

OPERATOR'S HANDBOOK FOR COMMUNITIZATION AGREEMENT SUBMITTALS

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SUMMARY INFORMATION ON COMMUNITIZATION

Conformance with Acceptable State Well Spacing.

The communitization of Federal leases is authorized only for areas where well-spacing or a well development program has been established. If the area is spaced by a State Office, attach a copy of the order to each of the Federal copies of the agreement. If the area is not spaced by a State order, a report should be furnished in triplicate showing that the proposed communitized tract conforms with the existing spacing pattern for the area. The report should include a development map of the area showing wells completed in the zone or formation being communitized. Although a communitization agreement is approved for an initial 2-year term, committed Federal leases that would otherwise terminate during this period can only be extended if: (1) Paying communitized production is effected prior to such lease termination date, or (2) extension is applicable under other provisions of 43 CFR 3107.

Execution of the Agreement.

A. The operator of the communitized area and all owners of record title and working interests in Federal Leases as reflected by current records must execute the agreement. If Exhibit B indicates a different ownership, all lessees and working interest owners on the effective date of the agreement should also execute the agreement. However, agreements may be approved with only the signatures of current interests if previous owners cannot be located or refuse to sign.

B. All working interest owners of non-Federal leases must execute the agreement, unless such interests have been effectively integrated or pooled by State order (an order that involuntarily "force-pools" all interests) or other pooling agreement. Copies of the State order or pooling agreement should be furnished and made a part of the agreement if such interest owners do not execute the agreement.

C. All basic royalty owners under non-Federal leases must execute the agreement, unless such interests have been effectively pooled by State order, a pooling clause in the lease, or other pooling agreement. Evidence of such pooling should be furnished and made a part of the agreement if such owners do not execute the agreement. Each such tract shown on Exhibit B of the standard form must include either the verbatim pooling provision of the lease, or the statement, "Lease contains a provision authorizing pooling in accordance with the acreage requirement of the agreement."

D. Execution by overriding royalty interests under Federal and non-Federal leases is not mandatory for Federal approval. However, execution by such parties as are provided should be accepted, as it will ensure more effective protection of the interests of other parties.

E. All signatures should be witnessed by another party or acknowledged before a notary public, and, if the signature is by an agent, attorney-in-fact, or other representative, evidence of authority to act for the principal is necessary. Execution by a corporate officer should show title and carry proper attestation and the corporate seal. When executed by a corporate officer with proper attestation, acknowledgment before a notary is not required for Departmental approval.

Required Copies.

The operator must submit a sufficient number of copies to satisfy Federal requirements as specified by the authorized officer, plus as many as the operator wants approved and returned. One of the copies must be a complete original in every respect and will be retained by the Office of record on approval. Reproductions of signatures are acceptable for the other copies, but the operator will receive one of these upon approval. Thus, duplicate originals must be submitted if the operator wishes to receive an approved original for recording or other purposes.

The filing of "Preliminary Application for Approval to Communitize" is not mandatory. However, such procedure is recommended when: (1) The suggested form of agreement is revised, or (2) when there is some doubt as to whether the proposed communitized tract may be considered as logically subject to communitization. Such procedure may prevent the necessity of revision and reexecution of an executed agreement considered to be unacceptable. At times, a preliminary conference in lieu of such application may be appropriate.

FORMS FOR CA APPROVAL

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INSTRUCTIONS FOR COMPLETING COMMUNITIZATION AGREEMENT FORMS

Determination-Approval-Certification.

Under "B", in the first blank, enter complete legal description all the land to be communitized, e. g., NE¼ sec. 24, Township 1 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

Following "as to," enter either "natural gas and associated liquid hydrocarbons," or "crude oil and associated natural gas," as applicable.

Following "from the," enter the accepted formation or zone name in general use in the vicinity, or as specified in the State spacing order for the formation or zone to be communitized.

Do not fill in the blanks at the bottom of the page.

Communitization Agreement

Under "Heading," leave the "Contract No" blank, since it will be assigned by the authorized officer.

