

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

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

NO. 706

TO THE HONORABLE COMMISSION:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

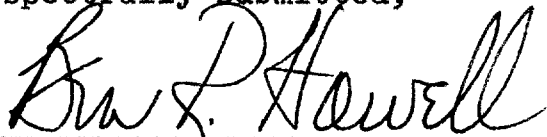
Your Applicant further represents that the royalty owners named have refused to join in the execution of a communitization agreement although all of the working interest owners and all overriding royalty owners in the communitized tract, as hereinafter described, have joined or agreed to join such communitization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

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

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

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

Respectfully submitted,



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

COMMUNITIZATION AGREEMENT

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

W I T N E S S E T H:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Township 30 North, Range 11 West, N.M.P.M.
Section 6: W/2
containing 328.17 acres, more or less; and

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

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

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

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

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

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

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

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

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

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

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

ATTEST:

EL PASO NATURAL GAS COMPANY

Assistant Secretary

By _____
Vice President

ATTEST:

DELHI OIL CORPORATION

Assistant Secretary

By _____
Vice President

Saul A. Yager

Marian Yager

M. E. Gimp

Gimp (his wife)

Morris Mizel

Flora Mizel

C. C. Peters

Martha E. Peters

Sam Mizel

Mizel (his wife)

STATE OF TEXAS :
COUNTY OF EL PASO :

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

and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

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

STATE OF TEXAS :
 :
COUNTY OF DALLAS :

On this _____ day of _____, 1953, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of DELHI OIL CORPORATION, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA :
 :
COUNTY OF TULSA :

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

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

My commission expires:

Notary Public in and for Tulsa County,
State of Oklahoma

STATE OF OKLAHOMA :
 :
COUNTY OF TULSA :

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

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

My commission expires:

Notary Public in and for Tulsa County,
State of Oklahoma

STATE OF TEXAS :
 :
COUNTY OF DALLAS :

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

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

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

My commission expires:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA :
 :
COUNTY OF TULSA :

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

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

My commission expires:

Notary Public in and for Tulsa County,
State of Texas

STATE OF TEXAS :
 :
COUNTY OF DALLAS :

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

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

My commission expires:

Notary Public in and for Dallas County,
State of Texas

STATE OF OKLAHOMA :
 :
COUNTY OF TULSA :

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

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

My commission expires:

Notary Public in and for Tulsa County,
State of Oklahoma