Case No.

709

Application, Transcript, Small Exhibits, Etc.

CASE 709: El Paso Natural Gas Company
application for compulsory communitization
or for unorthodox spacing unit (Mesaverde)

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 E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320.68 ACRES.

CASE NO. 709) Consolidated
CASE NO. 849)
Order No. R-548-D

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 709 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-548 in Case No. 709 on December 16, 1954, declaring that the E/2 of Section 27, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from June 29, 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-548-A on January 14, 1955, setting Case No. 709 for rehearing.

Thereafter, on February 2, 1955, El Paso Natural Gas Company filed its application for hearing in Case No. 849.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 709 came on for rehearing and Case No. 849 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. 709 should be considered applicable to Case No. 849.

Thereafter, the Commission entered Order R-548-B in Cases 709 and 849 (consolidated) on January 12, 1956, declaring that the E/2 of Section 27, 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-548-C on February 10, 1956 setting Case No. 709 and 849 (consolidated) for rehearing.

Thereafter, on March 15, 1956, at 9:00 a.m., Case 709 and 849 (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 relevent 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 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 65-3-28 (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 June 29, 1953 the E/2 of said Section 27, 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, Western States Natural Gas Company, Three States Natural Gas Company and San Jacinto Petroleum Corporation were the sole owners of the E/2 of Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico on June 29, 1953.

8. That the said owners had agreed to pool their interests in the E/2 of said Section 27 prior to June 29, 1953.

9. That on June 29, 1953 the Commission approved El Paso Natural Gas Company's application to drill its proposed Calloway Pool Unit Well No. 1 on a drilling unit consisting of the E/2 of said Section 27.

10. That the formation of the drilling unit consisting of the E/2 of said Section 27 complied in all respects with Order R-110.

11. That the drilling of an additional well in the E/2 of said Section 27 would be wasteful.

IT IS THEREFORE ORDERED:

1. That the E/2 of Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 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 June 29, 1953.

2. That the application of El Paso Natural Gas Company for an order force communitizing or pooling the E/2 of Section 27, Township 31 North, Range 11 West, NMPM, pursuant to the terms of

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

IT IS FURTHER ORDERED:

That Order R-548 and Order R-548-B be and the same are hereby revoked and superseded.

DONE at Santa Fe, New Mexico, on the day and year heroinabove 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 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 E/2 OF SECTION 27, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 709) Consolidated
CASE NO. 849)
Order No. R-548-B

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 27, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Case No. 709 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-548 in Case No. 709, on December 16, 1954 (the order being entered in the Commission records on December 17, 1954,) declaring that E/2 of Section 27, Township 31 North, Range 11 West, NMPM, was recognized as a communitized or pooled tract from June 29, 1953.

Thereafter, and 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-548-A, on January 14, 1955, setting Case No. 709 for rehearing.

Thereafter, on February 2, 1955 El Paso Natural Gas Company filed its application for hearing in Case No. 849.

Thereafter, on March 17, 1955, at 9:00 a.m., Case No. 709 came on for rehearing and Case No. 849 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. 709 should be considered applicable to Case No. 849.

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. 709.

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 and 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 S/2 of said Section 27, Township 31 North, Range 11 West, N.M.P.M., is situated within the Blanco-Mesaverde Gas Pool as designated by the Commission.

7. That applicant, El Paso Natural Gas Company, Delhi Oil Corporation, Western Natural Gas Company, Three States Natural Gas Company and San Jacinto Petroleum Corporation, were, on June 29, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 acres of land, more or less.

8. That on June 29, 1953, a Notice of Intention to Drill (Form C-101) was approved by the 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 Calloway Pool Unit Well No. 1, and to be located 990 feet from the North line and 1750 feet from the East line of said Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, said well to be drilled to the Mesaverde formation; that said Notice of Intention to Drill designated the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, as the drilling unit; that drilling operations were commenced in said well on July 12, 1953, and the well completed on July 30, 1953 in the Mesaverde formation with an initial potential of 1,230,000 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. 709, 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, Western Natural Gas Company, Three States Natural Gas Company and San Jacinto Petroleum 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 E/2 of said Section 27 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 E/2 of said Section 27 has been, and is, an approved drilling unit containing 320 acres at all times thereafter.

12. That the drilling of an additional well or wells lying within the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

1. The E/2 of Section 27, Township 31 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.

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 E/2 of Section 27, 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-548 in Case 709 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

ir/

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. 709
Order No. R-548-A

THE APPLICATION OF EL PASO NATURAL
GAS COMPANY FOR COMPULSORY
COMMUNITIZATION OF E/2 OF SECTION 27,
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-548 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

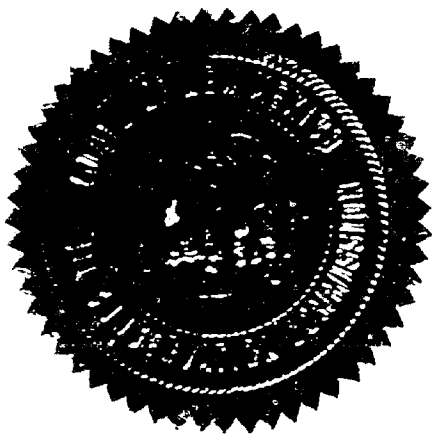
JOHN F. SIMMS, Chairman

Edwin L. Walker

E. S. WALKER, Member

W. B. Macey

W. B. MACEY, Member and Secretary



ir

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 E/2 OF SECTION 27, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 709) Consolidated
CASE NO. 849)
Order No. R-548-C

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 27, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320 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-548-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

Eson Walker

E. S. WALKER, Member

W. B. Macey

W. B. MACEY, Member and Secretary

ir/

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 E/2 OF SECTION 27, TOWNSHIP
31 NORTH, RANGE 11 WEST, NMPM,
SAN JUAN COUNTY, NEW MEXICO.

THE APPLICATION OF EL PASO
NATURAL GAS COMPANY FOR
DETERMINATION AND RATIFICATION
OF COMMUNITIZATION OF E/2 OF
SECTION 27, TOWNSHIP 31 NORTH,
RANGE 11 WEST, NMPM, SAN JUAN
COUNTY, NEW MEXICO, CONTAINING
320 ACRES.

