



COMMUNITIZATION AGREEMENT

STATE OF NEW MEXICO)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF LEA)

THAT THIS AGREEMENT is entered into as of the 8th day of September
19 69, by and between the parties subscribing, ratifying or consent-
ing hereto, such parties hereinafter being referred to as "Parties
hereto";

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by the Legislature, as set forth in Sec. 7-11-47,
New Mexico Statutes, Annotated, 1955 Laws, in the interest of conser-
vation of oil and gas and the prevention of waste, to consent to and
approve the development or operation of State lands under agreements
made by lessees of oil and gas leases thereon, jointly or severally with
other oil and gas lessees of State lands, or oil and gas lessees or
mineral owners of privately owned or fee lands, for the purpose of
pooling or communitizing such lands to form a proration unit or por-
tion thereof, or well-spacing unit, pursuant to any order, rule or
regulation of the New Mexico Oil Conservation Commission, where such
agreement provides for the allocation of the production of oil or gas
from such pools or communitized area on an acreage or other basis found
by the commissioner to be fair and equitable.

WHEREAS, the parties hereto, being oil and gas lessees of record,
covering lands subject to this agreement, insofar as such leases cover
the lands hereinafter described, which leases are more particularly
described in the schedule attached hereto, marked Exhibit "A" and made
a part hereof, for all purposes, and

WHEREAS, said leases, insofar as they cover the Permo-Penn
Porosities Formation in and under the land hereinafter described

cannot be independently developed and operated in conformity with the well-spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this Agreement for the purpose of developing, operating and producing oil and
associated hydrocarbons in the Permo-Penn Porosities Formation in and under the land hereinafter described subject to the terms hereof.

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 undersigned as follows:

Township 15S Range 32E, N.M.P.M.

Section 9

Lea County, New Mexico

containing 160 acres, more or less, and so hereby declare that it is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of oil and associated hydrocarbons
from the Permo-Penn Porosities Formation in and under said land is necessary and advisable in order to properly develop and produce the communitized
substances in the said Permo-Penn Porosities Formation beneath said land in accordance with the spacing rules of the Conservation Commission of the State of New Mexico, and in order to promote the conservation of the communitized substances
in and what may be produced from said formation in and under said land, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize, for proration or spacing purposes only the leases

described in Exhibit "A" hereto insofar as they cover oil and associated hydrocarbons within and that may be produced from the Permo-Penn Porosities Formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the oil and associated hydrocarbons in said formation beneath said land,

Attached hereto and made a part of this Agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all lands within the communitized area.

2. 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 leases described in Exhibit "A" hereto in the proportion that the number of ^{mineral} ~~surface~~ acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.

3. The royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this Agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the undersigned be required to measure

separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

5. The Commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

6. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws or statutes. This Agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, 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 compliance is prevented by or if such failure results from compliance with any such laws, orders, rules or regulations.

7. Sun Oil Company shall be the Unit Operator of said communitized area and all matters of operation shall be determined and performed by Sun Oil Company.

8. This Agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public

Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in commercial quantities; provided, however, that prior to production in commercial 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 drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This Agreement shall not terminate upon cessation of production of communitized substances 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.

9. Operator will furnish the Conservation Commission and the Commissioner of Public Lands, of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

10. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the Oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

11. If any order of the Oil Conservation Commission upon which this agreement is predicated or based is in anywise changed or modified, then and in such event said agreement is likewise modified to conform thereto.

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 instruments, 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.

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.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SUN OIL COMPANY

OPERATOR:

COMPANY

BY:

Agent and Attorney in Fact

UNION OIL COMPANY OF CALIFORNIA

LESSEES OF RECORD:

By:

Attorney-in-Fact

STATE OF TEXAS)
) SS
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 8th day of September, 1969 by Cecil A. Colville, as Agent and Attorney in Fact on behalf of SUN OIL Company.

6/1/71

My Commission Expires

NOTARY PUBLIC

New Mexico

STATE OF TEXAS }

COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me this 13th
day of October, ¹⁹⁶⁹~~1964~~ by JOHN HANSEN,
(Name)
Attorney-in-Fact, of UNION OIL COMPANY OF CALIFORNIA, a
(Title) (Corporation)
California corporation, on behalf of said corporation.

Elma H. Sloan

ELMA H. SLOAN

Notary Public

My Commission Expires:

June 1, 1971

STATE OF _____ }

COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____
day of _____, 1964, by _____,
(Name)
_____, of _____, a
(Title) (Corporation)
_____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____ }

COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____
day of _____, 1964, by _____,
(Name)
_____, of _____, a
(Title) (Corporation)
_____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

EXHIBIT "A"

Attached to and made a part of that Communitization Agreement dated
September 8, 1969 by and between Sun Oil Company and,
Union Oil Company of California
Company covering the NE $\frac{1}{4}$ Section 9 Township 15S
Range 32E, Lea County, New Mexico

Operator of Communitized Area:

Company Sun Oil Company

Description of Leases Committed:

Company Sun Oil Company

Tract No. 1

Lessor:

State of New Mexico acting by and
through its Commissioner of Public
Lands

Lessee of Record:
Serial No. of Lease:
Date of Lease:
Description of Lands
Committed:

Sun Oil Company
L-113
July 18, 1967
N $\frac{1}{2}$ NE $\frac{1}{4}$ and SW $\frac{1}{4}$ NE $\frac{1}{4}$

No. of Acres:

120

Union Oil Co. of California Company:

Tract No. 2

Lessor:

State of New Mexico acting by and
through its Commissioner or Public
Lands

Lessee of Record:
Serial No. of Lease:
Date of Lease:
Description of Lands
Committed:

Union Oil Company of California
K-680
August 16, 1960
SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 9, T15S, R32E

No. of Acres:

40

Tract No. 3

Lessor:

State of New Mexico acting by and
through its Commissioner of Public
Lands

Lessee of Record:

Serial No. of Lease:

Date of Lease:

Description of Lands
Committed

No. of Acres

Company:

Tract No. 4

Lessor:

State of New Mexico acting by and
through its Commissioner of Public
Lands

Lessee of Record:

Serial No. of Lease:

Date of Lease:

Description of Lands
Committed

No. of Acres:

<u>RECAPITULATION</u>		
<u>TRACT NO.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
Lease No. 1	120	75.000000
Lease No. 2	40	25.000000
Lease No. 3		
Lease No. 4		
	<u>160</u>	<u>100.000000</u>

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