

El Paso Natural Gas Company

Case 596

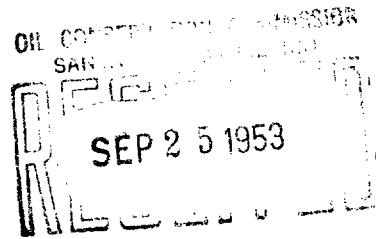
TENTH FLOOR BASSETT TOWER

El Paso, Texas

September 23, 1953

H. F. STEEN

VICE PRESIDENT AND
GENERAL SUPERINTENDENT



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

Dear Dick:

I wish to express my sincere appreciation to you for passing along the letter you sent me several days ago. I am enclosing herewith photostatic copies of letters that comprise the complete file in our dealings with Mr. Rohles.

I believe after reviewing the letters you will be able to get a clear idea of what has gone before in this tentative transaction. You will see that we have endeavored to communitize with Mr. Rohles, also have offered to buy his acreage at \$50.00 per acre, which we feel is a fair price, and, even to carry his part of the well cost until it has paid itself out, and then give him his full share in the production. Also, to pay for the probaton of his late father's will.

As it is apparent that we will not be able to trade with this man we will probably elect to ask the Commission to either exclude his forty acres from the drill site, or to force Mr. Rohles to communitize his acreage with ours. Although I have not yet discussed this with our attorney, I imagine photostats such as the ones enclosed will be used in evidence in our case before the Commission.

Again thanking you for your consideration in sending the letter to me, I am

Sincerely yours,

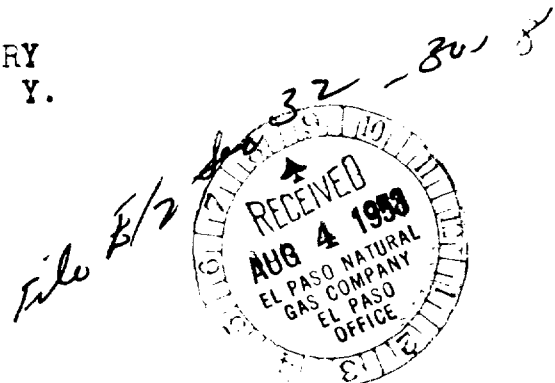
A handwritten signature in cursive script that reads "H. F. Steen".

HFS/mjr

PLEASE RETURN TO
LEASE DEPARTMENT
GENERAL DELIVERY
NEW YORK 7, N. Y.

August 1, 1953

Mr. R. L. Hamblin
El Paso Natural Gas Co.
Tenth Floor, Bassett Tower
El Paso, Texas



Re: State of New Mexico
Lease E-2869

SW/4 SE/4 Sec. 32-30N-8W

Dear Mr. Hamblin:

As to your question in your letter of July 27, 1953 concerning possible delay by me of San Juan Basin development, I feel I must inform you that I have been interested in this area since 1931, and am well informed that major development--both oil and gas--has been purposely delayed in this area over a period of twenty-five to thirty years by certain interests who did not find it expedient to develop this area until now.

In fact, I have personally experienced this delay as a substantial stockholder in companies interested in the Basin and also as a substantial lease-holder, which delay caused relinquishing of considerable holdings and acreage by companies and individuals.

Certainly such vision and foresight and prolonged faith in the area's potential (now so Proven) entailed much that does not appear on the mere dollar-and-cents surface. I would not have you think, for a minute, that you are dealing with an individual who bought a forty acre tract yesterday, hoping for a free ride and a quick profit. While a quick glance at the records might not reveal the time, money and effort that I and my associates and family have put into this area, nor would it perhaps disclose how heavily interested financially were many individuals who did not live to see their vision and faith rewarded--surely you must realize that I would want to co-operate with you in the long-awaited development of the San Juan Basin.

In view of the fact that the cost of drilling the well will be amortized over a period of almost three years, of which I would receive a negligible income from the production then, and realizing that the well production will be cut after the cost has been absorbed, I do not see how I can afford to accept any offer below \$100 per acre, and 1/8 overriding oil and/or gas royalty, in my name.

