

Communitization Agreement

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 4 hereto by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as “parties hereto”

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437) as amended and supplemented, authorizes communitization or drilling agreements unitizing 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. Communitized Area.

The lands covered by this Agreement (hereinafter referred to as “communitized area”) are described as follows:

Section XX, T. XX N., R. XX W., __.M., State, (All)
Section XX, T. XX N., R. XX W., __.M., State, (All)

Containing _____ acres, and this Agreement will include only the **XXXXXXXXX Formation(s)**, hereinafter referred to as “communitized formations,” underlying said lands as to **natural gas and associated liquid hydrocarbons**, hereinafter referred to as “communitized substances.”

Notwithstanding any wells currently completed in the communitized formations in the communitized area, the initial well communitized herein will be the _____ well located at a surface location of XXX’ from the North/South line and XXX’ from the East/West line of Section XX T. XX N., R. XX W., __.M., XXXXXX County, State and a bottom hole location of XXX’ from the North/South line and XXX’ from the East/West line of Section XX T. XX N., R. XX W., __.M., XXXXXX County, State.

2. Acreage and Ownership.

Attached hereto, and made a part of this Agreement for all purposes, is Exhibit “A” a plat showing the communitized area; and Exhibit “B” designating the operator of the communitized area and showing

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: _____. 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 to the Authorized Officer, Bureau of Land Management, for approval by the appropriate Authorized Officer.

4. Effective Date and Term.

This Agreement will be effective as of _____, and will remain in effect for a period of two (2) years and so long thereafter as communitized substances are produced from the communitized area in paying quantities. This Agreement may be terminated at any time by mutual agreement for the parties hereto.

5. 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.

6. Royalties and Rentals.

The royalty 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.

All proceeds, **8/8ths**, attributed to unleased Indian or Federal land included within the CA area are to be placed in an appropriate trust account or unleased lands account by the designated operator until the land is leased.

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 of 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. 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 and in the applicable oil and gas regulations of the Department of the Interior.

9. 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 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 all Federal or Indian land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

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.

10. 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 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 had signed the same document.

11. Nondiscrimination.

In connection with the performance of work under the agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 FR 12318), giving, however, such preference to Indians as applicable law permits.

12. Leases and Contract 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 operation 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 operations on all communitized lands pursuant to direction or consent of the Authorized 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, or can be produced in paying quantities.

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 _____ acres in Section **XX T. XX N., R. XX W.,**
__M., XXXXXX County, State

Well Name/No.

Tract 2 OKNMXXXXX 80.00 Ac		Tract 3 OKNMXXXXX 40.00 Ac	Lot 1 40.84 ac Tract 4 OKNMXXXXX 40.84 Ac
Lot 2 41.40 ac * #1E	Tract 1 Fee 40.00 Ac	Tract 6 Fee 40.00 Ac	Tract 5 Fee 40.00 Ac

NOTE: Show well location and tract numbers, show lots with acreage.

EXHIBIT "B"

To Communitization Agreement Dated _____ embracing the following described land in _____ County, State.

Operator of Communitized Area: Operator ____

DESCRIPTION OF LEASES COMMITTED

TRACT 1

Lease Serial Number: FEE

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Number of Acres:

Pooling Clause: Lease contains a provision authorizing pooling in accordance with the acreage requirement of the agreement.

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent of Working Interest Owners:

TRACT 2

Lease Serial Number: OKNMXXXXX

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent of
Working Interest Owners:

TRACT 3

Lease Serial Number: OKNMXXXXXX

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent of
Working Interest Owners:

TRACT 4

Lease Serial Number: OKNMXXXXXX

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Number of Acres:

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent of
Working Interest Owners:

TRACT 5

Lease Serial Number: FEE

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Number of Acres:

Pooling Clause: Lease contains a provision authorizing pooling
in accordance with the acreage requirement of
the agreement.

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent of
Working Interest Owners:

TRACT 6

Lease Serial Number: FEE

Lease Date:

Lease Term:

Lessor:

Present Lessee:

Description of Land Committed:

Number of Acres:

Pooling Clause:

Lease contains a provision authorizing pooling in accordance with the acreage requirement of the agreement.

Royalty Rate:

Name and Percent ORRI Owners:

Name and Percent of
Working Interest Owners:

RECAPITULATION

Tract No.	No. of Acres Committed	Percentage of Interest in Communitized Area
1	XX.00	XX.0000%
2	XX.00	XX.0000%
3	XX.00	XX.0000%
4	XX.00	XX.0000%
5	XX.00	XX.0000%
6	XX.00	XX.0000%
Total	XXX.00	100.0000% (4 places)