

Case No.

707

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. 707
Order No. R-546

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, 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 the "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 Mizel, Marian Yager, Morris E. Gimp and Sam Mizel.

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, 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, NMPM, 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, 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 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, NMPM, 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, NMPM, 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, NMPM, 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, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

That the S/2 of said Section 31, Township 31 North, Range 11 West, NMPM, 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

E. L. Mechem
EDWIN L. MECHEM, 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:

CASE NO. 707
Order No. R-546-A

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, 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-546 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.

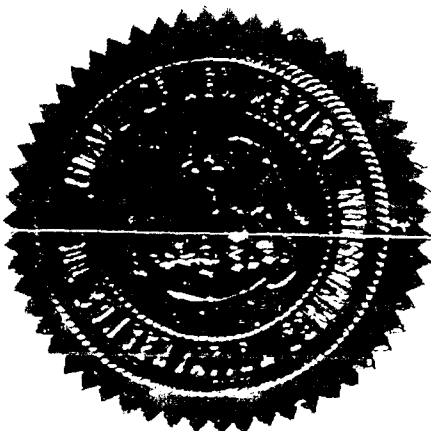
DONE at Santa Fe, New Mexico on the day and year herein-
above designated.

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



REPORT 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 LOTS 3 AND 4, E/2 SW/4, SE/4,
(S/2) OF SECTION 31, TOWNSHIP 31
NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 707) Consolidated
CASE NO. 547)
Order No. R-546-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF LOTS 3 AND
4, E/2 SW/4, AND SE/4 (THESE LANDS
COMPRISING THE S/2) OF SECTION 31,
TOWNSHIP 31 NORTH, RANGE 11 WEST,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 707 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-546 in Case No. 707 on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from February 19, 1953.

Thereafter, on January 6, 1955, Paul A. Yager, Marian Yager, M. E. Gimp, Morris Mizel, Floza Mizel, and Sam Mizel, the "Yager Group", filed their application for rehearing, pursuant to which the Commission entered its Order No. R-546-A on January 16, 1955, setting Case No. 707 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 707.

Thereafter, on March 17, 1955, at 9:00 a. m., Case No. 707 came on for rehearing and Case No. 547 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. 707 should be considered applicable to Case No. 547.

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. 707.

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 N/4 of Section 31, Township 31 North, Range 11 West, N. 100 W., is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, and Aztec Oil and Gas Company were, on February 12, 1953, the owners of the entire working interest and operating rights under oil and

gas leases covering the S 2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 322.90 acres of land, in the shape of a rectangle, said Section 31, being an irregular section containing more than 640 acres of land.

8. That on February 19, 1953, a Notice of Intention to Drill (Form C-101) was approved by a Commission Oil and Gas Inspector, said Notice of Intention to Drill having been previously filed by the applicant, El Paso Natural Gas Company; that permission was granted to drill a well to be known as the Yager Pool Unit No. 1 Well, and 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, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; said Notice of Intention to Drill designated the S/2 of said Section 31, Township 31 North, Range 11 West, NMPM, as the drilling unit; 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.

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. 707, 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, Delhi Oil Corporation, and Aztec Oil and Gas Company 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 of the Notice of Intention to Drill by the Commission's Inspector, the designation of S/2 of said Section 31, 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 S/2 of said Section 31 has been, and is, an approved drilling unit containing 322.90 acres at all times thereafter.

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

IT IS THEREFORE ORDERED:

1. That the S 2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, be, and is hereby, recognized as a pooled and communitized tract and a duly formed and established drilling unit, effective May 19, 1954.

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Order No. R-546-L

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 S/2 of Section 31, Township 31 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-546 in Case No. 707 be, and the same is, hereby superseded by this order.

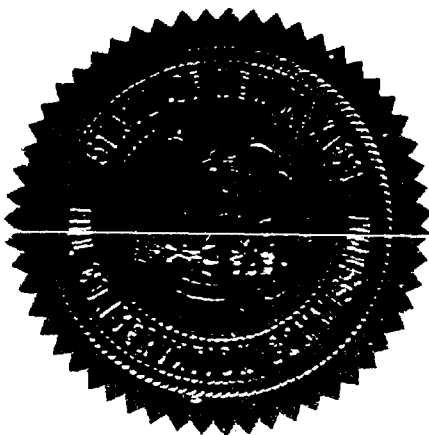
DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

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



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

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, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 707) Consolidated
CASE NO. 847)
Order No. R-546-C

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF LOTS 3
AND 4, E/2 SW/4, AND SE/4 (THESE
LANDS COMPRISING THE S/2) OF
SECTION 31, TOWNSHIP 31 NORTH,
RANGE 11 WEST, SAN JUAN COUNTY,
NEW MEXICO.

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-546-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. Seius
JOHN F. SEIUS, 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 LOTS 3 AND 4, E/2 SW/4,
SE/4, (S/2) OF SECTION 31,
TOWNSHIP 31 NORTH, RANGE 11
WEST, NMPM, SAN JUAN COUNTY,
NEW MEXICO.

CASE NO. 707) Consolidated
CASE NO. 847)
ORDER NO. R-546-D

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF LOTS 3
AND 4, E/2 SW/4, AND SE/4 (THESE
LANDS COMPRISING THE S/2) OF
SECTION 31, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 707 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-546 in Case No. 707 on December 16, 1954, declaring that the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from February 19, 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-546-A on January 14, 1955, setting Case No. 707 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 847.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 707 came on for rehearing and Case No. 847 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. 707 should be considered applicable to Case No. 847.

Case No. 707) Consolidated
Case No. 847)
Order No. R-546-D

Thereafter, the Commission entered Order R-546-B in Cases 707 and 847 (consolidated) on January 12, 1956, declaring that the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, 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-546-C on February 10, 1956 setting Case No. 707 and 847 (consolidated) for rehearing.

Thereafter, on March 15, 1956, at 9:00 a.m., Case 707 and 847 (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."

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

Case No. 707) Consolidated
Case No. 847)
Order No. R-546-D

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 (c) 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 February 19, 1953 the S/2 of said Section 31, Township 31 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 S/2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico on February 19, 1953.

8. That on February 19, 1953 the Commission approved El Paso Natural Gas Company's application to drill its Yager Pool Unit No. 1 Well on a drilling unit consisting of the S/2 of said Section 31.

9. That the formation of the drilling unit consisting of the S/2 of said Section 31 complied in all respects with Order R-110.

10. That the drilling of an additional well or wells lying within the S/2 of said Section 31 would be wasteful.

IT IS THEREFORE ORDERED:

1. That the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 322.80 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 February 19, 1953.

2. That the application of El Paso Natural Gas Company for an order for communitizing or pooling the S/2 of Section 31, Township 31 North, Range 11 West, NMPM, pursuant to

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Case No. 707) Consolidated
Case No. 847)
Order No. R-546-D

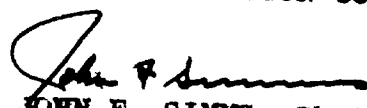
the terms of the communitization agreement submitted with the application in Case 707 be and the same is hereby denied.

IT IS FURTHER ORDERED:

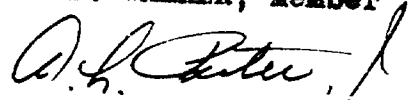
That Order R-546 and Order R-546-B be and the same are hereby revoked and superseded.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN F. SIMMS, Chairman


E. S. WALKER, Member


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



ir/

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, 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

NC. 707

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. United States Oil and Gas Lease Serial Number Santa Fe 078097, Raymond H. Heaton, Lessee, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: E/2 SW/4, SE/4

containing 240 acres, more or less.

- b. Oil and Gas Lease dated September 1, 1948, executed by 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 31 North, Range 11 West, N.M.P.M.
Section 31: Lot 4 (SW/4 SW/4)

containing 41.52 acres, more or less.

- c. United States Oil and Gas Lease Serial Number Santa Fe 078115, Roy L. Flood, Lessee, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: Lot 3 (NW/4 SW/4)

containing 41.38 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 hereto) dated February 19, 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 (SW/4 SW/4) of said Section 31, containing 41.52 acres, is owned by the following named persons:

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

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

M. E. Gimp, c/o Zales Jewelry Company, 1606 Main Street, Dallas, Texas - 1/4;

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

Sam Mizel, 101 West 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 completed a commercial well producing gas from the Mesaverde formation located on said Lot 4 in said section, and that said well was completed March 25, 1953.

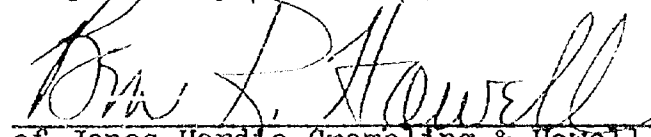
Your Applicant further represents that the royalty owners named have refused to join in the execution of a communitization agreement although all of the working interest owners and all overriding royalty owners in the communitized tract, as hereinafter described, have joined or agreed to join such communitization 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 and 4, E/2 SW/4 and SE/4 comprise the S/2 of said Section 31, containing approximately 320 acres, 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 S/2 of said Section 31 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 and are now in the possession of one or more of said persons.