Under Section 1, the land description should be the same as under "B" on the Determination-Approval-Certification.

"Acres" should be the exact acreage to be communitized, such as "316.10".

"Formation" or "Zone" should be the same as shown under "B" on the Determination-Approval-Certification.

In the last blank, insert either "natural gas and associated liquid hydrocarbons" or "crude oil and associated natural gas, " as applicable.

Under Section 10, fill in the date of the agreement.

Under 1st Paragraph:

For signature information, refer to "Summary Information on Communitization of this handout.

Attachments to the Agreement:

Attach Exhibits "A" and "B" to each copy of the agreements, supplying the information in the prescribed format.

APPROVAL-CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under Section 17(j) of the Mineral Leasing Act of 1920, as amended, (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Authorized Officer of the Bureau of Land Management, by Executive Order of the Secretary of the Interior, I do hereby:

- A. 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. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

- B. Approve the attached communitization agreement covering the ____ of Section ____ Township _____, Range _____, _____ &M _____ County, _____, as to _____ producible from the _____ Formation as described in Section 1 of the agreement. This approval will become invalid *ab initio* by the AO should the public interest requirements under Section 3105.2-3(e) are not met.

- 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 this agreement.

APPROVED: _____

Authorized Officer
Bureau of Land Management

EFFECTIVE: _____

COMMUNITIZATION AGREEMENT CONTRACT NO: _____

Communitization Agreement

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof 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 and supplemented, 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 communitized substances 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:

containing _____ acres, and this agreement shall include only the _____ formation(s) underlying said lands and the _____, hereinafter referred to as "communitized substances," producible from such formation(s).

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit b, 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 executed copies of a designation of successor operator shall be filed with the Authorized Officer.

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 oil and 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 regulations.
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.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

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. Payments 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. It is agreed that for any federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any 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 reason of the diverse ownership thereof, but the lessees 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.
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. The date of this agreement is month day, year, and it shall become effective as of the date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, 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. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. 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 interests 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, or his duly authorized representative.
12. 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 fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

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.

EXHIBIT "A"

Plat of communized area covering _____ Section ____, Township _____, Range _____
, _____ Field, _____ County, _____.

<p>Company</p> <p>Tr. No. __ 40.00 ac. Lease No.</p>	<p>Company</p> <p>Tr. No. __ 120.00 ac. State Lease</p> <p>!</p> <p>State No. 1</p>
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NOTE: Show well location and tract numbers.

EXHIBIT "B"

To Communitization Agreement dated _____ embracing

Operator of Communitized Area: _____

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.:

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Township _____, Range _____, M.

¼ ¼ Section

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent WI Owners:

Tract No. 2

Lease Serial No.:

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Township _____, Range _____, M.
1/4 1/4 Section

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent WI Owners:

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	000.00	00.0000%
2	<u>000.00</u>	<u>00.0000%</u>
	000.00	100.0000%

Communitization Agreement

WHEREAS, the parties hereto own working, royalty, patented or fee or leasehold interests, or operating rights under the oil and gas leases, on lands subject to this agreement which can be best developed and operated in conformity with a well spacing program; and

NOW, THEREFORE, the parties agree as follows:

1. Communitized Area.

The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

containing _____ acres, and this agreement shall include only the following formations:

2. Acreage and Ownership

Attached hereto is a plat designed as Exhibit "a" showing the communitized area.

Attached hereto is Exhibit "B", 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. Operator.

The Operator of the communitized area shall be _____. Matters of operation shall be governed by the designated operator. Owners of the working interest in the communitized area may nominate a successor operator by filing four (4) executed copies of a Designation of Successor Operator with the Chief, Branch of Fluid Minerals, Bureau of Land Management, for approval by the Superintendent.

