



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
6251 College Blvd. - Suite A
Farmington, New Mexico 87402
www.blm.gov/nm



In Reply Refer To:
3105 (NMF0110)

NMNM-138090 (CA)

March 21, 2018

MAR 27 2018 PM 03:20

BP America Production Co.
Attn: Craig T. Ferguson
737 N. Eldridge Parkway
E3, 12.173B
Houston, TX 77079

Dear Mr. Ferguson:

Enclosed is one approved Communitization Agreement (CA) NMNM-138090, involving 232.00 acres of Federal minerals in lease NMSF-078046 and 115.60 acres of Federal minerals in lease NMSF-079938 located in San Juan County, New Mexico. This acreage comprises 347.60 acres, more or less in the Dakota spacing unit for the Hughes LS #1M well.

The agreement communitizes all rights as to natural gas and associated liquid hydrocarbons gas producible from the Dakota formation in Lots 1-4, E/2 W/2 of Section 19, T.29 N., R.8 W., and Lots 1,2, E/2 NW/4 of Section 30, T.29 N., R.8 W., NMPM, and is effective November 29, 2004. You are requested to furnish all interested principals with appropriate evidence of this approval.

CA number NMNM-138090 as assigned above, must be posted on the well and facility signs for the Hughes LS #1M well. The sign shall include the well name and number, Operator name, lease serial number, Communitization number, the quarter-quarter section, section, township and range, county, and state. (43 CFR 3162.6).

Pursuant to the terms and conditions of the approved CA and 43 CFR 3162.4 Well Records and Reports, you are required to file your well completion report within 30 days of the wells' completion. Within five (5) days of commencement of production, you are also required to file a notice of production startup. Penalties for non-compliance with such requirements are applicable to all wells and facilities on State or privately owned mineral lands committed to a unit or CA, which affects Federal or Indian interests, notwithstanding any provision of the unit or CA to the contrary. Upon approval of the CA, production and royalty reports are due to the Office of Natural Resources Revenue (ONRR). The submission of form MMS-4054, Oil and Gas Operations Report (OGOR), must begin once drilling is completed. OGORs must be submitted to ONRR by the 15th day of the second month following the production month. Royalty payments, along with the form MMS-2014, Report of Sales and Royalty Remittance, are due on

or before the last day of the month following the month during which oil or gas was produced and sold.

If the communitized well(s) are producing, any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54).

If you have any questions concerning reporting, locate your company contact at <http://www.onrr.gov/ReportPay/PDFDocs/operasgn.pdf>. Questions concerning Form 2014, call 1-800-525-9167 and Oil and Gas Operations Reports, call 1-800-525-7922.

If you have any questions regarding the Communitization Agreement, please contact Virginia Barber at vbarber@blm.gov or telephone (505) 564-7754.

Sincerely,



Richard A. Fields
Farmington Field Office Manager

Enclosure 1 - Approved Communitization Agreement
cc: ONRR, MS-357 B1, Denver, CO
NMOCD, Santa Fe (w/o encl.)
NM Tax & Rev. Dept
NMSO (93000) (w/o encl.)
bcc: CA file (NMNM-138090)
Lease File (NMSF078046 & NMSF079938)
LR2000/AFMSS/21110: vbarber/CA/BPAmerica/03-21-18

COPY

Communitization Agreement

Contract No. NMNM138090

THIS AGREEMENT, entered into as of the approval 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 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. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 29 North, Range 08 West, N.M.P.M.

Section 19: Lots 1,2,3,4, E/2W/2 containing 232.0 acres

Section 30: Lots 1, 2, E/2NW/4 containing 115.60 acres
San Juan County, New Mexico

Containing **347.60** acres, and this agreement shall include only the **Dakota** Formation underlying said lands and **"the natural gas and associated liquid hydrocarbons and associated natural gas:"** hereafter referred to as "communitized substances," producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit "A", a plat designating the communitized area and, 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 operations 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 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 each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased 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.

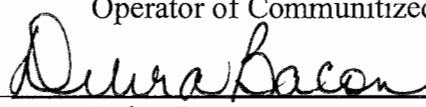
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject 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. 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 if such failure results from, compliance with any such laws, orders, rules or regulations.
10. The approval date of this agreement is ~~January 31, 2018~~ ^{March 21, 2018 (10)} and it shall become effective as of 11/29/2004 or from the onset of production of communitized substances, whichever is earlier 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 2 years and for as long as communitized substances are, or can be, 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 representative, 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 production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-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.

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 Federal 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 Fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
13. 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.
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 the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30F.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 approval day and year first above written and have set opposite their respective names the date of execution.

