

STATE OF NEW MEXICO

Case No. 1428

2. For the approval of a Communitization Agreement embracing the NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, Section 20, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, as to dry gas and associated liquid hydrocarbon which may be produced from all formations within the vertical limits of the Eumont Gas Pool; said Agreement being dated May 13, 1957, and having been subscribed to by all working interest, royalty, overriding royalty, production payment and similar interest owners, except stated hereinbelow, and having further been approved as to form by the United States Geological Survey Office.

App. obtained following heretofore:
 Eumont NSP. 383 Aug 14, 1957 on same acreage.
 Eumont-Eumont Dual authorized¹ by DC-481 Jul. 31, 1957

And in support of the Application states:

1. That the $W\frac{1}{2}NE\frac{1}{4}$, $E\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NW\frac{1}{4}$, Section 20, Township 21 South, Range 37 East, N.M.P.M., are privately owned lands which are subject to six valid and subsisting Leases described in Exhibit "A" to the Communitization Agreement attached hereto; that the ownership of said Leases, and the ownership of royalty right and overriding royalty rights are likewise set forth in said Exhibit "A". That the $NW\frac{1}{4}NW\frac{1}{4}$ of said Section 20 is land of the United States embraced in Oil and Gas Lease LC 032591 (b), which is more fully described in said Exhibit "A". That the ownership of said Lease and the interest in and to the royalty rights and overriding royalty rights applicable thereto are further set forth in said Exhibit "A". That said Communitization Agreement is attached hereto and marked Exhibit "1", and incorporated herein by reference.

2. That the Communitization Agreement dated May 13, 1957, which is attached hereto has been entered into and executed by all the owners of dry gas or associated liquid hydrocarbons which may be produced within the vertical limits of the Eumont Gas Pool in the communitized area, consisting of the $NW\frac{1}{4}$, $W\frac{1}{2}NE\frac{1}{4}$, Section 20, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, containing 240 acres, more or less, EXCEPT Peerless Oil & Gas Company, who is the owner of all royalty attributable to Lease 2 shown in said Communitization Agreement, and except the United States of America who has approved the form thereof, and is presently processing the same for execution. That said Lease 2 embraces an undivided $1/8$ mineral interest in 200 acres described as the $W\frac{1}{2}NE\frac{1}{4}$, $E\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NW\frac{1}{4}$ of said Section 20, and that said Lease provides for a $1/8$ royalty on dry gas and associated liquid hydrocarbons. That unless the interest of Peerless Oil & Gas Company is pooled or communitized with the other mineral interests in the entire above 240 acre tract of land, Applicant and the other parties to said Communitization Agreement will be deprived, or tend to be deprived, of an opportunity

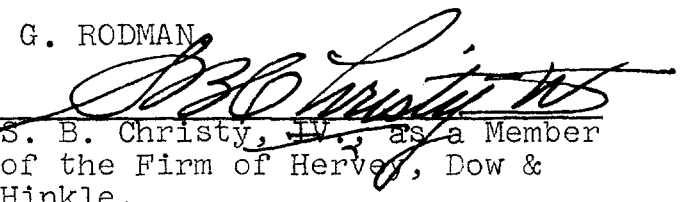
to recover their just and equitable share of the dry gas and associated liquid hydrocarbons within the vertical limits of the Eumont Gas Pool, and they would further be deprived, or tend to be deprived, of the right to produce gas from said tract without waste. That therefore it is just and equitable that the interest of Peerless Oil & Gas Company should be compulsory pooled or communitized with the other mineral interests in said tract, and upon information and belief that the terms and conditions contained in said Communitization Agreement are just and reasonable, and will afford to Peerless Oil & Gas Company and the other owners of minerals interests in said Tract an opportunity to recover or receive their just and equitable share of dry gas and associated liquid hydrocarbon which may be produced within the vertical limits of the Eumont Gas Pool so far as may be practically recovered without waste. That under the terms of the Communitization Agreement, there will be no costs of development or operation of the pooled unit to be borne by Peerless Oil & Gas Company.

