

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

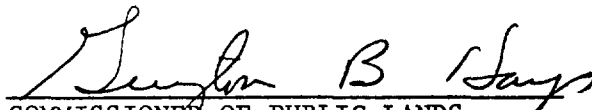
MONSANTO COMPANY-CONOCO WELL NO. 1
EDDY COUNTY, NEW MEXICO

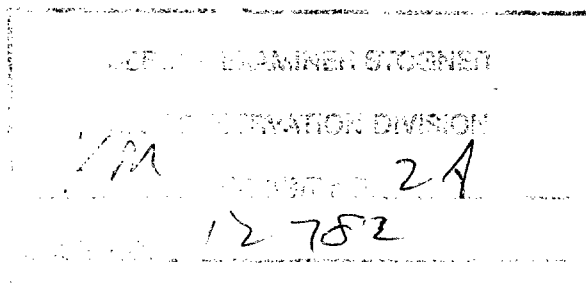
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated July 27, 1965, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 31th day of August, 19 65.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



COMMUNITIZATION AGREEMENT

THIS AGREEMENT, entered into as of the 27th day of July, 1965, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "Parties Hereto",

WITNESSETH

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well spacing and gas proration rules and regulations established for the field or area and such 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 dry gas and associated liquid hydrocarbons 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 located in Eddy County, New Mexico, and are described as follows:

Township 22 South Range 23 East N.M.P.M.

Section 2

containing 674.28 acres, more or less, and this agreement shall extend to and include only the Cisco Canyon and Morrow formations underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formations.

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit "A" designating the operator of the communitized area and showing the acreage, percentage ownership of oil and gas interests in all lands within

Aug 30 1965
STATE OF NEW MEXICO
SANTA FE, N.M.
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the communitized area, and the authorization, if any, for communitization 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 two (2) executed copies of a designation of successor operator shall be filed with the Commissioner of Public Lands.

4. 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.

5. 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. Payment 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.

6. There shall be no obligation on the lessees to offset any dry gas 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 leases be required to measure separately communitized substances by reason of diverse ownership thereof, but the leases 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.

7. 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.

8. 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.

9. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, and shall remain in force and effect for a period of one (1) year and so long thereafter as communitized substances are 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 Commissioner of Public Lands, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto.

10. It is agreed between the parties hereto that the Commissioner of Public Lands shall have the right of supervision of all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico. The covenants herein shall be construed as covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest 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 State of New Mexico lands shall be subject to the approval of the Commissioner.

11. 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.

12. 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

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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.

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.

Executed 27th July 1965 *120* By *Frank Richards*
 MONSANTO COMPANY
 Attorney in Fact
 ID NO 43-0420020
 Operator and Working Interest Owner

Executed 24th August July 1965
 CONTINENTAL OIL COMPANY FORM APPROVED
 By *Albert Spulsky* *MS*
 ATTORNEY IN FACT ATTORNEY
 ID NO 73-0196000 *102*

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 STATE DEPT
 SANTA FE, N.M.

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STATE OF TEXAS)
)
 COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 27th
 day of July, 1965, by FRANK RICHARDSON who is Attorney in Fact
 of Monsanto Company, a Delaware Corporation, for and in behalf of said
 Corporation.

Dorothy A. Norton
 Notary Public, Harris County, Texas

My Commission Expires JUNE 1, 1967

STATE OF Texas
 COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 24th
August
 day of July, 1965, by ALBERT HRUBETZ who is ATTORNEY IN FACT
Continental Oil Company, a Delaware Corporation, for
and in behalf of said Corporation.

Barbara Lee Young
 Notary Public, Tarrant
County, Texas

My Commission Expires:
6-1-67

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 STATE OFFICE
 SANITARIUM, N.M.

Attached to and made a part of that certain communitization
agreement dated 27th July 1965 by and between
Monsanto Company and Continental Oil Company

1. Lands Subject to Contract

Township 22 South Range 23 East N.M.P.M.

Section 2: All

Eddy County, New Mexico

Containing 674.28 acres more or less

2. Percentage or Fractional Interests of Parties Under Agreement:

Monsanto Company - - - - - 75.03708

Continental Oil Company - - - - - 24.96292

3. Leasehold interests of Parties Under Agreement

Monsanto Company

Oil and Gas Lease made and entered into on June 19, 1956 by and
between the State of New Mexico as Lessor and L. C. Harris as Lessee
referred to in the State Land Office Records, the State of New
Mexico as Lease No E-10171;¹ insofar as said lease covers, among other
lands, the following described land: Lots ^{48.49}② ^{48.65}③ and ^{48.82}④ S $\frac{1}{2}$ N $\frac{1}{2}$, W $\frac{1}{2}$ SW $\frac{1}{4}$,
N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 2, Township 22 South, Range 23 East, Eddy
County, New Mexico

Continental Oil Company

Oil and Gas Lease made and entered into on August 16, 1960 by and
between the State of New Mexico as Lessor and Continental Oil
Company as Lessee referred to in the State Land Office Records, the
State of New Mexico as Lease No K-672;⁰ insofar as said lease covers,
the following described land: Lot ^{48.32}① E $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 2,
Township 22 South, Range 23 East, Eddy County, New Mexico

4. Addresses of Parties to which notices should be sent:

Monsanto Company

P. O. Drawer 1829

Midland, Texas

Continental Oil Company

Box 480

Hobbs, New Mexico

5. Monsanto Company is hereby designated as Operator of the communitized area
pursuant to the provisions of Operating Agreement dated July 27th 1965,
by and between Monsanto Company and Continental Oil Company.

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 ST. ANTONIO, N.M.
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