

**SCHEDULE I**  
**INITIAL PARTICIPATING AREA FOR THE BONE SPRING FORMATION**  
**MESCALERO RIDGE UNIT AREA**  
**EFFECTIVE SEPTEMBER 26, 1961**

SERIAL NUMBER	DESCRIPTION	NUMBER OF ACRES	OWNERSHIP	DRILLING BLOCK AND	PERCENTAGE	PERCENTAGE COMMITTED	PRESENT ACTUAL PARTICIPATION
NM 02391	T-19-S, R-34-E, NMPM Sec. 21: $W\frac{1}{2}NW\frac{1}{4}$ , $SE\frac{1}{4}NW\frac{1}{4}$	120.00	Royalty: Working Interest: Drilling and Exploration Co., Inc. EPNG Co. Western Natural Gas Co. ORRI:*	TRACT 3	12.500%	12.500%	37.500%
					43.750%	43.750%	
					21.875%	21.875%	
					21.875%	21.875%	
					00.000%	00.000%	
				TOTAL	100.000%	100.000%	
NM 02391-A	T-19-S, R-34-E, NMPM Sec. 21: $NE\frac{1}{4}NW\frac{1}{4}$	40.00	Royalty: Working Interest: Chas. C. Bankhead, Jr. Chester M. Crebbs Eleanor S. Crebbs Grace K. Bankhead ORRI:	TRACT 4	12.500%	12.500%	12.500%
					21.125%	21.125%	
					21.125%	21.125%	
					21.125%	21.125%	
					21.125%	21.125%	
					3.000%	3.000%	
				TOTAL	100.000%	100.000%	
NM 0141013	T-19-S, R-34-E, NMPM Sec. 20: $NE\frac{1}{4}$	160.00	Royalty: Working Interest: Drilling and Exploration Co., Inc. EPNG Co. Western Natural Gas Co. ORRI:*	TRACT 11	12.500%	12.500%	50.000%
					42.250%	42.250%	
					21.125%	21.125%	
					21.125%	21.125%	
					3.000%	3.000%	
				TOTAL	100.000%	100.000%	

\* An additional overriding royalty of 2% of the net interest attributable to El Paso Natural Gas Company under the Mescalero Ridge Unit Operating Agreement must be paid to Foster Morrell pursuant to the provisions of letter agreement dated August 18, 1960. In addition, pursuant to letter agreement dated August 25, 1960, between Drilling and Exploration Company, Inc., El Paso Natural Gas Company and Western Natural Gas Company, a production payment equal to \$3,000,000.00 is to be paid out of .5% of production, and such payment is to be borne in equal portions by El Paso and Western.

RECAPITULATION

DESCRIPTION OF LANDS IN PARTICIPATING AREA

T-19-S, R-34-E, NMPM

Sec. 20: NE  $\frac{1}{4}$

Sec. 21: NW  $\frac{1}{4}$

TOTAL NUMBER OF ACRES IN PARTICIPATING AREA	320.00
---	--------

TOTAL NUMBER OF COMMITTED ACRES IN PARTICIPATING AREA	320.00
---	--------

Acres

TOTAL FEDERAL LANDS	320.00
---------------------	--------

TOTAL STATE LANDS	- -
-------------------	-----

TOTAL FEE LANDS	- -
-----------------	-----

TOTAL PRODUCTIVE ACREAGE	320.00
--------------------------	--------

# El Paso Natural Gas Company

El Paso, Texas

May 23, 1962

Mr. John A. Anderson  
Regional Oil and Gas Supervisor  
United States Geological Survey  
334 Federal Building  
Post Office Drawer 1857  
Roswell, New Mexico

Commissioner of Public Lands  
State of New Mexico  
Santa Fe, New Mexico

Oil Conservation Commission for  
the State of New Mexico  
Capitol Annex Building  
Santa Fe, New Mexico

Re: Mescalero Ridge Unit #14-08-0001-7465,  
NOTICE OF COMPLETION OF A NON COMMERCIAL  
WELL, Morrow Formation

Gentlemen:

Pursuant to Section 11 of the Mescalero Ridge Unit Agreement Number 14-08-0001-7465, approved May 2, 1961, El Paso Natural Gas Company, as Unit Operator, determined that the Mescalero Ridge Unit #1 Well, located 660 feet from the North line and 660 feet from the West line of Section 21, Township 19 South, Range 34 East, Lea County, New Mexico, spudded on May 9, 1961, and completed on September 26, 1961, in the Mississippian Formation at a total depth of 13,972 feet is not capable of producing unitized substances in paying quantities from the Morrow Formation. This well gauged 1,300 MCFGPD from the Morrow Formation at a depth of 13,328' to 13,340'.

Copies of this letter are being sent to the working interest owners as shown on the attached sheet.

Yours very truly,

EL PASO NATURAL GAS COMPANY

By Sam Smith  
Sam Smith  
Manager  
Land Department

COPY

**MESCALERO RIDGE UNIT**  
**Working Interest Owners**

**Drilling and Exploration Company, Inc.**  
**Exchange Bank Building**  
**P. O. Box 35366, Airlawn Station**  
**Dallas 35, Texas**

**Mr. Charles C. Bankhead, Jr.**  
**3107 Southland Center**  
**Dallas 1, Texas**

**Western Natural Gas Company**  
**Post Office Box 1508**  
**Houston 1, Texas**

*Jan #2019*

May 12, 1961

C  
O  
P  
Y

Mr. Foster Morrell  
Petroleum Consultant  
P. O. Box 933  
Roswell, New Mexico

Re: AMENDMENT TO  
MESCALERO RIDGE UNIT  
LEA COUNTY, NEW MEXICO

Gentlemen:

The Commissioner of Public Lands has of this date approved the Amendment to the Mescalero Ridge Unit Agreement.

We are handing Mr. Charles T. Richardson, Jr. nine copies of the amendment to the captioned unit, subject to like approval by the United States Geological Survey.

Very truly yours,

E. S. Johnny Walker  
Commissioner of Public Lands

KSW/mmr/s  
cc:

US Geological Survey  
Roswell, New Mexico

Oil Conservation Commission  
Santa Fe, New Mexico

ILLEGIBLE

Case # 1179

March 6, 1961

C  
O  
P  
Y  
  
Mr. Foster Morrell  
Petroleum Consultant  
P. O. Box 933  
Roswell, New Mexico

Re: Mescalero Ridge Unit  
Lea County, New Mexico

Dear Mr. Morrell:

The Commissioner of Public Lands has of this date approved the Mescalero Ridge Unit Agreement. The Commissioner's approval restricts the State Land to be included to the NW/4 of Section 20, Township 19-South, Range 34-East.

We are enclosing the original and five copies of the Certificate of Approval and Official Receipt No. 59710 in the amount of \$70.00 which covers the filing fee.

At such time as this unit is approved by the United States Geological Survey we request this office be furnished a fully conformed copy.

Very truly yours,

E. S. JOHNNY WALKER  
Commissioner of Public Lands

ESW/nmr/s

cc: United States Geological Survey  
Roswell, New Mexico

Oil Conservation Commission  
Santa Fe, New Mexico

GOVERNOR  
JOHN BURROUGHS  
CHAIRMAN

State of New Mexico  
Oil Conservation Commission

LAND COMMISSIONER  
MURRAY E. MORGAN  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY DIRECTOR

P. O. BOX 671  
SANTA FE

Mr. Howard Bratton  
Hervey, Dow & Hinkle  
Box 547  
Roswell, New Mexico

Re: Case No. 2179  
Order No. R-1872  
Applicant:

Drig. & Exploration Co.  
(El Paso Natural Gas Co.)

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.,  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x  
Artesia OCC         
Aztec OCC       

Other

2da - Log 2 - for Hearing

Application of Drilling and  
Exploration Company, Inc  
for approval of the  
Mescalero Ridge Unit  
Agreement.

Applicant, in the above-styled cause,  
seeks approval of the Mescalero Ridge Unit  
Agreement, which unit embraces 7521 acres  
of Federal and State lands in Township  
19 South, Range 34 East, Lea County, New  
Mexico.



[illegible]

# El Paso Natural Gas Company

El Paso, Texas

February 1, 1961

Oil Conservation Commission  
State Land Office  
Santa Fe, New Mexico

Re: Case 2179  
Examiner Hearing - February 8, 1961  
Mescalero Ridge Unit Agreement  
Lea County, New Mexico

Gentlemen:

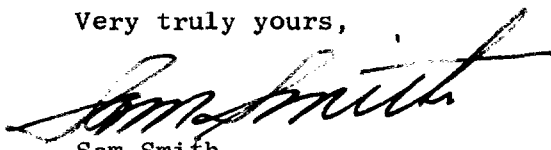
El Paso Natural Gas Company desires to submit the following information for your consideration in the above-styled cause of Drilling and Exploration Company, Inc.

Pursuant to an agreement with Drilling and Exploration Company, Inc., El Paso Natural Gas Company has performed geophysical exploration, by the seismic method, and has further rights for the drilling of test wells in the area. Based on information obtained from exploratory operations, it is felt that more adequate utilization of the lands involved will result if carried on under the unit plan of operation.

Consultations and correspondence have received unofficial approval of the United States Geological Survey and the Commissioner of Public Lands of the State of New Mexico as to the form and requirements of the agreement submitted, which are felt to be in the best interests of the State of New Mexico, the United States and the parties involved.

El Paso Natural Gas Company, as proposed unit operator, respectfully seeks your favorable consideration of the application of Drilling and Exploration Company, Inc. for approval of the Mescalero Ridge Unit Agreement.

Very truly yours,

  
Sam Smith  
Manager, Land Department

SS:cr

# Western Natural Gas Company

131 FEB 1 PM 11 58 P. O. BOX 1508

Houston 1, Texas

January 31, 1961

W. K. DAVIS  
VICE-PRESIDENT  
IN CHARGE OF  
OPERATIONS

*Case file  
# 2179*

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

Attention Mr. A. L. Porter, Jr.

Gentlemen:

Reference is made to your Case No. 2179 concerning the Mescalero Ridge Unit covering lands in Township 19 South, Range 34 East N.M.P.M., Lea County, New Mexico.

We wish to advise that we are supporting the formation of the above unit and will support the drilling of the initial test well, and we recommend approval of the unit as an area logically subject to development and operation.

Yours very truly,

WESTERN NATURAL GAS COMPANY



K. P. Moore  
Joint Operations

KPM:oh  
JOAC 0207

Air Mail



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
WASHINGTON 25, D. C.

OCT 13 1960

Mr. Foster Morrell  
Petroleum Consultant  
Nickson Hotel Building  
Roswell, New Mexico

Dear Mr. Morrell:

Your application of September 23 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Drilling and Exploration Company, Inc. requests the designation of 7,521.08 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to the unit plan regulations of December 22, 1950 (30 CFR 226.3), the land outlined on your plat marked "Exhibit A, Mescalero Ridge unit area, Lea County, New Mexico" is hereby designated as a logical unit area.

The proposed initial unit well to test formations of Mississippian age or to 14,000 feet is acceptable. Your proposed form of unit agreement which substantially follows the standard form of unit agreement (June 1957 reprint) with the addition of the modifications required by the State of New Mexico, and the recently revised language of Section 11 (Participation After Discovery) will be acceptable, provided the "except" phrase on lines 3 and 4 and the paragraph commencing on line 28 of page 4 are deleted, as it is deemed inappropriate to have the automatic elimination provisions of section 2(e) applicable to all but State lands and a different automatic elimination provision applicable to State lands only. This would lead to undesirable results and tend to render certain agreements unstable. We think it advisable to have any automatic elimination provision uniformly applicable to all lands.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed unit agreement conformed to the foregoing will be approved if submitted in approvable status within a reasonable period of time. When the executed agreement is submitted to the Oil and Gas Supervisor for approval, include the latest status of all acreage ownerships. All options should be indicated on exhibit B, explained as to type, and accompanied by a promise to exercise promptly after approval of the unit agreement. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have the full commitment of sufficient lands to assure effective control of unit operations.

Sincerely yours,

*[Signature]*  
Acting Director

J. M. HERVEY 1874-1953

HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
GEORGE H. HUNKER, JR.  
HOWARD C. BRATTON  
S. B. CHRISTY IV  
LEWIS C. GOX, JR.

PAUL W. EATON, JR.  
~~RECEIVED~~

LAW OFFICES  
HERVEY, DOW & HINKLE

HINKLE BUILDING  
ROSWELL, NEW MEXICO 27

January 18, 1961  
1961 JAN 18

Case 2179  
TELEPHONE MAIN 2-6510  
POST OFFICE BOX 547

Mr. A. L. Porter, Jr.  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Re: Mescalero Ridge Unit Agreement  
Drilling and Exploration Company, Inc.

Dear Mr. Porter:

We hand you herewith the original and two copies of Application of Drilling and Exploration Company, Inc. for Approval of the Mescalero Ridge Unit Agreement Embracing Lands in Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Please file the foregoing.

Sincerely yours,

HERVEY, DOW & HINKLE

*George H. Hunker, Jr.*  
George H. Hunker, Jr.

GHH:bg

Encl.

cc: Mr. Foster Morrell  
Nickson Hotel  
Roswell, New Mexico

Drilling & Exploration Company, Inc.  
P. O. Box 35366, Airlawn Station  
Dallas 35, Texas

*Rechecked  
mailed  
1-30-61  
JH*