



## United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
ROSWELL FIELD OFFICE  
2909 West Second Street  
Roswell, New Mexico 88201-2019

IN REPLY REFER  
NMNM112764  
3105.2 NM(513)

RECEIVED JUN 02 2005

JUN 01 2005

Read & Stevens, Inc.  
Attention: Robert H. Watson  
P. O. Box 1518  
Roswell, NM 88202

Gentlemen:

Enclosed is one approved copy of Communitization Agreement NMNM112764, involving 27.28 acres of land in Federal lease NM-14812 and 26.36 acres of Fee land in Lea County, New Mexico, comprising a 53.64 acre well spacing unit.

The agreement communitizes all rights as to oil and associated natural gas producible from the San Andres and Bowers Sand formations in lot 4 and the east 26.36 acres of the S1/2SW1/4 section 17, T. 19 S., R. 39 E., NMPM, and is effective April 1, 2005.

Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504.

Please furnish all interested principals with appropriate evidence of this approval. This approval is subject to the attached Condition of Approval.

Sincerely,

Larry D. Bray  
Assistant Field Manager,  
Lands and Minerals

1 Enclosure:  
1 - Communitization Agreement


OIL CONSERVATION DIVISION  
CASE NUMBER  
EXHIBIT NUMBER 7

Determination - Approval - Certification

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 authorized officer of the Bureau of Land Management, I do hereby:

- A. 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. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement covering lot 4 and the east 26.36 acres of the S1/2SW1/4 section 17, T. 19 S., R. 39 E., NMPM, Lea County, New Mexico, as to oil and associated natural gas producible from the San Andres and Bowers Sand formations. This approval will become invalid if the public interest requirements under section 3105.2-3(e) are not met.
- 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.

Approved: June 1, 2005

  
\_\_\_\_\_  
Authorized Officer

Effective: April 1, 2005

Contract No.: Com. Agr. NMNM112764

07073

COMMUNITIZATION AGREEMENTContract No. NM/NM 112764

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."

## WITNESSETH:

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") and shown on Exhibit "A" are described as follows:

Township 19 South, Range 39 East, N.M.P.M.  
Section 17: Lot 4 (27.28 ac.) and the east  
26.36 acres of the S/2SW/4  
Lea County, New Mexico

containing 53.64 acres, more or less, and this agreement shall include the San Andres and Bowers Sand formations underlying said lands and the <sup>oil</sup> ~~natural gas~~ and associated <sup>hydrocarbons</sup> ~~liquid hydrocarbons~~ hereinafter referred to as "communitized substances", producible from such formations. This agreement shall apply separately to the San Andres and Bowers Sand formations in the same manner as though a separate agreement for each formation had been entered into.

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 (4)-executed copies of a designation of successor 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 operating regulations.

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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 communitized 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 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 non-communitized 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 non-communitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formations 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. This agreement is effective April 1, 2005, 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, as to the San Andres and Bowers Sand formations individually, for a period of two (2) years and for so 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 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 non-production. The two-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

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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 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 HEREOF, 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.

DATE: \_\_\_\_\_

READ & STEVENS, INC.

BY: Charles B. Read  
NAME: Charles B. Read  
TITLE: President

DATE: \_\_\_\_\_

JTD RESOURCES, L.L.C.

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

DOH OIL COMPANY

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

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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.

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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 HEREOF, 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.

DATE: \_\_\_\_\_

READ & STEVENS, INC.

BY: [Signature]  
NAME: Charles B. Read  
TITLE: President

DATE: April 29, 2005

JTD RESOURCES, L.L.C.

BY: [Signature]  
NAME: DAN M. NEWMAN  
TITLE: MANAGER

DATE: \_\_\_\_\_

DOH OIL COMPANY

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

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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.

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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.

DATE: \_\_\_\_\_

READ &amp; STEVENS, INC.

BY: Charles B. Read  
NAME: Charles B. Read  
TITLE: President

JTD RESOURCES, L.L.C.

DATE: \_\_\_\_\_

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_DATE: 4-29-05

DOH OIL COMPANY

BY: David Hill  
NAME: David Hill  
TITLE: General Partner

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## ACKNOWLEDGEMENTS

STATE OF NEW MEXICO

COUNTY OF CHAVES

This instrument was acknowledged before me on April 18, 2005, by Charles B. Read, President of READ & STEVENS, INC., a New Mexico corporation on behalf of said corporation.

