

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into as of the 9th day of September, 1957, by and between FRANK A. SCHULTZ and his wife, BETTY SCHULTZ, J. GLENN TURNER and his wife, SUE REEDER TURNER, and WILLIAM G. WEBB, a single man, whose addresses are 1700 Mercantile Bank Building, Dallas 1, Texas, TEXAS PACIFIC COAL AND OIL COMPANY, whose address is Fort Worth 1, Texas, W. H. GILMORE and his wife, DOROTHY R. GILMORE, whose addresses are Post Office Box 2638, Midland, Texas, and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, as the owners of all operating rights for the development and operation of the following lands in all formations down through the base of the Pictured Cliffs Formation, and THE ATLANTIC REFINING COMPANY, a corporation, whose address is Post Office Box 520, Casper, Wyoming, as the owner of certain overriding royalty interests and other rights and interests under a portion of the following described lands,

W I T N E S S E T H:

WHEREAS, The Atlantic Refining Company is the present record title owner and is the owner of an overriding royalty interest and certain other rights and interests in and to that certain State of New Mexico Oil and Gas Lease bearing Serial Number E-6515, dated September 10, 1952, entered into between the State of New Mexico, as Lessor, and The Atlantic Refining Company, as Lessee, insofar as said lease covers, among other lands, the following described lands situated in San Juan County, New Mexico, to-wit:



Township 29 North, Range 10 West, N.M.P.M.

Section 16: NW/4 NE/4

containing 40 acres, more or less;

and

WHEREAS, Frank A. Schultz, J. Glenn Turner and William G. Webb are the present owners and holders of certain undivided operating rights in, to and under said lease insofar as same covers the above described lands; and

WHEREAS, Texas Pacific Coal and Oil Company is the present owner and holder of that certain State of New Mexico Oil and Gas Lease bearing Serial Number B-11303-4, dated June 10, 1944, entered into between the State of New Mexico, as Lessor, and Texas Pacific Coal and Oil Company, as Lessee, insofar as said lease covers, among other lands, the following described lands situated in San Juan County, New Mexico, to-wit:

Township 29 North, Range 10 West, N.M.P.M.

Section 16: SE/4 NE/4

containing 40 acres, more or less;

and

WHEREAS, W. H. Gilmore is the present owner and holder of that certain State of New Mexico Oil and Gas Lease bearing Serial Number E-1908, dated May 24, 1948, entered into between the State of New Mexico, as Lessor, and F. A. Anderson, as Lessee, insofar as said lease covers, among other lands, the following described lands situated in San Juan County, New Mexico, to-wit:

Township 29 North, Range 10 West, N.M.P.M.

Section 16: SW/4 NE/4

containing 40 acres, more or less;

and

WHEREAS, El Paso Natural Gas Company is the present owner and holder of that certain State of New Mexico Oil and Gas

Lease bearing Serial Number E-3146-2, dated December 10, 1949, entered into between the State of New Mexico, as Lessor, and Barnsdall Oil Company, as Lessee, insofar as said lease covers, among other lands, the following described lands situated in San Juan County, New Mexico, to-wit:

Township 29 North, Range 10 West, N.M.P.M.

Section 16: NE/4 NE/4

containing 40 acres, more or less;

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 160 acres of land for the drilling of a Pictured Cliffs Formation well; and

WHEREAS, Article 8-1138 of the New Mexico Statutes (Laws 1943, Ch. 88, § 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, the parties hereto desire to communitize and pool the above described oil and gas leases and their respective interests therein insofar as said leases cover and include the above described land and only insofar as same relate to the discovery and production of gas from the Pictured Cliffs Formation as follows:

Township 29 North, Range 10 West, N.M.P.M.

Section 16: NE/4

containing 160 acres, more or less;

and

WHEREAS, in order to be consistent with the existing rules and regulations governing well spacing and production allowables, the parties hereto desire to operate the entire

communitized unit for the purpose and intention of developing gas and liquid hydrocarbons extracted therefrom producible from the Pictured Cliffs Formation in accordance with the terms and provisions of this Agreement;

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

The lands subject to this Agreement shall be developed and operated for gas and liquid hydrocarbons extracted therefrom producible from the Pictured Cliffs Formation with the understanding and agreement that the gas and liquid hydrocarbons extracted therefrom so produced from the above described communitized tract of one hundred sixty (160) acres shall be allocated among the leaseholds comprising said acreage in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed thereto. The royalties payable for gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for therein shall be determined and paid on the basis respectively prescribed in the individual leases.

Frank A. Schultz shall be the Operator of said communitized tract and all matters of operation, adjustments between the working interest owners and payment of royalties, overriding royalties and rentals shall be governed by the provisions of the Unit Operating Agreement executed by the working interest owners contemporaneously with the execution of this Agreement. There shall be no obligation on Operator to offset any gas well or wells on separate component tracts into which said communitized unit is now or may hereafter be divided, nor shall Operator be required to separately measure said gas and liquid hydrocarbons extracted therefrom by reason of the diverse interests in the gas in and

under said tracts, but Operator shall not be released from his obligations to protect said communitized unit from gas well or wells which may be drilled offsetting said unit.

Except as herein modified and changed, the said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued. 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.

The commencement, completion, continued operation or production of a well or wells for gas and liquid hydrocarbons extracted therefrom on the communitized unit from the Pictured Cliffs Formation shall be construed and considered as the commencement, completion, continued operation and production from each lease committed hereto.

All production of gas and disposal thereof shall be in conformity with allocations, allotments and quotas made and 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 or State laws or executive orders, rules and regulations which affect performance of any of the provisions of this Agreement and Operator shall not 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 law, rule or regulation.

This Agreement shall be effective as of the date hereof, upon approval of the Commissioner of Public Lands of the State of New Mexico, and shall remain in force and effect for a period of two (2) years and so long thereafter as gas and liquid hydrocarbons extracted therefrom are produced from any


part of said communitized tract in paying quantities, provided that, prior to production in paying quantities from said communitized unit, and upon fulfillment of all requirements of the Oil Conservation Commission of the State of New Mexico with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by mutual agreement of the parties hereto.

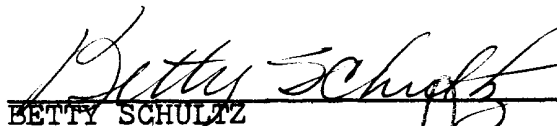
This Agreement shall be subject to the consent and approval of the Commissioner of Public Lands of the State of New Mexico.

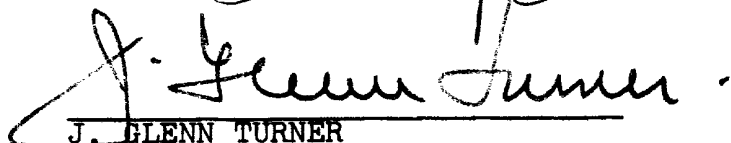
This Agreement shall be binding upon the parties and shall extend to and be binding upon their heirs, executors, administrators, successors and assigns.

This Agreement 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 but a single instrument.

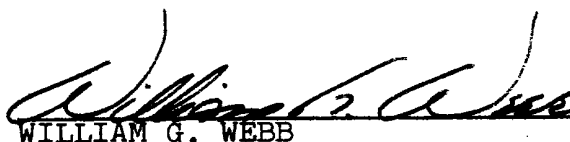
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first hereinabove written.

  
FRANK A. SCHULTZ

  
BETTY SCHULTZ

  
J. GLENN TURNER

  
SUE REEDER TURNER

  
WILLIAM G. WEBB

ATTEST:

TEXAS PACIFIC COAL AND OIL COMPANY

*[Signature]*  
(R. Seibel) Assistant Secretary

By *R. I. Dickey*  
R. I. Dickey Vice President

APPROVED  
AS TO FORM

AS TO CONTENT

*W. H. Gilmore*  
W. H. GILMORE

*Dorothy R. Gilmore*  
DOROTHY R. GILMORE

ATTEST:

EL PASO NATURAL GAS COMPANY

*A. Martch*  
Assistant Secretary

By *[Signature]*  
Vice President

ATTEST:

THE ATLANTIC REFINING COMPANY

*M. M. Miller*  
Assistant Secretary

By *J. H. Henderson*  
DOMESTIC CRUDE OIL PRODUCTION

STATE OF TEXAS I

COUNTY OF DALLAS I

On this 30<sup>th</sup> day of October, 1957, before me personally appeared FRANK A. SCHULTZ and BETTY SCHULTZ, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that 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:

June 1, 1959

Ora D. Runyon  
Notary Public in and for  
Dallas County, Texas

ORA D. RUNYON,  
Notary Public, Dallas County, Texas  
My Commission Expires June 1, 1959

STATE OF TEXAS I

COUNTY OF DALLAS I

On this 4th day of November, 1957, before me personally appeared J. GLENN TURNER and SUE REEDER TURNER, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that 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:

June 1, 1959

Elaine Smith  
Notary Public in and for  
Dallas County, Texas

STATE OF TEXAS I

COUNTY OF DALLAS I

On this 4th day of November, 1957, before me personally appeared WILLIAM G. WEBB, a single man, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that 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:

June 1, 1959

Elaine Smith  
Notary Public in and for  
Dallas County, Texas



STATE OF TEXAS     |

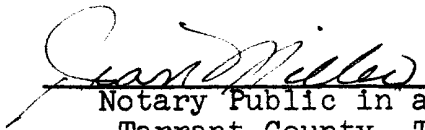
COUNTY OF TARRANT     |

On this 9th day of September, 1957, before me appeared R. I. Dickey, to me personally known, who, being by me duly sworn, did say that he is the Vice President of TEXAS PACIFIC COAL AND OIL COMPANY, a corporation, and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said R. I. Dickey 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, 1959

  
Notary Public in and for  
Tarrant County, Texas

STATE OF TEXAS     |


COUNTY OF MIDLAND     |

On this 27th day of September, 1957, before me personally appeared W. H. GILMORE and DOROTHY R. GILMORE, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that 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:

June 1, 1959

  
Notary Public in and for  
Midland County, Texas

BILLIE J. BENNETT — NOTARY PUBLIC  
IN AND FOR MIDLAND COUNTY, TEXAS

STATE OF TEXAS     |

COUNTY OF EL PASO     |

On this 16 day of October, 1957, 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, a Delaware corporation, and that the seal affixed to 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:

June 1, 1959

M. B. Ivey  
Notary Public in and for  
El Paso County, Texas

M. B. IVEY  
Notary Public in and for El Paso County, Texas  
My Commission Expires June 1, 1959

STATE OF TEXAS     I

COUNTY OF DALLAS     I

On this 23<sup>rd</sup> day of October, 1957, before me appeared J. N. McDaniel, to me personally known, who, being by me duly sworn, did say that he is the GENERAL MANAGER OF DOMESTIC CRUDE OIL PRODUCTION of THE ATLANTIC REFINING COMPANY, a corporation, and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. N. McDaniel 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, 1959

Holly Mae Tippett  
Notary Public in and for  
Dallas County, Texas

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

SCHULTZ STATE 8-16 COMMUNITIZATION

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated September 9, 1957, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the proposed area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me by Chap. 88 of the Laws of the State of New Mexico, 1943, as amended by Chap. 162 of the laws of New Mexico, 1951, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid Chap. 88 of the Laws of the State of New Mexico, 1943, as amended by Chap. 162 of the Laws of the State of New Mexico, 1951.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Commissioner of Public Lands  
of the State of New Mexico