

LAW OFFICES

LOSEE AND STEWART

CARPER BUILDING - P. O. DRAWER 239

ARTESIA, NEW MEXICO

AREA CODE 505

746-3508

JUL 10 1964 7:43

A. J. LOSEE

EDWARD B. STEWART

10 July 1964

Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission of
New Mexico
Santa Fe, New Mexico

Dear Mr. Porter:

Enclosed herewith you will please find triplicate copies of the Application of Neil E. Salsich, Ltd. for administrative approval of an exception to Rule 309-A of the Oil Conservation Commission permitting the commingling of production from three separate leases into a common tank battery. Commingling of production from two of these leases has heretofore been administratively approved by your Order CTB-102.

We are this day furnishing the Commissioner of Public Lands with a copy of the Application and we are requesting that he approve the Application and notify your office of such approval.

Thank you in advance for your consideration of this Application.

Very truly yours,


A. J. Losee

AJL/bk
Enclosures

cc Mr. Neil E. Salsich
411 N. Loraine
Midland, Texas

1964 JUL 13 AM 7 43

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF NEIL E. SALSICH, LTD., FOR)
ADMINISTRATIVE APPROVAL OF AN)
EXCEPTION TO RULE 309-A OF THE)
NEW MEXICO OIL CONSERVATION)
COMMISSION.)

No. _____

APPLICATION

COMES NEIL E. SALSICH, LTD., by Losee and Stewart,
its attorneys, and respectfully states:

1. That Applicant is the operator of the following
State of New Mexico Oil and Gas Leases covering lands in
Section 36, Township 16 South, Range 29 East, N.M.P.M.,
Eddy County, New Mexico, to-wit:

- A) Leonard State Lease B-2175 embracing
N/2 NW/4, SE/4 NW/4, S/2 NE/4, NW/4 SE/4,
S/2 SE/4, SE/4 SW/4,
- B) Hollis State Lease E-785 embracing
N/2 SW/4, SW/4 NW/4, NE/4 SE/4,
- C) Miley State Lease B-2175 embracing
SW/4 SW/4,

Only insofar as said leases extend to and
include the above lands from the surface
down to 3,000 feet below the surface.

2. That heretofore on March 7, 1963, A. L. Porter,
Jr., Secretary-Director of the New Mexico Oil Conservation
Commission (hereinafter referred to as "Commission") enter-
ed Administrative Order CTB-102 authorizing the commingling
of Square Lake Grayburg production from Leases A and B above,

subject to the allocation of production on the basis of periodic well tests and the provision of the Commission's "Manual for the Installation and Operation of Commingling Facilities".

3. The Applicant now proposes to commingle production from the above three leases into a common tank battery and there is attached hereto and by reference made a part hereof, a plat of the leases showing thereon the wells and a schematic diagram of the proposed commingling facility in accordance with the Commission's "Manual for the Installation and Operation of Commingling Facilities". The commingling facility for leases A and B above is identical to that approved by the Commission's Administrative Order CTB-102 and the additional commingling facility required to accommodate Lease C is shown on the plat and schematic diagram in red.

4. That all of the production from the three leases is from the same common source of supply, namely the Grayburg formation in the Square Lake field.

5. That as shown by said schematic diagram, adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

6. That with the exception of the State of New Mexico as the royalty owner under all three leases, all parties owning an interest in production from the leases, have consented in writing to the commingling of production.

This consent was given by the owners of Leases A and B above in paragraph 3 of the Communitization Agreement, effective February 1, 1963, counterpart copies of which were furnished to the Commission in connection with the application for Administrative Order CTB-102. This consent is again reflected by all of the owners of Leases A, B and C above in the Amendment and Ratification of Communitization Agreement made as of June 1, 1964, and Xerox copies of such Amendment executed in counterpart are attached hereto and by reference made a part hereof.

7. That a copy of this application is being furnished to the Commissioner of Public Lands of the State of New Mexico with a request that the lessor approve this commingling of production as above outlined.

