did not become effective until the date of the first hearing, which findings were not necessary to a determination of the applications. The Commission, having found that the working interest owners effectively pooled or communitized the tracts of land into a drilling unit, has no further jurisdiction and the Commission's Order is erroneous in attempting to do more than determine the effect of the agreement made by the working interest owners. When that agreement effectively pooled the several tracts into a drilling unit, there remained nothing further for the Commission to do, and those portions of the Commission's Order which attempt to pool or communitize at a later date are invalid and void.

h. Paragraph 2 of the Commission's Order is beyond its jurisdiction and is not supported by the evidence, and is contradictory and contrary to all of the findings and conclusions of the

Application For Rehearing

Cases Nos. 706 and 846

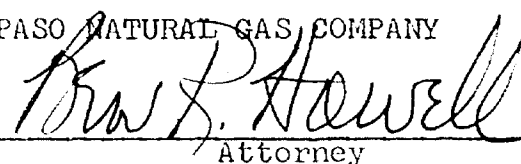
Commission made in the remaining portions of the Order.

WHEREFORE, your Applicant respectfully requests the Commission to grant a rehearing in these consolidated cases and to hear such further evidence as may be material, and to reconsider the Order entered by the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By


Attorney

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 10, 1956

C
O
P
Y

MEMORANDUM

TO: Governor Simms and Land Commissioner Walker

FROM: W. B. Macey

SUBJECT: Cases 706 & 846, Order R-560-B
Cases 707 & 847, Order R-546-B
Cases 708 & 848, Order R-547-B
Cases 709 & 849, Order R-548-B
Cases 710 & 850, Order R-549-B
Cases 711 & 851, Order R-557-B
Cases 712 & 852, Order R-558-B

This memo covers all of the above-captioned consolidated cases and the orders entered in each case. These cases originally came before the Commission in July of 1954, and after the entry of the original order a rehearing was granted. The orders attached hereto are the orders entered after rehearing in each of the cases designated above.

All of the cases involve gas proration units in the Blanco Mesaverde Gas Pool in San Juan County, New Mexico, and involve El Paso Natural Gas Company on one hand and a group of individuals from Tulsa, Oklahoma, whose chief spokesman, Mr. Saul Yager, is represented by Mr. Jack M. Campbell. In each instance, both parties have submitted very extensive briefs on the legal technicalities involved in these orders. The entire problem presented to the Commission was based on the fact that El Paso Natural Gas Company obtained leases from the "Yager Group", the leases not having any pooling clause.

Under the Blanco Mesaverde Pool rules, it is essential that each drilling unit contain 320 acres and the pool rules (Order R-110) state as follows: "No well shall be drilled unless such well be located on a designated drilling unit of not less than 320 acres of land in which unit all the interests are consolidated by pooling agreement or otherwise"

The applications of El Paso in each instance requested compulsory communitization of the acreage involved, and the companion application requested determination and ratification of the communitization in each instance. The original Commission orders entered after the original cases held that the communitization was effective on the day that the Commission or the regulatory group involved (U.S.G.S.) approved the notice of intention to drill the well on each specific tract.

Mr. Kitts and I have spent a considerable amount of time reviewing all of the facts and evidence entered in this case and all of the legal background in other states pertaining to compulsory communitization and have come to the conclusion that the original order which was entered was in error. We feel that in view of the specific requirement of the pool rules that all interests be "consolidated by pooling agreement or otherwise"; that it is necessary for the operator of a proration unit to actually have an agreement between all of the parties involved or a Commission order compelling them to join in the agreement prior to the time they start their well, and that the communitization is effective only when the parties are in complete agreement or when an order is entered.

We further feel that the word "interests", as used in the pool rules, pertains solely to the "owner"; that is, the man who has the right to drill on the land and prospect for oil and gas. Although El Paso Natural and the other owners in each area may have had an agreement to consolidate or pool their leases prior to the time the wells were started, the only evidence which this Commission has that all of the interests were consolidated by agreement was on the date of the first hearing in these cases, May 19, 1954. It is perfectly possible that the companies involved in these cases actually had an agreement prior to this date, but we do not have any evidence of such agreement.

The reason that the effective date of the communitization, as recognized by this Commission, is important is that there would be some lease expirations involved if there was not an actual communitization agreement effected prior to the expiration date. It is for this reason that in each order we have entered an alternative order which makes the effective date of communitization the date of this order in the event subsequent adjudication as to the title of leases renders our original portion of the order null and void.

If you feel that further discussion of these orders is necessary, I will be glad to arrange a meeting with you for Mr. Kitts and myself; however, I am firmly convinced that the orders that we have entered are proper.

El Paso Natural Gas Company

El Paso, Texas

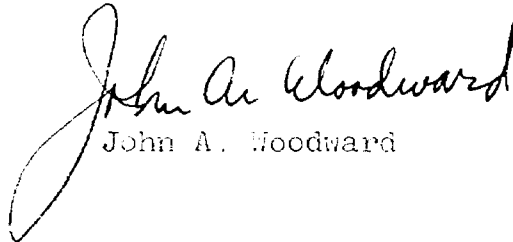
February 9, 1956

Oil Conservation Commission
Santa Fe
New Mexico

Gentlemen:

Attached are three copies of El Paso's Brief and Tender
of Proof in Cases 706-712 and 846-852, both inclusive.

Yours very truly,

A handwritten signature in dark ink, reading "John A. Woodward". The signature is fluid and cursive, with the first name "John" being particularly prominent.

John A. Woodward

s
att.

cc-Jack Campbell, Roswell, New Mexico
A. K. Montgomery, Santa Fe, New Mexico
Lease Department

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

January 13, 1956

C
O
P
Y

Mr. Jack M. Campbell
Campbell & Russell
J. P. White Building
Roswell, New Mexico

Dear Sir:

We enclose a copy of each of the following orders issued
January 12, 1956, by the Oil Conservation Commission:

Cases 706 & 846, Order R-560-B
Cases 707 & 847, Order R-546-B
Cases 708 & 848, Order R-547-B
Cases 709 & 849, Order R-548-B
Cases 710 & 850, Order R-549-B
Cases 711 & 851, Order R-557-B
Cases 712 & 852, Order R-558-B

Very truly yours,

W. B. Macey
Secretary - Director

WBM:brp
Encls.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 13, 1956

C
O
P
Y

Mr. Ben Howell
El Paso Natural Gas Co.
P.O. Box 1492
El Paso, Texas

Dear Sir:

We enclose a copy of each of the following orders issued
January 12, 1956, by the Oil Conservation Commission:

Cases 706 & 846, Order R-560-B
Cases 707 & 847, Order R-546-B
Cases 708 & 848, Order R-547-B
Cases 709 & 849, Order R-548-B
Cases 710 & 850, Order R-549-B
Cases 711 & 851, Order R-557-B
Cases 712 & 852, Order R-558-B

Very truly yours,

W. B. Macey
Secretary - Director

WBM:brp
Encls.

ASSIGNMENT OF OIL AND GAS MINING LEASES
PRIVATELY OWNED LAND

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned DELHI OIL CORPORATION, a Delaware corporation, whose address is 1314 Wood Street, Dallas, Texas (hereinafter called "Assignor"), for and in consideration of the sum of Ten Dollars (\$10.00), and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer, set over and convey unto EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "Assignee"), its successors and assigns, all right, title and interest of Assignor in and to those certain oil and gas mining leases described in Exhibit "A" attached hereto and made a part hereof for all purposes;

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns forever, subject, however, to the following:

1. In said leases, assignments thereof and other instruments and documents pertaining thereto there are excepted and reserved to or assigned for the benefit of the various lessors, assignors and others certain royalties, overriding royalties and other rights and interests in, to and connected with oil, gas and other minerals produced from and under said leases, reference being here made to said leases, assignments, instruments and documents for a more particular description of same.

This Assignment is made expressly subject to all such overriding royalties and other rights and interests as are reserved or assigned to or for the benefit of the lessors, assignors and others.

2. Assignee hereby covenants, represents and warrants that it is a duly organized corporation under the laws of the State of Delaware, and that it is a corporation in good standing under the laws of the State of Delaware.

As Witness my hand and seal this 1st day of January, 1947.

(1) $5\frac{1}{2}\%$ per mcf (1,000 cubic feet) on all gas produced and saved during the first 3-1/3 years after the date hereof.

(2) $6\frac{1}{2}\%$ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(3) $7\frac{1}{2}\%$ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(4) Not less than 8% per mcf on all such gas produced and saved during the next one year thereafter.

(5) Not less than 9% per mcf on all such gas produced and saved during the next one year thereafter.

(6) Not less than 10% per mcf on all such gas produced and saved thereafter.

B. The volumes of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the appendix thereto and subsequent amendments and appendices from time to time made. Proper corrections shall be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the said lands and for loss due to shrinkage by reason of contraction of hydrocarbons from such gas.

(6) of A above shall in no event be less than the minimum

overriding royalties, then such amounts shall be the overriding royalties to be received by Assignor hereunder for such period. If the parties cannot agree upon such amounts, then such amounts shall be determined by a board of arbitrators to be appointed as provided in the agreement between the parties dated January 18, 1952, hereinafter mentioned. The board of arbitrators, in determining the amounts of such overriding royalties, shall base their decision on the then value of such gas at the well head, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of Assignee's pipe lines or gathering systems or of any pipe line system to which any of Assignee's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties. The overriding royalties reserved by Assignor in A above shall be determined for each five-year period after the fifteenth year following the date hereof in like manner to that provided above for the five-year period next following the tenth year after the date hereof, but in no event shall the amount of such overriding royalties be less than 10¢ per mcf.

D. An overriding royalty in gas amount of thirty-three and one-third percent of the net proceeds realized in all fields connected to or in the area of any of Assignee's pipe lines or gathering systems or of any pipe line system to which any of Assignee's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties.

interest therein, regardless of whether such liquids are separated from the gas.

E. All oil in, to and under the said lands and leases, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

F. All gas and other hydrocarbon substances, in, to and under the said lands and leases in all formations below the Mesaverde formation, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

3. The said overriding royalties reserved herein are more fully described in a certain Oil and Gas Lease Sale Agreement between Assignor and Assignee dated January 18, 1952, and recorded in the official records of the County Clerk of San Juan County, New Mexico, in Volume _____ at Page _____, reference to which Agreement and record thereof is here made for all purposes, and the terms and provisions of which Agreement are all incorporated herein by reference the same as though set forth verbatim herein.

...is to be assigned...
may lawfully have or claim as its own... through its
Assignor.

6. Assignee, by its acceptance of this Assignment, warrants and agrees that it will comply with all terms, provisions and conditions of the Agreement dated January 18, 1952, mentioned hereinabove, and, subject to the terms thereof, that it will comply with all obligations of the leases hereby assigned and that it hereby assumes and agrees to pay, as and when the same shall become due and payable, all outstanding royalty, overriding royalty, carried and other interests under the leases hereby assigned applicable to all gas and other hydrocarbons produced and saved by Assignee.

EXECUTED at Dallas, Texas, on this 1st day of March, 1952.

DELHI OIL CORPORATION

BY


Vice President

to be the true and lawful agent of said corporation.

NOTARY PUBLIC IN AND FOR
Dallas County, Texas.

My commission expires:
June 1, 1968

John L. [unclear]
Notary Public - Dallas County, Texas
At Large, Texas

Exhibit 1
Attached to and made a part of the foregoing "Assignment of Oil and Gas Leases - Privately Owned Lands" from Delhi Oil Corporation to El Paso Natural Gas Company dated March 1, 1952.

The leases and other instruments hereinafter described in this exhibit, and the records thereof where described, are hereby referred to for all purposes in connection with the assignment to which this exhibit is attached.

I.

The following leases are subject to the following interests:

A. An overriding royalty of two and one-half per cent (2½%) of all oil, gas or other minerals as reserved by Wayne Moore, et ux, and described in that certain assignment of several leases to The Mudge Oil Company, dated February 19, 1948, recorded in Book 126, Page 568 of the records of San Juan County, New Mexico.

B. An overriding royalty of fifteen per cent (15%) of all gas and twenty per cent (20%) of all oil, subject to suspension and conversion to a working interest in certain instances, as reserved by The Mudge Oil Company and more fully described in that certain assignment from The Mudge Oil Company to Delhi Oil Corporation, acknowledged May 1, 1950, recorded in Book 146, Page 633 of the records of San Juan County, New Mexico.

NM 288

NM 1088

Lease dated June 3, 1947, and executed by James C. Sumruld and wife, Fannie Sumruld, as Lessors, to Wayne Moore, Lessee, covering the Northwest Quarter of the Northeast Quarter (NW/4 NE/4) of Section Thirty-four (34), and the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section Twenty-seven (27) all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., and containing 80 acres, more or less; said lease being recorded in Book 125, at Page 238 of the records of San Juan County, New Mexico; said lease having been amended by that certain agreement between James C. Sumruld, et ux, and Delhi Oil Corporation, dated July 13, 1950, recorded in Book 146, Page 633 of the Records of San Juan County, New Mexico; and by that certain agreement, dated February 13, 1952, between James C. Sumruld, et ux, and Delhi Oil Corporation.

NM 289

NM 1091

Lease dated May 20, 1947, and executed by J. S. Sprott and wife, Elizabeth Sprott, as Lessors, to Wayne Moore, Lessee, covering the Northwest Quarter of the Northeast Quarter (NW/4 NE/4) of Section Thirty-four (34), and the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section Twenty-seven (27) all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., and containing 80 acres, more or less; said lease being recorded in Book 125, at Page 238 of the records of San Juan County, New Mexico; said lease having been amended by that certain agreement between J. S. Sprott, et ux, and Delhi Oil Corporation, dated July 13, 1950, recorded in Book 146, Page 633 of the Records of San Juan County, New Mexico; and by that certain agreement, dated February 13, 1952, between J. S. Sprott, et ux, and Delhi Oil Corporation.

San Juan County, New Mexico, and said lease having been extended for an additional primary term of five years by that certain agreement between the same parties, dated January 8, 1952, recorded in Book 172, Page 559 of the records of said county.

NM 292

Lease dated May 9, 1946, and executed May 28, 1946, by Arthur Davis, et al., as Lessors, to Ben Case, Lessee, covering the West half of the Southwest Quarter (W/2 SW/4) of Section Twenty-three (23) and the West half of the Northwest Quarter (W/2 NW/4) of Section Twenty-six (26), all in Township Thirty-two (32) North, Range Eleven (11) West, N.M.P.M., and containing 160 acres, more or less, said lease being recorded in Book 125, at Page 55 of the records of San Juan County, New Mexico.

NM 293

Lease dated June 5, 1947, and executed by Gil Turner and wife, Delma Turner, as Lessors, to Wayne Moore, Lessee, covering approximately 149 acres in Section Thirty-four (34), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, all as more particularly described in said lease as recorded in Book 125, at Page 237 of the records of San Juan County, New Mexico; said lease having been extended in part by Agreement dated February 19, 1952, executed by Carl S. Sexton, et ux.

NM 294

Lease dated February 25, 1946, and executed February 28, 1946, by Mrs. Belle Hutchin, Administratrix, et al., as Lessors, to Ben Case, Lessee, covering "N $\frac{1}{2}$ SE, W $\frac{1}{2}$ NE Section 7", Township 31 North, Range 10 West, N.M.P.M., less two acres, and containing 158 acres, more or less, said lease being recorded in Book 125, Page 49 of the records of San Juan County, New Mexico.

NM 295

Lease dated March 1, 1946, executed by William C. Carruthers and wife, Frankie S. Carruthers, as Lessors, to Ben Case, Lessee, covering the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section Five (5), in Township Thirty-one (31) North, Range Ten (10) West; the North Half of the Northwest Quarter of the Northwest Quarter (N/2 NW/4 NW/4) of Section Eight (8) in Township Thirty-one (31) North, Range Ten (10) West; and the North Half of the Northeast Quarter of the Northeast Quarter (N/2 NE/4 NE/4) of Section Seven (7), in Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., and containing 80 acres, more or less; said lease being recorded in Book 125, at page 52 of the records of San Juan County, New Mexico; said lease having been extended in part by that certain agreement between William C. Carruthers, et ux, and Delhi Oil Corporation, dated April 21, 1952.

NM 296

Lease dated May 10, 1946, and executed May 10, 1946, by William C. Carruthers and wife, Frankie S. Carruthers, as Lessors, to Ben Case, Lessee, covering the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section Five (5), in Township Thirty-one (31) North, Range Ten (10) West; the North Half of the Northwest Quarter of the Northwest Quarter (N/2 NW/4 NW/4) of Section Eight (8) in Township Thirty-one (31) North, Range Ten (10) West; and the North Half of the Northeast Quarter of the Northeast Quarter (N/2 NE/4 NE/4) of Section Seven (7), in Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., and containing 80 acres, more or less; said lease being recorded in Book 125, at page 52 of the records of San Juan County, New Mexico; said lease having been extended in part by that certain agreement between William C. Carruthers, et ux, and Delhi Oil Corporation, dated April 21, 1952.

NM 327

1064

Lease, dated October 13, 1947, and executed by Austin D. Decker, et ux, as Lessors, to Wayne Moore, Lessee, covering the Southwest Quarter of the Northwest Quarter (SW/4 NW/4), the North Half of the Northwest Quarter (N/2 NW/4), all in Section Twenty (20), the West Half of the Northeast Quarter (W/2 NE/4), the Southeast Quarter of the Northeast Quarter (SE/4 NE/4) and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4), all in Section Nineteen (19), the South Half of the Southwest Quarter (S/2 SW/4) of Section Eight (8), the West Half of the West Half (W/2 W/2) of Section Seventeen (17), the East Half of the Southwest Quarter (E/2 SW/4) and the West Half of the Southeast Quarter (W/2 SE/4) of Section Twenty-nine (29), all in Township Thirty-two (32) North, Range Ten (10) West, N.M.P.M.; also the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section Fourteen (14), the North Half of the Northeast Quarter (N/2 NE/4) of Section Twenty-three (23), and the North Half of the Northwest Quarter (N/2 NW/4) of Section Twenty-four (24), all in Township Thirty-two (32) North, Range Eleven (11) West, N.M.P.M., and containing 880 acres, more or less; said lease being recorded in Book 125, at Page 206, of the records of San Juan County, New Mexico; said lease having been amended in part by that certain agreement between Austin D. Decker, et ux, and Delhi Oil Corporation, dated April 27, 1950.

NM 344

Lease dated February 3, 1947, and executed by Earl Uselman and wife, Edith Uselman, as Lessors, to Wayne Moore, Lessee, covering the Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of Section Four (4) in Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., containing Forty (40) acres, more or less, according to U. S. Government Survey thereof. Also, all that part of the Northeast Quarter of the Northwest Quarter (NE/4 NW/4) lying South of the North Bank of the Animas River of Section Four (4) in Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., containing three (3) acres, more or less; said lease being recorded in Book 125, at Page 203, of the records of San Juan County, New Mexico; said lease having been amended by that certain agreement between Earl Uselman, et ux, and Delhi Oil Corporation, dated April 20, 1950, recorded in Book 146, Page 680 of the records of San Juan County, New Mexico, and said lease having been extended by that certain agreement between the same parties, dated January 9, 1952, recorded in Book 172, Page 556 of the records of said county.

NM 347

Lease dated October 13, 1947, and executed by Fred L. Lawson and wife, Grace P. Lawson, as Lessors, to Wayne Moore, Lessee, covering the Southeast Quarter of the Northeast Quarter (SE/4 NE/4) of Section Eleven (11) in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., and containing Forty (40) acres, more or less; said lease being recorded in Book 130, at Page 17 of the records of San Juan County, New Mexico.

NM 350

Lease dated January 9, 1947, executed by Frank Handman and wife, Eva Handman, as Lessors, to Ben Case, Lessee, in so far as it covers the following described lands, to-wit: Northeast Quarter of the Southeast Quarter (NE/4 SE/4) of Section Eleven (11) in Township

Tract (31) North, Range Eleven (11) West, N.M.P.M., containing 40 acres, more or less, said lease being recorded in Book 125, Page 214 of the records of San Juan County, New Mexico; said lease having been amended by that certain agreement between Frank Randleman, et ux, and Delhi Oil Corporation, dated November 2, 1950, recorded in Book 155, Page 31 of the records of said county.

II.

The following leases are subject to the following interests:

A. An overriding royalty of two and one-half per cent (2½%) of all oil, gas or other minerals, as reserved by H. F. Pettigrew and described in that certain assignment to Delhi Oil Corporation, dated August 15, 1950, recorded in Book 151, Page 517 of the records of San Juan County, New Mexico.

B. An overriding royalty of fifteen per cent (15%) of all gas and twenty per cent (20%) of all oil, subject to suspension and conversion to a working interest in certain instances, as granted to San Juan Oil Company by, and more fully described in, that certain agreement entered into between San Juan Oil Company and Delhi Oil Corporation, dated January 5, 1951, recorded in Book 157, Page 328 of the records of San Juan County, New Mexico.

NM 363

Lease dated December 3, 1947, executed December 6, 1947 by Ray H. Wooten and wife, Melba Wooten, as Lessors, to Wayne Moore, Lessee, covering the East Half of the Southeast Quarter (E/2 SE/4) of Section Twenty-three (23), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., in the County of San Juan, New Mexico, containing 80 acres, more or less, said lease being recorded in Book 135, Page 93-A of the records of San Juan County, New Mexico.

NM 364

NM 1084

Lease dated December 29, 1949, executed by Carl G. Calloway, et al, as Lessors, to H. F. Pettigrew, Lessee, covering the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section Twenty-three (23), the East One-half of the Southeast Quarter (E/2 SE/4) of Section Twenty-two (22) and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Twenty-seven (27), all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, being the same land patented to Shade Calloway, by Act of October 28, 1918, recorded in Book 10, Page 10 of the records of San Juan County, New Mexico, containing 120 acres, more or less, said lease being recorded in Book 140, Page 335 of the records of said county.

NM 365

NM 1079

Lease dated September 1, 1951, executed by Yager, et al, as Lessors, to H. F. Pettigrew, Lessee, covering the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section Twenty-three (23), the East One-half of the Southeast Quarter (E/2 SE/4) of Section Twenty-two (22) and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Twenty-seven (27), all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, being the same land patented to Shade Calloway, by Act of October 28, 1918, recorded in Book 10, Page 10 of the records of San Juan County, New Mexico, containing 120 acres, more or less, said lease being recorded in Book 140, Page 335 of the records of said county.

NM 386
NM-1081

Lease dated September 1, 1948, executed by Saul A. Yager, et ux, as lessors, to Wayne Moore, Lessee, covering the North one-half of the Southwest Quarter (N/2 SW/4), the Southeast Quarter of the Southwest Quarter (SE/4 SW/4) and the Southwest Quarter of the Southeast Quarter (SW/4 SE/4), all in Section Thirty-two (32), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 160 acres, more or less, said lease being recorded in Book 135, Page 87, of the records of San Juan County, New Mexico.

III.

The following leases are subject to the following interests:

A. An overriding royalty of two and one half per cent (2½%) of all oil, gas or other minerals as reserved by Primo Oil Company and described in that certain assignment to Delhi Oil Corporation, dated January 11, 1951, recorded in Book 157, Page 246 of the records of San Juan County, New Mexico.

B. An overriding royalty of fifteen per cent (15%) of all gas and twenty per cent (20%) of all oil, subject to suspension and conversion to a working interest in certain instances, as granted to San Juan Oil Company by, and more fully described in, that certain agreement entered into between San Juan Oil Company and Delhi Oil Corporation, dated May 25, 1951, recorded in Book 165, Page 447 of the records of San Juan County, New Mexico.

NM 377
NM 1078

Lease dated September 1, 1948, executed by Saul A. Yager, et ux, as lessors, to Wayne Moore, Lessee, covering the East one-half of the Southwest Quarter (E/2 SW/4) of Section Fifteen (15), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 80 acres, more or less, said lease being recorded in Book 135, Page 88 of the records of San Juan County, New Mexico.

NM 378
NM 1079

Lease dated September 1, 1948, executed by Saul A. Yager, et ux, as lessors, to Wayne Moore, Lessee, covering the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section Thirty-one (31) in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 40 acres, more or less, said lease being recorded in Book 135, Page 83 of the records of San Juan County, New Mexico.

NM 379
NM 1080

Lease dated September 1, 1948, executed by Saul A. Yager, et ux, as lessors, to Wayne Moore, Lessee, covering the Northwest Quarter of the Northwest Quarter (NW/4 NW/4) of Section Eight (8), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 40 acres, more or less, said lease being recorded in Book 135, Page 84 of the records of San Juan County, New Mexico.

Lease dated September 1, 1948, executed by Saul A. Yager, et ux, as lessors, to Wayne Moore, Lessee, covering the Southeast Quarter of the Northwest Quarter (SE/4 NW/4) of Section Eight (8), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 40 acres, more or less, said lease being recorded in Book 135, Page 85 of the records of San Juan County, New Mexico.

Lease dated May 4, 1950, executed May 5, 1950 by Geo. F. Bruington, et ux, as Lessors, to H. F. Pettigrew, Lessee, in so far as said lease covers all that part of the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Thirty-five (35) situated, lying and being East of the right of way of the Denver & Rio Grande Railroad Company and all that part of the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section Twenty-five (25) lying and being East of the Aztec Ditch, all in Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M. and Lot Three (3), or the Northwest Quarter of the Southwest Quarter (NW/4 SW/4) of Section Nineteen (19), Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., all in San Juan County, New Mexico, purported to contain approximately 110.00 acres, said lease being recorded in Book 146, Page 320 of the records of San Juan County, New Mexico.

NM 381

Lease dated December 20, 1949, executed by J. J. Armstrong, et ux, as Lessors, to H. F. Pettigrew, Lessee, covering three tracts of land in Section Seven (7), Township Thirty-one (31) North, Range Ten (10) West, N.M.P.M., San Juan County, New Mexico, containing 25 acres, more or less, all as more particularly described in said lease and the record thereof, said lease being recorded in Book 140, Page 15 of the Records of said county.

NM 382

Lease dated December 20, 1949, executed by Carl G. Calloway, a single person, and Zelia Calloway, a single person, as Lessors, to H. F. Pettigrew, Lessee, in so far as said lease covers all of that part of the Northwest Quarter of the Northeast Quarter of the Northeast Quarter (NW/4 NE/4 NE/4) of Section Thirty-five (35), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, lying and being West of the Denver & Rio Grande Western Railroad Company right-of-way, containing 4 acres, more or less, said lease being recorded in Book 140, Page 336 of the records of San Juan County, New Mexico.

NM 383

IV.

The following leases are subject to the following interest:

An overriding royalty of one-fifth (1/5) of seven-eighths (7/8) of the proceeds from the sale of oil, gas and other hydrocarbon substances produced, saved and marketed, as granted to M. J. Flanagan, et ux, and described in that certain assignment from Blance Gas Company, dated October 10, 1950.

NM 420

Lease dated October 20, 1947, executed by Carl S. Saxton, et ux, as Lessors, to M. J. Flanagan, Lessee, covering the Northwest Quarter of the Northeast Quarter of Section Thirty-five (35), Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., San Juan County, New Mexico, containing 4 acres, more or less, said lease being recorded in Book 140, Page 336 of the records of San Juan County, New Mexico.

Twenty-eight (28), Township Thirty-one (31) North, Range Nine (9) West, N.M.P.M., San Juan County, New Mexico, containing 180 acres, more or less, said lease being recorded in Book 130, Page 43 of the records of San Juan County, New Mexico.

NM 421

Lease dated August 16, 1947, executed by Ricardo Jaquez, et ux, as Lessors, to C. H. Nye, Lessee, only in so far as it covers Lot Two (2) or the Southwest Quarter of the Northwest Quarter (SW/4 NW/4), Lot Three (3) or the Northwest Quarter of the Southwest Quarter (NW/4 SW/4), the Southeast Quarter of the Northwest Quarter (SE/4 NW/4), the Northeast Quarter of the Southwest Quarter (NE/4 SW/4) and the Southwest Quarter of the Northeast Quarter (SW/4 NE/4), all in Section Thirty (30), Township Thirty (30) North, Range Eight (8) West, N.M.P.M., San Juan County, New Mexico, containing 143 acres, more or less, said lease being recorded in Book 130, Page 2 of the records of San Juan County, New Mexico.

NM 422

Lease dated October 20, 1947, executed by Felipe Jaquez, et ux, as Lessors, to M. J. Florance, Lessee, covering the West one-half of the Southwest Quarter (W/2 SW/4) of Section Twenty-one (21), the Northwest Quarter of the Northwest Quarter (NW/4 NW/4) of Section Twenty-eight (28), the North one-half of the North one-half (N/2 N/2) of Section Twenty-nine (29) and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Thirty (30), all in Township Thirty-one (31) North, Range Nine (9) West, N.M.P.M., San Juan County, New Mexico, covering 320 acres, more or less, said lease being recorded in Book 130, Page 44 of the records of San Juan County, New Mexico.

NM 423

Lease dated August 18, 1947, executed by Theodoro Archuleta, et ux, as Lessors, to C. H. Nye, Lessee, covering approximately 127.4 acres in the Southeast Quarter of the Southwest Quarter (SE/4 SW/4), the West one-half of the Southeast Quarter (W/2 SE/4) and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4), all in Section Nineteen (19), Township Thirty (30) North, Range Eight (8) West, N.M.P.M., San Juan County, New Mexico, all as more specifically described in said lease, said lease being recorded in Book 130, Page 3 of the records of San Juan County, New Mexico.

NM 424

Lease dated September 2, 1947, executed by Paul Taylor, et ux, as Lessors, to M. J. Florance, Lessee, covering the Southeast Quarter of the Southwest Quarter (SE/4 SW/4) of Section Twenty-one (21), the Northeast Quarter of the Southwest Quarter (NE/4 SW/4), the North one-half of the North one-half (N/2 N/2) of Section Twenty-nine (29) and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section Thirty (30), all in Township Thirty-one (31) North, Range Nine (9) West, N.M.P.M., San Juan County, New Mexico, covering 320 acres, more or less, said lease being recorded in Book 130, Page 44 of the records of San Juan County, New Mexico.