CASE NO. 709 }
CASE NO. 849 } Consolidated

Order No. R-548-B

APPLICATION FOR REHEARING

Your Applicant, EL PASO NATURAL GAS COMPANY, applies for rehearing 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-548-B entered by the Commission on January 12, 1956.

2. Your Applicant would show the Commission that its Order No. R-548-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 19th 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 June 29, 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 [illegible] 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

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 theCommission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By Ben S. Howell
Attorney

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 E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 709) Consolidated
CASE NO. 849)

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR DETERMINATION AND RATIFICATION OF COMMUNITIZATION OF E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, CONTAINING 320 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-548-B, and as a basis for the application state:

(a) Applicants are the owners of interests in the NW/4 SE/4, S/2 NW/4, and NE/4 SW/4 of Section 27, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico and are parties affected by Order No. R-548-B entered by the Commission on January 12, 1956.

(b) Order No. R-548-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 all interests within said unit were not consolidated by pooling agreement or otherwise as required by Order No. R-110.

3. Order No. R-548-B is contrary to Section 1(a) of Order No. R-110 of the Commission.

4. Order No. R-548-B is contrary to Section 13(b) of Chapter 168, Laws of 1949, as amended.

5. Order No. R-548-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-548-B deprives Applicants of their property without due process of law.

7. Order No. R-548-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. 709 - 849 Consolidated on Order No. R-548-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

Three States Natural Gas Company

SEVENTEENTH FLOOR CORRIGAN TOWER

DALLAS 1, TEXAS

February 27, 1953

RECEIVED MAR 9 1953 EL PASO NATURAL GAS COMPANY EL PASO, TEXAS

Mr. Samuel Smith
Lease Department
El Paso Natural Gas Company
10th Floor, Bassett Tower
El Paso, Texas

Dear Sir:

We received a carbon copy of your letter of February 18, 1953 to Mr. K. P. Moore of the Western Natural Gas Company, Houston, Texas, in regard to the El Paso Natural Gas Company drilling a well to test the Mesa Verde formation in the E/2 of Section 27, T-31-N, R-11-W, N.M.P.M., San Juan County, New Mexico.

The Three States Natural Gas Company owns 1/4 interest in the ~~NW/4 of the~~ NE/4 of Section 27, T-31-N, R-11-W. The Three States Natural Gas Company is agreeable to joining the El Paso Natural Gas Company, The Western Natural Gas Company and San Jacinto Petroleum Corporation in drilling this well.

Very truly yours,

THREE STATES NATURAL GAS CO.

Grayson H. Laughbaum

Grayson H. Laughbaum

GHL:gd

Three States Natural Gas Company

SEVENTEENTH FLOOR CORRIGAN TOWER

DALLAS 1, TEXAS

February 27, 1953

RECEIVED MAR 4 1953 EL PASO NATURAL GAS COMPANY EL PASO

Mr. Samuel Smith
Lease Department
El Paso Natural Gas Company
10th Floor, Bassett Tower
El Paso, Texas

Dear Sir:

We received a carbon copy of your letter of February 18, 1953 to Mr. K. P. Moore of the Western Natural Gas Company, Houston, Texas in regard to the El Paso Natural Gas Company drilling a well to test the Mesa Verde formation in the E/2 of Section 27, T-31-N, R-11-W, N.M.P.M., San Juan County, New Mexico.

The Three States Natural Gas Company owns 1/4 interest in the NW/4 of the NE/4 of Section 27, T-31-N, R-11-W. The Three States Natural Gas Company is agreeable to joining the El Paso Natural Gas Company, The Western Natural Gas Company and San Jacinto Petroleum Corporation in drilling this well.

Very truly yours,

THREE STATES NATURAL GAS CO.

Grandon H. Laughbaum

GHL:gd

R-709-B

Western Natural Gas Company

1006 MAIN STREET

Houston 2, Texas

J. V. COWAN
VICE-PRESIDENT
IN CHARGE OF
LAND AND LEASES

March 31, 1953

El Paso Natural Gas Company
10th Floor Bassett Tower,
El Paso, Texas

Re: E/2 Section 27, 31 North, 11 West, N.M.P.M.

Gentlemen:

We have your recent letters regarding the forming of a unit to consist of the above captioned acreage, Western to contribute its interest in the NW/4 of the NE/4 of Section 27.

It is agreeable with Western to join such unit subject to the approval of the other undivided interest owners in its acreage.

In preparation of the operating and communitization agreements, it will be necessary that there be inserted wording to the effect that such agreements supersede any and all prior agreements between Western, Three States and San Jacinto or their predecessors in title.

In accordance with your request, we enclose herewith a photostatic copy of our lease covering the acreage to be contributed by us.

If there is any further information you require, please advise.

Yours very truly

WESTERN NATURAL GAS COMPANY

[illegible]

[illegible]

JVC:hw
Enc 1/56
Enclosure

March 9, [illegible]

El Paso Natural Gas Company
Tenth Floor Bassett Tower
El Paso, Texas

Attention: Mr. Samuel Smith
Lease Department

Gentlemen:

We are [illegible]

the drilling of [illegible]

located on the [illegible]

11 West, San Juan [illegible]

[illegible]

Dallas, Texas; Western Natural Gas Company, a Delaware corporation, whose address is 1000 Main Street, Houston, Texas; Three States Natural Gas Company, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; San Jacinto Petroleum Corporation, a Delaware corporation, whose address is San Jacinto Building, Houston, Texas; Ella Elaine, a widow, whose address is 1616 West Colorado Avenue, Colorado Springs, Colorado; Saul A. Yager, a single man, whose address is 613 Oil Capital Building, Tulsa, Oklahoma, Marian Yager, a feme sole, whose address is c/o C. H. Rosenstein, Mahaney Building, Tulsa, Oklahoma; M. E. Gimp and wife, _____ Gimp, whose address is c/o Sales Jewelry Company, 1006 Main Street, Dallas, Texas; and Morris Hinel and his wife, Flora Hinel, and Sam Hinel and his wife, _____ Hinel, whose address is 101 West Cameron Street, Tulsa, Oklahoma;

W I T N E S S E T H:

WHEREAS, Western Natural Gas Company, as to an undivided one-half (1/2) interest, Three States Natural Gas Company, as to an undivided one-fourth (1/4) interest and San Jacinto Petroleum Corporation, as to an undivided one-fourth (1/4) interest, are the present owners and holders of that certain oil and gas lease executed by Ella Elaine, a widow, as Lessor, in favor of Byrd-Frost, Inc., as Lessee, under date of April 20, 1951, covering among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.

[illegible]

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SW/4 SE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 125, at Page 238, of the Oil and Gas Lease Records of San Juan County, New Mexico; and

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties on the last above described tract; 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 (1/4) interest in said royalty to Morris Mizel and Sam Mizel jointly, an undivided one-fourth (1/4) interest in said royalty to M. E. Gimp, and an undivided one-fourth (1/4) interest in said royalty to Marian Yager; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by James C. Sumruld and his wife, Fannie Sumruld, as Lessors, in favor of Wayne Moore, as Lessee, under date of June 3, 1947, 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 27: SW/4 SE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 125, at Page 238, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, by an Extension of Oil and Gas Lease executed by James C. Sumruld and his wife, Fannie Sumruld, under date of February 19, 1953, and recorded in Book 170, at Page 156, of the Oil and Gas Records of San Juan County, New Mexico, pending by the Lessee of the lands covered by the last above described oil and gas lease be provided for was follows, to wit:

"Lessee at its option is hereby given the right [illegible] the acreage covered by said lease [illegible] when in Lessee's judgment it is [illegible] value and thereafter said [illegible]

[illegible] the present owner of the oil rights, the [illegible] Dakota formation and certain gas overriding royalties [illegible]; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by Carl G. Calloway, Zella Calloway, J. R. Calloway and his wife, Mary Margaret Calloway, Wiley R. Calloway and his wife, Finette Calloway, Ann L. Dunning and her husband, Harold L. Dunning, and Ruth Vandever and her husband, E. L. Vandever, as Lessors, in favor of H. F. Pettigrew, as Lessee, under date of December 29, 1949, 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 27: NE/4 NE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 140, at Page 335, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by Lessee of the lands covered thereby as follows, to wit:

"Lessees, at their option, are hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessees' judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 320 acres each in the event of a gas well. Lessees shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessors shall receive on production from a unit so pooled only such portion of royalty stipulated herein as the amount of their acreage placed in the pooled unit bears to the total acre-[illegible]

[illegible] present owner and holder of the oil [illegible] the Mesa Verde formation and certain gas over-[illegible]

[illegible] San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by Lessee of the lands covered thereby as follows, to wit:

"Lessee at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 320 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Marion Vance and his wife, Betty D. Vance, and Lothair Payne and his wife, Marguerite Payne, as Lessors, in favor of Prime Oil Company, as Lessee, under date of January 7, 1952, covering among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SE/4 SE/4; Also thirty-five (35) acres out of the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) and five (5) acres out of the Southeast Quarter of the Southeast Quarter (SE/4 SE/4), being those portions of said subdivisions lying West of the middle of the channel of the Animas River, containing 80.00 acres, more or less,

said lease being recorded in Book 188, at Page 172, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by Lessee of the lands covered thereby as follows:

[illegible] Lessee hereby granted (excluding coalbed gas [illegible] County, the right and privilege to con-

WHEREAS, El Paso is the present owner and holder of an oil and gas lease executed by each of the following listed Lessors, each of said leases being executed in favor of C. H. Rye, as Lessee, under date of August 29, 1949, and 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 27: S/2 SE/4 SE/4; Also that part of the North half of the Southeast Quarter of the Southeast Quarter (N/2 SE/4 SE/4) and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) lying East of the middle of the Animas River as the same ran in its bed and course on March 11, 1911, containing 40.00 acres, more or less;

Lessor	Undivided interest in the above described acreage
Elinor Periman, a widow	1/2
Neal Willmuth & wife, Mollie Willmuth	1/2

said leases being recorded in Book 139, at Pages 223 and 224, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas leases provide for the pooling by Lessees of the lands covered thereby as follows, to wit:

"5. Lessee is hereby granted the right and option, at any time prior to commencement of actual drilling for oil and/or gas on the land herein leased, to pool any part or all of such land (including lessor's royalty interest as well as the leasehold estate created by this lease) with any other lands or leasehold interests in lands, regardless of the ownership thereof, of lessee's selection in the same vicinity so as to form one or more Pooled Units for the purpose of drilling for and producing oil and/or gas. A Pooled Unit shall be a combination of contiguous tracts of land, including a part of all of the land hereby leased, which lessee shall designate as constituting a Pooled Unit by filing with the County Clerk in the county in which all or any part of the land herein leased is located a written designation of such Pooled Unit indicating the Unit so created and the several tracts of land combined into such Unit, and by mailing a copy of such designation to lessor at his last known address, provided that no Pooled Unit shall embrace more than 640 surface acres. Lessor agrees that operations for or production of oil and/or gas on any part of a Pooled Unit after it has been so created shall for all purposes of this lease be considered as operations or production on the land herein leased (except that operations or production on one Pooled Unit shall not affect lessee's right to alter, dissolve or re-form other Pooled Units as hereinafter provided), and in the event of production of oil and/or gas from any part of the Pooled Unit the royalty payable by lessee to lessor under this lease shall [illegible] in to the contrary notwithstanding, be thereafter [illegible] such production which bears the same ratio to [illegible] leased [illegible] said Pooled Unit. Prior to the commencement of [illegible] may be altered by lessee in any way, [illegible] notice [illegible] lessee of its intent [illegible]

[illegible]

[illegible] agreement; and

[illegible] as of the dates of the parties hereto to committize their respective interests in the above described oil and gas leases in order to form one tract or drilling unit described as follows:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: E/2
containing 320.00 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 tract for the purpose and intention of developing and producing dry gas and associated liquid hydrocarbons 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 associated liquid hydrocarbons producible from the Mesa Verde formation as an entirety, with the understanding and agreement that the dry gas and associated liquid hydrocarbons 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 associated liquid hydrocarbons so allocated to the lands comprising the leaseholds and the rentals [illegible] 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 and associated liquid hydrocarbons by reason of the diverse ownership of the dry gas or [illegible] hydrocarbons in or under said tract, but the parties hereto shall not be [illegible] to protect said communitized tract from drainage by a [illegible] wells located on offsetting [illegible] said tract. Payment of the rentals [illegible] shall not be affected [illegible] the terms and provisions of said leases or [illegible]

[illegible]

It is further agreed that all production of oil and gas disposed 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 and adjustments between the parties hereto shall be determined and performed by "El Paso".

This Agreement shall be effective as of the date hereof, upon execution by the parties hereto, 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 New Mexico Oil Conservation Commission with respect to any dry hole or abandoned well, and prior to production in paying quantities of gas and associated liquid hydrocarbons from said communitized tract, this Agreement may be terminated at any time by mutual agreement of the parties hereto.

This Agreement shall be binding upon the parties hereto and shall extend and be binding upon their heirs, successors, 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 instrument and shall have the same force and effect as if all counterparts of such instrument had been executed by all of the parties hereto.

IN [illegible] WHEREOF, [illegible] this instrument as of the day and year hereinabove [illegible].

[illegible]

[illegible]

[illegible]

By [illegible]
Vice President

ATTEST:

[illegible]
Assistant Secretary

[illegible] GAS COMPANY

By [illegible]
Vice President

ATTEST:

[illegible]
Assistant Secretary

THREE STATES NATURAL GAS COMPANY

By [illegible]
Vice President

ATTEST:

[illegible]
Assistant Secretary

SAN JACINTO PIPELINE COMPANY

By B. G. Martin
Vice President

Ella Blaine, a widow.

Saul A. Yager, a single man

Marion Yager, a feme sole

H. F. Gimp

Gimp, his wife

[illegible]

[illegible] appeared L. F. [illegible] he is the [illegible] to the fore-[illegible] and acknowledged the [illegible] of its board of directors, [illegible] to be the free act and deed of said [illegible]

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:

Blanche S. Hess
Notary Public, County of El Paso, State of Texas

Blanche S. Hess
Notary Public, in and for El Paso County, Texas
My commission expires June 1, 1955

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 1st day of April, 1955, before me appeared M. C. Smith to me personally known, who, being by me duly sworn, did say that he is the Vice President of HELMI OIL CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said M. C. Smith 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:

June 1, 1955

Marguerite Spencer
Notary Public, County of Dallas, State of Texas

MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 17th day of February, 1955, before me appeared [illegible] to me personally known, who, being by me duly [illegible]

[illegible] I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

6-1-55

Notary Public, County of Dallas, State of Texas

TEVA P. LIVINGSTON
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On this 19 day of February, 1955, before me appeared [illegible], to me personally known, who, being by me duly sworn, did say that he is the [illegible] President of the [illegible] and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said [illegible] 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, County of Harris, State of Texas

R. C. DOUGHERTY, JR.
Notary Public in and for
Harris County, Texas
My Commission Expires June 1, 1955

STATE OF COLORADO)
)
COUNTY OF)

On this _____ day of _____, 1954, before me appeared Ella Blaine, a widow, 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:

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

On this _____ day of _____, 1964, before me appeared [illegible] a [illegible] public, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me that 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, County of Tulsa, State of Oklahoma

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this _____ day of _____, 1964, before me appeared H. E. Sing and _____, 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, County of Dallas, State of Texas

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

On this _____ day of _____, 1964, before me appeared Morris Sibyl and Flora Sibyl, 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 [illegible]

[illegible]

by and between [illegible] called Lessor (whether one or more), and [illegible], a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas, hereinafter called Lessee:

WITNESSETH: That the said lessor, for and in consideration of Ten ($10.00), cash in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil and gas down to and including the base of the Mesa Verde formation only, and of laying of pipe lines, and of building tanks, power stations, and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of San Juan, State of New Mexico, described as follows, to-wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: Southwest Quarter of the Northeast Quarter
(SW/4 NE/4)
containing 40 acres, more or less.

It is agreed that this lease shall remain in force for a term of five (5) years from this date, and as long thereafter as oil or gas or either of them is produced from said land, or from lands with which said land is pooled therewith, by lessee.

In respect to the duration of the term of this lease, gas shall be deemed commercially produced from any "dry hole" gas well capable of producing gas in commercial quantities that can not be caught by commercially marketed under the existing pipeline facilities, provided that Lessee shall pay or tender [illegible] for each "dry hole" gas well [illegible] [illegible] gas well and this lease [illegible]

[illegible] the [illegible] each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-eighth (1/8), payable monthly at the prevailing market rate for gas; lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling on said land during the same time, by making lessor's own connections with the well at lessor's own risk and expense.

3rd. To pay lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate. Lessor hereby designates the Citizen's Bank of Aztec, New Mexico or its successors as the depository to receive all payments of any kind to be made to Lessee under this lease, and said bank shall continue as the depository regardless of changes in the ownership of said land.

If no well be commenced on said land, or on acreage pooled therewith as hereinafter provided, on or before the 26th day of November, 1953, this lease shall terminate as to both parties.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as [illegible] the production of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of [illegible] or units not exceeding [illegible] a unit or units not exceeding [illegible] well, or [illegible] a shall consist in [illegible]

211-73

found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

Should the first well drilled on the above described land, or on acreage pooled therewith, be a dry hole, then, and in that event, if a second well is not commenced on said land, or on acreage pooled therewith, within twelve months from the date of plugging said dry hole, this lease shall terminate as to both parties. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for lessee's operations thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury [illegible] below plow depth.

No well shall be drilled [illegible] on said premises without lessor's consent.

Lessee shall pay for damages caused to growing crops on said land [illegible]

and [illegible]

[illegible]

privilege of assignment [illegible]

hereof shall extend to their heirs, successors, administrators, executors or assigns, but no change in the ownership of the land, or assignments of rental or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payment of said rental. In case lessee assigns this lease in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, [illegible]

release all right of dower and homestead in the premises, insofar as said right of dower and homestead may be [illegible] for which this lease is made.

