

**POWER 33
GRAYBURG
EASTLAND OIL
(OPER)**

34
West Oil
DA 1-1-8

35
W.A.E.E.R. Hudson
Low-Fed

36
Chase Oil
B-3627

**8 ON UNIT
NER (OPER)**

**TOM R.
CONE
2 1/2 CO. (OPER)
W.S. SHUGART
CON UNIT**

**34
PENASCO SUBSTATION SO. UT.
VINTAGE OPER.**

**23
TAYLOR UNIT
RAY WESTALL
(OPER)**

**STALL OPER
31 UNIT**

**33
SHUGART UNIT**

**34
EAST SHUGART UNIT
DEVON (OPER)**

**35
GREENWOOD PRE-GGL UNIT
RICKS (TOP)**

**36
E. SHUGART DEL
ST. MARY LD. & E
OPER**

WATKINS

Bottom section of the map containing various well names and production data, including 'Devon SFS', 'Yates Pet. etal', 'Concho Res.', and 'Chevron'.

COMMUNITIZATION AGREEMENT

STATE OF NEW MEXICO

COUNTY OF EDDY KNOW ALL MEN BY THESE PRESENTS:

THAT THIS AGREEMENT* is entered into as of January 1, 2003 by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases, thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well spacing unit, pursuant to an order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to fair and equitable.

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 leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Pennsylvanian/Wolfcamp formations (hereinafter referred to as "said formations") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formations in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formations in and under the land hereinafter described subject to the terms hereof.

**This agreement not to be used for helium or carbon dioxide*

1

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT 2

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 undersigned as follows:

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

Township 18 South, Range 31 East, N.M.P.M.
Section 32: N/2
Eddy County, New Mexico

containing 320 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formations in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formations in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formations (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formations beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.

2. 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 leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.
3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms

of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.
5. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.
6. The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.
7. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, 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 compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.
8. **Chi Operating, Inc.** shall be the Operator of said communitized area and all matters of operation shall be determined and performed by **Chi Operating, Inc.**
9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced

from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Mineral and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.
11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representative, shall have the right supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.
12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement

is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

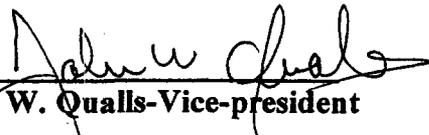
- 13. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification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

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

Date: _____

OPERATOR:

Chi Operating, Inc.

By: 
John W. Qualls-Vice-president

LESSEES OF RECORD

Burlington Resources
Oil & Gas Company, LP

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

Exxon Mobil Corp.

By: _____

Name: _____

Title: _____

Date: _____

Fina Oil & Chemical Company

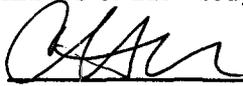
By: _____

Name: _____

Title: _____

Date: 1-14-03

Chambers & Kennedy

By: 

Name: Charles F. Chambers

Title: Partner

Date: _____

Occidental Permian Limited Partnership

Name: _____

By: _____

Title: _____

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 9th day of January, 2003 by John W. Qualls, as Vice-president of Chi Operating, Inc. a Texas corporation, on behalf of said corporation.

[Signature]
NOTARY PUBLIC, STATE OF TEXAS

STATE OF _____)
)
COUNTY OF _____ }

This instrument was acknowledged before me this _____ day of January 2003, by _____ as _____ of Exxon Mobil Corp.

NOTARY PUBLIC, STATE OF

STATE OF _____ }
 }
COUNTY OF _____ }

This instrument was acknowledged before me this _____ day of January 2003, by _____ as _____ of _____ Burlington Resources Oil & Gas Company, LP.

NOTARY PUBLIC, STATE OF

STATE OF _____ }
 }
COUNTY OF _____ }

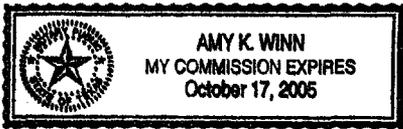
This instrument was acknowledged before me this _____ day of January, 2003, by _____ as _____ of Fina Oil & Chemical Company.

NOTARY PUBLIC, STATE OF

STATE OF TEXAS }

COUNTY OF HARRIS }

This instrument was acknowledged before me this 14th day of January, 2003
by Charles F. Chambers as Partner of
Chambers & Kennedy.



Amy K. Winn
NOTARY PUBLIC, STATE OF TEXAS

STATE OF _____ }

COUNTY OF _____ }

This instrument was acknowledged before me this _____ day of January , 2003
By _____ as _____ of
Occidental Permian Limited Partnership.