In view of extenuating circumstances affecting my step-mother, your offer to pay for and handle the cost of probating the estate is a prerequisite, since the New Mexico probate involves only my 40 acre tract in sec. 32 and the other 40 acre piece, as also is your offer to take care of the matter relative to time and trouble.

I trust when you have reviewed what I have set forth above that

you will have a satisfactory explanation of my asking price and that it will warrant your further consideration of it.

I appreciate your time and effort, especially in personally calling upon my step-mother, and were a larger piece of acreage involved I would try to arrange to talk with you in person, since the telephone and letter are rather tedious, but I feel that we have both made ourselves reasonably clear through correspondence.

Awaiting your further reply.

Very truly yours,


GORDON ROHLES

GMR:s

July 27, 1953

Mr. Gordon Rohles
General Delivery
New York 7, N. Y.

Re: State of New Mexico
Lease U-2869
SW/4 SE/4 Sec. 32-30N-3W

Dear Mr. Rohles:

I am in receipt of your letter dated July 17, 1953 regarding the above lease. I appreciate your writing and giving me your thoughts in connection with the above lease. I am sorry you could not see your way clear to accept our offer, as your mother could have also disposed of her lease. You and your mother show considerable knowledge of oil and gas law, which certainly helps in discussing the matter with you.

I am unable to offer you \$100.00 an acre—\$50.00 is the limit I can go. However, I believe there is a solution. You believe your lease is worth more than \$50.00 an acre, due to the possibility of deeper oil production. There is the possibility that oil may be discovered in the Pennsylvania or some deeper formation. However, this may be as deep as 1600 feet. We are interested in the gas in the Mesaverde formation. Why not sell us the leasehold rights to the base of the Mesaverde formation only, and you retain all rights below the base of the Mesaverde formation? This can be done by Operating Agreement but not by direct Assignment. 26.
60.
16,000

I will be very frank and tell you that we have just completed our #1 State well in the NE/4 of Section 32. This well had an initial potential of 7,600,000 cu. ft. of gas per day. As you are no doubt well aware, the entire 1/2 of Section 32 which includes your lease should be dedicated to this well and the gas apportioned thereto on an acreage basis. This would be only for the Mesaverde formation in which the well is completed. If oil were later discovered at a deeper formation, you would still have a full drill site for an oil well.

As our well is completed, we will soon be producing it and you would be entitled to 1/8th of the net proceeds in this well if you were to pay for 1/8th of the cost of the well. If you would pool your acreage with us, we would agree to take your share of the well costs out of 75% of your share of the production until such well costs were paid, and thereafter you would receive 1/8th of the net proceeds.

Page 2
Mr. Gordon Rohles
July 27, 1953

In my original offer for the entire leasehold estate, I agreed to pay for and handle the cost of probating your deceased father's estate. However, with either of these two proposals I do not see how you could expect El Paso Natural Gas Company to handle such probating involving these and other lands. We would, however, agree to have it done and to deduct the probate fees from the bonus, or deduct it from your share of the gas if you elected to agree to pool.

In the event you are unable to accept either of our two offers, the only alternative I have is to go to the State of New Mexico and request a 280-acre spacing for our well. I believe you can appreciate my position. We are trying to develop the San Juan Basin for everyone's benefit. Would it be right if you, with only 40 acres, could block entirely the development of the N/2 of Section 32 containing 320 acres? We want to be fair, and feel we have offered you the choice of two fair and just proposals.

We will certainly appreciate your advising me after you have had time to consider our proposals.

Yours very truly,

R L Hamblin

R. L. Hamblin
Lease Department

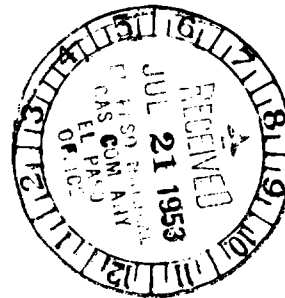
RLH:ms

cc: Mrs. Leo N. Rohles
429 St. Charles St.
Elgin, Illinois

GENERAL DELIVERY
NEW YORK 7, NEW YORK

July 17, 1953

Mr. R. L. Hamblin
El Paso Natural Gas Co.
Tenth Floor, Bassett Tower
El Paso, Texas



Re: State of New Mexico
Lease E 2869, SW/4 SE/4 Sec. 32 30 N 8W

Dear Mr. Hamblin:

Before I renewed the above lease on August 12, 1949, I previously held this acreage in a lease dated June 22, 1939. The present lease does not expire until August 12, 1959.

