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MAIN OFFICE
1956 JAN 27 AM 8:30
The Ohio Oil Co.
P.O. Box 552
Midland, Texas

NSP-231

due 24/12/56

January 9, 1956

Re: Non-Standard Gas Proration Unit
W/2 of E/2 of Section 28, Town-
ship 19 South, Range 37 East,
Eumont Gas Pool

Mr. W. B. Macey, Secretary
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Ohio State D" #1
OITG.
W/2 E/2 28-NS-37E

Dear Sir:

EUMONT

The Ohio Oil Company respectfully requests that you grant this application for the designation and formation of a 160 acre non-standard gas proration unit consisting of the W/2 of the E/2 of Section 28, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico.

By your Administrative Order NSP-142, dated June 8, 1955, you approved a 120 acre non-standard gas proration unit in the Eumont Gas Pool, consisting of the W/2 SE/4 and the SW/4 NE/4 of said Section 28. The Ohio owned and still owns the oil and gas leasehold estate on the acreage in that 120 acre unit. Anderson-Prichard Oil Corporation owns the oil and gas leasehold estate in the NW/4 of the NE/4 of said Section 28. The gas well heretofore completed in and presently producing from the Eumont Gas Pool and known as State "A"-3071-D Well No. 1 is located on the Ohio's acreage at a point 1980' from the SL and 660' from the EL of the proposed unit. A communitization agreement covering the gas and liquid hydrocarbons producible from the Tansill, Yates, Seven Rivers and Queen formations underlying the 160 acres described above has been submitted to the United States Geological Survey office at Roswell, New Mexico, and to the office of the State Land Commissioner of New Mexico, and has been informally approved by both of those offices. The communitization agreement and an operating agreement have been executed by Anderson-Prichard Oil Corporation and approved for execution by The Ohio Oil Company. A copy of the communitization agreement is attached to the original of this application.

will require Comm.

All acreage included in the proposed 160 acre unit is within the limits of the Eumont Gas Pool and is reasonably presumed to be productive of gas from that pool. It is impractical to pool the 160 acres with adjoining acreage, and unless the proposed proration unit is formed pursuant to the terms and provisions of the communitization agreement, the parties will be deprived of a fair opportunity to recover their respective just and equitable shares of the natural gas in the Eumont Gas Pool. The formation of the proposed proration unit will protect correlative rights and will not cause but will prevent waste.

January 9, 1956
Mr. W. B. Macey, Secretary
Page 2

A plat is attached hereto which indicates the location of the proposed unit and the location of the surrounding tracts. A copy of this application with plat attached has been sent by registered mail to each of the Operators named on the attached list.

The Ohio therefore requests that you grant an exception to the special rules and regulations for the Eumont Gas Pool, that the location of said well be approved, that this application be granted, and that the proposed non-standard gas proration unit be designated and formed by you without further notice or hearing and pursuant to the provisions of the applicable rules and regulations, upon the expiration of thirty (30) days from this date.

Each and all of the foregoing statements are true and correct.

Very truly yours,

THE OHIO OIL COMPANY

By *Coe S. Mills*
Coe S. Mills
District Manager

gore

Distribution list attached.

THE STATE OF TEXAS
COUNTY OF MIDLAND

Subscribed and sworn to before me, the undersigned authority, by COE S. MILLS, this 9th day of January, A. D. 1956, to certify which witness my hand and seal of office.

J. P. Bizzell
J. P. BIZZELL
Notary Public in and for Midland
County, Texas

LIST OF OIL AND GAS OPERATORS, OTHER THAN APPLICANT,
IN SECTION 28, T-19-S, R-37-E, LEA COUNTY, NEW MEXICO

Attached to Application dated January 9, 1956, for
160 Acre Non-Standard Gas Proration Unit, Eumont Gas
Pool.

