

COMMUNITIZATION AGREEMENT

(South Culebra Bluff "23" #15 Well, Eddy County, NM)

This Agreement is between the parties set out on the Exhibit "A" attached hereto, hereinafter being referred to as "the Parties".

WHEREAS, The Parties own royalty, working interests and other leasehold interests in the existing production units of the South Culebra Bluff "23" #11 Well (Tract 1), South Culebra Bluff #4B Well (Tract 2), South Culebra Bluff #3B Well (Tract 3) and the South Culebra Bluff "23" #12 Well (Tract 4) located in Section 23, T23S, R28E, Eddy County, NM; and

WHEREAS, RB Operating Company is desirous of drilling the South Culebra Bluff "23" #15 well located between the four wells set out above. Because this well is considered an "increased density well", it can not be drilled without the prior approval of the New Mexico Oil Conservation Division; and

WHEREAS, the Parties are desirous of reducing to writing their mutual consent and approval to allow RB Operating Company the right to drill the South Culebra Bluff "23" #15 well within the proposed drilling unit.

NOW, THEREFORE, for the adequate, mutual and reciprocal considerations hereinafter set forth, the Parties hereby agree as follows:

1. The lands covered by this Agreement (the "Proposed Drilling Unit") are depicted on the plat attached to this Agreement as Exhibit "C," and are described as follows:

All of the SW/4 NE/4 NE/4, SE/4 NW/4 NE/4, NW/4 SE/4 NE/4 & NE/4 SW/4 NE/4 of Section 23, T23S, R28E, Eddy County, NM containing forty (40) acres, more or less, limited in depth as to the Delaware Mountain Group at a depth of 2,630 feet to 6,249 feet as found in the South Culebra Bluff #4B well located 560' FEL & 660' FNL of Section 23, T23S, R28E, Eddy County, NM (hereinafter referred to as the "Communitized Lands").

2. The Parties hereby mutually approve the drilling of the South Culebra Bluff "23" #15 well within the Proposed Drilling Unit, and agree to communitize and pool their respective mineral and leasehold interests in the Communitized Lands for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this Agreement.
3. The Parties agree as to the ownership of the royalty, working interests and other leasehold interests in the Proposed Drilling Unit is as set out on the Exhibit "B" attached hereto. This Agreement shall not have any affect on the respective ownership of the royalty, working interests and other leasehold interests in the existing wells in Tracts 1 thru 4 set out on the Exhibit "C" attached hereto.
4. This Agreement shall not be construed as a cross conveyance, but as a stipulation of ownership between the Parties in and to the oil and gas produced from the well. It shall remain in force and effect for so long as oil and/or gas is being produced from the Communitized Lands.
5. RB Operating will make a diligent effort to obtain the approval to drill the South Culebra Bluff "23" #15 well from the New Mexico Oil Conservation Division.

BEFORE THE
OIL CONSERVATION DIVISION
Case No.13358 Exhibit No. **3**
Submitted By:
RB Operating Company
Hearing Date: November 4, 2004

6. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of the existing Operating Agreement.
7. In the event the South Culebra Bluff "23" #15 well has not been spudded by July 1, 2005, this agreement shall expire.
8. This agreement shall not amend any existing agreements covering the Proposed Drilling Unit, including, but not limited to, the Operating Agreement, Oil and Gas Leases, Division Orders, etc.
9. This Agreement shall become effective upon the proper execution and approval of one-hundred percent (100%) of the Parties.
10. The covenants in this Agreement shall be construed to be covenants running with the land with respect to the communitized interests of the Parties and their successors in interests until this Agreement terminates. Any grant, transfer, or conveyance of any land or interest subject to this Agreement, whether voluntary or not, shall be and is conditioned on the assumption of all obligations of this Agreement by the grantee, transferee, or other successor in interest.
11. This Agreement shall be binding on the Parties and shall extend to and be binding on their respective heirs, executors, administrators, successors, and assigns.
12. 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 to it, and shall be binding on all Parties who have executed a counterpart, ratification or consent with the same force and effect as if all Parties had signed the same document.

The Parties have executed this 22 day of September, 2004, however, shall not become effective upon the proper execution and approval of one-hundred percent (100%) of the Parties.

WORKING INTEREST OWNERS

Chesapeake Permian, L. P.

