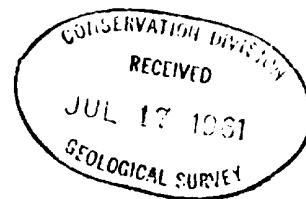


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FEB 19 1961
OIL CON. DIV.
DIST. 3

Thompson D (S) 115
N. 26 North

IS:WR (10) - 5-4-61

COMMUNITIZATION AGREEMENT



THIS AGREEMENT, entered into as of the 10th day of May, 1961, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto";

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C., Sec. 181, et seq., authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing oil, dry gas, and associated liquid hydrocarbons in accordance with the terms and conditions of this agreement.

NOW, THEREFORE, in consideration of the premises and mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto, as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 North, Range 11 West, NMPM

Section 20: West Half (W/2),
containing 320 acres, more or less,

and this agreement shall extend to and include only the Dakota formation underlying said lands and the oil, dry gas, and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A" designating the Operator of the communitized area and showing the acreage and ownership of oil and gas interests in all lands within the communitized area and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A Successor Operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a Designation of Successor Operator shall be filed with the Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and 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.

5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom 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 to this agreement.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement 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, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

7. There shall be no obligation on the parties hereto to offset any oil and/or dry gas well or wells completed in the same formation covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any party hereto be required to measure separately communitized substances by reason of the diverse ownership thereof, but the parties hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal and State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages 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.

10. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced from the communitized area in paying quantities; provided that, prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized represen-

tative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto.

11. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the 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.

12. In connection with the performance of work under this agreement, the Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; lay-off or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The Operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies of raw materials.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to the approval of the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such counterpart, ratification, or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

GULF OIL CORPORATION

By C. D. Borland
C. D. Borland Attorney in Fact

EL PASO NATURAL GAS PRODUCTS
COMPANY

By Robert L. Hummelin
Attorney in Fact

ATTEST:

WESTERN DEVELOPMENT COMPANY
OF DELAWARE

John C. Anderson
Secretary

By *W. B. Macey*
President

COLORADO
STATE OF ~~NEW MEXICO~~)
DENVER) ss
COUNTY OF ~~EDDY~~)

On this 6 day of June, 1961, before me ap-
peared W. B. MACEY, to me personally known,
who, being by me duly sworn, did say that he is the President of
WESTERN DEVELOPMENT COMPANY OF DELAWARE, and that the seal af-
fixed 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. B. MACEY
acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year above written.

Cecilia L. Haradis
Notary Public

My commission expires:
My Commission expires November 25, 1964

STATE OF COLORADO)
) ss
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 8th
day of June, 1961, by C. D. Borland,
Attorney in Fact of GULF OIL CORPORATION, on behalf of said corporation.

WITNESS my hand and official seal.

Clifford E. Young
Clifford E. Young Notary Public

My commission expires:

October 11, 1964

STATE OF ^{New Mexico} TEXAS)
) ss
COUNTY OF ^{El Paso} EL PASO)

The foregoing instrument was acknowledged before me this 22nd
day of May, 1961, by Roland A. Shumlin,
Attorney in Fact of El Paso Natural Gas Products Company, a Texas corpora-
tion, on behalf of said corporation.

WITNESS my hand and official seal.

H. Norton
Notary Public

My commission expires:

11-20-64

EXHIBIT "A"

To a Communitization Agreement dated May 10, 1961, embracing the following described land in San Juan County, New Mexico, to wit:

Township 26 North, Range 11 West, NMPM
Section 20: West Half (W/2).
Containing 320 acres, more or less

Operator of Communitized Area: Gulf Oil Corporation
Well Name : Blackrock-Federal "D" No. 1

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Committed by Gulf Oil Corporation
Lessor United States of America
Original Lessee Sibyl Oneda Holloway
Lessee of Record Western Development of Delaware
Serial Number of Lease SF - 078899
Lease Date July 1, 1947
Description of Lands Committed..... Township 26 North, Range 11 West
Section 20: W/2 NW/4, E/2 SW/4
Containing 160 acres, more or less

Tract No. 2

Lease Committed by El Paso Natural Gas Products Company-1/2
Western Development Company
of Delaware - 1/2
Lessor United States of America
Original Lessee Sibyl Oneda Holloway
Lessee of Record El Paso Natural Gas Products Company-1/2
Western Development Company
of Delaware - 1/2
Serial Number of Lease SF - 078899-A
Lease Date July 1, 1947
Description of Lands Committed Township 26 North, Range 11 West
Section 20: E/2 NW/4, W/2 SW/4
Containing 160 acres, more or less

Attached to and made a part of Instrument Entitled Communitization Agreement between Gulf Oil Corporation, El Paso Natural Gas Products Company and Western Development Company of Delaware.