



January 14, 2000

Bureau of Land Management  
1235 LaPlata Highway  
Farmington, New Mexico 87401

ATTN: J. Lovato

RE: Communitization Agreement  
Federal 30-41 Well  
Basin Fruitland Coal  
E/2 Section 30-27N-11W  
San Juan County, New Mexico



Gentlemen:

Enclosed for approval, please find in triplicate a Communitization Agreement covering the above captioned lands.

Due to variance in ownership, it is necessary to communitize the E/2 of Section 30-27N-11W for the Federal 30-41 well. However, there is an existing well in the SE/4 (the Federal 30-44 owned by Louis Dreyfus Natural Gas Corp.) that reflects in the State of New Mexico's Ongard system as a Basin Fruitland Coal. This appears to be in error as this well (Federal 30-44) has been shut-in since 1988 and has no pipeline connection. Should it ever be able to produce, we will seek OCD approval at that time to produce. It could also be plugged and abandoned prior to that time.

By copy hereof we are requesting the State of New Mexico to amend its ongard system to reflect an E/2 unit for production from the Federal 30-41 well. The Federal 30-41 is currently producing and communitization is requested for an E/2 unit.

Your assistance is appreciated. Should you have any questions, please do not hesitate to call.

Sincerely,

LOUIS DREYFUS NATURAL GAS CORP.

A handwritten signature in black ink, appearing to read "Joe W. Hammond".

Joe W. Hammond  
District Landman

JWH/eeo

cc: State of New Mexico OCD

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 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, 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:

T27N-R11W

Section 30: E/2

San Juan County, New Mexico

containing 320 acres, and this agreement shall include only the \* Formation(s) \*Basin Fruitland Coal underlying said lands and the natural gas and, hereinafter referred to as "communitized associated liquid hydrocarbon 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 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 CA 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 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. The date of this agreement is June 1, 1999,  
(Month) (Day) (Year)

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 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 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.

Marathon Oil Company  
by: E.C. Potter  
Date: 10/13/99

Louis Dreyfus Natural Gas Corp.  
by: J.C. Welch  
J.C. Welch, Vice President - Land  
Date: \_\_\_\_\_

## ACKNOWLEDGEMENT

STATE OF OKLAHOMA       §  
  §  
COUNTY OF OKLAHOMA   §

Before me the undersigned, a Notary Public, in and for said County and State, on this 10 day of June, 1999, personally appeared J. C. Welch, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as Vice President - Land of Louis Dreyfus Natural Gas Corp., and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission Expires:



Eloise E. Olsen  
Notary Public

## ACKNOWLEDGEMENT

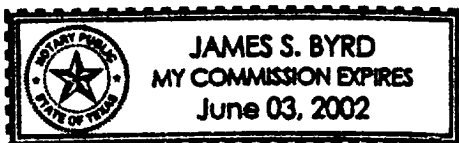
STATE OF TEXAS       §  
  §  
COUNTY OF MIDLAND   §

Before me the undersigned, a Notary Public, in and for said County and State, on this 13<sup>th</sup> day of October, 1999, personally appeared E.C. Potter, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as Attorney-in-Fact of Marathon Oil Company, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission Expires:

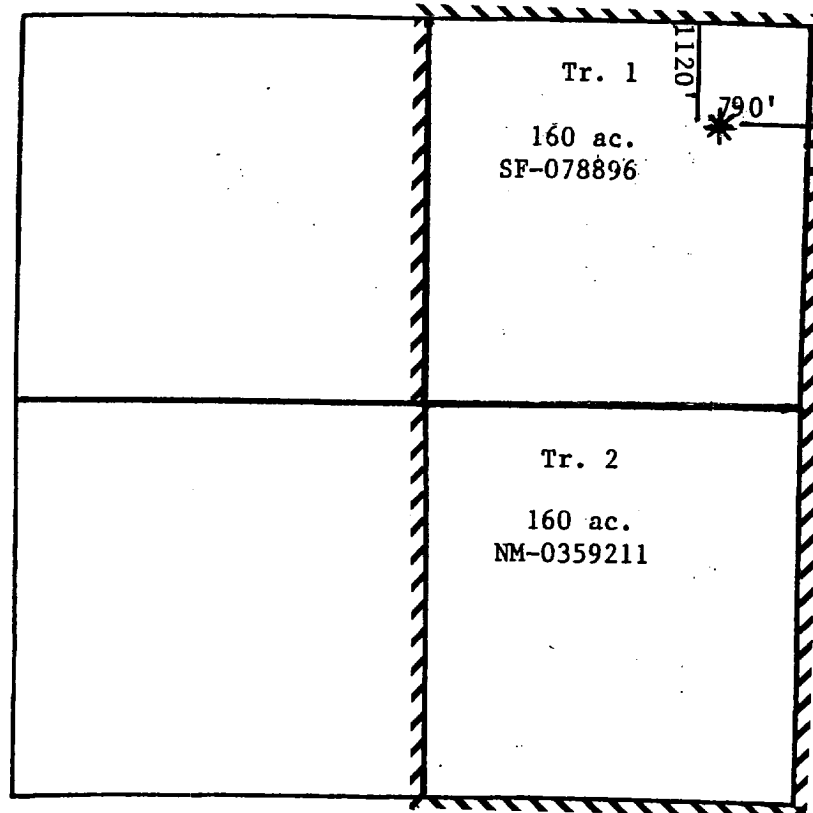
James S. Byrd  
Notary Public





**EXHIBIT A**

Plat of communitized area covering E/2 sec. 30, T. 27N,  
R. 11W, \_\_\_\_\_ field, San Juan County, NM (State).



Federal 30 #41

**NOTE: Show well location and tract numbers.**

## EXHIBIT B

To Communitization Agreement dated June 1, 1999 embracing

E/2, Section 30-27N-11W  
San Juan County, New Mexico

Operator of Communitized Area: Louis Dreyfus Natural Gas Corp.

### DESCRIPTION OF LEASES COMMITTED

#### Tract No. 1

Lease Date: July 1, 1947 SF - 078896

Lease Term: 5 years

Lessor (s): United States of America

Original Lessee: Sibyl Oneda Holloway

Present Lessee: Marathon Oil Company (50%) and Louis Dreyfus Natural Gas Corp.(50%)

Lessee on effective date of agreement if different from present lessee:

Not applicable

Description of Land Committed:

Township 27N

Range 11W

Section: 30: NE/4

Number of Acres: 160 acres

Pooling Clause: No

Basic Royalty Rate: 12.50%

Name & Present ORRI Owners: See attached

Name & Present WI Owners: Marathon Oil Company - 50%  
Louis Dreyfus Natural Gas Corp. - 50%

Tract No. 2

Lease Date: July 1, 1947 NM - 0359211

Lease Term: 5 years

Lessor (s): United States of America

Original Lessee: Sibyl Oneda Holloway

Present Lessee: Marathon Oil Company (50%) and Louis Dreyfus Natural Gas Corp.(50%)

Lessee on effective date of agreement if different from present lessee:

Not applicable

Description of Land Committed:

Township 27N Range 11W

Section: 30: SE/4

Number of Acres: 160 acres

Pooling Clause: No

Basic Royalty Rate: 12.50%

Name & Present ORRI Owners: See attached

Name & Present WI Owners: Marathon Oil Company - 50%  
Louis Dreyfus Natural Gas Corp. - 50%

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest In Communitized Area</u>
1	160.00	50.0000%
2	160.00	50.0000%
	<hr/> 320.00	<hr/> 100.0000%

Name & Present ORRI Owners:

Page 1 of 3

TOM E JOHNSON	.00018360	ORR
DAVANT FAMILY TRUST C	.00061180	ORR
WILLIAM WALKER TEST TRUST	.00043514	ORR
WILLIAM WALKER TEST TRUST	.00065264	ORR
WILLIAM WALKER TEST TRUST	.00065262	ORR
W D KENNEDY	.00016517	ORR
A R GROVER	.00008257	ORR
FRANK D GRAHAM	.00061180	ORR
THE DALLAS WOMAN'S CLUB	.00010195	ORR
THE DALLAS COUNTY MEDICAL	.00010195	ORR
LAURA LEE MATLOCK	.00005595	ORR
LOUIS G MEHR	.00005595	ORR
PATSY MEHR	.00005595	ORR
CAROLYN W STACK	.00005595	ORR
PAMELA G BALDWIN	.00002804	ORR
DAVID H GRAY	.00011216	ORR
JOHN L GRAY	.00008412	ORR
CYNTHIA G MILANI	.00002804	ORR
CATHERINE G REMENICK	.00002804	ORR
CONSTANCE SUE COKE ELMS	.00030590	ORR
CATHERINE LOUISE COKE KNIGHT	.00030590	ORR
DAVID F HENDERSON	.00007130	ORR
TC/UST-MISC	.00335650	ORR
BARBARA LEIGH FARAH	.00027960	ORR
W L JENNINGS, SAN JUAN	.00001450	ORR
D/B/A STATEWIDE MINERALS CO	.00040280	ORR
JACK L COKE ESTATE	.00061180	ORR
ASHLEY BRACKEN	.00003564	ORR
SUSAN BRACKEN	.00003566	ORR
GUGENHEIM ASSET TR DTD 1/16/96	.00030590	ORR
JOHN JOSEPH DORIE	.00010620	ORR
PEARL NEUGENT NORDAN ESTATE	.00061180	ORR
LINDA LUNDELL LINDSEY	.00047790	ORR
CLAUDIA LUNDELL GILMER	.00047790	ORR
ROBERT WALTER LUNDELL	.00047790	ORR
JAMES MICHAEL RICHARDSON	.00007650	ORR
PAULA RACHEL KAUFMAN	.00007650	ORR
MARY DOLL INGRAM MANAGEMENT TR	.00083910	ORR
FLAME ROYALTIES INC	.00122370	ORR

