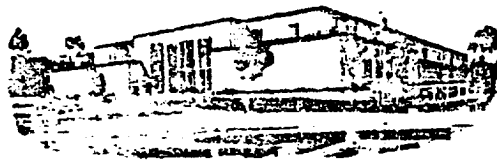


State of New Mexico



PHIL R. LUCERO
COMMISSIONER



Commissioner of Public Lands

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

under the land hereinafter described cannot be independently developed and operated in conformity with the well-spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this Agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

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 undersigned as follows:

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

Township 18 South Range 31 East N.M.P.M.

Section 16: W/2

Eddy County, New Mexico

containing 320.00 acres, more or less, and so hereby declare that it is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath said land in accordance with the spacing rules of the Oil Conservation Division of the New Mexico Energy and Minerals Department, State of New Mexico, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize, for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Sub-