✓ Aztec Oil and Gas Company
P. O. Box 847
Hobbs, New Mexico

✓ Gulf Oil Corporation
Box 1667
Hobbs, New Mexico

✓ Amerada Petroleum Corporation
Petroleum Life Building
Midland, Texas

✓ Great Western Producers, Inc.
P. O. Box 1659
Midland, Texas

✓ Sinclair Oil & Gas Company
P. O. Box 1122
Roswell, New Mexico

✓ Anderson-Prichard Oil Corporation
P. O. Box 1859
Midland, Texas

Proper notice of this application has been given the above
operators at the addresses given.

R-37-E

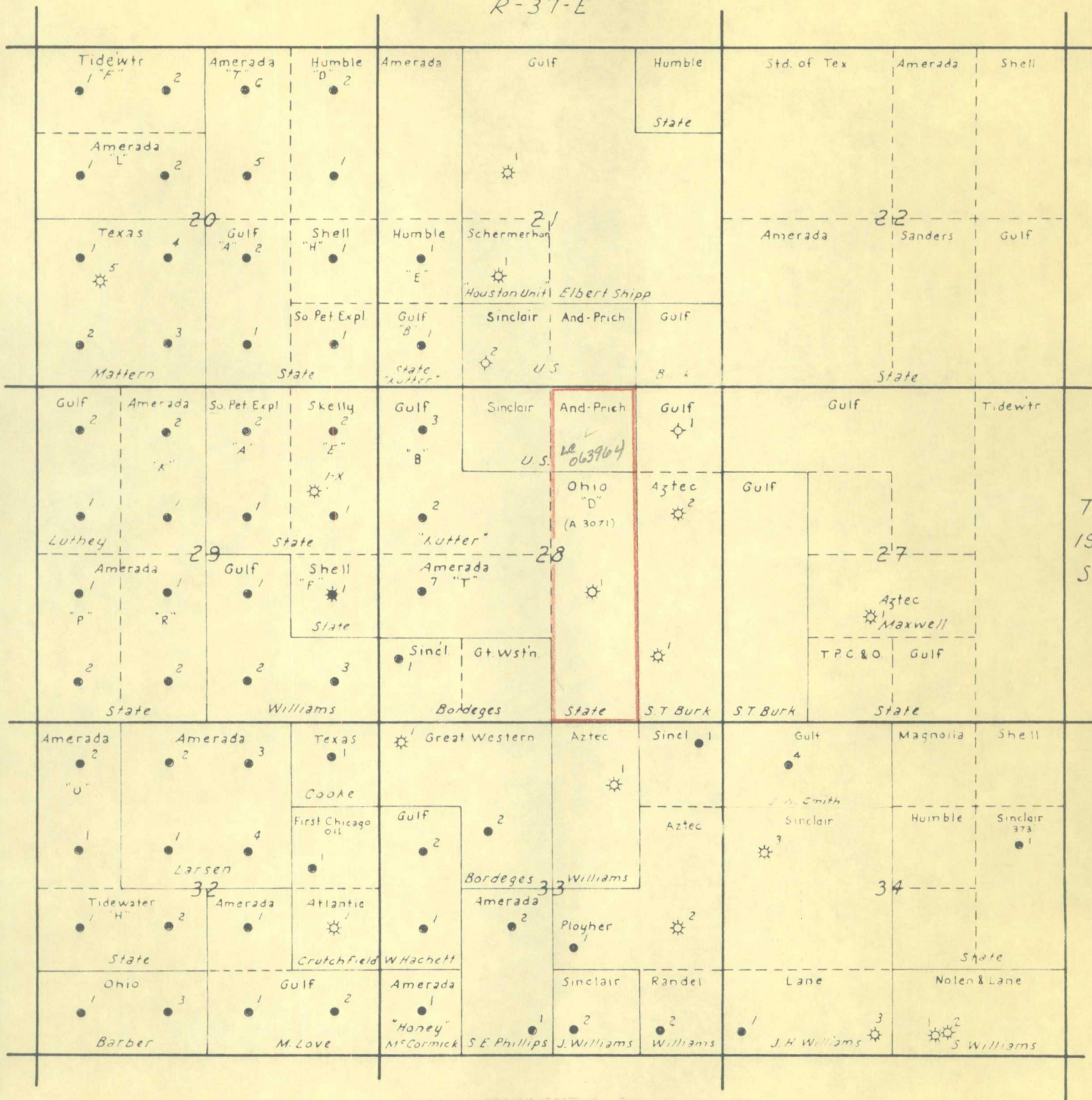


EXHIBIT "A"

To The Ohio Oil Company's Application
For Non-Standard Gas Proration Unit
For W/2, SE/4 & W/2, NE/4 of Sec. 28-
19-37, Eumont Gas Pool.