4. Reports.

Operator shall furnish the Secretary of the Interior, or his authorized representative, with (1) monthly reports of operations, statements of oil and gas sales therefrom and such other reports as are deemed necessary to compute monthly the royalty due as specified in the applicable oil and gas leases or

operating regulations by the 15th day following the month reported on; (2) a log and history of each well drilled in the communitized area within 15 days of completion of the well or approval of this agreement; and (3) such other reports as may be required by applicable oil and gas regulations.

5. Communitized Substances Allocated According to Acreage.

The communitized area shall be developed and operated as a unit. All communitized substances produced therefrom shall be allocated among the interest owners in the proportion that the acreage interest of each interest owner bears to the entire acreage interest committed to this agreement. Operations and production on one parcel in the communitized area shall be considered as operations and production on each parcel therein.

6. Segregation of Leases.

Any portion of an Indian leasehold interest not included within the communitized area is hereby segregated from that portion included within the communitized area, and is considered as a separate lease with the same parties subject to all of the terms of the original lease, excepting only the portion committed thereto.

7. Royalties.

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 described in each of the individual leases.

8. Full Development.

The Bureau of Land Management (BLM) may either require the drilling and production of such wells as, in his opinion, are necessary, to insure reasonable diligence in the development and operation of the communitized area, or in lieu thereof, require the payment of an amount as determined by the BLM to compensate the interest owners in full each month for the estimated loss of royalty.

The Operator shall:

(1) Drill and produce all wells necessary to offset or protect the communitized area from drainage, or in lieu thereof, to compensate the interest owners in full each month for the estimated loss of royalty through drainage. The necessity for offset wells shall be determined by the BLM. Payment in lieu of drilling and production shall be with the consent of, and in an amount determined by, the BLM.

(2) Drill and produce other wells, at the election of the Operator, subject to any system of well spacing or production allotments authorized and approved under applicable law or regulations, approved by the Secretary and affecting the communitized area.

9. Production and Disposal under Federal Law.

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 statutes. 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, Federal laws and regulations or orders issued thereunder.

10. Effective Date.

This agreement becomes effective when all interest owners or someone authorized to act in their stead have executed this instrument or a counterpart thereof and the same has been approved by the Superintendent. The terms of the agreement shall apply to all production, either prior to or subsequent to the effective date, as of the date of first production and shall remain in force and effect so for thereafter as communitized substances are produced from the communitized area in paying quantities. In the event that any lease committed to this agreement is beyond its primary term prior to production in paying quantities, the lease terms apply.

11. Secretarial Supervision.

The Secretary of the Interior or his designate 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 lease in which owners of Indian Lands are lessors and in the applicable oil and gas regulations of the Department of the Interior.

12. Covenants Running with the Land.

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 interests until this agreement terminates. 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 Indian Lands shall be subject to approval by the Secretary of the Interior.

13. Nondiscrimination.

In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 FR 12319), giving, however, such preference to Indian as applicable law permits.

14. Signing of Agreement by Counterparts.

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.

15. Lease Terms Control as Modified.

Oil and gas leases in the communitized area shall remain in full force except as herein modified.

DATED AND APPROVED this ___ day of _____, 20___, by the United States of America, acting through the Bureau of Indian Affairs, and delegated to the Superintendent by Phoenix Area Redelegation Order No. 3, Sec. 2.17 (34 Fed. Reg. 11109).

Superintendent

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.

EXHIBIT "A"

Plat of communitized area covering _____ Section ____, Township _____, Range _
_____, _____ Field, _____ County, _____.

<p>Company</p> <p>Tr. No. ____ 40.00 ac. Lease No.</p>	<p>Company</p> <p>Tr. No. ____ 120.00 ac. State Lease</p> <p>!</p> <p>State No. 1</p>
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NOTE: Show well location and tract numbers.

EXHIBIT "B"

To Communitization Agreement dated _____ embracing

Operator of Communitized Area: _____

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.:

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Township _____, Range _____, M.