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 19th day of February, 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; AZTEC OIL & GAS COMPANY, a corporation, whose address is Burt Building, Dallas, Texas; SAUL A. YAGER, whose address is 613 Oil Capitol 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 Zales Jewelry Company, 1606 Main Street, Dallas, Texas; MORRIS MIZEL and wife, FLORA MIZEL, whose address is 101 West Cameron Street, Tulsa, Oklahoma; SAM MIZEL, whose address is 101 West Cameron Street, Tulsa, Oklahoma; D. R. ZACHRY and wife, ERNA H. ZACHRY, whose address is 2519 Cambria, Dallas, Texas; SUSAN DIGGLE HORTON and husband PAUL B. HORTON, whose address 3524 Centenary, Dallas, Texas;

W I T N E S S E T H:

WHEREAS, by a decision dated July 23, 1952, Susan Diggle Horton is the present owner and holder of United States Oil and Gas Lease bearing Serial Number Santa Fe 078097, executed in favor of Raymond H. Heaton as Lessee, by the United States of America as Lessor, under date of February 1, 1948, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: E/2 SW/4, SE/4
containing 240 acres, more or less; and

WHEREAS, by an Operating Agreement dated October 1, 1951, and approved by a decision dated July 23, 1952, Susan Diggle Horton, et vir, granted the operating rights in the above described tract to Delhi Oil Corporation; and

WHEREAS, by an Assignment dated March 1, 1952, which assignment was filed with the Bureau of Land Management for approval, Delhi Oil Corporation assigned the gas operating rights down to and including the base of the Mesaverde formation on the above described tract to "El Paso"; and

WHEREAS, El Paso Natural Gas Company is the present owner and holder of the gas rights down to and including 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, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: SW/4 SW/4
containing 41.52 acres, more or less; 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, Delhi Oil Corporation is the present owner and holder of the oil rights, the gas rights below the base of the Mesaverde formation and certain gas overriding royalties on the two tracts described above; and

WHEREAS, D. R. Zachry is the present owner and holder of that certain United States Oil and Gas Lease bearing Serial Number Santa Fe 078115, executed in favor of Roy L. Flood as Lessee under date of February 1, 1948, by the United States of America as Lessor, embracing among other lands the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: NW/4 SW/4
containing 41.38 acres, more or less; and

WHEREAS, by an Operating Agreement dated September 15, 1952, and filed with the Bureau of Land Management for approval, D. R. Zachry, et ux, granted the operating rights in the last above described tract to Aztec Oil & Gas Company; and

WHEREAS, by an Assignment dated February 19, 1953, and filed with the Bureau of Land Management for approval, Aztec Oil & Gas Company assigned the gas operating rights on the last above described tract down to and including the base of the Mesaverde formation to "El Paso"; and

WHEREAS, Aztec Oil & Gas Company is the present owner of the oil rights, and the gas rights below the base of the Mesaverde formation on the last above described tract; 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 communitize their

respective interests in the above described Oil and Gas Leases in order to form one tract or drilling unit as follows:

Township 31 North, Range 11 West, N.M.P.M.
Section 31: S/2
containing 322.90 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 Mesa Verde 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 shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed 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 Mesa Verde 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 or 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 Mesa Verde 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 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 identical 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:

Assistant Secretary

ATTEST:

Assistant Secretary

ATTEST:

Assistant Secretary

EL PASO NATURAL GAS COMPANY

By _____
Vice President

DELHI OIL CORPORATION

By _____
Vice President

AZTEC OIL & GAS COMPANY

By _____
Vice President

Saul A. Yager

Marian Yager

M. E. Gimp

Gimp (his wife)

Morris Mizel

Sam Mizel

Mizel (his wife)

D. R. Zachry

Erna H. Zachry

Susan Diggle Horton

Paul B. Horton

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 on 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, a feme sole, 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 des-
cribed 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, Dallas County, 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 AZTEC OIL & 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 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 Oklahoma

STATE OF TEXAS |
 |
COUNTY OF DALLAS |

On this _____ day of _____, 1953, before me appeared D. R. Zachry and Erna H. Zachry, 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 TEXAS

COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared Susan Diggle Horton, and Paul B. Horton, her husband, 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
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
EL PASO NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION OF LOTS
3 AND 4, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ (S $\frac{1}{2}$) OF SECTION
31, TOWNSHIP 31 NORTH, RANGE 11 WEST,
N.M.P.M., SAN JUAN COUNTY, NEW MEXICO

Case No. 707

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 Lot 4, Section 31,
Township 31 North, Range 11 West, N.M.P.M., San Juan County,
New Mexico and are parties affected by Order No. R-546 entered
by the Commission on December 17, 1954.

(b) Order No. R-546 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. Findings No. 7, 8 and 9 are contrary to law.
3. The order is contrary to Section 1(a) of
Order No. R-110 heretofore issued by the Commission.
4. The order is contrary to Section 13(b) of
Chapter 168, Laws of 1949, as amended.
5. The order is an unreasonable and arbitrary
interpretation of the Commission's rules and deprives Applicants
of their correlative rights.
6. The Order deprives Applicants of their property
without due process of law.
7. The order impairs the obligations of valid
contract between Applicants and El Paso Natural Gas Company.
8. The order bears no relation to prevention
of waste.

9. 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. 707 before the Commission.

Respectfully submitted,

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

1-4-55

By Jack M. Campbell
Jack M. Campbell
their attorney