

2/29/08 DATE IN	SUSPENSE	Brooks ENGINEER	2/29/08 LOGGED IN	NSL TYPE	DKUR0806040317 APP NO.
--------------------	----------	--------------------	----------------------	-------------	---------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

# NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



Forest Oil Corporation  
For State B Well #s  
10, 11, 12

## ADMINISTRATIVE APPLICATION CHECKLIST

5807

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

### Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

### [1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify \_\_\_\_\_

### [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

### [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504

Signature

Attorney for Applicant  
Title

Date

jamesbruc@aol.com  
e-mail Address

RECEIVED  
2008 FEB 29 AM 10 33

**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) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

February 27, 2008

Hand Delivered

Mark E. Fesmire, P.E.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule 104.F(2), Forest Oil Corporation applies for administrative approval of unorthodox oil well locations for the following three wells:

<u>Well Name:</u>	FOC State B Well No. 10
<u>Well Location:</u>	1100 feet FSL & 150 feet FEL
<u>Well Unit:</u>	SE $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit P) of Section 16, Township 17 South, Range 31 East, N.M.P.M., Eddy County, New Mexico

<u>Well Name:</u>	FOC State B Well No. 11
<u>Well Location:</u>	150 feet FSL & 1450 feet FEL
<u>Well Unit:</u>	SW $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit O), of Section 16 Township 17 South, Range 31 East, N.M.P.M., Eddy County, New Mexico

<u>Well Name:</u>	FOC State B Well No. 12
<u>Well Location:</u>	150 feet FSL & 150 feet FEL
<u>Well Unit:</u>	SE $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit P) of Section 16, Township 17 South, Range 31 East, N.M.P.M., Eddy County, New Mexico

The wells will be drilled to a depth sufficient to test the Grayburg-Jackson Pool. The pool is spaced on 40 acres, with wells to be no closer than 330 feet to a quarter-quarter section line, and four wells allowed per well unit. Forms C-102 for the three wells are attached as Exhibits A, B, and C.

FR, Q, OB, SA

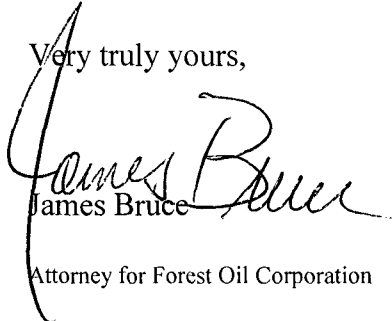
The application is based on engineering reasons. There are five existing Grayburg-Jackson wells in the SE¼ of Section 16.<sup>1</sup> The wells do not drain 40 acres, and thus additional wells are needed to drain all of the reserves from the lease.

Attached as Exhibit D is a land plat of the area. The SE¼ of Section 16 is covered by State Lease B-2613-6. Exhibit E. The offset acreage in Sections 15, 21, and 22 is federal acreage, within the Skelly Federal Unit. The sole working interest owner in State Lease B-2613-6 and in the Skelly Federal Unit, as to the Grayburg-Jackson Pool, is Forest Oil Corporation. Therefore, no offset operator has been notified of the application.

The only affected offset is the federal government, the lessor of the leases within the Skelly Federal Unit. Applicant has communitized land within the state and federal leases for each well. Exhibits F, G, and H. Therefore, all affected offset owners will share in production from the wells, and notice has not been given to any offsets.

Please call me if you need any further information on this matter.

Very truly yours,



James Bruce

Attorney for Forest Oil Corporation

---

<sup>1</sup> The State B Well No. 1 (Unit J), State B Well No. 2 (Unit O), State B Well No. 3 (Unit P), State B Well No. 4 (Unit I), and State B Well No. 5 (Unit O).

**DISTRICT I**

1825 N. FRENCH DR., HOBBS, NM 88240

**DISTRICT II**

1301 W. GRAND AVENUE, ARTESIA, NM 88210

**DISTRICT III**

1000 Rio Brazos Rd., Aztec, NM 87410

**DISTRICT IV**

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

## State of New Mexico

Energy, Minerals and Natural Resources Department

**OIL CONSERVATION DIVISION**  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

**WELL LOCATION AND ACREAGE DEDICATION PLAT**☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name FOC STATE B	Well Number 10
OGRID No.	Operator Name FOREST OIL CORPORATION	Elevation 3853'

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	16	17-S	31-E		1100	SOUTH	150	EAST	EDDY

## Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>SECTION 16 SECTION 15</p> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=666067.8 N X=643535.03 E</p> <p>LAT.=32°49'48.84" N LONG.=103°51'57.79" W</p> <p>EXHIBIT <u>A</u></p> <p>150'</p> <p>1100'</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JUNE 07, 2006</p>
	<p>Date Surveyed _____ MR</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p><i>Ronald E. Eidson</i> 6/19/06</p> <p>06.11/0929</p>
	<p>Certificate No. GARY EIDSON 12841 RONALD E. EIDSON 3239</p>

DISTRICT I  
1625 N. FRENCH DR., HOBBS, NM 88241

DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name FOC STATE B	Well Number 11
OGRID No.	Operator Name FOREST OIL CORPORATION	Elevation 3824'

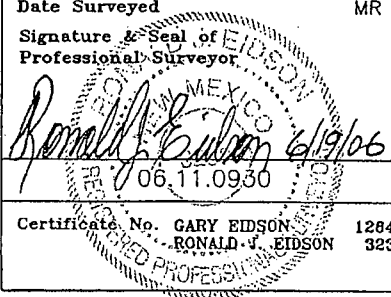
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	16	17-S	31-E		150	SOUTH	1450	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>SECTION 16 SECTION 21</p>	<p>GEODETIC COORDINATES NAD 27 NME  Y=665108.6 N X=642240.3 E  LAT.=32°49'39.41" N LONG.=103°52'13.01" W</p>	<p>150'</p>	<p>1450'</p>
	<p>EXHIBIT <u>B</u></p>		
<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JUNE 07, 2006</p> <p>Date Surveyed _____ MR</p> <p>Signature &amp; Seal of Professional Surveyor </p> <p>Certificate No. GARY EIDSON 12841 RONALD J. EIDSON 3239</p>	

DISTRICT I  
1625 N. FRENCH DR., HUNTS, NM 88240

DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name FOC STATE B	Well Number 12
OGRID No.	Operator Name FOREST OIL CORPORATION	Elevation 3838'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	16	17-S	31-E		150	SOUTH	150	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

GEODETIC COORDINATES NAD 27 NME  Y=665118.1 N X=643539.8 E  LAT.=32°49'39.45" N LONG.=103°51'57.78" W		SECTION 16 SECTION 15	
SECTION 16 SECTION 21	150'	SECTION 15 SECTION 22	
	150'	SECTION 21 SECTION 22	

**OPERATOR CERTIFICATION**

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JUNE 07, 2006

Date Surveyed \_\_\_\_\_ MR

Signature & Seal of Professional Surveyor  
*Ronald J. Eidson* 6/9/06  
06.11.0931

Certificate No. GARY EIDSON 12641  
RONALD J. EIDSON 3239

EXHIBIT C



4 Records found.

Lease Number:

**B0-2613-0007**

Company name: WISER OIL COMPANY  
Company ID: 121357  
Assigned from: B0-2613-0006  
Total acres: 160.00  
Prod stat: N/A

*(merged into Forest Oil Corp.)***Lease term:**

Lease term: 10 year lease terms 1/8th roy  
Issue date: 3/10/1934  
Termination date: Active  
Termination reason: N/A  
Current term: Extended Primary Term

**Billing information:**

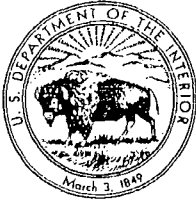
Bill to: WISER OIL COMPANY  
Rent per acre: 0.25  
Billing frequency: Annual  
Minimum annual rent: 40.00  
Last bill date: 2/14/2008  
Next bill date: 3/10/2009  
Escalation: 0

**Land information:**

Section	Township	Range	Unit Letter	Lot	Tract	Acreage
16	17S	31E	I			40.00
			J			40.00
			O			40.00
			P			40.00

EXHIBIT

**E**



United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
ROSWELL FIELD OFFICE  
2909 West Second Street  
Roswell, New Mexico 88201-1287

IN REPLY REFER TO:  
NMNM116247  
3105.2 NM (513)

May 24, 2006

Forest Oil Corporation  
Attention: Gail G. Farrell  
707 Seventeenth Street  
Denver, CO 80202

Gentlemen:

Enclosed is one approved copy of Communitization Agreement NMNM116247 involving 20.00 acres of Federal land in lease LC-029420(a) and 20.00 acres of State land in Eddy County, New Mexico, comprising a 40.00 acre well spacing unit.