WHEREAS, on February 10, 1958, DELHI OIL CORPORATION made and entered into a certain Operating Agreement with E. C. FORD pertaining to that certain United States Oil and Gas Lease bearing serial number Santa Fe 68000 in so far as the same covers the following described land located in Santa Fe County, New Mexico, to-wit:

Tract 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000, 1001, 1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019, 1020, 1021, 1022, 1023, 1024, 1025, 1026, 1027, 1028, 1029, 1030, 1031, 1032, 1033, 1034, 1035, 1036, 1037, 1038, 1039, 1040, 1041, 1042, 1043, 1044, 1045, 1046, 1047, 1048, 1049, 1050, 1051, 1052, 1053, 1054, 1055, 1056, 1057, 1058, 1059, 1060, 1061, 1062, 1063, 1064, 1065, 1066, 1067, 1068, 1069, 1070, 1071, 1072, 1073, 1074, 1075, 1076, 1077, 1078, 1079, 1080, 1081, 1082, 1083, 1084, 1085, 1086, 1087, 1088, 1089, 1090, 1091, 1092, 1093, 1094, 1095, 1096, 1097, 1098, 1099, 1100, 1101, 1102, 1103, 1104, 1105, 1106, 1107, 1108, 1109, 1110, 1111, 1112, 1113, 1114, 1115, 1116, 1117, 1118, 1119, 1120, 1121, 1122, 1123, 1124, 1125, 1126, 1127, 1128, 1129, 1130, 1131, 1132, 1133, 1134, 1135, 1136, 1137, 1138, 1139, 1140, 1141, 1142, 1143, 1144, 1145, 1146, 1147, 1148, 1149, 1150, 1151, 1152, 1153, 1154, 1155, 1156, 1157, 1158, 1159, 1160, 1161, 1162, 1163, 1164, 1165, 1166, 1167, 1168, 1169, 1170, 1171, 1172, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1216, 1217, 1218, 1219, 1220, 1221, 1222, 1223, 1224, 1225, 1226, 1227, 1228, 1229, 1230, 1231, 1232, 1233, 1234, 1235, 1236, 1237, 1238, 1239, 1240, 1241, 1242, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, 1251, 1252, 1253, 1254, 1255, 1256, 1257, 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1267, 1268, 1269, 1270, 1271, 1272, 1273, 1274, 1275, 1276, 1277, 1278, 1279, 1280, 1281, 1282, 1283, 1284, 1285, 1286, 1287, 1288, 1289, 1290, 1291, 1292, 1293, 1294, 1295, 1296, 1297, 1298, 1299, 1300, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 1328, 1329, 1330, 1331, 1332, 1333, 1334, 1335, 1336, 1337, 1338, 1339, 1340, 1341, 1342, 1343, 1344, 1345, 1346, 1347, 1348, 1349, 1350, 1351, 1352, 1353, 1354, 1355, 1356, 1357, 1358, 1359, 1360, 1361, 1362, 1363, 1364, 1365, 1366, 1367, 1368, 1369, 1370, 1371, 1372, 1373, 1374, 1375, 1376, 1377, 1378, 1379, 1380, 1381, 1382, 1383, 1384, 1385, 1386, 1387, 1388, 1389, 1390, 1391, 1392, 1393, 1394, 1395, 1396, 1397, 1398, 1399, 1400, 1401, 1402, 1403, 1404, 1405, 1406, 1407, 1408, 1409, 1410, 1411, 1412, 1413, 1414, 1415, 1416, 1417, 1418, 1419, 1420, 1421, 1422, 1423, 1424, 1425, 1426, 1427, 1428, 1429, 1430, 1431, 1432, 1433, 1434, 1435, 1436, 1437, 1438, 1439, 1440, 1441, 1442, 1443, 1444, 1445, 1446, 1447, 1448, 1449, 1450, 1451, 1452, 1453, 1454, 1455, 1456, 1457, 1458, 1459, 1460, 1461, 1462, 1463, 1464, 1465, 1466, 1467, 1468, 1469, 1470, 1471, 1472, 1473, 1474, 1475, 1476, 1477, 1478, 1479, 1480, 1481, 1482, 1483, 1484, 1485, 1486, 1487, 1488, 1489, 1490, 1491, 1492, 1493, 1494, 1495, 1496, 1497, 1498, 1499, 1500, 1501, 1502, 1503, 1504, 1505, 1506, 1507, 1508, 1509, 1510, 1511, 1512, 1513, 1514, 1515, 1516, 1517, 1518, 1519, 1520, 1521, 1522, 1523, 1524, 1525, 1526, 1527, 1528, 1529, 1530, 1531, 1532, 1533, 1534, 1535, 1536, 1537, 1538, 1539, 1540, 1541, 1542, 1543, 1544, 1545, 1546, 1547, 1548, 1549, 1550, 1551, 1552, 1553, 1554, 1555, 1556, 1557, 1558, 1559, 1560, 1561, 1562, 1563, 1564, 1565, 1566, 1567, 1568, 1569, 1570, 1571, 1572, 1573, 1574, 1575, 1576, 1577, 1578, 1579, 1580, 1581, 1582, 1583, 1584, 1585, 1586, 1587, 1588, 1589, 1590, 1591, 1592, 1593, 1594, 1595, 1596, 1597, 1598, 1599, 1600, 1601, 1602, 1603, 1604, 1605, 1606, 1607, 1608, 1609, 1610, 1611, 1612, 1613, 1614, 1615, 1616, 1617, 1618, 1619, 1620, 1621, 1622, 1623, 1624, 1625, 1626, 1627, 1628, 1629, 1630, 1631, 1632, 1633, 1634, 1635, 1636, 1637, 1638, 1639, 1640, 1641, 1642, 1643, 1644, 1645, 1646, 1647, 1648, 1649, 1650, 1651, 1652, 1653, 1654, 1655, 1656, 1657, 1658, 1659, 1660, 1661, 1662, 1663, 1664, 1665, 1666, 1667, 1668, 1669, 1670, 1671, 1672, 1673, 1674, 1675, 1676, 1677, 1678, 1679, 1680, 1681, 1682, 1683, 1684, 1685, 1686, 1687, 1688, 1689, 1690, 1691, 1692, 1693, 1694, 1695, 1696, 1697, 1698, 1699, 1700, 1701, 1702, 1703, 1704, 1705, 1706, 1707, 1708, 1709, 1710, 1711, 1712, 1713, 1714, 1715, 1716, 1717, 1718, 1719, 1720, 1721, 1722, 1723, 1724, 1725, 1726, 1727, 1728, 1729, 1730, 1731, 1732, 1733, 1734, 1735, 1736, 1737, 1738, 1739, 1740, 1741, 1742, 1743, 1744, 1745, 1746, 1747, 1748, 1749, 1750, 1751, 1752, 1753, 1754, 1755, 1756, 1757, 1758, 1759, 1760, 1761, 1762, 1763, 1764, 1765, 1766, 1767, 1768, 1769, 1770, 1771, 1772, 1773, 1774, 1775, 1776, 1777, 1778, 1779, 1780, 1781, 1782, 1783, 1784, 1785, 1786, 1787, 1788, 1789, 1790, 1791, 1792, 1793, 1794, 1795, 1796, 1797, 1798, 1799, 1800, 1801, 1802, 1803, 1804, 1805, 1806, 1807, 1808, 1809, 1810, 1811, 1812, 1813, 1814, 1815, 1816, 1817, 1818, 1819, 1820, 1821, 1822, 1823, 1824, 1825, 1826, 1827, 1828, 1829, 1830, 1831, 1832, 1833, 1834, 1835, 1836, 1837, 1838, 1839, 1840, 1841, 1842, 1843, 1844, 1845, 1846, 1847, 1848, 1849, 1850, 1851, 1852, 1853, 1854, 1855, 1856, 1857, 1858, 1859, 1860, 1861, 1862, 1863, 1864, 1865, 1866, 1867, 1868, 1869, 1870, 1871, 1872, 1873, 1874, 1875, 1876, 1877, 1878, 1879, 1880, 1881, 1882, 1883, 1884, 1885, 1886, 1887, 1888, 1889, 1890, 1891, 1892, 1893, 1894, 1895, 1896, 1897, 1898, 1899, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 22

...with oil, gas and other minerals produced from and under said lease, reference being here made to said lease, assignments, instruments and documents for a more particular description of the terms thereof. This Assignment is made expressly subject to all such royalties, overriding royalties and other rights and interests so excepted, reserved or assigned, as hereinafter set forth.

2. Assignor hereby excepts, reserves and retains unto itself, its successors and assigns the following:

A. An overriding royalty on Assignor's interest in all gas produced and saved from the said lease and the above described land as follows:

(1) $5\frac{1}{2}\%$ per mcf (1,000 cubic feet) on all such gas produced and saved during the first $3\frac{1}{3}$ years after the date hereof.

(2) $6\frac{1}{2}\%$ per mcf on all such gas produced and saved during the next $3\frac{1}{3}$ years thereafter.

(3) $7\frac{1}{2}\%$ per mcf on all such gas produced and saved during the next $3\frac{1}{3}$ years thereafter.

(4) Not less than 8% per mcf on all such gas produced and saved during the next one year thereafter.

(5) Not less than 9% per mcf on all such gas produced and saved during the next one year thereafter.

(6) Not less than 10% per mcf on all such gas produced and saved thereafter.

B. The volume of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in the Government Circular Report No. 2, dated May 6, 1926, of the Bureau of Reclamation, U.S. Department of the Interior.

be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the said lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

C. The overriding royalties specified in (4), (5) and (6) of A above shall in no event be less than the respective amounts stated therein but shall be arrived at as follows: approximately ninety (90) days prior to the end of the first ten (10) years following the date hereof the parties shall attempt to agree upon the amounts of such overriding royalties for the next five-year period. If the parties agree upon such overriding royalties, then such amounts shall be the overriding royalties to be received by Assignor hereunder for such period. If the parties cannot agree upon such amounts, then such amounts shall be determined by a board of arbitrators to be appointed as provided in the agreement between the parties dated January 18, 1952, hereinafter mentioned. The board of arbitrators, in determining the amounts of such overriding royalties, shall base their decision on the then value of such gas at the well head, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of Assignee's pipe lines or gathering systems or of any pipe line system to which any of Assignee's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties. The overriding royalties reserved by Assignor in A above shall be determined for each five-year period after the fifteenth year following the date hereof in like manner

D. An overriding royalty in the amount of thirty-three and one-third per cent ($33\frac{1}{3}\%$) of Assignor's interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from the said land. At Assignor's option, Assignee shall deliver to Assignor such overriding royalty in kind or shall pay to Assignor the fair market value thereof in cash. At all times prior to the completion of construction and commencement of operation by Assignee of a plant for extraction of such liquids, Assignee shall pay to Assignor in cash the estimated value of thirty-three and one-third per cent ($33\frac{1}{3}\%$) of all liquids produced with or contained in gas produced from the said land and applicable to Assignor's interest therein, regardless of whether such liquids are extracted from the gas.

E. All oil in, to and under the said land, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

F. All gas and other hydrocarbon substances, in, to and under the said land in all formations below the Mesaverde formation, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

3. The said overriding royalties provided herein shall be suspended and Assignor shall have and retain in lieu thereof a working interest in the said land and lease during all periods when the average production per acre per month from, averaged on a monthly basis, is (a) as to oil, less than barrels or less, and (b) as to gas, less than cubic feet (300,000) cubic feet or less. The limitations of this paragraph shall apply separately to any one or more of the lands which may be surrendered hereunder.

_____ was
recorded in the official records of the County Clerk of San Juan
County, New Mexico, in Volume _____ at Page _____, ref-
erence to which Agreement and record thereof is here made for all
purposes, and the terms and provisions of which Agreement are all
incorporated herein by reference the same as though set forth
verbatim herein.

5. Assignee, by its acceptance of this Assignment,
warrants and agrees that it will comply with all terms, provisions
and conditions of the Agreement dated January 18, 1952, mentioned
hereinabove, and, subject to the terms thereof, that it will com-
ply with all obligations of the Operator contained in the Operat-
ing Agreement hereby assigned, and that it hereby assumes and
agrees to pay, as and when the same shall become due and payable,
all outstanding royalty, overriding royalty, carried and other
interests under the Operating Agreement hereby assigned applic-
able to all gas and other hydrocarbons produced and saved by
Assignee. Assignee further agrees that it will not discriminate
against any employee or applicant for employment because of race,
creed, color or national origin, and that it will require that
an identical provision be incorporated in all subcontracts.

6. This Assignment is subject also to the following
interests previously reserved and retained in the said land and
lease covering same:

2-10-52

the assignor hereby assigns and the assignor is assigned all all
personal property situated on the land mentioned above and used
or obtained in connection therewith, against all persons whom-
soever who may lawfully have or claim an interest therein by,
through or under Assignor.

EXECUTED at Dallas, Texas, as of the 1st day of March,
1952.

EL PASO NATURAL GAS COMPANY

By C. E. Mc
VICE PRESIDENT

ATTEST:

A. P. Petrie
Secretary

El Paso Natural Gas Company, Assignee herein, hereby
accepts this Assignment and agrees to be bound by the terms and
provisions thereof, all as of March 1, 1952.

EL PASO NATURAL GAS COMPANY

By C. E. Mc
VICE PRESIDENT

ATTEST:

A. P. Petrie
Secretary

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

December 17, 1954

Mr. Jack Campbell, Attorney
224 J. P. White Building
ROSWELL, N M

Dear Sir:

On behalf of your client, Mr. Saul Yager, et al, we
enclose copies of Oil Conservation Commission orders
as follows:

Order R-560 in Case 706
Order R-546 in Case 707
Order R-547 in Case 708
Order R-548 in Case 709
Order R-549 in Case 710
Order R-557 in Case 711
Order R-558 in Case 712

These orders were signed as of December 16, 1954, and
placed in the Commission's permanent entry book on De-
cember 17, 1954.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:nr

Encl.

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

December 17, 1954

El Paso Natural Gas Company
Bassett Tower
EL PASO TEXAS

Gentlemen:

We enclose orders issued by the Oil Conservation Commission as follows:

Order R-560 in Case 706
Order R-546 in Case 707
Order R-547 in Case 708
Order R-548 in Case 709
Order R-549 in Case 710
Order R-557 in Case 711
Order R-558 in Case 712

These orders were signed on December 16, 1954, and placed in the Commission's permanent entry book on December 17, 1954.

Very truly yours,

W. B. Hacey
Secretary - Director

WBM:nr

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. 707

ORDER NO. _____

THE APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR COMPULSORY COMMUNITIZATION
OF LOTS 3 and 4, E/2 SW/4, SE/4 (S/2)
OF SECTION 31, TOWNSHIP 31 NORTH,
RANGE 11 WEST, N.M.P.M., SAN JUAN
COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on May 19, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as "Commission"; and the Commission having heard all testimony offered, permitted interested parties to file written briefs on or before June 15, 1954, and written briefs were filed by El Paso Natural Gas Company, Saul A. Yager, Morris Mizel, Marian Yager, Morris E. Gimp and Sam Mizel.

NOW, on this _____ day of _____, 1954, the Commission, a quorum being present, having considered the records and testimony adduced and the written briefs filed by the parties, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
2. That Applicant, El Paso Natural Gas Company, Delhi Oil Corporation and Aztec Oil and Gas Company were, on February 19, 1953, the owners of the entire working interest under oil and gas leases covering Lots 3 and 4, E/2 SW/4 and SE/4 of Section 31, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, containing 322.90 acres of land, in the shape of a rectangle, and constituted the South One-half of said Section 31 which is an irregular section containing more than 640 acres of land.
3. That the S/2 of said Section 31, Township 31 North, Range 11 West, N.M.P.M., is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.
4. That by its Order No. R-110 the Commission established a uniform spacing plan for the Blanco-Mesaverde Gas Pool, said plan providing for drilling units of not less than 320 acres of land in the shape of a rectangle, and provided further that "the pooling of properties or parts thereof shall be permitted, and if not agreed upon 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 of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool".

5. That by its Order R-110, the Commission provided that "no well shall be drilled, completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivision of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed or approved for completion in the pool."

6. That on February 19, 1953, a Notice of Intention to Drill (Form C-101) was approved by a duly authorized Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the Applicant, El Paso Natural Gas Company, and permission was granted to drill a well to be known as the Yager Pool Unit No. 1 Well to be located 990 feet from the south line and 990 feet from the west line of said Section 31, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, said well to be drilled to the Mesaverde formation, and said Notice of Intention to Drill designated the S/2 of said Section 31, Township 31 North, Range 11 West, N.M.P.M., as the designated drilling unit as provided in Order R-110; that drilling operations were commenced in said well on March 2, 1953, and the well completed on March 25, 1953, in the Mesaverde formation with an initial potential of 710,000 cubic feet of gas per day.

7. That the working interest owners at that time were the only persons who had the right to drill into and to produce from said Mesaverde Gas Pool and to appropriate the production for themselves, and that all of said owners agreed to pool or communitize their separate oil and gas leases into a drilling unit containing 322.90 acres as described above.

8. That the agreement of the owners in all things complied with the provisions of Order R-110 and the unit selected by the owners as a drilling unit complied with Order R-110.

9. That the agreement entered into by said owners to pool or communitize their oil and gas leases covering the S/2 of said Section 31, Township 31 North, Range 11 West, effectively created a communitized or pooled unit comprising the S/2 of said Section 31, and that the approval of the Notice of Intention to Drill by the Commission's Inspector effectively approved such communitized or pooled tract on the date of such approval, to wit, February 19, 1953, and that the S/2 of said Section 31, Township 31 North, Range 11 West, N.M.P.M., has been and is an approved drilling unit containing 322.90 acres at all times thereafter.

10. That the drilling of an additional well or wells lying within the S/2 of said Section 31, Township 31 North, Range 11 West, N.M.P.M., would be wasteful.

IT IS, THEREFORE, ORDERED:

That the S/2 of said Section 31, Township 31 North, Range 11 West, N.M.P.M., be and is hereby recognized as a communitized or pooled tract effective February 19, 1953, and at all times thereafter, and that such pooling or communitization be and it is hereby in all things confirmed.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Edwin L. Michen, Chairman

E. S. Walker, Member

R. A. Spurrier, Member and Secretary

New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEN
CHAIRMAN
LAND COMMISSIONER E. S. WALKER
MEMBER
STATE GEOLOGIST R. R. SPURRIER
SECRETARY AND DIRECTOR



P. O. BOX 871
SANTA FE, NEW MEXICO

July 31, 1953

Mr. W. T. Hollis
Production Superintendent
El Paso Natural Gas Company
P. O. Box 997
Farmington, New Mexico

Dear Sir:

Receipt is acknowledged of plat and waivers that were necessary for the approval of your Notice of Intention to Change Plans for the No. 2 Yager Pooled Unit in the NW/4 of Section 6, Township 30 North, Range 11 West.

Approval is hereby given to deepen the above well to the Mesaverde formation.

Very truly yours,

R. R. Spurrier
R. R. Spurrier
Secretary and Director

cc: Mr. Emery Arnold
Oil Conservation Commission
P. O. Box 697
Aztec, New Mexico

NEW MEXICO OIL CONSERVATION COMM. ION
Santa Fe, New Mexico

MISCELLANEOUS NOTICES

Submit this notice in TRIPLICATE to the District Office, Oil Conservation Commission, before the work specified is to begin. A copy will be returned to the sender on which will be given the approval, with any modifications considered advisable, or the rejection by the Commission or agent, of the plan submitted. The plan as approved should be followed, and work should not begin until approval is obtained. See additional instructions in the Rules and Regulations of the Commission.

Indicate Nature of Notice by Checking Below

NOTICE OF INTENTION TO CHANGE PLANS	<input checked="" type="checkbox"/>	NOTICE OF INTENTION TO TEMPORARILY ABANDON WELL	<input type="checkbox"/>	NOTICE OF INTENTION TO DRILL DEEPER	<input type="checkbox"/>
NOTICE OF INTENTION TO PLUG WELL	<input type="checkbox"/>	NOTICE OF INTENTION TO PLUG BACK	<input type="checkbox"/>	NOTICE OF INTENTION TO SET LINER	<input type="checkbox"/>
NOTICE OF INTENTION TO SQUEEZE	<input type="checkbox"/>	NOTICE OF INTENTION TO ACIDIZE	<input type="checkbox"/>	NOTICE OF INTENTION TO SHOOT (Nitro)	<input type="checkbox"/>
NOTICE OF INTENTION TO GUN PERFORATE	<input type="checkbox"/>	NOTICE OF INTENTION (OTHER)	<input type="checkbox"/>	NOTICE OF INTENTION (OTHER)	<input type="checkbox"/>

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Farmington, New Mexico
(Place)

May 26, 1953
(Date)

Gentlemen:

Following is a Notice of Intention to do certain work as described below at the Yager Pool Unit
El Paso Natural Gas Company Well No. 2 in Blanco
(Company or Operator) (Unit)
NW 6 of Sec. 30N, T. 11W, NMPM, Blanco Pool
(40-acre Subdivision)
San Juan County.

FULL DETAILS OF PROPOSED PLAN OF WORK
(FOLLOW INSTRUCTIONS IN THE RULES AND REGULATIONS)

This well has been drilled to a total depth of 2283' through the Pictured Cliffs formation and found non-productive in this formation.

It is intended to change plans in the following manner:

1. To drill this well through the Mesaverde formation.
2. To set 5" O.D. liner at 4183' total depth through Mesaverde 4638'.
3. To shoot lower Mesaverde with approximately two quarts S. N. G. per foot.

The W/2 of Section 6 will be dedicated to this well.

Approved July 31, 1953
Except as follows:

Approved
OIL CONSERVATION COMMISSION
By J. J. Hendrichsen
Title P. Engr.

EL PASO NATURAL GAS COMPANY
Company or Operator
By E. J. Coel
Position Petroleum Engineer
Send Communications regarding well to:
Name E. J. Coel
Address Box 997, Farmington, New Mexico



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
EL PASO NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION OF THE
W $\frac{1}{2}$ OF SECTION 6, TOWNSHIP 30 NORTH,
RANGE 11 WEST, N.M.P.M., SAN JUAN
COUNTY, NEW MEXICO

Case No. 706

APPLICATION FOR REHEARING

Come now Applicants, Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and wife Flora Mizel, and Sam Mizel,
by their attorney, and state:

(a) Applicants are the owners of interests in Lot 4,
Section 6, Township 30 North, Range 11 West, N.M.P.M., San Juan
County, New Mexico and are parties affected by Order No. R-560
entered by the Commission on December 17, 1954.

(b) Order No. R-560 is erroneous in the following
respects:

1. The order neither grants nor denies the relief
sought and is therefore not within the call of the hearing.
2. Finding No. 6 is contrary to the testimony and
evidence.
3. Finding No. 6 is erroneous in that any approval
of an unorthodox location for a Mesaverde well was never properly
or legally obtained.
4. Findings No. 7, 8 and 9 are contrary to law.
5. The order is contrary to Section 1(a) of
Order No. R-110 heretofore issued by the Commission.
6. The order is contrary to Section 13(b) of
Chapter 168, Laws of 1949, as amended.
7. The order is an unreasonable and arbitrary
interpretation of the Commission's rules and deprives Applicants
of their correlative rights.

8. The Order deprives Applicants of their property without due process of law.

9. The order impairs the obligations of valid contract between Applicants and El Paso Natural Gas Company.

10. The order bears no relation to prevention of waste.

11. The order renders meaningless pooling clauses in leases referred to in the original application and the testimony and renders meaningless the application in the instant case.

WHEREFORE, Applicants request a rehearing in Case No. 706 before the Commission.

Respectfully submitted,

Saul A. Yager, Marian Yager,
M. E. Gimp, Morris Mizel and
wife Flora Mizel, and Sam
Mizel

1-4-55

By Jack M. Campbell
Jack M. Campbell
their attorney

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 12, 1954

C
O
P
Y

Mr. Saul A. Yager
Attorney at Law
613 Oil Capital Building
Tulsa 3, Oklahoma

Re: Cases 706-712, Inc.

Dear Mr. Yager:

Reference is made to your letter of May 10th to Mr. Spurrier
pertaining to the above captioned cases.

The Commission has advised me that it is unable to commit
itself on a postponement of these cases. In order for your request
to be considered it will be necessary for you or your representative
to be present on May 19th to make a formal request for continuance.

Yours very truly,

W. B. Macey
Chief Engineer

WBM:vc

MAIN OFFICE OCC

SAUL A. YAGER
ATTORNEY AT LAW
613 OIL CAPITAL BUILDING
TULSA 3, OKLAHOMA

1954 MAY 11 PM 1:44

May 10, 1954

Mr. R. R. Sourrier
Secretary-Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Re: Applications of El Paso Natural
Gas Company before the New Mexico
Oil Conservation Commission
cases 706-712, Incl.

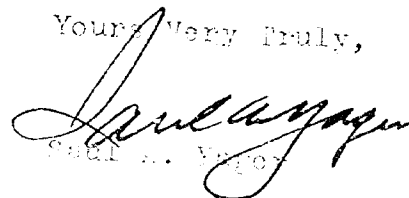
Dear Sir:

Because of conflicts with other matters and also inability to prepare, we find that we will be unable to go ahead with the hearings of the above matters set before the Commission on May 19, 1954. We respectfully request that the hearings be continued for 60 days.

It will be appreciated if you will advise me in the enclosed airmail special delivery return envelope.

Thank you.

Yours Very Truly,


Saul A. Yager

SAV:rb
encl-1
AIRMAIL SPECIAL DELIVERY

CC: Mr. Ben F. Howell
Jones, Hardie, Greening and Howell
Attorneys at Law
7th Floor, Cassette Tower
El Paso, Texas

SAUL A. YAGER
ATTORNEY AT LAW
613 OIL CAPITAL BUILDING
TULSA 3, OKLAHOMA

May 6, 1954

Mr. H. R. Sourrier
Secretary-Director
New Mexico Conservation Commission
Santa Fe, New Mexico

Dear Sir:

Receipt is acknowledged of your letter of May 3 with the enclosed copies of El Paso Natural Gas Company's applications and communitization agreements in connection therewith in cases 706-712, Incl.

In view of your request that these be returned to you for your permanent records, I have written to Mr. Ben H. Howell at El Paso, Texas, attorney for the El Paso Natural Gas Company, for copies for my files. A copy of my letter to Mr. Howell is here enclosed.

Do you have any objection to my keeping the copies which you sent me pending the furnishing of copies to me by Mr. Howell?

Thank you.

Sincerely Yours,

Saul A. Yager
Saul A. Yager

SAV:rb
encl-1

May 6, 1954

Mr. Ben R. Howell
Jones, Hardie, Grambling and Howell
Attorneys-at-Law
7th Floor, Bassett Tower
El Paso, Texas

Re: Applications of El Paso Natural
Gas Company for compulsory
communitization
Cases 706-712, Incl.
Before the Oil Conservation
Commission of New Mexico

Dear Mr. Howell:

At my request, Mr. R. R. Spurrier, Secretary-Director of the New Mexico Oil Conservation Commission has sent me copies of El Paso Natural Gas Company's applications, and communitization agreements in connection therewith, attached to each, in cases 706-712, Incl., for my examination. Since these are a part of his permanent records, Mr. Spurrier has asked that I return these documents to him prior to the hearing which is set for May 19.

Will you be kind enough to furnish me copies of each of these applications with the communitization agreements in connection with them, so that I may have them for my files. If you can furnish me two copies of each I will certainly appreciate that.

Thank you.

Sincerely Yours,

Saul A. Yager

SAY:rb
CC:R. R. Spurrier
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico
AIRMAIL

May 10, 1954

Mr. Ben R. Howell
Jones, Hardie, Grambling and Howell
Attorneys at Law
7th Floor, Bassett Tower
El Paso, Texas

Re: Applications of El Paso Natural
Gas Company before the New Mexico
Oil Conservation Commission
cases 706-712, Incl.

Dear Mr. Howell:

Because of conflicts with other matters and also inability to be prepared, we find that we will be unable to go ahead with the hearings of the above matter set before the commission for May 13, and we are today writing to the Commission requesting that the hearings be continued for 60 days. We trust that this will be agreeable with you.

Yours Very Truly,

Saul A. Yager

SAY:rb
CC:Mr. R. E. Spurrier
Secretary-Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 3, 1954

Mr. Saul Yager
613 Oil Capital Building
TULSA, OKLAHOMA

Dear Sir:

As you requested in our telephone conversation on this date, I am sending you herewith copies of El Paso Natural Gas Company's applications (and communitization agreements in connection therewith) in Cases 706 - 712, incl., as scheduled for hearing before this Commission at the regular May 19, 1954, hearing.

Since these are part of our permanent records, we will greatly appreciate your return of these documents prior to May 19.

Very truly yours,

R. R. Spurrier
Secretary - Director

RRS:HT

Encl.

C
O
P
Y

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 30, 1954

Mr. Ben Howell
Jones, Hardie, Grambling & Howell
Seventh Floor Bassett Tower
EL PASO TEXAS

Dear Sir:

As requested in your letter of April 23, 1954, the seven applications for compulsory pooling which you submitted on that date in behalf of El Paso Natural Gas Company have been set for hearing on May 19, 1954.

Notices have been issued this date which will cover the cases in Santa Fe and in San Juan County. We are also sending copies of notices in all cases to the parties affected by the application whose interests have not been yet ascribed to the unit. These are being sent registered, with return receipt requested.

Very truly yours,

R. R. Spurrier
Secretary - Director

RRS:nr

C
O
P
Y

P. O. BOX 871
SANTA FE, NEW MEXICO

TO: Saul A. Yager, 613 Oil Capital Bldg, Tulsa, Okla.;

Marian Yager, c/o C. H. Rosenstein, McBirney Bldg, Tulsa, Okla.;

M. E. Gimp, c/o Zale's Jewelry, 1606 Main Street, Dallas, Tex.;

Morris Misel and wife, Flora Misel, 101 W. Cameron St.,
Tulsa, Oklahoma;

Sam Misel, 101 W. Cameron Street, Tulsa, Okla.

Very truly yours,

R. E. Spurrier,
Secretary - Director

HHS 8337

Sent Via Registered Mail (Return Receipt)

JONES, HARDIE, GRAMBLING & HOWELL

ATTORNEYS AND COUNSELORS AT LAW

SEVENTH FLOOR BASSETT TOWER

EL PASO, TEXAS

April 23, 1954

MAIN OFFICE OCC

1954 APR 28 AM 11:51

CYRUS H. JONES 1888-1952
THORNTON HARDIE
ALLEN R. GRAMBLING
BEN R. HOWELL
HAROLD L. SIMS
WILLIAM B. HARDIE
JOHN A. GRAMBLING
R. H. FEUILLE

Mr. R. R. Spurrier
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Spurrier:

We enclose seven Applications for Compulsory Communitization involving wells drilled in the Mesaverde formation in the San Juan Basin area. The parties affected by the application of El Paso Natural Gas Company are:

Saul A. Yager, 613 Oil Capital Building, Tulsa, Oklahoma;

Marian Yager, c/o C. H. Rosenstein, McBirney Building,
Tulsa, Oklahoma;

M. E. Gimp, c/o Zales Jewelry, 1606 Main Street, Dallas, Texas;

Morris Mizel and wife, Flora Mizel, 101 W. Cameron Street,
Tulsa, Oklahoma;

Sam Mizel, 101 W. Cameron Street, Tulsa, Oklahoma.

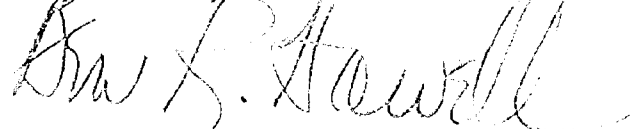
Will you kindly send receipt for these Applications, advising the writer of any further requirements and set the cases for hearing at the May regular hearing (if time permits) and give the appropriate notices.