In view of the length of time I have carried this acreage, original purchase price, cost of renewal and rentals over a period of almost fifteen years, possible substantial oil production from deep formations, I feel my asking price of \$100 per acre and a 5% overriding royalty for gas and/or oil production is not unreasonable. I would also expect you to take care of probating my father's estate in the State of New Mexico. In view of your willingness to assume the probating of my father's estate and the cost thereof, I have not asked you for an additional payment out of oil and/or gas production, which I had contemplated.

Moreover, the Lea County acreage recently sold by my step-mother, while in a proven oil area, had only a year or so left to run, so I feel that factor affected the selling price of that lease, while actually it was a considerably more valuable piece than the selling price showed.

I believe that the reasonable possibility of oil production from deeper oil bearing sands, from which the natural gas must surely come, and the fact that my lease runs until 1959, together with the reasons mentioned above, justify the price I am asking. Moreover, former land commissioners have assured me that the spacing requirement of 320 acres would be rigidly upheld in respect to my lease, and I have no reason to anticipate that the present commissioner, Mr. Walker, will not adhere to the policy of conservation and protection of the lease holders so affected.

Awaiting your further pleasure, I remain

Very truly yours,

Gordon Rohles
GORDON ROHLES

G.R.:s

July 10, 1953

Mr. Gordon A. Rohles
General Delivery
New York, N. Y.

Re: State of New Mexico
Lease L-3869, SW/4SE/4 Sec.32 30N SW

Dear Mr. Rohles:

Recently I visited your mother, Mrs. Rohles, at her home in Elgin, Illinois, regarding the above lease. She told me it was still in the name of your deceased father and that the oil and gas leases he held in New Mexico were not included in the probate proceedings. Although we have written you regarding the above lease, we have not received any answer to our inquiries. We own or control the remaining acreage in the E/2 of Section 32, Township 30 North, Range 8 West. Due to the early expiration of some of our leases, we were required to commence the drilling of a well in the E/2 of Section 32.

You are probably familiar with the spacing requirements of the State of New Mexico whereby they will allow only one gas well to be drilled to the Mesaverde formation for each 320-acres. Your lease is in a proven area for gas in the Mesaverde formation and is surrounded by producing wells which will eventually drain the gas from beneath your lease, and you would receive nothing for said gas. Therefore, to protect your acreage and to prevent our leases from expiring, we have commenced a gas well in the E/2 of Section 32 and the proper spacing for this well should be the entire E/2 of that section, which includes your 40 acres, together with our acreage.

I made the following offers to your mother, which we would like to make to you:

- (1) We will pay \$40.00 an acre, plus a 5% override, for the above 40 acres. We also will pay \$40.00 an acre plus a 5% override for her 40 acres in the NE/4 NW/4 of Section 2, Township 23 North, Range 11 West, which at the present time is wildcat acreage and is not as valuable as the above 40 acres.
- (2) We will pay you \$50.00 an acre for the acreage in Section 32, but in such event will be unable to make any offer for your mother's lease in Section 2, T-32-N, R-11-W.

Page 2

Mr. Gordon A. Rohles

July 10, 1953

- (3) Upon your agreeing to pool your 40 acres in Section 32 with our 280 acres for the required 320-acre spacing, we will complete the gas well on this tract and after recovering our well drilling costs from the gas produced, we will pay you 1/8th of the proceeds from the gas produced from this well. You would be a partner with El Paso Natural Gas Company in this well. The cost of drilling such a well is estimated at \$80,000 and it is estimated that approximately three years would be required to recover our well drilling costs from this well. The price of gas at the present time is 9¢ per thousand cubic feet, which price is expected to go to 12¢ in 1954.

In connection with our offers (1) and (2) above, we would take care of the matter of having your father's estate probated in the State of New Mexico, which will take considerable time, trouble, and some expense. This would be a relief to your mother, who has hesitated to have this done because of the attorney fees and trouble involved.