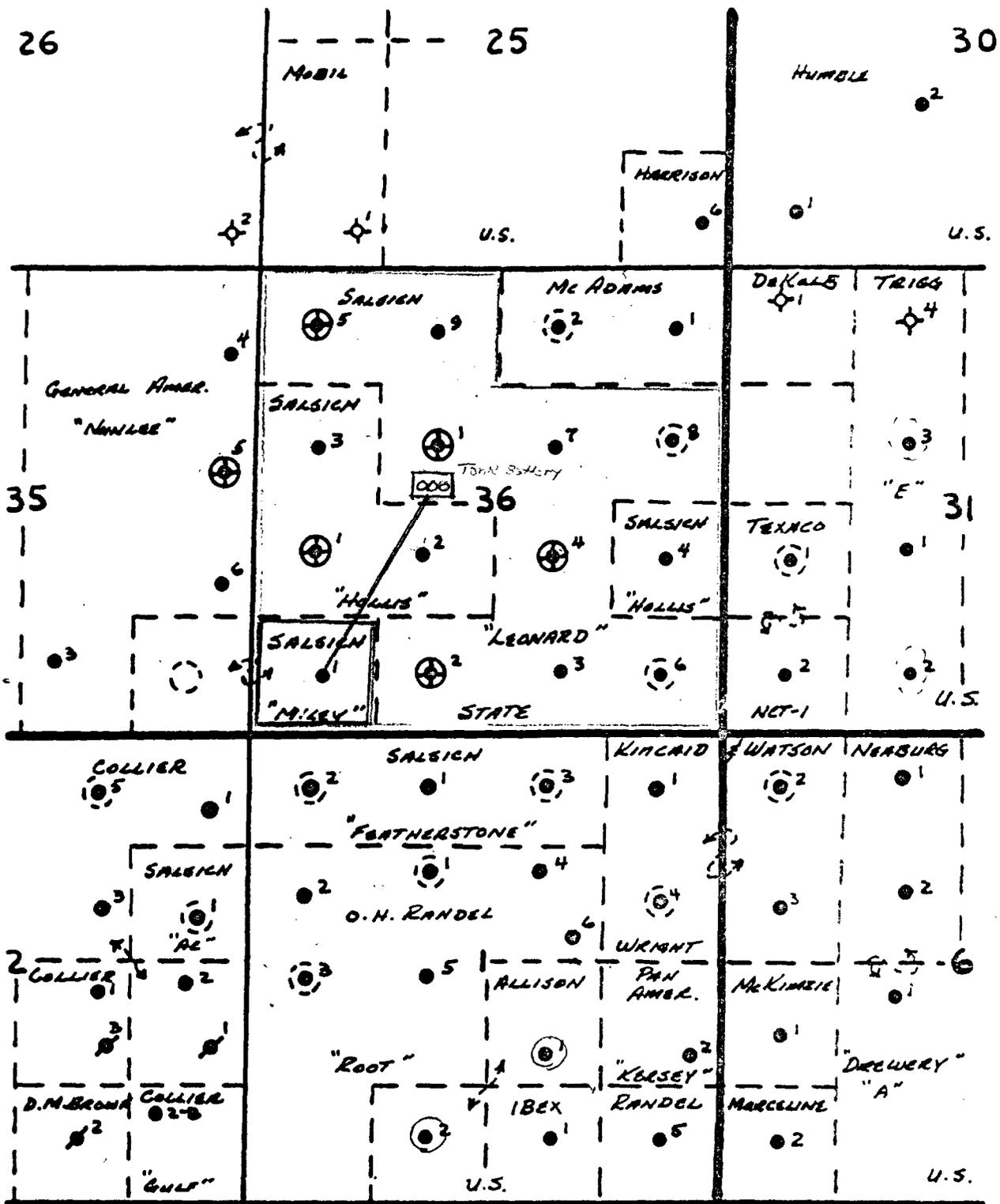
WHEREFORE, Applicant prays that pursuant to Rule 309-B, the Secretary-Director of the Oil Conservation Commission of New Mexico administratively approve this exception to Rule 309-A to permit the commingling of Square Lake Grayburg production from three separate leases in a common tank battery.

LOSEE AND STEWART

By



Carper Building
Artesia, New Mexico
Attorneys for Applicant.