My Commission Expires:



Mary L. Page  
Notary Public

STATE OF

COUNTY OF

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_ AS \_\_\_\_\_ of JTD RESOURCES a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

STATE OF

COUNTY OF

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_ as \_\_\_\_\_ of DOH OIL COMPANY a \_\_\_\_\_ partnership on behalf of said partnership.

My Commission Expires:

\_\_\_\_\_  
Notary Public

Com Agreement

## ACKNOWLEDGEMENTS

STATE OF NEW MEXICO

COUNTY OF CHAVES

This instrument was acknowledged before me on April 18, 2005, by Charles B. Read, President of READ & STEVENS, INC., a New Mexico corporation on behalf of said corporation.

My Commission Expires:

10-7-05

Mary L. Page  
Notary Public

STATE OF

COUNTY OF

This instrument was acknowledged before me on April 29, 2005, by Dan M. Leonardas Manager of JTD RESOURCES a limited liability corporation on behalf of said corporation.

My Commission Expires:

Keri R. Waddell  
Notary Public

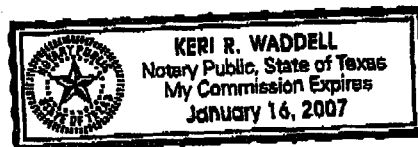
STATE OF

COUNTY OF

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_ as \_\_\_\_\_ of DOH OIL COMPANY a \_\_\_\_\_ partnership on behalf of said partnership.

My Commission Expires:

\_\_\_\_\_  
Notary Public



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## ACKNOWLEDGEMENTS

STATE OF NEW MEXICO

COUNTY OF CHAVES

This instrument was acknowledged before me on April 18, 2005, by Charles B. Read, President of READ & STEVENS, INC., a New Mexico corporation on behalf of said corporation.

My Commission Expires:

10-7-05

Mary L. Page  
Notary Public

STATE OF

COUNTY OF

This instrument was acknowledged before me on \_\_\_\_\_, 2005, by \_\_\_\_\_ AS \_\_\_\_\_ of JTD RESOURCES a \_\_\_\_\_ corporation on behalf of said corporation.

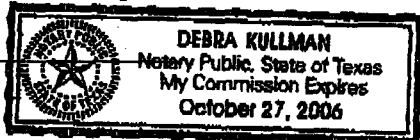
My Commission Expires:

\_\_\_\_\_  
Notary Public

STATE OF TEXASCOUNTY OF NUECES

This instrument was acknowledged before me on April 29th, 2005, by DAVID HILL a GENERAL PARTNER of DOH OIL COMPANY a TEXAS GENERAL partnership on behalf of said partnership.

My Commission Expires:



Debra Kullman  
Notary Public

EXHIBIT "A"  
PLAT OF COMMUNITIZED AREA COVERING LOT 4 &  
THE EAST 26.36 ACRES OF THE S/2SW/4 OF SECTION 17  
T19S-R39E, LEA COUNTY, NEW MEXICO

<p>TRACT 2 READ &amp; STEVENS, INC. 26.36 ACRES FEE LANDS GENEVIEVE NOLEN, ETAL</p>	<p>TRACT 1 DOH OIL COMPANY 27.28 ACRES FEDERAL LANDS NM-14812</p> <p>○</p> <p>Brumley 17 Fed. Com. #1</p>
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TRACT 1 : Federal lease NM-14812; Lot 4 Section 17, T19S-R39E; 27.28 ac.

TRACT 2 : Fee leases/Genevieve Nolen etal; East 26.36 acres of S/2SW/4  
Section 17, T19S-R39E

○ Brumley 17 Federal Com. #1 well located 330' FSL & 485' FEL of Section 17,  
T19S-R39E, Lea County, New Mexico

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EXHIBIT "B"

ATTACHED TO AND MADE A PART OF THAT CERTAIN COMMUNITIZATION AGREEMENT, DATED APRIL 1, 2005, BETWEEN READ & STEVENS, INC., AS OPERATOR AND JTD RESOURCES, LLC ET AL, AS NON-OPERATORS.