We reiterate that you should do something with this 40 acres, as unless you do so, the gas from beneath your lease will drain off and be produced from adjoining gas wells. We are unable to offer you what you had thought you might be able to obtain from your acreage, due to a comparison with certain acreage which you recently sold in Lea County, New Mexico. The reason for this is that Lea County, New Mexico, is in a proven oil field. Acreage on which oil production can be obtained is much more valuable than gas acreage, as the well drilling costs can be recovered much sooner and the profits from oil are much greater.

We would appreciate hearing from you in connection with our offers on this acreage at the earliest possible date. If we do not hear from you, or are unable to make a deal with you, we will have to go before the State of New Mexico and request that we be allowed to produce our well on a 280-acre spacing, and that your 40 acres be left out of our well spacing unit. We would not do this without contacting you, as this might affect the price and saleability of your acreage. Therefore, we would appreciate hearing from you within 30 days, and we will cooperate in every way to make a satisfactory deal with you, but this is the best offer we can make for this acreage.

I believe it would be to your mother's advantage to get your father's estate probated in New Mexico, and to realize some profit from these leases, as otherwise they will expire in the not too distant future. In such event, we would be unable to renew these leases and they would automatically be put up for competitive bid to the highest bidder and you would be out your original purchase price plus all the rental payments you have made.

Yours very truly,

R. L. Hamblin

R. L. Hamblin
Lease Department

cc: Mrs. Gohles

June 26, 1953

Mr. Hamblin:

The SW/4 SE/4 of Section 32, Township 30 North, Range 8 West, is State acreage held of record by Gordon Rohles and Mrs. Leo N. Rohles. This acreage is apparently owned by Gordon Rohles, who is the son of Mrs. Leo Rohles.

In a telephone conversation with Mrs. Rohles, I offered her \$40.00 per acre and she seemed to think this was not enough money. She had recently sold some acreage in Lea County for a price per acre much more than \$40.00. However, I could not get her to divulge what price she had received for her Lea County acreage. I did point out that Lea County acreage was primarily oil acreage while this was gas acreage.

At the time I talked to Mrs. Rohles, she indicated that her son was in New York and did not have any address other than general delivery. She stated that she would contact her son and write to us and tell us how much they wanted for this forty acres. However, three or four weeks have passed since I talked to her and as of this date, I haven't heard from her.



June 3, 1953

Mr. Gordon Rohles
429 St. Charles Street
Elgin, Illinois

Re: Communitization of T-30-N, R-8-W,
N.M.P.M., Section 32: E/2

Dear Mr. Rohles:

We are preparing the Communitization Agreement covering the above captioned tract, but we must be furnished with the following information covering your SW/4 of the SE/4 of said Section:

1. Lease Number
2. Original Lessee
3. Present Lessee of Record
4. Date of and Expiration Date of said lease
5. Names, addresses and interests, if any, of all overriding royalty holders on said lease, etc.

Thanking you, we are

Very truly yours,

Lea R. Daniel
Lease Department

LRD/br

Air Mail

January 4, 1954



Mr. E. S. Walker
Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

In Re: El Paso Natural Gas Company's State #1
E/2 Section 32, T-30-N, R-8-W, N.M.P.M.,
San Juan County, New Mexico

Dear Mr. Walker:

Enclosed please find five (5) copies of a Communitization Agreement covering the above acreage which has been executed by Mr. Gordon Rohles. This Agreement has been executed in counterpart; the other parties having signed the copies of the Agreement which have been filed in your office.

Since we have acquired the signature of Mr. Rohles to this Communitization Agreement and in view of Order R-398, entered by the Commission under date of December 17, 1953, in Case 596, we trust that you will find this Agreement in order for approval.

Very truly yours,

Samuel Smith
Lease Department

SS:ha
Encls.
NM 603

cc-Mr. R. R. Spurrier, Secy. ✓
Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico

cc-Mr. R. L. Hamblin
Lease Department

cc-Mr. Ben R. Howell
Bassett Tower
El Paso, Texas

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

December 21, 1953

C
O
P
Y

Mr. Ben Howell, Attorney
El Paso Natural Gas Company
Bassett Tower
El Paso Texas

Dear Mr. Howell:

RE: Case 596

Enclosed is a signed copy of Order R-398 entered by the Commission under date of December 17, 1953, in Case 596.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:nr

cc: Mr. Gordon Rohles
General Delivery
NEW YORK 7 - N. Y.