The agreement communitizes all rights as to oil, natural gas and associated liquid hydrocarbons producible from the Seven Rivers, Queen, and San Andres formations in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$  and NW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$  section 15 and the SE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$  and NE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  section 16, T. 17 S., R. 31 E., NMPM, and is effective May 1, 2006. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call David Glass at (505) 627-0275.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Larry D. Bray  
Assistant Field Manager,  
Lands and Minerals

1 Enclosure:  
1 - Communitization Agreement

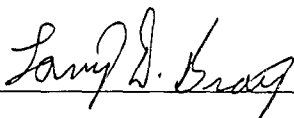
EXHIBIT

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. 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. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement covering the SW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$  and NW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$  section 15 and the SE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$  and NE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  section 16, T. 17 S., R. 31 E., NMPM, Eddy County, New Mexico, as to oil, natural gas and associated liquid hydrocarbons producible from the Seven Rivers, Queen, and San Andres formations. This approval will become invalid if the public interest requirements under section 3105.2-3(e) are not met.
- 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.

Approved: May 24, 2006

  
\_\_\_\_\_  
Authorized Officer

Effective: May 1, 2006

Contract No.: Com. Agr. NMNM116247

ONLINE Version  
COMMUNITIZATION AGREEMENT

Contract No. NMNM116247

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof 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, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions 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 Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such 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 land 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 communitized substances in accordance with the terms and conditions of the 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:

Township 17 South, Range 31 East, N.M.P.M.

Section 15: SW/4NW/4SW/4, NW/4/SW4/SW4

Section 16: SE/4NE/4SE/4, NE/4/SE4/SE4

Eddy County, New Mexico,

Containing 40 acres, more or less, and this agreement shall include only the Seven Rivers, Queen, Grayburg, and San Andres Formations underlying said lands and the oil, natural gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formations from the State B #10 well.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" 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, and the authorization, if any, for communitizing or pooling any patented or fee 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 three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
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 leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties 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. Payments 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 originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as 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.
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 is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is May 1, 2006, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted 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 thirty (30) days after the cessation of such capability of 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.
11. 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 lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by 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 leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

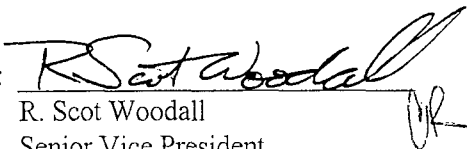
**IN WITNESS WHEREOF**, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

**Operator, Lessee and Working Interest Owner:**

**Forest Oil Corporation**

By: \_\_\_\_\_

R. Scot Woodall  
Senior Vice President



**Acknowledgment in an Individual Capacity**

State of \_\_\_\_\_)

County of \_\_\_\_\_) SS)

This instrument was acknowledged before me on \_\_\_\_\_  
DATE

By \_\_\_\_\_  
Name(s) of Person(s)

(Seal)

\_\_\_\_\_  
Signature of Notarial Officer

My commission expires: \_\_\_\_\_

**Acknowledgment in a Representative Capacity**

State of Colorado \_\_\_\_\_)

County of Denver \_\_\_\_\_) SS)

This instrument was acknowledged before me on 5-5-06  
DATE

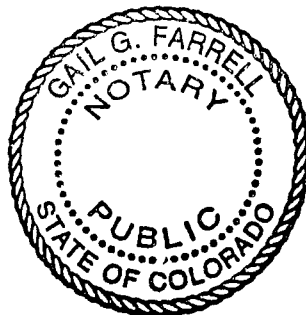
By R. Scot Woodall  
Name(s) of Person(s)

as Senior Vice President of Forest Oil Corporation

Type of authority, e.g., officer, trustee, etc

Name of party on behalf of whom instrument was executed

(Seal)



