



THE BAY PETROLEUM CORPORATION

PRODUCERS AND REFINERS

GENERAL OFFICES

DENVER, COLORADO

March 5, 1954

PRODUCTION DIVISIONS:
DENVER, COLORADO
WICHITA, KANSAS
OKLAHOMA CITY, OKLA.
ABILENE, TEXAS
WICHITA FALLS, TEXAS
ROSWELL, NEW MEXICO
CALGARY, ALBERTA, CANADA

SALES DIVISIONS:
DENVER, COLORADO
MC PHERSON, KANSAS
CHALMETTE, LA.

Oil Conservation Commission
State of New Mexico
Aztec, New Mexico

ATTN: Mr. Emery Arnold
RE: Bay-Mims #1 Aztec-State,
NW/4 Sec. 16-30N-11W,
San Juan County, New Mex.
(BPC 5020-A, Unit 2)

Gentlemen:

Please find enclosed copy of approved Communitization Agreement for your files.

Thank you for the consideration shown us on the captioned location.

As you no doubt know, Joe Hartman and Mr. Mossman, have before the F.H.A., a subdivision covering the W 1/2 NW 1/4 of Section 16. Mr. Hartman and I talked the matter over, and to help him out in getting this subdivision approved, we thought it best to buy a small tract of land from George Locke, rather than jeopardize Mr. Hartman's position. We have a letter of purchase from Mr. Locke whereby we will acquire by warranty deed a tract of land from him immediately subsequent to his acquiring record title by virtue of a corrected patent from the Commissioner. Since his tract will also have a subdivision on it in the future, we thought it best to buy the surface for our location, and at the same time, not affect Locke's development. That is why we moved to the southwest corner of Locke's tract lying north of the county road.

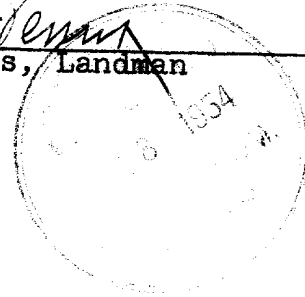
I was not certain you had received a gas well plat on our location, and thought the enclosed copy would do.

Very truly yours,

THE BAY PETROLEUM CORPORATION

N. B. Venus
N. B. Venus, Landman

NBV/gd
enc.



Aztec State
COMMUNITIZATION AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____ 1954, by and between The Bay Petroleum Corporation, whose address is 1655 Grant St., Denver, Colorado, hereinafter referred to as "Bay", and Robert Mims, Trustee, whose address is Reserve Loan Life Building, Dallas, Texas.

WITNESSETH:

WHEREAS, The Bay Petroleum Corporation is the present owner and holder of the entire working interest and rights in, to and under the following State of New Mexico Oil and Gas Lease insofar as it covers the following described land situated in San Juan County, New Mexico, to-wit:

That certain Oil and Gas Lease made and entered into on May 11, 1953, by and between the State of New Mexico, as Lessor, and The Bay Petroleum Corporation, as lessee, referred to in the State Land Office Records of the State of New Mexico as Lease No. E-7123, insofar as said lease covers, the following described land:

Township 30 North, Range 11 West, N. M. P. M.
Section 16, - W $\frac{1}{2}$ NW $\frac{1}{2}$ and SE $\frac{1}{2}$ NW $\frac{1}{2}$
containing 120 acres, more or less

WHEREAS, Robert Mims, Trustee is the record owner and holder of the entire working interest and rights, in, to and under the following State of New Mexico Oil and Gas Lease insofar as it covers the following described land situated in San Juan County, New Mexico, to-wit:

That certain Oil and Gas Lease made and entered into on June 10, 1944 by and between the State of New Mexico, as lessor, and Texas-Pacific Coal and Oil Company, as lessee, referred to in the State Land Office Records of the State of New Mexico as Lease No. B-11303, insofar as said lease covers the following described land:

Township 30 North, Range 11 West, N. M. P. M.
Section 16, - NE $\frac{1}{2}$ NW $\frac{1}{2}$
containing 40 acres, more or less

BPC 5000-A, Unit 2

WHEREAS, in order to carry out the execution of this Agreement

between the parties hereto, it is mutually covenanted and agreed,

WHEREAS, in order to carry out the execution of this Agreement

Conservation Commission of the State of New Mexico, it is necessary to form a tract or unit consisting of one hundred sixty (160) acres of land for the drilling of a Pictured Cliffs well, and,

