

COMMUNITIZATION AGREEMENT

Koch Pool Unit #1

THIS AGREEMENT, made and entered into this 1st day of August 1953, 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"); Delhi Oil Corporation, a Delaware corporation, whose address is Corrigan Tower, Dallas, Texas; Saul Yager, whose address is 613 Oil Capital Building, Tulsa, Oklahoma; Marian Yager, whose address is c/o C. H. Rosenstein, McBirney Building, Tulsa, Oklahoma; M. E. Gimp, whose address is c/o Zale's Jewelry, 1606 Main Street, Dallas, Texas; Morris Mizel and wife, Flora Mizel, whose address is 101 W. Cameron Street, Tulsa, Oklahoma; and The Atlantic Refining Company, a Pennsylvania corporation whose address is P. O. Box 2819, Dallas 1, Texas; Sam Mizel, whose address is 101 W. Cameron Street, Tulsa, Oklahoma; Fred C. Koch, whose address is 321 W. Douglas, Wichita, Kansas; Sunray Oil Corporation, a Delaware corporation, whose address is First National Bank Building, Tulsa, Oklahoma;

W I T N E S S E T H:

WHEREAS, El Paso Natural Gas Company is the present owner and holder of that certain Oil and Gas Lease executed in favor of El Paso Natural Gas Company as Lessee under date of July 2, 1953, by Rose Rosenwein, a feme sole, embracing among other lands, the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: SE/4 NW/4 SE/4
containing 10.00 acres, more or less; and

WHEREAS, the above described lease provides for the pooling by the Lessee of the lands covered thereby as follows:

"Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."

WHEREAS, El Paso Natural Gas Company is the present owner and holder of the gas rights to the base of the Mesaverde formation under that certain Oil and Gas Lease executed in favor of Wayne Moore as Lessee by Saul A. Yager and wife, Marian Yager as Lessors under date of September 1, 1948, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: NW/4 NW/4 SE/4
containing 10.00 acres, more or less; and

WHEREAS, Sunray Oil Corporation by contract with El Paso, dated September 26, 1952, reserved and retained certain gas overriding royalties on the last above described tract; and

WHEREAS, Saul A. Yager is no longer the owner of the full royalty interest under the last above described lease but has conveyed an undivided one fourth ($\frac{1}{4}$) interest in said royalty to Morris Mizel and Sam Mizel jointly, an undivided one fourth ($\frac{1}{4}$) interest in said royalty to M. E. Gimp, and an undivided one fourth ($\frac{1}{4}$) interest in said royalty to Marian Yager; and

WHEREAS, The Atlantic Refining Company is the present owner and holder of that certain United States Oil and Gas Lease bearing Serial Number New Mexico 0607 executed in favor of The Atlantic Refining Company as Lessee under date of May 1, 1950, by the United States of America as Lessor embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: Lot 1, SE/4 NE/4, SW/4 SE/4, E/2 SE/4
containing 200.29 acres, more or less; and

WHEREAS, by a Contract for Development, dated February 27, 1950, as amended by a Supplemental Contract dated July 21, 1950, certain operating rights in the above described Federal Oil and Gas Lease were assigned to Delhi Oil Corporation. This Contract for Development was approved by the Bureau of Land Management by a Decision dated July 25, 1950. By an Agreement dated February 26, 1952, this Contract for Development was further amended whereby said Agreement provides that Delhi Oil Corporation shall transfer and assign to El Paso all its right, title and interest in and to the "earned gas acreage" and in and to all "unearned gas acreage" covered by said Contract and that The Atlantic Refining Company approves and agrees to such transfer and assignment; and

WHEREAS, El Paso is the present owner and holder of the gas operating rights down to and including the base of the Mesaverde formation in and under the above described Federal Oil and Gas Lease insofar as said lease is applicable to the last above described tract; and

WHEREAS, Delhi Oil Corporation is the present owner and holder of the oil operating rights, certain gas overriding royalties and certain gas operating rights under the above described Federal Oil and Gas Lease; and

WHEREAS, El Paso is the present owner of the gas rights to the base of the Mesaverde formation under that certain Oil and Gas Lease executed by John A. Pierce and wife Katharine L. Pierce, as Lessors, in favor of C. H. Nye, as Lessee under date of January 24, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: Lot 2
containing 40.39 acres, more or less; and

WHEREAS said lease provides for the pooling by the Lessee of the lands covered thereby as follows:

"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 640 acres; and in the event lessee exercises the 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 Sunray Oil Corporation by a contract with El Paso dated September 26, 1952 is the present owner of certain gas overriding royalties on the last above described tract; and

