

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 March 3, 1909, (35 Stat. 783) as amended by the Act of August 9, 1955, (69 Stat. 540) and the Act of May 11, 1938, (52 Stat. 347) require that all operations under oil and gas leases on tribal and/or allotted Indian lands shall 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 judgment, 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 Secs. 211.28, 212.28; and

WHEREAS, it is deemed necessary in the interest of conservation of natural resources and in the interest of tribal and/or allotted lessors to communitize or pool lands covered by an Indian oil and gas lease, or any portion thereof, with other lands, whether or not included in another Indian lease, when separate tracts under such Indian lease cannot be independently developed and operated in conformity with an established well-spacing program or pattern for the field or area; 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 (4) 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 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 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.
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. This Agreement shall be effective as of _____, 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 two (2) years so long thereafter as communitized substances are produced from the communitized area in paying quantities, provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized 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. 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 restricted Indian 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 operations

Notary Public

My Commission Expires

EXHIBIT "B"

To Communitization Agreement dated _____, embracing NE¹/₄, Sec. 22,
T. 31 N., R. 47 E., M.P.M., Benrud, East field, Roosevelt County, Montana.

Operator of Communitized Area: BC Oil Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.: 14-20-0256-1234

Lease Date: October 1, 1970

Lease Term: 10 years

Lessor: John Two Bears Walking Estate

Lessee: ABC Oil Company 100%

Description of Land Committed:

Township 31 North, Range 47 East, M.P.M.
Section 22: W¹/₂NE¹/₄

Number of Acres: 80.00

Royalty Rate: 16-2/3 percent

Name and Percent ORRI Owners: John Doe 3%

Name and Percent WI Owners: ABC Oil Company 100%

Tract No. 2

Lease Serial No.: Fee

Lease Date: November 1, 1972

Lease Term: 10 years

Lessor(s): Jack Smith

Lessee on effective date of agreement if different from present lessee: Same

Present Lessee: Harry Smith 50%
Needmore Oil Company 50%

Description of Land Committed:

Township 31 North, Range 47 East, M.P.M.
Section 22: E $\frac{1}{2}$ NE $\frac{1}{4}$

Number of Acres: 80.00

Pooling Clause: Not Applicable

Basic Royalty Rate: 12- $\frac{1}{2}$ percent

Name and Percent ORRI Owners: None

Name and Percent WI Owners: Needmore Oil Company 100%

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	80.00	50.0000%
2	80.00	50.0000%
Total	160.00	100.0000%