[illegible]

[illegible] hereunto set my hand and affixed
[illegible] day and year in this certificate first above written.

[illegible]
[illegible] 1855

[illegible]

[illegible] Marion I. Young and Betty D. [illegible], and Jordan Lelmair Payne and Marguerite Payne, husband [illegible] and Prime Oil Company, Lessee, covering the following des- [illegible] County of San Juan and State of New Mexico, to-wit:

(1) The Northwest Quarter of the Northwest Quarter (NW¼NW¼), and a part of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) described as follows: BEGINNING at the Northeast corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) and running Thence West 440 yards; Thence South ten (10) feet; Thence East 268 yards; Thence South 162 yards to a corner in the Animas River; Thence in a northeasterly course 258 yards to the point of beginning; all of the above being in Section Twenty-six (26) Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M.

(2) Part of the Southeast Quarter of the Southwest Quarter (SE¼SW¼) of Section Twenty-three (23); Township Thirty-one (31) North, Range Eleven (11) West, N.M.P.M., described as follows: COMMENCING on the Section line at a point ten (10) feet West of the point where the "Twin Rock Irrigating Ditch", as at present constructed, intersects the South Section line of the said Southeast Quarter of the Southwest Quarter (SE¼SW¼) of said Section 23; Thence following the line of said Ditch in a northeasterly direction, at a distance of ten (10) feet West thereof, until the same intersects the public road as now existing; Thence from said intersection point due North to the line dividing the Southeast Quarter of the Southwest Quarter (SE¼SW¼) and the Northeast Quarter of the Southwest Quarter (NE¼SW¼) of said Section 23; Thence following said division line East to the Northeast corner of said Southeast Quarter of the Southwest Quarter (SE¼SW¼); Thence following division line South to the Southeast corner of said subdivision; Thence following the Section line West to the place of beginning; said tract being all of the said Southeast Quarter of the Southwest Quarter (SE¼SW¼) not heretofore conveyed to U. S. Cameron as shown in Deed recorded in Book 39, Page 480, of the records of San Juan County, New Mexico.

(3) The Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section Twenty- [illegible] the Northwest [illegible] (26) and all that part of [illegible] (11) [illegible] section there-

Said lease being recorded in the office of the County Clerk in and for said County in Book 186 at Page 172; and

WHEREAS, Prime Oil Company is now the owner of said lease and all rights thereunder.

NOW, THEREFORE, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned [illegible]

3-B

3-B

clear from all liens and incumbrances, and that all rents and royalties due and payable thereunder have been duly paid and that the undersigned will warrant and defend the same against the lawful claims and demands of all persons whomsoever holding or claiming to hold an interest therein, under, by or through Assignor, but not otherwise and no further.

Assignors retain unto themselves, their heirs, successors and assigns an overriding royalty of five per cent (5%) of the value based upon the field market price at the well of all oil, gas, casinghead gas or other hydrocarbons that may be produced and saved from the above described land under the said lease or any modifications thereof.

IN WITNESS WHEREOF, the undersigned owners and assignors have signed this instrument this 14th day of August, 1952.

PRIMO OIL COMPANY

H. F. Pettigrew

H. F. Pettigrew - Partner

John A. Worley

John A. Worley - Partner

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On this 14th day of August, 1952, before me personally appeared H. F. Pettigrew and John A. Worley, to me known to be the persons who executed the foregoing instrument and acknowledged to me that they executed the same as their free act and deed and as the free act and deed of Primo Oil Company, a partnership composed of said H. F. Pettigrew and John A. Worley.

IN WITNESS WHEREOF, I have set my hand and seal of office on this 14th day of August, 1952.

Notary Public in and for Dallas County, Texas

My Commission expires:

June 1953

[illegible]

lease was made and entered into, by [illegible] Willmuth, husband and wife, as Lessors and C. H. Nye, as Lessee, and

WHEREAS, on the 29th day of August, 1949, a certain oil and gas mining lease was made and entered into by and between Elinor Periman, the surviving widow and sole heir at law of L. A. Periman, deceased, as Lessor, and C. H. Nye, as Lessee, both of said leases covering the following described land in the County of San Juan and State of New Mexico, to-wit:

> That part of the North One-Half of the Southeast Quarter of the Southeast Quarter (N½SE¼SE¼) and that part of the Northeast Quarter of the Southeast Quarter (NE¼SE¼) of Section 27, lying East of the middle of the Animas River as same flowed and ran in its bed and course on March 1, 1911; the South One-Half of the Southeast Quarter of the Southeast Quarter (S½SE¼SE¼) of Section 27, all in Township 31 North of Range 11 West, N.M.P.M., and containing 40 acres, more or less.

Said lease being recorded in the Office of the County Clerk in and for said County in Book 139 at Page 224 and in Book 139 at Page 223, respectively; and

WHEREAS, Primo Oil Company, is now the owner of said lease and all rights thereto.

NOW, THEREFORE, for and in consideration of One Dollar (and other good and valuable considerations), the receipt of which is hereby acknowledged, the undersigned, the present owners of said lease and all rights thereunder or incident thereto, do, hereby, bargain, sell, transfer, assign and [illegible] rights, title and interest of the original [illegible] said lease and rights [illegible] obtained in connection [illegible] successors and [illegible]

[illegible] heirs, [illegible]

[illegible] property on [illegible]

and that all rents and royalties due and payable thereunder have been duly paid and that the undersigned will warrant and defend the same against the lawful claims and demands of all persons whomsoever holding or claiming to hold an interest therein, under, by or through Assignor, but not otherwise and no further.

Assignors retain unto themselves, their heirs, successors and assigns an overriding royalty of five per cent (5%) of the value based upon the field market price at the well of all oil, gas, casinghead gas or other hydrocarbons that may be produced and saved from the above described land under the said lease or any modifications thereof.

IN WITNESS WHEREOF, the undersigned owners and assignors have signed this instrument this 20th day of April, 1953.

