

APPROVAL-CERTIFICATION-DETERMINATION

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 Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached communitization agreement covering the SE $\frac{1}{4}$ of sec. 24, T. 5 S., R. 24 E., N.M.P.M.,

Chaves County, New Mexico,
as to (dry gas and associated liquid hydrocarbons)

~~(oil and associated hydrocarbons)~~ producible from the
Abo formation.

B. 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.

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.

Dated: FEB 29 1980

Henry T. Daniel
for Oil and Gas Supervisor, SRMA
U. S. Geological Survey

Contract No: SRM- 1485

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT entered into as of the 15th day of January, 1980, 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 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, Rule 104 of New Mexico Oil Conservation Division provides that in Lea, Chaves, Eddy and Roosevelt Counties, a gas well shall be located on a drilling tract consisting of 160 acres, more or less, substantially in the form of a square which is a legal quarter section of the U. S. Public Land Surveys; provided however, that any gas well which is projected to the Wolfcamp or older formations shall be located on a designated drilling tract consisting of 320 acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys; 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:

T. 5 S., R. 24 E., N.M.P.M., Chaves Co., N. M.

Section 24: SE/4

Containing 160.00 acres, more or less,

and this agreement shall include only the Abo formation underlying said lands and the natural gas and associated liquid hydrocarbons, hereinafter referred to as "communitized substances," producible from such formation.

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 (4) executed copies of a designation of successor operator shall be filed with the Area Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his duly 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.

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 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 if such failure results from, compliance with any such laws, orders, rules or regulations.

10. This agreement is effective January 15, 1980 upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior 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, 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 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.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interest 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.

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 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 regulations of the Department of the Interior.

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.

FRED POOL DRILLING COMPANY

By: [Signature]

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 22nd day of February, 1980 by FRED POOL, JR.

My Commission Expires:
4/19/83



OFFICIAL SEAL

SIGNATURE

[Signature]
LINDA LAWSON

Notary Public

NOTARY BOND FILED WITH SECRETARY OF STATE
MY COMMISSION EXPIRES 4-19-83

CONSENT AND RATIFICATION

TO

THE COMMUNITIZATION AGREEMENT

Dated January 15, 1980

Covering the Abo Formation

Underlying the SE/4 Sec. 24, T. 5 S., R. 24 E., N.M.P.M.
Chaves County, N. M.

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the above captioned Communitization Agreement and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being lessees of record, owners of working interests, production payment or royalty interests, or other interests in the lands, leases, and minerals embraced within the communitized area do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Communitization Agreement.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Fred Pool, Jr.
FRED POOL, JR.

Penta Pool
PINTA POOL, his wife

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 22nd day of February, 1980 by FRED POOL, JR. and PENTA POOL, his wife.

My Commission Expires:
4/19/83



OFFICIAL SEAL

SIGNATURE Linda Lawson
LINDA LAWSON

Notary Public
NOTARY BOND FILED WITH SECRETARY OF STATE
MY COMMISSION EXPIRES 4-19-83

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION

TO

THE COMMUNITIZATION AGREEMENT

Dated January 15, 1980

Covering the Abo Formation

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Chaves County, N. M.

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IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

WESTERN RESERVES OIL COMPANY
a Texas Limited Partnership

by: *R. C. Beveridge*

R. C. Beveridge, Sole General Partner

STATE OF TEXAS)

COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of February, 19 80 by R. C. BEVERIDGE, Sole General Partner of
Western Reserves Oil Company, a Texas Limited Partnership.

My Commission Expires:

May 31, 1981

Shelma Wright
Notary Public

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____

My Commission Expires:

Notary Public

EXHIBIT "A"