Thank you for your cooperation and consideration.

Yours very truly,

JONES, HARDIE, GRAMBLING & HOWELL

By



BRH/s

enc.

c-El Paso Natural Gas Company

MEMORANDUM FOR FILE IN CASE ~~xxx~~ 706

W. T. Hollis
In the Commission's data file 5/1/53 to 9/15/53 is a letter from R. R. Spurrier to W. T. Hollis, Production Superintendent El Paso Natural Gas Company, acknowledging receipt of waivers and plat, and granting approval to deepen well to Mesaverde formation.

Post Office Department
OFFICIAL BUSINESS

Return to

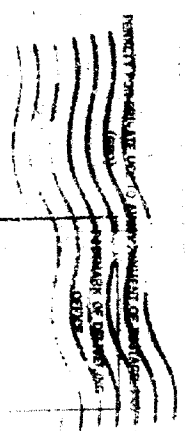
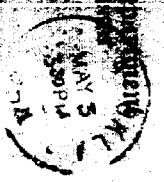
Send and Number,
or Post Office Box

REGISTERED ARTICLE

10011

INSURED PARCEL

NO. _____



011 Commission

(NAME OF SENDER)

Box 871

REGISTERED ARTICLE

Post Office

SANTA FE N M

INSURED PARCEL

16-13431

State

Post Office Department
OFFICIAL BUSINESS

Return to

Send and Number,
or Post Office Box

REGISTERED ARTICLE

10011

INSURED PARCEL

NO. _____

Post Office Department
OFFICIAL BUSINESS

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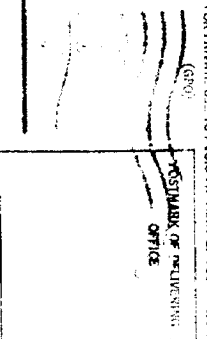
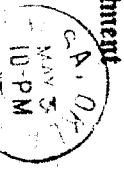
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BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF EL PASO NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION OF LOTS
3, 4, 5 AND 6, SE/4 NW/4, E/2 SW/4
AND SW/4 SW/4 (W/2) of SECTION 6,
TOWNSHIP 30 NORTH, RANGE 11 WEST,
N.M.P.M., SAN JUAN COUNTY, NEW MEXICO,
CONTAINING 328.17 ACRES

NO. 706

TO THE HONORABLE COMMISSION:

Your Applicant, EL PASO NATURAL GAS COMPANY, represents that it is a Delaware corporation with a permit to do business in the State of New Mexico, and that it is the present owner and holder of leasehold rights or gas operating rights to the base of the Mesaverde formation under the following described oil and gas leases:

- a. Oil and Gas Lease dated July 3, 1953, from William H. Chrisman and wife, Carlotta C. Chrisman, as Lessors, to N. Spatter, as Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 11 West, N.M.P.M.
Section 6: Lots 5 and 6, SE/4 NW/4, NE/4 SW/4, SW/4 SW/4
containing 206.30 acres, more or less.

- b. Oil and Gas Lease dated September 1, 1948, from Saul A. Yager and wife, Marian Yager, as Lessors, to Wayne Moore, as Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 11 West, N.M.P.M.
Section 6: Lot 4
containing 41.75 acres, more or less.

- c. United States Oil and Gas Lease Serial Number Santa Fe 078781, Hazle L. Gentle, Lessee, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 11 West, N.M.P.M.
Section 6: Lot 3, SE/4 SW/4
containing 80.12 acres, more or less.

Your Applicant represents that all of the owners of working interests and overriding royalty interests in the tracts described under a. and c. above have joined or agreed to join in the execution of a Communitization Agreement (unexecuted copy of which is attached) dated March 9, 1953, and that your Applicant, as working interest owner of the tract described under subdivision b. above, has joined and entered such Communitization Agreement.

Your Applicant represents that the royalty interest on Lot 4 of said Section 6, containing 41.75 acres, is owned by the following named persons:

Saul A. Yager, 613 Oil Capital Building, Tulsa, Oklahoma - 1/4;

Marian Yager, c/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma - 1/4;

M. E. Gimp, c/o Zale's Jewelry, 1606 Main Street, Dallas, Texas - 1/4;

Morris Mizel and wife, Flora Mizel, 101 W. Cameron Street, Tulsa, Oklahoma - 1/8;

Sam Mizel, 101 W. Cameron Street, Tulsa, Oklahoma - 1/8.

Your Applicant further represents that the lease from Saul A. Yager and Marian Yager was for a five-year term which would have expired on August 31, 1953, and that Saul A. Yager and Morris Mizel represented to your Applicant that the above named owners of royalty interests would join in the execution of a communitization agreement, and that your Applicant commenced drilling operations prior to August 31, 1953, and completed a commercial well producing gas from the Mesaverde formation on said Lot 4 in said section.

Your Applicant further represents that the royalty owners named have refused to join in the execution of a communitization agreement although all of the working interest owners and all overriding royalty owners in the communitized tract, as hereinafter described, have joined or agreed to join such communitization agreement.

Your Applicant represents that, pursuant to the terms and provisions of Order No. R-110 made by this Commission, spacing of 320 acres has been established for drilling gas wells to the Mesaverde formation in San Juan County, New Mexico, and that Lots 3, 4, 5 and 6, SE/4 NW/4, E/2 SW/4 and SW/4 SW/4 comprise the W/2 of said Section 6 containing approximately 320 acres, which constitutes a proper spacing unit for drilling a Mesaverde well, and that all persons except Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel and wife, Flora Mizel, and Sam Mizel have agreed to communitize and pool the above described oil and gas leases in so far as said leases cover the W/2 of said Section 6 in order to

form one tract or drilling unit for the production of dry gas and liquid hydrocarbons extracted therefrom from the surface to the base of the Mesaverde formation. Your Applicant represents that it has made diligent efforts to negotiate an agreement with the royalty owners who have refused to join the communitization agreement, and that your Applicant and the other owners of oil and gas leasehold rights who desire to communitize or pool the leases into a uniform spacing unit will be deprived of their opportunity to recover their just and equitable share of the natural gas in the gas pool lying under the tracts of land covered by their leases unless this Commission requires the owners of all interests in oil and gas leases, royalties or mineral rights who have not joined in the communitization agreement to communitize or pool their interests to form a proper spacing unit.

Your Applicant respectfully requests that an appropriate order be entered by the Commission directing Saul A. Yager, Marian Yager, M. E. Gimp (also known as Morris E. Gimp), Morris Mizel and wife, Flora Mizel, and Sam Mizel to communitize or pool their interests pursuant to the terms of the attached Communitization Agreement, partially executed copies of which have been delivered to said royalty owners and are now in the possession of one or more of them.

Respectfully submitted,



of Jones, Hardie, Grambling & Howell
El Paso, Texas
Attorneys for El Paso Natural Gas
Company

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 9th day of March, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); DELHI OIL CORPORATION, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; SAUL A. YAGER, whose address is 613 Oil Capital Building, Tulsa, Oklahoma; MARIAN YAGER, whose address is c/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M.E.GIMP, whose address is c/o Zale's Jewelry, 1606 Main Street, Dallas, Texas; MORRIS MIZEL and wife, FLORA MIZEL, whose address is 101 W. Cameron Street, Tulsa, Oklahoma; and C.C.PETERS and wife, MARTHA E. PETERS of the Mayfair Hotel, Dallas, Texas; SAM MIZEL, whose address is 101 W. Cameron Street, Tulsa, Oklahoma;

W I T N E S S E T H:

WHEREAS, El Paso Natural Gas Company is the present owner and holder of the gas rights to the base of the Mesaverde formation under that certain Oil and Gas Lease executed in favor of N. Spatter as Lessee, under date of July 3, 1950, by William H. Chrisman and wife, Carlotta C. Chrisman, as Lessors, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 11 West, N.M.P.M.
Section 6: Lots 5 and 6, SE/4 NW/4, NE/4 SW/4, SW/4 SW/4
containing 206.30 acres, more or less; and

WHEREAS, the above described lease as amended contains a pooling clause as follows:

"4th. As to the gas leasehold estate thereby granted (excluding casinghead gas produced from oil wells) lessee is expressly granted the right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated gas leasehold estate which shall not exceed a total area of 320 acres; and in the event lessee exercises the right and privilege of consolidation as herein granted, the consolidated gas leasehold estate shall be deemed, treated, and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom."

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

Township 30 North, Range 11 West, N.M.P.M.
Section 6: Lot 4
containing 41.75 acres, more or less; and

WHEREAS, Delhi Oil Corporation is the present owner of all the oil operating rights, the gas operating rights below the base of the Mesaverde formation, and certain gas overriding royalties on the above described tracts; and

WHEREAS, Saul A. Yager is no longer the owner of the full royalty interest under the last above described lease but has conveyed an undivided one fourth ($\frac{1}{4}$) interest in said royalty to Morris Mizel and Sam Mizel jointly, an undivided one fourth ($\frac{1}{4}$) interest in said royalty to M. E. Gimp, and an undivided one fourth ($\frac{1}{4}$) interest in said royalty to Marian Yager; and

WHEREAS, C. C. Peters is the present owner and holder of that certain United States Oil and Gas Lease, bearing Serial Number Santa Fe 078781, executed in favor of Hazle L. Gentle, as Lessee, under date of July 1, 1951, by the United States of America, as Lessor, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 11 West, N.M.P.M.
Section 6: Lot 3, SE/4 SW/4
containing 80.12 acres, more or less; and

WHEREAS, by an Operating Agreement dated February 15, 1952, which Operating Agreement has been filed for approval with the Bureau of Land Management, C. C. Peters granted the operating rights in the above described tract to Delhi Oil Corporation; and

WHEREAS, by an assignment dated March 1, 1952, which assignment has been filed for approval with the Bureau of Land Management, Delhi Oil Corporation assigned the last above described Operating Agreement to "El Paso", but Delhi Oil Corporation retained and reserved all the oil operating rights, the gas operating rights below the base of the Mesaverde formation, and certain gas overriding royalties; and

WHEREAS, in order to expedite the execution of this agreement all of the overriding royalty owners on each of the above described tracts are ratifying this agreement; and

WHEREAS, it is the desire of the parties hereto to communitized their respective interests in the above described oil and gas leases in order to form one tract or drilling unit as follows:

Township 30 North, Range 11 West, N.M.P.M.
Section 6: W/2
containing 323.17 acres, more or less; and

WHEREAS, in order to be consistent with the existing rules and regulations covering well spacing and production allowables, all of the parties to this agreement desire to operate the communitized unit for the purpose and intention of developing and producing dry gas and liquid hydrocarbons extracted therefrom, in accordance with the terms and provisions of this agreement;

NOW, THEREFORE, in consideration of the premises and mutual advantages resulting from this agreement, it is mutually covenanted and agreed by and between the parties hereto that the land subjected to this agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesaverde formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the communitized area from such formation allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed hereto. The royalties payable on the dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for in said leases shall be determined and paid on the basis respectively prescribed in the individual leases. There shall be no obligation on the parties hereto to offset any dry gas well or wells completed in the Mesaverde formation on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall either party be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse ownership of the dry gas or liquid hydrocarbons extracted therefrom in or under said tract, but the parties hereto shall not be released from their obligation to protect said communitized tract from drainage by a dry gas well or wells which may be drilled offsetting said tract. Payment of the rentals under the terms of the leases hereinabove mentioned and described shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

Except as herein modified and changed, said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued. It is further agreed that the commencement, completion, continued operation or production of a well or wells for dry gas on the communitized tract from the Mesaverde formation shall be construed and considered as the commencement, completion, continued operation or production as to each lease committed thereto.

It is further agreed that all production of dry gas and disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable federal or state statutes. The provisions of this agreement shall be subject to all applicable federal and state laws, executive orders, rules and regulations which affect performance of any of the provisions of this agreement, and no party hereto shall suffer a forfeiture or be liable in damage for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from compliance with any such laws, orders, rules or regulations.

"El Paso" shall be the unit operator of said communitized tract, and all matters of operation, adjustments between the parties hereto, and payment of royalties shall be determined and performed by "El Paso."

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

The unit operator (El Paso) agrees to furnish the Secretary of the Interior, or his duly authorized representatives, with a log and history of any well or wells, the monthly report of operations and the statement of all oil and gas runs and royalties, together with such other reports as are deemed necessary to compute monthly the royalty due the United States as specified in the applicable oil and gas operating regulations for any well completed within the communitized tract. The unit operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and shall require an indential provision to be inserted in all subcontracts.

It is further agreed between the parties hereto that the Secretary of the Interior, or his representatives, shall have the right of supervision over all operations within the communitized tract to the same extent and degree as provided in each of said oil and gas leases under which the United States of America is Lessor, and in the applicable oil and gas regulations of the Department of the Interior

This agreement shall be binding upon the parties hereto and shall extend and be binding upon their heirs, executors, administrators, successors and assigns, and may be executed in one or more counterparts by any of the parties hereto, and all counterparts so

executed shall be taken as a single agreement and shall have the same force and effect as if all parties had in fact executed a single instrument.

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

ATTEST:

EL PASO NATURAL GAS COMPANY

Assistant Secretary

By _____
Vice President

ATTEST:

DELHI OIL CORPORATION

Assistant Secretary

By _____
Vice President

Saul A. Yager

Marian Yager

M. E. Gimp

Gimp (his wife)

Morris Mizel

Flora Mizel

C. C. Peters

Martha E. Peters

Sam Mizel

Mizel (his wife)

STATE OF TEXAS

COUNTY OF EL PASO

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and 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.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for El Paso County,
State of Texas

STATE OF TEXAS

COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of DELHI OIL CORPORATION, and that the seal affixed to the foregoing 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.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Saul A. Yager to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for Tulsa County,
State of Oklahoma

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Marian Yager, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me she executed the same as her free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for Tulsa County,
State of Oklahoma

STATE OF TEXAS

COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared M. E. Gimp and _____ Gimp, his wife, to me known to be the persons described in

and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA }
COUNTY OF TULSA }

On this _____ day of _____, 1953, before me appeared Morris Mizel and Flora Mizel, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for Tulsa County,
State of Texas

STATE OF TEXAS }
COUNTY OF DALLAS }

On this _____ day of _____, 1953, before me appeared C. C. Peters and Martha E. Peters, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA }
COUNTY OF TULSA }

On this _____ day of _____, 1953, before me appeared Sam Mizel and _____ Mizel, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Notary Public in and for Tulsa County,
State of Oklahoma

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 700 through 712,
inclusive

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
CBL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 17, 1955

IN THE MATTER OF:

Rehearing in these cases were continued
from February 17, 1955, upon the motion of
the applicants for rehearing: Saul A.
Yager, Marian Yager, M. E. Gimp, Morris
Mizel and wife, Flora Mizel, and Sam Mizel.
The cases as originally heard involved the
application of El Paso Natural Gas Company
for compulsory communitization for Mesa-
verde production of certain tracts in San
Juan County, New Mexico.

Cases 706 through
712, Incl.
Continued.

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 706 through
712, inclusive, for rehearing in those matters.

MR. CAMPBELL: Jack H. Campbell, and John F. Russell,
Roswell, New Mexico, representing the applicant in the rehearing.

MR. HOWELL: Ben R. Howell, El Paso, Texas, representing
El Paso Natural Gas Company. We desire to introduce some additional
testimony, and I take it that the entire record on the original
hearing is to be considered in the matter for rehearing.

MR. MACEY: It is part of the case.

MR. HOWELL: It is part of the case, and there is no need
to introduce any particular portions of that record, that the entire

record is before the Commission. I don't know whether the applicant or we should proceed with the testimony, we are ready to put on our testimony at any time, whichever should go first under your practice.

MR. CAMPBELL: If the Commission please, we do not intend to offer any additional evidence unless the testimony or evidence offered by El Paso Natural Gas Company would call for any rebuttal. The application for rehearing and the case itself it seems to us are primarily legal propositions. I thought that it would be well to review very briefly for the Commission's benefit, the circumstances up to this point and to explain to the Commission our position in the matter and to ask the Commission for a relief under the application for rehearing, or motion for rehearing, ask them for the relief that we seek by way of a revised order. Then if Mr. Howell has additional testimony, of course, or evidence, why we will go ahead with that.

If the Commission please, this involves seven cases, Nos. 706 through 712, before the Commission. The original applications which were filed by El Paso Natural Gas Company in the cases, after setting out the circumstances, the facts, requested that we be required by the Commission, in each of these seven cases, to execute a communitization agreement or pooling agreement on forms which were attached to the application, and the facts in each of the seven cases are essentially the same. There are minor variations which involve legal questions, but basically the question involved is whether the compulsory pooling orders, if one is required, can be made retroactive to a date prior to its entry. And the second question involved, in view of the Commission's orders in these cases, is whether or not

ADA DEARNLEY & ASSOCIATES
STENOGRAPHIC REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

pooling; to accept or decline such a proposal by the Commission, or a notice of intention to drill on a drilling unit which has been created by an order of the Commission.

These properties which are owned, the minerals of which are owned in fee by Mr. Yager and others, are situated in San Juan Basin, they are situated in the Blanco Gas Pool, as designated by the Commission in its Order No. A-110, dated November 9, 1951.

In that Order, which was the basis for the establishment of these drilling units of 320 acres each, the Commission provided after -- and this was entered after notice and hearing. "No wells shall be drilled or completed, or recompleted, and no notice of intention to drill; or drilling permit shall be approved unless:

(a) Such well be located on a designated drilling unit, of not less than 320 acres of land, more or less, according to the legal subdivision of the United States Land Surveys, in which unit all the interests, all the interests are consolidated by pooling agreement or otherwise, and on which no other well is completed or approved for completion in the pool.

Such drilling unit shall be in the shape of a rectangle, except for normal variations in legal subdivisions of the United States Land Surveys, the north half, south half, east half or west half of each section of land constituting a drilling unit."

Now, at the time this order was entered, and since September 1, 1947, which is the date of all of these seven leases, these lands of Yager and others were situated within the boundaries of this designated gas pool, they were parts of 320 acre units. Sometime in the early part of 1954, before the time that these leases expired, the primary term, September 1, 1953, unless there was production

under the leases. Some time in the early part of January, of this year, El Paso Natural Gas Company contacted Yager and others to determine whether they would enter into a communitization agreement, communitization of these seven pieces, these tracts that they owned within these 320-acre units. Negotiations, as the transcript will indicate, went on for some time. The net result was that at the expiration date of the lease, leases, no pooling agreement had been entered into by Yager and others, pooling their interest with those of other mineral owners and other working interest owners in these various units.

However, prior to the expiration date of these leases, which was September 1, 1953, El Paso Natural Gas Company, in each of these cases, filed with the Commission a notice of intention to drill on tracts, 320-acre tracts designated by them and purported to dedicate the lands of Yager and others to these drilling units. El Paso Natural Gas Company, under this order, designated whether it would be the east half, west half, north half or south half. In all but two of the cases the Commission approved the notice of intention to drill, despite the fact that the Yager interest had not been pooled, voluntarily or otherwise, as required, we contend, by Order R-110, El Paso went ahead and started drilling wells on these units. In two of the cases the Commission did not even approve the notice of intention to drill, but it was approved by the United States Geological Survey, a Federal Agency. That, of course, is another legal question. Which of course there is no particular point in arguing here, the question of the validity of the notice of intention to drill by anyone other than the state or Conservation Commission.

In any event, the El Paso Natural Gas Company proceeded to drill these wells on these units designated by them, without any and without any compulsory pooling agreement voluntary pooling agreement, /or compulsory pooling order from this Commission. Some eight months after the wells were completed, El Paso Natural Gas Company came before the Commission and by these applications, to which I have referred, requested the Commission at that date to order Yager to enter into compulsory pooling agreements with them, communitization agreements as they are called in the application, and Yager came before this Commission on hearings. And, the facts essentially, I think, as I have stated them, were brought out before the Commission. Briefs were submitted by me and by Mr. Howell, stating our position in connection with the matter. Our position was then, and is now, this:

This Commission has the power, under Section 13-B of the Statute, to enter a compulsory pooling order. So far as we are concerned, there is no doubt in our minds as to that. We do not believe that the Commission has the power under the Statute to enter a retroactive compulsory pooling order, dating back to a date prior to the time of the entry of the order, we so contended in our brief.

Mr. Howell contended, on the other hand, that the pooling was effected at the time the notice of intention to drill was approved, and that therefore the Commission should enter its compulsory pooling order of this date, effective as of that prior date.

The Commission, after consideration of the beliefs to which I refer you in this statement, after consideration of the beliefs, the Commission entered an order in each of these cases, each of the orders being essentially the same, in which they said they wanted no initial the application for compulsory pooling. They simply set out

the fact, or findings of fact, which are essentially correct as to the dates on which the notice of intention to drill was filed and approved and so forth, and then stated that it was ordered that the Commission recognized the pooling as having been effected at the time the notice of intention to drill was approved by the proper agency, the Commission or the United States Geological Survey.

The net effect of that order, in our opinion, is simply that whenever the Commission enters a spacing order in any case, oil or gas, that all the owner or operator has to do to pool the royalty interests under those tracts is to file with the Commission, without notice to the royalty owners or hearing by the royalty owners, his notice of intention to drill, get it approved, start his well and he has completed the pooling of the royalty interest under that tract.

It is our position in this rehearing that such a condition completely deprives the royalty owner of his right of hearing and we contend that there are many instances in which the royalty owner has a vital and proper interest in the establishment of the drilling units. For instance, this Order R-110 does not require that the units be in the east half, or the west half, or the north half or the south half. It is left up to the discretion of the owners or the interest owners under the tracts.

Now certainly you can conceive situations in which an owner or operator might have an advantage as to lease expirations, royalty burdens, overriding royalty burdens and so forth, of drilling his well, say in the northwest quarter of a section and it then is left to his discretion whether he uses the northeast quarter or the southwest quarter as the other 160-acre tract

with that unit, and the royalty owner could have, in fact, lost one of a vital interest in which unit was used by the owner as his drilling unit; and it is our position that the royalty owner is entitled to notice and hearing before the drilling units are established; and that his interest is definitely affected by the manner in which these drilling units are formed. And, that to say, as the Commission has said in this order, that all that is necessary to pool the royalty owners interest, is the approval of a notice of intention to drill, simply makes meaningless pooling clauses in leases, voluntary pooling agreements of any kind.

It would appear to us that you are leaving the royalty owner completely at the mercy of the operator insofar as these units are concerned, and in the creation and designation of these units, and we do not think that that is a proper way to proceed, and we think that that is actually depriving the royalty interests of their property without due process of law.

Now, that basically is the present situation. Now, on this rehearing, we are requesting the Commission to do what we requested them to do at the time that we submitted our briefs in the original cases. We believe the Commission has the power to compulsory pool acreage under Section 13-2 of the present statute. And, we believe that our interests should be pooled. As a matter of fact, as owners of the small tracts within these larger units, we believe we are the ones who are contemplated by the statutes to come before the Commission and seek relief because it would be uneconomical

for us to drill on 40-acre tracts, obviously, for us.

The El Paso Natural Gas Company, the owner of the entire working interest certainly does not stand to lose anything if this is

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pooled or not, since they are getting all of the working interest production, including ours at this time.

We want the Commission to enter a compulsory pooling order, not upon the terms attached to the application, but upon the terms established by the Commission as fair and proper, pooling our interest whatever it may be, as of the time of the entry of the order.

Now, I am sure it is obvious to the Commission that it is important to us, and important to El Paso Natural Gas Company, whether this order is effective as of now, or as of a date prior to the time, the expiration of our leases on September 1, 1953. The El Paso Natural Gas Company started working on these leases in the last six months of their primary term, and all of this took place very close to the expiration date of the leases.

As a matter of fact, in three of the cases, the wells were spudded in either on August 30th or August 31st, and the leases expired at midnight on August 31st. So, you can see, that while it is not a matter, that the question of the expiration of the lease is not a matter for this Commission to determine. The nature of the orders that the Commission enters in these cases is of extreme importance with reference to future litigation as to the expiration of the leases, the status of the leases, and naturally El Paso Natural Gas Company wants these orders entered as of the date of the approval of the notice of the intention to drill, or the date of the commencement of the well. We believe they should not be entered until such time, and effective until such time as the Commission actually enters the order.

So, in this rehearing we are requesting the Commission to reconsider its position in which, in our opinion, it has taken no

action on the applications.

As a matter of fact, there won't be any reason for the applications if the approach the Commission is taking is correct because under their approach the pooling was completed automatically by the approval of the notice of intention to drill and there would be no reason for the application by El Paso Natural Gas Company for compulsory pooling orders under those circumstances. And we feel that there simply hasn't been anything entered here but a declaration by the Commission of what they believe the effect of the statutes and rules and regulations may be. They have made a legal conclusion but in our opinion they have entered no order in conformance with the applications in these cases and we ask the Commission to enter a compulsory pooling order as of the date of the entry of the orders, pooling all of the interests, royalty and working interests under the 320-acre units, which have been designated as drilling units by the El Paso Natural Gas Company.

I believe that generally states our position. As I say, there are a number of variations in some of these cases. For instance, there are three of the cases in which the wells were actually commenced on other acreage within the drilling unit, that is, not on our tracts. So we have the legal question of whether, until a compulsory pooling order is entered, we are entitled to royalty, at least on all the production from the unit on which the well was drilled on our tracts. That of course is another legal question. There are some of the leases that are confined entirely to the 320-acre units; there are other leases which have some acreage within the unit and some acreage without the unit; and there is the additional

legal question upon what the effect may be upon the acreage that is not included in the unit to which the acreage is dedicated. Those are legal questions which will eventually have to be determined by the Court, but we believe the Commission, in the proper exercise of its duties under the law, should enter its orders, compulsorily pooling in each of the cases, whatever interest we may have. And, I don't think it is necessary and proper for the Commission to designate what that interest is, but the date upon which that compulsory pooling order becomes effective, or on which the pooling becomes effective.

If the Commission goes along with its present position, of course, will have a material bearing on whether or not the leases expired, and whether or not we are the owners of eight-eighths, or whether we are the owner of one-eighth, or whether a one-eighth interest is pooled, or whether an eight-eighths interest is pooled.

I believe that basically is the position that we take in the matter.

MR. HOWELL: If it please the Commission, our position in the matter is that the orders which were entered by the Commission were proper orders. We are basing our position upon certain portions of the Statute, upon the orders entered by the Commission, and upon the practice and custom that has been followed in administering the Statute. We are basing the contention on the definition of owner, which is contained in the Statute in Section 26-1. Owner means the person who has the right to drill into and produce from any pool, and to appropriate the production, either for himself or for himself and another. That certainly means, not the royalty owner, not the lessor of a lease which is in existence, but the lessee.

The only person under an oil and gas lease who has the power to drill, and under any lease, regardless of whether it be a large lease or a small lease, when the land owner has executed that lease he has placed in the lessee the right to determine where to locate his well, the right within the rules prescribed under the police power in conserving oil and gas, the right to determine how many wells to drill, when to drill them, as long as the lease is continued by production during its primary term or a well completed prior to the expiration of a primary term in a commencement lease.

Now the statute which authorizes the pooling is found in Section 13-C, the provisions of the statute, "the pooling of properties or parts thereof, shall be permitted and if not agreed upon 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 a uniform spacing plan or proration unit otherwise deprives or tends to deprive the owner of such tract to recover his just and equitable share of the crude petroleum, or natural gas, or both in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract, if same can be done without waste. But in such case the allowable production from such tract is compared with the allowable production therefrom, if such tract were a full unit, shall be in ratio of the area of the tract to the area of a full unit. All orders requiring such pooling shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract in the pool the opportunity to recover, or receive his just and equitable share of the oil or gas or both in the pool, as approved, provided, so

as approved, provided, so far as may be practically recovered without waste. And in the event such pooling is required the costs of development and operation of the pool unit shall be limited to the lowest actual expenditures required for such purpose, including a reasonable charge for supervision. And in case of any dispute as to such costs, the Commission shall determine the proper costs."

Now our contention is that the pooling refers to the lessees, the owner, as defined by the statute, the person having the right to enter upon the land to drill and to appropriate the production for himself, or for another. If it applied to the royalty owner, there would be no need whatsoever for the last sentence in this section of the statute, because the royalty owner is not interested in the costs of drilling, or the costs of operation. His royalty comes to him from the statutory owners, those persons having the right to drill, who among themselves shall share the costs.

The undisputed testimony in these cases is that the owners did voluntarily agree among themselves for the communitization or pooling and having selected a tract upon which to drill a well and having drilled a well, it is our position that the pooling under the statute was accomplished when the state gave its approval for the drilling of that well.

Since the applicant has very frankly stated that this is but a way station to the court house, we would like an opportunity to make the record more clear so that it would not be necessary for court to look into the files of the Commission. In the prior hearing many matters that are in the Commission's files were not introduced in the record. And we do desire to supplement our

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former testimony in any instances, by introducing the actual record.
If you have no objection to a full record of this testimony.

MR. JACOB: Okay, Mr. Howell.

MR. HOWELL: Would you take the stand please, Mr. Coel?

Is it necessary to swear Mr. Coel, he having been sworn before in this case?

MR. JACOB: All witnesses stand and be sworn.

(Witnesses sworn by Mr. Walker.)

EDWARD JOHN COEL,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name for the record?

A Edward John Coel.

Q Are you the same Edward John Coel who testified in the original hearing of these cases?

A Yes, sir.

MR. HOWELL: As El Paso Natural Gas Company's Exhibit, and I suggest that all exhibits on rehearing be designated with the letter Exhibit R-1, we wish to introduce the Order No. R-110 adopted by the Commission.

(Marked El Paso Natural Gas Company's Exhibit No. R-3, for identification.)

Q Briefly state your position with El Paso Natural Gas Company.

A Senior petroleum engineer, Dickinson, New Mexico.

Q And were the wells drilled or reworked of kind involved in this hearing, drilled generally under your supervision?

A Yes, sir.

Referring to the Water Pool Well No. 2, which is involved in Case 706, I will ask if you have a copy of the original notice of intention to drill which was filed in this case?

A Yes, sir.

Q Will you state to the Commission the depth to which that application shows you intended to drill?

A The total depth of 2,282 feet.

Q Now, to what formation would that be?

A Through the Pictured Cliffs formation.

MR. HOWELL: Would you mark the notice of intention to drill as Exhibit R-2 with a 706 in parenthesis?

(Marked El Paso Natural Gas Company's
Exhibit R-2 (706), for identification.)

A I have it, sir.

Q And, will you show the original order to the Commission?

MR. HOWELL: If the Commission please, we have prepared photostats of each of these orders, and we would like to leave the photostats and retain the original orders in each instance.

MR. CAMPBELL: Do you have an extra photostatic copy?

A I have some extras.

MR. HOWELL: We can see that you are furnished with one of every one, a copy of each one. We may not have enough at the present time.

MR. CAMPBELL: That is all right.

MR. HOWELL: Is either the original R-2 (706) which is the notice of intention to drill.

Now, what was the result of drilling that particular well, Mr. Campbell?

A The well was found to be dry in the Pictured Cliffs Formation, sir.

Q At what date was the well determined to be dry?

A On May 28, 1953.

Q Now, was any notice given to the Oil Conservation Commission of that determination by the operator?

A Yes, sir.

Q What was filed?

A A notice of completing the well in the Pictured Cliffs Formation.

Q Do you have the original notice there?

A Yes, sir.

MR. HOWELL: Will you mark the photostatic copy as Exhibit R-3 with the 706 in parenthesis, and hand it to the Commission?

(Marked El Paso Natural Gas Company's Exhibit No. R-3 (706) for identification.)

Q At a subsequent date, did you determine to drill the well to a greater depth?

A Yes, sir, we filed with the Commission a notice of intention to change plans, received by the Commission on May 28, 1953, to drill the well to the Mesaverde Formation and complete it in the Mesaverde Formation.

Q Do you have that notice of change?

A Yes, sir.

Q You have a photostatic copy?

A Yes, sir.

Q Will you mark the photostatic copy as Exhibit R-4 (706)?

A Yes, sir.

(Marked as Mesa Natural Gas Company's Exhibit No. R-4 (700) for identification.)

Q Now after filing that notice did you receive any communication from the Commission?

A Yes, sir, we did. The notice was stipulated that on the basis that the original well had been drilled in the northwest quarter of the northwest quarter of Section 6, Township 30 north, Range 11 west, had been dedicated to the Pictured Cliff well, we desire to dedicate the west half which would conform with the regulation of 320 acres, approximately for Mesaverde Formation well and to drill the well deep, to deepen this well in the northwest quarter. This did not conform with the regulation that wells should be located in the northeast or southwest quarters of a given section. Therefore, the Commission required as an unorthodox location that we present waivers from all the offset operators of this well and if there were any objections then a hearing would be called in order to establish an unorthodox location. We wrote the waivers, sent them out and received them back approved and forwarded them on to the Commission and from there on we received a letter from them thereby granting approval of the unorthodox location.

Q Do you have the original letter here, Mr. Coel?

A No, sir, I don't have the original. I do have a copy.

Q Do you have a photostat of the signed copy which was received?

A Yes, sir, I do.

Q Have you been able to locate that original letter?

A Yes, sir, it is in my files. We just expect to have it here with us.

MR. HOWELL: Would you mark that Exhibit R-4 (706) and hand that photostat to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-5 (706) for identification.)

Q Did you file a completion report with the Commission upon the completion of this well?

A Yes, sir.

Q When was the well completed in the Mesaverde Formation?

A Drilling was completed on September 19, 1953, and the well was actually completed on September 20, 1953.

Q Was that in the Mesaverde Formation?

A Yes, sir.

Q Now, was there any other well drilled to the Mesaverde Formation on the west half of that Section 6?

A No, sir.

Q Referring now to the well described as the Yager Pool Unit No. 1 --

A You want me to turn that exhibit in, sir?

MR. HOWELL: Oh, yes. Would you mark the completion report R-6 (706)?

(Marked El Paso Natural Gas Company's Exhibit R-6 (706) for identification.)

Q Referring now to the well designated as the Yager Pool Unit No. 1, which is drilled on the south half of Section 21, Township 31 North, Range 11 West, and is the well involved in Case 707, I will ask you if you have an original of the notice of intention to drill in that case?

A Yes, sir.

Q Do you have a photostatic copy?

A Yes, sir.

MR. HOWELL: Will you mark your photostatic copy as exhibit R-7 with the 707 in parenthesis, and hand that to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-7 (707), for identification.)

Q Did you file a well record when that well was completed in the Mesaverde Formation?

A Yes, sir.

Q Do you have a copy as well as the original ^{of the} well record?

A Yes, sir.

MR. HOWELL: Will you mark the copy Exhibit R-8 with 707 in parenthesis?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-8 (707, for identification.)

Q And hand that into the Commission. What was the date of completion of that well?

A Drilling was completed on March 17, 1953, and the well was actually completed March 25, 1953.

Q Was any other well drilled in the south half of Section 31, Township 31 North, Range 11 West?

A No, sir.

Q Passing now to Case 708, do you have the original and a photostatic copy of the notice of intention to drill in that case?

A Yes, sir, I do.

Q Does that involve the well known as the Coal No. 3 well, located on the west half of Section 15, Township 31 North, Range 11 West?

A Yes, sir.

(Marked El Paso Natural Gas Company's
Exhibit R-9 (708) for identification.)

Q Will you hand to the Commission the copy of this notice
of intention to drill marked as Exhibit R-9 with 708 in parenthesis?

A Yes, sir.

Q Now, do you have a copy of the completion record on this
well?

A I do sir.

MR. HOWELL: Will you mark a copy as Exhibit R-10 with
708 in parenthesis? And, then hand it to the Commission.

(Marked El Paso Natural Gas Company's
Exhibit R-10 (708) for identification.)

Q What was the date of the completion of the Neal No. 3?

A Drilling was completed on August 20, 1953 and the well
actually completed August 22, 1953.

Q Was that completed in the Mesaverde Formation?

A Yes, sir, it was.

Q Was any other well completed on the west half of that
section?

A No other Mesaverde one, no, sir.

Q Referring now to the east half of Section 27, Township 31
North, Range 11 West, which is the tract involved in Case No. 702,
and as the well described as the Hallaway Pool Unit No. 1, do you
have a copy of the notice of intention to drill in that case?

A Yes, sir, I do.

MR. HOWELL: Will you mark the copy as Exhibit R-11 with
11 in parenthesis and hand it to the Commission?

(Marked El Paso Natural Gas Company's
Exhibit R-11 (702) for identification.)

Q Do you have the original and a copy of the well record in that case?

A Yes, sir, I do.

Q Will you similarly mark a copy as Exhibit A-12 709 in parenthesis and hand it to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit No. R-12 (709) for identification)

Q What was the date of completion of that well?

A Drilling was completed on August 20, 1953 -- Excuse me, strike that out -- I have the wrong case here. Drilling was completed on July 29, 1953.

Q And the well completed on what date?

A The well was completed on July 30th.

Q Was that completed in the Mesaverde Formation?

A Yes, sir, it was.

Q Was there any other well in the east half of Section 27 that was completed in the Mesaverde?

A No, sir.

Q Referring now to the east half of Section 9, Township 31 North, Range 10 West, which is the tract involved in Case No. 710, and is the Marcotte Pool unit No. 1 well, do you have an original and copy of the notice of intention to drill in that case?

A Yes, sir, I do.

Q Will you mark a copy Exhibit A-13 (710) and hand it to the Commission?

(Marked El Paso Natural Gas Company's Exhibit A-13 (710), for identification.)

You also have a copy of the well record in that case.

station?

A Yes, sir, I do.

MR. HOWELL: Will you mark a copy as Exhibit E-14 (710) and hand it to the Commission?

(Marked as Paso Natural Gas Company's Exhibit E-14 (710) for identification.)

Q Now, what was the date of completion on the Marcotte Pool Unit No. 1?

A Drilling was finished on October 11th, 1953, sir, it was completed on October 13, 1953.

Q Is that October?

A I am sorry -- I have it here as October, sir.

MR. CAMPBELL: What case are we on now?

MR. HOWELL: 710.

Q Your records show that it was completed October 13, 1953?

A Yes, sir.

Q Was that in the Mesaverde Formation?

A Yes, sir.

Q Was there any other Mesaverde well on the east half of that Section 4?

A No, sir.

Q Now, as to these five wells which have been covered by your testimony so far, what was the nature of the tract of land upon which each of these wells was drilled, as to the ownership? Was it Federal or State or Private land?

A Upon which the well was actually drilled, sir, it was all State or Private land.

Q Now then, as to land that was Federal lands, covered by

Federal oil and gas leases, what are the requirements for drilling?

A That we submit an intention to drill to the United States Geological Survey whose district office we were closest to.

Q And is there any other requirements prior to drilling a well when the well is located on Federal land?

A No, sir, other than approval from United States Geological Survey.

Q All right. Referring now to the east half of Section 31, Township 31 North, Range 11 West which is the tract involved in -- May I change that? That is erroneous. Referring now to the west half of Section 32, Township 31 North, Range 11 West, which is the tract involved in Case No. 711, do you have an original and copy of the form which was filed showing your intention to drill in that case?

A Yes, sir, I do.

MR. HOWELL: Will you mark the copy as Exhibit R-15 (711) and hand to the Commission?

(Marked El Paso Natural Gas Company's Exhibit R-15 (711) for identification.)

Q Does that exhibit R-15 represent the form which you are required to fill out in order to drill a well on Federal land?

A Yes, sir, it does.

Q Was this Heaton No. 3 well located on Federal land?

A Yes, sir, it was.

Q Now, following the filing of the notice of intention to drill, did you receive a letter from the United States Geological Survey?

A Yes, sir, I did.

Q Do you have a copy of the letter?

A Yes, sir, I do.

Q Will you mark the photostatic copy as Exhibit A-16 (711) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit No. A-16 (711) for identification.)

Q What was the tract of land described in the original notice of intention to drill?

A The south half of Section 32, sir.

Q Was that an error?

A Yes, sir, it was an error.

Q Did you, by subsequent notice, change the designation of the tract?

A Yes, sir, on an intention to change plans, sent to the United States Geological Survey, and subsequently approved by them, we dedicated the west half of Section 32 to the well instead of the south half.

Q Do you have a copy of the notice and change of designation?

A Yes, sir, I do.

Q With the approved stamp on it?

A Yes, sir.

MR. HOWELL: Will you mark that as Exhibit A-17 (711) and hand to the Commission?

(Marked El Paso Natural Gas Company's Exhibit A-17 (711) for identification)

Q Do you have a well record of the section No. 3?

A Yes, sir.

Q Will you mark a copy as Exhibit R-17 (711) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-17-(711), for identification.)

Q When was the Heaton No. 3 well completed?

A Drilling was finished on April 25, 1953 and completion effected April 26, 1953.

Q Was that completed in the Mesaverde Formation?

A It was.

Q Was there any other well located on the west half of that Section 32?

A No, sir.

Q Referring now to the east half of Section 3 in Township 30 North, Range 10 West, which is the tract involved in Case No. 712, and is the Koch Pool Unit No. 1 Well, do you have an original and copy of the notice of intention to drill?

A I have a copy of each, sir. I do not have the original.

Q Will you mark your copy as Exhibit R-18 (712) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's Exhibit R-18 (712) for identification.)

Q Now, in this particular instance, do you know whether the record title to this tract was still in Gulf Oil Corporation?

A Yes, sir, it was, and for that reason the intention to drill was, was submitted in the name of Gulf Oil Corporation, with their permission. I would be, signing the superintendent's

name to it, sir, by his pen initials.

Q Was this Koch Pool Unit No. 1 Well located on Belmont land?

A Yes, sir, it was.

Q Did you, or did a letter addressed to Belmi come in at a later date, a copy to you?

A Yes, sir.

Q Do you have a photostat of the copy which was received by you?

A Yes, sir.

Q Will you mark that as Exhibit R-20 (712) and hand it to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's
Exhibit R-20 (712) for identification.)

Q Do you have the well log or well record of the Koch Pool Unit No. 1 Well?

A Yes, sir, I do.

Q Will you mark the copy of that record as Exhibit R-21 (712) and hand to the Commission?

A Yes, sir.

(Marked El Paso Natural Gas Company's
Exhibit R-21 (712) for identification.)

Q Was the Koch Pool No. 1 Well completed in the Mesaverde formation?

A It was.

Q What was the date of completion?

A Drilling was finished on November 5, 1952 and completion occurred November 5, 1952.

Q Was any other well located, any other formation well located in the east half of that Section??

A No, sir.

MR. HOWELL: I think that is all from this witness.

MR. MACEY: You wish to introduce these exhibits?

MR. HOWELL: Yes, I would like to introduce Exhibits K-1 to Exhibit E-21 inclusive.

MR. MACEY: Is there objection?

MR. CAMPBELL: No objection.

MR. MACEY: If no objection they will be received.

MR. CAMPBELL: If the Commission please, before cross examining this witness, I would like to have about a five minute recess to shuffle these papers a little bit.

MR. MACEY: He will have a five minute recess.

(Recess.)

MR. MACEY: You wish to proceed, Mr. Campbell?

CROSS EXAMINATION

By MR. CAMPBELL:

Mr. Coel, referring to Case No. 706, which involves your Yager Pool Unit No. 2, as I understand it your original notice of intention to drill which was approved March 22, 1953 was for a well to the Richard Clinton Formation, beneath the northwest quarter of Section 6.

A That is true, sir.

Q Now, in your notice you stated, "Communication will begin the earliest quarter of Section 6 will be drilled as soon as possible". Did you contemplate at that time it obtaining a

communitization agreements that all of the working interests and royalty owners?

A Mr. Campbell, that statement is more or less required by both the State and United States Geological Survey on wells that, where more than one interest is located there. We were informed by the Lease Department that that communitization was being worked up and they had intention of filing it, sir, and that was what we so stated.

Q Now, you drilled that well to the Pictured Cliffs, into the Pictured Cliffs, and it was a dry hole?

A Yes, sir.

Q And then you filed a miscellaneous notice in which -- which is your Exhibit R-4 (706) in which you stated that you intended to change your plans by going on down into the Mesaverde, is that correct?

A Yes, sir.

Q Was there any other instrument filed, any new notice of intention to drill, with reference to the Mesaverde Unit, other than this miscellaneous change of plans notice?

A On the intention of changing of plans?

Q Yes.

A No other form like this, no, sir.

Q You filed no new form for notice of intention to drill or recomplete?

A No, sir, it was merely the notice of intention to change plans, and which was subsequently approved by the Commission.

Q Now, based upon that notice and the approval by the Commission in their letter of July 21st, which is your Exhibit R-5

(700), you then proceeded to move it and deepen this well to the Mesaverde Formation?

A Yes, sir.

Q How when did you move in to start that new work?

MR. HOWELL: I can tell you where the document is that he is looking for. It is in the other file on 700.

A I was just checking my reports on it, sir, the rig was moved in August 31st, sir.

Q From what record do you obtain that information?

A From our drilling record, sir on the well.

Q And who prepared that drilling record?

A It was prepared by the drillers, sir, whoever is -- whoever is in charge of the rig on which the work is done. This particular case was by Conley Cox.

Q Do you have a copy of that drilling record?

A I do, sir.

Q That can be made a part of this record?

A Not unless I had this photostated, sir.

Q May I see it, please? A Yes, sir.

MR. HOWELL: It can be photostated. That is not the drilling record but that is an affidavit-- off the record.

(Discussion off the record.)

MR. CAMPBELL: Could we get a photostatic copy of this into the record?

MR. HOWELL: We will be happy to furnish it.

A We will submit the affidavit as is.

MR. HOWELL: We will submit the affidavit now if you want it.

Q Has this exhibit been prepared at your request, Mr. Conley?

A Yes, sir.

Q In May of 1954, is that approximately the time that it was executed?

A Yes, sir.

Q Where is Mr. Cox's office, or place of business?

A In Aztec, New Mexico.

Q Do they do a considerable amount of drilling for El Paso Natural Gas Company?

A Yes, sir, they have.

Q And they are still doing drilling for your company, to your knowledge?

A Yes, sir.

MR. CAMPBELL: I would like to have the record show that a photostatic copy of a daily drilling report, dated August 31st, 1953, from Conley Cox, will be submitted as Yarer Exhibit R-1.

Q Do you have any --

MR. MAGEY: (Interrupting) Pardon me, Mr. Campbell, who is going to supply these?

MR. HOWELL: We will furnish a photostat of that. We would like to keep the original in our files, but will be happy to furnish photostats for the copy and are tendering you Mr. Cox's affidavit.

MR. CAMPBELL: I don't want to introduce that as my exhibit.

Q Do you have any personal knowledge concerning the actual spilling in or this well?

A Yes, sir.

Q Were you there when it was spilled in?

A It was done under my supervision, sir.

Q Well, were you there at the time it was spilled in?

A You mean actually on the location?

Q Actually on the location.

A I doubt it, sir.

Q You do not remember it if you were, is that it?

A No, sir.

Q Do you know who was present?

A I am not positive. I think I could tie it down to who was present, yes, sir.

Q Well, could you tie it down now or not?

A Well, I could try.

Q Well, try.

A If it would be accepted.

Q Do the best you can.

A Conley Cox, -- Are you talking about this time of August 31st?

Q August 31st.

A Conley Cox was present and I am almost positive Mr. W. H. Dallas was present.

Q W. H. Dallas?

A Yes, sir.

Q To be with your company?

A Yes, sir.

Q Where is he?

A In Farmington, New Mexico.

Q Now, Mr. Cox, as I understand it, all of these wells

except the ones involved in cases 711 and 712, the last two wells, were on other than Federal land, and the last two were on mineral tracts, am I correct in that?

A That is true, sir.

Q And at the time you made the change on your well involved in Case 711, which is in the southwest section of Section 32 North, Range 11 West, you originally filed a notice of intention to drill only with the United States Geological Survey? Is that right?

A Yes, sir.

Q And then in that you dedicated the south half of the section to the well?

A That is true.

Q Now, in the reply that you received from the United States Geological Survey, which is Exhibit A-16 (711), I assume this is on a form that the United States Geological Survey normally used and they state: "Approved subject to the communitization of the south half of Section 32, to form a unit of 320 acres more or less". Are you acquainted with the requirements of the Federal authorities with reference to communitization of acreage, before a unit is approved?

A Vaguely, sir.

Q Well, do they require that all owners join in the execution of the communitization agreement?

A Yes, sir.

Q Do they, as royalty owners, approve and join in the execution of the communitization agreement?

A Yes, sir.

Q Do the royalty owners join in the communitization?

or do you know?

A I don't know, I think that they do.

Q Do you know whether such an agreement was ever obtained, as far as the west half, as changed, of that unit was concerned?

A Well, apparently not, sir.

Q Do you know whether the Federal Government has executed such a communitization agreement?

A I don't know, sir.

Q Now, when you decided to change the dedication from the south half to the west half, you did not file a new notice of intention to drill with the United States Geological Survey?

A No, sir.

Q You filed this sundry notice indicating your intention to change your plans?

A That is true.

Q Now, referring to your well involved in Case No. 710, in which you state that the well was completed November 5, 1953, I refer to your Exhibit B-14 (710), which is the well record of that well, which appears to be signed by Harold L. Kendrick, does he work under your supervision or what is the position?

A Can we go back a minute, sir? What case are we referring to?

Q 710, that is your Marcosh Pool Unit, Well No. 1.

A All right.

Q Is Mr. Kendrick employed now by El Paso Natural Gas?

A He is employed by El Paso Natural Gas Company, he does not work for me at the present time. He did at the time this was signed.

Q And he would be under your supervision at the time that was

signed?

A Yes, sir.

Q Are you personally acquainted with when the well referred to there was actually spudded in?

A Yes, sir.

Q Were you there?

A I doubt it.

Q Do you have any notes, personal notes, other than this well record to indicate when the spudding in took place?

A Yes, sir, I do. I have here an affidavit from the same Conley Cox as the other affidavit was from, and also the well record here.

Q When was this affidavit prepared?

A On the 31st of January, 1955.

Q Mr. Cool, I am asking you these questions about the spudding in in as much as the leases involved here contain a written-in provision that, "the words, "Commencement of a well", or words of like import, wherever used, in this lease shall mean the actual spudding in of a well for oil or gas". Now, do you know who was present at the time this well involved in Case No. 710, your Larcotte Pool Unit No. 1 was spudded in, do you know who was present when that took place?

A Very likely the same two people, sir. Mr. Dallas, if I may explain, he is now our drilling superintendent, at that time he was our assistant drilling superintendent in the Farmington area, and it was part of his job to see that the work was done as prescribed by us.

Q Now, referring to your Case No. 712, which is your Koch Well No. 1, on a Federal tract, your Exhibit A-21 (712) indicates that that well commenced drilling also on August 30, 1953.

A That is true, sir.

Q Do you know who prepared this log -- Oh, the original was signed by you, I see it now.

A Yes.

Q Well, to you -- Can you personally state that that well was spudded in on August 30, 1953?

A Yes, sir.

Q You were there at that time?

A No, sir, my records show it, sir.

Q Other records than this log of oil or gas wells?

A My drilling records, yes, sir.

Q What drilling records do you have?

A The records prepared by the contractor on the location.

Q May I take a look at those, please?

A Surely.

Q I wonder if you could furnish us with a photostatic copy of this driller's report, or furnish the Commission with one?

A Yes, sir.

Q To be designated as Yater's Exhibit A-22? The report is dated September 1, 1953.

A The report is under that, sir, I just handed the file to you.

MR. ROSEN: Two reports -- those reports all sold.

MR. CHAPMAN: The report is dated -- let us write the

report of August 30, 1953 as Yarer A-2 and the report of August 31, 1953 as Yarer A-3.

A Also an affidavit in my file to that effect, too, sir.

MR. CAMPBELL: That is all.

MR. MACEY: Does anyone have any further questions of the witness?

RE-DIRECT EXAMINATION

By MR. HOWELL:

Q Mr. Coal, at my request did you obtain affidavits from the drilling contractor, Conley Cox, concerning the dates at which drilling operations were commenced on several wells?

A Yes, sir, I did.

MR. HOWELL: I will hand you an affidavit of Conley Cox and ask that be marked Exhibit R-22 (706) and offer the affidavit in evidence.

(Marked El Paso Natural Gas Company's Exhibit R-22 (706) for identification.)

MR. HOWELL: In a similar manner, will you mark the affidavit of Conley Cox as Exhibit R-22 (710), I believe.

A R-23.

MR. MACEY: R-23 would be the next one.

(Marked El Paso Natural Gas Company's Exhibit R-23 (710) for identification.)

Q R-23 (710), isn't it?

A Yes, sir.

MR. HOWELL: We offer that affidavit in evidence.

Q Further the affidavit of Conley Cox regarding the commencement of A-2 and Pool No. 1?

A I do, sir.

MR. HOWELL: Will you mark that Exhibit R-24 (712) and offer that to the Commission.

(Marked El Paso Natural Gas Company's Exhibit R-24 (712) for identification.)

MR. HOWELL: We offer all three affidavits to the Commission in evidence.

MR. MACEY: Is there objection?

MR. CAMPBELL: If the Commission please, for the purpose only of preserving the record, I will register an objection to these upon the grounds that they are hearsay and that the person who executed them is not present for cross-examination.

MR. MACEY: The record will so note.

(Marked El Paso Natural Gas Company's Exhibit R-25 (711) for identification.)

MR. HOWELL: Now we offer a communitization agreement covering the Heaton No. 3 Well which is marked as Exhibit R-25 (711) which has been executed by El Paso Natural Gas Company, Delhi Oil Corporation, Susan Diggle Horton, Paul B. Horton, but has not been executed by Saul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Flora Mizel, Sam Mizel or the wife of Sam Mizel and M. E. Gimp.

MR. CAMPBELL: Is that offered in each case?

MR. HOWELL: No, that is only Case 711.

MR. CAMPBELL: For what purpose are these offered?

MR. HOWELL: These are offered for the purpose of showing that all of the parties except the Yagers have executed communitization agreements in these two cases. I have one other which I propose to offer.

MR. CAMPBELL: Are we to assume that they have not all done so in other cases?

MR. HOWELL: No, the only point that you raised was as to the Federal Leases, the two Federal leases.

(Marked El Paso Natural Gas Company's Exhibit No. R-26 (712) for identification.)

MR. HOWELL: We offer communitization agreement which has been marked as Exhibit R-26 (712), covering the tract involved in the Koch Pool Unit No. 1, which has been executed by El Paso Natural Gas Company, the Atlantic Refining Company, Delhi Oil Corporation, Sunray Oil Corporation, Fred C. Koch and Mary R. Koch.

We would like to call as a witness Mr. Phil McGrath.

MR. MACEY: Is there objection to the introduction of Exhibits R-25 and R-26 in this case?

MR. RHODES: I have some questions I would like to ask one of the principals in this case but I am not sure Mr. Coel is the man to answer them but I wonder if later I might make these requests of Mr. Campbell or Mr. Howell or Mr. Coel. Mr. Kitts says that he is going to ask some later, too.

MR. MACEY: Who are you going to ask the questions of? Mr. Coel is on the witness stand.

MR. RHODES: I wonder if you would determine who we ask the questions of. They concern the lease agreements and the equities concerned herein.

MR. MACEY: You hear the lease contracts?

MR. RHODES: The lease contract.

MR. CAMPBELL: I have no objection to the admission of

these in evidence, but I call the Commission's attention to the fact that they have all been executed in the year, 1955, which was some time after the drilling on the units.

MR. HOWELL: Insofar as lease ownership is concerned or the terms of the applicable leases, Mr. Coel does not have knowledge. We do have people here who are available, who have knowledge of the leases and I understand from Mr. Campbell that he desires to introduce copies of the leases which we are willing to have introduced.

MR. RHODES: I would like to ask these of Mr. Campbell. I don't know if that is proper.

MR. MACEY: It won't suffice for you to examine the lease contracts?

MR. RHODES: No, not necessarily, Mr. Macey.

MR. MACEY: I don't think it is proper for us to ask Mr. Campbell any questions.

MR. RHODES: That is what I was afraid of.

MR. MACEY: Are there any further questions of Mr. Coel, if not, Mr. Coel may be excused.

(Witness excused.)

MR. HOWELL: We would like to call Mr. McGrath.

P. T. McGRATH,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. HOWELL:

Q Will you state your name for the record?

A P. T. McGrath.

Q What is your residence or address, Mr. McGrath?

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TELEPHONE 3-6691

A Farmington, New Mexico.

Q What is your official position with the United States Geological Survey, if any?

A District Engineer of the Farmington District.

Q That is of the United States Geological Survey?

A Right.

Q Are you in charge of the office there?

A I am.

Q What are the requirements before the drilling of any well located on Federal lands within the Blanco-Mesavieja field?

A Any well must be submitted, a notice of intention to drill must be submitted and regulations state that prior written approval will be received before drilling commences, unless some other arrangements have been made. We can give an operator a letter of approval to start a well.

Q What then do you do with reference to advising the State Oil Conservation Commission of approval of a well drilled on Federal lands?

A We require that they send enough of the intentions to drill so that we can send two copies to the State, one to their Aztec Office and one here to Santa Fe, and those are not submitted to the State, those are not approval in any way, except that we have an agreement with the Conservation Commission that we will not submit those to them until I have approved the well.

Q And does your office require that any well approved by you which is drilled within the Blanco-Mesavieja Pool conform with the regulations of the New Mexico Oil Conservation Commission, as

no special?

A We do.

Q Did your office approve the Hinton No. 3 well and the -- and the Rock Pool No. 1 well?

A Yes, sir.

MR. HOWELL: That is all.

MR. HACEY: Any questions of Mr. McGrath?

CROSS EXAMINATION

By MR. CAMPBELL:

Q Mr. McGrath, with reference to the approval of the notice of intention to drill, which I understand you give --

A Yes.

Q Do you have any other requirements where there may be other acreage involved in the unit on which the well is being drilled than Federal acreage?

A Yes, we do, or even if the two Federal leases, we require communitization of the drilling block.

Q And as lessor, or royalty owner, does the Federal Government have to approve those communitization agreements?

A Yes, sir.

Q And do you consider that the unit has been completed unless such communitization agreements are available?

A No, we are not interested if they are drilling on public land, and get their approval, but we do require that, to get the communitization agreement whereby that when the State sets up such a unit for drilling, lease or for proration unit.

Q And it is your statement that the Federal Government, upon

to space?

A Yes, sir.

Q Did your office approve the Hutton No. 3 Well and the -- and the Koch Pool No. 1 Well?

A Yes, sir.

MR. HOWELL: That is all.

MR. BACCHY: Any questions of Mr. McGrath?

CROSS EXAMINATION

By MR. CAMPBELL:

Q Mr. McGrath, with reference to the approval of the notice of intention to drill, which I understand you give --

A Yes.

Q Do you have any other requirements where there may be other acreage involved in the unit on which the well is being drilled than Federal acreage?

A Yes, we do, or even if the two Federal leases, we require communitization of the drilling block.

Q And as lessor, or royalty owner, does the Federal Government have to approve those communitization agreements?

A Yes, sir.

Q And do you consider that the unit has been completed unless such communitization agreements are available?

A No, we are not interested if they are drilling on public land, and get their approval, but we do require that, to get the communitization agreement whereby that when the State sets up such a unit for drilling block or for proration unit.

Q And it is your statement that the Federal Government, upon

the approval of the notice of intention to drill, considers that the drilling unit has been created and the acreage pooled?

A The operator so states, or is supposed to, with his intention to drill, that certain acreage is dedicated to that well, that particular well.

MR. CAMPBELL: That is all.

MR. HOWELL: One question. Have you finished.

MR. MACEY: Go ahead, Mr. Howell.

MR. HOWELL: Has it been customary to produce the communication agreements at a later date and submit them to your office?

A Yes, sir.

MR. MACEY: I would like to ask you a question. As I understand it, an operator can submit a sundry notice to you proposing to drill a well on Federal land, in which he dedicates certain acreage to that well, the acreage being dedicated in conformance with the existing drilling unit provisions of any applicable pool rules in which the well is located, is that correct?

A Yes, sir.

MR. MACEY: Now he so states on the sundry notice of intention to drill that he intends to dedicate the west half of the section to the well. When do you require that operator to furnish an executed communication agreement?

A No set date.

MR. MACEY: There is no set date?

A No, sir.

MR. MACEY: In other words, it could take a considerable time, as far as you are concerned then, the communication agree-

ment can be approved at any time after you approve the notice of intention to drill?

A Or prior to it -- yes, at any time.

MR. MACKEY: Does the communitization agreement involve the approval by your agency, the approval of the communitization agreement by your agency involve a considerable amount of time, does it have to go back to Washington?

A It does, it has to be approved by the Director of the Geological Survey.

RECROSS-EXAMINATION

By: MR. CAMPBELL:

Q Am I correct, that it will not be approved by the Director of the United States Geological Survey until all of the royalty owners have executed --

A I think they do not.

Q They do not require the royalty interests to execute it?

A I think they do not, only the royalty interests.

Q I wonder if you would advise your Roswell office of that?

A Mr. Anderson just advised me.

Q Let the record show I have been working on one for six months -- off the record.

(Discussion off the record.)

MR. CAMPBELL: Only the working interests, in order to clarify the record so there will be no mistakes, your Roswell Office or your agency only requires the working interest's approval of communitization agreement?

A That is what Mr. Anderson has told me, the communitization agreements must go to the Roswell Office first and it is checked there and with recommendations it is sent to Washington for approval.

Q One more question. Mr. McGrath, do you know how long that policy has been followed?

A No, sir, I do not.

Q Do you know whether it was ever otherwise, as far as royalty owners executing communitization agreements are concerned?

A No, I couldn't say for sure.

MR. MACEY: Anyone else?