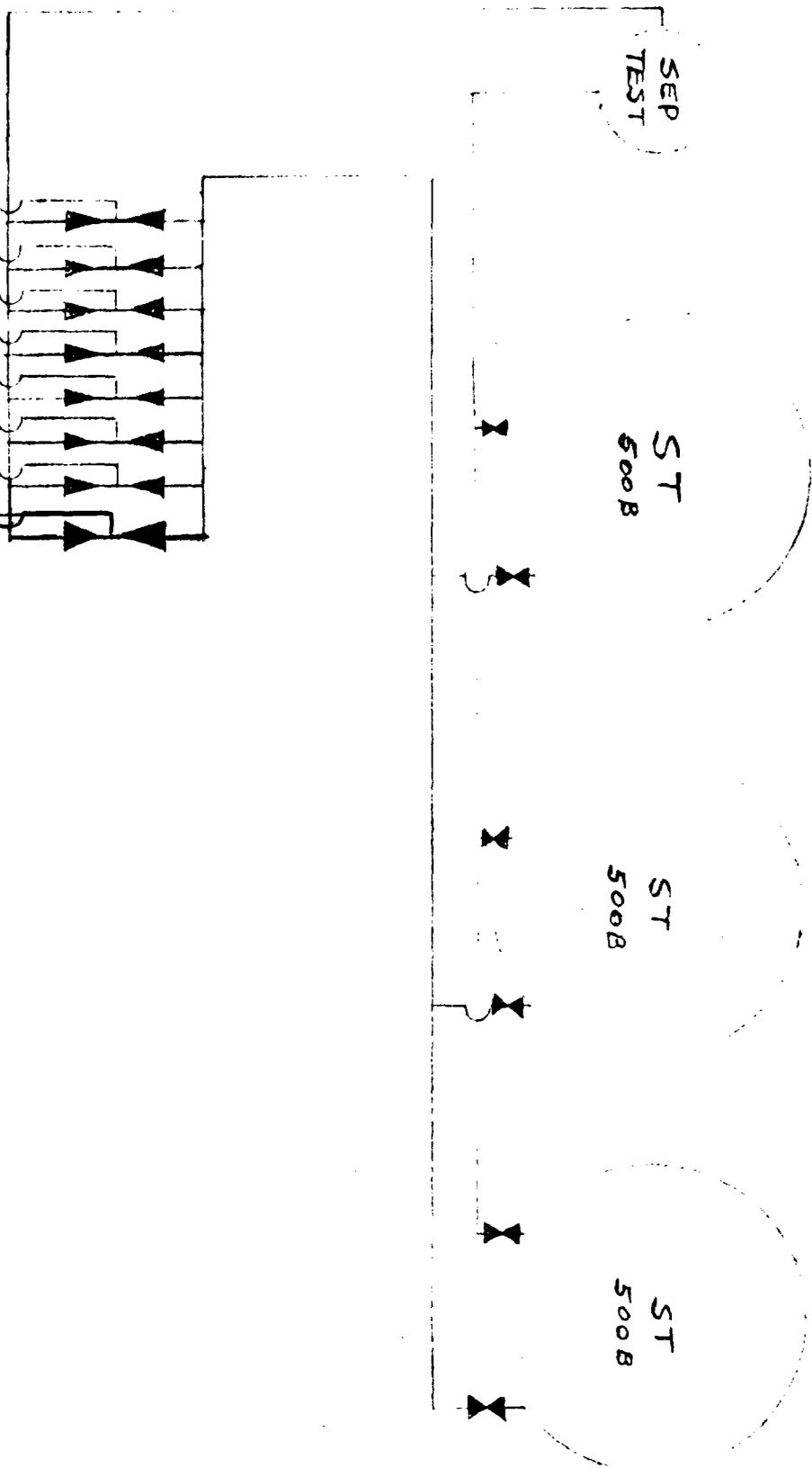


PROPOSED INJECTION PATTERN

- LEGEND
- PRODUCING WELL.
 - ⊗ PRODUCING WELL TO BE CONVERTED TO INPUT WELL.
 - ⊙ FUTURE INPUT WELL.

SQUARE LAKE FIELD
EDDY COUNTY, NEW MEXICO

LEONARD No. 6
 HOLLIS No. 4
 LEONARD No. 7 + B
 LEONARD No. 9
 HOLLIS No. 3
 LEONARD No. 3
 HOLLIS No. 2
 MILEY No. 1



NEIL L. SANDERSON
 SQUARE LAKE F.O. EDDY TOWNS
 COMMON TANK ENTIRE
 WELL TESTING PROCEDURE

AMENDMENT AND RATIFICATION
OF COMMUNITIZATION AGREEMENT

THIS AMENDMENT, made and entered into as of June 1, 1964, between the undersigned parties, hereinafter referred to as "parties hereto,"

W I T N E S S E T H :

WHEREAS, effective February 1, 1963, various of the parties hereto entered into a Communitization Agreement covering a portion of two State of New Mexico Oil and Gas Leases and reference for all purposes is here made to the counterpart copies of said agreements recorded in Book 131, Pages 176 through 188 and Page 280 of the Oil and Gas Records of Eddy County (said Agreement will hereinafter be referred to as "Communitization Agreement"); and

WHEREAS, the parties hereto are the owners of all interests under the Communitization Agreement and all interests under the hereinafter described oil and gas lease, except the royalty interests owned by the State of New Mexico, and the parties hereto desire to enlarge the communitized area covered by the Communitization Agreement to include an oil and gas lease made on October 10, 1933, between the State of New Mexico and Harry Leonard insofar as it covers the SW/4 SW/4 Section 36, Township 16 South, Range 29 East, N.M.P.M., bearing State Lease No. B-2175.

NOW THEREFORE, in consideration of the mutual covenants and agreements to be kept and performed by the parties hereto, the Communitization Agreement is hereby amended and ratified as follows:

1. The "communitized area" is hereby enlarged to include the above described lease and lands from the surface down to a depth of 3,000 feet (a total of 560 acres) and during the effective period of the Communitization Agreement, as herein amended, in lieu of the fractional amount of production which each party hereto would otherwise be entitled to receive from the enlarged communitized area, the parties hereto shall receive the percentages set opposite their names, to-wit:

Neil E. Salsich, Ltd.	41.095540	as a working interest
Neil E. Salsich, Jr.	18.509547	as a working interest
Leonard Oil Company	18.509547	as a working interest
Gulf Oil Corporation	1.669339	as an overriding royalty interest
J. F. McAdams	1.669339	as an overriding royalty interest
H. L. Atnipp	0.666712	as an overriding royalty interest
Dorothy Alcorn	0.666712	as an overriding royalty interest
Raymond F. Fort	0.426653	as an overriding royalty interest

Leonard Oil Company	3.897510 as an overriding royalty interest
Mrs. V. M. Miley	0.389101 as an overriding royalty interest
 Total Interests Com- munitized	 87.50000

2. All of the terms and provisions of the Communitization Agreement as herein amended, are hereby ratified, confirmed and adopted for all intents and purposes as if each party hereto were a signatory party to both the Communitization Agreement and this amendment.

3. Except as herein amended, said Communitization Agreement shall remain in force and effect according to its terms and the same shall be binding upon and inure to the benefit of the respective heirs, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in counterpart to be effective as of 7:00 a.m. on the day and year first hereinabove written.

NEIL E. SALSICH, LTD.

By *Neil E. Salsich*
Partner

Neil E. Salsich, Jr.
Neil E. Salsich, Jr.

Donna B. Salsich
Donna B. Salsich

ATTEST:

Marilyn Koenig
Assistant Secretary

LEONARD OIL COMPANY

By *Robert J. ...*
President

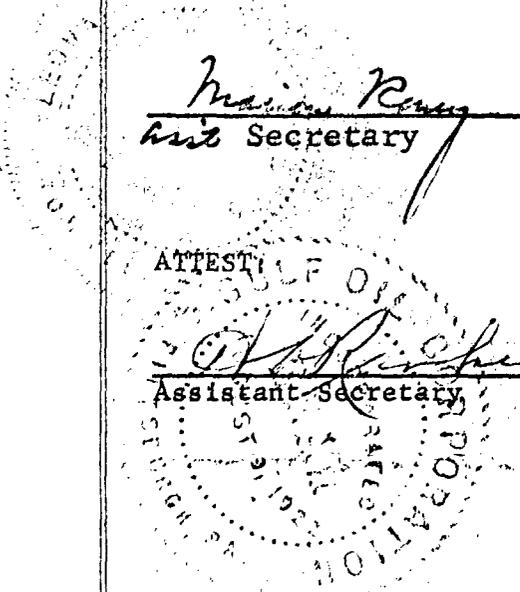
ATTEST:

W. H. ...
Assistant Secretary

GULF OIL CORPORATION

By *W. H. ...*
Attorney in Fact

Law	<i>W.H.</i>
Serv.	
Exp.	
Prod.	<i>W.H.</i>



STATE OF Texas)
COUNTY OF Midland) : ss.

The foregoing instrument was acknowledged before me this 10th day of June, 1964, by NEIL E. SALSICH, General Partner on behalf of NEIL E. SALSICH, LTD., a Limited Partnership.

My commission expires:
6-1-65

Nancy Purdum
Notary Public

STATE OF Texas)
COUNTY OF Midland) : ss.

The foregoing instrument was acknowledged before me this 10th day of June, 1964, by NEIL E. SALSICH, JR. and Ressie B. SALSICH, his wife.

My commission expires:
6-1-65

Nancy Purdum
Notary Public

STATE OF New Mexico)
COUNTY OF Chaves) : ss.

The foregoing instrument was acknowledged before me this 8th day of June, 1964, by Robert J. Leonard, President of LEONARD OIL COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
March 14, 1967

Margaret McEutchen
Notary Public

STATE OF NEW MEXICO)
COUNTY OF CHAVES) : ss.

The foregoing instrument was acknowledged before me this 16th day of June, 1964, by W. B. HOPKINS, Attorney in Fact on behalf of GULF OIL CORPORATION, a corporation.

My commission expires:
My Commission Expires August 15, 1966

Eva Maria Lopez
Notary Public

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 1st day of July, 1964 at 1:35 o'clock P. M., and duly recorded in Book 144, page 387 of the Records of Oil & Gas

Geraldine Mahaffey, County Clerk

By Helen G. Alanda Deputy

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

March 7, 1963

Mr. A. J. Losee
Losee and Stewart
Attorneys at Law
P. O. Box 239
Artesia, New Mexico

Administrative Order CTB-102

Dear Mr. Losee:

Reference is made to your application dated February 4, 1963, for administrative approval of an exception to Rule 309-A of the Commission Rules and Regulations to permit Neil E. Salsich, Ltd. to commingle Square Lake Graybury production from State of New Mexico Lease No. D-2175 comprising the N/2 NW/4, SE/4 NW/4, S/2 NE/4, NW/4 SE/4, S/2 SE/4, SE/4 SW/4 of Section 36, Township 16 South, Range 29 East and State of New Mexico Lease No. E-785 comprising the N/2 SW/4, SW/4 NW/4, SE/4 SE/4 of Section 36, Township 16 South, Range 29 East, Eddy County, New Mexico, allocating the production on the basis of periodic well tests.

Under the authority granted me pursuant to Rule 309-B, Neil E. Salsich, Ltd. is hereby authorized to commingle the above-described production as proposed, subject to the provisions of the Commission "Manual for the Installation and Operation of Commingling Facilities."

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/DSN/esr

cc: Oil Conservation Commission (with enclosure) - Artesia
Oil & Gas Engineering Committee - Hobbs
State Land Office - Santa Fe

March 4, 1963

A. J. Losee, Esquire
Attorney at Law
Losee and Stewart
P. O. Drawer 239
Artesia, New Mexico

Re: Request to commingle production from State
Leases B-2175 and B-785

Dear Sir:

As per your telephone conversation with Mr. Ted Bilberry, this office is approving your request to commingle production from two separate leases. The beneficiary is Common on both.

We will require that you send us a metered production report from one of the leases at regular intervals.

Thank you for the diagrams showing your wells and tank battery.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

By:

ROMULO MARTINEZ
Oil and Gas Department

RW/RM/pr

cc: Oil and Gas Accounting Commission

Oil Conservation Commission

C
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A. J. LOSEE
EDWARD B. STEWART

LAW OFFICES
A. J. LOSEE AND STEWART
CARPER BUILDING - P. O. BOX 239
ARTESIA, NEW MEXICO

RECEIVED FEB 5 12
4 February 1963

CTL - 102

Handwritten notes and scribbles in the upper right corner.

Mr. A. L. Porter, Jr.
Secretary-Director
Oil Conservation Commission of New Mexico
Santa Fe, New Mexico

Dear Mr. Porter:

Enclosed herewith you will please find triplicate copies of Application by Neil E. Salsich, Ltd. for administrative approval of an exception to Rule 309-A of the Oil Conservation Commission permitting the commingling of production from two separate leases into a common tank battery.

The ownership of the production from these leases is common throughout and with the exception of the State of New Mexico as lessor, all parties have consented to this commingling application. With a carbon copy of this letter, I am furnishing the Commissioner of Public Lands with a copy of this application and requesting that the State Land Office approve this application.

Thank you in advance for your attention to this request.

Very truly yours,


A. J. Losee

AJL/bk
Enclosures

cc Commissioner of Public Lands
Neil E. Salsich
Archie Speir

1933 FEB 5 AM 8 14

BEFORE THE OIL CONSERVATION COMMISSION
OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
NEIL E. SALSICH, LTD. FOR ADMINISTRATIVE :
APPROVAL OF AN EXCEPTION TO RULE 309-A. : NO. _____
:

APPLICATION

COMES NEIL E. SALSICH, LTD., by Losee and Stewart,
their attorneys, and respectfully state:

1. That Neil E. Salsich, Ltd. is the operator of
State of New Mexico Oil and Gas Lease B-2175, covering the
following lands in Eddy County, New Mexico:

N/2 NW/4, SE/4 NW/4, S/2 NE/4, NW/4 SE/4,
S/2 SE/4, SE/4 SW/4 Section 36, Township
16 South, Range 29 East, N.M.P.M.,

and is also the operator of State of New Mexico Oil and Gas
Lease E-785, covering the following lands in Eddy County,
New Mexico:

N/2 SW/4, SW/4 NW/4, NE/4 SE/4 Section
36, Township 16 South, Range 29 East,
N.M.P.M.,

only insofar as said leases extend to and include the above
lands from the surface down to 3,000 feet below the surface.

2. The Applicant proposes to commingle production
from the above two leases in a common tank battery and there
is attached hereto and by reference made a part hereof, a
plat of the leases showing thereon the wells and a schematic
diagram of the proposed commingling facility in accordance

with the Commission's "Manual for the Installation and Operation of Commingling Facilities".

3. That all of the wells on the above described land are producing from the same common source of supply, namely the Grayburg formation.

4. That as shown by said schematic diagram, adequate facilities will be installed to permit a determination of the producing capacity of each well on each lease at least once each month.

5. That with the exception of the State of New Mexico as royalty owner under both leases, all parties owning an interest in the leases have consented in writing to the commingling of production. That this consent is reflected in paragraph No. 3 of the attached Communitization Agreement between Neil E. Salsich, Ltd. and Southwestern, Inc., as the owners of all of the working interest production. That this consent is also shown in paragraph No. 3 of the attached Overriding Royalty Communitization Agreement executed in counterpart by all of overriding royalty interest owners and a copy of the signature page of each such interest owner.

6. That the above referenced agreements also authorize the transfer of waterflood allowables within the project area previously approved by the Oil Conservation Commission of New Mexico in its Order No. R-2269.

7. That a copy of this Application is being furnished to the Commissioner of Public Lands of the State of New Mexico

with a request that the lessor approve this commingling of production as above outlined.

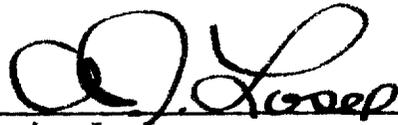
WHEREFORE, Applicant prays as follows:

(a) That the Commissioner of Public Lands of the State of New Mexico approve this commingling application;

(b) That the Secretary-Director of the Oil Conservation Commission of New Mexico administratively approve this exception to Rule 309-A to permit the commingling of production from two separate leases in a common tank battery.

LOSEE AND STEWART

By



A. J. Losee
P. O. Drawer 239
Artesia, New Mexico

Attorneys for Applicant.

GENERAL AMERICAN

NEIL E. SAUSIGH

J.F. Mc ADAMS

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NEIL E. SAUSIGH

HOLLIS

36

NEIL E. SAUSIGH

HOLLIS

GULF

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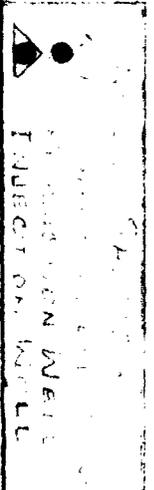
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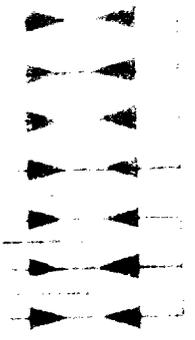
Miley

Leonard



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LEONARD
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NEW E. WILSON
 SQUAW LAKE FOREST EDDY
 COMMON TANK EDDY
 NEW TREATMENT PROGRAM

OVERRIDING ROYALTY COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into by and between the parties subscribing hereto, such parties being hereinafter referred to as "Parties Hereto",

W I T N E S S E T H :

WHEREAS, on June 21, 1962, the Oil Conservation Commission of the State of New Mexico, by its Order No. R-2269, in Case No. 2579, authorized the institution of a waterflood project in the Square Lake Pool with the injection of water through five wells into the Grayburg formation and a map outlining the said waterflood project area in red is hereto attached as exhibit "A"; that said order and said map are by reference made a part hereof; and

WHEREAS, Neil E. Salsich, Ltd. and Southwestern, Inc. are the mineral interest owners and the parties hereto are the overriding royalty interest owners of the two leases included within the project area and described as follows:

1. Oil and Gas Lease No. 1, State Lease No. R-2177, located on the NW 1/4, SE 1/4, Sec. 17, T. 29 N., R. 29 E., S. 11 E., Eddy County, New Mexico.

2. Oil and Gas Lease No. 2, State Lease No. E-785, located on the SE 1/4, Sec. 17, T. 29 N., R. 29 E., S. 11 E., Eddy County, New Mexico.

3. Oil and Gas Lease No. 3, State Lease No. E-785, located on the SE 1/4, Sec. 17, T. 29 N., R. 29 E., S. 11 E., Eddy County, New Mexico.

WHEREAS, the parties hereto recognize that the creation, or attempted creation, of an artificial water drive by the injection of water into the Grayburg formation through the water input wells provided for in the said Oil Conservation Commission order is a reasonable and prudent producing and engineering practice and the parties hereto desire to protect their correlative rights and permit the working interest owners to commingle the oil in the common storage facility.

NOW, THEREFORE, in consideration of the mutual covenants and agreements to be kept and performed by the parties hereto, it is agreed as follows:

1. This agreement shall become effective on the first day of the calendar month following the month in which the working interest owners commence to inject the first water into the input wells. The signed statement of the said working interest owners as to the commencement of the injection of water is all that shall be required of a purchaser of production from the communitized area to issue its transfer orders pursuant to this agreement.

2. During the effective period of this agreement, in lieu of the fractional amount of production due to each party hereunder otherwise determined by law from the communitized area, the parties hereto shall receive as an overriding royalty, the percentages set opposite their names as follows:

- Oil and Gas Corporation 1.375%
- Oil and Gas Associates 1.375%
- Abigail L. Atripp 1.375%
- Dorothy Balfour Albert, a single woman 1.375%
- Myron F. Fort 1.375%
- Howard Oil Company 1.375%

of the market value at the wellhead of the oil and gas produced, less the cost of production, and other necessary expenses, shall be computed and paid at the same time and in the same manner as royalties to the lessor owner of the land under the terms of said oil and gas lease. The parties hereto shall be responsible for their respective proportionate part of all taxes and assessments levied upon the production of oil or gas from the communitized area. No change in these overriding royalty interests shall be binding upon the working interest owners until such time as they have been furnished with a certified or accepted or certified copy of the same. The parties hereto shall be responsible for the same.

3. The working interest owners shall not be required to measure separately any production of oil, gas or other hydrocarbon substances from the committed area by reason of the diverse ownership of the parties hereto.

4. That in compliance with said Order No. R-2269 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the transfer of allowables within the project area of this waterflood as the same is outlined on Exhibit "A" attached hereto.

5. This agreement shall remain in force and effect so long as water is being injected into the Grayburg formation through any of the input wells provided for herein. The terms and provisions of this agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and this agreement shall constitute a covenant running with the leases and lands covered and affected hereby.

6. This agreement shall be binding upon each signatory party hereto and may be executed in any number of counterparts with each such counterpart so executed to have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in multiple originals as of the date above provided in paragraph 1 hereof.

[Faint signatures and illegible text]

ILLEGIBLE

overriding royalty interests shall be binding upon the working interest owners until such time as they have been furnished with a certified or acceptable photostatic copy of the recorded instrument evidencing such change in ownership.

3. The working interest owners shall not be required to measure separately any production of oil, gas or other hydrocarbon substances from the communitized area by reason of the diverse ownership of the parties hereto.

4. That in compliance with said order No. R-2269 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the transfer of allowables within the project area of this waterflood as the same is outlined on Exhibit "A" attached hereto.

5. This agreement shall remain in force and effect so long as water is being injected into the Grayburg formation through any of the input wells provided for herein. The terms and provisions of this agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and this agreement shall constitute a covenant running with the leases and lands covered and affected hereby.

6. This agreement shall be binding upon each signatory party hereto and may be executed in any number of counterparts with each such counterpart so executed to have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in multiple originals as of the date above provided in paragraph 1 hereof.

WITNESSES:

LEONARD [illegible]

[illegible signature]
Secretary

[illegible signature]

DATE: [illegible]

COUNT: [illegible]

1940
[illegible]
[illegible]
[illegible]
[illegible]

[illegible]
[illegible]
[illegible]

Notary Public for the State of New Mexico

[illegible]

working royalty interests shall be disclosed to the working interest owners until such time as they have been furnished with a certified or acceptable photostatic copy of the recorded instrument evidencing such change in ownership.

3. The working interest owners shall not be required to measure separately any production of oil, gas or other hydrocarbon substances from the formation or formations of the above ownership of the parties hereto.

4. That in compliance with Section 19-2-269 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the injection of water into the project area of this waterflood to the extent outlined on Exhibit "A" attached hereto.

5. This agreement shall remain in force and effect so long as water is being injected into the Grayburg formation through any of the input wells provided for herein. The terms and provisions of this agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and this agreement shall constitute a covenant running with the leases and lands covered and affected hereby.

6. This agreement shall be binding upon each signatory party hereto and may be executed in any number of counterparts with each counterpart so executed to have the same force and effect as an original and all of them as if all of the parties to the aggregate counterparts had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in multiple originals of the state above provided for herein.

[Handwritten signatures and initials]

STATE OF NEW MEXICO

My Commission Expires August 15, 1966

ILLEGIBLE

overriding royalty interests shall be binding upon the working interest owners until such time as they have been furnished with a certified or acceptable photostatic copy of the recorded instrument evidencing such change in ownership.

3. The working interest owners shall not be required to measure separately any production of oil, gas or other hydrocarbon substances from the communitized area by reason of the diverse ownership of the parties hereto.

4. That in compliance with said order No. E-2299 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the transfer of allowables within the project area of this waterflood as the same is outlined on Exhibit "A" attached hereto.

5. This agreement shall remain in force and effect so long as water is being injected into the Grayburg formation through any of the input wells provided for herein. The terms and provisions of this agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and this agreement shall constitute a covenant running with the leases and lands covered and affected hereby.

6. This agreement shall be binding upon each signatory party hereto and may be executed in any number of counterparts with each such counterpart so executed to have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in multiple originals as of the date above provided in paragraph 1 hereof.

[Handwritten signature]

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overriding royalty interests shall be binding upon the working interest owners until such time as they have been furnished with a certified or acceptable photostatic copy of the recorded instrument evidencing such change in ownership.

3. The working interest owners shall not be required to measure separately any production of oil, gas or other hydrocarbon substances from the communitized area by reason of the diverse ownership of the parties hereto.

4. That in compliance with said order No. 2-2369 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the transfer of allowances within the project area of this waterflood as the same is outlined on Exhibit "A" attached hereto.

5. This agreement shall remain in force and effect so long as water is being injected into the Grayburg formation through any of the input wells provided for herein. The terms and provisions of this agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and this agreement shall constitute a covenant running with the leases and lands covered and affected hereby.

6. This agreement shall be binding upon each signatory party hereto and may be executed in any number of counterparts with each such counterpart so executed to have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in multiple originals as of the date above provided in paragraph 1 hereof.

Betty J. Fort
Fort

Raymond J. Fort
Raymond J. Fort

STATE OF NEW MEXICO
COUNTY OF LEA

The foregoing instrument was known and acknowledged before me this _____ day of October, 1945, by _____ and Betty FORT, his wife.

Notary Public

My commission expires:
July 14, 1945

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into by and between NEIL E. SALSICH, LTD. and SOUTHWESTERN, INC., hereinafter referred to as "Parties Hereto",

W I T N E S S E T H :

WHEREAS, on June 21, 1962, the Oil Conservation Commission of the State of New Mexico, by its order No. R-2269, in Case No. 2079, authorized the institution of a waterflood project in the Square Lake Pool with the injection of water through five wells into the Grayburg formation and a map outlining the said waterflood project area in red is hereto attached as Exhibit "A"; that said order and said map are by reference made a part hereof; and

WHEREAS, the parties hereto are the working interest owners of the two leases included within the said waterflood project area and described as follows:

Lease No. 1: Oil and Gas Lease made October 10, 1951, between the State of New Mexico, as lessor, and Harry Leonard, as lessee, bearing State Lease No. 6-2175, insofar as it covers the following lands in Eddy County, New Mexico:

1/4 NW/4, SE/4 NW/4, SW/4 NW/4, NW/4 SW/4, SE/4 SW/4, SW/4 SW/4 Section 16, Township 36 North, Range 29 East, Eddy County, New Mexico.

Lease No. 2: Oil and Gas Lease made August 21, 1948, between the State of New Mexico, as lessor, and Neil E. Salsich Corporation, as lessee, bearing State Lease No. E-769, insofar as it covers the following lands in Eddy County, New Mexico:

1/4 SW/4, SW/4 NW/4, NW/4 SW/4, SW/4 SW/4 Section 16, Township 36 North, Range 29 East, Eddy County, New Mexico.

It is hereby agreed that the parties hereto shall cooperate in the operation, maintenance and repair of the waterflood project area in the Square Lake Pool, and shall share the costs thereof in proportion to their respective ownership interests in the said project area.

input wells provided for in the said Oil Conservation Commission order is a reasonable and prudent producing and engineering practice and the parties hereto desire to protect their correlative rights and permit the commingling of the oil into one common storage facility.

NOW, THEREFORE, in consideration of the mutual covenants and agreements to be kept and performed by the parties hereto, it is agreed as follows:

1. This agreement shall become effective on the first day of the calendar month following the month in which the parties hereto commence to inject the first water into the input wells. The signed statement of the parties hereto as to the commencement of the injection of water is all that shall be required of a purchaser of production from the communitized area to issue its transfer orders pursuant to this agreement.

2. During the effective period of this agreement, in lieu of the fractional amount of production which each party hereto would otherwise be entitled to receive from the communitized area, the parties hereto shall receive as a working interest, the percentages set opposite their names as follows:

Sandwestern, Inc	39.564761%
Neil E. Salsich, Ltd.	38.119064%

of the oil, gas and other hydrocarbon substances produced, saved and marketed from the communitized area under the terms of the above described oil and gas leases and all extensions and renewals thereof.