WHEREAS El Paso Natural Gas Company is the present owner of the gas rights to the base of the Mesaverde formation under that certain oil and gas lease executed in favor of Barnsdall Oil Company by C. H. Nye and wife Linda Nye, as Lessors under date of April 1, 1949, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: NE/4 NW/4 SE/4
containing 10.00 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:

"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 640 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 Sunray Oil Corporation by contract with El Paso dated September 26, 1952, retained and reserved certain gas overriding royalties on the last above described tract; and

WHEREAS, Fred C. Koch is the present owner of that certain oil and gas lease executed in favor of Fred C. Koch as Lessee, by Gladys E. DeJarnette and husband Leland R. DeJarnette and Alma Z. Harlow and husband D. L. Harlow as Lessors under date of July 19, 1951, embracing among other lands the following described land in San Juan County, New Mexico:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: SW/4 NE/4, SW/4 NW/4 SE/4
containing 50.00 acres, more or less; and

WHEREAS said lease provides for the pooling by the Lessee of the lands covered thereby as follows:

"17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization: provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the described land included in such unit in the same manner as though produced from the above described land under the terms of the lease.

WHEREAS, in order to expedite the execution of this agreement all of the overriding royalty owners 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 as follows:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: E/2
containing 320.68 acres, more or less; 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 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 men-

tioned 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 herein above 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 shall be determined and performed by "El Paso".

This agreement shall be effective as of the date hereof upon execution by the parties hereto, notwithstanding the date of execution, 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 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:

AC Martch
Assistant Secretary

ATTEST:

M. M. Miller
Assistant Secretary

ATTEST:

Katherine Vaughn
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By A. F. Steen
Vice President

THE ATLANTIC REFINING COMPANY

By R. A. Sunkel
Vice President

DELHI OIL CORPORATION

By Frank A. Schultz
Vice President

Saul A. Yager

Marian Yager

M. E. Gimp

APPROVED
Land cm
Prod. cm
Acctg. cm
Geol. cm

ATTEST:

James G. ...
Assistant Secretary

-7-

SUNRAY OIL CORPORATION

By H. O. ...
Vice President



Not
gib
...

Morris Mizel

Flora Mizel

Fred C. Koch

MRK

Sam Mizel

STATE OF TEXAS

COUNTY OF EL PASO

On this 17th day of January, 1955, before me appeared H. F. STEEN, 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 H. F. STEEN acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Louise M. Cress
Notary Public, El Paso County, Texas
LOUISE M. CRESS
Notary Public, in and for El Paso County, Texas
My commission expires June 1, 1958

STATE OF TEXAS

COUNTY OF DALLAS

On this 24th day of January, 1955, before me appeared L. A. SUN, to me personally known, who, being by me duly sworn, did say that he is the Vice President of THE ATLANTIC REFINING 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 L. A. SUN 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:

6-1-55

Holly Mae Trisett
Notary Public, County of Dallas, Texas
HOLLY MAE TRISSETT

STATE OF TEXAS

COUNTY OF DALLAS

On this 6th day of January, 1953, 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 FRANK A. SCHULTZ 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:

Marguerite Spencer
Notary Public, Dallas County, Texas

STATE OF OKLAHOMA

COUNTY OF TULSA

MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

On this _____ day of _____, 1953, before me appeared Saul A. Yager, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me he executed the same as his free act and deed.

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:

Notary Public, County of Tulsa,
Oklahoma

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Marian Yager, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me she executed the same as her free act and deed.

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:

Notary Public, County of Tulsa,
Oklahoma

STATE OF TEXAS

COUNTY OF DALLAS

On this _____ day of _____, 1953, before me appeared M. E. Gimp and _____, 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.

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:

Notary Public, Dallas County, Texas

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Morris Mizel and Flora Mizel, 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.

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:

Notary Public, County of Tulsa,
Oklahoma

STATE OF KANSAS

COUNTY OF *Sedgwick*

On this 11th day of February, 1953, before me appeared Fred C. Koch and Mary R. Koch, 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.

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 Dec. 24, 1955

Pauline Gordon
Notary Public, County of *Sedgwick*
State of Kansas

STATE OF OKLAHOMA

COUNTY OF TULSA

On this _____ day of _____, 1953, before me appeared Sam Mizel and _____, 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.

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:

Notary Public, County of Tulsa,
Oklahoma

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

On this 28 day of January, 1955, before me appeared H. O. Harder, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SUNRAY 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 H. O. Harder 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:

3-7-57

Quisell Nims
Notary Public, County of Tulsa, State
of Oklahoma