NOTARY PUBLIC, STATE OF

EXHIBIT "A"

Attached to and made a part of that Communitization Agreement dated January 1, 2003, by and between Chi Operating, Inc. , as Operator, and Magnum Hunter Production, Inc. , et al, covering the N/2 of Section 32, Township 18 South Range 31 East , Eddy County, New Mexico.

Operator of Communitized Area: Chi Operating, Inc.

Description of Leases Committed:

Tract No. 1

Lessor: State of New Mexico acting by and through
its Commissioner of Public Lands
Lessee of Record: Burlington Resources Oil & Gas Company, LP
Serial No. of Lease: E-10001
Date of Lease: April 17, 1956
**Description of Lands
Committed:** T-18S-R-31E, N.M.P.M.
Section 32: NE/4NE/4; S/2NE/4
No. of Acres:
120

Tract No. 2

Lessor: State of New Mexico acting by and through
its Commissioner of Public Lands
Lessee of Record: Occidental Permian Limited Partnership
Serial No. of Lease: B-2023
Date of Lease: July 10, 1933
**Description of Lands
Committed:** T-18S-R-31E, N.M.P.M.
Section 32: NW/4NE/4
No. of Acres:
40

Tract No. 3:

Lessor: State of New Mexico acting by and through
its Commissioner of Public Lands

Lessee of Record: Exxon Mobil Corp. - 50.0%
~~Fin Oil & Chemical Company - 50.0%~~

Serial Number of Lease: E-6947

Date of Lease: February 10, 1953

**Description of Lands
Committed:** T-18S-R-31E, N.M.P.M.
Section 32: SW/4NW/4

No. of Acres:
40

Tract No. 4

Lessor: State of New Mexico acting by and through
its Commissioner of Public Lands

Lessee of Record: Chambers & Kennedy

Serial Number of Lease: E-6947

Date of Lease: February 10, 1953

**Description of Lands
Committed:** T-18S-R-31E, N.M.P.M.
Section 32: N/2NW/4; SE/4NW/4

No. of Acres:
120

RECAPITULATION

TRACT NO.	NO. OF ACRES COMMITTED	PERCENTAGE OF INTEREST IN COMMUNITIZED AREA
LEASE NO. 1	120	37.50%
LEASE NO. 2	40	12.50%
LEASE NO. 3	40	12.50%
LEASE NO. 4	120	37.50%
TOTAL	320	100.00%

CHI ENERGY, INC.
P.O. BOX 1799
MIDLAND, TEXAS 79702

January 7, 2003

Jerry Sloane
TotalFinaElf E & P , Inc.
800 Gessner, Suite 700
Houston, Texas 77024

"Certified-Return Receipt"

**Re: Comm Agreement
Porterhouse State Com. No. 1
T-18S-R-31E
Sec. 32 - N/2**

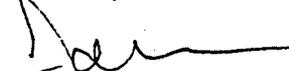
Mr. Sloane :

Chi Operating, Inc. is proposing to drill the Porterhouse State Com. No. 1 at the above referenced location. I have prepared a Communitization Agreement for the Record Title Owners. Enclosed are three copies of the referenced Comm. Agreement. Please have them signed and notarized and return to me. I will send off for approval to State and send you a approved copy.

Please return to me as soon as possible and call should you have any questions.

Thanks for your help.

Sincerely,



John W. Qualls

JWQ/fh

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT 3

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Jerry Sloane
 Total Financial E+P, Inc.
 800 Gessner, Ste 700
 Houston, TX. 77024

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Orain L. Benson Sr* Agent
 Addressee

B. Received by (Printed name) Date of Delivery

Orain L. Benson Sr
 JAN 13 2003
 Post-Office

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number

(Transfer from service label)

7002 0460 0002 0087 9982

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CHI ENERGY, INC.
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

Case No. 12978

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

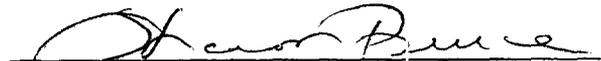
James Bruce, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am an attorney for Applicant.
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the Application filed herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.
5. Applicant has complied with the notice provisions of Division Rule 1207.



James Bruce

SUBSCRIBED AND SWORN TO before me this 20th day of May, 2003, by James Bruce.