¼ ¼ Section _____

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent WI Owners:

Tract No. 2

Lease Serial No.:

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Township _____, Range _____, M.
¼ ¼ Section

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent WI Owners:

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	000.00	00.0000%
2	<u>000.00</u>	<u>00.0000%</u>
	000.00	100.0000%

APPROVAL-CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under Section 17(j) of the Mineral Leasing Act of 1920, as amended, (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Authorized Officer of the Bureau of Land Management, by Executive Order of the Secretary of the Interior, I do hereby:

- A. 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. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

- B. Approve the attached communitization agreement covering the __ of Section __ Township ____, Range ____, ____, ____, County, ____, as to ____ producible from the ____ Formation as described in Section 1 of the agreement. This approval will become invalid *ab initio* by the AO should the public interest requirements under Section 3105.2-3(e) are not met.

- 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 this agreement.

APPROVED: _____

Authorized Officer
Bureau of Land Management

EFFECTIVE: _____

COMMUNITIZATION AGREEMENT CONTRACT NO: _____

Contract No. _____

Communitization Agreement

(Federal and Indian Lands)

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof 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 and supplemented, 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 Acts of March 3, 1909 (35 Stat. 783, 25 U.S.C. 396) as amended, and May 11, 1938 (52 Stat. 347, 25 U.S.C. 396a and 396d), as amended, authorize the leasing of allotted and unallotted Indian reservation or lands owned by any individual Indian or any tribe, group, or band of Indians under Federal jurisdiction for mining purposes under such rules and regulations of the Secretary of the Interior as may be necessary to carry out the intentions of the acts; and

Whereas, 43 C.F.R. 211.21(b) and 212.24(c) authorize the Secretary to include Indian leases in cooperative or unit plans affecting leased lands; 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 communitized substances 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. Communitized Area. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

(containing _____ acres, more or less)

This agreement shall include only the following formation(s) underlying said lands and the crude oil and associated natural gas or natural gas and associated liquid hydrocarbons, hereinafter referred to as "communitized substances," producible from such formation(s):

2. Acreage and Ownership. Attached hereto as Exhibit "A" , and made a part of this agreement for all purposes, is a plat of the communitized area. Attached hereto as Exhibit "B" , is a schedule which shows 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. Operator. The operator of the communitized area shall be _____. 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 executed copies of a designation of successor operator shall be filed with the Authorized Officer (AO).

4. Reports. 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 oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, individual Indians or tribes, groups, or bands of Indians under Federal jurisdiction as specified in the applicable oil and gas regulations.

5. Communitized Substances Allocated According to Acreage. 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.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. Royalties. 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. Payments 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. It is agreed that for any federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. Offset Obligations. There shall be no obligation on the lessees to offset any 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 reason of the diverse ownership thereof, but the lessees 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. This obligation is further amplified in Section 17 as to Indian land and leasehold interest subject to federal jurisdiction.

8. Drilling Unit-Wide Operations. 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 and Disposal Subject to Applicable Laws. 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. Effective Date. The date of this agreement is _____, and it shall become effective as of the date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, 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. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. Covenants Running with the Land. 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 interests 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, or his duly authorized representative.

12. Secretarial Supervision. 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 fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.

13. Successors and Assigns. 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. Signing of Agreement by Counterparts. 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.

15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement, giving, however, such preference to Indians as applicable law permits.

As this agreement applies to Indian lands.

16. Segregation of Leases. Any portion of an Indian leasehold interest not included within the communitized area is hereby segregated from that portion included within the communitized area, and is considered as a separate lease with the same parties subject to all of the terms of the original lease, excepting only the portion committed thereto.

17. Full Development. The AO may either require the drilling and production of such wells as, in his opinion, are necessary, to insure reasonable diligence in the development and operation of the communitized area, or in lieu thereof, require the payment of an amount as determined by the BLM to compensate the interest owners in full each month for the estimated loss of royalty.

The Operator shall:

(1) Drill and produce all wells necessary to offset or protect the communitized area from drainage, or in lieu thereof, to compensate the interest owners in full each month for the estimated loss of royalty through drainage. The necessity for offset wells shall be determined by the BLM. Payment in lieu of drilling and production shall be with the consent of, and in an amount determined by, the BLM.