MR. ANDERSON: Mr. Macey, I wonder if I could make a statement in this case that might clarify it? (John Anderson.) As far as the Federal Government is concerned, on royalty owners executing communitization agreements, let's go into a couple of classes of them where they actually have overriding royalty interests on Federal leases, or on any type of leases.

We are not concerned as to whether they sign the communitization agreement or do not. As far as the basic royalty owners are concerned, owners of mineral interests in privately owned lands, if the lease does not have a pooling clause that we consider adequate, the owners of the mineral interest, or the basic royalty owners, whatever you want to call them, must sign the communitization agreement.

THE COURT: Will you state your position for the record, Mr. Anderson, so the record is clear --

MR. ANDERSON: John Anderson, National Oil and Gas Supervisor, United States Geological Survey.

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MR. CAMPBELL: My objection is to clarify this witness's statement, Mr. Utz, as to your statement that Mr. Anderson just said, assuming that the oil and gas leases here involved contain no pooling clause, conservation authority, before the United States Geological Survey will approve the communitization of the unit, the basic royalty owners under these ten leases must have joined in the communitization agreement.

A I think that is right, yes, sir.

MR. CAMPBELL: That is all.

MR. HACEY: Anyone else have a question? If not the witness may be excused.

(Witness excused.)

MR. HOWELL: Mr. Utz, will you take the stand, please?

ELVIS A. UTZ,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name and official position for the record?

A Elvis A. Utz, Engineer with the New Mexico Oil Conservation Commission.

Q Mr. Utz, are you familiar with the cases pending before the Commission, Numbers 705 through 712, both inclusive?

A Reasonably so, yes.

Q I will ask you if you are familiar with the practices and requirements of the Oil Conservation Commission as they existed in

the year, 1963, prior to August 31st?

A Yes, sir.

Q What was the practice and requirements of the Commission with reference to obtaining permission to drill a well upon a drilling tract within the Blanco-Mesaviejo Pool?

A The only thing that we required during the period in question was that the operator make a statement on his C-101 as to what acreage was dedicated to that well and if communization was necessary, that he would communize it. To the best of my knowledge, other than that there was nothing required in the way of communization.

Q Is the C-101 the form of Notice of intention to drill?

A That is correct.

Q Have you looked in the files of the Cases 706 through 712, inclusive, that are involved in this hearing?

A Yes, sir, I have.

Q That is the files of the Oil Conservation Commission?

A That is correct.

Q And do those files contain the notices approved by the Commission, authorizing the drilling of the wells on each of those tracts?

A Yes, they do.

Q Did the Commission have any other requirements as a condition of drilling the well, other than filling of the form and subsequent communization?

A Not to the best of my knowledge, they do not.

Q Was each of the wells in those cases approved by a representative of the Commission?

A Yes, sir, it has.

Q Now, with reference to the drilling of wells located upon Federal land, what has been the practice of the Commission?

A We have no authority whatsoever to require anything as far as wells drilled on Federal land is concerned. However, the United States Geological Survey honors a number of our requests, among which was to state on the form, notice of intention to drill, to them, the acreage dedicated to the drilling well.

Q What was the practice prior to August 31, 1953, of any operator who wished to drill a well upon Federal land within the Blanco-Mesaverde Pool, with reference to filing any report with your office?

A There was none.

Q Did you receive a copy of the application that was filed with the United States Geological Survey?

A Yes, after it was approved by the United States Geological Survey, the United States Geological Survey furnished us with two copies.

Q Did you accept these notices as approved by the United States Geological Survey as evidence of the authority to drill the well?

A Yes, we do.

Q And you still do so?

A Yes, we do.

A. HOLL: That is all.

A. HALL: Mr. Campbell?

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by Mr. CAMPBELL:

Q Mr. Utz, you say that this was the practice followed prior to August 31, 1953. Was there ever any change in that?

A In, quite recently, due to the advent of proration, we have stated in the proration orders that an operator shall file his gas well plat or a plat showing his indicated acreage with his notice of intention to drill. Sometime after August 31st, or the date in question here we did require gas well plats showing the location and the amount of acreage indicated to the well.

Q You are acquainted with Order No. R-118, aren't you, Mr. Utz?

A Reasonably so.

Q Are you acquainted with the provision that, "as to the location of these wells on the drilling units, 320 acres more or less, no well shall be drilled or completed or recompleted and no notice of intention to drill, or drilling permit shall be approved unless such well be located on a designated drilling unit of not less than 320 acres of land, more or less, according to legal subdivision of the United States land surveys, in which unit all the interests are consolidated by pooling agreement or otherwise." Are you acquainted with that?

A Yes, I am.

Q Do you feel that the procedure followed by the Commission prior to August 31, 1953, in approving notices of intention to drill, with or without consolidation/^{by} pooling agreement or otherwise, complies with that rule?

A The Commission apparently approved that in 1951, or 1952

wouldn't have authorized a situation where to approve C-101's
in line, the fact that it took a considerable length of time some-
times to get communication, I think probably prompted that
procedure.

Q Isn't it true also that on occasions the operators waited
until rather late in the game to drill their well and seek their
approval?

A That is true in a number of cases, yes.

MR. CAMPBELL: That is all.

MR. MACEY: Anyone else? The witness may be excused.

(Witness excused.)

MR. HOWELL: That is all we have.

MR. MACEY: Do you have any statements or anything that
you would like to enter in the case?

MR. HOWELL: I don't wish to add to anything more than
was said in the opening statement.

MR. MACEY: Mr. Howell, Mr. Rhodes has a question that he
would like to ask.

MR. RHODES: Mr. Macey, I wonder if Mr. Howell would place Mr.
Hamblin under oath?

MR. MACEY: Would that be satisfactory?

MR. CAMPBELL: May I first, before he gets into that, let
the record show that I have requested permission to submit for the
record, Yater's Exhibits A-4, A-5, A-6, A-7, A-8, A-9 and A-10,
which are photostatic copies of all the leases covering the
tracts involved in Cases 701 through 712, and in order to keep it
straight, they will be marked A (701) and so on, as you have done
with yours.

MR. MACEY: Do you have any objection to that, Mr. Howell?

MR. HOWELL: No objection.

MR. MACEY: If no objection they will be received. Do you intend to submit them fairly soon, Mr. Campbell?

MR. CAMPBELL: Yes. Of course we don't have executed copies, do we?

MR. YAGER: I would have to get photostatic copies of copies.

MR. CAMPBELL: We will not be able to furnish photostatic copies of the original. Now if you have the originals it is perfectly all right with us, we would just like them in the record.

MR. HOWELL: We will be happy to furnish photostats of the original to you and let you send them in.

MR. MACEY: All right, that will be satisfactory. Do you have anything further, Mr. Campbell, before Mr. Hamblin?

R. L. HAMBLIN,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. MACEY:

Q Would you state your name.

A R. L. Hamblin, with El Paso Natural Gas Company, Manager of the Lease Department.

MR. MACEY: Mr. Rhodes.

DIRECT EXAMINATION

By: MR. RHODES:

Q Mr. Hamblin, are you familiar with the leases concerned in these cases 700 through 712?

A Reasonably so. It has been some time since I actually read them but reasonably so, yes, sir.

Q Well, to clarify the situation. In my opinion, the Commission issued a pooling order which made the communitization under discussion here, retroactive to the date of the approval of the C-101?

MR. HOWELL: If the Commission please, I believe that the question of Mr. Rhodes assumes a construction of the order that I certainly don't put on it.

MR. MACKEY: I agree with you.

MR. HOWELL: I think the orders speak for themselves as to what the Commission did.

MR. MACKEY: Perhaps you could reword your question.

Q The pooling agreement or the pooling order issued by the Commission made the effective date of the pooling agreement retroactive to the date upon which the intent to drill was approved, is that correct?

MR. HOWELL: Again I suggest that the order speaks for itself. That is our contention of what the Commission did was to determine that the parties, the working interest only, by agreeing at a certain date, had accomplished the pooling.

MR. CAMPBELL: Let me make this additional statement there in this regard, that it is our position that the Commission didn't do anything except state what they thought the law was in the case.

Q Well, let us assume that the Commission order made the effective date of the communitization retroactive to the date of the approval of the order of the order to drill. What is our viewpoint, is that correct? Well, let us assume that is did.

A All right.

Q All right, let us assume that is did. Now, for

there is also a possibility that the Commission order made the effective date of the commission order as of the effective date of the order. What I want to know is, did these leases expire in the interim?

A That is the question I can't answer, it has to be determined.

Q It has to be determined? A Yes, sir.

Q But nevertheless, the leases did expire on paper between the date that the well was spudded in and the date that the Commission issued its pooling order?

MR. MACEY: Mr. Howell, I think probably it would be proper for you --

MR. HOWELL: May I make a statement for the record here? I think that the leases when introduced in evidence and I am sure that Mr. Campbell will agree with me in this statement, that the primary term of each of the leases in question expired on August 31, 1953, at midnight, unless by virtue of some provision of the lease there had been drilling operations or commencement of drilling operations which would have continued the primary term. Does that answer your question? I suspect that you could get neither me or Mr. Campbell to agree as to any particular lease as to what the present legal status of the lease is

MR. RHODES: Mr. Howell, I believe that very ably answers the question.

Q Now if we assumed that the provisions of the pooling orders were retroactive to the date of the spudding of this well, Mr. Yager would hold a standard land owner's royalty or farmer's royalty under the acreage, which is contained in these units that

we are discussing, is that correct?

A That is correct.

Q However, if it was construed that the pooling order affected the communitization of these properties on the effective date of the order, then Mr. Yager would only hold working interest?

A Assuming that to be correct he would own the full working interest on these leases on which the wells were not actually located.

Q But which nevertheless were committed to the drilling unit?

A Yes.

Q Now then, Mr. Hamblin, the main question is this: If it were construed that this Commission order required that the communitization be effective on the effective date of the order, would that not also require under the terms of the communitization that Mr. Yager contribute his proportionate share to the drilling costs of the well?

A That is correct.

MR. CAMPBELL: Which Mr. Yager is willing to do.

Q Now then, one last question, and this may not be a proper question, if not, I will expect it to be objected to. What, in your opinion, is Mr. Yager trying to gain -- (LAUGHTER)

MR. HOWELL: I would be very happy to answer that, since I believe that that calls for a legal conclusion and would be the opinion of a witness as to a point that would just get us into controversy, so I object to the question.

MR. MACEY: I think the answer to the question is rather obvious as to who gains and who loses in the event of what happened.

MR. HOWELL: That is, I think it is a proper question.

MR. MACEY: I will be glad to explain it to you.

MR. REIDER: I don't understand it entirely and I believe it might expedite matters considerably, I think it might expedite matters considerably if Mr. Yager were placed under oath and takes the stand and explains his position.

MR. MACEY: I don't think it is the proper point in the case, Mr. Reider. Frankly we are concerned with the communication or forced communication of leases involved and I don't think that it is a proper question or a proper point in the case. Do you have anything further?

MR. RHODES: That is all I have.

MR. KITTS: I would like to ask Mr. Campbell a question and Mr. Howell.

MR. MACEY: Does anyone have any further questions of Mr. Hamblin?

(Witness excused.)

MR. KITTS: You have closed your case?

MR. HOWELL: We have closed.

MR. KITTS: Have you closed your case, Mr. Campbell?

MR. CAMPBELL: Yes.

MR. KITTS: I would like to direct a question to Mr. Howell and Mr. Campbell, to get their viewpoint on a legal argument here. This is concerning the section of our statute which defines owner and Section 13-3 of the statute, or our law, read that with Section 1-A of Order 2-110. Do you think there is any basic conflict there or do you think that they can be construed together?

Mr. CAMPBELL: May I say that I do not believe that the authority of the Commission to compulsorily pool, under the circumstances existing in this case, arise out of Section 13-3. We believe that Section 13-3 is limited to situations where if the uniform plan such as the 320-acre spacing here results in somebody's being left out or if there is an unusual acreage survey situation, that this section applies, but that does not apply to a situation such as ours. We do believe that Section B, Sub-section B, coupled with the general police power under the statute gives the Commission full authority ^{to} compulsorily pool under the circumstances existing in our case.

MR. MACEY: General powers contained in the statute --

MR. CAMPBELL: Now as to the conflict, if there is any, it is our opinion that the Commission by its order in a particular pool may make such reasonable requirements as it sees fit, with reference to the operation of the pool and that where they have chosen to say, as they did in the order, that a notice of intention to drill shall not be approved until all of the interests have been pooled, voluntarily or otherwise, we think they meant all of the interests and we think they meant that unless you are voluntarily pooled, then there must be a compulsory pooling order before the pooling unit is complete. That is our position, legal position in this matter and we think that the order in the pool would control if there is any conflict.

MR. MACEY: Of course, 13-3, the substance of 13-3 is repeated, Order 3-110, in Section 33-a.

MR. CAMPBELL: We can't see where that is applicable to the situation here, particularly from the applicant's point of view,

as well as you on the case, it has a 30-acre spacing unit and be deprived of royalty so much that they are not pooled; if they are not pooled, we are the ones that are going to be deprived of it and are being deprived of it.

MR. HOWELL: As a fact that the pooling does not deprive Mr. Yager of anything and that the royalty owner whose interest is pooled by the lessee are the royalty owners whose interest is pooled by the lessee in conformity with the spacing rule which has been adopted by the Commission. Now regardless of whether it be adopted pursuant to Section 13-B or Sub-section 13-C, it is a spacing rule that was adopted by the Commission and no person has the right --

MR. WALKER: Wait a moment. Mr. Yager, will you please lower your voice.

MR. HOWELL: And no person has a right to drill otherwise than under the spacing units prescribed by the Commission but that the parties may agree and our contention, the meat in the coconut, is whether or not any one other than the owner under the statute, the persons having the right to drill and appropriate oil and gas, must agree or concur to pool their interests to do what the state says must be done as a matter of conservation, considering correlative rights and considering the interests of all parties, because certainly the correlative rights of no land owner are adversely affected by the lessees agreeing to pool in conformity with an order establishing a 320-acre spacing unit. Each royalty owner is given under such an agreement exactly the correlative rights to which he is entitled and how there could be any necessity for any party other than the owners, the statutory

owners to agree would be required to a necessary thing that would achieve no protection of any rights that would be violated otherwise.

MR. CAMPBELL: May I say just one more thing in regard to that? I think there are situations particularly where you have an operation offsetting your units, east, west, or north, south in a section, there are definitely situations in which the royalty owner can be adversely affected by the choice that the working interest owner makes under those circumstances. For instance, we have a case right here where for some reason they first chose the south half as the unit and then for reasons known best to them they turned to the west half. Now those reasons can involve circumstances of lease ownership, lease expiration, structural conditions, any number of things which can affect diverse royalty ownership within that section and it does not seem to us that it is completely accurate to say that whatever the working interest owner wants to do under these circumstances they can go ahead and do by simply filing a notice of intention to do it and getting it approved by the Commission. If that were the case, as I say, there would be no reason for this application in the first instance, if the Commission is correct. It would just mean that the royalty owner would be subject to whatever the working interest owner decided to do. Now from the working interest owner's point of view that is fine but from the royalty owner's point of view that may not always be so satisfactory.

Can Mr. Varner make one point?

MR. VARNER: That is the reason why, gentlemen, from my point of view, the Section 3 of the act was amended. You recall that

under the original provision of Section 3 of the act provided, to avoid the drilling of unnecessary wells, a proration unit of each pool may be fixed, such being the area which may be efficiently and economically drained and developed by one well. So we have got the definition of proration unit, which is the area which could be economically drained and developed by one well, but the amendment, the 1953 amendment went further and said that the Commission may establish a proration unit for each pool, following the same language, such being the area that can be efficiently and economically drained and developed by one well and in so doing the Commission shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners.

Now how is the Commission going to protect the correlative rights of a royalty owner without notice to the royalty owner, an opportunity for the royalty owner to be heard, if he can be adversely affected and it is obvious that he can be adversely affected. You can have structural conditions, you can have a situation where a number of --- I have outlined here in a letter to Mr. Campbell, about where a royalty owner can be adversely affected by the selection by lease owner or the lessee of whether he is going to select the north half or the south half or the east half or west half and if it were up to him he may select the east half and that may adversely affect the royalty owner in one of the quarters. And that is the reason, that is the reason why the act specifically say that, includes the protection of royalty owners. Now it seems to me so obvious, it seems to me the language is so clear, how anybody can read this language otherwise.

that Section C doesn't apply, I can't understand it.

Listen, gentlemen, the pooling of properties, this is in Section C, that these gentlemen asked you to apply and we contend it does not apply:

"The pooling of properties, or parts thereof, shall be permitted and if not agreed upon may be required when --", not at any time, not at the discretion of the Commission, the discretion of the Commission may be exercised under "B" but when may the Commission act under Section C, "When the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to produce ---" and so on and so on.

Now what has happened in the order that the Commission entered in this case, to point out that under Order R-110, the Commission established a uniform spacing plan. Now Section C comes into being only when the enforcement of that uniform spacing plan works an injustice. But where it does not work an injustice, then the Commission operates under Section B and the other acts that relate to Section B under its generally implied power, its express power, and those implied powers that flow from the express powers, to establish proration units but certainly not under Section C. And incidentally in Section A and nowhere in Section B is there a reference to owner but quite the contrary, it includes the rights of royalty owners.

I pointed out at the outset, perhaps my statement is a little too vigorous, I apologize if it is, but as I pointed out at the outset, how are you going to protect the rights of royalty owners

without giving them notice and a opportunity to be heard? You may not, your decision may be the same but I submit that you deprive them of due process under the statute unless you give them notice.

MR. HOWELL: I would like to answer that argument briefly.

MR. MACEY: Go ahead, Mr. Howell.

MR. HOWELL: It is our contention that the Commission established a proration unit when it entered the Order R-110, that the requirement of the proration unit be established was not when the Commission did give notice and hearing. And the royalty owners had an opportunity to appear and the Commission did determine that the correlative rights of the royalty owner would be protected by establishing a 320-acre proration unit in the Blanco Mesaverde Pool, and that that has been accomplished and that direction of the statute has been met by the entry of Order No. R-110, that then, that having been established, the proration unit having been established, the spacing rule having been applied, that the owners, the statutory owners agreed upon the pooling of their interests in compliance with that order, and that that pooling was accomplished when the lessees then agree and that no further notice or hearing is required unless it be on a pool-wide basis of establishing proration units for the entire pool, would be the only time that additional notice and hearing should be given to royalty owners.

MR. MACEY: Anything further, Mr. Howell?

MR. KITTS: No.

MR. MACEY: Does anyone have anything further in these cases?

MR. HOWELL: I would like to ask Mr. Macey of what instance

and deprived of the right of hearing?

MR. MILLER: I didn't understand, sir.

MR. MILLER: I would like to ask you, sir, of what instance
are you deprived of your right of hearing in any of these matters?

MR. YAGER: Well, when the, you see, there was no notice
given, there was no notice given until the royalty owners, that is,
the owners of the minerals, until -- oh, some time in 1954, wasn't
it -- I believe in 1954.

MR. REIDER: You received no notice?

MR. YAGER: Yes, we received notice in 1954 but it goes to
the fact, goes to the proposition that the Commission cannot
enter an order which would affect our rights prior to the time
that they gave us a notice and an opportunity to be heard, it goes
to the question of the total lack of jurisdiction to enter an order
of that sort. It has a right, it has the right to enter orders
after we have been given notice and an opportunity to be heard,
but it cannot enter an order after giving us notice which would be --
which would effect -- which would be retroactive. I think the
gentleman's question there is a very pertinent question. I think
it was a very pertinent question. I think I agree with both Mr.
Howell and Mr. Campbell it has no place in this hearing, it has no
place before the Commission. The Commission is now here to deter-
mine the questions of the right and title to these claims but
certainly the Commission is not here to determine what would
happened, it is not here, therefore, if I might say, well, we
would not say that the Commission was retroactive
before the hearing.

Mr. Yager: The Commission prides itself on trying to give everybody a chance.

Mr. YAGER: I am sorry to hear.

Mr. REIDER: And I believe there is adequate provision to provide the royalty interest or the operator the right for a hearing on any of these matters, and that was the reason for my question that you had been deprived. I wanted to know the specific instance that you were deprived of your right and hearing on this matter. I would like to direct to Mr. Howell --

Mr. YAGER: Evidently you are not satisfied with my answer, sir. I didn't mean to imply that the Commission didn't give me an opportunity to be heard and didn't serve a notice upon me and an opportunity to be heard in 1954, but if they enter an order in 1954 that affects the right of 1953, without giving me an opportunity to be heard in 1953, they are not exercising due process of law and that is a legal proposition, sir.

Mr. REIDER: I won't --

Mr. YAGER: Yes, you might as well argue, I'll owe you money, a promissory note and sign the note and a thousand people heard me say, I owe the note, you can walk into court and say, "That fellow Yager owes me" and the judge renders a judgment against me without serving a summons on me, all lawyers would tell you that due process would not then be exercised. Yes, sir, he does have opportunity to present his point of view. You may not agree with the point of view when it is presented, but that is the basic in our idea of right thinking, too, and you wouldn't let that judgment not be passed without an opportunity to be heard.

Mr. REIDER: Mr. Howell, with reference to the Yager bill.

Q. 2, I would like to know the date you first requested of Mr. Yager to come into the unit?

MR. HOWELL: The record I think shows, the record on the original hearing, I believe, contains the testimony of Mr. Hamblin on this point. I do not have the exact date but I can state that the record shows that Mr. Yager was requested to join the communitization agreements prior to the date that the primary term of the leases expired; that the agreements signed by other parties were delivered to him and are in his possession, so far as we know, up to the present time; that at least the signed copies that were sent to him have not been returned to us and the record so shows on the initial hearing. We didn't go into that testimony today to again go through that point of the case.

MR. YAGER: What was the purpose for that sort of testimony, Mr. Howell, if this Commission is not called upon to pass upon the validity of these leases?

MR. HOWELL: The testimony is in the record for whatever use the Commission wants to make of it.

MR. YAGER: That is what I thought! Is the Commission going to pay any attention to this sort of testimony?

MR. HOWELL: It is a local question --

MR. MACY: Gentlemen, gentlemen, gentlemen!

MR. CAMPBELL: The case is closed.

MR. MACY: Does anyone have anything further? If not, we will take the case under advisement. We will adjourn until 1:15 P. M.

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

I, MARGARET MCCOSKEY, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 31st day of March, 1955.

Margaret McCoskey
Notary Public, Court Reporter

My Commission Expires:

August 15, 1956.

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

* * * * *

TRANSCRIPT OF PROCEEDINGS
CASE NO. 706 through 712, inclusive
Regular Hearing

BEFORE THE
OIL CONSERVATION COMMISSION
State of New Mexico
Santa Fe, New Mexico
May 19, 1954

IN THE MATTER OF:

The application of El Paso Natural Gas Company for compulsory communitization of Lots 3, 4, 5 and 6, SE/4 NW/4, E/2 SW/4, and SW/4 SW/4 (these lands comprising the west half) of Section 6, Township 30 North, Range 11 West, San Juan County, N. M. (containing 328.17 acres), for Mesaverde production.

Case No.
706

The application of El Paso Natural Gas Company for compulsory communitization of Lots 3, 4, E/2 SW/4 and SE/4 (these comprising the south half) of Section 31, Township 31 North, Range 11 West, San Juan County, New Mexico, (containing 320 acres), for Mesaverde production.

Case No.
707

The application of El Paso Natural Gas Company for compulsory communitization of the west half of Section 15, Township 31 North, Range 11 West, San Juan County, New Mexico (containing 320 acres), for Mesaverde production.

Case No.
708

The application of El Paso Natural Gas Company for compulsory communitization of the east half of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of NE/4, E/2 SE/4, SW/4 SE/4 Section 27, Township 31 North, Range 11 West, (containing 280 acres), for Mesaverde production.

Case No.
709

The application of El Paso Natural Gas Company for compulsory communitization of the east half of Section 8, Township 31 North, Range 10 West, San Juan County, New Mexico, (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of NE/4, N/2 SE/4, SW/4 SE/4 Section 8, Township 31 North, Range 10 West (containing 280 acres), for Mesaverde production.

Case No.
710

ADA DEARNLEY & ASSOCIATES
GEOLOGICAL REPORTERS
ROOM 105-106-107 EL CORTEZ BLDG
PHONES 2-9645 AND 2-9646
ALBUQUERQUE, NEW MEXICO

The application of El Paso Natural Gas Company for compulsory communitization of the west half of Section 32, Township 31 North, Range 11 West, San Juan County, New Mexico (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of NW/4, SW/4 SW/4 Section 32, Township 31 North, Range 11 West (containing 200 acres), for Mesaverde production.

Case No.
711

Application of El Paso Natural Gas Company for compulsory communitization of the east half of Section 3, Township 30 North, Range 10 West, San Juan County, New Mexico (containing 320 acres); or, in the alternative, for an unorthodox spacing and allocation unit consisting of Lots 1 and 2, S/2 NE/4, E/2 SE/4, SW/4 SE/4, E/2 NW/4 SE/4, SW/4 NW/4 SE/4 of Section 3, Township 30 North, Range 10 West (containing 310.68 acres for Mesaverde production).

Case No.
712

BEFORE:

Honorable Edwin L. Mechem, Chairman
Mr. E. S. (Johnny) Walker, Member
Mr. R. R. Spurrier, Secretary & Director

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TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The next case on the docket is Case 706.

MR. HOWELL: May it please the Commission, we suggest that the next seven cases be heard together, not that they be consolidated, but that they be heard together, because the point at issue, I think, is identical in each of them.

MR. SPURRIER: Is there objection?

MR. YAGER: In the first place, I think it might be a wise thing that all the cases be heard together. I should, however, not to appear to be agreeing with Mr. Howell's statement that the point at issue is the same in all cases, I think there is a great similarity in most, if not all, of the cases.

May I, with your permission, make a preliminary statement to the Commission? I find myself in a very difficult position as a party litigant and possibly as a lawyer now. I think the Commission is due this explanation as to why my attorney is not here at this time. He was here this morning. I came here early, came here early Monday for the purpose of engaging counsel. I talked to a local attorney on Monday afternoon, and again Tuesday. It developed that there might be a conflict of interest so far as this attorney was concerned, and so, with the honor and integrity usually shown by lawyers, he thought it best for him not to proceed to represent us in this proceeding. That left me, of course, on yesterday afternoon, or about noon yesterday, without an attorney, and I tried to contact Mr. Campbell, and found he was on his way over here, and talked to him for the first time last night about, shortly after dinner time. I think I talked to him for about ten minutes, he was on his way to another engagement. The first chance he or I had a chance to review

any part of this case was early this morning. He explained to me that he would be glad to get into it, but that he had to leave this afternoon due to a previous engagement. He stayed up until the last minute. I have to go ahead and do what I can, but I want it understood, of course, that Mr. Campbell does represent me and the others in the group, the Yager, the two Yagers and the Gimp and the Morris Mizel and Sam Mizel interests. I should like to call the Commission's attention to the fact that I certainly don't have any knowledge of the New Mexico laws. I think we can stop right there with the New Mexico laws. I found, also, on these conservation laws, that there is a sharp conflict of opinion even among distinguished lawyers in New Mexico on the interpretation and construction of some of these laws.

MR. WALKER: I think you find that true of any state law.

MR. YAGER: I think that is true. We have a little bit of help in Oklahoma, because our Supreme Court has passed upon some of the questions, but New Mexico has not, as I understand it. So for that reason. I should like very much to ask the indulgence of the Commission to let us see how far we can go today, with the understanding that Mr. Campbell will take over and present such questions of law, or analyze the effect of the evidence, and perhaps by memorandum or exchange of memoranda between counsel, if that would be agreeable to Mr. Howell.

MR. HOWELL: Yes, that would be agreeable.

MR. WALKER: We have a statement that Mr. Campbell left with the Commission, and Mr. Hacey will read it into the record at this time.

MR. MACEY: This is with reference to Cases 706 to 712.

Statement of Jack M. Campbell, Roswell, New Mexico: "I would like to enter my appearance in each of these cases on behalf of Saul A. Yager and others. I have entered these cases only in the last few hours, and will be unable to remain in Santa Fe for the entire hearing. I feel that these applications may involve matters of lease extensions or terminations which are not within the jurisdiction of the Commission. After taking the testimony and preparation of the transcript, I would like the opportunity of presenting a memorandum brief to the Commission, with the same privilege extended to the applicant. Mr. Yager is an attorney, and will conduct the cases at this hearing."

MR. YAGER: I could amplify Mr. Campbell's statement, taking Case, for example, 706, that is the entire case. There will be a question of whether or not the primary term of the lease has been extended, that is to say, a question to title, who owns the lease. From what Mr. Campbell has told me, and from what little I have gleaned in the short time that I have read some of these, read the act and so on, I conclude, Mr. Campbell certainly concludes that that question is completely beyond the jurisdiction or purview of this Commission to determine who owns, to determine the question of title to a lease. The same questions will arise in Cases 709, 10, 11 and 12, whether this Commission, and I think we might as well pose the question at this point, whether this Commission, in this hearing, proposes to hear evidence, it goes to the question of whether the El Paso Natural Gas Company is the legal owner of the leases, or whether the leases now belong to the Yager, et al. group. I think the Commission might as well face that problem right at this point, because if it is going to go into the question and decide the

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matter of title to the leases, of course, then you will have an extended hearing and considerable evidence offered on both sides. We would, of course, at the outset, like to challenge the jurisdiction and authority of the Commission to determine that question.

MR. WALKER: I think it is perhaps wise to get along, with that in mind, of course, and sort of take it as it comes. As your motions are made, we can act on it as we go along. Up until now at least, to speak for myself, I don't know if there is any point of legality or not. If it is agreeable with everyone, if you have any witnesses, Mr. Howell, would you have them sworn in?

ROLAND L. HAMBLIN

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name to the Commission?

A My name is Roland L. Hamblin.

Q What connection, if any, do you have with El Paso Natural Gas Company?

A I am Manager of the Lease Department, Oil and Gas Lease Department.

Q Have you been Manager of that department since the first of January, 1952, or approximately that time?

A I have.

Q At all times during the interval you have been?

A Yes, sir.

Q Are you familiar with the tracts of land and the leases and ownerships on the half sections that are involved in these seven

cases?

A Yes, sir, I am.

Q Do you have some exhibits which are in the form of plats, being sketches marked Exhibits 1A, 1B, 1C, and 1D, showing generally leases in the area, with the leases or the lands, let us say, which are owned by the Yager group marked in orange, and the leases in which El Paso Natural Gas Company has working or operating rights in pink, and those within the half section owned by other persons left white? Are these sketches showing the location of the various tracts in question here?

A That is correct, these are the sketches of the tracts.

Q Have these been prepared under your supervision and jurisdiction?

A Yes, they have been prepared under my direction.

Q Do they correctly show the approximate location of the wells and the ownership of the land and leases involved?

A They do.

MR. HOWELL: We offer these in evidence as El Paso Natural Gas Company's 1A, 1B, 1C and 1D.