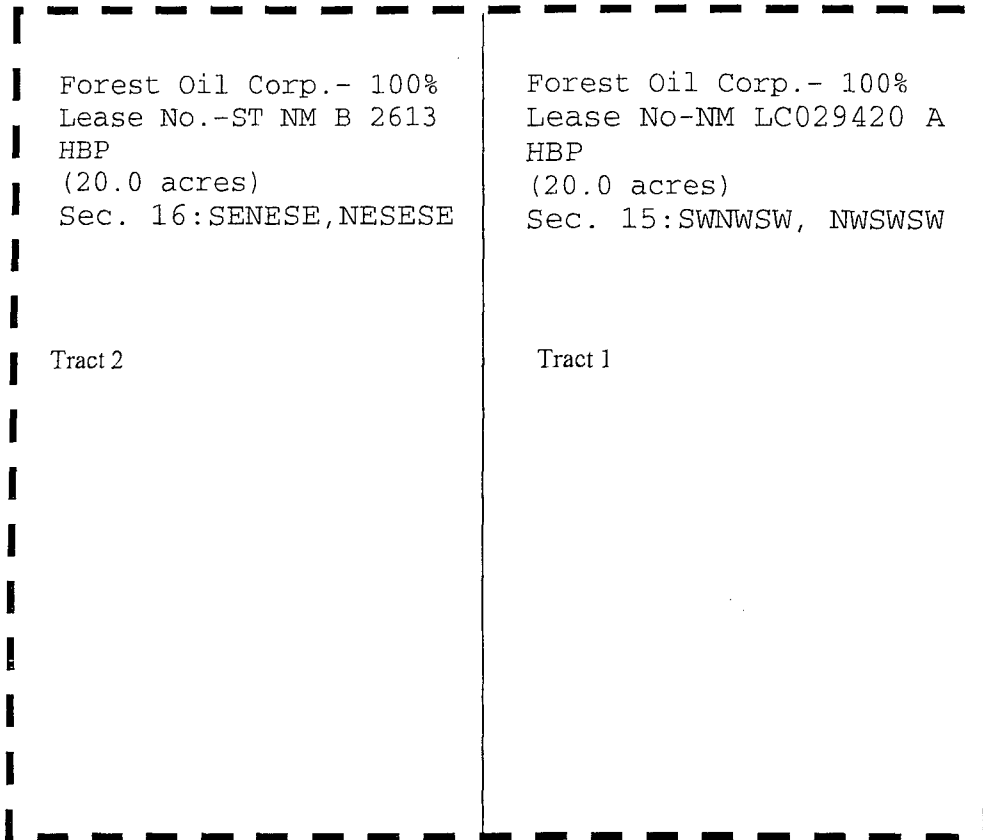
My Commission Expires 05/07/2008

Gail G. Farrell  
Signature of Notarial Officer

My commission expires: 5-7-06

# Exhibit "A"

## 40 Acre Communitized Area



Plat of communitized area covering  
SWNWSW, NWSWSW Section 15,  
SENESE, NESESE Section 16, T17S - R31E  
Eddy County, New Mexico

----- Communitized Boundary

## EXHIBIT B

To Communitization Agreement dated May 1, 2006, embracing the  
Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 15: SW/4NW/4SW/4, NW4/SW4/SW4

Section 16: SE/4NE/4SE/4, NE4/SE4/SE4

Operator of Communitized Area: Forest Oil Corporation

### DESCRIPTION OF LEASES COMMITTED

#### TRACT NO. 1

Lease Serial No.: NM LC 029420 A

Lease Date: April 30, 1938

Lease Term: 20 Years

Lessor: United States of America

Original Lessee: Skelly Oil Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 15: SW/4NW/4SW/4, NW4/SW4/SW4

Number of Acres: 20

Royalty Rate: 8.93565%

Lease ORRI: 11.9%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

#### TRACT NO. 2

Lease Serial No.: ST NM B 2613

Lease Date: March 10, 1934

Lease Term: Five Years

Lessor: State of New Mexico

Original Lessee: Humble Oil and Refining Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 16: SE/4NE/4SE/4, NE4/SE4/SE4

Number of Acres: 20

Royalty Rate: 12.5%

Lease ORRI: 14.0%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

## RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No.1	<u>20</u>	<u>50%</u>
Tract No.2	<u>20</u>	<u>50%</u>
Total	<u>40</u>	<u>100%</u>



United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
ROSWELL FIELD OFFICE  
2909 West Second Street  
Roswell, New Mexico 88201-1287

IN REPLY REFER TO:  
NMNM116246  
3105.2 NM (513)

May 24, 2006

Forest Oil Corporation  
Attention: Gail G. Farrell  
707 Seventeenth Street  
Denver, CO 80202

Gentlemen:

Enclosed is one approved copy of Communitization Agreement NMNM116246 involving 20.00 acres of Federal land in lease NM-98122 and 20.00 acres of State land in Eddy County, New Mexico, comprising a 40.00 acre well spacing unit.

The agreement communitizes all rights as to oil, natural gas and associated liquid hydrocarbons producible from the Seven Rivers, Queen, and San Andres formations in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$  and SW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  section 16 and the NE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$  and NW $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$  section 21, T. 17 S., R. 31 E., NMPM, and is effective May 1, 2006. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call David Glass at (505) 627-0275.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Larry D. Bray  
Assistant Field Manager,  
Lands and Minerals

1 Enclosure:  
1 - Communitization Agreement

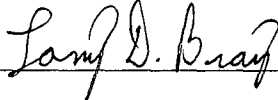
EXHIBIT **6**

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. 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. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement covering the SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$  and SW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  section 16 and the NE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$  and NW $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$  section 21, T. 17 S., R. 31 E., NMPM, Eddy County, New Mexico, as to oil, natural gas and associated liquid hydrocarbons producible from the Seven Rivers, Queen, and San Andres formations. This approval will become invalid if the public interest requirements under section 3105.2-3(e) are not met.
- 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.

Approved: May 24, 2006

  
\_\_\_\_\_  
Authorized Officer

Effective: May 1, 2006

Contract No.: Com. Agr. NMNM116246

ONLINE Version  
COMMUNITIZATION AGREEMENT

Contract No. NMNM116246

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions 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 Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such 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 land 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 communitized substances in accordance with the terms and conditions of the 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:

Township 17 South, Range 31 East, N.M.P.M.

Section 16: SE4/SW4/SE4, SW/4SE/4SE/4

Section 21: NE4/NW4/NE4, NW/4NE/4NE/4

Eddy County, New Mexico,

Containing 40 acres, more or less, and this agreement shall include only the Seven Rivers, Queen, Grayburg, and San Andres Formations underlying said lands and the oil, natural gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formations from the State B #11 well.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" 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, and the authorization, if any, for communitizing or pooling any patented or fee 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 three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
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 leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties 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. Payments 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 originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as 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.
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 is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is May 1, 2006, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted 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 thirty (30) days after the cessation of such capability of 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.
11. 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

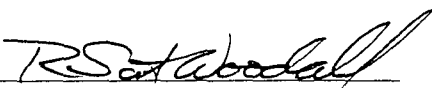

such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by 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 leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

**Operator, Lessee and Working Interest Owner:**

**Forest Oil Corporation**

By:   
R. Scot Woodall  
Senior Vice President 

**Acknowledgment in an Individual Capacity**

State of \_\_\_\_\_)

County of \_\_\_\_\_) SS)

This instrument was acknowledged before me on \_\_\_\_\_

DATE

By \_\_\_\_\_

Name(s) of Person(s)

(Seal)

\_\_\_\_\_  
Signature of Notarial Officer

My commission expires: \_\_\_\_\_

**Acknowledgment in a Representative Capacity**

State of Colorado \_\_\_\_\_)

County of Denver \_\_\_\_\_) SS)

This instrument was acknowledged before me on 5-5-06

DATE

By R. Scot Woodall \_\_\_\_\_

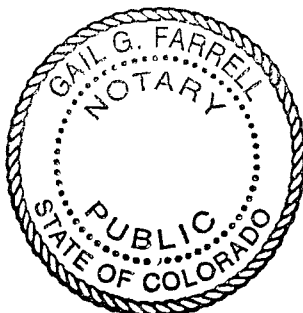
Name(s) of Person(s)

as Senior Vice President of Forest Oil Corporation

Type of authority, e.g., officer, trustee, etc

Name of party on behalf of whom instrument was executed

(Seal)