(2) Drill and produce other wells, at the election of the Operator, subject to any system of well spacing or production allotments authorized and approved under applicable law or regulations, approved by the Secretary and affecting the communitized area.

18. Lease Terms Control as Modified. Oil and gas leases in the communitized area shall remain in full force except as herein modified.

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.

DATED AND APPROVED this ___ day of _____, 20__, by the United States of America, acting through the Bureau of Indian Affairs, and delegated to the Superintendent by Phoenix Area Redelegation Order No. 3, Sec. 2.17 (34 Fed. Reg. 11109).

Superintendent

EXHIBIT "A"

Plat of communized area covering _____ Section ____, Township _____, Range _____
, _____ Field, _____ County, _____.

<p>Company</p> <p>Tr. No. __ 40.00 ac. Lease No.</p>	<p>Company</p> <p>Tr. No. __ 120.00 ac. State Lease</p> <p>!</p> <p>State No. 1</p>
--	---

NOTE: Show well location and tract numbers.

EXHIBIT "B"

To Communitization Agreement dated _____ embracing

Operator of Communitized Area: _____

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.:

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Township _____, Range _____, M.

¼ ¼ Section _____

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent WI Owners:

Tract No. 2

Lease Serial No.:

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Township _____, Range _____, M.
¼ ¼ Section

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent WI Owners:

R E C A P I T U L A T I O N

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	000.00	00.0000%
2	<u>000.00</u>	<u>00.0000%</u>
	000.00	100.0000%

REQUEST FOR APPROVAL OF SUCCESSOR OF CA OPERATOR

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REQUEST FOR SUCCESSOR OF COMMUNITIZATION AGREEMENT OPERATOR

The succession of a new communitization agreement (CA) unit operator is accomplished through the authorized officer's approval of an instrument executed by or on behalf of the CA operator, the successor operator, and the owners of the working interests. That instrument provides for the resignation of the CA operator, the acceptance of the duties and responsibilities of CA operator by the successor operator, and the approval of the new CA operator by owners of committed working interests.

The procedure for processing and approving successor operator designations under CA agreements has been amended to provide an optional method for obtaining approval of successor operators which should expedite the approval process. Bureau of Land Management (BLM) offices now have a self-certification procedure for CA agreements. A party proposing to become the successor operator may submit a statement certifying that the working interest owner approvals have been obtained. The party to be designated successor operator must still execute a Designation of Successor Operator Form, but the document does not necessarily need to be signed by the working interest owners. Upon verification that adequate bonding has been obtained, the authorized officer (AO) may accept and approve in writing the designation of successor operator.

For consistency in processing requests for successor operator, a standardized statement certifying that working interest owner approvals have been obtained can be used to facilitate processing the requests for approval of designations of successor operator. The certification statement submitted to BLM offices requesting approval of the successor operator should contain the following language:

(Name of the proposed successor operator), as the designated successor operator for CA _____, hereby certifies that the requisite approvals of the current working interest owners in the agreement have been obtained to satisfy the requirements for selection of a successor operator.

Please be advised that you may adopt the self-certification procedure to complete the change in operator for the CA, or you may submit the working interest owner signatures and a revised Exhibit "B" showing the current ownership under the CA.

Please complete the enclosed forms for effecting a change in operator and submit them, in quadruplicate, to the appropriate BLM office.

Authorized Officer
Bureau of Land Management

Re: Communitization Agreement
No. _____
_____ County, _____

Gentlemen:

Enclosed for your consideration and approval, are four (4) copies of Designation of Successor Operator for Communitization Agreement _____. The enclosed instrument has been executed by all working interest owners within the communitization agreement. All operations within Communitization Agreement _____ will be covered by bond no. _____.

Sincerely,

Enclosures

Authorized Officer
Bureau of Land Management

Re: Communitization Agreement
No. _____
_____ County, _____

Gentlemen:

Enclosed for your consideration and approval, are four (4) copies of Designation of Successor Operator for Communitization Agreement _____. As the designated successor operator for Communitization Agreement _____, hereby certifies that the requisite approvals of the current working interest owners in the agreement have been obtained to satisfy the requirements for selection of a successor operator. All operations within Communitization Agreement _____ will be covered by bond no. _____.

Sincerely,

Enclosures

DESIGNATION OF SUCCESSOR OPERATOR

Communitization Agreement Number _____

Designation of successor Operator for communitized area, County of _____,
State of Utah, being:

Township _____, Range _____
Section _____
Containing _____ acres, more or less.

THIS INDENTURE, dated as of the ____ day of _____, 20 ____, by and between _____, hereinafter designated as "First Party," and the owners of communitized working interests, hereinafter designated as "Second Parties,"

WHEREAS, under the provisions of the Act of February 25, 1920, 41 Stat. 437, 30 U.S.C. Secs. 181, et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, a Communitization Agreement for the above Communitized Area, effective _____, wherein _____ is designated as Operator of the communitized area; and

WHEREAS said, _____ has resigned as Operator, and the designation of a successor Operator is now required pursuant to the terms thereon; and

WHEREAS the First Party has been and hereby is designated by Second Parties as Operator of the communitized area, and said First Party desires to assume all the rights, duties and obligations of Operator under the said Communitization Agreement.

NOW, THEREFORE, in consideration of the premises hereinbefore set forth and the promises hereinafter stated, the First party hereby covenants and agrees to fulfill the duties and assume the obligations of Operator of the communitized area under and pursuant to all the terms of said Communitization Agreement, and the Second Parties covenant and agree that, effective upon approval of this indenture by the Chief, Branch of Fluid Minerals, Bureau of Land Management, First Party shall be granted the exclusive right and privilege of exercising any and all rights and privileges as Operator, pursuant to the terms and conditions of said Communitization Agreement; said Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Agreement were expressly set forth in this instrument.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date hereinabove set forth.

ATTEST
BY _____

FIRST PARTY
BY _____

SECOND PARTIES

BY _____
Execution Date: _____

CORPORATE ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) SS.

The foregoing instrument was acknowledged before me this __ day of _____, 20__, by _____, President, and by _____, Secretary of _____, a corporation.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

Place of Residence:

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) SS.

On the __ day of _____, 20__, personally appeared before me _____, the signer(s) of the above instrument, who duly acknowledge to me that he (she or they) executed the same.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

Place of Residence:

REQUEST FOR APPROVAL OF SUBSEQUENT JOINDERS

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REQUEST FOR APPROVAL OF SUBSEQUENT JOINDER

(Submit in quadruple)

The subsequent joinder provisions permit the commitment of a working interest by the owner who signs a joinder to the communitization agreement and obtains such approvals of the owners of working interests in the communitization agreement.

A nonworking interest may be committed to the agreement by the owner of the interest signing a joinder to the communitization agreement and the owner of the corresponding committed working interest approving the commitment of said interest.

Authorized Officer
Bureau of Land Management

Re: Communitization Agreement ____
_____ County, _____

Gentlemen:

Enclosed for your consideration and approval are four (4) sets of subsequent Ratification and Joinder instruments executed by _____, as Working Interest Owner in Tract __, Lease _____. This instrument is accompanied by Consent forms executed by the working interest owners.

Sincerely,

Enclosure

CONSENT TO RATIFICATION AND JOINDER
TO COMMUNITIZATION AGREEMENT NO. _____

The undersigned, a working interest owner under Communitization Agreement (CA) _____, hereby consents to the joinder of the leasehold interest of _____ as a working interest owner in the following described lands which are a part of the lands in Tract __, lease No. _____ to said CA.

Township _____, Range _____,
Section _____
containing _____ acres more or less

Executed this ___ day of _____, 20__.

BY _____
Execution Date: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On the ___ day of _____, 20__, personally appeared before me _____, the signer(s) of the above instrument, who duly acknowledge to me that he (she or they) executed the same.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

Place of Residence:
