

COMMUNITIZATION AGREEMENT

This AGREEMENT made and entered into this ____ day of _____, 1951, by and between DELHI OIL CORPORATION, a Delaware corporation, whose address is 1315 Pacific Avenue, Dallas, Texas (hereinafter sometimes referred to as "Delhi"), PAUL B. HORTON and wife, SUSAN HORTON, the address of both of whom is Mercantile Securities Building, Dallas, Texas (both being hereinafter sometimes collectively referred to as "Horton"), and DENA RIDDLE joined by H. K. RIDDLE, her husband, the address of both of whom is _____, Albuquerque, New Mexico (both being hereinafter sometimes collectively referred to as "Riddle"), as owners of the following described oil and gas leases (for convenience and identification, all of said parties being hereinafter sometimes referred to collectively as "Lessees"), in order to form a cooperative drilling unit for the purpose of properly conserving the gas resources thereof,

W I T N E S S E T H :

WHEREAS, Delhi is the present owner and holder of all operating rights in, to and under that certain oil and gas lease dated November 16, 1946, from H. A. Hubbard et ux to Wayne Moore, recorded in Book 125, page 106 of the Records of San Juan County, New Mexico, to which reference is here made, in so far as said lease covers the following described land situated in San Juan County, New Mexico, to wit:

Township 32 North, Range 11 West, N.M.P.M.
Section 30: E/2 NE/4, N/2 SE/4
containing 160 acres, more or less;

and

WHEREAS, Horton is the present owner and holder of all operating rights in, to and under that certain United States oil and gas lease bearing serial number Santa Fe 078231, executed in favor of _____ as lessee, of date February 1, 1948, in so far as said lease covers the following described

EX. B

land situated in San Juan County, New Mexico, to wit:

Township 32 North, Range 11 West, N.M.P.M.

Section 30: S/2 SE/4

containing 80 acres, more or less;

and

WHEREAS, Riddle is the present owner and holder of all operating rights in, to and under that certain United States oil and gas lease bearing serial number Santa Fe 078116, executed in favor of _____ as lessee, of date September 1, 1948, in so far as such lease covers the following described land situated in San Juan County, New Mexico, to wit:

Township 32 North, Range 11 West, N.M.P.M.

Section 30: N/2 NE/4

containing 80 acres, more or less;

and

WHEREAS, Lessees desire to communitize the above described oil and gas leases in so far as they pertain to the above described land, in order to form one tract or unit consisting of the E/2 of Section 30, Township 32 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, containing 320 acres, more or less; and

WHEREAS, Horton and Riddle have or will execute and file a Designation of Operator naming and designating Delhi as Operator of their said leases in so far as they pertain to the land above described; and

WHEREAS, in order to be consistent with existing rules and regulations governing well spacing and production allowables, Lessees desire to operate the entire communitized unit for the purpose and intention of developing and producing dry gas and/or condensate producible from formations down to and including the Mesaverde Formation in accordance with the terms and provisions of this Agreement:

NOW, THEREFORE, in consideration of the premises and mutual advantages offered by this Agreement, it is mutually

covenanted and agreed by and between the parties hereto as follows:

1. The lands subject to this Agreement shall be developed and operated for dry gas and/or condensate producible from formations down to and including the Mesaverde Formation, as an entirety, with the understanding and agreement that the dry gas and/or condensate so produced from the communitized area down to and including the Mesaverde Formation shall be allocated among the leasehold tracts comprising said area in the proportion that the acreage interest of each leasehold tract bears to the entire acreage interest committed hereto. Each party hereto reserves the right to take his or its allocated proportion of the communitized production in kind. The royalties payable for dry gas and/or condensate so allocated to the lands comprising the leasehold tracts and the rentals provided for therein shall be determined and paid on the basis prescribed in the respective leases.

There shall be no obligation on parties hereto to offset any dry gas well or wells on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall the parties hereto be required to separately measure said dry gas and/or condensate by reason of the diverse ownership of the dry gas in and under said tract, but lessees shall not be released from their obligations to protect said communitized tract from drainage by dry gas well or wells which may be drilled offsetting said tract. Payment of rentals under the terms of the leases hereinabove referred to and described shall not be affected by this agreement except as may herein be provided.

2. Except as herein modified and changed, the said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued.

3. The commencement, completion, continued operation, or production of a well or wells for dry gas on the communitized tract down to and including the Mesaverde Formation shall be construed and considered as the commencement, completion, continued operation or production from each and all of the lands within and comprising said communitized tract.

4. All production of dry gas 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 statute. The provisions of this Agreement shall be subject to all applicable federal and state laws or executive orders, rules and regulations which affect performance of any of the provisions of this Agreement 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 if such failure results from, compliance with any such law or rule or regulation.

5. Delhi shall be the Unit Operator of said communitized tract, and all matters of operation, adjustments between the parties hereto and payment of royalties and rentals shall be governed and performed by Delhi.

6. This Agreement shall be effective as of the date hereof, upon approval by the Director of the Geological Survey and shall remain in force and effect for a period of two (2) years and so long thereafter as dry gas and/or condensate is produced from any part of said communitized tract in paying quantities, provided that prior to production in paying quantities from said communitized tract and upon fulfillment of all requirements of the Director of the Geological Survey with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by mutual agreement of the parties.

7. Unit Operator of said communitized tract hereby agrees to furnish the Secretary of the Interior, or his duly authorized representative, with the log and history of any well or wells; the monthly report of operations; the statement of oil and gas runs and royalties, together with such reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations for any well within the communitized tract.

The parties hereto agree that the Secretary of the Interior, or his representative, shall have the right of super-

vision over all operations within the communitized tract to the same extent and degree as provided in said department oil and gas leases and in the oil and gas regulations of the Department of the Interior.

8. Delhi as Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin and shall require an identical provision to be included in all subcontracts.

9. This Agreement shall be binding upon the parties hereto and shall extend to and be binding upon their heirs, executors, administrators, successors and assigns.

10. This Agreement may be executed in one or more counterparts by any of the parties hereto and all counterparts so executed shall be taken as a single agreement and shall have the same force and effect as if both parties had in fact executed but a single instrument.

IN WITNESS WHEREOF the parties hereto have executed this agreement on the day and year first hereinabove written.

DELHI OIL CORPORATION

By _____
Vice President

ATTEST:

Secretary

Paul B. Horton

Susan Horton

Dana Riddle

H. K. Riddle

STATE OF TEXAS |
COUNTY OF DALLAS | ss.

On this _____ day of _____, 1951, before me personally appeared _____, to me known, who, being by me duly sworn, did say that he is Vice President of DELHI OIL CORPORATION, a corporation organized under the laws of the State of Delaware, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation, by authority of the Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires:

Notary Public in and for Dallas County,
T e x a s .

STATE OF TEXAS |
COUNTY OF DALLAS | ss.

On this _____ day of _____, 1951, before me personally appeared PAUL B. HORTON and SUSAN HORTON, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public in and for Dallas County,
T e x a s .

STATE OF NEW MEXICO |
COUNTY OF _____ | ss.

On this _____ day of _____, 1951, before me personally appeared BENA RIDDLE and H. K. RIDDLE, wife and husband, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public in and for _____
County, New Mexico.

Amended

-X. C

RATIFICATION OF COMMUNITIZATION AGREEMENT

WHEREAS, DESHI OIL CORPORATION, PAUL B. HORTON et ux, and DENA MIDDLE et vir have executed a certain Communitization Agreement dated October 20, 1951, under the terms of which the oil and gas leasehold interests in the E/2 of Section 30, Township 32 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, were communitized as to gas and/or condensate down through the Mesaverde Formation for the purpose of complying with the rules, regulations and orders of the New Mexico Oil Conservation Commission, and for the further purpose of properly conserving the gas and/or condensate resources in and under such land; and

WHEREAS, the undersigned parties hereto are the owners of the various royalty and overriding royalty interests in and to the minerals in and under the said land, and desire to ratify the said Communitization Agreement;

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration and the mutual covenants herein contained, the full receipt of which is hereby acknowledged, the undersigned hereby ratify and confirm said Communitization Agreement and agree that their respective royalty and overriding royalty interests in so far as gas and/or condensate in and under the said land down through the Mesaverde Formation is concerned shall be communitized under such Communitization Agreement upon the same basis as the working interests of the said Deshi Oil Corporation, Paul B. Horton et ux and Dena Middle et vir, so that such royalty and overriding royalty interests shall be payable out of production from the entire communitized lands, but only in the proportion that the acreage to which the respective interest pertains bears to the acreage in the entire communitized lands.

EXECUTED this 20 day of October, 1951.

ATTEST
[Signature]
Asst. Secretary

SAN JUAN OIL COMPANY
By *[Signature]*
President

Name

Address

Wayne Moore

Jo Ann Moore

J. C. Brown

Alice H. Brown

TURNER SECURITIES

By _____
President

ATTEST:

Secretary

W. L. Cummins

Myra Cummins

H. A. Hubbard

Myrtle Hubbard

J. B. Hancock

Hancock

Ruby Griffin Johns

Johns

STATE OF TEXAS
COUNTY OF DALLAS

On this 20 day of October, 1951, before me appeared Robert J. Bradley, to me personally known, who, being by me duly sworn, did say that he is the _____ president of SAN JUAN OIL COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said Robert J. Bradley acknowledged said instrument to be the free act and deed of said corporation.

William J. Carey
Notary Public
William J. Carey

My commission expires:
June 1, 1952

STATE OF
COUNTY OF

On this _____ day of _____, 1951, before me personally appeared WAYNE MOORE and JO ANN MOORE, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public

My commission expires:

STATE OF
COUNTY OF

On this _____ day of _____, 1951, before me personally appeared J. C. BROWN and ALICE H. BROWN, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public

My commission expires:

STATE OF

COUNTY OF

On this _____ day of _____, 1951, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the President of TURNER SECURITIES, a _____ corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF

COUNTY OF

On this _____ day of _____, 1951, before me personally appeared M. L. CUMMINS AND MYRA CUMMINS, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public

My commission expires:

STATE OF

COUNTY OF

On this _____ day of _____, 1951, before me personally appeared H. A. HUBBARD and MYRTLE HUBBARD, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public

My commission expires:

STATE OF

COUNTY OF

On this _____ day of _____, 1951, before me personally appeared J. D. HANCOCK and _____ HANCOCK, husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public

My commission expires:

STATE OF

COUNTY OF

On this _____ day of _____, 1951, before me personally appeared RUBY GRIFFIN JOHNS and _____ ^{JOHNS,} husband and wife, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Notary Public

My commission expires:
