

391-A

RECEIVED  
BLM

98 MAR 16 11:10:33

OTD BLM/BLM/BLM/BLM

**COMMUNITIZATION AGREEMENT  
BETWEEN  
THE BUREAU OF LAND MANAGEMENT  
AND  
SG INTERESTS I, LTD.**

**FLORANCE GAS COM H #1 WELL**

## COMMUNITIZATION AGREEMENT

Contract No. NMNM 89367

THIS AGREEMENT entered into as of April 1, 1993, 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:

TOWNSHIP 30 NORTH, RANGE 9 WEST, N.M.P.M.  
 Section 30: Lots 3,4, E/SW/4 (SW/4)  
 Section 31: Lots 1,2,3,4, E/2W/2  
 San Juan County, New Mexico and  
 being within the Blanco-Fruitland Field

containing 308.56 acres, more or less, and this agreement shall include only the FRUITLAND (coal-gas) Formation underlying said lands and the natural gas (including coalbed methane gas) and associated liquid hydrocarbons produced there-from, hereinafter referred to as "communitized substances".

"Approval of this action does not warrant that the applicant holds legal or equitable rights

Communitization Agreement

Section 30: Lots 3,4, E/SW/4 and

Section 31: Lots 1,2,3,4, E/2W/2

Township 30 North, Range 9 West

Florance Gas Com H #1 Well

2. Attached hereto, and made a part of this agreement for all purposes is Exhibits "A" and "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 operator shall be filed with the District Manager of the Bureau of Land Management.
4. The 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.
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

391-H

Communitization Agreement  
Section 30: Lots 3,4, E/SW/4  
Section 31: Lots 1,2,3,4, E/2W/2 - T30N,R9W  
Florance Gas Com H #1 Well

COMMUNITIZATION AGREEMENT  
CORPORATE CERTIFICATION

I, Melodie I. Thompson, certify that I am the  
Secretary of Gordy Gas Corporation, a Texas  
corporation, and that Russell D. Gordy, who signed the  
"Communitization Agreement" is the duly elected, qualifying and  
executing President of Gordy Gas Corporation, a corporation  
organized under the laws of the State of Texas, and  
that said corporation is the General Partner of SG Interests I,  
Ltd., a Limited partnership; that said Communitization Agreement  
was duly signed for and on behalf of said Corporation by authority  
of its governing body, and is within the scope of its corporate  
power as the General Partner of SG Interests I, Ltd., a Limited  
partnership

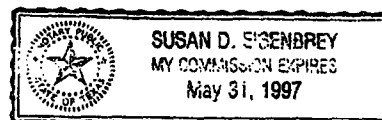
Executed this 6th day of April, 1993.

By: Melodie I. Thompson  
Name: Melodie I. Thompson  
Title: Secretary  
Gordy Gas Corporation, a  
Texas corporation, as  
General Partner of SG Interests,  
I, Ltd., a Limited partnership

Subscribed and sworn to before me  
this 6th day of April, 1993.

Susan D. Eisenbrey  
Notary Public in and for the  
State of Texas

My Commission Expires:  
\_\_\_\_\_



Communitization Agreement  
Section 30: Lots 3,4, E/2SW/4  
Section 31: Lots 1,2,3,4, E/2W/2 - T30N, R9W  
Florance Gas Com H #1 Well

IN WITNESS WHEREOF, the "Parties Hereto" have executed this agreement as of the day and year first above written and have set by their respective names the date of execution.

WORKING INTEREST OWNER

ATTEST: .

By: \_\_\_\_\_

CONOCO INC.  
By: David W. Twomey, Jr.  
Attorney-In-Fact TJS  
David W. Twomey, Jr.

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

STATE OF: TEXAS )

COUNTY OF: MIDLAND )

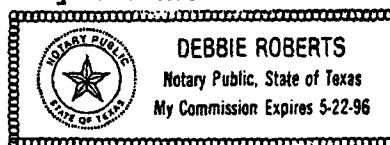
The foregoing instrument was acknowledged before me, the undersigned, a Notary Public in and for said County and State, on this 6th day of April, 1993, by David W. Twomey, Jr. being the Attorney-In-Fact of Conoco Inc., a Delaware Corporation, for the uses and purposes as therein set forth.