3. The parties hereto shall not be required to measure separately any production of oil, gas or other hydrocarbon substances from the communitized area by reason of the diverse ownership of the parties hereto.

4. That in compliance with said Order No. R-2269 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the cracker of the wells within the present area of this waterflood to be as outlined on maps attached hereto.

This agreement shall be binding on the parties hereto and their heirs, assigns and assigns, and shall constitute the entire agreement between the parties hereto and shall control in the event of any conflict with any other agreement covering the same or any part thereof.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in multiple originals as of the date above provided in paragraph 1 hereof.

ATTEST:

SOUTHWESTERN, INC

[Signature]
Secretary

By [Signature]
President

NEIL E. SALSICH, LTD.

By [Signature]
General Partner

STATE OF Illinois)
COUNTY OF Ill)

: ss.

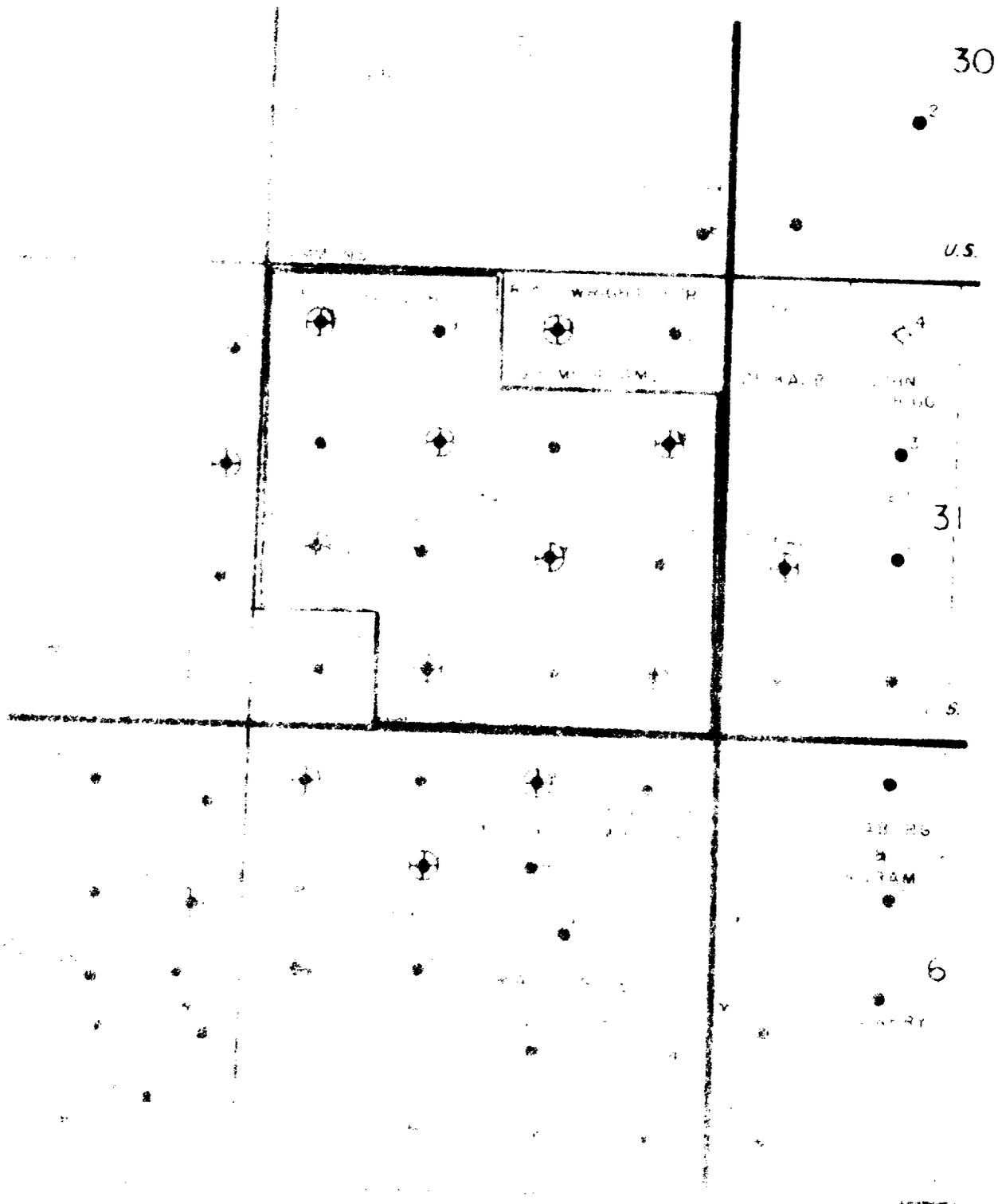
The foregoing instrument was acknowledged before me this 2 day of January, 1961, by [Signature], President of SOUTHWESTERN, INC, a corporation.

My commission expires: [Signature]
[Signature]

STATE OF _____)
COUNTY OF _____)

: ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1961, by [Signature], General Partner of _____, a corporation.



STATE OF NEW MEXICO, County of Eddy ss. I hereby certify that this instrument was duly recorded on the
 21 day of *January*, A. D. 19*22* at *10:25* o'clock *P.M.* and duly recorded in
 Book *131*, Page *280* of the Records of *Oil & Gas* of said County.
William J. ...