Notary Public

My Commission Expires:

3/14/05

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT 4

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
(505) 982-2151 (FAX)

jamesbruc@aol.com

May 1, 2003

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Fina Oil & Chemical Company
c/o Total Fina Elf E&P, USA, Inc.
Suite 700
800 Gessner
Houston, Texas 77024

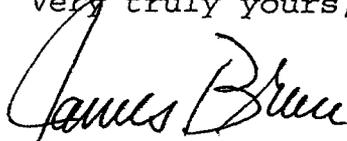
Ladies and Gentlemen:

Enclosed is a copy of an application for compulsory pooling, filed with the New Mexico Oil Conservation Division by Chi Energy, Inc., regarding the $N\frac{1}{2}$ of Section 32, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico. This matter will be heard at 8:15 a.m. on Thursday, May 22, 2003 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to appear at the hearing and participate in the case. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

Fina Oil & Chemical Company owned only a record title interest in one of the state leases in the well unit, and Chi Energy, Inc. seeks to pool this interest so that the Commissioner of Public Lands will approve a communitization agreement.

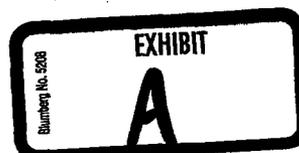
You are requested to notify the Division, and the undersigned, by Friday, May 16, 2003, if you intend to enter an appearance and participate in the case.

Very truly yours,



James Bruce

Attorney for Chi Energy, Inc.



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Fina Oil & Chemical Company
 c/o Total Fina Elf E&P, USA, Inc.
 Suite 700
 800 Gessner
 Houston, Texas 77024

COMPLETE THIS SECTION ON DELIVERY

A. Signature **D. J. Johnson**
 B. Received by **D. Johnson** (Printed Name)
 C. Date of Delivery **5-5-03**
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below: Yes No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No

1. Article Number
 (Transfer from service label)
7002 2030 0004 5186 4840
 PS Form 3871, August 2001

**U.S. Postal Service™
 CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only. No Insurance Coverage Provided)**

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage \$ **0.00** UNIT ID: 0500
 Certified Fee **2.00**
 Return Receipt Fee (Endorsement Required) **1.75**
 Restricted Delivery Fee (Endorsement Required) **0.00**
 Total Postage & Fees \$ **4.00**

Sent To: Fina Oil & Chemical Company
 c/o Total Fina Elf E&P, USA, Inc.
 Street, Apt. No.: Suite 700
 or PO Box No. 800 Gessner
 City, State, ZIP+4: Houston, Texas 77024

PS Form 3800, June 2002
 See Reverse for Instructions

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
(505) 982-2151 (FAX)

jamesbruc@aol.com

April 29, 2003

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

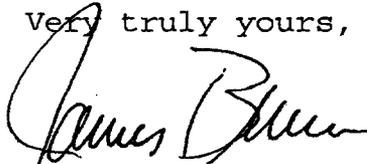
Magnum Hunter Production, Inc.
Suite 200
3500 William D. Tate Avenue
Grapevine, Texas 76051

Ladies and Gentlemen:

Enclosed is a copy of an application for compulsory pooling, filed with the New Mexico Oil Conservation Division by Chi Energy, Inc., regarding the N $\frac{1}{2}$ of Section 32, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico. This matter will be heard at 8:15 a.m. on Thursday, May 22, 2003 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to appear at the hearing and participate in the case. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

You are requested to notify the Division, and the undersigned, by Friday, May 16, 2003, if you intend to enter an appearance and participate in the case.

Very truly yours,



James Bruce
Attorney for Chi Energy, Inc.

COMPLETE THIS SECTION ON DELIVERY

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Magnum Hunter Production, Inc.
Suite 200
3500 William D. Tate Avenue
Grapevine, Texas 76051

2. Article Number

(Transfer from service label)

PS Form 3811 August 2001

7002 2030 0004 5186 4741

Domestic Return Receipt

102495-024-1840

A. Signature

Niki Olson

B. Received by (Printed Name)

NIKI OLSON

C. Days of Delivery

2

D. Is delivery address different from item 1? Yes No

(If YES, enter delivery address below USPS)

3. Service Type

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

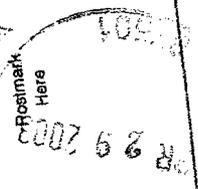
4. Restricted Delivery? (Extra Fee) Yes No

U.S. Postal ServiceTM
CERTIFIED MAIL[®] RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 0.60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	4.60
Total Postage & Fees	



Sent To

Magnum Hunter Production, Inc.
Suite 200
3500 William D. Tate Avenue
Grapevine, Texas 76051

PS Form 3800 June 2002

See Reverse for Instructions