

UNRECORDED LETTERS RECEIVED FROM  
SUN OIL COMPANY

SUBJECT: Misc. 5205-7  
Eddy County, New Mexico

DATE: April 22, 1964

FROM: Title Record Department

OFFICE: Dallas

TO: Messrs. N. L. Anderson  
Chas. D. Freeman  
C. F. Caldwell  
Kirby Miller  
R. L. Sullivan  
Frank Nicholson  
H. A. Sparks  
D. E. Crow  
Frank Prassler  
A. C. Rhea  
Jack Winn

Gentlemen:

Attached is Communication Agreement (Bright Federal Unit) from  
Sun Oil Company et al. to The Public covering leases in Eddy County,  
New Mexico.

Yours very truly,

*Jack F. Hagar*  
Jack F. Hagar

nk

Attach.

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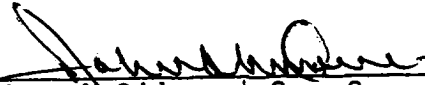
U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

# 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 Regional Oil and Gas Supervisors of the Geological Survey by Order approved June 14, 1962 (27 F.R. 6395), I do hereby:

- A. Approve the attached communitization agreement covering all of Section 21, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from the Cisco Canyon and Morrow formations.
- 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: APR 7 1964

  
Regional Oil and Gas Supervisor  
U. S. Geological Survey  
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Contract No. Comm. Agr.-SW- 50

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COMMUNITIZATION AGREEMENT

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

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

THIS AGREEMENT entered into as of the 3rd day of March, 1964, 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, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease or any portions 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 21 South, Range 23 East, N.M.P.M.

Eddy County, New Mexico

Section 21: All

containing 640 acres, more or less, and this agreement shall include those depths comprising the Cisco Canyon and Morrow formations underlying said lands and the dry gas and associated liquid hydrocarbons hereinafter referred to as "communitized substances," producible from such formations.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit A 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 Regional Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, a log and history of any well drilled on the communitized area, monthly reports of operations, statements of communitized substances 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. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive of Executive Order 10925, as amended (28 F. R. 6485), which are hereby incorporated by reference in this agreement.

6. 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.

7. 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. Payment 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.

8. There shall be no obligation on the lessees to offset any well or wells completed in the formation 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 shall not be released from their obligation to protect the communitized area from drainage of communitized substances by a well or wells drilled offsetting said area.

9. 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.

10. 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.

11. This agreement shall be effective as of the date hereof 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 as to the Cisco Canyon formation and Morrow formation individually 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.

12. It is agreed by 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 operating regulations of the Department of the Interior.

13. 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 interest 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

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the Secretary of the Interior.

14. 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.

15. 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.

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.

SUN OIL COMPANY

Date: MARCH 20 1964

By [Signature]  
Agent and Attorney-in-Fact

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

\_\_\_\_\_

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

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

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

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

\_\_\_\_\_

Exhibit A to Communitization Agreement  
dated March 3, 1964, embracing all of  
Section 21, T-21-S, R-23-E, Eddy County,  
New Mexico.

Operator of Communitized Area: Sun Oil Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lessor(s): United States of America

Lessee(s) of Record: Marathon Oil Company

Serial No. of Lease: NM 05612-A

Date of Lease: July 1, 1951

Description of Lands Committed: E/2 of NE/4 and SE/4 Section 21,  
T-21-S, R-23-E, Eddy County,  
New Mexico.

Number of Acres: 240

Working Interest and Percentage: Marathon - 85.5%\*

\*Subject to Operating Agreement dated May 15, 1962, between Ralph Lowe,  
Marathon Oil Company (formerly The Ohio Oil Company), Sinclair Oil and  
Gas Company, and Kerr-McGee Oil Industries, Inc.

O.R.R.I. and Percentage: Ann Kennedy Gwilliam, Ind. and as  
Trustee under will of Roscoe C.  
Gwilliam, Dec'd 1%

J. D. Wheeler and Marion S.  
Wheeler, his wife 1%

Exhibit A to Communitization Agreement  
dated March 3, 1964, embracing all of  
Section 21, T-21-S, R-23-E, Eddy County,  
New Mexico

Operator of Communitized Area: Sun Oil Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 2

Lessor(s): United States of America

Lessee(s) of Record: Sun Oil Company

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**O. G. C.  
ARTESIA, OFFICE**

Serial No. of Lease: NM 04686

Date of Lease: July 1, 1952

Description of Lands Committed: NW/4 and N/2 of SW/4 and SW/4 of SW/4  
Section 21, T-21-S, R-23-E, Eddy County,  
New Mexico.

Number of Acres: 280

Working Interest and Percentage: 84.5%

O.R.R.I. and Percentage: Thomas Connell

3%



Exhibit A to Communitization Agreement  
dated March 3, 1964, embracing all of  
Section 21, T-21-S, R-23-E, Eddy County,  
New Mexico.

Operator of Communitized Area: Sun Oil Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 3

Lessor(s): United States of America

Lessee(s) of Record: Harvey E. Yates  
Martin Yates, III  
S. P. Yates  
John A. Yates

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**D. F. D.**  
**REGISTERED**

Serial No. of Lease: NM 04686-B

Date of Lease: July 1, 1952

Description of Lands Committed: SE/4 of SW/4 Section 21, T-21-S,  
R-23-E, Eddy County, New Mexico.

Number of Acres: 40

Working Interest and Percentage: 82.5%

O.R.R.I. and Percentage:	Thomas Connell and Emily K. Connell, his wife	3%
	William W. Atwell and Ellis Cooper	2%

Exhibit A to Communitization Agreement  
dated March 3, 1964, embracing all of  
Section 21, T-21-S, R-23-E, Eddy County,  
New Mexico

Operator of Communitized Area: Sun Oil Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 4

Lessor(s): United States of America

Lessee(s) of Record: Texas Pacific Oil Company, a Division of  
Joseph E. Seagrams and Sons, Inc.

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O. C. O.  
ARTESIAN OFFICE

Serial No. of Lease: NM 028347

Date of Lease: April 1, 1957

Description of Lands Committed: W/2 of NE/4 Section 21, T-21-S,  
R-23-E, Eddy County, New Mexico

Number of Acres: 80

Working Interest and Percentage: 83.5%

O.R.R.I. and Percentage: Edgar A. G. Bright, Jr. 3%

Charles B. Read 1%

RECAPITULATION

<u>Tract Number</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	240	37.50%
2	280	43.75%
3	40	6.25%
4	<u>80</u>	<u>12.50%</u>
	640	100.00%

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G. C. C.  
ARTESIA, OFFICE