3. Upon information and belief, that the geological formations, porosity, and drainage under all of the NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$ of said Section 20 are equal and uniform and all persons owning any mineral interest in said tract should share on a mineral acre basis in any production of dry gas or associated liquid hydrocarbons which may be produced within the vertical limits of the Eumont Gas Pool, regardless of the location of any well on said tract which may produce said substances. That the Communitization Agreement attached hereto provides for the development and operation of the communitized area as an entirety with the understanding and agreement between the parties that all communitized substances produced therefrom shall be allocated among the parties on an acreage basis, as above outlined.

Respectfully submitted,

E. G. RODMAN

By


S. B. Christy, IV., as a Member
of the Firm of Herve, Dow &
Hinkle,
Box 547, Roswell, New Mexico.

Attorneys for Applicant.

COMMUNITIZATION AGREEMENT

THIS AGREEMENT entered into as of the 13th day of May, 1957, by and 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 by the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C. Secs. 181 et seq., 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 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 described as follows:

NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, Section 20
Township 21 South, Range 37
East, N.M.P.M., Lea County,
New Mexico

Exhibit I

containing 240 acres, more or less, and this agreement shall extend to and include only the Eumont Gas formation 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 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 Oil and Gas Supervisor.

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 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. Operator, in operations hereunder, shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin and an identical provision shall be incorporated in all subcontracts.

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.

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all entered on the land... and the rentals on... paid on the basis... ment of rentals under the... shall not be affected by this... the terms or provisions... provided. Except as hereinafter... leasee subject to this agreement... effect as originally made and...

7. There shall be no... any dry gas well or wells... by this agreement on separate... communicated area... lessee be required to remove... reason of the diverse ownership... shall not be released from... tized area from drainage of... wells which may be drilled off...

8. The commencement, completion, and operation of... production of a well or wells... communicated area... communicated area shall be... ment, completion, continued operation... of the lands within and comprising said... operations or production pursuant to this agreement shall be deemed... as an operations or production as to each lease... hereto.

9. Production of a... thereof shall be in conformity with allocation... made or fixed by any duly authorized person or regulatory body under... applicable Federal or State... This agreement shall be sub... ject 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 pro...

...shall remain in full force and... shall remain in full force and... shall remain in full force and... shall remain in full force and... shall remain in full force and... shall remain in full force and... shall remain in full force and... shall remain in full force and... shall remain in full force and... shall remain in full force and...

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visions 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 shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years 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 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.

11. 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 operations within the communitized area to the same extent and degree as provided in the 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.

12. 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 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 Federal land shall be subject to approval by the Secretary of the Interior.

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 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.

WORKING INTEREST OWNERS:

E. G. Rodman

F. L. Rodman, wife

C. G. Campbell

Ruby Campbell, wife

Robert Smith Searls, Jr.

Jeanne Alice Searls, wife

J. H. Campbell

Orpha Campbell, wife

J. W. Walton

Maybeth Walton, wife

R. H. Tull

_____ Tull, wife

J. W. Peery

Bernice Peery, wife

O. F. Hedrick, Jr.

Rachel Hedrick, wife

Ada May Hedrick, a widow

Elinor H. Caldwell, dealing in her
separate estate

Ola Elaine H. Dry, dealing in her
separate estate

ROYALTY OWNERS:

H. L. Lowe, a widower

ATTEST:

PEERLESS OIL AND GAS COMPANY

Secretary

BY _____

President

C. E. Hinkle, New Mexico Trustee
for the estate of Allie M. Lee,
deceased

FIRST NATIONAL BANK OF NEVADA,
Reno, Nevada

By _____

Trust Officer

ATTEST:

SUNSHINE ROYALTY COMPANY

Secretary

BY _____

President

ATTEST:

SABINE ROYALTY COMPANY

Secretary

BY _____

President

Wina Rawls, a widow

ATTEST:

NORTH CENTRAL OIL CORPORATION

Secretary

BY _____

President

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Sally Saunders Toles, a married
person dealing in her separate
estate

Sue Saunders Graham, a married
person dealing in her separate
estate

Elyse S. Patterson, a married
person dealing in her separate
estate

F. J. Danglade, a widower

C. E. Hinkle

Lillian Hinkle, wife

A. L. Cone

Cone, wife

T. B. Knox

W. J. Knox, wife

Gordon M. Cone

Kathleen Cone, wife

James G. Randle

Dollie May Randle, wife

B. A. Christmas

Annie Christmas, wife

S. E. Cone, dealing in his
separate estate

OVERRIDING ROYALTY, PRODUCTION
PAYMENT INTEREST, AND SIMILAR
OWNERS:

ATTEST:

SUNRAY-MIDCONTINENT OIL CORPORATION

Secretary

President

Edna M. Elliott
Edna M. Elliott

L. E. Elliott, husband

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APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under the Act approved February 25, 1920, 41 Stat. 437, 30 U.S.C. Sect. 181 et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey, pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.618, 12 F.R. 6784, I do hereby:

A. Approve the above communitization agreement covering the NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, Section 20, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from the Eumont Gas formation.

B. 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.

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.

Dated: _____

Director

United States Geological Survey

Contract No. _____

Exhibit "A" to Communitization Agreement
dated May 13, 1957, embracing: NW $\frac{1}{4}$,
W $\frac{1}{2}$ NE $\frac{1}{4}$ Section 20, Township 21 South, Range
37 East, N. M. P. M., Lea County, New Mexico

Operator of Communitized Area: E. G. Rodman

DESCRIPTION OF LEASES COMMITTED

Traet A

Lease 1:

Lessors: James G. Randle and his wife, Dollie Mae Randle
and H. L. Lowe and his wife, Nettie Lowe.

Lessee of
Record: Original lease ran to Gordon M. Cone as lessee
and is now owned by the working interest owners
stated below.

Date of
Lease: September 1, 1934, recorded in the office of the
Lea County Clerk, New Mexico, in Oil and Gas
Book 25 at Page 429.

Lease 2:

Lessor: Peerless Oil and Gas Company, a corporation.

Lessee: Original lease ran to Gordon M. Cone as lessee and
is now owned by the working interest owners
stated below.

Date of
Lease: September 1, 1934, recorded in the office of the
Lea County Clerk, New Mexico, in Oil and Gas Book
25 at Page 431.

Lease 3:

Lessors: H. T. Wolfe and R. W. Wolfe, husband and wife.

Lessee : Original lease ran to Gordon M. Cone as lessee
and is now owned by the working interest owners
stated below.

Date of
Lease: September 1, 1934, recorded in the office of the
Lea County Clerk, New Mexico, in Oil and Gas Book
25 at Page 434.

Lease 4:

Lessors: Katie V. Busby and Paul G. Busby, wife and husband.

Lessee : Original lease ran to Gordon M. Cone as lessee
and is now owned by the working interest owners
stated below.

Date of
Lease: September 1, 1934, recorded in the office of the
Lea County Clerk, New Mexico, in Oil and Gas Book
25 at Page 437.

Lease 5:

Lessor: Nina Rawls

Lessee: Original lease ran to E. G. Rodman as lessee and is now owned by the working interest owners stated below.

Date of Lease: September 14, 1944, recorded in the office of the Lea County Clerk, New Mexico in Oil and Gas Book 52 at Page 186.

Lease 6:

Lessor: S. E. Cone

Lessee: E. G. Rodman, et al

Date of Lease: May 13, 1957, recorded in the office of the Lea County Clerk, New Mexico, in Oil and Gas Book _____ at page _____ (File No. 35,989).

Description of Lands Committed:

Leases 1 to 6 inclusive, above, cover all minerals under the $W\frac{1}{2}NE\frac{1}{4}$, $E\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NW\frac{1}{4}$, Section 20, Township 21 South, Range 37 East, N.M.P.M.

Leases 1 to 4 inclusive embrace the $W\frac{1}{2}NE\frac{1}{4}$, $E\frac{1}{2}NW\frac{1}{4}$, $SW\frac{1}{4}NW\frac{1}{4}$ of said Section 20; Lease 5 embraces the $W\frac{1}{2}NE\frac{1}{4}$ of said Section 20; and Lease 6 covers only the $SW\frac{1}{4}NE\frac{1}{4}$ of said Section 20.

Number of Acres:

The above leases collectively cover 200 surface acres, and collectively cover 200 mineral acres.

Working Interest and Percentage:

<u>Name</u>	<u>Undivided Working Interest</u>
E. G. Rodman	1/4
C. G. Campbell	38/192
Robert Smith Searls, Jr.....	1/12
Jeanne Alice Searls	1/12
J. H. Campbell	3/32
J. W. Walton	1/32
R. H. Tull	1/32
J. W. Perry	1/32
O. F. Hedrick, Jr.	68/1152
Ada May Hedrick, a widow	1/12
Elinor H. Caldwell	1/36
Ola Elaine H. Dry	1/36

TotalAll of net working Interest

Note: The above working interest ownership applies to all depths as to the $NE\frac{1}{4}NW\frac{1}{4}$, $NW\frac{1}{4}NE\frac{1}{4}$ of Section 20, but applies only to a depth of 4000 feet as to the $SE\frac{1}{4}NW\frac{1}{4}$, $SW\frac{1}{4}NE\frac{1}{4}$, $SW\frac{1}{4}NW\frac{1}{4}$ of said Section 20.

**Overriding Royalty
and Percentage:**

A. The gross working interest under leases 1 to 5 above as to the NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$ of said Section 20 is subject to an overriding royalty owned by the Allie M. Lee Estate, and equal to $\frac{1}{64}$ of $\frac{8}{8}$ of all oil and gas production attributable to the NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$ of said Section 20 below a depth of 3850 feet from the surface.

**Provision of Fee
Lease Authorizing
Pooling:**

Leases 1 to 6 inclusive, above, do not provide for pooling; however, the approval of all royalty interest owners is being obtained to the communitization agreement.

Exhibit "A" to Communitization Agreement
dated May 13, 1957, embracing: NW $\frac{1}{4}$,
W $\frac{1}{2}$ NE $\frac{1}{4}$ Section 20, Township 21 South, Range
37 East, N.M.P.M., Lea County, New Mexico

Operator of Communitized Area: E. G. Rodman

DESCRIPTION OF LEASES COMMITTED

Tract B

Lessor: The United States of America.

Lessee of
Record: Sunray-Midcontinent Oil Corporation and Edna
Elliott; assignment of said lease is to be
earned by E. G. Rodman upon drilling of gas well
authorized in the communitization agreement, per
farmout agreement of May _____, 1957.

Serial No.
of Lease: L. C. No. 032591 (b)

Date of
Lease: May 19, 1938

Description
of Lands
Committed: NW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 20, Township 21 South, Range 37
East, N.M.P.M., Lea County, New Mexico.

Number of
Acres: 40

Working
Interest and
Percentage:

<u>Name</u>	<u>Interest</u>
E. G. Rodman.....	100 per cent of Net Working Interest

Overriding
Royalty
Interest and
Percentage:

The Gross working interest under the above lease
is subject to:

A. An overriding royalty equal to $\frac{1}{4}$ of $\frac{7}{8}$ of
all gas production, while such production equals at
least 62500 cubic feet per day, owned by Sunray-
Midcontinent Oil Corporation and Edna M. Elliott
in equal shares; when production drops below 62500
cubic feet per day, said overriding royalty is re-
duced to $\frac{1}{8}$ of $\frac{7}{8}$ of all gas production; further,
in the event such gas production falls below
500,000 cubic feet per month, then said overriding
royalty interest is suspended during the time of
such reduced production of gas.

RECAPITULATION

<u>Tract Number</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
A.	200.	83.333 %
B.	40	16.667 %