January 21, 2018
Date

BP America Production Company
Operator of Communitized Area
By: Debra Bacon 
Debra Bacon
Attorney-in-Fact

ACKNOWLEDGEMENT

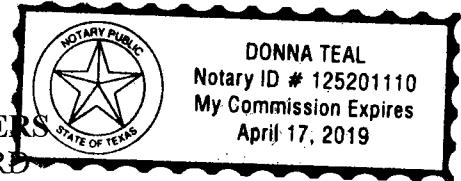
STATE OF TEXAS)

COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 23 day of February 2018 by Debra Bacon, Attorney-in-Fact of BP America Production Company for and on behalf of said corporation.

4/17/19
My Commission Expires

Donna Teal
Notary Public



WORKING INTEREST OWNERS
AND/OR LESSEES OF RECORD

Hilcorp San Juan, L.P.
Company

January 21, 2018
Date

By: [Signature]
Curtis D. Smith
Senior Vice President (CDS)

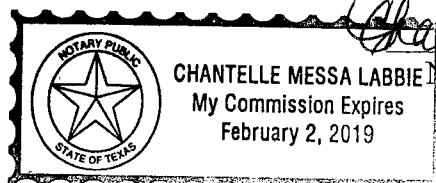
ACKNOWLEDGEMENT

STATE OF Texas)

COUNTY OF Harris)

The foregoing instrument was acknowledge before me this 1 day of March 2018 by Curtis D. Smith - Senior Vice of Hilcorp Energy Company for and on behalf of said corporation. President - Land

02/02/2019
My Commission Expires



[Signature]
Notary Public

EXHIBIT "A"

Plat of communitized area covering:

Lots 1,2,3,4, E/2W/2 Section 19 T. 29 N., R. 08 W. N.M.P.M. and

Lots 1, 2, E/2NW/4 Section 30 T. 29 N., R. 08 W. N.M.P.M.

San Juan County, New Mexico

Hughes LS 01M, API 3004532418

Dakota Formation

Lot 1 17.85 acres	Tract 1 SF-078046 232.0 acres	19
Lot 2 17.95 acres		
Lot 3 18.05 acres		
Lot 4 18.15 acres		
Lot 1 18.0 acres	Tract 2 SF-079938 115.6 acres	30
Lot 2 17.6 acres		

EXHIBIT "B"

To Communitization Agreement Dated January 21, 2011 embracing the following
described land in San Juan County, New Mexico.

Operator of Communitized Area: BP America Production Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial Number:	SF-078046																						
Lease Date:	September 1, 1948																						
Lease Term:	Five (5) years																						
Lessor:	James G. Hughes																						
Present Lessee:	BP America Production Company																						
Description of Land Committed:	<u>Township 29 North, Range 08 West,</u> <u>N.M.P.M.</u> Section 19: Lots 1,2,3,4, E/2W/2																						
Number of Acres:	232.0 acres																						
Royalty Rate:	One Eighth Royalty (1/8)																						
Name and Percent ORRI Owners:	<table><tbody><tr><td>GIBSON FAMILY TRUST</td><td>0.00071550</td></tr><tr><td>BRIAN D GIBSON</td><td>0.00023850</td></tr><tr><td>BONANZA CREEK MINERALS LLC</td><td>0.00071400</td></tr><tr><td>DOROTHY B HUGHES REV LIVING TR</td><td>0.00666600</td></tr><tr><td>H LIMITED PARTNERSHIP</td><td>0.00666800</td></tr><tr><td>ELIZABETH H WHITE , FAMILY TR</td><td>0.00095200</td></tr><tr><td>HANSON MCBRIDE PETROLEUM CO</td><td>0.00500000</td></tr><tr><td>GURDON RANSON MILLER III</td><td>0.00142800</td></tr><tr><td>PAT AND MARIE PETTERLIN</td><td>0.00666600</td></tr><tr><td>JJK HOLDINGS LLC</td><td>0.00095200</td></tr><tr><td></td><td>0.03000000</td></tr></tbody></table>	GIBSON FAMILY TRUST	0.00071550	BRIAN D GIBSON	0.00023850	BONANZA CREEK MINERALS LLC	0.00071400	DOROTHY B HUGHES REV LIVING TR	0.00666600	H LIMITED PARTNERSHIP	0.00666800	ELIZABETH H WHITE , FAMILY TR	0.00095200	HANSON MCBRIDE PETROLEUM CO	0.00500000	GURDON RANSON MILLER III	0.00142800	PAT AND MARIE PETTERLIN	0.00666600	JJK HOLDINGS LLC	0.00095200		0.03000000
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BP America Production Company	50%																						
Hilcorp San Juan, LLC	50%																						

Tract No. 2

Lease Serial Number:	SF-079938																						
Lease Date:	February 1, 1948																						
Lease Term:	Five (5) years																						
Lessor:	Christine Hughes																						
Present Lessee:	BP America Production Company																						
Description of Land Committed:	<u>Township 29 North, Range 08 West,</u> <u>N.M.P.M.</u> Section 30: Lots 1, 2, E/2NW/4																						
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RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	232.0	66.7433830%
2	115.60	33.2566170%
Total	347.60	100.0000000%