El Paso Natural Gas Company

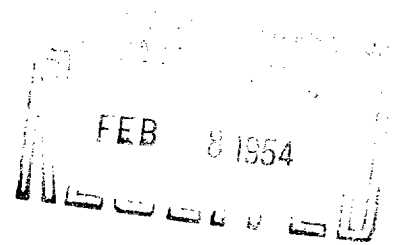
TENTH FLOOR BASSETT TOWER

El Paso, Texas

February 9, 1954

Wom
Hurb
file

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



Attention: Mr. W. B. Macey

In Re: Case 596

Gentlemen:

In accordance with your Order R-398 by the Commission December 7, 1953, in Case 596, please find enclosed a copy of the executed Operating Agreement covering the acreage in the E/2 of Section 32, Township 30 North, Range 8 West, N.M.P.M., San Juan County, New Mexico.

Very truly yours

A handwritten signature in cursive script, appearing to read "Sam Smith".

Samuel Smith
Lease Department

SS:ha
Encl.
NM 603

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 21, 1955

Greenbrier Oil Company
327 South Adams
FORT WORTH, TEXAS

Gentlemen:

As you requested, we are sending you basic information and material in three fairly representative cases brought before this Commission on the issue of compulsory communitization. The material includes the following:

Case 566: Application;
transcript of August 20, 1953, hearing;
copy of Order R-357.

Case 595: Application;
transcript of October 15, 1953, hearing;
copy of Order R-396.

Case 596: Application;
transcript of October 15, 1953, hearing;
copy of Order R-398.

I will greatly appreciate your returning this when you have completed your study, as these documents are from our permanent files.

Very truly yours,

W. B. MACEY
Secretary-Director

WBM:nr

Encl.

C
O
P
Y

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE - NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following public hearings to be held at 9 o'clock a. m. on October 15, 1953, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

All named parties and persons
having any right, title, interest
or claim in the following cases,
and notice to the public.

(Note: All land descriptions herein refer to the New Mexico Principal Meridian, whether or not so stated.)

CASE 595:

In the matter of the application of El Paso Natural Gas Company for compulsory unitization of the E/2 of Section 32, Township 31 North, Rge. 10 West, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 240 acres, more or less, in the E/2 of said Section 32, Township 31 North, Range 10 West.

CASE 596:

In the matter of the application of El Paso Natural Gas Company for compulsory unitization of the E/2 of Section 32, Township 30 North, Range 8 West, San Juan County, New Mexico; or, in the alternative, for approval of an unorthodox drilling unit of 280 acres, more or less, in the E/2 of said Section 32, Township 30 North, Range 8 West.

GIVEN under the seal of the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, this 28th day of September, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

A. R. Spurrier,
Secretary

S E A L

Mr. Gordon Rohles
General Delivery
New York 7 - NEW YORK

*Sent registered
9-28-53*

The above notice represents proper legal advertisement as made in New Mexico publications in counties concerned as required by Rules and Regulations.

RECEIVED
STATE LAND OFFICE
OCT 15 1 43 PM '53
SANTA FE, N.M.

COMMUNITIZATION AGREEMENT

El Paso Natural Gas State #1

THIS AGREEMENT made and entered into on this 10th day of May, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); DELHI OIL CORPORATION, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; SKELLY OIL COMPANY, a Delaware corporation, whose address is Tulsa 2, Oklahoma; and GORDON ROHLES, whose address is General Delivery, New York 7, New York:

W_I_T_N_E_S_S_E_T_H:

WHEREAS, El Paso is the present owner and holder of that certain New Mexico State Lease bearing Serial Number B-10938-36, formerly a part of New Mexico State Lease B-10938, executed in favor of Lillian V. Browne as Lessee, under date of January 19, 1944, by the State of New Mexico as Lessor, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 8 West, N.M.P.M.
Section 32: NE/4
containing 160.00 acres, more or less; and

