



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov



IN REPLY REFER TO:
NMNM-139453
3105.2 (P0220)

RECEIVED

December 11, 2018

DEC 17 2018

Reference:
Communitization Agreement
Ajax State Com 1H
Section 25: E/2 E/2
Section 36: NE/4 NE/4
T. 15 S., R. 28 E., N.M.P.M.
Chaves County, NM

30-005-64294

DISTRICT II-ARTESIA O.C.D.

Mack Energy Corporation
Attn: Staci Sanders
P.O. Box 960
Artesia, NM 88211-0960

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM-139453 involving 80.00 acres of Federal land in lease NMNM-132673, 80.00 acres of Federal land in lease NMNM-0560397, and 40.00 acres of State land, which comprise a 200.00 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the San Andres formation beneath the E/2 E/2 of section 25, T. 15 S., R. 28 E., NMPM and NE/4 NE/4 of Section 36, T. 15 S., R. 28 E, NMPM, Chaves County, NM, and is effective November 15, 2018. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue at 1-800-525-9167 or 303-231-3504.

If you have any questions regarding this approval, please contact Jennifer Sanchez, Petroleum Engineer at (575) 627-0237.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Sanchez', with a stylized flourish at the end.

Ruben Sanchez
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

NM Taxation & Revenue Dept. (Revenue Processing Div.)

NMOCD

NM (9200) State Director

NM State Land Comm. (Only CA with "State" or "Fee" acreage)

NM (P0220-RFO, File Room) -Lease Files NMNM-132673, NMNM-0560397, and CA File NMNM-139453

Determination - Approval - Certification

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, 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 E/2 E/2 of section 25, T. 15 S., R. 28 E., NMPM and NE/4 NE/4 of Section 36, T. 15 S., R. 28 E., NMPM, as to all producible hydrocarbons from the San Andres formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

Approval also requires operator to submit copies of sundries or any other documentation regarding activity with this well to the Bureau of Land Management (BLM), Roswell Field Office pursuant to Item 9 of the approved Communitization Agreement.

- 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 the agreement.

Approved: December 11, 2018



Ruben Sanchez
Assistant Field Manager
Lands and Minerals

Effective: November 15, 2018

Contract No.: Com. Agr. NMNM-139453

COMMUNITIZATION AGREEMENT

Contract No. NMNM 139453

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 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 portions 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 Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such 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 land 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 the 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:** Subdivisions E/2E/2; NE/4NE/4, Section(s) 25; 36, T 15S, R 28E, NMPM, Chaves County, NM, containing 200.00 acres, more or less, and this agreement shall include only the San Andres Formation underlying said lands and the crude oil and associated natural gas (hereinafter referred to as "communitized substances") producible from such formation.

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 three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, 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 and the State of New Mexico, as specified in the applicable oil and gas operating 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 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. 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 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.

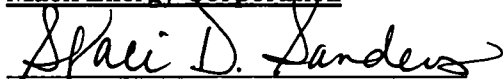
8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized 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 is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is November 15, 2018, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-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; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, 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 the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.
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 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 lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by 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 lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The 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 written and have set opposite their respective names the date of execution.

OPERATOR:

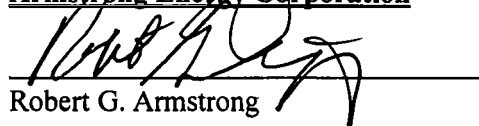
Mack Energy Corporation



Staci D. Sanders
Vice-President, Land

LESSEE OF RECORD:

Armstrong Energy Corporation

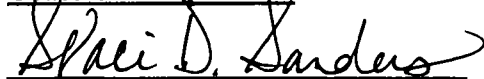


Robert G. Armstrong
President

LESSEE OF RECORD &

WORKING INTEREST OWNER:

Chase Oil Corporation



Staci D. Sanders
Vice-President, Land

LESSEE OF RECORD:

Slash Exploration Limited Partnership



Robert G. Armstrong
President of its General Partner,
Armstrong Energy Corporation

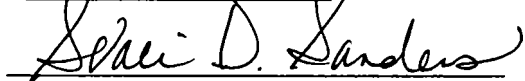
WORKING INTEREST OWNERS:

Robert C. Chase



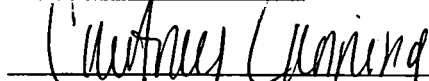
Robert C. Chase

Ventana Minerals LLC



Staci D. Sanders, Attorney-in-Fact

DiaKan Minerals LLC



Courtney Lanning, Attorney-in-Fact

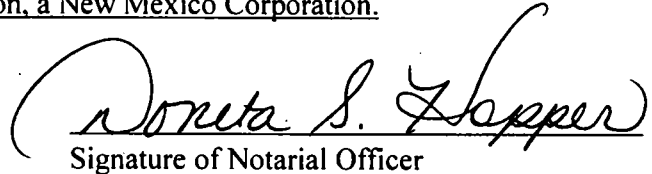
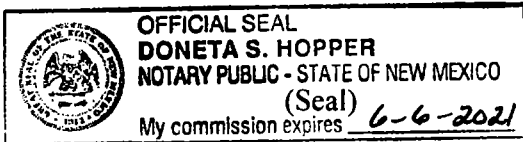
ACKNOWLEDGMENTS

State of New Mexico)

SS)

County of Eddy)

This instrument was acknowledged before me on November 15, 2018 by Staci D. Sanders, as Vice-President, Land of Mack Energy Corporation, a New Mexico Corporation.



Signature of Notarial Officer

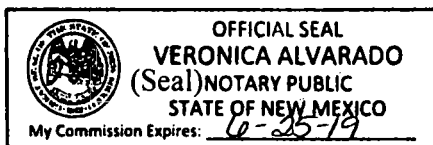
My commission expires: 6-6-2021

State of New Mexico

SS)

County of Chaves

This instrument was acknowledged before me on November 12, 2018 by Robert G. Armstrong, as President of Armstrong Energy Corporation.



Signature of Notarial Officer

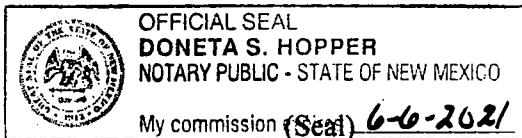
My commission expires: June 25, 2019

State of New Mexico)

SS)

County of Eddy)

This instrument was acknowledged before me on November 15, 2018 by Staci D. Sanders, as Vice-President, Land of Chase Oil Corporation, a New Mexico Corporation.



Doneta S. Hopper
Signature of Notarial Officer

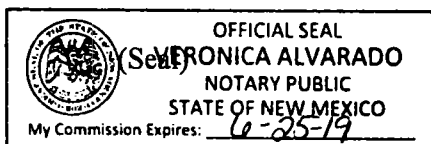
My commission expires: 6-6-2021

State of New Mexico)

SS)

County of Chaves)

This instrument was acknowledged before me on November 12, 2018 by Robert G. Armstrong, President of Armstrong Energy Corporation, as General Partner of Slash Exploration Limited Partnership, a New Mexico Limited Partnership.



Veronica Alvarado
Signature of Notarial Officer

My commission expires: June 25, 2019

State of New Mexico)

SS)

County of Eddy)

This instrument was acknowledged before me on November 15, 2018 by Robert C. Chase.

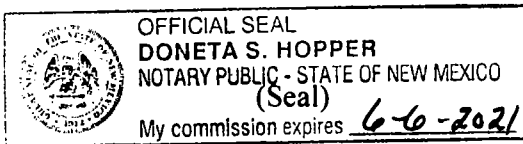


Morgan S. Buckles
Signature of Notarial Officer

My commission expires: June 25, 2022

State of New Mexico)
SS)
County of Eddy)

This instrument was acknowledged before me on November 15, 2018 by Staci D. Sanders, as Attorney-in-Fact for Ventana Minerals LLC, a New Mexico Limited Liability Company.



Doneta S. Hopper
Signature of Notarial Officer

My commission expires: 6-6-2021

State of New Mexico)
SS)
County of Eddy)

This instrument was acknowledged before me on November 15, 2018 by Courtney Lanning, as Attorney-in-Fact for DiaKan Minerals LLC, a Texas Limited Liability Company.



Morgan S. Buckles
Signature of Notarial Officer

My commission expires: June 25, 2022