MR. KITTS: Pertaining to all seven cases?

MR. HOWELL: Pertaining to all seven cases.

MR. YAGER: You don't have copies?

MR. HOWELL: We will be glad to furnish copies.

MR. WALKER: Any objection?

MR. YAGER: No objection.

MR. WALKER: Without objection, they will be admitted.

Q Referring first to Case 706 that I believe--

MR. YAGER: (Interrupting) Mr. Howell, I would like to

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make my position clear. We have no objection, except by permitting the plats to be introduced without objection, we do not waive our right to question the ownership of the leases.

MR. WALKER: I can't see any connection between them.

MR. YAGER: The witness has stated that these plats are prepared, or maps indicate the ownership of the respective leases. Of course, I think that is correct, is it not?

MR. HOWELL: I think the statement, Mr. Yager, was that the tracts of land in which the Yager claims existed, whatever they might be, were colored in orange.

MR. YAGER: If that is it, then we have no objection.

Q Referring now to Case number 706, which involves the irregular west half of Section 6, Township 30 North, Range 11 West, I will ask you what is the ownership of the leasehold interest in that particular tract?

A There is an oil and gas lease from William H. Chrisman and wife to N. Spatter, dated July third, 1953, covering 206.30 acres, which the working interest owner is owned by El Paso Natural Gas Company has the gas rights to the base of the Mesaverde, and the Delhi Oil Corporation, who has the deeper rights and the oil rights.

Q Does that lease have a pooling clause, or has there been a subsequent pooling amendment entered?

A It contains a pooling clause.

Q It contains a pooling clause. Have Delhi and El Paso, the owners of the working interest in that lease, agreed to communitization?

A They have.

Q Now, the next tract is Lot 4, containing 41.75 acres, what do your records show with reference to the oil and gas lease on that?

A There is an oil and gas lease dated September 1, 1948, from Saul A. Yager and wife, lessors, to Wayne Moore.

Q Has that lease or the leasehold interest there been assigned to Delhi Corporation and El Paso Natural Gas Company?

A It has, and the working interest owner is now El Paso and Delhi, subject to--

Q I believe that lease contained no pooling clause?

A It contains no pooling clause.

Q At a later point, we shall introduce evidence that the well was commenced on this particular lot, but we will pass that for the time being. The next tract, Lot 3 in the southeast quarter of the southwest quarter, containing 80.12 acres, is in what condition as to title?

A It is United States Federal lease, of which the working interest owners are now El Paso Natural and Delhi Oil Corporation. The lessee of record, according to Government record, is C. C. Peters.

Q Have the working interest owners and lessee of owner agree to a communitization agreement communitizing the west half of Lots 3, 4, 5 and 6, the southeast quarter of the northwest quarter, the east half of the southwest quarter and the southwest quarter of the southwest quarter?

A Yes, sir, the working interest owners have agreed to communitize the west half.

Q Was communitization agreement, a form of communitization agreement delivered to Mr. Yager at any time?

A Yes, sir, a communitization agreement was prepared and

delivered to Mr. Yager approximately August the 14th.

Q 1953?

A 1953.

Q Let's pass to the next one, and then I want to come back and discuss generally the negotiations. With reference to Case 707, which covers in Township 31 North, Range 11 West, Section 31, Lots 3 and 4, the east half of the southwest quarter and the southeast quarter or the south half, what is the status of the title to the several tracts involved in that?

A There are three leases involved. The first one is a Federal lease, Santa Fe 078,097 of which Susan Diggle Horton is the lease owner, and which the working lease owner is El Paso and Delhi Oil Corporation. That covers the east half of the southwest quarter of the southeast quarter of Section 31.

Q That is 240 acres?

A Yes.

Q Have those working interest owners, the lessees of record agreed to communitization?

A Both have agreed to communitize this lease.

Q Now, as to Lot 4, containing 41.52 acres, what is the status of that?

A That is an oil and gas lease dated September 1, 1948, from Saul A. Yager and wife, Marian Yager as lessors, to Wayne Moore, which was assigned to Delhi Oil Corporation, and has been subsequently assigned to El Paso Natural Gas Company.

Q Have the working interest owners of that lease agreed to communitization?

A Yes, sir, the working interest owners of that lease have

agreed to communitize.

Q Now, the remaining tract, which is Lot 3, containing 41.38 acres, what is the status of the title as to that?

A The working interest owner of that lease is now owned by El Paso Natural Gas as to the gas rights to the base of the Mesaverde formation, and Aztec Oil and Gas Company, who have the deeper gas rights and the oil rights.

Q Was a communitization agreement covering that tract prepared and sent to Mr. Yager, or delivered to Mr. Yager and his group?

A Yes, sir, a communitization agreement on the south half of Section 31 was prepared and delivered to Mr. Yager approximately August 4, 1953.

Q Passing now to Case 708, which refers to Township 31 North, Range 11 West, Section 15, the west half, what is the ownership as to that half section?

A There are two leases involved in the west half of Section 15, one of which is a Federal lease now owned by El Paso Natural Gas Company and Delhi Oil Corporation, and the lessee of record is Elizabeth Storey, covering 240 acres. The other lease is a lease dated September 1, 1948, from Mr. and Mrs. Yager to Wayne Moore, which lease has subsequently been assigned to Delhi and El Paso Natural Gas, that covers the east half of the southwest quarter, or 80 acres, and contains no pooling clause, that lease.

Q Had the working interest owners and the lessees of record of all these leases agreed to the communitization agreement?

A Yes, sir, they have.

Q Was a copy of the proposed communitization agreement, or several copies furnished to Mr. Yager prior to September 1, 1953?

A Yes, sir, they were.

Q I believe each of these tracts that is involved in a lease from Mr. and Mrs. Yager is on a separate lease, is that correct?

A That is correct.

Q And each of them was for a primary term of five years beginning September 1, 1948?

A That is right.

Q Referring now to Case 709, which involves Township 31 North, Range 11 West, the east half of Section 27, will you take each tract in turn and tell the Commission what the status of the title is and the condition as to a pooling clause or agreement by the royalty owners or working interest owners?

A There are six leases involved in the drilling tract, the east half of Section 27. The fee lease executed by James C. Sumruld and wife, which is now owned by Delhi Oil Corporation and El Paso Natural Gas Company, and this lease contains a pooling clause. That covers 40 acres. There is another fee lease from Carl G. Calloway and others, dated December 29, 1949, which lease has been assigned to El Paso and Delhi, and this lease also contains a pooling clause. That lease covers 40 acres also. There is an oil and gas lease from Sarah Meyers Hedges to El Paso Natural Gas Company covering 40 acres and dated May 26, 1953, of which El Paso has the entire working interest. That lease also contains a pooling clause. There is an oil and gas lease from Marion Vance and others to Primo Oil Company, which has been assigned to El Paso Natural Gas Company. That lease contains a pooling clause, and it covers approximately 80 acres. There is another fee lease from Elinor Periman and others to C. H. Iye, dated August 29, 1949. This lease has been assigned to

El Paso Natural Gas Company, and it also contains a pooling clause. There is an additional 40 acre lease covering the northwest quarter of the northeast quarter of Section 27, which is dated April 30, 1951 from Ella Blaise to Byrd-Frost, as lessee. This lease is now owned by Western Natural Gas Company, a half interest, Three States Natural Gas Company, an undivided one-fourth interest, and San Jacinto Petroleum Corporation, an undivided one fourth interest. Then there is a 40 acre lease dated September 1, 1948, from Saul A. Yager and wife, Marian Yager; there is 40 acres within this drilling tract. This lease has been assigned to El Paso and Delhi, and it contains no pooling clause.

Q Now, the portion of this lease, particular lease from Saul A. Yager and Marian Yager, dated September 1, 1948, that is involved in this location is only the northwest quarter of the southeast quarter, containing 40 acres; the other one hundred twenty acres is located in the western portion of the section?

A That is correct.

Q Now, where is the well which was drilled on this east half of Section 27 located?

A The well is located in the northwest quarter of the northeast quarter of Section 27, and on the Calloway lease.

Q Do you have a record of the cost of drilling this Calloway pool number 1 well on this tract?

A Yes, sir, I have the well costs available. The well costs of drilling the Calloway Pool Unit Number 1, as reflected by the books at the present time, total drilling cost of \$59,516.63.

MR. YAGER: Is that in Case 709?

MR. HOWELL: That is Case 709.

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Q Have all the working interest owners in the east half of Section 27 agreed on a pooling?

A All of the working interest owners in the east half of Section 27 have agreed to communitize that as a drilling tract.

A Have all the royalty owners other than Mr. and Mrs. Yager and their assigns agreed by inserting pooling clauses in the lease for pooling this in a 320 acre unit?

A Yes, they have.

MR. YAGER: What is that? Would you repeat that?

MR. HOWELL: I just stated if all the royalty owners other than Mr. and Mrs. Yager had agreed, by including pooling clauses in the lease agreement, that it could be pooled in the 320 acre unit.

MR. YAGER: Thank you.

Q Passing now to Case 710, will you please testify to the ownership of leases in several tracts involved in that case?

A The drilling tract involved in Case 710 is the east half of Section 8, Township 31 North, Range 10 West, which is located on the Marcotte Pool, Unit Number 1. There are several leases involved in this tract. A fee lease dated September 23, 1952, from R. L. Sprott and Edna Sprott, as lessors, to Delhi, embracing 20 acres, which has been assigned to El Paso and Delhi, and which contains a pooling clause. There is a United States Federal lease, Santa Fe 078604, covering 120 acres within the drill site, which is now owned by El Paso Natural Gas Company and Brookhaven Oil Company. There are four leases within this tract which are owned by Beaver Lodge Oil Corporation, and they are the fee lease dated June 23, 1952 from H. W. McKen and others, covering 39.9 acres, and this lease contains a pooling clause; there is a lease dated October 19, 1952, from

Thomas Marcotte and wife, covering 99 acres. This lease contains a pooling clause. There is an oil and gas lease from R. L. Sprott and Edna Sprott, dated May 18, 1953, covering one acre within this drilling site. This lease also contains a pooling clause. There is an oil and gas lease dated January 5, 1954, from the Denver and Rio Grande Western Railroad to Beaver Lodge that covers the .09 tenths acres. That lease also contains a pooling clause. Then there is a 40 acre lease executed by Mr. and Mrs. Yager, dated September 1, 1948, which has been subsequently assigned to El Paso Natural Gas Company and Delhi. This lease contains no pooling clause.

Q Have all of the owners of the working interest in this tract agreed to communitization?

A All of the working interest owners in the east half of Section 8 have agreed to communitize.

Q Have all of the royalty owners other than Mr. Yager, that is all of the royalty owners and fee lessees agreed to communitize except Mr. Yager by inserting the pooling agreement in the lease?

A Yes, sir, they have.

Q What is the location of the well which was drilled on this tract?

A Marcotte Pool Unit Number 1 which is located in the southwest quarter of the northeast quarter of Section 8 on the Marcotte lease, which is owned by Beaver Lodge Oil Corporation.

Q Do you have the costs of drilling this well?

A Yes, sir, the costs as reflected on our books at the present time, of drilling the Marcotte Pool Number 1, show a total drilling cost of \$72,160.45.

Q Passing now to Case 711, I will ask you to state to the Commission what the record shows with reference to this half section.

A Drilling tract involved in Case No. 711 is the west half of Section 32.

Q Township 31 North, Range 11 West?

A Yes, sir, Township 31 North, Range 11 West, on which is located our Heaton Number 3 well. There are two leases, one of which a fee lease dated April 7, 1952, for which Sarah C. Flanigan is the lessor. This lease is now owned by El Paso Natural Gas and Delhi Oil Corporation. It covers 160 acres within this drill site, and it contains a pooling clause. The other lease unit involved is Federal Lease Santa Fe 078097 of which Susan Diggle Horton is the lessee of record, and which is now owned by El Paso Natural Gas Company and Delhi Oil Corporation.

Q The third tract --

A (Interrupting) The third tract within that is a lease dated September 1, 1948, from Saul A. Yager and Marian Yager, covering 120 acres within this particular drill site. This lease contains no pooling clause.

Q Who is the working interest owner of that lease?

A The working interest owners of that lease are El Paso and Delhi Oil Corporation.

Q Have all the working interest owners of all the lands in this half section agreed to communitization?

A Yes, sir, all the working interest owners in the west half of Section 12 have agreed to communitize.

Q Have all of the fee land royalty owners, except the Yager group, agreed to communitize?

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A Yes, sir. There is only one, Miss Flamingo, and she has been inserting a pooling clause within her lease.

Q Passing now to Case number 712, I will ask you to state what the record shows, as to this half section.

A Case 712 includes the drilling tract.

Q Just a minute. Before we pass to that, where is the well in Case number 711, the Heaton Number 3 Well, located?

A The Heaton Number 3 Well is located in the southwest quarter of the southwest quarter of Section 31 on the Federal lease Santa Fe 07897, owned by El Paso Natural Gas and Delhi Oil Corporation.

Q What was the cost of drilling that well?

A The drilling cost of the Heaton Number 3 Well, as reflected on our books, shows \$65,146.86.

Q Returning now to Case number 712, will you testify as to the ownership of the several tracts in that?

A Yes, sir. There are five leases within the drilling tract, the east half of Section 3, Township 30 North, Range 10 West, on which is located our Koch Number 1 Well. These leases are a fee lease dated July 2, 1953, covering 10 acres; this lease contains a pooling clause, and the working interest owner is El Paso Natural Gas Company. There is a Federal lease New Mexico 0607, covering 200, approximately 200 acres in this drill site, which is now owned by El Paso Natural Gas Company, Delhi Oil Corporation and the Atlantic Refining Company. There is a fee lease dated January 24, 1949, covering 40.3 acres. The working interest owner of this lease is El Paso Natural Gas Company and Sun Bay Oil Corporation. This fee lease contains a pooling clause. There is

an additional fee lease dated April 1, 1949, containing approximately 10 acres in this drill site. The working interest owners in this lease are El Paso Natural Gas Company and Sun Ray Oil Corporation, and this fee lease also contains a pooling clause. There is a fee lease dated July 19, 1951, which covers 50 acres within this drill site. It is owned, the working interest in this lease is owned by Fred C. Koch, and this lease contains a pooling clause. There is a fee lease in this drill site covering ten acres, dated September 1, 1948, from Saul A. Yager and wife. The working interest owners in this lease are now El Paso Natural Gas Company and Sun Ray Oil Corporation. This lease contains no pooling clause.

Q Have all of the working interest owners in this half section agreed upon communitization?

A Yes, sir, all of the working interest owners in the east half of Section 30 have agreed to communitize.

Q All the fee land royalty owners except the Yager group?

A Yes, sir, all the fee owners except the Yagers have agreed to communitize.

Q Do you have the cost of the Koch Pool Unit Number 1 Well which was drilled, and where drilled?

A Yes, The Koch Pool Unit Number 1 is located in the southeast quarter of the northeast quarter of Section 3, Township 30 North, Range 10 West. It is located on the lease owned by Fred Koch, and the---

MR. YAGER: is that the southeast, northeast of Section 3?

A Section 3, Township 30 North, Range 10 West.

MR. YAGER: It is Section 3?

A Yes, sir. The drilling cost of the Koch Pool, as reflected by the books at the present time show a total drilling cost of \$77,110.84.

Q Approximately what was the date when El Paso Natural Gas Company acquired interest with Delhi Oil Corporation in a number of the tracts?

A We acquired our interest in Delhi, which is from Delhi, in most of these tracts on March 1, 1952.

Q At that time, had negotiations, as shown by Delhi's record, begun to attempt to amend the leases to permit communitization negotiations between Delhi and the Yagers?

A Yes, sir, it is our understanding that the Delhi had, previously to our acquisition, they had negotiated and attempted to obtain a pooling clause on these leases.

Q When did you first begin negotiations with the Yager group with reference to communitizing or amended the leases?

A In the early part of 1953 we had contacts with Mr. Miesel and Mr. Yager on other matters, and preliminary discussions were begun in connection with communitizing these certain drill tracts.

Q Did you personally make a trip, one or more trips up to Tulsa?

A I personally made one trip to Tulsa to talk to Mr. Yager concerning this matter.

Q Did you send anyone employed under you in your division?

A Previously to that time, Mr. Smith, who is in our department had been up to Tulsa, and had contacted Mr. Yager, and had delivered these communitization agreements.

Q Did you actually see the communitization agreements in the

possession of Mr. Yager?

A Yes, sir, I did.

Q Have they ever been returned to you?

A No, sir, they have not.

Q Were some signatures on the communitization agreements at the time they were in the possession of Mr. Yager?

A Yes, sir, Mr. Yager showed us one communitization agreement, I don't remember which one it was, and it is my recollection that Mr. and Mrs. Yager's signatures were on the communitization agreement, and Mr. and Mrs. Miguel's signatures.

Q Approximately what time was that?

A That was on August 27th.

Q 1953?

A 1953, yes, sir.

MR. HOWELL: I think that is all.

CROSS EXAMINATION

By MR. YAGER:

Q You don't contend, Mr. Hamblin, that it was over intended that Mr. and Mrs. Miguel and Mrs. Yager be bound by any communitization agreement that you saw their signatures on, do you?

A No.

Q You don't contend that, do you?

A No. I don't believe it was the intention to deliver those communitization agreements to El Paso.

Q That is right. So it is without any legal significance at all that you saw the communitization agreements in your possession with those signatures on, isn't that right?

A Well-

MR. HOWELL: (Interrupting) If the Commission please, that is purely a question of the effect of evidence there. A legal question. It is just arguing with the witness.

MR. YAGER: They are making a point both in their admission and the testimony of Mr. Hamblin that the communization agreements were actually signed by Yager and Morris Mizel. Yet, to cross examine the witness on that subject, they object to us doing that. I submit--

MR. HOWELL: (Interrupting) I have no objection to the witness testifying what is said or what was done, but what the witness draws as a legal conclusion is something that I still object to.

Q Mr. Hamblin, you knew, of course, did you not, that it was never intended, let me put it this way, that it was not intended simply by the signing of those agreements that the parties who signed them be bound thereby with the El Paso, isn't that right?

A Well, I believe you expressed the idea to me that you wanted the entire group to go along, to be unanimous in whatever was done.

Q I will go one step further, didn't I say that we were in there as partners, and that I wouldn't double-cross my other partners by delivering when you and Mr. Smith requested. "Well, why don't you just deliver those with those signatures on there," didn't I say I wouldn't do any such thing, because it was a part of our definite understanding that we were not to be bound unless all of them signed that instrument, is that right?

A Well, I don't recall your saying that, but it was my understanding that you did not intend to deliver the communization-

tion agreements to us with you and your wife's and Mr. and Mrs. Riesel's signatures on them, and not your other partners.

Q And not the other parties in the group, is that right?

A That is correct.

Q So that neither you personally nor on behalf of the El Paso or on behalf of anybody connected with this case are making any contention that there is any significance in the fact that those signatures appeared on there that you saw in my office, isn't that right, Mr. Hamblin?

A That is a question, I believe, related to the other one which I don't believe I am qualified to testify as to the effect of those signatures.

Q As a matter of fact, let me go one step further with you. You remember the occasion and the circumstances under which those signatures happened to be on those instruments.

A I don't understand what you are asking.

Q You say you do not understand?

A No, sir.

Q Let me put it to you directly then, you know, Mr. Hamblin, that in the first place the Yager group was not to enter into any communitization agreement unless everybody connected with the group signed, that is right, isn't it?

A That was not my understanding.

Q Isn't that what you just said a few minutes ago?

A In the preliminary negotiations.

Q Isn't that what you said just a minute ago?

A At the time that I was in your office, that was the understanding that I had obtained at that time, I will say that.

Q You were not present in the first conference when Mr. Smith was there on September the, well, the early part of September when he met with me and with Mr. Morris Mizel and with Mr. Sam Mizel in Mr. Morris Mizel's office, you were not there?

A No, I was not.

Q You didn't hear any part of that conversation, did you?

A No, sir.

Q You didn't hear any part of the conversation that I had with Mr. Smith which led up to my obtaining the signatures on those instruments, did you?

A I did not hear your conversation, no, sir.

Q All you know about it is perhaps what Mr. Smith told you?

A That is correct.

Q That is right. Now, when you talked about delivering the communitization agreements to me, you don't want the Commission to understand you delivered executed communitization agreements to me, do you?

A They were partially executed communitization agreements.

Q Are you sure about that, Mr. Hamblin?

A Yes, sir. Some of the communitization had been signed by other parties.

Q Can you name who they were?

A No, sir, I am not prepared, I am not, cannot remember which particular communitizations of the seven had been signed and which parties had executed them at that time.

Q Well, I thought you, you were not the one who delivered the communitization agreements to me, were you?

A No, sir, I was not.

Q How, then, do you know that they were partially signed when they were delivered to me.

A They were in my office before they were delivered to you, and I was familiar with them and who had signed at that time.

Q Isn't it possible that those that were delivered to me were not the particular ones that you were looking at in your office?

A There was possibly ten parts, but they were the same communitization agreements.

Q They were all signed by somebody?

A Some of the communitizations were executed by other parties.

Q I am talking about those that were delivered to me.

A Yes, sir.

Q You are sure that the particular communitization agreement that you saw in your office that were partially signed before being delivered to me were the identical communitization agreements that were delivered to me? What I am trying to get at, Mr. Hamblin, is this, are you certain that the communitization agreements that were delivered to me were partially signed at the time they were delivered to me?

A It is my best recollection at the time that some of the communitization agreements were executed by some of the parties prior to delivery to you.

Q Was the El Paso one of them?

A I do not recall, but I doubt very much in El Paso one.

Q Was Galia one of them?

A I do not recall that information.

Q Yet, in every one of the applications that you filed, you said that each one of these, the communitization agreements were

partially signed at the time they were delivered to me, is that true? Do you mean for the Commission to understand, Mr. Hamblin? I don't want to entrap you, I want to make this perfectly clear, you mean for the Commission to understand that the allegations in each one of your applications to the effect that communitizations partially signed were delivered to me, that that is true in each one of these cases?

A I am not prepared to testify that every communitization delivered to you had a signature on it.

Q So that it is possible that whoever drew or is responsible for the drawing of the applications could have been mistaken in some of the applications when he alleged that the communitizations were partially signed at the time they were delivered to me, is that so?

A That may or may not be true, I don't know.

Q Who else knows whether these communitizations agreements were partially signed at the time they were delivered to me?

MR. HOWELL: I suggest that you are in a better position to know it than anybody else by producing them.

MR. YAGER: That is a clever remark. They have alleged that positively in every one of their applications.

MR. HOWELL: I think it is reasonably immaterial to the issues involved here. I suggest if you make a point on it, that you have them, and give them to the Commission.

MR. YAGER: It has no place in the case. I tried to make the point at the beginning, it has no place in the application.

MR. HOWELL: I think it can be settled easily. They are in your possession.

MR. YAGER: I would like to know why you fellows make the wild allegations and the wild charges when you don't know what the facts are.

Q When you stated, Mr. Hamblin, that all the parties, that is all the owners of the royalty interest and the working interests except the Yager group agreed to communitize, of course, except insofar as you have pooling agreements in the leases, were those agreements in writing?

A Yes, sir, they are.

Q Each and every case you have in writing?

A That is correct.

Q With the exception, of course, of the Yager group?

A Yes.

Q Now, the locations of the wells in cases 709, 710, 712, both inclusive, will you identify those cases? I thought I would shorten it by referring to them by number, perhaps I haven't.

A If you refer to them by well names, the well location in Case 706 --

Q (Interrupting) Pass 706, pass 707 and 708. Begin with 709.

A All right. The location of the well in 709 --

Q (Interrupting) I want to ask a general question and then let you--I know I am sure what you answer will be, and then you can check it. The locations of the wells in Cases 709 to 712, both inclusive are not on the tracts covered by the respective Yager leases?

A That is correct.

Q That is correct, is it not?

A Yes, sir.

MR. YAGER: I think that is all.

MR. WALKER: Anyone else have a question of the witness?
If not, the witness may be excused.

MR. YAGER: May I ask one further question?

Q Mr. Hamblin, there were no applications of any sort made for pooling or for compulsory unitization prior to the application that we are hearing before the Commission now, is that correct?

A No application to the Commission.

Q For forced pooling or for unitization, is that right?

A Communitization agreements were prepared, but there was no application for forced pooling until this hearing.

Q When you say communitization agreements were prepared, you mean a form was prepared and signed by other parties and submitted for signature to the Yager group, which Yager group refused to sign?

A That is correct.

Q That is summarizing it?

A Yes.

(Witness excused)

EDWARD JOHN COEL

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q Will you state your name for the record?

A Edward John Coel.

Q State your connection, if any, with El Paso Natural Gas Company.

A Senior Petroleum Engineer stationed at Farmington, New Mexico.

Q Have you ever testified before this Commission as an expert?

A No, sir.

Q Will you state to the Commission your education and the work experience which you have had?

A I have a Bachelor of Science in petroleum engineering, University of Texas, 1949. Since that time I have been employed by the El Paso Natural Gas Company in Texas and New Mexico, being in New Mexico since October of 1950.

Q Where are you located at the present time?

A Farmington, New Mexico.

Q What is your particular job with reference to the wells up there that are under consideration today?

A Engineering supervision of the drilling and completion of those wells, and keeping of the records.

Q Were these records kept under your personal supervision?

A Yes, sir.

Q Are they correctly kept?

A Yes, sir.

Q I wish you would refer to Case 706, which is the Yager Pool Unit Number 2 Well, I believe, located in the west half of Section 6, Township 30 North, Range 11 East. Testify when that notice of intention to drill was filed with the Commission, state what the area or location dedicated to the well was shown to be, testify when the well was spudded in, the data concerning its completion, its cost. Do you have that information?

A Yes, sir, I do.

Q Will you state to the Commission those facts?

A This well was spudded on March 17, 1953, under oral approval from the Commission. Formal approval was received on March 23.

Q When was the notice of intention to drill filed?

A I believe it was on March 17. We received oral permission from the District Engineer to spud the well.

Q Where was that well located?

A It is located 1090 feet from the north line and 1090 feet from the west line of Section 6, Township 30 North, Range 11 West.

Q Is that on the tract of land that was covered by the Yager lease?

A I would have to check that. May I see those plats? Yes, sir.

Q Yager Pool Number 2.

A Yager Pool Unit Number two.

Q That is the name of the well. Was that well, was the initial work on that well as a Mesaverde well?

A No, sir, Pictured Cliff well.

Q Was it later converted to a Mesaverde well?

A Yes, sir. The Picture Cliff formation proved to be dry, and under permission received from the Oil Conservation Commission for unorthodox locations, and to convert to a Mesaverde well in the northwest quarter of that section by letter of August 3, 1953, the well work was re-started on the well August 31, 1953.

Q When was the well completed?

A On September 20, 1953.

Q In what formation?

A The Mesaverde formation.

Q What depth?

A Depth of 4640 feet.

Q Has the well been tested?

A Yes, sir.

Q What did it test?

A 686 MCF per day on three hour flow down test.

Q Give the same data with reference to the Yager Pool Number 1 Well, which is involved in Case number 707, located on the south half of Section 31, Township 31 North, Range 11 West.

A The well is located 990 feet from the south line and 909 feet from the west line, 31/31/11, approval was granted by the Commission on February 19, 1953, and spudded March 2, 1953, completed on March 25, 1953, at the total depth of 4852 feet, tested for 710 MCF.

Q Completed in Mesaverde formation?

A Yes, sir.

Q When was the notice of intention to drill filed?

A Approximately the date of approval in February of 1953.

Q What did that notice of intention to drill show as to the tract dedicated to that well?

A I would have to check that, the south half of Section 31.

Q Passing now to the Number 3 Well which is involved in Case 708, I believe, will you give the same data to the Commission?

A The well was located 990 feet from the south, 650 from the west, Section 15, Township 31, Range 11, approval granted August 3, 1953, well spudded August 7, 1953, completion was August 22, 1953,

total depth of 4845 feet, tested for 3,630,000 MCF per day.

Q Was that well drilled on a Yager tract, a Yager lease?

A Yes, sir.

Q Completed in the Mesaverde formation?

A Yes, sir.

Q When was the notice of intention to drill filed?

A In August.

Q What was shown as the area dedicated to that well?

A West half of Section 15.

Q Passing now to Case 709, the Calloway Pool Number 1 Well, located on the east half of Section 27, will you give the Commission the same data?

A The well was located 990 feet from the north and 750 feet from the east, Section 27, Township 31, Range 11, approval granted by the Commission June 2, 1953, spudded July 12, 1953, completed July 30, 1953, total depth of 4890 feet for commercial gas well for test of 1,280,000 MCF.

Q Was that completed in the Mesaverde formation?

A Yes, sir.

Q What was the tract dedicated to the well as shown by the notice and intention to drill?

A East half of Section.

Q That is the east half of Section 27, Township 31 North, Range 11 West?

A Yes, sir.

Q Passing now to Case Number 710, which involves the Anreotte Pool Unit Number 1, will you please give the same data to the Commission?

A The location was 650 feet from the north and east of Section 8, Township 31, Range 10, approval granted to drill August 25, 1953, and the well was commenced August 30, 1953, completed November 13, 1953, at total depth of 5055 feet, tested for 10,900,000 MCF.

Q MR. YAGER: When was it spudded, sir?

A August 30.

Q Was that completed in the Mesaverde formation?

A Yes, sir.

Q When was notice of intention to drill filed, and what was the area shown by that notice?

A Filed in August, east half of Section 8.

Q Passing now to Case Number 711, the Heaton Number 3 Well, located on the west half of Section 32, Township 31 North, Range 11 West, will you please give the Commission the same data?

A Located 990 feet from the south, 990 feet from the west line of Section 32, Township 31, Range 11, approval was granted by the United States Geological Survey on March 9, 1953, the well was spudded March 27, 1953, completed April 28, 1953, total depth of 4823 feet, tested 1,625,000.

Q That was completed in the Mesaverde formation, too?

A Yes, sir.

Q And when was the notice of intention to drill filed, and what was the area shown?

A In March. The area shown was the south half of the section.

Q Passing now to Case number 712, the Koch Pool Unit Number 1 Well, will you give the data there? I believe that well was drilled on the east half of Section 3, Township 30 North, Range 10

West.

A Located 1800 feet from the north and 890 feet from the east line, Section 3, Township 30, Range 10; approval granted by the United States Geological Survey on August 14, 1953; well was spudded August 30, 1953, completed November 9, 1953, at total depth of 5452 feet, tested 5,550,000.

Q Was that completed in the Mesaverde formation?

A Yes, sir.

Q When was the notice of intention to drill filed, and what was shown?

A In August. It showed the east half of the section.

MR. YAGER: August what?

A The date of approval was granted, was the 14th, August 6th, approximately, the date it was filed.

Q Mr. Coel, are you familiar with drilling costs in the area in which these wells are located?

A Yes, sir.

Q What is the average cost of completing wells to Mesaverde formation?

A Approximately \$80,000.00.