WHEREAS, Blanco Gas Company is the present owner and holder of that certain New Mexico State Lease bearing Serial Number E-1641-3, formerly a part of New Mexico State Lease E-1641, executed in favor of J. J. Hudson as Lessee, under date of December 10, 1947, by the State of New Mexico, as Lessor, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 8 West, N.M.P.M.
Section 32: NW/4 SE/4
containing 40.00 acres, more or less; and

WHEREAS, Blanco Gas Company was merged with Delhi Oil Corporation; and

WHEREAS, Skelly Oil Company is the present owner and holder of that certain New Mexico State Lease bearing Serial Number E-5383, executed in favor of Skelly Oil Company as Lessee, by the State of New Mexico as Lessor, under date of July 10, 1951, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 8 West, N.M.P.M.
Section 32: E/2 SE/4
containing 80 acres, more or less; and

WHEREAS, Gordon Rohles is the present owner and holder of that certain New Mexico State Lease bearing Serial Number E-2869 issued by the State of New Mexico as

Lessor under date of August 12, 1949 and embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 8 West, N.M.P.M.
Section 32: SW/4 SE/4
containing 40.00 acres, more or less; and

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

WHEREAS, under the applicable rules and regulations of the Oil Conservation Commission of the State of New Mexico, it is necessary to form a tract or unit consisting of 320 acres of land for the drilling of a Mesaverde well; and

WHEREAS, Article 8-1138 of the New Mexico Statutes (Laws 1943, ch. 88, sec. 1, page 146) provides that for the purpose of more properly conserving the oil and gas resources of the State of New Mexico, the Commissioner of Public Lands may consent to and approve the development or operation of State Lands under agreements made by Lessees of State Lands, jointly or severally, with other Lessees of State Lands; and

WHEREAS, it is the desire of the parties hereto to communitize their respective interests in the above described Oil and Gas Leases in order to form one tract or drilling unit as follows:

Township 30 North, Range 8 West, N.M.P.M.
Section 32: E/2
containing 320 acres, more or less; and

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

NOW, THEREFORE, in consideration of the premises and mutual advantages resulting from this Agreement, it is mutually covenanted and agreed by and between the parties hereto that the land subjected to this Agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesaverde formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the communitized area from such formation shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage

interest committed hereto. The royalties payable on the dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for in said leases shall be determined and paid on the basis respectively prescribed in the individual leases. There shall be no obligation on the parties hereto to offset any dry gas well or wells completed in the 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 hereto.

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 Operator of the 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 subject to the consent and approval of the Commissioner of Public Lands of the State of New Mexico.

This Agreement shall be effective as of the date hereof, upon execution by the parties hereto, notwithstanding the date of execution, 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 liquid hydrocarbons extracted therefrom from said communitized tract, this Agreement may be terminated at any time by the mutual agreement of the parties hereto.

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 Agreement.

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

ATTEST:
AC Martel
Assistant Secretary

EL PASO NATURAL GAS COMPANY
By F. F. Stearns
Vice President

ATTEST:
Katherine Vaughn
Asst. Secretary

DELHI OIL CORPORATION
By W. W. Newton
Vice President

ATTEST:
Louis B. Sreschan
Asst - Secretary

SKELLY OIL COMPANY
By A. R. Cashman
Vice President

Approved as to Form W/KH

Gordon Rohles

OFFICE OF COMMISSIONER OF PUBLIC LANDS
Santa Fe, New Mexico

I HEREBY CERTIFY that the foregoing Communitization Agreement was filed in my office on the 15 day of October, 1953 and CONSENTED TO and APPROVED by me on October 16, 1953.