WHEREAS, Article 8-1138 of the New Mexico Statutes (Law 1943, Ch. 88, 1, Page 146) provides that, for the purpose of more properly conserving the oil and gas resources of the State of New Mexico, the Commissioner of Public Lands may consent to and approve the development or operation of State Lands under agreements made by lessees of State Lands jointly or severally with other lessees of State Lands, and,

WHEREAS, the parties hereto desire to communitize and pool the above described oil and gas leases insofar as said leases cover and include the above described land in order to form one tract or unit for the production of gas from the Pictured Cliffs formation as follows:

Township 30 North, Range 11 West, N. M. P. M.
NW $\frac{1}{4}$ of Section 16
containing 160 acres, more or less, and,

WHEREAS, in order to be consistent with the existing rules and regulations governing well spacing and production allowables, the parties hereto desire to operate the entire communitized unit for the purpose and intention of developing dry gas and liquid hydrocarbons extracted therefrom producible from the Pictured Cliffs formation in accordance with the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual advantages offered by this Agreement, it is mutually covenanted and agreed by and between the parties hereto as follows:

The lands subject to this agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Pictured Cliffs formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the above described communitized tract of one hundred sixty (160) acres shall be allocated among the leaseholds comprising said acreage in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed hereto. The royalties payable for dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for therein shall be determined and paid on the basis respectively prescribed in the individual leases.

Bay shall be the unit operator of said communitized tract and all matters of operation, adjustments between the working interest owners and payment of royalties, overriding royalties and rental shall be governed by the provisions of the Operating Agreement executed by the working interest owners contemporaneously with the execution of this Agreement. There shall be no obligation on Bay to offset any dry gas well or wells on separate component tracts into which said communitized unit is now or may hereafter be divided, nor shall Bay be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse interests in the dry gas in and under said tracts, but Bay shall not be released from its obligations to protect said communitized unit from dry gas well or wells which may be drilled offsetting said unit.

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. Payment of the rentals under the terms of the leases hereinabove mentioned and described 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.

The commencement, completion, continued operation or production of well or wells for dry gas and liquid hydrocarbons extracted therefrom and communized and from the Pictured Cliffs formation as an entirety shall be construed and considered as the commencement, completion, continued operation and production from each lease committed hereto.

All production of dry gas and liquids therefrom shall be in conformity with allocations, allotments and orders issued and by any duly authorized person or regulatory body under applicable Federal or State Statutes. The provisions of this Agreement shall be subject to all applicable Federal or State laws of executive order, rules and regulations which affect performance of any of the provisions of this Agreement and Bay shall not 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, rule or regulations.

This Agreement shall be effective as of the date hereof, upon approval of the Commissioner of Public Lands of the State of New Mexico and shall remain in force and effect for a period of two (2) years and so long thereafter as dry gas and liquid hydrocarbons extracted therefrom are produced from any part of said communized tract in paying quantities, provided that prior to production in paying quantities from said communized unit and upon fulfillment of all requirements of the Oil Conservation Commission of the State of New Mexico 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 be subject to the consent and approval of the Commissioner of Public Lands of the State of New Mexico.

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

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 all 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.

THE BAY PETROLEUM CORPORATION

Attest:

[Signature]
Secretary

By:

[Signature]
President

[Signature]
Robert Mims, Trustee

STATE OF COLORADO)

City of Denver :
COUNTY OF Denver)

On this 5 day of Feb 1934 before me personally appeared [Signature] to me personally known, who, being by me duly sworn, did say that he is the President of The Bay Petroleum 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 [Signature] acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and seal the day and year last above written.

[Signature]
Notary Public

My Commission Expires:

[Signature]

STATE OF TEXAS)

COUNTY OF DALLAS)

On the 2nd day of June 1954 before me personally appeared Robert Mims, Trustee, to me personally known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed and in the capacity therein stated.

WITNESS my hand and seal the day and year last above written.

Mertie Henry
Notary Public

My Commission Expires:

June 1, 1954

Office of the Commissioner of Public Lands

State of New Mexico

I hereby certify that the foregoing Communitization and pooling Agreement was filed in my office on the 4th day of March 1954 and consented to and approved by me on the 4th day of March 1954.

E. Walker
Commissioner of Public Lands