PRIMO OIL COMPANY

H. F. Pettigrew - Partner

John A. Worley - Partner

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On this 20th day of April, 1953, before me personally appeared H. F. Pettigrew and John A. Worley, to me known to be the persons who executed the foregoing instrument and acknowledged to me that they executed the same as their free act and deed and as the free act and deed of Primo Oil Company, a partnership composed of said H. F. Pettigrew and John A. Worley.

[illegible], I have set my hand and seal of office on this [illegible] 1953.

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 E/2 OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO, OR IN THE ALTERNATIVE FOR UNORTHODOX SPACING

NO. 709

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 Mesa-verde formation under the following described oil and gas leases:

a. Oil and Gas Lease dated June 3, 1947, executed by James C. Sumruld and Fannie Sumruld, 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 27: SW/4 SE/4
containing 40 acres, more or less,

b. Oil and Gas Lease dated December 29, 1949, from Carl G. Calloway, Zella Calloway, J. R. Calloway, Mary Margaret Calloway, Wiley R. Calloway, Finette Calloway, Ann L. Dunning, Harold L. Dunning, Ruth Vandever and E. L. Vandever, Lessors, to H. F. Pettigrew, 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 27: NE/4 NE/4
containing 40 acres, more or less.

c. Oil and Gas Lease dated May 26, 1953, from Sarah Meyers Hedges, Lessor, to El Paso Natural Gas Company, Lessee, embracing the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SW/4 NE/4
containing 40 acres, more or less.

d. Oil and Gas Lease dated January 7, 1952, from Marion Vance, Betty D. Vance, Lothair Payne and Marguerite Payne, Lessors, to Primo Oil Company, 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 27: SE/4 NE/4, also 35 acres out of the NE/4 SE/4 and 5 acres out of the SE/4 SE/4, being those portions of said subdivisions lying west of the middle of the channel of the Animas River,
containing 80 acres, more or less.

e. Oil and Gas Leases dated August 29, 1949, one from Elinor Periman and one from Neal Willmuth and Nellie Willmuth, as Lessors, to C. H. Nye, 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 27: S/2 SE/4 SE/4, also that part of the N/2 SE/4 SE/4 and the NE/4 SE/4 lying east of the middle of the Animas River as the same ran in its bed and course on March 11, 1911,
containing 40 acres, more or less.

Your Applicant represents that the present owners and holders of an Oil and Gas Lease dated April 30, 1951, from Ella Blaise, Lessor, to Byrd-Frost, Inc., 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 27: NW/4 NE/4
containing 40 acres, more or less;

are:

Western Natural Gas Company - an undivided 1/2;

Three States Natural Gas Company - an undivided 1/4; and

San Jacinto Petroleum Corporation - an undivided 1/4.

Your Applicant represents that it is the legal owner and holder of that certain Oil and Gas Lease, in so far as gas rights to the base of the Mesaverde formation are concerned, dated September 1, 1948, executed by Saul A. Yager and Marian Yager, as Lessors, to Wayne Moore, as Lessee, covering the following described land in San Juan County, New Mexico, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: S/2 NW/4, NW/4 SE/4, NE/4 SW/4
containing 160 acres, more or less;

that prior to August 31, 1953, at which time the primary term of said lease would have expired, your Applicant filed with this Commission its Notice of Intention to Drill a well to the Mesaverde formation located upon the NW/4 NE/4 of said Section 27, which Notice was received by this Commission June 26, 1953, and approved June 29, 1953, and, in said Notice, your Applicant dedicated to said well the E/2 of said Section 27 which included the NW/4 SE/4 of said Section 27 under which your Applicant held gas operating rights to the base of the Mesaverde formation pursuant to the lease above described from Saul A. Yager and Marian Yager. Your Applicant owned and now owns gas operating rights on all the remaining tracts of land lying within the E/2 of said Section 27 except the NW/4 NE/4. The owners of all the working interest in

the entire E/2 of said Section 27 and the owners of all royalty interests and overriding royalty interests, except those claiming under Saul A. Yager and Marian Yager, have joined or agreed to join a Communitization Agreement (unexecuted copy of which is attached hereto) dated June 1, 1953.

Your Applicant represents that the royalty interest on all of the lands described in said lease from Saul A. Yager and Marian Yager is now 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 Bldg., 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 represents that Saul A. Yager and Morris Mizel informed your Applicant that all of the above named owners of royalty interest would join in the execution of a Communitization Agreement and that your Applicant forwarded to Saul A. Yager and Marian Yager partially executed original Communitization Agreements which have been retained and are now in the possession of one or more of the said royalty owners named above; that some or all of said royalty owners have refused to join in the execution of said Communitization Agreement and have refused to return to your Applicant the partially executed Communitization Agreements.

Your Applicant represents that prior to August 31, 1953, your Applicant and other working interest owners owning leasehold or gas operating rights to the base of the Mesaverde formation commenced a well located upon the NW/4 NE/4 of said Section 27 and continued said well with due diligence, completing it as a well producing gas from the Mesaverde formation on July 30, 1953. By reason of the designation of the E/2 of said Section 27 as a communitized tract attributable to said well and by reason of the commencement and completion of said well prior to August 31, 1953, at which time your Applicant's lease from Saul A. Yager and Marian

Yager was in full force and effect and at which time one or more of said royalty owners had actually executed the Communitization Agreement, all of such actions operated to extend said lease from Saul A. Yager and Marian Yager as long as production occurs from said well.

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 the E/2 of said Section 27, containing 320 acres, constitutes a proper spacing unit for drilling a Mesaverde well and that all persons except those named above as royalty owners have agreed to communitize and pool the above described oil and gas leases in so far as said leases cover the E/2 of said Section 27 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 their 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 effective as of June 29, 1953, 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 effective on June 29, 1953, in accordance with 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.

In the alternative, your Applicant requests that, if the above relief, effective on June 29, 1953, is not granted by the Commission, the Commission enter its order designating the following tracts as an unorthodox spacing unit and gas allocation unit for gas produced from the surface to the base of the Mesaverde formation, to wit:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: NE/4, E/2 SE/4, SW/4 SE/4
containing 280 acres.