**Operator of Communitized Area: READ & STEVENS, INC.**DESCRIPTION OF LEASES COMMITTEDTract No. 1

Lease Serial No: NM-14812  
 Lease Date: February 1, 1972  
 Lease Term: 10 years  
 Lessor: United States of America  
 Original Lessee: Marshall A. Lerner  
 Present Lessee: DOH OIL Company  
 Description of Lands Committed: Township 19 South, Range 39 East, N.M.P.M.  
 Section 17: Lot 4  
 Number of Acres: 27.28  
 Pooling Clause: None  
 Royalty Rate: 12.5%

MLO

	<u>Name</u>	<u>Percent</u>
<u>WI Owner:</u>	READ & STEVENS, INC.	50%
	JTD RESOURCES, LLC	50%
	TOTAL	100%
<u>ORRI Owners:</u>	DOH Oil Company	5.50%
	Rolla R. Hinkle, III	1.00%
	Morris B. Schertz	1.00%
	JTD Resources, LLC	1.00%
	READ & STEVENS, INC.	1.00%
	Madison M. Hinkle, etux	1.00%
	TOTAL	10.50%

Tract No. 2

Tract No. 2 is a fee (privately owned) tract comprised of 33 separate mineral owners, all of which are leased to READ & STEVENS, INC.

<u>Lessor</u>	<u>Original/Present Lessee</u>	<u>Date</u>	<u>Term</u>	<u>Royalty Rate</u>
Genevieve Nolen	Read & Stevens, Inc.	5-13-03	3 yrs.	3/16
Jornie G. Kennedy	Read & Stevens, Inc.	5-13-03	3 yrs.	3/16
Kay Rakestraw	Read & Stevens, Inc.	5-13-03	3 yrs.	3/16
Cayla A. Tracey	Read & Stevens, Inc.	5-22-03	3 yrs.	3/16
Chris A. Purcell	Read & Stevens, Inc.	5-22-03	3 yrs.	3/16
Bob Dec Aubrey	Read & Stevens, Inc.	5-22-03	3 yrs.	3/16
M. Dion Lowe	Read & Stevens, Inc.	5-30-03	3 yrs.	3/16

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Richard Hazelrigg	Read & Stevens, Inc.	7-11-03	3 yrs.	3/16
Larry K. Lowe	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
Shanna L. Conine	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
Rommy P. Lowe	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
Farley Ranch Partners	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
I.J.D. Lowe Family	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
Vivian L. Anselmi	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
Debra L. Finn	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
Nell P. Lowe	Read & Stevens, Inc.	5-30-03	3 yrs.	3/16
Kay L. Atcheson	Read & Stevens, Inc.	7-25-03	3 yrs.	3/16
Odell L. Lowe	Read & Stevens, Inc.	7-30-03	3 yrs.	1/4
Haley Lowe	Read & Stevens, Inc.	7-25-03	3 yrs.	1/4
Denise Lowe	Read & Stevens, Inc.	7-25-03	3 yrs.	1/4
Kelly L. Read	Read & Stevens, Inc.	7-25-03	3 yrs.	1/4
Teddy L. Hartley	Read & Stevens, Inc.	7-18-03	3 yrs.	1/4
Laura L. Mathews	Read & Stevens, Inc.	7-25-03	3 yrs.	1/4
Robert T. Hartley	Read & Stevens, Inc.	7-18-03	3 yrs.	1/4
Selma Andrews Trust	Read & Stevens, Inc.	1-28-04	3 yrs.	1/4
Loretta D. Lowe	Read & Stevens, Inc.	7-25-03	3 yrs.	1/4
Judy P. Wood	Read & Stevens, Inc.	8-24-04	3 yrs.	3/16
Robert K. Jobe	Read & Stevens, Inc.	8-24-04	3 yrs.	3/16
Ann P. Marsau	Read & Stevens, Inc.	8-24-04	3 yrs.	3/16
Brenda Jobe	Read & Stevens, Inc.	8-24-04	3 yrs.	3/16
Billie Ann Lowe	Read & Stevens, Inc.	7-25-03	3 yrs.	1/4
Braille Institute	Read & Stevens, Inc.	10-18-04	3 yrs.	1/4
S. Javard Anwar	Read & Stevens, Inc.	12-1-04	3 yrs.	1/4

Description of Lands Committed:

Township 19 South, Range 39 East, N.M.P.M.  
Section 17: The East 26.36 acres of the S/2SW/4

Number of Acres:

26.36

Pooling Clause:

Leases contain provisions authorizing pooling in accordance with  
 acreage requirements of the agreement.

WI Owner:

READ &amp; STEVENS, INC.

100%

ORRI Owners:

NONE

RECAPITULATION

<u>TRACT NUMBER</u>	<u>NUMBER OF ACRES COMMITTED</u>	<u>PERCENTAGE INTEREST IN COMMUNITIZED AREA</u>
1.	27.28	50.86%
2.	<u>26.36</u>	<u>49.14%</u>
<b>TOTALS</b>	53.64	100.0%