E. S. Walker
Commissioner of Public Lands

STATE OF TEXAS)
)
COUNTY OF EL PASO)

On this 8th day of October, 1953, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen 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:

Else M. Richardson
~~Notary Public, in and for El Paso County, Texas~~
My commission expires June 1, 1955

Else M. Richardson
Notary Public, County of El Paso,
State of Texas

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 20th day of September, 1953, before me appeared W. W. Newton, to me personally known, who, being by me duly sworn, did say that he is the Vice President of DELHI OIL CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said W. W. Newton 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 OKLAHOMA)
)
COUNTY OF TULSA)

On this 2nd day of October, 1953, before me appeared CASHMAN, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SKELLY OIL COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said CASHMAN 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:

HAZEL M. BRADY
Notary Public, Tulsa County, Oklahoma
My Commission Expires January 21, 1957

Hazel M. Brady
Notary Public, County of Tulsa, State
of Oklahoma

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this _____ day of _____, 1953, before me appeared Gordon Rohles, 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 New York,
State of New York

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

September 10, 1953

Mr. Gordon Rohles
General Delivery
New York 7, New York

Re: State Oil and Gas Lease E-2869, 40-Acres
in Section 32, Township 30 North, Range 8 West.

Dear Sir:

The Commissioner of Public Lands has referred to this office your letter of August 31, 1953 in the above captioned matter.

The Oil Conservation Commission of New Mexico administers the Oil Conservation Law - (Chapter 168, NM Laws of 1949). This law expresses the public policy of the State with respect to oil and gas. The idea is to prevent waste and protect correlative rights.

The Oil Commission has, after notice and hearing, set the spacing of gas wells in the area in which you hold state acreage at one such well to each 320 acres.

Within the near future, in the interest of conservation, in all probability the Oil Commission will find it necessary to prorate gas production in which case you would be permitted to drill your well but would not be permitted to produce it in excess of 1/8 of the 320-acre allowable - you could not, the price of gas considered, afford to do this.

The El Paso Natural Gas Company with 7/8 of such 320-acre allowable could afford to drill its acreage.

Only after notice and hearing, does the Oil Commission attempt to work out situations such as you find yourself in.

To invoke the Commission's authority either El Paso or yourself, with permission of the State Land Office should make application to it to pool the

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Mr. Gordon Rohles, p. 2

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the acreage to make a full 320-acre unit, in which case you would then be entitled to your share of the production in case El Paso should drill. This, of course, if you are not able to make a sale of your interest.

Very truly yours,

OIL CONSERVATION COMMISSION

By:

George Graham
Legal Advisor

GG:vc

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GENERAL DELIVERY
NEW YORK 7, N.Y.

August 31, 1953

RE: State of New Mexico Lease
E 2869, SW/4SE/4 Sec. 32 30N 8W

E. S. Walker, Commissioner
Box 791
Santa Fe, New Mexico:

Dear Commissioner:

El Paso Natural Gas Co. is negotiating with me for purchase of the above captioned acreage.

They have a producing gas well already drilled on an adjoining 280 acre tract. According to conservation ruling they must have my 40 acres to complete the well spacing.

They are not willing to meet the price I am asking them, which I feel is fair because I have held the acreage one previous ten year period and renewed the lease again in 1949, in Lease Number E 2869.

They admit that they can draw gas away from my acreage and that if I do not accept their offer, they will get permission from you for the well on a 280 acre spacing.

Since I feel that my asking price is justified, and that they should have approached me before drilling the well, although their hasty action was prompted by their lease expiration date, I must have your assurance that you will uphold the conservation ruling. This policy was formulated for the protection of the lease holders and the conservation of our New Mexico natural resources, which are expecially important to our country at this time.

I am confident that you will carry out the trust placed in you to enforce this protection and I will appreciate your informing me as to your proposed action in this matter.

Very truly yours,

/s/ Gordon Rohles
GORDON ROHLES

In reply refer to:
LEGAL

September 4, 1953

Mr. Gordon Rohles
General Delivery
New York 7, N. Y.

In Re: State of New Mexico Lease
E 2869, SW¹/₄SE¹/₄, Sec. 32, T. 30 N.,
R. 8 W.

Dear Mr. Rohles:

I acknowledge receipt of your letter dated August 31, 1953, in which you refer to the above mentioned lease.

Questions pertaining to oil spacing and related matters are handled by the State Oil Conservation Commission and not by this office. Your letter has been referred to the attorney for the Commission and you should hear from him within the next few days.

