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# 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



FEB 16 2018 PM 01:05

IN REPLY REFER TO:  
NMNM137587  
3105.2 (P0220)

02/13/2018

Reference:  
Communitization Agreement  
EK 31 BS2 Fed Com #1H  
Section 31: E2E2  
T. 18 S., R. 34 E., N.M.P.M.  
Lea County, NM

McElvain Energy, Inc.  
1050 17<sup>th</sup> Street, Suite 2500  
Denver, CO 80265-2080

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM137587 involving 80 acres of Federal land in lease NMNM 0245247, 40 acres of Federal land in lease NMNM 92780, and 40 acres of Federal land in lease NMNM 107396, in Lea County, New Mexico, which comprise a 160 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the E2E2, Sec. 31, T. 18 S., R. 34 E. NMPM, Lea County, NM, and is effective August 1, 2017. 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.

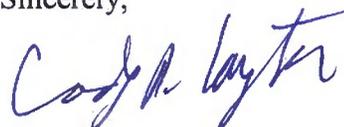
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is 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 Chris Walls, Petroleum Engineer at (575) 234-2234 or Deborah Ham at (575) 234-5965.

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

Sincerely,

A handwritten signature in blue ink that reads "Cody R. Layton". The signature is written in a cursive style with a large initial "C".

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)

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

Determination - Approval - Certification

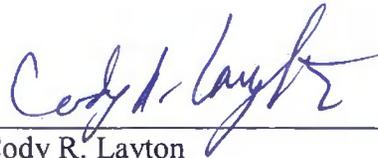
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- 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 E2E2 of sec. 31, T. 18 S., R. 34 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.

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), Carlsbad 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: 02/13/2018



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Cody R. Layton  
Assistant Field Manager  
Lands and Minerals

Effective: August 1, 2017

Contract No.: Com. Agr. NMNM137587



# 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  
NM137587  
3107 (P0220)

### Memorandum

To: State Director (9210)

From: Land Law Examiner (P0220)

Subject: First Production, Communitization Agreement NMNM137587

Date of Completion: 11/01/2017  
Date of First Production: 12/21/2017  
Field: E-K  
Operator, Well Name & No, API Number: McElvain Oil & Gas; EK 31 BS2 Fed Com 1H; 30-025-43884  
Surface Location: Sec. 30, SESE, T. 18 S., R. 34 E.  
Bottom Location: Sec. 31, SESE, T. 18 S., R. 34 E.  
Total Depth: 14,796' MD; 10,022' TVD  
Surface Elevation: 3894 GL  
Producing Formation: Bone Spring (10,012 – 14,602)  
Well Capable of Production in Paying Quantities: Yes  
Initial Daily Production: Oil 255 BBL; Gas 168 MCF; Water 1116 BBL  
Current Status: Producing Oil Well

Remarks CA NMNM137587 effective 08/01/2017, communitizes production of all gas and fluid hydrocarbons in the Bone Spring formation beneath sec. 31: E2E2, T. 18 S., R. 34 E., NMPM, and comprises 80 acres of Federal land in lease NMNM0245247, 40 acres of Federal land in lease NMNM92780 and 40 acres of Federal land in lease NMNM107396 for a 160 acre well spacing unit whose leases are held by actual production. **Per wellbore perforations for production, surface location of well not within com agreement boundary.**

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

/S/ **Deborah Ham**  
02/13/2018

cc:  
ONRR  
First Production File  
LLNM (P0220, File Room)