



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:

NM136051

3105.2 (P0220)

Reference: **30-015-39241**

07/25/16

Communitization Agreement

Nucleus BGN Fed Com 1H

T. 19 S., R. 30 E.,

Section 31, S2N2

Eddy County, NM

Yates Petroleum Corporation

104 South Fourth St.

Artesia, NM 88210-2118

RECEIVED OOD
2016 AUG - 3 P 2:56

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NM136051 involving 79.28 acres of Federal land in lease NMNM66210, 40 acres of Federal land in lease NMNM62211 and 40 acres of Federal land in lease NMNM89049, Eddy County, New Mexico, which comprises a 159.28 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the S2N2 of sec. 31, T. 19 S., R. 30 E., NMPM, and is effective 04/21/2014. 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.

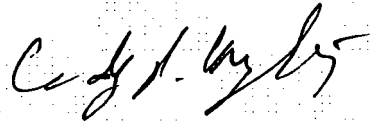
Approval of this agreement does not constitute as adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is 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 Edward G Fernandez, Petroleum Engineer at (575) 234-2220 or Deborah Ham at (575) 234-5965.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Cody R. Layton".

Cody R. Layton
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

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

NMOCD

NM (9200)

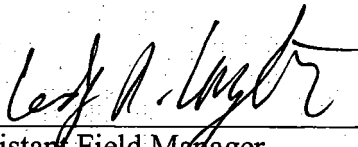
NM (P0220-CFO, File Room)

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 S2N2 of sec. 31, T. 19 S., R. 30 E., 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 (c) 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:



Assistant Field Manager
Lands and Minerals

Effective: 04/21/2014

Contract No.: Com. Agr. NM136051



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 E. Greene
Carlsbad, New Mexico 88220-6292
www.nm.blm.gov



In Reply Refer to
NM136051
3107 (P0220)

Memorandum

To: State Director (9210)

From: Legal Instrument Examiner (P0220)

Subject: First Production, Communitization Agreement NM136051

| | |
|--|--|
| Date of Completion: | 08/21/2014 |
| Date of First Production: | 08/22/2014 |
| Field: | Parkway |
| Operator, Well Name & No, API Number: | Yates Petroleum Corp.; Nucleus BGN Fed Com 1H; 30-015-39241 |
| Surface Location: | Lot 2, sec. 31, T. 19 S., R. 30 E. |
| Bottom Location: | SENE, sec. 31, T. 19 S., R. 30 E. |
| Total Depth: | 12,837' MD; TVD |
| Surface Elevation: | 3,333' GL |
| Producing Formation: | Bone Spring (8,723' – 12,771') |
| Well Capable of Production in Paying Quantities: | Yes |
| Initial Daily Production: | Oil 513 BBL; Gas 415 MCF; Water 1138 BBL |
| Current Status: | Producing Oil Well |

Remarks: CA NM136051, effective 04/21/2014, communitizes production of all gas and fluid hydrocarbons in the Bone Spring formation beneath the S2N2 of sec. 31, T. 19., R. 30 E., NMPM, and comprises 79.28 acres of Federal land in lease NM62210, 40 acres of Federal land in lease NM62211 and 40 acres of Federal land in lease NM89049 for a 159.28 acre well spacing unit, whose leases are held by actual production.

If you have any questions regarding this memorandum, please call Deborah Ham at (575) 234-5965.

/S/ Deborah Ham
07/25/2016

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