1" = 2000'

LAND OFFICE CCC

COMMUNITIZATION AGREEMENT

THIS AGREEMENT entered into as of the 1st day of December, 1955, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, under and pursuant to Sections 7-11-39, 40, 41 and 47, New Mexico Statutes, 1953, annotated, as amended, Lessees of State lands may, subject to the approval of the Commissioner of Public Lands of the State of New Mexico, enter into agreements with Lessees of other State lands and Lessees of the United States for the pooling or communitization of such lands for unit operation or development of such lands, for allocation of production therefrom on a fair and equitable basis, and for other purposes more fully stated in said statutes; and

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. Secs. 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 gas and liquid hydrocarbons in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the 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:

The W/2 of the E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, containing 160 acres, more or less, and this agreement shall extend to and include only the Tansill, Yates, Seven Rivers and Queen formations underlying said lands and the gas and liquid hydrocarbons (hereinafter referred to as "Communitized Substances") producible from such formations or any one or more of those formations.

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, percentage and ownership of oil and gas interests in all 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 Commissioner of Public Lands of the State of New Mexico and with the Oil and Gas Supervisor, U. S. G. S.

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 gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States on Communitized Substances as specified in the applicable oil and gas operating regulations. 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, layoff 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 or raw materials.

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 provided for in the respective leases shall be 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 with respect to the acreage covered by such lease within the Communitized Area. 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 they exist on December 1, 1955.

7. There shall be no obligation on the lessees to offset any well or wells capable of producing Communitized Substances and completed in any of the formations covered by this agreement on separate component tracts into which the Communitized Area is now or may hereafter be divided, nor shall any lessee be required to measure separately Communitized Substances by reason of the diverse ownership thereof, but the lessees 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; however, it is specifically understood and agreed that for the purpose of the computation and payment of royalties such production shall be deemed to be only from the acreage to which it is allocated by this agreement.

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 or 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 effective date of the gas allowable fixed for the Eumont Gas Pool gas proration unit to be comprised of the entire Communitized Area upon execution by the necessary parties, notwithstanding the date of execution and upon approval by the Commissioner of Public Lands of the State of New Mexico and the Secretary of the Interior, or their duly authorized representatives, 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 the date the New Mexico Oil Conservation Commission designates and approves the Eumont Gas Pool gas proration unit comprised of the entire Communitized Area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well thereon, this agreement may be terminated at any time by mutual agreement of The Ohio Oil Company and Anderson-Prichard Oil Corporation.

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 lease identified in Exhibit "A" under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

12. 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 approval by the Secretary of the Interior.

13. 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.

14. 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 a 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 and have set opposite their respective names the date of execution.

THE OHIO OIL COMPANY

ATTEST:

By _____
Vice President

Assistant Secretary

ANDERSON-PRICHARD OIL CORPORATION

ATTEST:

By _____
President

Secretary

THE STATE OF OHIO

COUNTY OF HANCOCK

On this _____ day of _____, A.D. 1955, before me personally appeared _____, to me personally known, who, being sworn, did say that he is Vice President of THE OHIO OIL COMPANY 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 the 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 on this the day and year last above written.

My commission expires: _____

Notary Public in and for Hancock County, Ohio

THE STATE OF _____

COUNTY OF _____

On this _____ day of _____, A.D. 1955, before me personally appeared _____, to me personally known, who, being sworn, did say that he is _____ President of ANDERSON-PRICHARD OIL CORPORATION 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 the 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 on this the day and year last above written.

