

Contract No. _____

COMMUNITIZATION AGREEMENT

Wells B-5 #1 Well

THIS AGREEMENT entered into as of the 1st day of February, 1967, 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:

Township 25 South, Range 37 East, E.M.P.M.
Section 5: Lots 1, 2, 3, 4, 5, 6, 7, 8
Lea County, New Mexico
containing 160.25 acres,

more or less, and this agreement shall extend to and include only the formations lying between the top of the Tansill formation down to a point 100 feet above the base of the Seven Rivers formation underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from
Wells B-5 #1

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A" designating the operator of the communitized area and stating the 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) months notice of a designation of successor operator shall be given to 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.

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. 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.

7. 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 lessee be required to measure separately communitized substances by

release of the diverse ownership thereof, but the lessees hereto shall not be released from their obligations to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. 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.

9. 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.

10. This agreement shall be effective as of the date hereof and shall remain in force and effect for a period of two (2) years and as 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 representatives, 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 owner, and in the applicable oil and gas regulations of the Department of the Interior.

12. In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employment

because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

13. 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 the approval of the Secretary of the Interior.

14. 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.

15. 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 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.

ATTEST:

EL PASO NATURAL GAS COMPANY

Assistant Secretary

BY



Vice President



EXHIBIT A

To a Commitment Agreement dated February 1, 1937,
concerning the following described land in Lea County,
New Mexico, to-wit:

Township 25 South, Range 37 East, N.M.P.M.
Section 5: Lots 1, 2, S/2 NE/4

Operator of Commitment Area:

El Paso Natural Gas Company

Well Name:

Wells B-5 #1

Description of Leases Committed

Tract No. 1

Lease Committed by:

Westates Petroleum Corporation

Lessor:

United States of America

Original Lessee:

E. J. Wells

Lessee of Record:

Indian Petroleum Company

Serial Number of Lease:

LC 052956

Lease Date:

January 4, 1935

Operating Agreements:

Operating Agreement dated August 28, 1939,
between Indian Petroleum Corporation (suc-
ceeded by Indian Petroleum Company) and
Italo Petroleum Corporation (succeeded by
Westates Petroleum Corporation).

Description of Lands committed:

Township 25 South, Range 37 East, N.M.P.M.
Section 5: Lot 1 and the SE/4 NE/4 con-
taining 89.16 acres, more or less.

Tract No. 2

Lease Committed by:

El Paso Natural Gas Company

Lessor:

United States of America

Original Lessee:

E. J. Wells

Lessee of Record:

Anderson-Prichard Oil Corporation and
First Chicago Corporation

Serial Number of Lease:

LC 055546

Lease Date:

January 4, 1935

Operating Agreements:

Gas Operating and Development Contract
dated November 6, 1939 by Anderson-Prichard
Oil Corporation and the Illinois Oil Company
to El Paso Natural Gas Company. Operating
Agreement dated August 1, 1939 between An-
derson-Prichard Oil Corporation, First Chicago
Corporation, El Paso Natural Gas Company and
Indian Petroleum Company.

Description of Lands Committed:

Township 25 South, Range 37 East, N.M.P.M.
Section 5: Lot 2 and the SE/4 NE/4, con-
taining 80.09 acres, more or less.

ATTEST:

FIRST CHICAGO CORPORATION

Edward N. Beckett
Asst. Secretary

BY [Signature]
Vice President

ATTEST:

INDIAN PETROLEUM COMPANY

H. A. Berman
Secretary

BY J. N. Parnell
President

ATTEST:

ANDERSON-PRICHARD OIL CORPORATION

C. T. McClure
Asst. Secretary

BY Robert [Signature]
President

R. Olsen
R. Olsen

Lauretta B. Olsen
Lauretta B. Olsen

STATE OF TEXAS I
 I SS.:
COUNTY OF EL PASO I

On this 19 day of July, 1955, before me appeared E. N. Beckett, known to me personally, 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 E. N. Beckett 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:
June 1, 1957

M. B. Ivey
Notary Public in and for El Paso County,
State of Texas

M. B. IVEY
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1959

STATE OF California I
 I
COUNTY OF San Francisco I

On this 27th day of April, 1957, before me appeared [Signature], known to me personally, who, being by me duly sworn, did say that he is the President of Western Petroleum 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 [Signature] 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:
March 29, 1960

Grace [Signature]
Notary Public in and for San Francisco
County, State of California

STATE OF Illinois X
COUNTY OF Cook X

On this 17th day of May, 1957, before me appeared J. M. Ferguson, to me personally known, who, being by me duly sworn, did say that he is the Vice President of First Chicago 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 J. M. Ferguson 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: Feb. 17, 1960

Harold H. Leach
Notary Public in and for Cook
County, State of Illinois

STATE OF California X
CITY AND COUNTY OF San Francisco X

On this 28th day of April, 1957, before me appeared J. W. FAULSON, to me personally known, who, being by me duly sworn, did say that he is the President of Indian Petroleum 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 J. W. FAULSON 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:

Oct 18 58

Shirley L. Morris
Notary Public in and for California
County of San Francisco

STATE OF Oklahoma X
COUNTY OF Oklahoma X

On this 26th day of June, 1957, before me appeared Robert H. Palmer, to me personally known, who, being by me duly sworn, did say that he is the President of American Petroleum Corp. 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 Robert H. Palmer 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:

1-10-58

Margaret M. McWhiter
Notary Public in and for Oklahoma
County, State of Oklahoma

STATE OF Oklahoma X
COUNTY OF Oklahoma X

On this 24th day of June, 1957, before me appeared R. Olsen and Barbara B. Olsen, 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.

My Commission Expires:

May 9, 1961

Margaret Randall
Notary Public in and for Oklahoma
County, State of Oklahoma