Respectfully submitted,

Ben E. Howell

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

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of June, A.D., 1953, by and between El Paso Natural Gas Company, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); Delhi Oil Corporation, a Delaware corporation, whose address is 823 Corrigan Tower, Dallas, Texas; Western Natural Gas Company, a Delaware corporation, whose address is 1006 Main Street, Houston, Texas; Three States Natural Gas Company, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; San Jacinto Petroleum Corporation, a Delaware corporation, whose address is San Jacinto Building, Houston, Texas; Ella Blaise, a widow, whose address is 1916 West Colorado Avenue, Colorado Springs, Colorado; Saul A Yager, a single man, whose address is 613 Oil Capital Building, Tulsa, Oklahoma; Marian Yager, a feme sole, whose address is c/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. Gimp and his wife, _____ Gimp, whose address is c/o Zales Jewelry Company, 1606 Main Street, Dallas, Texas; and Morris Mizel and his wife, Flora Mizel, and Sam Mizel and his wife, _____ Mizel, whose address is 101 West Cameron Street, Tulsa, Oklahoma;

WITNESSETH:

WHEREAS, Western Natural Gas Company, as to an undivided one-half ($\frac{1}{2}$) interest, Three States Natural Gas Company, as to an undivided one-fourth ($\frac{1}{4}$) interest and San Jacinto Petroleum Corporation, as to an undivided one-fourth ($\frac{1}{4}$) interest, are the present owners and holders of that certain oil and gas lease executed by Ella Blaise, a widow, as Lessor, in favor of Byrd-Frost, Inc., as Lessee, under date of April 30, 1951, 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 27: NW/4 NE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 157, at Page 462, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by Saul A. Yager and his wife, Marian Yager, as Lessors, in favor of Wayne Moore, as Lessee, under date of

September 1, 1948, 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 27: NW/4 SE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 135, at Page 86, of the Oil and Gas Lease Records of San Juan County, New Mexico; and

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties on the last above described tract; 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, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by James C. Sumruld and his wife, Fannie Sumruld, as Lessors, in favor of Wayne Moore, as Lessee, under date of June 3, 1947, 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 27: SW/4 SE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 125, at Page 238, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, by an Extension of Oil and Gas Lease executed by James C. Sumruld and his wife, Fannie Sumruld, under date of February 19, 1952, and recorded in Book 179, at Page 156, of the Oil and Gas Records of San Juan County, New Mexico, pooling by the Lessee of the lands covered by the last above described oil and gas lease is provided for as follows, to-wit:

"Lessee at its option is hereby given the right and power to pool or combine the acreage covered by said lease or any portion thereof with other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises, such pooling to be into a unit or units not to exceed 320 acres each. The entire acreage so pooled into a tract or unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in said lease. If production is found on the pooled acreage it shall be treated as if production is had from said lease whether the well or wells be located on the premises covered by said lease or not. In lieu of the royalties elsewhere herein specified, Lessor

shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties on the last above described tract; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease, insofar as the same covers the gas rights down to and including the base of the Mesa Verde formation, executed by Carl G. Calloway, Zella Calloway, J. R. Calloway and his wife, Mary Margaret Calloway, Wiley R. Calloway and his wife, Finette Calloway, Ann L. Dunning and her husband, Harold L. Dunning, and Ruth Vandever and her husband, E. L. Vandever, as Lessors, in favor of H. F. Pettigrew, as Lessee, under date of December 29, 1949, 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 27: NE/4 NE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 140, at Page 335, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by lessee of the lands covered thereby as follows, to-wit:

"Lessees, at their option, are hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessees' judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 320 acres each in the event of a gas well. Lessees shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessors shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of their acreage placed in the unit or their royalty interest therein on the acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, Delhi Oil Corporation is the present owner and holder of the oil rights, the gas rights below the base of the Mesa Verde formation and certain gas overriding royalties in the last above described tract; and

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Sarah Meyers Hedges, a feme sole, as Lessor, in favor of El Paso Natural Gas Company, as Lessee, under date of May 26, 1953, embracing the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: SW/4 NE/4
containing 40.00 acres, more or less,

said lease being recorded in Book 212, at Page 211, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by lessee of the lands covered thereby as follows, to-wit:

"Lessee at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 320 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Marion Vance and his wife, Betty D. Vance, and Lothair Payne and his wife, Marguerite Payne, as Lessors, in favor of Primo Oil Company, as Lessee, under date of January 7, 1952, 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 27: SE/4 NE/4; Also thirty-five (35) acres out of the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) and five (5) acres out of the Southeast Quarter of the Southeast Quarter (SE/4 SE/4), being those portions of said subdivisions lying West of the middle of the channel of the Animas River, containing 80.00 acres, more or less,

said lease being recorded in Book 186, at Page 172, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas lease provides for the pooling by lessee of the lands covered thereby as follows:

"9. As to the gas leasehold estate hereby 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 is the present owner and holder of an oil and gas lease executed by each of the following listed Lessors, each of said leases being executed in favor of C. H. Nye, as Lessee, under date of August 29, 1949, and 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 27: S/2 SE/4 SE/4; Also that part of the North half of the Southeast Quarter of the Southeast Quarter (N/2 SE/4 SE/4) and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) lying East of the middle of the Animas River as the same ran in its bed and course on March 11, 1911, containing 40.00 acres, more or less;

Lessor	Undivided interest in the above described acreage
Elinor Periman, a widow	1/2
Neal Willmuth & wife, Nellie Willmuth	1/2

said leases being recorded in Book 139, at Pages 223 and 224, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, said oil and gas leases provide for the pooling by Lessees of the lands covered thereby as follows, to-wit:

"5. Lessee is hereby granted the right and option, at any time prior to commencement of actual drilling for oil and/or gas on the land herein leased, to pool any part or all of such land (including lessor's royalty interest as well as the leasehold estate created by this lease) with any other lands or leasehold interests in lands, regardless of the ownership thereof, of lessee's selection in the same vicinity so as to form one or more Pooled Units for the purpose of drilling for and producing oil and/or gas. A Pooled Unit shall be a combination of contiguous tracts of land, including a part or all of the land hereby leased, which lessee shall designate as consitiuting a Pooled Unit by filing with the County Clerk in the county in which all or any part of the land herein leased is located a written designation of such Pooled Unit indicating the Unit so created and the several tracts of land combined into such Unit, and by mailing a copy of such designation to lessor at his last known address, provided that no Pooled

