



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Pecos District
Carlsbad Field Office
620 E. Greene
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm



IN REPLY REFER TO:
NM134225
3105.2 (P0220)

Reference:
Lea South 25 Fed Com 5H 3/9/15
Section 25:W2
Township 20 South, Range 34 E, N.M.P.M.
Lea County, NM

Nearburg
3300 N "A" St.
Bldg. 2, #120
Midland, TX 79705-5421

RECEIVED OGD
2015 MAR 17 A 8:42

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NM134225 involving 160 acres of Federal land in lease NM56265, and 160 acres of Federal land in lease NMLC066126, Lea County, New Mexico, which comprise a 320 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the W/2, sec. 25, T. 20 S., R. 34E., NMPM, Lea County, NM, and is effective January 1, 2014. 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.

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 Edward Fernandez, Petroleum Engineer at (575) 234-2220.

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

Sincerely,


Steve Caffey
Assistant Field Manager,
Lands and Minerals

1 Enclosure:
1 - Communitization Agreement

cc:
ONRR, Denver (357B-1, Antoinette Contreras, Stacey Kaiser)
NM Taxation & Revenue Dept. (Revenue Processing Div.)
NMOCD
NM (9200)
NM (P0220-CFO, File Room)

Determination - Approval - Certification

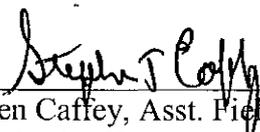
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- 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 W/2, sec. 25, T. 20 S., R. 34E., NMPM, as to all producible hydrocarbons from the Bone Spring formation. This approval will become invalid if 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 the agreement.

Approved:



Stephen Caffey, Asst. Field Mgr.
Authorized Officer

Effective: January 1, 2014

Contract No.: Com. Agr. NM134225



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In Reply Refer to
NM134225
3107 (P0220)

Memorandum

To: State Director (9210)

From: Land Law Examiner (P0220)

Subject: First Production, Communitization Agreement NM134225

Date of Completion: 12/19/13

Date of First Production: 12/20/13

Field: Lea

Operator, Well Name & No, API Number: Nearburg Producing Co.; Lea South 25 Fed Com 5H;
3002541367

Surface Location: W2 sec. 25, T. 20 S., R. 34 E.

Total Depth: 15,823' MD; 11,251' TVD

Surface Elevation: 3,728' GL

Producing Formation: Bone Spring (11,230' – 15,800')

Well Capable of Production in Paying Quantities: Yes

Initial Daily Production: Oil 871 BBL; Gas 935 MCF; Water 124 BBL

Current Status: Producing Oil Well

Remarks: CA NM134225, effective 1/1/14, communitizes production of all gas and fluid hydrocarbons in the Bone Spring formation beneath the W2 of sec. 25, T. 20 S., R. 34 E., NMPM, and is comprised of 160.00 acres of Federal land in lease NM56265, and 160.00 acres of Federal land in lease LC066126 for a 320.00 acre spacing unit, whose leases are held by actual production.

If you have any questions regarding this memorandum, please email Arthur Morrison at ajmorrison@blm.gov.

Arthur Morrison
3/9/15

cc:
ONRR-MS 63230B
First Production File
LLNM (P0220, File Room)