

COMMUNITIZATION AGREEMENT

THIS AGREEMENT made and entered into this 19th day of November, A. D. 1952, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas (hereinafter sometimes referred to as "El Paso"); BEAVER LODGE OIL CORPORATION, a Delaware corporation, with an office at 301 Mercantile Commerce Building, Dallas, Texas (hereinafter sometimes referred to as "Beaver Lodge"); FRANK A. SCHULTZ and wife HENRIETTE E. SCHULTZ of Corrigan Tower, Dallas, Texas; SUSAN DIGGLE HORTON and her husband PAUL B. HORTON of Dallas, Texas; GENERAL AMERICAN OIL COMPANY OF TEXAS, a corporation, with an office at 1404 Republic Bank Building, Dallas, Texas, and DELHI OIL CORPORATION, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas;

W I T N E S S E T H:

WHEREAS, Beaver Lodge is the present owner and holder of that certain oil and gas lease executed by Carl G. Calloway, Zella Calloway; Annie Dunning and husband Harold L. Dunning; Mary Margaret Calloway and husband Joe Calloway; Wiley Calloway and wife Finette Calloway, and Ruth Vandever and husband E. L. Vandever as Lessors in favor of Wayne Moore as Lessee, under date of November 26, 1951 embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: SW/4 NW/4  
containing 40 acres, more or less,

said lease being recorded in Book 172, Page 356 of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, Beaver Lodge is the present owner and holder of that certain oil and gas lease executed by Carl G. Calloway as Lessor in favor of Wayne Moore as Lessee, under date of November 26, 1951, and conveying an undivided one-half (1/2) interest in the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: NW/4 NW/4  
containing 40 acres, more or less,

said lease being recorded in Book 172, Page 363, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, Beaver Lodge is the present owner and holder of a lease executed by each of the following listed Lessors, each of said leases being executed in favor

of Beaver Lodge as Lessee, under date of August 7, 1952, and embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: NW/4 NW/4  
containing 40 acres, more or less;

<u>LESSOR</u>	<u>UNDIVIDED INTEREST IN THE ABOVE DESCRIBED ACREAGE</u>
J. D. Hancock & wife, Anna Marye Hancock	.30000 of 1/4th
Lawrence B. Dunlay & wife, Beulah McGhee Dunlap	1/16th
George R. Kribbs & wife, Nina M. Kribbs	1/8th
Jane O. Moody & husband, Robert B. Moody	1/16th
Stephen Carlton Clark & wife, Susan V. Clark	.33333 of 1/4th
Susan Vanderpoel Clark & husband Stephen Carlton Clark	.06666 of 1/4th
Stephen Carlton Clark, Jr., & wife, Jane Forbes Clark	.03333 of 1/4th
Alfred Corning Clark	.03334 of 1/4th
Henry R. Labouisse, Jr., a single man	.03334 of 1/4th
W. Beach Day & wife, Lillian W. Day	.03334 of 1/4th
Paul S. Kerr & wife, Martha H. Kerr	.03334 of 1/4th
Charles E. Main & wife, Laura S. Main	.03334 of 1/4th
Arthur E. Palmer, Jr. & wife, Julia R. Palmer	.02000 of 1/4th
George Roberts & wife, Grace M. Roberts	.02000 of 1/4th
Charles J. Nourse & wife, Margaret S. Nourse	.02000 of 1/4th
Raymond W. Ellis & wife, Eleanor Gwinn Ellis	.01666 of 1/4th
Harlan M. Ellis & wife, Zelia Perkins Ellis	.01666 of 1/4th
Edward D. Wells & wife, Beryl Wells	.00666 of 1/4th

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Grace L. Waggoner Pheney and her husband James S. Pheney as Lessors in favor of H. F. Pettigrew as Lessee, under date of November 28, 1950, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: SW/4 SW/4 Also that part of SE/4 SW/4; "commencing at the SW corner of the SE/4 SW/4 of said Section Twenty-three (23); thence East along the Section line to a point Ten (10) feet West of the present Twin Rocks Irrigation Ditch; thence following the line of said Ditch at a distance of Ten (10) feet West thereof until the same intersects the Public road as now existing; thence from said intersection point due North to the line dividing the Southeast Quarter and the Northeast Quarter of the Southwest Quarter of said Section Twenty-three (23); thence Westward along the said line to the Northwest corner of the said SE/4 SW/4; thence from said corner South to the point of beginning", containing 73 acres, more or less; and

said lease being recorded in Book 153, Page 316, of the Oil and Gas Records of San Juan County, New Mexico; and