Unit shall embrace here than 640 surface acres. Lessor agrees that operations for or production of oil and/or gas on any part of a Pooled Unit after it has been so created shall for all purposes of this lease be considered as operations or production on the land herein leased (except that operations or production on one Pooled Unit shall not affect lessee's right to alter, dissolve or re-form other Pooled Units as hereinafter provided), and in the event of production of oil and/or gas from any part of the Pooled Unit the royalty payable by lessee to lessor under this lease shall, any provision herein to the contrary notwithstanding, be thereafter computed and paid upon that portion of such production which bears the same ratio to the total as the number of acres herein leased and included in such Pooled Unit bears to the total number of acres comprising said Pooled Unit. Prior to the commencement of actual drilling thereon, a Pooled Unit may be altered by lessee in any way, dissolved and re-formed, by filing an appropriate notice thereof with the County Clerk with whom the original designation of such Pooled Unit was filed and mailing a copy of same to lessor at his last known address. After drilling has been commenced on a Pooled Unit, such Pooled Unit may not thereafter be altered or dissolved without the written consent of lessor. Lessee shall not, however, be liable to any party for alteration or dissolution of a Pooled Unit resulting from loss of its title or any cause beyond the control of lessee."

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 described as follows:

Township 31 North, Range 11 West, N.M.P.M.
Section 27: E/2
containing 320.00 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 tract 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 execution by the parties hereto, notwithstanding the date of execution, 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 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: EL PASO NATURAL GAS COMPANY

By_____

_____ Assistant Secretary

Vice President

ATTEST:

_____
Secretary

ATTEST:

_____
Secretary

ATTEST:

_____
Secretary

ATTEST:

_____
Secretary

DELHI OIL CORPORATION

By_____
President

WESTERN NATURAL GAS COMPANY

By_____
President

THREE STATES NATURAL GAS COMPANY

By_____
President

SAN JACINTO PETROLEUM CORPORATION

By_____
President

_____
Ella Blaise, a widow

_____
Saul A. Yager, a single man

_____
Marion Yager, a feme sole

_____
M. E. Gimp

_____
Gimp, his wife

_____
Morris Mizel

_____
Flora Mizel

_____
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 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, County of El Paso,
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 _____ President of DELHI OIL CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and 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, County of Dallas,
State of Texas

STATE OF TEXAS

COUNTY OF HARRIS

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of WESTERN NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of the corporation, and 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, County of Harris,
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 _____President of THREE STATES NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and 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, County of Dallas, State of Texas

STATE OF TEXAS

COUNTY OF HARRIS

On this_____day of_____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____President of SAN JACINTO PETROLEUM CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and 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, County of Harris, State of Texas

STATE OF COLORADO

COUNTY OF EL PASO

On this_____day of_____, 1953, before me appeared Ella Blaise, a widow, 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, County of El Paso, State of Colorado

STATE OF OKLAHOMA

COUNTY OF TULSA

On this_____day of_____, 1953, before me appeared Saul A. Yager, a single man, 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, County of Tulsa,
State of Oklahoma

STATE OF OKLAHOMA

COUNTY OF TULSA

On this_____day of_____, 1953, before me appeared Marion Yager, a feme sole, to known to be the person described in and who executed the foregoing instrument, and acknowmedged 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, County of Tulsa,
State of Oklahoma

STATE OF TEXAS

COUNTY OF DALLAS

On this_____day of_____, 1953, before me appeared M. E. Gimp and_____, 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, County of Dallas,
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, County of Tulsa,
State of Oklahoma

STATE OF OKLAHOMA

COUNTY OF TULSA

On this_____day of_____, 1953, before me appeared Sam Mizel and_____, 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, County of Tulsa,
State of Oklahoma

Legal Notice OCC Hearing

Date: May 19 1954

Publication:

CASE _____:

In the matter of the application of El Paso Natural Gas Company for compulsory communitization of the E/2 of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico, or, in the alternative, for unorthodox spacing; and giving notice of said application and hearing to the following individuals holding uncommitted royalty interest in portions of the described acreage:

List ....

NW¼ SE¼ Sec 27 etc

or in the alternative if above communitization is not ordered effective as of June 29, 1953, applicant asks order

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 E½ OF SECTION 27, TOWNSHIP 31 NORTH, RANGE 11 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO	)	Case No. 709

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 the S½NW¼, NW¼SE¼, NE¼SW¼ of Section 27, Township 31 North, Range 11 West, San Juan County, New Mexico and are parties affected by Order No. R-548 entered by the Commission on December 17, 1954.

(b) Order No. R-548 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. 709 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

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. 709
Order No. R-548

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR COMPULSORY COMMUNITIZATION OF E/2 OF SECTION 27, 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 "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 10th 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, Western Natural Gas Company, Three States Natural Gas Company and San Jacinto Petroleum Corporation were, on June 29, 1953, the owners of the entire working interest under oil and gas leases covering the E/2 of Section 27, Township 31 North, Range 11 West, NMPM, San Juan County, New Mexico, containing 320 acres, of land, more or less.

3. That the E/2 of said Section 27, 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 June 29, 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 Calloway Pool Unit Well No. 1, to be located 990 feet from the North line and 1750 feet from the East line of said Section 27, 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 E/2 of said Section 27, 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 July 12, 1953, and the well completed on July 29, 1953 in the Mesaverde formation with an initial potential of 1,280,000 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 320 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 E/2 of said Section 27, Township 31 North, Range 11 West, effectively created a communitized or pooled unit comprising the E/2 of said Section 27, 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, June 29, 1953 and that the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, has been and is an approved drilling unit containing 320 acres at all times thereafter.

10. That the drilling of an additional well or wells lying within the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, would be wasteful.

IT IS THEREFORE ORDERED:

That the E/2 of said Section 27, Township 31 North, Range 11 West, NMPM, be and is hereby recognized as a communitized or pooled tract effective June 29, 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

ir