My commission expires: _____

Notary Public in and for _____
County, _____

Exhibit "A" to Communitization Agreement dated December 1, 1955, embracing W/2 of E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Operator of Communitized Area: THE OHIO OIL COMPANY.

DESCRIPTION OF LEASES COMMITTED

Tract No. 1.

Lessor: STATE OF NEW MEXICO.

Lessee of Record: THE OHIO OIL COMPANY.

Serial No. of Lease: A-3071.

Date of Lease: January 9, 1930.

Description of Lands Committed: W/2 of SE/4 and SW/4 of NE/4 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Number of Acres: 120.

Working Interest and Percentage: THE OHIO OIL COMPANY - 87.5%.

O.R.R.I. and Percentage: None.

Tract No. 2.

Lessor: UNITED STATES OF AMERICA.

Lessee of Record: ANDERSON-PRICHARD OIL CORPORATION.

Date of Lease: July 1, 1945.

Serial No. of Lease: Las Cruces 063964.

Description of Lands Committed: NW/4 of NE/4 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Number of Acres: 40.

Working Interest and Percentage: ANDERSON-PRICHARD OIL CORPORATION - 87.5%.

O.R.R.I. and Percentage: None.

RECAPITULATION

<u>Tract Number</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	120	75%
2	40	25%
Total	160	100%

(End of Exhibit "A")

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF COMMUNITIZATION AGREEMENT

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Communitization Agreement for the development and operation of the W/2 of the E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, dated December 1, 1955, 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 operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the Agreement is in other respects for the best interest of the State;
- (d) That the Agreement provides for the operation of the area as a unit for the allocation of production and the sharing of proceeds on an acreage basis as specified in the Agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Sections 7-11-39, 40, 41 and 47, New Mexico Statutes 1953 Annotated, as amended, 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 communitized 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.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this _____ day of _____, 1955.

Commissioner of Public Lands
of the State of New Mexico

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under the Act approved February 25, 1920, 41 Stat. 437, 30 U.S.C. secs. 181 et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey, pursuant to Departmental Order No. 2365 of October 8, 1947, 43 CFR sec. 4.618, 12 FR 6784, I do hereby:

- A. Approve the attached communitization agreement covering the W/2 of the E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, as to gas and liquid hydrocarbons producible from the Tansill, Yates, Seven Rivers and Queen formations or any one or more of those formations.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement 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 that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated _____.

Contract No. _____

Director
United States Geological Survey

The Ohio Oil Co.

Legal Department

W. Hume Everett

Thomas H. McElroy

J. O. Terrell Couch

Attorneys

November 18, 1955

P. O. Box 3128

Houston, Texas

Re: Proposed Communitization Agreement
W/2 E/2 Section 28, T-19-S, R-37-E
N.M.P.M., Lea County, New Mexico

United States Geological Survey
P. O. Box 6721
Roswell, New Mexico

Attention: Mr. John A. Anderson
Regional Oil and Gas Supervisor

Gentlemen:

Since your letter of October 21, I have given careful consideration to the form of "Communitization Agreement" which you furnished to me and I have prepared an agreement which follows your form very closely, making only such changes as I considered necessary to equitably cover the proposed transaction.

I am sure you will observe that the effective date of the agreement is to be the effective date of the gas allowable for the proposed 160 acre unit. That, of course, does not follow your suggestion that the agreement should have an effective date prior to any production from the communitized tract. In this instance a producing well was completed some time ago on the tract covered by the State lease and the allowable for that well has necessarily been fixed on the basis of 120 acres. I anticipate that it is not intended that the proposed Communitization Agreement should require a retroactive participation in the production based upon the 120 acre allowable. Of course, as soon as the form of the agreement has been approved by the State Land Commissioner and when we have received your preliminary approval of the agreement, we expect to make application for a non-standard proration unit consisting of the entire 160 acre tract above described. In such application we will request that the 160 acre allowable be made effective at the earliest possible date.

I will appreciate your preliminary approval of the enclosed form of agreement at your earliest convenience.

Very truly yours,

TC:MK
Enc.3

J. O. Terrell Couch

cc - Mr. W. B. Macey ✓
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

The Ohio Oil Co.

Legal Department

W. Hume Everett
Thomas H. McElroy
J. O. Terrell Couch
Attorneys

November 18, 1955

P. O. Box 3128
Houston, Texas

Re: Proposed Communitization Agreement
W/2 E/2 Section 28, T-19-S, R-37-E
N.M.P.M., Lea County, New Mexico

State Land Office
P. O. Box 791
Santa Fe, New Mexico

Attention: Mr. Snyder H. Downs

Gentlemen:

Pursuant to your request, I have redrafted the instrument originally submitted to you concerning the above acreage, so that the transaction is now expressed in two separate instruments, the Operating Agreement to be executed by the working interest owners and the "Communitization Agreement" which I have prepared in substantially the same form as that which is suggested by the USGS.

Two copies of the proposed Communitization Agreement are enclosed with this letter and one copy is forwarded to Mr. W. B. Macey. I feel certain that the form of the agreement will meet with the approval of Anderson-Prichard Oil Corporation and I would very much appreciate your advising me whether the form of the agreement is acceptable to the Land Commissioner.

It is my understanding that a separate hearing before the Oil Conservation Commission is not a prerequisite to obtaining approval of the agreement, although the agreement itself will be before the Commission in connection with an application which we propose to make for an administrative order enlarging the present gas proration unit to include all of the above described acreage in the Eumont Gas Pool.

Three copies of the Communitization Agreement are being submitted by my letter of this date to the USGS at Roswell, to the attention of Mr. John A. Anderson. I have every hope that Mr. Anderson will grant preliminary approval of the form of the agreement, since I have followed the Federal form except in those particulars where I felt it necessary to alter the form in order to equitably cover the proposed transaction.

I very much appreciate the close attention you have given to my inquiries and I certainly appreciate your suggestions and assistance in connection with this transaction.

Please let me hear from you at your earliest convenience.

Very truly yours,

TC:MK
Enc.2

J. O. Terrell Couch

cc - Mr. W. B. Macey, Oil Conservation Commission, Santa Fe, New Mexico.

COMMUNITIZATION AGREEMENT

THIS AGREEMENT entered into as of the 1st day of December, 1955, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, under and pursuant to Sections 7-11-39, 40, 41 and 47, New Mexico Statutes, 1953, annotated, as amended, Lessees of State lands may, subject to the approval of the Commissioner of Public Lands of the State of New Mexico, enter into agreements with Lessees of other State lands and Lessees of the United States for the pooling or communitization of such lands for unit operation or development of such lands, for allocation of production therefrom on a fair and equitable basis, and for other purposes more fully stated in said statutes; and

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. Secs. 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 gas and liquid hydrocarbons in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the 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:

The W/2 of the E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, containing 160 acres, more or less, and this agreement shall extend to and include only the Tansill, Yates, Seven Rivers and Queen formations underlying said lands and the gas and liquid hydrocarbons (hereinafter referred to as "Communitized Substances") producible from such formations or any one or more of those formations.

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, percentage and ownership of oil and gas interests in all 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 Commissioner of Public Lands of the State of New Mexico and with the Oil and Gas Supervisor, U. S. G. S.

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 gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States on Communitized Substances as specified in the applicable oil and gas operating regulations. 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, layoff 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 or raw materials.

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 provided for in the respective leases shall be 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 with respect to the acreage covered by such lease within the Communitized Area. 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 they exist on December 1, 1955.

7. There shall be no obligation on the lessees to offset any well or wells capable of producing Communitized Substances and completed in any of the formations covered by this agreement on separate component tracts into which the Communitized Area is now or may hereafter be divided, nor shall any lessee be required to measure separately Communitized Substances by reason of the diverse ownership thereof, but the lessees 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; however, it is specifically understood and agreed that for the purpose of the computation and payment of royalties such production shall be deemed to be only from the acreage to which it is allocated by this agreement.

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 or 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 effective date of the gas allowable fixed for the Eumont Gas Pool gas proration unit to be comprised of the entire Communitized Area upon execution by the necessary parties, notwithstanding the date of execution and upon approval by the Commissioner of Public Lands of the State of New Mexico and the Secretary of the Interior, or their duly authorized representatives, 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 the date the New Mexico Oil Conservation Commission designates and approves the Eumont Gas Pool gas proration unit comprised of the entire Communitized Area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well thereon, this agreement may be terminated at any time by mutual agreement of The Ohio Oil Company and Anderson-Prichard Oil Corporation.

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 lease identified in Exhibit "A" under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

12. 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 approval by the Secretary of the Interior.

13. 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.

14. 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 a 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 and have set opposite their respective names the date of execution.

THE OHIO OIL COMPANY

ATTEST:

By _____
Vice President

Assistant Secretary

ANDERSON-PRICHARD OIL CORPORATION

ATTEST:

By _____
President

Secretary

THE STATE OF OHIO

COUNTY OF HANCOCK

On this _____ day of _____, A.D. 1955, before me personally appeared _____, to me personally known, who, being sworn, did say that he is Vice President of THE OHIO OIL COMPANY 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 the 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 on this the day and year last above written.

My commission expires: _____

Notary Public in and for Hancock County, Ohio

THE STATE OF _____

COUNTY OF _____

On this _____ day of _____, A.D. 1955, before me personally appeared _____, to me personally known, who, being sworn, did say that he is _____ President of ANDERSON-PRICHARD OIL CORPORATION 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 the 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 on this the day and year last above written.

My commission expires: _____

Notary Public in and for _____
County, _____

Exhibit "A" to Communitization Agreement dated December 1, 1955, embracing W/2 of E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Operator of Communitized Area: THE OHIO OIL COMPANY.

DESCRIPTION OF LEASES COMMITTED

Tract No. 1.

Lessor: STATE OF NEW MEXICO.

Lessee of Record: THE OHIO OIL COMPANY.

Serial No. of Lease: A-3071.

Date of Lease: January 9, 1930.

Description of Lands Committed: W/2 of SE/4 and SW/4 of NE/4 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Number of Acres: 120.

Working Interest and Percentage: THE OHIO OIL COMPANY - 87.5%.

O.R.R.I. and Percentage: None.

Tract No. 2.

Lessor: UNITED STATES OF AMERICA.

Lessee of Record: ANDERSON-PRICHARD OIL CORPORATION.

Date of Lease: July 1, 1945.

Serial No. of Lease: Las Cruces 063964.

Description of Lands Committed: NW/4 of NE/4 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

Number of Acres: 40.

Working Interest and Percentage: ANDERSON-PRICHARD OIL CORPORATION - 87.5%.

O.R.R.I. and Percentage: None.

RECAPITULATION

<u>Tract Number</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	120	75%
2	40	25%
Total	160	100%

(End of Exhibit "A")

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF COMMUNITIZATION AGREEMENT

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Communitization Agreement for the development and operation of the W/2 of the E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, dated December 1, 1955, 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 operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the Agreement is in other respects for the best interest of the State;
- (d) That the Agreement provides for the operation of the area as a unit for the allocation of production and the sharing of proceeds on an acreage basis as specified in the Agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by Sections 7-11-39, 40, 41 and 47, New Mexico Statutes 1953 Annotated, as amended, 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 communitized 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.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this _____ day of _____, 1955.

Commissioner of Public Lands
of the State of New Mexico

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under the Act approved February 25, 1920, 41 Stat. 437, 30 U.S.C. secs. 181 et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey, pursuant to Departmental Order No. 2365 of October 8, 1947, 43 CFR sec. 4.618, 12 FR 6784, I do hereby:

- A. Approve the attached communitization agreement covering the W/2 of the E/2 of Section 28, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, as to gas and liquid hydrocarbons producible from the Tansill, Yates, Seven Rivers and Queen formations or any one or more of those formations.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement 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 that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated _____.

Contract No. _____

Director
United States Geological Survey