WHEREAS, El Paso is the present owner and holder of the gas rights to the base of the Mesa Verde formation in that certain oil and gas lease executed by Carl G. Calloway and wife Mary Margaret Calloway, Wiley R. Calloway and wife, Finette Calloway, Ann L. Dunning and husband, Harold L. Dunning, and Ruth Vandever and

husband E. L. Vandever as Lessors in favor of H. F. Pettigrew as Lessee under date of December 29, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: NW/4 SW/4  
containing 40 acres, more or less; and

WHEREAS, Delhi Oil Corporation is the present owner of the oil rights, the gas rights below the Mesa Verde formation and certain overriding royalties in the above described tract; and

WHEREAS, each of the above leases provides for the pooling by the Lessee of the lands covered thereby as follows, to wit:

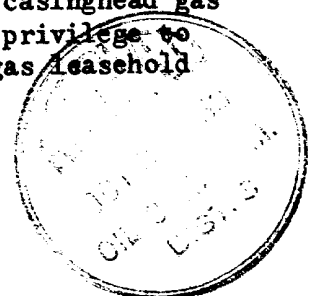
"9. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells), lessee is expressly granted the right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated gas leasehold estate which shall not exceed a total area of 320 acres; and in the event lessee exercises the right and privilege of consolidation, as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom."

WHEREAS, El Paso is the present owner and holder of that certain oil and gas lease executed by Marion I. Vance and his wife Betty D. Vance and Lothair Payne and his wife Marguerite Payne as Lessors in favor of Primo Oil Company as Lessee, under date of January 7, 1952, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: Part of the SE/4 SW/4 described as follows: "Commencing on the Section line at a point ten (10) feet West of the point where the "Twin Rock Irrigation Ditch" is at present constructed, intersects the South Section line of the said SE/4 SW/4 of said Section 23; Thence following the line of said Ditch in a Northeasterly direction, at a distance of ten (10) feet West thereof, until the same intersects the public road as now existing; Thence from said intersection point due North to the line dividing the SE/4 SW/4 and the NE/4 SW/4 of said Section 23; Thence following said division line East to the Northeast corner of said SE/4 SW/4; Thence following division line South to the Southeast corner of said subdivision; Thence following the Section line West to the place of beginning; said tract being all of the said Southeast Quarter of the Southwest (SE/4 SW/4) not heretofore conveyed to C. S. Cameron as shown in Deed recorded in Book 29, Page 480 of the records of San Juan County, New Mexico."  
containing 7 acres, more or less; and

WHEREAS, said oil and gas lease provides for the pooling by the Lessee of the lands covered thereby as follows, to wit:

"9. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells), lessee is expressly granted the right and privilege to consolidate said gas leasehold with another adjacent or contiguous gas leasehold



estates to form a consolidated gas leasehold estate which shall not exceed a total area of 320 acres; and in the event lessee exercises the right and privilege of consolidation, as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom."

"Any acreage not included in a 320-acre drilling unit will not be validated as to rental or term by anything done or performed on the part which is unitized."

WHEREAS, The Mudge Oil Company is the record owner of that certain United States Oil and Gas Lease bearing Serial Number Santa Fe 078096 executed in favor of Alice L. Childers as Lessee, under date of February 1, 1948 by the United States of America as Lessor, embracing among other lands the following described land in San Juan County, New Mexico:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: E/2 NW/4, NE/4 SW/4  
containing 120 acres, more or less; and

WHEREAS, The Mudge Oil Company has been merged with the San Juan Oil Company; and

WHEREAS, San Juan Oil Company has been liquidated by the General American Oil Company of Texas; and

WHEREAS, by an assignment filed for approval with the Bureau of Land Management, Susan Diggle Horton is the present owner of the above described lease; and

WHEREAS, by an Operating Agreement dated October 1, 1951, Susan Diggle Horton granted all of the operating rights in the above described lease to Delhi Oil Corporation; and

WHEREAS, by an assignment dated March 1, 1952, which assignment has been filed for approval with the Bureau of Land Management, Delhi Oil Corporation assigned the gas rights to the base of the Mesaverde formation in the above described Operating Agreement to El Paso; and

WHEREAS, Frank A. Schultz is the present owner and holder of an overriding royalty of fifteen per cent (15%) of the value of the gas and twenty per cent (20%) of the oil which is saved and marketed from the above lease; and

WHEREAS, Susan Diggle Horton is the present owner and holder of an overriding royalty of one per cent (1%) which one per cent (1%) is to be reduced to one-half per cent ( $\frac{1}{2}\%$ ) upon the payment of twenty-five dollars per acre, of the value of the gas and oil which is saved and marketed from the above lease; and

WHEREAS, in order to expedite the execution of this agreement, all of the overriding royalty owners, except those joined herein, on each of the above described tracts are ratifying this agreement; and

WHEREAS, it is the desire of the parties hereto to communitize their respective interests in the above described oil and gas leases in order to form one tract or drilling unit described as follows:

Township 31 North, Range 11 West, N.M.P.M.  
Section 23: W/2  
containing 320.00 acres, more or less; and

WHEREAS, El Paso and Beaver Lodge have executed on an even date herewith an Operating Agreement governing all matters of operations on the communitized unit; and

WHEREAS, in order to be consistent with the existing rules and regulations covering well spacing and production allowables, all of the parties to this agreement desire to operate the communitized unit for the purpose and intention of developing and producing dry gas and liquid hydrocarbons extracted therefrom in accordance with the terms and provisions of this agreement;

NOW, THEREFORE, in consideration of the premises and mutual advantages resulting from this agreement, it is mutually covenanted and agreed by and between the parties hereto that the land subjected to this agreement shall be developed and operated for dry gas and liquid hydrocarbons extracted therefrom producible from the Mesaverde formation as an entirety, with the understanding and agreement that the dry gas and liquid hydrocarbons extracted therefrom so produced from the communitized area from such formation 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 hereto. The royalties payable on the dry gas and liquid hydrocarbons extracted therefrom so allocated to the lands comprising the leaseholds and the rentals provided for in said leases shall be determined and paid on the basis respectively prescribed in the individual leases. There shall be no obligation on the parties hereto to offset any dry gas well or wells completed in the Mesaverde formation on separate component tracts into which said communitized tract is now or may hereafter be divided, nor shall either party be required to separately measure said dry gas and liquid hydrocarbons extracted therefrom by reason of the diverse ownership of the dry gas or liquid hydrocarbons extracted therefrom in or under said tract, but the parties hereto shall not be released from their obligation to protect said communitized tract from drainage by a dry gas well or wells which may be drilled offsetting said tract. 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.

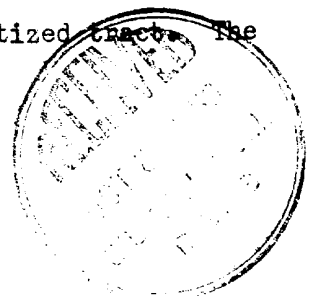
Except as herein modified and changed, said oil and gas leases hereinabove described shall remain in full force and effect as originally made and issued. It is further agreed that the commencement, completion, continued operation or production of a well or wells for dry gas on the communitized tract from the Mesaverde formation shall be construed and considered as the commencement, completion, continued operation or production as to each lease committed thereto.

It is further agreed that all production of dry gas and disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed 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 and state laws, executive orders, rules and regulations which affect performance of any of the provisions of this agreement, and no party hereto shall suffer a forfeiture or be liable in damage 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.

El Paso shall be the unit operator of said communitized tract, and all matters of operation, adjustments between the parties hereto, and payment of royalties and rentals shall be determined and performed by El Paso.