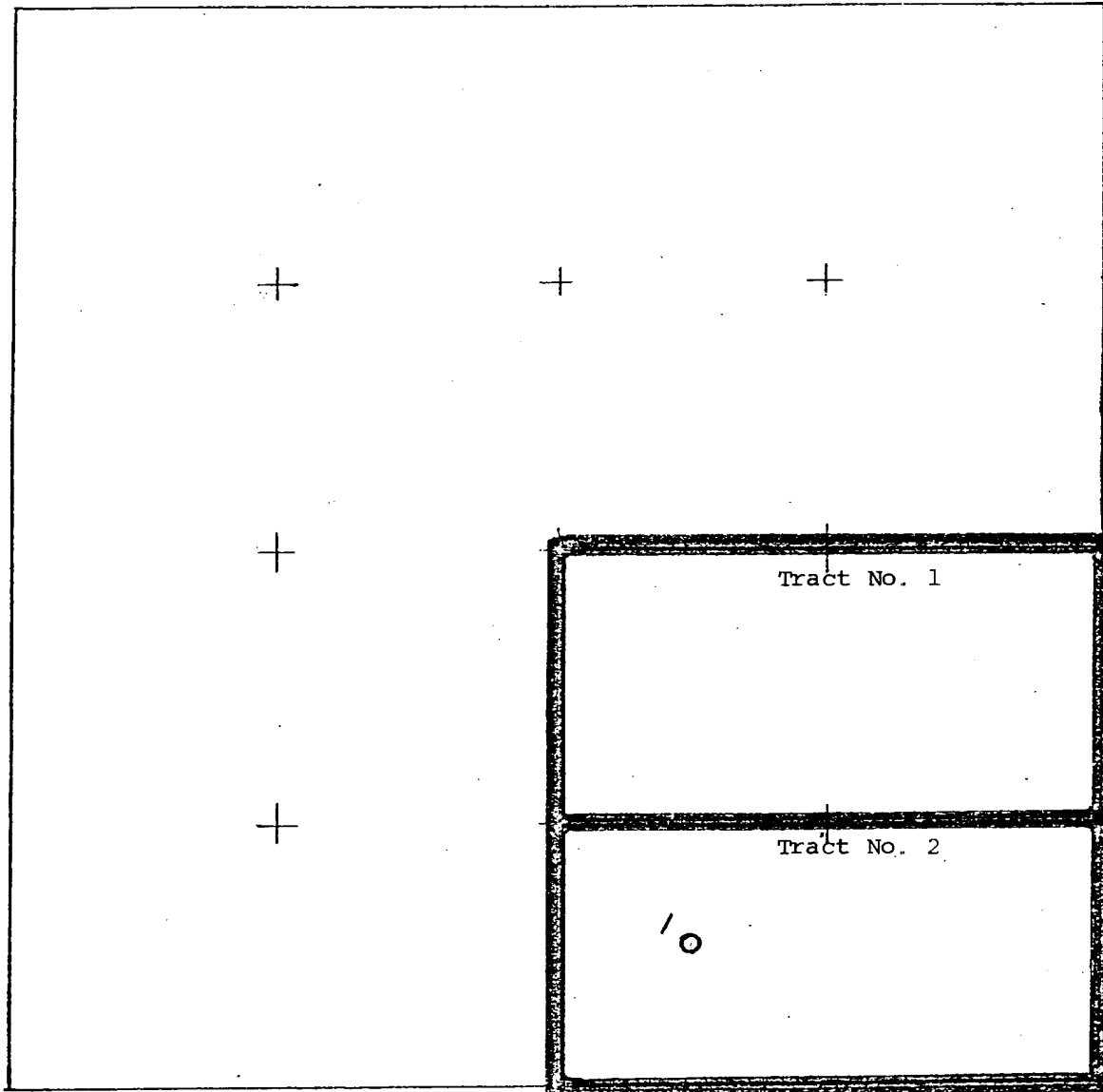
COMMUNITIZATION AGREEMENT Dated 1-15-80

Abo Formation

SE/4 Sec. 24-5S-24E

Chaves County, N. M.

Plat of Sec. 24-5S-24E



<u>Tract No.</u>	<u>Acres</u>	<u>Type Land</u>	<u>Lease</u>	<u>WI Owner</u>
1	80.00	Federal	NM-12441	Fred Pool, Jr.
2	80.00	Fee	Ruth H. Corn, et al	Fred Pool, Jr.
	<u>160.00</u>			

EXHIBIT "B"

COMMUNITIZATION AGREEMENT Dated 1-15-80
Abo Formation
SE/4 Sec. 24-5S-24E
Chaves County, N. M.

Designated Operator: FRED POOL DRILLING COMPANY
327 J. P. White Building
Roswell, New Mexico 88201

DESCRIPTION OF TRACTS COMMUNITIZED

Tract No. 1 - - - 80 Acres of Federal Land - - - - N/2 SE/4 Sec. 24-5S-24E

Lease: NM-12441
Date & Term: October 1, 1970 for primary term of 10 years
Lessee: Western Reserves Oil Co.
Gross Leasehold Interest:

<u>Percentage</u>	<u>Ownership</u>
12.50%	U. S. Government (Basic Royalty)
6.25%	Western Reserves Oil Co. (OR)
<u>81.25%</u>	<u>Fred Pool, Jr. (100% WI)</u>
100.00%	

Tract No. 2 - - - 80 Acres of Fee Land - - - - - S/2 SE/4 Sec. 24-5S-24E

Lessors: Ruth H. Corn; Bronson M. Corn and Ina Corn, his wife; and Corn Brothers, Inc.
Date & Term: October 19, 1979 for primary term of 90 days (HBP)
Lessee: Fred Pool, Jr.
Pooling Clause: Lease contains a provision authorizing pooling in accordance with acreage requirement of the agreement. Section 5 authorizes the lessee to combine any part or horizon of the lease with other lands to conform with standard spacing units established by the N. M. Oil Conservation Division.
Gross Leasehold Interest:

<u>Percentage</u>	<u>Ownership</u>
25.00%	Ruth Corn, et al (Basic Royalty)
<u>75.00%</u>	<u>Fred Pool, Jr. (100% WI)</u>
100.00%	

RECAPITULATION OF TRACTS COMMUNITIZED

<u>Tract No.</u>	<u>Acres Committed</u>	<u>Percentage of Communitized Area</u>
1	80.00	50%
2	80.00	50%
	<u>160.00</u>	<u>100%</u>