

**COMMUNITIZATION AGREEMENT
For Indian and Federal Lands**

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."

WITNESSETH

WHEREAS, the Act of March 3, 1909, (35 Stat. 783) as amended by the Act of August 9, 1955, (69 Stat. 540), the Act of May 11, 1938, (52 Stat. 347 as amended, 25 USC 396a-g), Act of August 4, 1947, (61 Stat. 732), Indian Mineral Development Act of 1982, (25 USC 2101-2108), and the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, require that all operations under oil and gas leases on tribal and/or allotted Indian lands, and on Federal lands will be subject to the rules and regulations of the Secretary of the Interior, and the regulations issued pursuant to said statutes provide that in exercise of his judgement, the Secretary of the Interior may take into consideration among other things, the Federal laws, State laws, regulations by competent Federal or State authorities, or lawful agreements among operators regulating either drilling or production or both (25 CFR 211.28 and 212.28; 40 CFR 3160-3164); 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, 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 will include only the _____ Formation(s) underlying said lands and the _____ (crude oil and associated natural gas, natural gas and associated liquids hydrocarbons), hereinafter, referred to as "communitized substances", producible from such formation(s).

2. Acreage and Ownership.

Attached is a plat designated as Exhibit "A" showing the communitized area. Exhibit "B" attached shows the acreage, percentage and ownership of oil and gas lease 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 is: _____ (operator name). All matters of operation will be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be nominated by the owners of the working interest in the communitized area, by submitting four (4) executed copies of a Designation of Successor Operator for approval by the Authorized Officer, Bureau of Land Management and the Authorized Line Officer, Bureau of Indian Affairs.

4. Reports.

Operator will furnish:

(1) A log and history of any well drilled within the communitized area within 30 days of completion of the well or approval of this agreement, monthly reports of operations prior to the date of first production sales, to the Authorized Officer, Bureau of Land Management.

(2) Monthly reports of operations, statements, of oil and gas sales and royalties, and such other reports as are deemed necessary to compute the monthly royalty due, as specified in the applicable oil and gas leases and regulations, after the date of first production sales, to the Office of Natural Resources Revenue.

5. Communitized Substances Allocated According to Acreage.

The communitized are will be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced there from will 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, 8/8th, attributed to unleased Indian, 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.

6. Royalties and Rentals.

The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases will 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 any non-communitized 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 non-communitized lease production.

7. Drainage.

There will 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 will any lessee be required to measure separately communitized substances by reason or the diverse ownership thereof, but the lessees hereto will 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. Diligence.

The Authorized Officer (AO) may require the drilling and production of such wells to ensure reasonable diligence in the development and operation of the communitized area, or in lieu of drillings, require the payment of an amount as determined by the AO to compensate the interest owners in full each month for the estimated loss of royalty.

9. Production

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 and Term.

This agreement is effective as of _____ (date of approval of this communitization agreement, or the date of first production, whichever comes first) and will remain in effect for a period of two (2) years and so long thereafter as communitized substances are, or can be, produced from the communitized area in paying quantities. 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. Secretarial Supervision

It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, will 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, including the areas in which owners of restricted Indian Lands are the lessor, and in the applicable oil and gas regulations of the Department of the Interior.

12. Covenants Run with the Land.

The covenants herein will 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, is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest.

13. Signing of Agreement by Counterparts.

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.

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 will 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 has signed the same document.

14. Nondiscrimination.

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

15. Lease And Contracts Conformed And Extended.

Oil and Gas Leases in the communitized area will remain in full force except as specifically modified in accordance with the following:

- (a) The development and operations of lands subject to this agreement under the terms hereof will be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this communitized area.
- (b) Drilling and producing operations performed hereunder upon any tract of communitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of communitized land, and no lease will be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.
- (c) Suspension of drilling or producing operation on all the communitized lands pursuant to direction or consent of the Authorized Line Officer will be deemed to constitute such

suspension pursuant to such direction or consent as to each and every tract of communitized land.

- (d) Any Federal lease committed hereto will continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of communitized substances in paying quantities is established under this communitization agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on communitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently pursued at that time, such lease will be extended for 2 years, and so long thereafter as oil or gas is produced in paying quantities.

DATE: _____

BY: _____

WORKING INTEREST OWNER

State of _____)

)ss

County of _____)

On this day ____ day of _____ A.D. 20__ before me, the undersigned, a Notary public in and for the County and State aforesaid, personally appeared _____ to me known to be the _____ of _____, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

My Commission expires _____

[SEAL]

Notary Public