

COMMUNITIZATION AGREEMENT

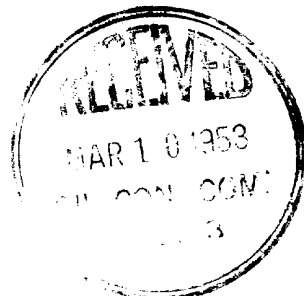
THIS AGREEMENT, made and entered into this 2nd day of March, A. D., 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); The Atlantic Refining Company, a Pennsylvania corporation, whose address is P. O. Box 2819, Dallas 1, Texas; Delhi Oil Corporation, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; and Howard W. Young and wife, Marguerita W. Young, whose address is 510 Main Street, Springfield, Massachusetts;

W I T N E S S E T H:

WHEREAS, The Atlantic Refining Company is the present owner and holder of that certain United States Oil and Gas Lease bearing Serial Number NM 0606 executed in favor of The Atlantic Refining Company as Lessee, under date of May 1, 1950, by the United States of America as Lessor, embracing, among other lands, the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N.M.P.M.
Section 26: W/2 NW/4, NE/4 NW/4, SE/4 NE/4,
containing 160 acres, more or less; and

WHEREAS, by a Contract for Development, dated February 27, 1950, as amended by a Supplemental Contract dated July 21, 1950, certain operating rights in the above described lease were assigned to Delhi Oil Corporation. This Contract for Development was approved by the Bureau of Land Management by a Decision dated July 25, 1950. By an Agreement dated February 26, 1952, this Contract for Development was further amended whereby said Agreement provides that Delhi Oil Corporation shall transfer and assign to El Paso all its right, title and interest in and to the "earned gas acreage" and in and to all "unearned gas acreage" covered by said Contract and that



The Atlantic Refining Company approves and agrees to such transfer and assignment; and

WHEREAS, El Paso is the present owner and holder of the gas operating rights down to and including the base of the Mesa Verde formation in the above described tract; and

WHEREAS, Delhi Oil Corporation is the present owner and holder of the oil operating rights, certain overriding royalties, and the gas operating rights below the base of the Mesa Verde formation in the above described tract; and

WHEREAS, Howard W. Young is the present owner and holder of the mineral estate under the following described land in San Juan County, New Mexico:

Township 31 North, Range 10 West, N. M. P. M.
Section 26: N/2 NE/4, SW/4 NE/4, SE/4 NW/4,
containing 160 acres, more or less; and

WHEREAS, in order to expedite the execution of this Agreement, all of the overriding royalty owners on the first hereinabove described tract are ratifying this Agreement; and

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

Township 31 North, Range 10 West, N. M. P. M.
Section 26: N/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 Mesa Verde 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 Mesa Verde 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 Mesa Verde 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 identical 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.

EL PASO NATURAL GAS COMPANY

By _____
Vice President

ATTEST:

Assistant Secretary

THE ATLANTIC REFINING COMPANY

By _____
Vice President

ATTEST:

Assistant Secretary

DELHI OIL CORPORATION

By _____
Vice President

ATTEST:

Assistant Secretary

Howard W. Young

Marguerita W. Young

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 195____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____ and that the seal affixed to said 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
County, State of

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 195____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____ and that the seal affixed to said 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
County, State of

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 195____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____ and that the seal affixed to said 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
County, State of

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 19_____, before me
appeared _____ and _____
his wife, to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged to me they executed the same as their free act
and deed.

My commission expires:

Notary Public in and for
County, State of

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 19_____, before me
appeared _____ and _____
his wife, to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged to me they executed the same as their free act
and deed.

My commission expires:

Notary Public in and for
County, State of

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 19_____, before me
appeared _____ and _____
his wife, to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged to me they executed the same as their free act
and deed.

My commission expires:

Notary Public in and for
County, State of

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 19_____, before me
appeared _____ and _____
his wife, to me known to be the persons described in and who executed the fore-
going instrument, and acknowledged to me they executed the same as their free act
and deed.

My commission expires:

Notary Public in and for
County, State of