Yours very truly,

E. S. WALKER
Commissioner of Public Lands

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BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF EL PASO NATURAL GAS COMPANY FOR
COMPULSORY COMMUNITIZATION OF THE
E/2 OF SECTION 32, TOWNSHIP 30
NORTH, RANGE 8 WEST, N. M. P. M.,
SAN JUAN COUNTY, NEW MEXICO, OR,
IN THE ALTERNATIVE, FOR UNORTHODOX
SPACING:

No. 596

TO THE HONORABLE COMMISSION:

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

New Mexico State Lease B-10938-36, dated January 19, 1944, Lillian V. Browne, Lessee, embracing, among other land, the following described land in San Juan County, New Mexico: Township 30 North, Range 8 West, N. M. P. M., Section 32, NE/4, containing 160 acres, more or less.

Your Applicant represents that your Applicant and Delhi Oil Corporation are the present owners and holders of leasehold rights or gas operating rights to the base of the Mesaverde Formation under the following described oil and gas lease:

New Mexico State Lease E-1641-3 dated December 10, 1947, J. J. Hudson, Lessee, embracing, among other lands, the following described land: NW/4 SE/4 of said Section 32, containing 40 acres, more or less.

Your Applicant represents that Skelly Oil Company is the present owner and holder of gas leasehold rights to the base of the Mesaverde Formation under the following described oil and gas lease:

New Mexico State Lease E-5383, dated July 10, 1951, Skelly Oil Company, Lessee, embracing, among other lands, the following described land: E/2 SE/4 of said Section 32, containing 80 acres, more or less.

Your Applicant represents that all of the owners of leasehold and gas operating rights to the base of the Mesaverde Formation covering the above described tracts of land, aggregating 280 acres, more or less, have agreed to communitize and pool, and have executed appropriate communitization agreement to communitize

and pool the above described oil and gas leases insofar as said leases cover the above described land, 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 further represents that Gordon Rohles, whose address is General Delivery, New York 7, New York, is the present owner and holder of State of New Mexico Lease E-2869, insofar as it covers the SW/4 SE/4 of said Section 32, containing 40 acres, more or less. Your Applicant represents that it has made diligent efforts to enter agreement with Gordon Rohles for communitizing or pooling of the leasehold interest owned by him as to said 40 acre tract, but has been unable to obtain his concurrence or agreement to communitize or pool his leasehold interest. Your Applicant further has offered to pay the reasonable market value of gas leasehold rights to the base of the Mesaverde Formation, but has been unable to purchase such gas leasehold rights from Gordon Rohles.

Your Applicant represents that pursuant to the terms and provisions of Order No. R-110, entered by this Commission, 320 acre spacing has been established for drilling gas wells to the Mesaverde Formation in San Juan County, New Mexico, and that your Applicant desires to allocate the E/2 of said Section 32 as a drilling unit or spacing unit for a Mesaverde gas well.

Your Applicant represents that it and 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 oil and gas leasehold interests or mineral rights who have not joined in the communitization agreement to communitize or pool their interest to form a regular spacing unit.

Your Applicant respectfully requests that an appropriate order be entered by the Commission directing the owners of outstanding oil and gas leasehold rights or mineral interests in

the SW/4 SE/4 of said Section 32 to communitize or pool their interests, pursuant to the terms of a communitization agreement which has been filed for approval with the Commissioner of Public Lands of the State of New Mexico.

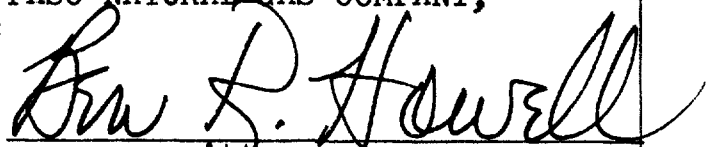
In the alternative, your Applicant requests that if this Commission determine that it will not order compulsory pooling of the E/2 of said Section 32, then, in that event, the Commission issue an appropriate order designating the following tract of land, to-wit:

NE/4, NW/4 SE/4, E/2 SE/4 of said Section 32, containing 280 acres, more or less;

as an unorthodox spacing unit, and permit your Applicant and the cooperating leasehold owners to produce gas therefrom.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY,
By:


Attorney