Name & Present ORRI Owners:

Page 2 of 3

PRESBYTERIAN HOSPTL OF DALLAS	.00007648	ORR
ROGERS-GIBBARD TRUST	.00060210	ORR
ELIZABETH GOODWIN REESE	.00007136	ORR
DAVID ELBERT REESE	.00007138	ORR
J. DOYLE SMITH	.00006120	ORR
UNIVERSITY OF NEBRASKA	.00007648	ORR
GRACE KELLER WARE	.00045880	ORR
DONALD MCCLURE WAITE	.00015294	ORR
REBECCA REESE WARD	.00007138	ORR
L DORIS WILLIAMS ESTATE	.00042830	ORR
GLADYS WATFORD TRUST	.00036100	ORR
NED SAYFORD THOMPSON	.00058740	ORR
RAYBOURNE THOMPSON JR	.00058740	ORR
ARMENHAUS INC	.00009790	ORR
LEWIS PAUL SAXER	.00015296	ORR
WATERS S. DAVIS III	.00028040	ORR
CAROL ANN COHEN	.00021750	ORR
W.L. JENNINGS	.00004833	ORR
GROVER BROTHERS LTD	.00008257	ORR
CATHERINE C. HESS LIFE ESTATE	.00161120	ORR
JAMES R. LEETON JR.	.00000966	ORR
WILBUR & HELEN V. FREDERKING	.00040280	ORR
DRY CREEK RESERVE COMPANY	.00050390	ORR
TOURMALINE EXPLORATION COMPAN	.00050390	ORR
UNION OIL CO OF CALIFORNIA*	.00481690	ORR
HUGH G ALEXANDER JR ESTATE	.00061180	ORR
JERRY J ANDREW	.00145440	ORR
GLENDA EARLE AKE	.00020390	ORR
ROBERT E BEAMON III	.00210500	ORR
HARRY B BOTTS	.00015300	ORR
KATHRYN EVERETT BRAY	.00024470	ORR
BRENNER REVOCABLE LIVING TRUS	.00015294	ORR
ESTATE OF ALTO B CERVIN	.00061180	ORR
J P DAVIS ESTATE	.00044750	ORR
ELVA KALB DUMAS	.00122370	ORR
JEREMY S DAVIS	.00028040	ORR
BARBARA SUE REESE DINGES	.00007138	ORR
ALBERT E FAGAN ESTATE	.00079540	ORR
M E FAGAN	.00024470	ORR
FONDREN OIL COMPANY	.00122370	ORR

Name & Present ORRI Owners:

Page 3 of 3

LAURA ROBINSON GUGENHEIM TRUST	.00030590	ORR
STANLEY G HARRIS JR	.00122370	ORR
WILLIAM O HASLBAUER	.00020400	ORR
EULA MAY JOHNSTON TRUST #661	.00240840	ORR
JAMES J JOHNSTON ESTATE	.00145440	ORR
V A JOHNSTON FAMILY TRUST	.00060210	ORR
ESTATE OF E F KALB	.00061180	ORR
U/W LAURENCE C KELLY TRUST	.00476980	ORR
GWINN M LEWIS	.00053530	ORR
THOMAS V. MCMAHAN	.00053540	ORR
THE NORDAN TRUST	.00061180	ORR
HARRY D PORTER TRUST	.00038240	ORR