Q I believe the evidence in this case shows that the Calloway Unit Number 1 was drilled at a cost of \$59,516.63, the Marcott Pool Unit Number 1 at a cost of \$72,160.45, Beaton Number 3 at a cost of \$5,146.86, the Koch Pool Unit Number 1 at a cost of \$77,110.84, are those costs reasonable and fair costs for wells drilled to the depth that these wells were drilled?

A Yes, sir.

Q Are they below the normal and usual costs for similar

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wells in that area?

A They are below the average.

Q In your opinion, will one well drilled to the Mesaverde formation drain 320 acres?

A Yes, sir.

Q That is with reference to the particular area in which these wells are located?

A Yes, sir.

MR. HOWELL: I believe that is all.

CROSS EXAMINATION

By MR. YAGER:

Q Mr. Coel, coming to the well involved in 706, I think you called it the Yager Pool Number 2 Well.

A Yes, sir.

Q That was originally drilled as a Picture Cliff Well, as I understand?

A That is true.

Q That was spudded March 17, 1953, as I understand your testimony?

A Yes, sir.

Q You filed a notice of intention to drill that well?

A Yes, sir.

Q And did you dedicate any particular tract to the unit when you filed a notice of intention?

A Yes, sir. The northwest quarter would be dedicated in that case.

Q Northwest quarter?

A Yes, sir.

Q You completed that well when?

A Completed September 20.

Q I meant to ask you, you completed the well in the Picture Cliff when?

A I can give you that data, on May 21, the well was proved to be unproductive at a total depth of 2283 feet, and it was temporarily abandoned at that time.

Q What was the next thing you did in connection with that well, I mean with reference to the matter of filing any intention of doing anything?

A It was decided to take the well to the Mesaverde formation, and being that it was not, it did not coincide with the regulations set up for northeast, southwest location in a section, the off-set operators were polled and found to be in favor, or at least allow El Paso Natural permission to drill an unorthodox location there. That approval was submitted to the Oil Conservation Commission, and in turn, they approved the location.

Q In writing, was it submitted to the Oil Conservation Commission?

A Yes, sir.

Q Do you have a copy of that writing before you?

A I don't believe so. I believe I do have a copy of, there should be a copy of the letter from Mr. Spurrier and the Oil Conservation Commission granting permission for it.

Q The letter from the El Paso Natural, or the approval of these off-set owners?

A They are on file with the Commission.

Q We assume that is on file with the Commission.

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A Yes, they are on file with the Commission.

Q There was no dedication announced or stated in that letter, was there, or do you remember?

A Yes, sir, the west half of the location was.

Q In the letter?

A Yes, sir, in a letter, and also in a supplementary notice of intention to change plans to the District office at Aztec, New Mexico.

Q When was that filed?

A May 2, 1953.

Q When was the work actually started on the well after it had been temporarily abandoned in the Picture Cliff?

A On August 31.

Q Started August 31?

A Yes, sir.

Q Do you have records to show that?

A Yes, sir.

Q You have them here with you?

A I am not sure whether that is shown on any of the records sent to the Oil Conservation Commission. I would have to check and see if it was.

Q Do you have them in your file?

A Yes, sir, definitely.

Q With you now?

A No, sir.

Q You know what the work was that was started on August 31?

A Yes, sir.

Q What was it?

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A There was a misunderstanding, there was a lease expiring approximately at that time, and in order to show good faith with intention to finish the well as a Mesaverde, and because at that time we had some 30 odd rigs running, working for El Paso Natural Gas Company, and it was impossible to get a rotary rig over the hole, a cable tool rig was moved on to start the drilling deeper until such time as a rotary rig could be brought on location.

Q When was it moved on?

A On September 4.

Q A cable tool rig was moved on on September 4th?

A Oh, no, sir, it commenced operation on the 31st.

Q When was the cable tool rig moved on the lease?

A Should have been moved on the 30th.

Q When was the date that it was actually moved on, do you know?

A I don't have the information, exactly, right now.

Q Is there any information anywhere in your file of record that shows the particular date that that cable tool rig was moved on the lease?

A Yes, sir, my files should show the drilling reports submitted by the cable tool rig as they moved on.

Q Who had charge of the cable tool rig?

A It was Conley Cox's Drilling Company, Conley Cox Drilling Company.

Q Where are they?

A They are in Aztec.

Q Will your records, this may be repetition, will your office records show the exact date when that cable tool rig was moved on

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the, on that lease?

A Yes, sir.

MR. YAGER: I think that is all.

MR. WALKER: Any further questions of the witness? If not,
the witness may be excused.

(Witness excused)

FOSTER MORRELL

being called as a witness, having been first duly sworn, testified
as follows:

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name, please?

A Foster Morrell.

Q What is your business or profession?

A Petroleum consultant.

Q You have testified before the commission here before?

A I have.

MR. HOWELL: Are Mr. Morrell's qualifications as an expert
acceptable to the Commission?

MR. WALKER: They are.

Q You have heard the testimony with reference to the comple-
tion of seven wells that were drilled on locations approximately
320 acres, located in Mesavado Field in San Juan County, are you
familiar with that field?

A I am.

Q Have you made a study, as a geologist, of the character-
istics of that field?

A I have.

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Q Have you reached any conclusion as to the area that one Mesavada well will drain?

A It is my opinion that it will drain 320 acres at least.

Q Do you think that communitization of drilling tracts into 320 acre blocks is necessary to permit each owner of the oil and gas to recover his fair share?

A Under the rules and regulations of the Commission, and the basis that one well will drain 320 acres it is both desirable and necessary to communitize where lease ownership within the 320 acres is diverse.

Q Would failure to communitize in these particular cases deprive some of the owners of leases of their opportunity to recover their fair share of the oil and gas?

A It would do so.

Q Have you had any experience with unit agreements and communitization agreements in the industry generally in this area?

A I have.

Q Could you state to the Commission approximately how many unit agreements you have been connected with?

A Some 20 unit agreements in the San Juan Basin.

Q I will ask you what is the customary and prevalent method in communitizing or unitizing and providing for the payments that are to be made by non-consenting interest owner or land owner?

A The parties contributing to the cost to a drilling of a well are entitled to receive from 150 to 200 percent of the cost of drilling in repayment of those parties who do not contribute.

Q Is that a usual and customary practice in the industry?

A That is a usual and customary practice.

Q Is it a fair provision?

A It is a fair provision, and is so recognized by the industry.

Q Is that in addition to the operating costs incurred by the operator?

A That is in addition to the operating costs during the payout period.

Q In your opinion, would an order conditioned by the Commission that in the event the owners of an interest, if they be found to be the owners of an interest, who failed to pay their share of the costs should be required either to pay in cash plus six percent interest from the date of well completion or in the alternative that their production be retained by the driller until two hundred percent of the share of drilling costs allocated to the non-consenting owner be recovered, is a fair and equitable provision?

A I would say it would be fair and equitable.

MR. HOWELL: That is all.

CROSS EXAMINATION

By MR. YAGER:

Q I thought you said from one hundred fifty to two hundred percent.

A Some are 150, and some are 200.

Q Well---

A (Interrupting) The contracts to which I refer are specific as to which amount.

Q Those are cases, you say, where the parties have not voluntarily entered into an agreement?

A You will find that is a standard provision in all standard form of unit agreements or unit operating agreements thereunder approved by the Department of Interior, involving Federal lands.

Q Of 150 to 200 percent?

A Either 150 or 200 percent.

MR. YAGER: Thank you, Mr. Morrell.

MR. WALKER: Are there any other questions of Mr. Morrell? If not, the witness may be excused.

(Witness excused)

MR. HOWELL: If the Commission please, that concludes our testimony, and in view of the fact that Mr. Campbell desires to file a brief, I, of course, also would like to submit a written brief. I can state for the benefit of the Commission and Mr. Yager what our position is, and what we think is the equitable and just rule to be adopted by the Commission in these cases. When, pursuant to an order which has been adopted by the Commission, an area of 320 acres, as required by the Commission for a drilling site, has been dedicated by notice of intention to drill, it is our position that that has effected the communitization of that tract. Now, in the alternative, if the Commission should see fit not to enter an order making the communitizations effective as of the date the notice of intention to drill was filed, in the alternative, it would appear that in the seven cases we have two situations. We have three cases in which the leases had been perpetuated by drilling operations prior to the expiration of the leases. If the communitization as to the other four is not effective until this time, we ask that the Commission enter an

order in the alternative, either permitting us to complete the units on an unorthodox location. Since Mr. Yager and his group do not desire to join with us, why we are willing that they keep their 40 acres in those units, and that we be given an unorthodox location, or in the alternative, should they desire to enter the agreement, the communitization agreement, that they be required to pay their proportionate share in cash with six percent interest from the date of well completion, or failing to pay that, as operator, we recover out of their share of the production 200 percent of the drilling cost. We shall support that by brief, but I would like to briefly make our position clear.

MR. YAGER. You understand, I stated at the outset, I am going to have to repeat the difficult position I am in, because my lawyer isn't here. On the question of the reasonable cost or the reasonable charge, that should be made against a non-consenting interest owner having particular reference to Mr. Morrell's testimony from 150 to 200 percent, I should like to have the Commission's permission, and yours also, Mr. Howell, if Mr. Campbell sees fit to offer any additional proof on that question, would you have any objections? I think it can be done informally. I understand Mr. Morrell is very distinguished in his profession. I am sure that he has testified according to his best knowledge. Mr. Campbell may want to offer some additional proof on that question. Would you have any objections?

MR. HOWELL: I have no objections to Mr. Campbell filing a written statement or brief that he desires. I am going to ask the Commission to close the hearing of the case.

MR. KITTIS: El Paso, in filing this application is pro-

ceeding under Section 13C, is it not?

MR. HOWELL: That is our intention.

MR. KITTS: If that is the case, then any relief or any relief you are entitled to would stand quite apart from any agreement or purported agreement you would have with the Yager group, isn't that correct?

MR. HOWELL: Well, that is correct.

MR. KITTS: So, actually, this other matter is really superfluous as far as the Commission is concerned, whether he did or did not agree?

MR. HOWELL: That is quite true. It is our position that the matter of whether a lease was extended or not is not before the Commission. We have asked the Commission for a specific order. We are asking that the order be made effective as of the filing of the notice of intention to drill. What results from that is a matter for the courts rather than for the Commission. That is our position.

MR. COLVIN: A. L. Colvin, Delhi Oil. Inasmuch as Delhi has an interest in these particular proceedings, I would like to make a statement on our position. We concur wholeheartedly with the position that El Paso is taking in this matter. I would like to also state that I do not know whether or not Delhi signed the communitization agreements that were presented to the Yager group, but if our signature did not appear thereon, it was solely because they had not reached us at that time, because we had notified El Paso, in fact, we had a contract with El Paso that we would use our best efforts to get these wells drilled. I, myself, wrote the Yager group several letters before we made our transaction with

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El Paso, requesting that they join or exercise a pooling agreement so we could go ahead without drilling program. Delhi would definitely have signed the agreement had they been presented to us. In furtherance of Mr. Morral's testimony, we made a deal, or an agreement with a major company, it is very evident in these hearings from time to time, concerning a drilling unit in Section 1, I believe it was 38 or 39, along this same line, and they paid us 125 percent in cash, 125 percent cash or 200 percent out of production. They paid us 125 percent, and that has been within the last six months.

MR. WALKER: Anyone else?

MR. ALBRIGHT: W. C. Albright with Atlantic Refining Company. We have a unit in the acreage involved in case 712. I would like to state that we were agreeable at the time, and we are agreeable now to the communitization that was proposed or is proposed by El Paso Natural Gas.

MR. WALKER: Anyone else. The cases are closed as far as testimony is concerned. The Commission will take them under advisement, awaiting the filing of the briefs, and I think we should probably put a time limit on although I don't know when we will get the record, that is the transcript of the record.

MR. YAGER: Mr. Campbell would probably like to have it.

MR. WALKER: Is two weeks agreeable? The cases will be taken under advisement.

STATE OF NEW MEXICO)
; ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 28th day of May, 1954.


Notary Public, Court Reporter

My Commission Expires:

June 19, 1955

BEFORE THE
Oil Conservation Commission

SANTA FE, NEW MEXICO
March 14, 1946

IN THE MATTER OF:

Case Nos. 287 - 291, Incl.

CASE NOS. 292 - 299, Incl.

Joseph J. Lopez

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

REPORT OF THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 15, 1956

IN THE MATTER OF:

Rehearing of cases which involve the appli- : Cases 706 through
cation of El Paso Natural Gas Company for : 712 and
compulsory communitization or determination : Cases 846 through
and ratification of communitization for : 852 -
Mesaverde production of certain tracts in : (Consolidated)
San Juan County, New Mexico. :

BEFORE:

Honorable John F. Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William S. Macey

REGISTER

NAME	REPRESENTING	LOCATION
Jack M. Campbell	Campbell & Russell	Roswell, N. M.
Warren Markin	N. M. O. C. C.	Santa Fe, N. M.
R. E. Carlin	Delhi-Taylor	Dallas, Texas.
H. B. Wiggall	Delhi-Taylor	Dallas, Texas
Harry G. Bippel	Continental Oil Co.	Ft. Worth, Tex.
J. W. Bitchak	El Paso Natural Gas Co.	Farmington, N. M.
J. W. Gurley	O. C. C.	Santa Fe, N. M.
John A. Woodward	El Paso Natural Gas Co.	El Paso, Tex.
P. H. Remell	El Paso Natural Gas Co.	El Paso, Tex.
Sam Smith	El Paso Natural Gas Co.	El Paso, Tex.
Leon McMillan	Humble Oil & Ref. Co.	Midland, Tex.
P. T. McGee	O. C. C.	Farmington, N. M.
H. J. Gifford	Independent	Albany, N.Y.
P. L. Anderson	Pacific Northwest Pipeline	Albuquerque, N. M.

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D. M. Canfield	Pacific Northwest Pipeline	Albuquerque, N.M.
Foster Morrell	Independent	Roswell, N. M.
F. Norman Woodruff	El Paso Natural Gas Co.	El Paso, Texas

TRANSCRIPT OF HEARING

MR. MACEY: The hearing will come to order, please. I presume the cases this morning will be consolidated for the purpose of testimony. Is that correct or incorrect?

MR. WOODWARD: All of the cases, 706 through 712 and 846 through 852, so far as El Paso is concerned, can be consolidated for the presentation. The individual units involved in Cases 706 and 846, for example, are fully consolidated by agreement of both parties at the last rehearing, as I understand it, so there is consolidation of 706 and so forth. But the presentation on all cases, for convenience, we suggest be consolidated.

MR. MACEY: Any objection?

MR. CAMPBELL: No.

MR. MACEY: If not, we will consolidate all cases for the purpose of testimony.

MR. WOODWARD: El Paso would like to, as one of the applicants for rehearing, make this explanation of why we are here. Essentially El Paso sought a determination of status and appropriate action by Commission, a sort of determination that seven spacing and allocation units in the Blanco-Mosaverte Pool were communitized tracts. If the Commission's information was that they were not communitized tracts, we ask that they be communitized.

The second orders issued in these cases from which rehearing is sought, implied in substance that if the tracts were communitized they were recognized, and if they were not, the Commission should

communitized them. We suggest that is a most agreeable order, but it is not very helpful in determining the status of these units.

I realize that case chronology, or history of proceeding is not a very interesting affair, but in view of the time involved, which these cases have been under consideration, we would like to recapitulate as briefly as possible, the history of this controversy.

Cases 706 through 712, and 846 through 852 involve seven spacing and allocation units in the Blanco-Mesaverde Pool. In October, 1953, El Paso applied for compulsory communitization of each of these hearings; the first hearing May 19, 1954, and the first orders issued December 16, 1954. In this order, the Commission found that the working interest owners in each of these units, had agreed to communitize their leases on or before the date the notices of intention to drill the well were approved. The Commission also found the agreement of such owners effectively create a unitized spacing, and allocating units which complied with the Orders R-110, the Commission ordered that each unit was recognized as a communitized, or pool tract, effective on the day the notices of intention to drill was approved. Under the circumstances, this was the only proper order that the Commission could have then entered. El Paso, as we have stated, had asked for compulsory pooling orders. the Commission found the units had already been communitized by agreement of the working interest owners, and appropriately registered them so, no order being necessary to want it. However, following these first orders, the Yager Unit asked for rehearing, and El Paso formally applied for ratification of these. This second series of applications was, as I understand it, Case Numbers 846 through 852.

At the first rehearing, March 17, 1955, as we have stated, Cases

706 and 846 involved the same lands, and were, therefore, consolidated, for the same reason the succeeding cases in both series were likewise consolidated. On January 12, 1956, the Commission superseded its first order in these cases by a new series. In the second series the Commission found that the working interest owners had agreed to communitize their leases in each of these units, that their agreement complied with Order R-110, and such agreement, together with the approval of the notice of intention to drill, which designated the unit area, effectively created and established the units in question. However, the Commission also found there was no evidence in the record as to the precise date the working interest owners had agreed to communitize their leases, prior to May 19, 1954, the date of the first hearing. There was evidence that as of that date the working interests had been communitized. The Commission therefore, found the date of such agreement to be May 19, 1954. Finally the Commission ordered that each unit be recognized as a communitized tract in a duly established drilling unit on that date. But, in the alternate and subsequent event that subsequent adjudication render that inoperative, all units were consolidated and compulsorily pooled effective January 15, 1956. Consequently, the Yager group and, at this hearing it is El Paso's position, first, that the second series of orders are improper and void, for the reasons set forth in El Paso's brief, heretofore filed with the Commission. Second, that the first series of orders are proper orders supported by the law and evidence, and should be reissued in substance. Third, without waiver of the right to stand on the evidence heretofore in these cases, and the benefit of any presumption of fact or law raised by such evidence, El Paso is prepared to go forward in intro-

ducing additional evidence as to the dates, working interests, when these units were consolidated. For that purpose, El Paso would call as its first witness, Mr. Roland L. Hamblin, and ask that he be sworn.

(Witness sworn.)

ROLAND L. HAMBLIN,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. WOODWARD:

Q Mr. Hamblin, state your full name, please.

A Roland L. Hamblin.

Q By whom are you employed and in what capacity?

A I am employed by the El Paso Natural Gas Company as Manager of their Lease Department.

Q Have you previously testified before the Commission in Cases 706 through 712, and 846 through 852?

A Yes, sir, I have.

(Marked El Paso Natural Gas Exhibits
R-706 through 712, for identification.)

Q El Paso's Exhibits R-706 through R-712 have been placed on the board. Are you familiar with these exhibits?

A Yes, sir, I am.

Q Were they prepared under your direction and supervision?

A Yes, sir, they were.

Q State what these exhibits show.

A Exhibits 706 through 712 are plats of seven well spacing and allocation units involved in these cases, showing each and every tract involved in each unit, and showing the unit well and location

of the unit well.

Q Now, directing your attention to Exhibit R-706, when was the notice of intention to drill the unit well first filed?

A A notice of intention to drill a Pictured Cliffs well on the northwest quarter, Section 6 was filed March 17, 1953, and approved by the Oil Conservation Commission on March 23, 1953. A notice of intention to change plans to Mesaverde well covering the west half of Section 6 was filed on May 26, 1953 and approved by the Oil Conservation Commission on July 31, 1953.

Q You state that the Commission authorized the completion of the Yager Well on May 31, 1953?

A On July 31, 1953.

Q July 31, 1953?

A That is correct.

Q What acreage was then dedicated to the well?

A The entire west half of Section 6, Township 30 North, Range 11 West.

Q Who owned the operating rights in the separate tracts on the west half of Section 6, on the date the Commission authorized completion of the Yager Number 2 Well in the Mesaverde Formation?

A El Paso Natural Gas Company owned the operating rights under each and every tract in the west half of Section 6, Township 30 North, Range 11 West, on or before July 31, 1953.

Q Taking each of the separately owned tracts in turn, tell the means by which El Paso acquired the operating right in them, and the date of such acquisition, Tract 1 colored in yellow on Exhibit R-706.

A This is R-706 right here and we are discussing. El Paso

Natural Gas Company acquired the operating right on Tract Number 1 by an assignment from Delhi Oil Company, dated March 1, 1952.

Q That was an assignment of the leases?

A That was a lease assignment.

Q Did this assignment cover other lands involved in 706 through 712, and et cetera?

A Yes, sir, it did. It covered all lands colored yellow in these attached plats, was covered in that assignment.

Q I hand you what has been marked El Paso Natural Gas Exhibit R-706-A, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A This is the assignment of oil and gas leases, dated March 1, 1952, from Delhi Oil Corporation to El Paso Natural Gas Company, covering Tract 1, and the other tracts colored in yellow in the attached plats.

Q Is this agreement executed?

A This agreement is duly executed by the Delhi Oil Corporation and El Paso Natural Gas Company.

Q Now, when, and by what means did El Paso acquire the operating rights in Tract 2 in Exhibit R-706?

A El Paso acquired the operating rights under Number 2, which is the pink, by an assignment from the Delhi to El Paso dated October 17, 1952.

Q I hand you what has been marked El Paso Natural Gas Exhibit R-706-B, are you familiar with this exhibit?

A Yes, sir, I am.

Q State what it is, please.

A R-706-B is the assignment of the oil and gas leases from Delhi Oil Corporation to El Paso Natural Gas Company, covering among other tracts, Tract 2, colored in pink.

Q Did that assignment cover other lands included within the unit involved in these cases?

A Yes, sir, it covered all of the tracts colored pink, Tract 2 here, and Tract 1, right here in this Exhibit 711.

Q Turning your attention to Tracts 3 and 4, when and by what means did El Paso acquire the operating rights in these tracts?

A El Paso Natural Gas Company acquired the operating rights in Tracts 3 and 4 by an assignment of operating agreement from Delhi Oil Corporation, dated March 1, 1952.

Q I hand you what has been marked R-706-C. Are you familiar with this exhibit?

A Yes, sir, I am.

Q State what it is, please.

A Exhibit R-706-C is the Assignment of Operating Agreement dated March 1, 1952, from Delhi Oil Corporation to El Paso Natural Gas Company, covering Tracts 3 and 4.

MR. HODDGE: El Paso's Exhibits R-706, 706-A, B, C, are hereby offered in evidence.

MR. HADLEY: Any objection?

MR. CAMPBELL: We have no objection to the exhibits. We question their leading effect, or contents, but the exhibits themselves do not have no objection.

MR. HADLEY: If there is no objection, the exhibits will be received.

MR. WOODWARD: We ask that the photostats be submitted or substituted for the originals in the record, the photostats before the Commission be substituted for the originals.

MR. MACEY: I think that is in order. Have all the exhibits been so marked?

MR. WOODWARD: They have.

Q Now, Mr. Hamblin, directing your attention to Exhibit R-707.

A This is R-707.

Q When was the notice of intention to drill the unit well approved?

A The notice of intention to drill the Yager Pool Unit Number 1 Well in 707 was approved by the Oil Conservation Commission on February 19, 1953. con
sp.

Q What acreage was dedicated to the well by that notice?

A The south half of Section 31, Township 31 North, Range 11 West.

Q Who owned the operating rights in the separate tracts of the south half, on the date the notice of intention was approved by the Commission?

A El Paso Natural Gas Company owned the operating rights under each and every tract under the south half of Section 31, on or before February 19, 1953. 707

Q When and by what means did El Paso Natural Gas acquire the operating rights in Tract Number 1, colored in red?

A El Paso Natural Gas Company acquired the operating rights under Tract Number 1 by an assignment of the operating rights from Aztec Oil and Gas Company to El Paso, dated February 19, 1953.

Q I hand you what has been marked El Paso Natural Gas Exhibit R-707-A, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you tell us what it is, please?

A R-707-A is the partial assignment of operating rights from Aztec Oil and Gas Company to El Paso Natural Gas Company, dated February 19, 1953.

Q When, and by what means did El Paso Natural Gas acquire the operating rights in Tract 2, colored in yellow?

A El Paso Natural Gas Company acquired the operating rights in Tract 2 by an assignment from Delhi Oil Corporation to El Paso dated March 1, 1952.

Q This is the same assignment heretofore introduced as R-706-A?

A Yes, sir, that is correct.

Q Now, Tract Number 3, colored in gold, when and by what means did El Paso acquire the operating rights in this tract?

A El Paso Natural Gas Company acquired the operating rights under Tract 3 by an assignment of operating agreement from Delhi Oil Corporation, to El Paso, dated March 1, 1952.

Q I hand you what has been marked El Paso Natural Gas Company Exhibit R-707-B, are you familiar with this exhibit?

A Yes, sir.

Q Will you state what it is, please?

A Exhibit R-707-B is the assignment of operating agreement from Delhi to El Paso, dated March 1, 1952, covering Tract 3.

MR. WOODWARD: El Paso's Exhibits R-707, R-707-A, B, are hereby offered into evidence.

MR. JACOV: Is there an objection?

MR. CAMPBELL: No objection.

MR. MACEY: If no objection, the exhibits will be received.
You wish to substitute the photostats?

MR. WOODWARD: In each case we would like to substitute the photostats for the originals.

MR. MACEY: All right.

Q Now, directing your attention to R-708, Mr. Hamblin.

A This is Exhibit R-708.

Q When was the notice of intention to drill the unit well approved?

A The notice of intention to drill the Neal Number 3 Well, which was the unit well, was approved on August 3, 1953 by the Oil Conservation Commission.

Q What acreage was dedicated to the unit well by that notice?

A The west half of Section 15, Township 31 North, Range 11 West was dedicated to this well.

Q Who owned the operating rights in the west half of Section 15 on the date the notice of intention to drill was approved?

A El Paso Natural Gas Company owned the operating rights under each and every tract in the west half of Section 15, Township 31 North, Range 11 West on August 3, 1953.

Q All right. Taking Tract Number 1, colored in blue, or light blue, when and by what means did El Paso acquire the operating rights in this tract?

A El Paso Natural Gas Company acquired the operating rights under Tract 1 by assignment of operating agreement from Delhi to El Paso, dated March 1, 1952.

Q I hand you what has been marked El Paso's Exhibit R-708-A,

are you familiar with this exhibit?

A Yes, sir, I am.

Q Tell us what it is.

A The assignment of operating agreement from Delhi Oil Corporation, to El Paso, dated March 1, 1952, covering Tract 3 and other land in the same Federal lease.

Q Tract 2, colored in yellow, when and by what means did El Paso acquire the operating rights in Tract 2?

A El Paso acquired the operating rights in Tract 2 by a lease assignment from Delhi, dated March 1, 1952.

Q This is the same assignment heretofore introduced as El Paso's Exhibit R-706-A, is that correct?

A Yes, sir, same assignment.

MR. WOODWARD: El Paso's R-708 and R-708-A are hereby offered in evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: No objection.

MR. MACEY: If there is no objection, the exhibits will be received, photostats being substituted for the originals.

Q Directing your attention, Mr. Hamblin, to Exhibit R-709.

A This is Exhibit R-709 right here.

Q All right. When was the notice of intention to drill the unit well approved by the Commission?

A The notice of intention to drill the Calloway Pool Number 1 Well was approved by the Oil Conservation Commission on June 29, 1953. *Agm 2p*

Q What acreage was dedicated to that unit well by that notice?

A The east half of Section 27, Township 31 North, Range 11 West

was dedicated to this unit well.

Q What was the status of the operating rights in the east half of Section 27 on the date the notice of intention to drill was approved by the Commission?

A El Paso Natural Gas Company was authorized to exercise the operating rights upon Tract Number 1, colored in brown, and owned the operating rights under all of the remaining tracts in the east half of Section 27, Township 31 North, Range 11 West.

Q The unit well is drilled on Tract Number 1 colored in brown, is that correct?

A That is correct.

Q By whom was the unit well drilled?

A The unit well was drilled by El Paso Natural Gas Company as unit operator.

Q By virtue of what authority, if any, did El Paso exercise the operating rights in Number 1 by drilling the Calloway Unit Well thereon?

A By virtue of letters from Western Natural Gas, Three States and San Jacinto Petroleum, who owned the operating rights of that tract, at that time.

Q They were the lessees of that tract?

A They were the lessees of that tract.

Q I hand you what has been marked El Paso's Exhibit R-709-A, B and C, are you familiar with these exhibits?

A Yes, sir, I am.

Q Will you state what they are, please?

A Exhibit R-709-A is a letter from Three States Natural Gas Company to El Paso Natural Gas Company, dated February 27, 1953,

by which Three States Natural Gas Company agreed to join in the drilling of the Calloway Pool Number 1 Well.

Q R-709-B?

A R-709-B is a letter from Western Natural Gas Company, dated March 31, 1953, by which Western Natural Gas Company agreed to join in the drilling of the Calloway Pool Number 1 Well.

Q And R-709-C?

A R-709-C is a letter dated April 9, 1953, from San Jacinto Petroleum Corporation, to El Paso Natural Gas Company, returning an approved copy of an AFE to El Paso.

Q And it was by virtue of these three letters from the lessees of Tract Number 1, that El Paso felt authorized to go upon the land and drill the Calloway Pool Unit Number 1?

A That is correct.

Q I hand you what has been marked El Paso's Exhibit R-709-D, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-709-D is a duly executed copy of a communitization agreement on the Calloway Pool Unit Number 1, which was exercised by, it is dated and effective June 1, 1953, executed by Three States Natural Gas Company, on March 14, 1955, by San Jacinto Petroleum Corporation on February 19, 1955, and by Western Natural Gas Company on February 17, 1955.

Q Now, this communitization agreement was executed pursuant to the letter agreements marked R-709-A, B, C, is that correct?

A Yes, sir, that is correct.

Q Now, directing your attention to Tract Number 2, when and by

what means did El Paso acquire operating rights in Tract Number 2?

A El Paso acquired the operating rights under Tract Number 2 by an oil and gas lease dated May 26, 1953.

Q I hand you what has been marked El Paso's Exhibit R-709-E, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-709-E is the oil and gas lease dated May 26, 1953, from Sarah Myers Hedges to El Paso Natural Gas Company covering Tract Number 2.

Q Now, directing your attention to Tracts Numbers 3, 4, 5, when and by what means did El Paso acquire the operating rights in these tracts?

A El Paso acquired the operating rights in Tracts 3, 4, 5 by virtue of a lease assignment from Delhi to El Paso dated March 1, 1952.

Q These are the tracts colored in yellow?

A Yes, sir, here, here and here (indicating).

Q And this is the same assignment heretofore introduced as El Paso's Exhibit R-706-A?

A Yes, sir, that is correct.

Q Now, directing your attention to Tract Number 6, colored in blue, when and by what means did El Paso acquire the operating rights in this tract?

A El Paso acquired the operating rights under Tract Number 6 by a lease assignment from Primo Oil Company to El Paso, dated August 14, 1952.

Q I hand you what has been marked El Paso's Exhibit R-709-F,

are you familiar with this exhibit?

A Yes, sir.

Q Will you state what it is, please?

A Exhibit R-709-F is the lease assignment from Primo Oil Company to El Paso Natural Gas Company, dated August 14, 1952, covering Tract Number 6.

Q When and by what means did El Paso acquire the operating rights in Tract 7, colored in rose?

A El Paso Natural Gas Company acquired the operating rights under Tract Number 7 by virtue of a lease assignment from Primo Oil Company to El Paso, dated April 20, 1953.

Q I hand you what has been marked El Paso's Exhibit R-709-G, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-709-G is the assignment from Primo Oil Company to El Paso, dated April 20, 1953, covering Tract Number 7.

MR. WOODWARD: El Paso's Exhibits Numbers R-709, R-709-A, B, C, D, E, F, and G, are hereby offered into evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: No objection.

MR. MANKIN: Isn't there an error on R-709, shouldn't that be the assignment from Dalhi to El Paso, dated 3-1-52, rather than '56?

A Yes, sir, that is correct, Mr. Mankin, it should be 3-1-54 on Tract 7, same as 3 and 4.

MR. MACEY: If there is no objection we will enter the exhibits in evidence, and substitute the photostats for original.

Q Mr. Hamblin, directing your attention to Exhibit R-710.

A This is Exhibit R-710 right here.

Q When was the notice of intention to drill the unit well approved by the Commission?

A The notice of intention to drill the Marcotte Pool Unit Number 1 Well, which is the unit well on the east half of Section 8, Township 31 North, Range 10 West, was approved by the Oil Conservation Commission on August 25, 1953.

Q What acreage was dedicated to the unit well by that notice?

A The east half of Section 8, Township 31 North, Range 10 West was dedicated to the Marcotte Pool Unit Number 1 Well, which is the unit well.

Q What was the status of the operating rights on the east half of Section 8 on the date notice was approved?

A El Paso was authorized to use the rights on Number 1 and 2 colored in lavender, and owned the operating rights under Tracts Number 3, 4, 5, which are the yellow and green tracts, on August 25, 1953.

Q Taking Tracts 1 and 2 together, the unit well is drilled on Tract 2, is it not?

A That is correct, the unit well is drilled right here on Tract Number 2.

Q By whom was the unit well drilled?

A El Paso Natural Gas Company as unit operator.

Q By virtue of what authority, if any, did El Paso exercise the operating rights on this tract by drilling the Marcotte Well?

A By virtue of a letter from Beaver Lodge Oil Corporation to El Paso, dated August 5, 1953.

Q I hand you what has been marked El Paso's Exhibit R-710-A and R-710-B, are you familiar with these exhibits?

A Yes, sir, I am.

Q Will you state what they are, please?

A Exhibit R-710-A is the letter dated August 5, 1953, from Beaver Lodge Oil Corporation, to El Paso Natural Gas Company, whereby they acknowledge receipt of the copy of the communitization agreement and state they would be happy to execute it.

Q R-710-B?

A R-710-B is the communitization agreement on the Marcotte Pool Number 1 Well, dated August 1, 1953, and executed by Beaver Lodge Oil Corporation on January 20, 1955.

Q The communitization agreement marked R-710-B was executed pursuant to the letter marked R-710-A, is that correct?

A That is correct.

Q And both Exhibits R-710-A and B cover tracts 1 and 2, is that correct?

A That is correct, colored in lavender.

Q All right, now, directing your attention to Tracts 3 and 5, when and by what means did El Paso claim operating rights in Tracts 3 and 5?

A By virtue of an assignment from Delhi to El Paso, dated March 1, 1952.

Q And is this the same assignment heretofore marked El Paso's Exhibit R-705-A?

A Yes, sir, that is correct.

Q All right, now, directing your attention to Tract Number 4, when and by what means did El Paso acquire operating rights in

Tract 4?

A El Paso Natural Gas Company acquired operating rights under Tract Number 4 by virtue of an operating agreement from Brookhaven Company to San Juan Oil Company, which subsequently was assigned by San Juan Company to El Paso Natural Gas Company on January 2, 1952.

Q I hand you what has been marked El Paso's Exhibit Numbers R-710-C and D, are you familiar with these exhibits?

A Yes, sir, I am.

Q Will you state what they are?

A Exhibit R-710-C is the operating agreement from Brookhaven Oil Company to San Juan, dated November 27, 1951, which gave San Juan Production Company the operating rights upon Tract Number 4, and other lands in the same Federal Lease; and Exhibit R-710-D is an assignment of this operating agreement dated January 2, 1952, from San Juan Production Company to El Paso Natural Gas Company, giving El Paso the operating rights under Tract Number 4.

MR. WOODWARD: R-710, A, B, C and D are hereby offered into evidence.

MR. MACEY: Is there any objection?

MR. CAMPBELL: No objection.

MR. MACEY: Without objection the exhibits will be received, and photostats are being substituted for the originals.

Q Now, directing your attention to Exhibit R-711.

A This is Exhibit R-711 right here.

Q Mr. Hamblin, when was the notice of intention to drill the unit well approved?

A Initially, notice of intention to drill a well on the south

half of Section 32, Township 31 North, Range 11 West was filed, and subsequently a notice of intention to change place, changing spacing for the unit well to the west half of Section 32, Township 31 North, Range 11 West was filed with the United States Geological Survey, and approved April 7, 1953.

Q Will you state again the final date of approval of the dedication of the west half to the unit well?

A It was approved by the United States Geological Survey on April 7, 1953.

Q Who owned the operating rights in the west half of Section 32 on the date that notice of intention to drill was approved?

A El Paso Natural Gas Company owned the operating rights under each and every tract in the west half of Section 32, on or before April 7, 1953.

Q When and by what means did El Paso acquire operating rights in Tract Number 1?

A El Paso acquired the operating rights under Tract Number 1, colored in pink, by an assignment from Delhi dated October 17, 1952.

Q This is the same assignment heretofore introduced in evidence as El Paso's Exhibit R-706-B, is that correct?

A That is correct.

Q When and by what means did El Paso acquire the operating rights in Tract 2?

A El Paso acquired the operating rights in Tract Number 2, yellow, by virtue of a lease assignment from Delhi dated March 1, 1952.

Q This is the same assignment heretofore introduced as El Paso's Exhibit R-706-A?

A Yes, sir.

Q When and by what means did El Paso acquire operating rights in Tract 3?

A El Paso acquired the operating rights under Tract Number 3 by virtue of an assignment of operating agreement from Delhi, dated March 1, 1952.

Q This is the same assignment of operating agreement heretofore introduced as El Paso's Exhibit R-707-B, is that correct?

A Yes, sir, that is correct.

MR. WOODWARD: El Paso's Exhibit R-711 is hereby offered in evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: No objection.

MR. MACEY: Without objection the exhibit will be received.

Q Directing your attention, Mr. Hamblin, to Exhibit R-712.

A This is Exhibit R-712, here on the wall, we didn't have room for it on the bulletin board.

Q When was the notice of intention to drill the unit well --

MR. CAMPBELL: (Interrupting) Excuse me, do you have a copy of that 712?

MR. WOODWARD: Here is an extra.

MR. CAMPBELL: Thank you.

Q When was the notice of intention to drill the unit well approved, Mr. Hamblin?

A Notice of intention to drill the unit well, Koch Number 1, was approved by the United States Geological Survey on August 14, 1953.

Q What acreage was dedicated to the unit well by that notice?

A East half of Section 3, Township 30 North, Range 10 West

was dedicated to this unit.

Q What was the status of the operating rights on the east half of Section 3, on the date the unit agreement was approved?

A El Paso Natural Gas Company was authorized to operate the operating rights on Tracts Numbers 2 and 6, and owned the operating rights on each of the remaining tracts in the east half of Section 3, Township 30 North, Range 10 West.

Q When and by what means did El Paso acquire the operating rights in Tracts 1, 4 and 5?

A El Paso ---

Q Colored in olive.

A El Paso Natural Gas Company acquired the operating rights under Tracts 1, 4 and 5 by virtue of a lease assignment from Sunray Oil Corporation to El Paso, dated January 14, 1953.

Q I hand you what has been marked El Paso's Exhibit R-712-A, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-712-A is the assignment from Sunray Oil Corporation to El Paso dated January 14, 1953, covering Tracts 1, 4 and 5.

Q All right. Now, directing your attention to Tracts 2 and 6, colored in orange, when did El Paso and by what means did El Paso acquire the operating rights in these tracts?

A El Paso Natural Gas Company was authorized to exercise the operating rights upon Tracts Numbers 2 and 6 by virtue of a letter dated August 5, 1953, from Fred C. Koch.

Q I hand you what has been marked El Paso's Exhibit Numbers R-712-B and C, are you familiar with these exhibits?

A Yes, sir, I am.

Q Will you state what they are, please?

A R-712-B is the letter dated August 5, 1953, from Fred C. Koch to El Paso Natural Gas Company, in which he agreed to the communitization of the Koch Pool Unit Number 1 Well.

Q R-712-C?

A Exhibit R-712-C is the operating agreement covering the Koch Pool Unit Number 1 Well, dated August 1, 1953, and executed by Fred C. Koch on June 27, 1955.

Q All right. Now, Tract Number 3, the unit well is drilled on Tract Number 3, is that correct?

A That is correct, on Tract Number 3, in gray.

Q By whom was the unit well drilled?

A The unit well was drilled by El Paso Natural Gas Company as unit operator.

Q By virtue of what authority did El Paso drill the unit well on Tract Number 3?

A El Paso Natural Gas Company drilled the unit well on Tract Number 3 by virtue of a development contract between Delhi Oil Corporation and Atlantic Refining Company, dated February 27, 1950, which Atlantic granted to Delhi on this, and by virtue of a contract between Delhi, Atlantic and El Paso, dated February 26, 1952, in which Delhi granted the operating rights to El Paso.

Q I hand you what has been marked El Paso's Exhibit R-712-D, E and F, are you familiar with those exhibits?

A Yes, sir, I am.

Q Will you state what they are, please?

A Exhibit R-712-D is the contract for development, dated February 27, 1950, between the Atlantic Refining Company and Delhi Oil Corporation, covering, among other lands, Tract Number 3.

Q Now, the assignment from Atlantic to El Paso, marked R-712-E was executed pursuant to those contracts, is that correct?

A That is correct.

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Q Now, directing your attention to Tract Number 7, colored in olive green, when and by what means did it then acquire the operating rights in this tract?

A El Paso acquired the operating rights under Tract Number 7 by virtue of an oil and gas lease dated July 2, 1953.

Q I hand you what has been marked El Paso's Exhibit R-712-G, are you familiar with this exhibit?

A Yes, sir, I am.

Q Will you state what it is, please?

A Exhibit R-712-G is the oil and gas lease dated July 2, 1953, from Rose Rosenwein to El Paso Natural Gas Company covering Tract Number 7.

MR. WOODWARD: El Paso's Exhibits Numbers R-712, R-712-A, B, C, D, E, F, and G are hereby offered into evidence.

MR. MACEY: Any objection?

MR. CAMPBELL: No objection.

MR. MACEY: Without objection the exhibits will be received, photostats being substituted for the originals.

Q Now, to summarize your testimony in these cases, what was the status of the operating rights in each unit on the date the notice of intention to drill the unit well was approved?

A Status of the operating rights on the date that the notice of intention on each individual well was approved, was that El Paso either owned all of the operating rights or exercised the operating rights pursuant to authority granted them on or before the date of notice of intention to drill on a given well was approved.

Q All right. In the exercise of these rights, El Paso drilled the unit well and dedicated all the acreage in the unit to that well.

is that correct?

A That is correct.

Q Now, what was the status of the working interest of the leases of record on the date the notice of intention to drill was approved?

A The entire working interest on the Yager Pool Number 2 Well, R-706; Number 1 Well, R-707; Well No. 3 Well, R-708, and the Heston Number 3 Well, R-711, was owned by El Paso Natural Gas Company on the date the notice of intention to drill each of the unit wells were approved.

Q Now, they owned this by virtue of the assignments heretofore described, is that correct?

A That is correct, yes, sir. And all of the working interest owners had agreed to communitize their interest in the Calloway Unit Number 1, R-709; Marcotte, Number R-710; and the Koch Pool Number 1 Well, R-712 on the date the notice of intention to drill each well was approved, and pursuant to such agreement have executed communitization agreements communitizing their interest in such wells.

Q Now, Mr. Hamblin, have communitization agreements been circulated on each of these seven units?

A Yes, sir, they have.

Q To whom were these circulatons sent?

A To various royalty owners, lessors of record, and working interest owners.

Q Have these agreements been executed?

A I believe they have been executed by all the people to whom they were sent, except the Yager Group.

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Q Now, when were they executed in relation to the date the notice of intention to drill the unit wells were approved?

A Most of them have been executed subsequent to the date the notices of intention to drill were approved.

Q I see. Now, Mr. Hamblin, in view of your testimony that El Paso either owned, or owned the working interest in four of these units, and obtained agreements to communitize the working interest in the other units on the date the notices of intention to drill were approved, why were these communitization agreements circulated for execution subsequent to the date the notices were approved?

A Well, out of an abundance of precaution by us, and to clarify and define the exact terms of the operating agreement and details, and in accordance with the request of the regulatory bodies of the Federal government to file with them a copy of such communitization agreements.

Q These agreements formalized all the understanding had with respect to the agreements to communitize in some instances, is that correct?

A That is correct.

Q And in others you say they were circulated out of an abundance of precaution?

A Yes, sir.

Q And to comply with the rules of regulatory bodies?

A That they be filed with them, yes, sir.

Q You say rules of regulatory bodies. To whom do you refer?

A The United States Geological Survey.

Q All right. They were circulated under your direction and supervision, is that correct?

A Yes, sir, that is correct.

Q Were they circulated for the purpose of investing El Paso with the operating rights in any of these units?

A No, sir, they were not.

Q Why not?

A Because El Paso Natural Gas Company either owned or had agreement to communitize the operating rights on the dates the notices of intention to drill were approved.

MR. WOODWARD: That is all we have on direct examination.

MR. MACEY: Are there any questions of the witness?

MR. CAMPBELL: Yes, sir.

CROSS EXAMINATION

By MR. CAMPBELL:

Q Mr. Hamblin, I understood you to say that the communitization agreements which were circulated subsequent to the filing of notice of intention to drill were all executed by the working interest owners, or other parties, after that date of notice of intention to drill, is that correct?

A Yes, sir, that is correct.

Q Can you state whether or not any of those communitization agreements were fully executed by the working interest owners prior to September 1, 1953?

A No, sir, I cannot state they were fully executed on that date.

Q To your knowledge, were any of them in any of the units involved here, fully executed by the working interest owners prior to that time?

A ~~No, sir, I cannot state they were fully executed; they were~~

partially executed, some of them.

Q Mr. Hamblin, the reason I am asking that, you have offered in evidence communitization agreements partially executed in Cases 710, 711 and 712, but not 706, 708 and 709. Were communitization agreements prepared and circulated in those cases?

A Yes, sir, they were.

Q Can you state whether any of those agreements were fully executed by other than the Yager interest, prior to September 1, 1953?

A No, sir, I cannot state that.

Q Do you have copies of those communitization agreements in those three cases?

A Yes, sir, we do, copy of the ones that were subsequently executed.

Q Can you obtain copies of those and furnish them as exhibits in these cases?

A Yes, sir, I assume we can.

MR. CAMPBELL: Mr. Woodward, would you have--

MR. WOODWARD: We would have no objection to submitting such communitization agreements. As a matter of fact, the subsequently communitized agreements, wherever they formulized, and uncommunitized have already been submitted as exhibits, and to our understanding, they are substantially in the same form and terms. As I understand the burden of Mr. Campbell's inquiry, it is to the nature of the agreement that, and three of the cases were circulated prior to September 1st, and those that were executed afterwards. We do not have in our possession those agreements circulated prior to September 1st. It is our understanding that they are substantially

the same as the others; but if necessary we will introduce those.

MR. CAMPBELL: Mr. Woodward, it seems to me, to make the records complete, that the same documents should be introduced in the first three cases as in the other cases. And, as I gathered from your introduction of evidence here, you did not submit the formalized communitization agreements in 706, 708 and 709.

MR. WOODWARD: They have not been submitted because they have not been deemed relevant in those cases where El Paso owned outright, the working interest in the working tract. As I say, we have no objection to submitting them, but we do not submit them with the representation that they are relevant.

MR. CAMPBELL: We would like to request, for the purpose of completing the record, that they be offered and submitted to the Commission as additional exhibits in Cases 706, 708 and 709, and simply provide the additional designation that would be appropriate in those cases.

MR. WOODWARD: Weren't those submitted?

A Some of those I know had been submitted at the last hearing.

MR. WOODWARD: We will be very happy to check and submit, to complete the records, at your request, all of the communitization agreements that have been executed, that have not heretofore been introduced as exhibits, either at this rehearing or the previous one.

MR. CAMPBELL: That is satisfactory.

Q (By MR. CAMPBELL) Mr. Hamblin, with regard to the unit involved in Case 706, on which you have commenced a Pictured Cliff well and subsequently deepened it for Mesaverto well, the only document which you have from the Oil Conservation Commission,

relative to the deepening, is your notice of intention to change plans, is that correct?

A That is correct.

Q And you have no notice of intention to drill with regard to that particular Mesaverde well?

A No, sir, just the notice of intention to change plans, which was approved by the Commission.

Q Mr. Hamblin, you stated that in Case Number 711, and the appropriate consolidated case, notice of intention to drill was approved by the United States Geological Survey, is that correct?

A Yes, sir, that is correct.

Q Was any approval of the notice of intention to drill obtained from the New Mexico Oil Conservation Commission?

A To my knowledge, they do not approve notices of intention to drill filed on Federal lands, except the notice approved by the United States Geological Survey.

Q Then your answer is they did not approve the notice of intention to drill, is that correct?

A That is correct, yes, sir.

Q Are there any other units on which the notice of intention to drill was approved by the United States Geological Survey and not by the New Mexico Oil Conservation Commission?

A Yes, sir, there is. There is notice of intention to drill on the Heaton Number 3, it was approved by the United States Geological Survey.

Q What case is that?

A 711.

Q West half of Section 32?

A Yes, sir, 32, 31 North, 11 West.

MR. MACEY: Pardon me. That also applies to the Koch Unit?

A That is correct, the Koch Pool Unit 1 was located on Federal land, and the notice of intention to drill was approved by the United States Geological Survey.

Q Mr. Hamblin, I believe you stated at the conclusion of your testimony that the formalized communitization agreements were prepared and circulated by El Paso Natural Gas Company out of an abundance of precaution, but you considered you had the full operating rights to drill a well and create the unit, is that correct?

A Yes, sir, that is correct.

Q But you considered at the time of the filing of the notice of intention to drill in each of these cases that you, El Paso Natural Gas Company had a right to dedicate all of the acreage, is that correct?

A Yes, sir.

(Marked Yager Exhibit R-4, for identification.)

Q Mr. Hamblin, I hand you a letter which has been identified as Yager Exhibit R-4, and ask you to state if that is a letter which you sent to Mr. Yager?

A Yes, sir, that is correct.

Q And what is the date of that letter?

A November 13, 1953.

Q Is that date subsequent to the date on which the notice of intention to drill was filed in each of these units involved here?

A Yes, sir.

MR. CAMPBELL: I am going to ask the witness to read the letter, and offer it in evidence.

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MR. WOODWARD: I would like to look at it.... We note this letter states a number of legal conclusions, but have no objection to its admission, subject to that observation.

Q Mr. Hamblin, you refer in the caption to Saul Yager Lease in San Juan County, New Mexico. By that are you referring to lease involved in 706 through 712, now before the Commission?

A Yes, sir, for file purposes only.

Q Well, does your letter refer to any other leases of the Saul Yager Leases?

A No, sir, I don't believe so.

Q Would you read that letter to the Commission?

(Witness reads letter.)

MR. CAMPBELL: We would like to offer in evidence Yager's Exhibit R-4.

MR. MACEY: Without objection it will be received.

MR. CAMPBELL: I would like to request that we be permitted to obtain a photostatic copy of that letter and substitute it for the original.

MR. WOODWARD: Do we have a copy of that letter?

A We would like to have a copy of it also.

MR. CAMPBELL: I will be glad to obtain an extra copy and send it to counsel for the El Paso Natural Gas Company.

Q Now, Mr. Hamblin, at the time that this letter was written, November 13, 1953, you did not consider that the Yager acreage was consolidated, isn't that correct?

A No, sir, I considered that it was consolidated.

Q If you considered that it had been consolidated, what is the reason for your statement that the leases had expired?

A Well, there is a possibility that they had expired.

MR. CAMPBELL: That is all.

MR. MACEY: Anyone else have a question of the witness?

EXAMINATION

By MR. MACEY:

Q In reference to your Exhibit R-709, and the other documents, you have a number of letters from Three States, Western Natural and San Jacinto Petroleum Corporation, pertaining to this unit, that were introduced in evidence, namely, 709-A, B, C.

A Yes, sir.

Q I would like to know if there is any other agreement between your company and the other parties of interest in the northwest quarter of the northeast quarter of Section 27?

A Yes, sir, Mr. Macey, we had contacted those companies and told them of our intention and desires to drill that well in the east half of Section 27, 31 North, and they had agreed to join in the drilling of the Calloway Pool Unit Number 1 Well, and that is the only thing we have in writing to such agreement, which we can submit as exhibits.

Q I notice that in one of these documents they refer solely to an AFE for the drilling of a well. I presume that the AFE means authorization for expenditure, and you supplied a cost estimate on the well?

A Yes, sir, AFE is commonly known as authority or authorization for expenditure, and when someone executes an authority for that, it is common understanding that they have agreed to the drilling of the well and that the costs are reasonable and they will pay their proportionate cost of such drilling cost.

Q Is there any statement in any of the documents pertaining to the communitizations, or any letters involved that you have had between your company and the other interest owners, working interest owners, that contained any clauses that the leases would be reverted back out of the unit in the event a dry hole was drilled?

A No, sir.

Q In other words, ...

A (Interrupting) If a dry hole was drilled, they would still all participate even in, just the same as if it were a commercial well.

MR. MACEY: Does anyone else have a question? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Do you have anything further, Mr. Woodward?

MR. WOODWARD: I have nothing further on direct examination or presentation of evidence. I would like to make a concluding statement when Mr. Campbell is finished.

MR. MACEY: Mr. Campbell, do you have any direct?

MR. CAMPBELL: If the Commission please, we don't intend to offer any additional testimony or evidence in this case. I do have a statement I would like to make and then perhaps Mr. Woodward can make his statement.

MR. MACEY: You wish to have some time to consolidate? He will take a short recess.

(Recess.)

MR. MACEY: The hearing will come to order. Mr. Campbell?

MR. CAMPBELL: If the Commission please, at the outset I would like to allay some concern the Commission may feel and,

perhaps, others in the industry in the State, with regard to some of the principles that are involved in these cases. I would like to call to the attention of the Commission the fact that the pool, gas pool involved here, is covered by Commission Order Number R-110 and it is our position that those pool rules will supercede where they do not conflict, the general statutory provision in the requirement, concerning the establishment of units, proration units and drilling units.

I call the attention of the Commission to the fact that in Order R-110, which is the pool order involved here, there is a specific requirement that the unit is, in effect, not established, that the notice of intention to drill shall not be approved, unless all of the interests are consolidated by pooling agreement or otherwise. That provision is not a part of the gas pool rules in other pools of which I am acquainted, and I think there is a reason for it in this particular type of spacing. Order R-110 pertaining to the Blanco-Mesaverde Gas Pool does not fix the unit. It provides that they be 320 acres, but they may be north and south, or east and west. In other words, they are not square units, they are not 160 acres or 80 acres or 40 acres in the shape of a square. This leaves to the person entitled to drill the wells an option as to the direction in which these units shall go, and, in effect, authorizes him to establish them on bases that may be, various, other than geological. They may be economic, they may be for the purpose of arranging his leasehold so that he may hold show-trust leases. There may be any number of reasons why he would make an option to turn the units one way or the other. And, I think in these kind of situations, it is entirely proper and I think, perhaps, necessary to protect the

rights of all concerned, that all of the interest, working and royalty, be consolidated before the unit is formed. That situation, in my judgment, may not apply in cases where the units are square, and there is no option left to anyone to decide for themselves where and how the unit shall be shaped.

And so, it is our basic position here that these cases are governed by Order Number R-110; that R-110 is unambiguous in that it requires that all interest be consolidated by pooling or otherwise before the unit, in effect, can be formed. To me that is the first question that the Commission must determine. It is, of course, I realize, largely a question of law, but whatever order the Commission enters, other than simply compulsorily pooling these interests as of the date of the order, necessarily is going to involve that legal determination.

The second question that I think is involved here, is that assuming that only working interests need to be consolidated in order to create the unit, when were those interests consolidated under this Order, R-110? That, of course, is the obvious reason for the exhibits offered here today by El Paso Natural Gas Company. I shall not undertake to argue that question. It is, of course, a legal question, one that, perhaps, cannot even be determined by this Commission. So far as we are concerned, the most recent order that the Commission has issued in these cases, insofar as it requires compulsory pooling as of the date of the order is perfectly satisfactory with us. The principal reason for our filing an application for rehearing was out of an abundance of precaution, so to speak, because we were not certain whether we would preserve our rights on appeal if we failed to file an application for re-

hearing after the Commission's second order was issued.

And, so we are requesting the Commission to issue its order compulsorily pooling the interest of Yager, et al, in these various units, as of the date of the order. We are taking the position that, insofar as units in this area are concerned, the consolidation is not completed until such time as the working interest owners and the royalty owners either agree voluntarily, or until they are compulsorily pooled under the authority of the Statutes. Thank you.

MR. MACEY: Mr. Woodward.

MR. WOODWARD: El Paso would like to state its position on a number of points. There will be no particular continuity between them. First, it is El Paso's position that recognition of these seven tracts as duly established drilling units is completely concise with the Commission Rules and Regulation. R-110 requires that all interest in these units be consolidated by agreement or otherwise, before the notice of intention to drill the unit well is approved. In these cases there was a consolidation of all interests, in our opinion, in the unit, which was accomplished by the consolidation of the operating rights and working interest on the date the notice of intention to drill was filed.

It has been suggested that the legal or statutory effect of the conservation laws of this state may be superceded by regulation. We will concede they may be augmented, but if the effect is provided by statute we do not believe it is in the power of the Commission to supercede that legal effect, or statutory effect.

Now, R-110 provides that these interests, working interests, or all interests, shall be consolidated by agreement or otherwise.

I think "or otherwise" means more than a compulsory pooling order; I think it might occur by reason of a merger of all working interests by reason of common ownership, by assignment, by the formalization of voluntary agreements.

It has also been suggested here that where the unit, the various spacing and allocation units are not fixed by the general field orders, but are, rather, to be determined by dedication of the operators, there is greater need for consolidating through agreement or compulsory integration, the interest of both the working interest owners and the royalty owners. We submit that the location of wells and the dedication of acreage thereto and the formation in which they are to be drilled are primary operating problems.

Now, in the exercise of operating rights as between the lessee and lessor, that is entirely a matter of private contract, and we do not believe this Commission has the obligation or, in fact, the authority to police the private contractual obligation of lessors and lessees. This does not mean that the lessor is without a remedy, or without protection. It has been determined in the recent Tenth Circuit decision, Phillips against Peterson, I believe, that there is an implied obligation to exercise good faith in the operation of operating rights, generally, of leases. If, in dereliction of this obligation the unit is improperly formed, or formed for an improper purpose, I think that is a matter for the Courts and not this Commission. I think the Commission can take official notice that after the well is drilled, the application for a change in plans is the only authorization provided for recompletion of that well in another formation or zone, and serves the same purpose as the notice of intention to drill, designating the unit,

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or the new formation.

For that reason, so far as Case 706 is concerned, the controlling date, we feel, is the date the Commission authorized recompletion of the unit well as a Mesaverde well. I would like to make one comment with respect to Yager Exhibit Number 4, the letter which has been submitted in evidence, which we made no objection to. This letter, we feel, states a number of legal conclusions as to some of the ultimate issues of fact that are now pending before this Commission. And those conclusions and statements are, of course, not determinative of such basic and ultimate issues, so we recognize that is entirely in the province of the Commission to determine at its deliberation.

We would like to state again, that El Paso is not asking for any adjudication of title, which matter is beyond the Commission's authority by both parties. However, the Commission can and must make an initial appraisal on an application for drilling of a well, and it has authority to determine whether the drilling of such wells conform to the rules. By way of analogy, an auto license is necessarily issued upon such an appraisal of title, either through a certificate of title or an affidavit in lieu of it. But, no one, I think, would seriously contend that such appraisal constitutes adjudication of ownership of the automobile to which the tag is affixed. As stated by Mr. Campbell, he thoroughly concurs, and there appears to be two basic issues; one, whether the working interest in these reports were, in fact, consolidated by the Commission Rules on or before the drilling of the well was approved by the appropriate authority. Secondly, whether such consolidation of the working interest in these drilling units accomplishes, as a matter

of law, a communitization of all working interest.

The first question is a question, perhaps, of mixed fact and law. We will make no further comment on it, the evidence is in. As to the second question, in four of these units, El Paso contends that there was a consolidation of the working interest in these units by reason of various assignments of operating rights and leasehold interest, all owned by the same operator, and by reason of such common ownership there is such consolidation. As to that point the operator, of course, could not agree with himself, or such action would have been a vain and useless one. As to the other three there were agreements to communitize, which, by the undisputed testimony of Mr. Utz, was all that the Commission required on the date the notice of intention was approved. On the basis of those agreements to communitize, the unit wells were drilled, the acreage was dedicated, allowables was assigned, and pursuant to those agreements and such action, communitization agreements have actually been executed by all of the working interest owners. For these reasons we ask the Commission to reissue substantially its first order in this case, recognizing each of these seven units as a communitized tract, in accordance with Order R-110, and that the communitization or consolidation of interest in each of these tracts was accomplished by the consolidation of the working interest.

MR. CAMPBELL: If the Commission please, Mr. Woodward made one comment, I am certain, unintentionally, but I would like to ask him if it can't be corrected because it could have a bearing on some of the legal effects of the future. I believe he indicated that after the notice of intention to drill was approved, and the wells drilled, that allowables were assigned. I believe that the

fact is that this field was not subject to prorationing at that time, and as I understand, it was not until October, 1955. Am I correct in that?

MR. MACEY: The date of the start of proration, is that what you are referring to?

MR. CAMPBELL: In the Blanco-Mesaverde Pool.

MR. MACEY: March, 1955.

MR. WOODWARD: We are entirely in agreement with that, and would like to correct our statement to show that as of the date proration was started, the allowable was assigned to the acreage dedicated on the notice of intention to drill.

MR. MACEY: Does anyone have anything further in these cases? If there is nothing further, we will take the cases under advisement, and the hearing is adjourned.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS.

I, THURMAN J. MOODY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission of the State of New Mexico is a true and correct record to the best of my knowledge, skill and ability. WITNESS MY HAND, this, the 30th day of March, A. D., 1956.

Thurman J. Moody
Court Reporter