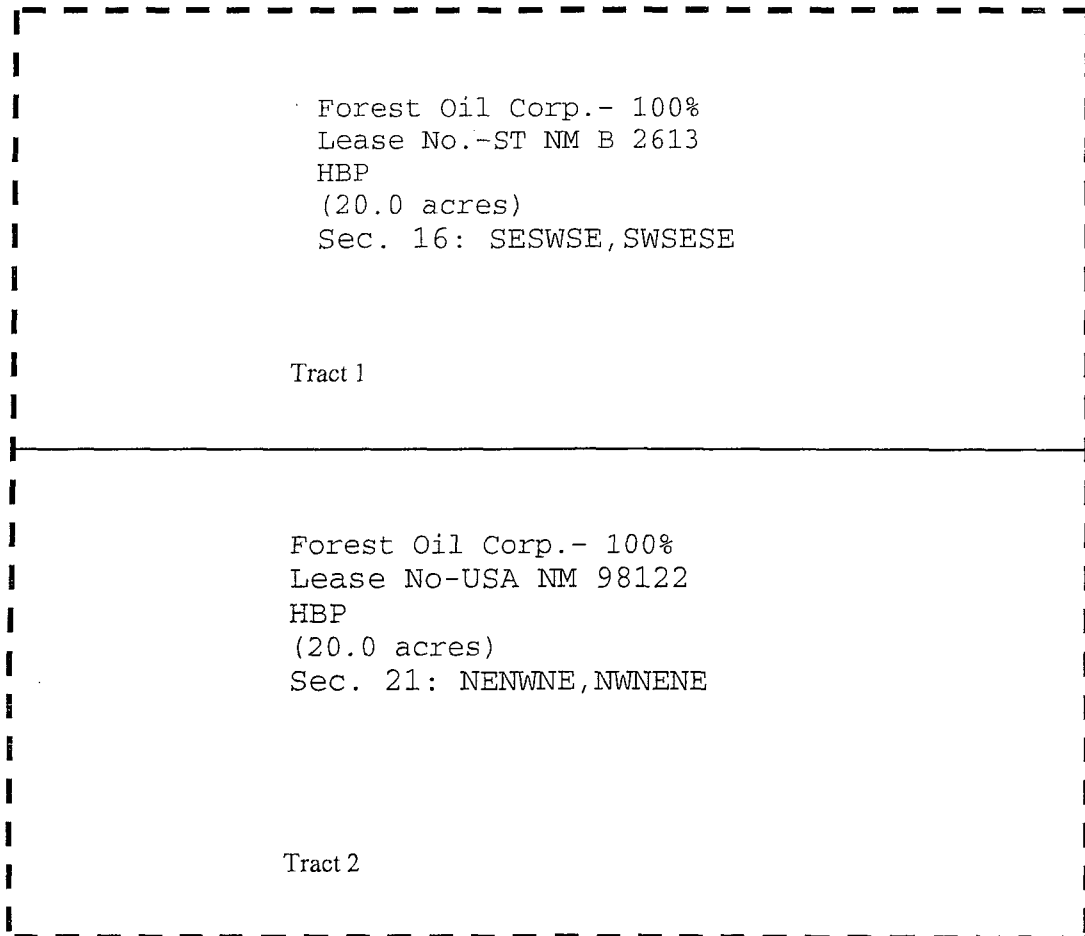
My Commission Expires 05/07/2008

Gail G. Farrell  
Signature of Notarial Officer

My commission expires: 5-7-06

# Exhibit "A"

## 40 Acre Communitized Area



Plat of communitized area covering  
SESWSE, SWSESE Section 16,  
NENWNE, NWNENE Section 21, T17S - R31E  
Eddy County, New Mexico

----- Communitized Boundary

## EXHIBIT B

To Communitization Agreement dated May 1, 2006, embracing the  
Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 16: SE4/SW4/SE4, SW/4SE/4SE/4

Section 21: NE4/NW4/NE4, NW/4NE/4NE/4

Operator of Communitized Area: Forest Oil Corporation

### DESCRIPTION OF LEASES COMMITTED

#### TRACT NO. 1

Lease Serial No.: ST NM B 2613

Lease Date: March 10, 1934

Lease Term: Five Years

Lessor: State of New Mexico

Original Lessee: Humble Oil and Refining Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 16: SE4/SW4/SE4, SW/4SE/4SE/4

Number of Acres: 20

Royalty Rate: 12.5%

Lease ORRI: 14.0%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

#### TRACT NO. 2

Lease Serial No.: USA NM 98122

Lease Date: April 30, 1938

Lease Term: Twenty Years

Lessor: United States of America

Original Lessee: Skelly Oil Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 21: NE4/NW4/NE4, NW/4NE/4NE/4

Number of Acres: 20

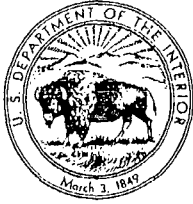
Royalty Rate: 12.5%

Lease ORRI: 4.40%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

## RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No.1	<u>20</u>	<u>50%</u>
Tract No.2	<u>20</u>	<u>50%</u>
Total	<u>40</u>	<u>100%</u>



United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
ROSSELL FIELD OFFICE  
2909 West Second Street  
Roswell, New Mexico 88201-1287

IN REPLY REFER TO:  
NMNM116245  
3105.2 NM (513)

May 24, 2006

Forest Oil Corporation  
Attention: Gail G. Farrell  
707 Seventeenth Street  
Denver, CO 80202

Gentlemen:

Enclosed is one approved copy of Communitization Agreement NMNM116245, involving 10.00 acres of Federal land in lease LC-029419(a), 10.00 acres of Federal land in lease LC-029420(a), 10.00 acres of Federal land in lease NM-98122, and 10.00 acres of State land in Eddy County, New Mexico, comprising a 40.00 acre well spacing unit.

The agreement communitizes all rights as to oil, natural gas and associated liquid hydrocarbons producible from the Seven Rivers, Queen, and San Andres formations in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$  section 15, the SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  section 16, the NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$  section 21, and the NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$  section 22, T. 17 S., R. 31 E., NMPM, and is effective May 1, 2006. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call David Glass at (505) 627-0275.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Larry D. Bray  
Assistant Field Manager,  
Lands and Minerals

1 Enclosure:  
1 - Communitization Agreement

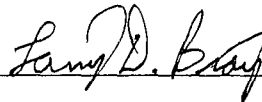
EXHIBIT

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. 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. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement covering the SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$  section 15, the SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  section 16, the NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$  section 21, and the NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$  section 22, T. 17 S., R. 31 E., NMPM, Eddy County, New Mexico, as to oil, natural gas and associated liquid hydrocarbons producible from the Seven Rivers, Queen, and San Andres formations. This approval will become invalid if the public interest requirements under section 3105.2-3(e) are not met.
- 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.

Approved: May 24, 2006

  
\_\_\_\_\_  
Authorized Officer

Effective: May 1, 2006

Contract No.: Com. Agr. NMNM116245

ONLINE Version  
COMMUNITIZATION AGREEMENT

Contract No. NMNM116245

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions 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 Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such 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 land 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 communitized substances in accordance with the terms and conditions of the 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:

Township 17 South, Range 31 East, N.M.P.M.

Section 15: SW/4SW/4SW/4

Section 16: SE4/SE4/SE4

Section 21: NE4/NE4/NE4

Section 22: NW/4NW/4NW/4

Eddy County, New Mexico,

Containing 40 acres, more or less, and this agreement shall include only the Seven Rivers, Queen, Grayburg, and San Andres Formations underlying said lands and the oil, natural gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formations from the State B #12 well.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" 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, and the authorization, if any, for communitizing or pooling any patented or fee 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 three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
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 leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties 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. Payments 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 originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as 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.
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 is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is May 1, 2006, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted 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 thirty (30) days after the cessation of such capability of 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.
11. 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 lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by 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 leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

**Operator, Lessee and Working Interest Owner:**

**Forest Oil Corporation**

By:   
R. Scot Woodall  
Senior Vice President 

**Acknowledgment in an Individual Capacity**

State of \_\_\_\_\_)

County of \_\_\_\_\_) ss)

This instrument was acknowledged before me on \_\_\_\_\_  
DATE

By \_\_\_\_\_  
Name(s) of Person(s)

(Seal)

\_\_\_\_\_  
Signature of Notarial Officer

My commission expires: \_\_\_\_\_

**Acknowledgment in a Representative Capacity**

State of Colorado \_\_\_\_\_)

County of Denver \_\_\_\_\_) ss)

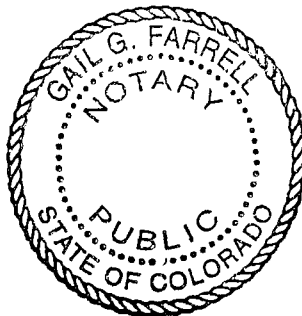
This instrument was acknowledged before me on 5-5-06  
DATE

By R. Scot Woodall  
Name(s) of Person(s)

as Senior Vice President of Forest Oil Corporation

Type of authority, e.g., officer, trustee, etc \_\_\_\_\_ Name of party on behalf of whom instrument was executed

(Seal)



My Commission Expires 05/07/2008

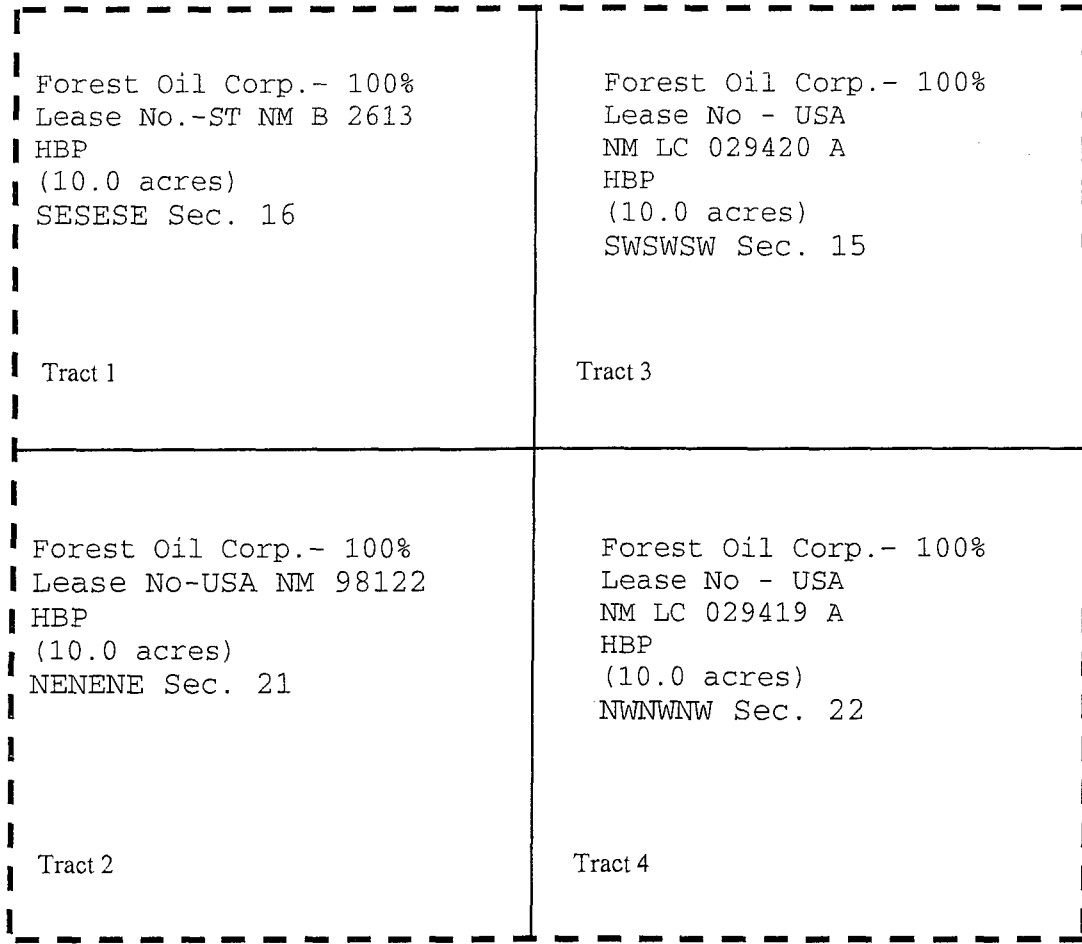
5-7-06

\_\_\_\_\_  
Signature of Notarial Officer

My commission expires: 5-7-06

# Exhibit "A"

## 40 Acre Communitized Area



Plat of communitized area covering SWSWSW Section 15,  
SESESE Section 16, NENENE Section 21, NWNWNW Section 22  
T17S - R31E  
Eddy County, New Mexico

----- Communitized Boundary

## EXHIBIT B

To Communitization Agreement dated May 1, 2006, embracing the  
Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 15: SW/4SW/4SW/4

Section 16: SE4/SE4/SE4

Section 21: NE4/NE4/NE4

Section 22: NW/4NW/4NW/4

Operator of Communitized Area: Forest Oil Corporation

### DESCRIPTION OF LEASES COMMITTED

#### TRACT NO. 1

Lease Serial No.: ST NM B 2613

Lease Date: March 10, 1934

Lease Term: Five Years

Lessor: State of New Mexico

Original Lessee: Humble Oil and Refining Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 16: SE4/SE4/SE4

Number of Acres: Ten

Royalty Rate: 12.5%

Lease ORRI: 14.0%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

#### TRACT NO. 2

Lease Serial No.: USA NM 98122

Lease Date: April 30, 1938

Lease Term: Twenty Years

Lessor: United States of America

Original Lessee: Skelly Oil Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 21: NE4/NE4/NE4

Number of Acres: Ten

Royalty Rate: 8.93565%

Lease ORRI: 4.40%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

**TRACT NO. 3**

Lease Serial No.: USA NM LC 029420 A

Lease Date: April 30, 1938

Lease Term: Twenty Years

Lessor: United States of America

Original Lessee: Skelly Oil Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 15: SW4/SW4/SW4

Number of Acres: Ten

Royalty Rate: 8.93565%

Lease ORRI: 11.9%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

**TRACT NO. 4**

Lease Serial No.: USA NM LC 029419 A

Lease Date: January 2, 1929

Lease Term: Ten Years

Lessor: United States of America

Original Lessee: Skelly Oil Co.

Present Lessee: Forest Oil Corporation

Description of Land Committed:

Township 17 South, Range 31 East, N.M.P.M. Eddy County, New Mexico

Section 22: NW4/NW4/NW4

Number of Acres: Ten

Royalty Rate: 8.93565%

Lease ORRI: 11.9%

Name and Percent WI Owners: Forest Oil Corporation 100.00%

## RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No.1	<u>10</u>	<u>25%</u>
Tract No.2	<u>10</u>	<u>25%</u>
Tract No. 3	<u>10</u>	<u>25%</u>
Tract No. 4	<u>10</u>	<u>25%</u>
Total	<u>40</u>	<u>100%</u>