By: _____
Name:
Title:

RB Operating Company

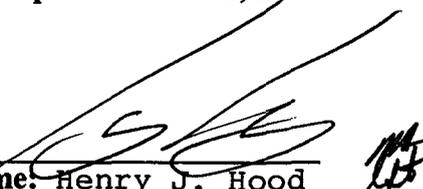
By: 
Name: D. NEAL HARRINGTON
Title: VP LAND

6. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of the existing Operating Agreement.
7. In the event the South Culebra Bluff "23" #15 well has not been spudded by July 1, 2005, this agreement shall expire.
8. This agreement shall not amend any existing agreements covering the Proposed Drilling Unit, including, but not limited to, the Operating Agreement, Oil and Gas Leases, Division Orders, etc.
9. This Agreement shall become effective upon the proper execution and approval of one-hundred percent (100%) of the Parties.
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12. 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 to it, and shall be binding on all Parties who have executed a counterpart, ratification or consent with the same force and effect as if all Parties had signed the same document.

The Parties have executed this 28th day of July, 2004, however, shall not become effective upon the proper execution and approval of one-hundred percent (100%) of the Parties.

WORKING INTEREST OWNERS

Chesapeake Permian, L. P.

By: 

Name: Henry J. Hood

Title: Senior Vice President - Land and Legal
of Chesapeake Operating, Inc.

General Partner of Chesapeake Permian, LP
RB Operating Company

By: _____

Name:

Title:

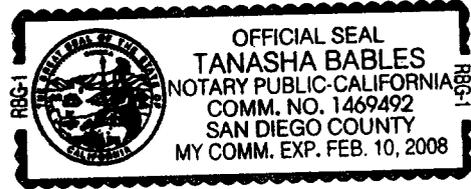
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Diego } ss.

On July 21, 2001 before me, Tanasha Bables, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Maria Stennis
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.
Tanasha Bables
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Communitization Agreement
Document Date: 7-21-01 Number of Pages: 4

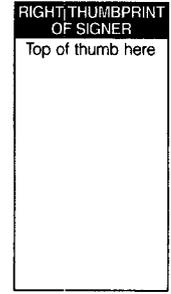
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: Maria Stennis

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing: _____



OVERRIDING ROYALTY INTEREST OWNER

Wells Fargo F. B. O. Donald Paape

By: _____
Name:
Title:

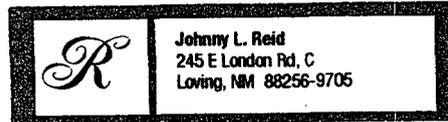
ROYALTY OWNERS

Stennis Family Trust

By: _____
Maria Stennis, Trustee

Johnny L. Reid

Johnny L. Reid



Jackie L. Reid

Jackie L. Reid

Individual Acknowledgement

STATE OF New Mexico §
 §
COUNTY OF Eddy §

This instrument was acknowledged before me on the 7th day of August, 2004, by Johnny L. Reid.

My Commission Expires
8-13-07

Melissa Walker

Notary Public in and for the State
of New Mexico.

Attached to and made a part of that certain Communitization Agreement by and between RB Operating Company, et al.

Exhibit "A"

South Culebra Bluff "23" #11 Well (Tract 1) & South Culebra Bluff #3B Well (Tract 3)

Owner Name	Working Interest	Net Revenue Interest
Chesapeake Permian, L. P.	0.50000000	0.40625000
RB Operating Company	0.50000000	0.40371094
Wells Fargo F. B. O. Donald Paape *		0.00253906
Johnny L. Reid and Jackie L. Reid		0.18750000
Totals	1.00000000	1.00000000

South Culebra Bluff #4B Well (Tract 2) & South Culebra Bluff "23" #12 Well (Tract 4)

Owner Name	Working Interest	Net Revenue Interest
Chesapeake Permian, L. P.	0.50000000	0.40625000
RB Operating Company	0.50000000	0.40371094
Wells Fargo F. B. O. Donald Paape *		0.00253906
Stennis Family Trust		0.18750000
Totals	1.00000000	1.00000000

* Overriding Royalty Interest

Attached to and made a part of that certain Communitization Agreement by and between RB Operating Company, et al.

Exhibit "B"

South Culebra Bluff "23" #15 Well (Proposed Drilling Unit)

Owner Name	Working Interest	Net Revenue Interest
Chesapeake Permian, L. P.	0.50000000	0.40625000
RB Operating Company	0.50000000	0.40371094
Wells Fargo F. B. O. Donald Paape *		0.00253906
Stennis Family Trust **		0.09375000
Johnny L. Reid and Jackie L. Reid ***		0.09375000
Totals	1.00000000	1.00000000

* Overriding Royalty Interest

** Surface Owner (E/2 NE/4 of Section 23)

*** Surface Owner (W/2 NE/4 of Section 23)

Attached to and made a part of that certain Communitization Agreement by and between RB Operating Company, et al.

Exhibit "C"

