



**OXY USA WTP LIMITED PARTNERSHIP**

6 Desta Drive, Suite 600, Midland, Texas 79705  
P.O. Box 50250, Midland, Texas 79710

David R. Evans  
Land Negotiator

432/685-5769  
FAX 432/685-5905

July 10, 2006

**LESSEES OF RECORD AND  
WORKING INTEREST OWNERS**

RE: OXY Admiral Fed Com #1  
W/2 Section 35, T17S-R27E  
Eddy County, New Mexico

Gentlemen:

Enclosed for your further handling is a Communitization Agreement for the above captioned well with signature pages and ratifications.

It would be appreciated if you would please sign, notarize and return three (3) extra sets of signature pages with notaries to the Communitization Agreement, either as to lessee of record or ratifications.

Very truly yours,

OXY USA WTP Limited Partnership

A handwritten signature in cursive script, appearing to read 'David R. Evans'.

David R. Evans

Devon Energy Production Company, L.P.  
Attention: Meg Muhlinghaus  
20 North Broadway  
Oklahoma City, Oklahoma 73102-8260

BP America Production Company  
Attention: Tom Furtwangler  
501 Westlake Park Boulevard  
Houston, Texas 77079

John H. & Pauline V. Trigg  
P. O. Box 5629  
Roswell, New Mexico 88202-5629

Summit Overseas Exploration, Inc.  
P. O. Box 271127  
Littleton, Colorado 80127

First Interstate Bank of Arizona  
u/w/o Howard B. Wright, deceased  
P. O. Box 53446  
Phoenix, Arizona 85072

Joan Hudson Moore  
81 North Street  
Naples, Florida 34108

Jonel Susan Grasso  
11 Ocean Ridge  
Laguna Niguel, California 92677

Jane Ann Hudson Davis  
6770 Wolf Creek Court  
Rio Rancho, New Mexico 87144

John J. Schaller  
1721 Antler Lane  
Finksburg, Maryland 21048

**COMMUNITIZATION AGREEMENT**

**Contract No.** \_\_\_\_\_

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 hereinafter being 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 portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

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

Township 17 South, Range 27 East, N.M.P.M.  
Section 35: W/2  
Eddy County, New Mexico

containing 320 acres, and this agreement shall include the Morrow, Strawn and Atoka Formation(s) underlying said lands and the natural gas and associated liquid hydrocarbons hereinafter referred to as communitized substances, producible from such formation(s).

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 four executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, 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 each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the Communitization Agreement area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

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 allocations, 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 compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is January 27, 2006 and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect as to the Morrow, Strawn and Atoka formations, for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-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.
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 interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.
12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.
14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate

instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

- 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 above written and have set opposite their respective names the date of execution.

OPERATOR

OXY USA WTP Limited Partnership  
By: OXY USA Inc., General Partner

DATE OF EXECUTION: \_\_\_\_\_

By: \_\_\_\_\_  
Stephen S. Flynn, Attorney-in-Fact

STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS       §

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2006 by Stephen S. Flynn, as Attorney in Fact for OXY USA Inc., a Delaware corporation, as General Partner of OXY USA WTP Limited Partnership, a Delaware limited partnership, on behalf of OXY USA WTP Limited Partnership.

\_\_\_\_\_  
Notary Public

**LESSEES OF RECORD**

***Devon Energy Production Company, L.P.***

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

***BP America Production Company***

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

***Occidental Permian Limited Partnership***

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

STATE OF OKLAHOMA       §  
  §  
COUNTY OF                   §

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2006  
by \_\_\_\_\_, as \_\_\_\_\_ for Devon Energy  
Production Company, L.P.

\_\_\_\_\_  
Notary Public

STATE OF TEXAS           §  
  §  
COUNTY OF HARRIS       §

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2006  
by E. M. Sierra, as Attorney in Fact for BP America Production Company.

\_\_\_\_\_  
Notary Public

STATE OF TEXAS     )  
                                  )  
COUNTY OF HARRIS    )

This instrument was acknowledged before me on \_\_\_\_\_, 2006, by Stephen S. Flynn, Attorney-in-Fact of Occidental Permian Manager LLC, a Delaware limited liability company, as General Partner of Occidental Permian Limited Partnership, a Texas limited partnership, on behalf of Occidental Permian Limited Partnership.

\_\_\_\_\_  
Notary Public

# EXHIBIT A

Plat of communitized area covering W/2, Sec. 35,  
T 17 S, R 27 E, N.M.P.M., Eddy County, New Mexico.

Tract No. 6 40 Acres NMLC-067849	Tract No. 4 80 Acres NMLC-050158  OXY Admiral Federal Com. No. 1
Tract No. 5 40 Acres NMNM-0557370	
Tract No. 1 40 Acres NMLC-064050-A	Tract No. 2 80 Acres NMLC-057798
Tract No. 2 80 Acres NMLC-057798	Tract No. 3 40 Acres NMLC-028755-A

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EXHIBIT "B"

To Communitization Agreement dated January 27, 2006, embracing the W/2 of Section 35, T17S, R27E, N.M.P.M., Eddy County, New Mexico.

Operator of Communitized Area:

DESCRIPTION OF LEASES COMMITTED

**TRACT NO. 1**

Lease Serial No.: NMLC 064050-A

Lease Date: January 1, 1951

Lease Term: 5 years

Lessor: United States of America

Original Lessee: John H. Trigg

Present Lessee: Devon Energy Production Company, L.P.

Description of Land Committed: NW/4SW/4

Township 17 South , Range 27 East , Section 35

Number of Acres: 40

Royalty Rate: 12.5%

Name and Percent ORRI Owners:

John H. and Pauline V. Trigg	3.00%
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Name and Percent WI Owners:

Devon Energy Production Company, L.P.	50.00%
Occidental Permian Limited Partnership	50.00%

**TRACT NO. 2**

Lease Serial No.: NMLC 057798  
Lease Date: December 1, 1940  
Lease Term: 10 years  
Lessor: United States of America  
Original Lessee: R. S. Magruder  
Present Lessee: OXY USA WTP Limited Partnership  
Description of Land Committed: SW/4SW/4 and NE/4SW/4  
Township 17 South , Range 27 East , Section 35  
Number of Acres: 80  
Royalty Rate: Subject to a sliding scale royalty ranging from 12.5% to 32%  
on oil and from 12.5% to 16-2/3% on gas, depending on the  
rates of production.

Name and Percent ORRI Owners:

Name and Percent WI Owners:

OXY USA WTP Limited Partnership	100.00%
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**TRACT NO. 3**

Lease Serial No.: NMLC 028755-A

Lease Date: August 1, 1956

Lease Term: 10 years

Lessor: United States of America

Original Lessee: E. A. Paton and Doris Paton, Executrix for the Estate of H. R. Paton, deceased

Present Lessee: OXY USA WTP Limited Partnership

Description of Land Committed: SE/4SW/4

Township 17 South , Range 27 East , Section 35

Number of Acres: 40

Royalty Rate: Subject to a sliding scale royalty ranging from 12.5% to 25% on oil and from 12.5% to 16-2/3% on gas, depending on the rates of production.

Name and Percent ORRI Owners:

Name and Percent WI Owners:

OXY USA WTP Limited Partnership 100.00%

**TRACT NO. 4**

Lease Serial No.: NMLC 050158

Lease Date: December 31, 1938

Lease Term: 5 years

Lessor: United States of America

Original Lessee: J. H. Harbold

Present Lessee: BP America Production Company

Description of Land Committed: E/2NW/4

Township 17 South , Range 27 East , Section 35

Number of Acres: 80

Royalty Rate: Subject to a sliding scale royalty ranging from 12.5% to 32% on oil and from 12.5% to 16-2/3% on gas, depending on the quality and quantity of production.

## Name and Percent ORRI Owners:

John J. Schaller, as his separate property	0.6667%
Summit Overseas Exploration, Inc.	0.6666%
First Interstate Bank of Arizona, Trustee u/w/o Howard B. Wright, dec.	0.6667%
Joan Hudson Moore, as her separate property	0.125%
Jonel Susan Grasso, as her separate property	0.125%
Jane Ann Hudson Davis, as her separate property	0.750%

## Name and Percent WI Owners:

Devon Energy Production Company, L.P.	50.00%
Occidental Permian Limited Partnership	50.00%

**TRACT NO. 5**

Lease Serial No.: NMNM 0557370  
 Lease Date: December 31, 1938  
 Lease Term: 5 years  
 Lessor: United States of America  
 Original Lessee: J. H. Harbold  
 Present Lessee: BP America Production Company  
 Description of Land Committed: SW/4NW/4  
 Township 17 South , Range 27 East , Section 35  
 Number of Acres: 40  
 Royalty Rate: 12.5%

Name and Percent ORRI Owners:

John J. Schaller, as his separate property	0.6667%
Summit Overseas Exploration, Inc.	0.6666%
First Interstate Bank of Arizona, Trustee u/w/o Howard B. Wright, dec.	0.6667%
Joan Hudson Moore, as her separate property	0.125%
Jonel Susan Grasso, as her separate property	0.125%
Jane Ann Hudson Davis, as her separate property	0.750%

Name and Percent WI Owners:

Devon Energy Production Company, L.P.	50.00%
Occidental Permian Limited Partnership	50.00%

**TRACT NO. 6**

Lease Serial No.: NMLC 067849

Lease Date: September 1, 1948

Lease Term: 10 years

Lessor: United States of America

Original Lessee: Malco Refineries, Inc.

Present Lessee: BP America Production Company

Description of Land Committed: NW/4NW/4

Township 17 South , Range 27 East , Section 35

Number of Acres: 40

Royalty Rate: 12.5%

Name and Percent ORRI Owners:

Joan Hudson Moore, as her separate property	0.125%
Jonel Susan Grasso, as her separate property	0.125%
Jane Ann Hudson Davis, as her separate property	0.750%

Name and Percent WI Owners:

Devon Energy Production Company, L.P.	50.00%
Occidental Permian Limited Partnership	50.00%

RECAPITULATION

Tract No.	No. of Acres Committed	Percentage of Interest in Communitized Area
1	40	12.5%
2	80	25.0%
3	40	12.5%
4	80	25.0%
5	40	12.5%
6	40	12.5%



CONSENT AND RATIFICATION  
TO  
COMMUNITIZATION AGREEMENT

For the purposes and considerations stated in that certain Communitization Agreement dated January 27, 2006, covering natural gas and associated liquid hydrocarbons produced from the Morrow, Atoka and Strawn formations under the W/2 of Section 25, Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, the undersigned (whether one or more) hereby ratifies, confirms and joins in the execution of said Communitization Agreement, which is incorporated herein and made a part hereof, to the same extent and effect as if the undersigned had executed the original of said Communitization Agreement.

The undersigned acknowledges receipt of a copy of said Communitization Agreement and acknowledges that no representations not incorporated herein or in said Communitization Agreement have been made to the undersigned, and that this instrument has been signed and delivered unconditionally.

Date: \_\_\_\_\_

Summit Overseas Exploration, Inc.

\_\_\_\_\_

STATE OF COLORADO        )  
  ) ss  
COUNTY OF                    )

The foregoing instrument was acknowledged before me this \_\_\_ day of \_\_\_\_\_, 2006 by \_\_\_\_\_ as \_\_\_\_\_ of Summit Overseas Exploration, Inc.

\_\_\_\_\_  
Notary Public





CONSENT AND RATIFICATION  
TO  
COMMUNITIZATION AGREEMENT

For the purposes and considerations stated in that certain Communitization Agreement dated January 27, 2006, covering natural gas and associated liquid hydrocarbons produced from the Morrow, Atoka and Strawn formations under the W/2 of Section 25, Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, the undersigned (whether one or more) hereby ratifies, confirms and joins in the execution of said Communitization Agreement, which is incorporated herein and made a part hereof, to the same extent and effect as if the undersigned had executed the original of said Communitization Agreement.

The undersigned acknowledges receipt of a copy of said Communitization Agreement and acknowledges that no representations not incorporated herein or in said Communitization Agreement have been made to the undersigned, and that this instrument has been signed and delivered unconditionally.

Date: \_\_\_\_\_

Jonel Susan Grasso

\_\_\_\_\_

STATE OF CALIFORNIA     )  
  ) ss  
COUNTY OF                    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2006 by Jonel Susan Grasso, as her separate property.

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
TO  
COMMUNITIZATION AGREEMENT

For the purposes and considerations stated in that certain Communitization Agreement dated January 27, 2006, covering natural gas and associated liquid hydrocarbons produced from the Morrow, Atoka and Strawn formations under the W/2 of Section 25, Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, the undersigned (whether one or more) hereby ratifies, confirms and joins in the execution of said Communitization Agreement, which is incorporated herein and made a part hereof, to the same extent and effect as if the undersigned had executed the original of said Communitization Agreement.

The undersigned acknowledges receipt of a copy of said Communitization Agreement and acknowledges that no representations not incorporated herein or in said Communitization Agreement have been made to the undersigned, and that this instrument has been signed and delivered unconditionally.

Date: \_\_\_\_\_

Jane Ann Hudson Davis

\_\_\_\_\_

STATE OF NEW MEXICO     )  
  ) ss  
COUNTY OF                    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2006 by Jane Ann Hudson Davis, as her separate property.

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
TO  
COMMUNITIZATION AGREEMENT

For the purposes and considerations stated in that certain Communitization Agreement dated January 27, 2006, covering natural gas and associated liquid hydrocarbons produced from the Morrow, Atoka and Strawn formations under the W/2 of Section 25, Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, the undersigned (whether one or more) hereby ratifies, confirms and joins in the execution of said Communitization Agreement, which is incorporated herein and made a part hereof, to the same extent and effect as if the undersigned had executed the original of said Communitization Agreement.

The undersigned acknowledges receipt of a copy of said Communitization Agreement and acknowledges that no representations not incorporated herein or in said Communitization Agreement have been made to the undersigned, and that this instrument has been signed and delivered unconditionally.

Date: \_\_\_\_\_

John J. Schaller

\_\_\_\_\_

STATE OF MARYLAND        )  
  ) ss  
COUNTY OF                    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2006 by John J. Schaller, an individual.

\_\_\_\_\_  
Notary Public