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

Debbie Roberts  
Notary Public

My Commission Expires:

5-22-96



FF-CI  
10-01-87  
(Amended 2-01-88)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That, Conoco Inc., a Delaware corporation, acting herein through John R. Hopkins, its Vice President and General Manager, being duly authorized by resolution of the Board of Directors dated October 1, 1987, as amended February 1, 1988, does hereby constitute, make and appoint David W. Twomey, Jr., its Land & Joint Interest Supervisor, Exploration Production, North America, having an office at Midland, Texas, its true and lawful attorney-in-fact, in addition to and not in lieu of acts authorized and powers conferred by any other power of attorney to said David W. Twomey, Jr., to exercise the following powers for it from June 1, 1992 until canceled or terminated; provided, however, said attorney-in-fact is hereby prohibited from filing applications to lease, offers to lease or other such instruments on behalf of any other participant:

(1) to execute and file in the name of Conoco Inc. all instruments authorized or required by the Mineral Leasing Act of 1920, the Mineral Leasing Act for Acquired Lands, the Outer Continental Shelf Lands Act or any other act now or hereafter enacted relating to the leasing or other dispositions of minerals or mineral lands held or owned by or under the supervision of the government of the United States of America, as amended or supplemented, and the regulations heretofore or hereafter issued pursuant thereto, pertaining to, without limitation, coal, phosphate, sodium, potassium, oil, oil shale, sulfur, native asphalt, solid and semisolid bitumen and bituminous rock (including oil impregnated rock or sands from which oil is recoverable only by special treatment after the deposit is mined or quarried), gas and all other minerals, gases, liquids or solids. Such authorized and required instruments shall include without limitation permits; leases; applications; offers; applications for renewal, exchanges or extensions of permits, leases, subleases, assignments and operating agreements; applications for approval of assignments, subleases, operating agreements and unit agreements; options and other like instruments however entitled.

(2) to execute and file in the name and on behalf of Conoco Inc. all statements of interest and of holdings of Conoco Inc. and to execute all other statements required, or which may be required, by the above-mentioned Acts and regulations.

391-L

Communitization Agreement  
Section 30: Lots 3,4,E/SW/4  
Section 31: Lots 1,2,3,4, E/2W/2 - T30N,R9W  
Florance Gas Com H #1 Well

IN WITNESS WHEREOF, the "Parties Hereto" have executed this agreement as of the day and year first above written and have set by their respective names the date of execution.

RECORD TITLE OWNER

ATTEST:

AMOCO PRODUCTION COMPANY

By: \_\_\_\_\_

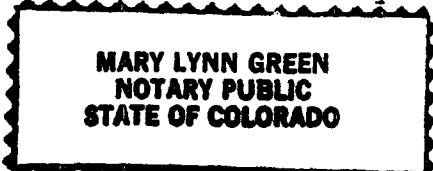
By: Thomas Lapinski  
Attorney-In-Fact

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

STATE OF: Colorado )  
COUNTY OF: Denver )

The foregoing instrument was acknowledged before me, the undersigned, a Notary Public in and for said County and State, on this 6<sup>th</sup> day of April, 1993, by Thomas Lapinski being the Attorney-In-Fact of Amoco Production Company, a Delaware Corporation, for the uses and purposes as therein set forth.

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



Mary Lynn Green  
Notary Public

My Commission Expires:

1-22-95

Communitization Agreement  
Section 30: Lots 3,4, E/2SW/4  
Section 31: Lots 1,2,3,4, E/2W/2 - T30N, R9W  
Florance Gas Com H #1 Well

IN WITNESS WHEREOF, the "Parties Hereto" have executed this agreement as of the day and year first above written and have set by their respective names the date of execution.

RECORD TITLE OWNER

ATTEST:

By: \_\_\_\_\_

CONOCO INC.  
By: David W. Twomey, Jr.  
Attorney-In-Fact TJS  
David W. Twomey, Jr.

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

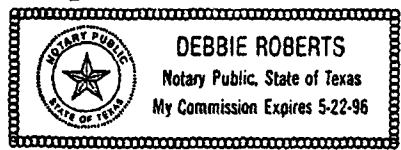
STATE OF: TEXAS )  
COUNTY OF: MIDLAND )

The foregoing instrument was acknowledged before me, the undersigned, a Notary Public in and for said County and State, on this 6th day of April, 1993, by David W. Twomey, Jr. being the Attorney-In-Fact of Conoco Inc., a Delaware Corporation, for the uses and purposes as therein set forth.

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

Debbie Roberts  
Notary Public

My Commission Expires:  
5-22-96



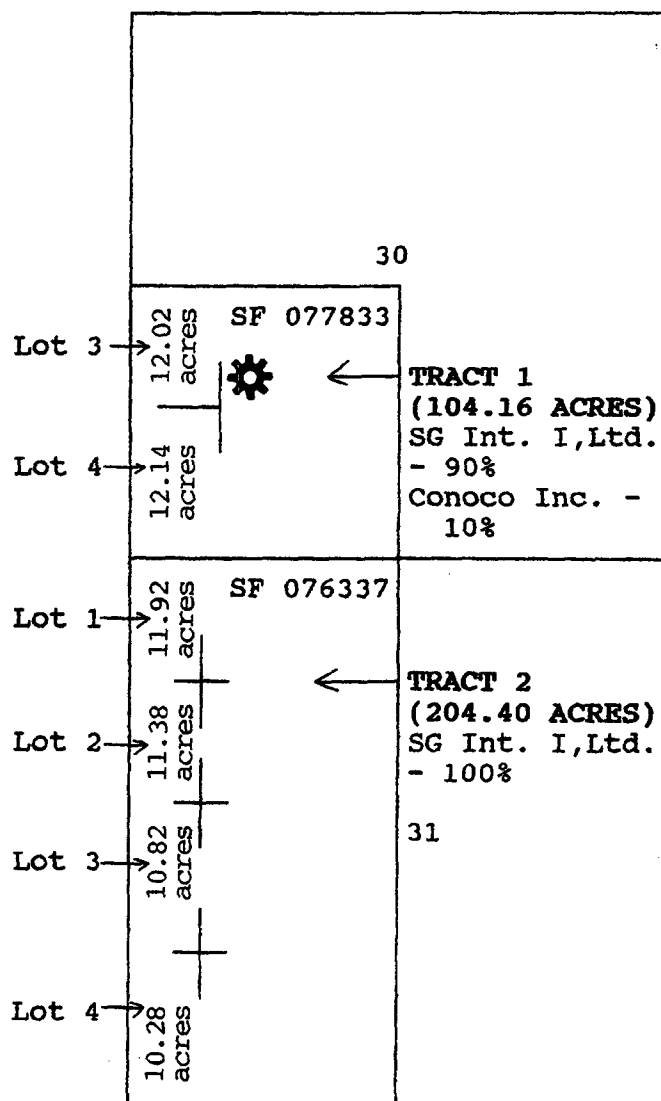


# EXHIBIT "A"

Plat of Communitized Area covering Lots 3,4, E/SW/4 Section 30  
and Lots 1,2,3,4 and E/2W/2 Section 31  
Township 30 North, Range 9 West, N.M.P.M.  
San Juan County, New Mexico

containing 308.56 acres, more or less

OPERATOR: SG Interests I, Ltd.  
WELL NAME: Florance Gas Com H #1  
SPACING UNIT: Lots 3,4, E/2SW/4 Section 30 and Lots 1,2,3,4,  
E/2W/2 Section 31  
WELL LOCATION: NE/4SW/4 Section 30



**EXHIBIT "B"**

Communitization Agreement  
dated April 1, 1993  
covering Lots 3,4, E/2SW/4 (SW/4) Section 30 and  
Lots 1,2,3,4, E/2W/2 (W/2) Section 31  
Township 30 North, Range 9 West, N.M.P.M.  
San Juan County, New Mexico

**OPERATOR:** SG Interests I, Ltd.  
Suite 1505, 811 Dallas  
Houston, Texas 77002  
**WELL NAME:** Florance Gas Com H #1  
**SPACING UNIT:** Lots 3,4, E/2SW/4 Section 30 and  
Lots 1,2,3,4, E/2W/2 Section 31  
**WELL LOCATION:** NE/4SW/4 Section 30

**TRACT 1:** Township 30 North, Range 9 West, N.M.P.M.  
Section 30: Lots 3,4, E/2SW/4 (SW/4)  
containing 104.16 acres, more or less  
**TRACT 2:** Township 30 North, Range 9 West, N.M.P.M.  
Section 31: Lots 1,2,3,4, E/2W/2 (W/2)  
containing 204.40 acres, more or less

**DESCRIPTION OF LEASES COMMITTED****TRACT 1:**

**LEASE COMMITTED BY:** Amoco Production Company, Conoco Inc., and  
SG Interests I, Ltd.  
**LEASE SERIAL NO:** SF 077833  
**LEASE DATE:** March 1, 1947  
**LEASE TERM:** HBP  
**ORIGINAL LESSOR:** United States of America  
**ORIGINAL LESSEE:** Jane W. Mansfield  
**PRESENT LESSEE:** Amoco Production Company and Conoco Inc.

Operating Rights on effective date of Agreement,  
 if different from Present Lessee: SG Interests I, Ltd. - 90%  
 Conoco Inc. - 10%

**RECORDING DATA:** Book 139, at Page 118, records of San Juan  
 County, New Mexico

**DESCRIPTION OF  
 LANDS COMMITTED:** Township 30 North, Range 9 West, N.M.P.M.  
 Section 30: Lots 3,4, E/2SW/4  
 containing 104.16 acres, more or less

**POOLING CLAUSE:** Yes, upon Agency approval

**ROYALTY RATE:** 12.5%

**NAME AND PERCENT  
 OF WI OWNERS:** SG Interests I, Ltd. - 90.00000%  
 Conoco Inc. - 10.00000%

**TRACT 2:**

**LEASE COMMITTED BY:** Amoco Production Company and  
 SG Interests I, Ltd.

**LEASE SERIAL NO.:** SF 076337

**LEASE DATE:** March 1, 1947

**LEASE TERM:** HBP

**ORIGINAL LESSOR:** United States of America

**ORIGINAL LESSEE:** William D. Heath

**PRESENT LESSEE:** Amoco Production Company

Operating Rights on effective date of Agreement,  
 if different from Present Lessee: SG Interests I, Ltd. - 100%

**RECORDING DATA:** Book 139, Page 102 of San Juan County,  
 New Mexico

DESCRIPTION OF LANDS COMMITTED:	<u>Township 30 North, Range 9 West, N.M.P.M.</u> Section 31: Lots 1,2,3,4, E/2W/2 containing 204.40 acres, more or less	
POOLING CLAUSE:	Yes, with agency approval.	
ROYALTY RATE:	12.5%	
NAME AND PERCENT OF WI OWNERS:	SG Interests I, Ltd.	- 100.00000%

RECAPITULATION

## COMMUNITIZATION AGREEMENT

Township 30 North, Range 9 West, N.M.P.M.  
 Section 30: Lot 3 (12.02), Lot 4 (12.14), E/2SW/4 and  
 Section 31: Lot 1 (11.92), Lot 2 (11.38), Lot 3 (10.82), Lot 4  
 (10.28), E/2W/2  
 containing 308.56 acres, more or less  
 San Juan County, New Mexico

Florance Gas Com H #1 Well

<u>TRACT NOS.</u>	<u>NO. OF ACRES COMMITTED</u>	<u>PERCENTAGE OF INTEREST IN COMMUNITIZED AREA</u>
1 (Federal)	104.16	33.7568%
2 (Federal)	<u>204.40</u>	<u>66.2432%</u>
	308.56	100.00000%