This agreement shall be effective as of the date hereof, upon approval by the Director of the Geological Survey and shall remain in full force and effect for a period of two (2) years and so long thereafter as dry gas is produced from any part of said communitized tract in paying quantities; provided, that, upon fulfillment of all requirements of the Director of the Geological Survey with respect to any dry hole or abandoned well, and prior to production in paying quantities of gas and liquid hydrocarbons extracted therefrom from said communitized tract, this agreement may be terminated at any time by mutual agreement of the parties hereto.

The unit operator (El Paso) agrees to furnish the Secretary of the Interior, or his duly authorized representatives, with a log and history of any well or wells, the monthly report of operations and the statement of all oil and gas runs and royalties, together with 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 for any well completed within the communitized tract. The



The unit operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin, and shall require an identical provision to be inserted in all subcontracts.

It is further agreed between the parties hereto that the Secretary of the Interior, or his representatives, shall have the right of supervision over all operations within the communitized tract to the same extent and degree as provided in each of said 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.

This agreement shall be binding upon the parties hereto and shall extend and be binding upon their heirs, executors, administrators, successors and assigns, and 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 a single instrument.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year hereinabove written.

ATTEST:

*A. C. Martell*  
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By *J. F. Perkins*  
Vice President

ATTEST:

*A. J. Lawson*  
Assistant Secretary

BEAVER LODGE OIL CORPORATION

By *Gene W. Hewett*  
Vice President

*Frank A. Schultz* *de*  
FRANK A. SCHULTZ

*Henriette E. Schultz*  
HENRIETTE E. SCHULTZ

*Susan Diggie Horton*  
SUSAN DIGGLE HORTON

*Paul B. Horton*  
PAUL B. HORTON

ATTEST:

*W. L. Perryman*  
Asst. Secretary

GENERAL AMERICAN OIL COMPANY OF TEXAS *JS*

By *Gordon Simpson*  
President

ATTEST:

Katherine Coughlin  
Assistant Secretary

DELHI OIL CORPORATION

By Frances Schultz  
Vice President

STATE OF TEXAS (

COUNTY OF EL PASO (

On this 1st day of December, 1952, before me appeared C. Perkins, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY 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 C. Perkins acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

My commission expires June 1, 1953

Else M. Richardson ELSE M. RICHARDSON  
Notary Public, County of El Paso,  
State of Texas

STATE OF TEXAS (

COUNTY OF DALLAS (

On this 19th day of November, 1952, before me appeared Gene W. Hewett, to me personally known, who, being by me duly sworn, did say that he is the Vice President of BEAVER LODGE OIL 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 Gene W. Hewett acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

June 1, 1953

Mary Jane Marshall  
Notary Public, County of Dallas  
State of Texas  
Mary Jane Marshall

STATE OF Texas (

COUNTY OF Dallas (

On this 19th day of November, 1952, before me appeared FRANK A. SCHULTZ and HENRIETTE E. SCHULTZ his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

My commission expires:

June 1, 1953

Marquitta Spencer  
Notary Public, County of Dallas  
State of Texas



STATE OF Texas {  
COUNTY OF Dallas }

On this 10th day of November, 1952, before me appeared SUSAN DIGGLE HORTON and PAUL B. HORTON her husband, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me they executed the same as their free act and deed.

My commission expires:

June 1, 1953

Marguerite Spencer  
Notary Public, County of Dallas  
State of Texas

STATE OF Texas {  
COUNTY OF Dallas }

On this 19th day of November, 1952, before me appeared Isador Simpson, to me personally known, who, being by me duly sworn, did say that he is the Vice President of GENERAL AMERICAN OIL COMPANY OF TEXAS 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 Isador Simpson acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

6-1-53

Ellen Adams  
Notary Public, County of Dallas  
State of Texas

STATE OF Texas {  
COUNTY OF Dallas }

On this 19th day of November, 1952, before me appeared Frank A. Schultz, to me personally known, who, being by me duly sworn, did say that he is the Vice President of DELHI OIL 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 he acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

June 1, 1953

Marguerite Spencer  
Notary Public, County of Dallas  
State of Texas

