

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Geological & Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Applicant:** \_\_\_\_\_ **OGRID Number:** \_\_\_\_\_  
**Well Name:** \_\_\_\_\_ **API:** \_\_\_\_\_  
**Pool:** \_\_\_\_\_ **Pool Code:** \_\_\_\_\_

**SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW**

- 1) **TYPE OF APPLICATION:** Check those which apply for [A]  
 A. Location – Spacing Unit – Simultaneous Dedication  
 NSL       NSP (PROJECT AREA)       NSP (PRORATION UNIT)       SD
- B. Check one only for [ I ] or [ II ]  
 [ I ] Commingling – Storage – Measurement  
 DHC    CTB    PLC    PC    OLS    OLM  
 [ II ] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery  
 WFX    PMX    SWD    IPI    EOR    PPR


- 2) **NOTIFICATION REQUIRED TO:** Check those which apply.  
 A.  Offset operators or lease holders  
 B.  Royalty, overriding royalty owners, revenue owners  
 C.  Application requires published notice  
 D.  Notification and/or concurrent approval by SLO  
 E.  Notification and/or concurrent approval by BLM  
 F.  Surface owner  
 G.  For all of the above, proof of notification or publication is attached, and/or,  
 H.  No notice required

<b>FOR OCD ONLY</b>	
<input type="checkbox"/>	Notice Complete
<input type="checkbox"/>	Application Content Complete

3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

\_\_\_\_\_  
 Print or Type Name

  
 \_\_\_\_\_  
 Signature

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Phone Number

\_\_\_\_\_  
 e-mail Address



**Paula M. Vance**  
**Associate**  
Phone (505) 988-4421  
Fax (505) 819-5579  
pmvance@hollandhart.com

January 25, 2023

**VIA ONLINE FILING**

Dylan Fuge  
Acting Director, Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

**Re: Application of DJR Operating, LLC for approval of surface commingle (lease) gas production and off-lease measurement at the M26A 2306 Production Facility located in the SW/4 SW/4 of Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico (the "Lands")**

Dear Mr. Fuge:

DJR Operating, LLC ("DJR Operating") (OGRID No. 371838) seeks administrative approval for surface commingling (lease) and off-lease measurement, pursuant to 19.15.12.10 NMAC, at the **M26A 2306 Production Facility**, located in SW/4 SW/4 of Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, NM (the "M26A Facility") of gas only production from the Mancos Formation underlying the Leases (or portions thereof) consisting of (1) Gallo Canyon Unit Mancos Participating Area BLM Contract No. NMNM 131017A ("Unit PA") and (2) Federal lease NMNM 105389083 (Legacy No. NMNM 117564) (the "Federal Lease") in the Counselors Gallup-Dakota Pool (Pool code 13379) from the following described lands and associated wells which are diverse in ownership and hereinafter individually referred to as "Lease" or collectively referred as "Leases", per 19.15.12.7.C NMAC:

- (a) **Gallo Canyon Unit Participating Area**: The Gallo Canyon Unit is a federal exploratory unit (NMNM 131017X) located in Sandoval County, NM and is limited in depth to cover the Mancos Formation (the "Unit"). While the Unit area encompasses 5,760 acres, Unit participation is limited to 5,120 committed acres consisting of 4,480 Federal acres and 640 State acres. The reason is because Federal Oil and Gas Lease NMNM-117564, which includes all of Section 27, T23N-R6W within the Unit boundary, is not committed to the Unit. Thus, the Gallo Canyon Mancos Oil Participating Area "A" (NMNM 131017A) is a fixed participating area that covers 5,120 acres, being all committed Unit lands (referred to herein as the "Unit PA"). The Unit PA is the basis for allocation of production from the **Gallo Canyon Unit 304H (API #30-043-21483)** and **Gallo Canyon Unit 309H (API #30-043-21482)**.



**Paula M. Vance**  
**Associate**  
Phone (505) 988-4421  
Fax (505) 819-5579  
pmvance@hollandhart.com

(b) **Communitization Agreement NMNM-105767870**: Communitization Agreement NMNM-105767870 was entered into for the allocation of production from **Lybrook M26 2306 Com 307H well (API #30-043-21491)** among the portions of the Federal Lease and Unit PA contained therein, which corresponds with the Standard Horizontal Spacing Unit formed under the terms of New Mexico Oil Conservation Division Rules 19.15.16.15 (B) NMAC, more specifically described as follows:

Township 23 North, Range 6 West, NMPM

Section 22: SW $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$

Section 26: NW $\frac{1}{4}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 27: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$

Containing 520 acres, more or less

(c) **Communitization Agreement NMNM-105767920**: Communitization Agreement NMNM-105767920 was entered into for the allocation of production from **Lybrook M26 2306 Com 305H well (API #30-043-21490)** among the portions of the Federal Lease and Unit PA contained therein, which corresponds with the Standard Horizontal Spacing Unit formed under the terms of New Mexico Oil Conservation Division Rules 19.15.16.15 (B) NMAC, more specifically described as follows:

Township 23 North, Range 6 West, NMPM

Section 22: W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$

Section 26: NW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 27: N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$

Containing 520 acres, more or less

(d) **Communitization Agreement NMNM-105767919**: Communitization Agreement NMNM-105767919 was entered into for the allocation of production from **Lybrook M26 2306 Com 303H well (API #30-043-21489)** among the portions of the Federal Lease and Unit PA contained therein, which corresponds with the Standard Horizontal Spacing Unit formed under the terms of New Mexico Oil Conservation Division Rules 19.15.16.15 (B) NMAC, more specifically described as follows:

Township 23 North, Range 6 West, NMPM

Section 22: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 26: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 27: N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$

Containing 360 acres, more or less

(e) **Federal Lease NMNM 105389083 (Legacy No. NMNM 117564)**: Federal Lease NMNM 105389083 covers 1,323.52 acres, more or less located in Sandoval County, NM.



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That certain portion of the lease covering All of Section 27, Township 23 North, Range 6 West, NMPM, being 640 acres, more or less, is located within the boundaries of the Gallo Canyon Unit as an uncommitted, non-participating tract (the “Federal Lease”). The entire production from the **Lybrook M26A 2306 308H well** is allocated to the Federal Lease.

(f) Pursuant to 19.15.12.10.C(4)(g), *from all future additions of pools, leases or leases and pools to the M26A 2306 Production Facility* with notice provided only to the interest owners whose interest in the production is to be added.

**Exhibit 1** is DJR’s Application for Surface Commingling (Diverse Ownership) completed on the Division’s Form C-107-B, as instructed. To ensure the protection of correlative rights, specific measurement methods will be implemented prior to commingling and defined allocation methods will be applied subsequent to commingling, both of which are more particularly described in Section B (4) of said Form C-107-B. DJR represents in this application that the proposed surface commingling is the most effective and efficient means of producing the associated reserves and will not reduce the production value.

**Exhibit 2** is a C-102 for each of the wells currently permitted or drilled in each of the Leases.

**Exhibit 3** includes relevant communitization agreements.

Ownership is diverse between the above-described Leases, each of which are either subject to a unit agreement/participating agreement or communization agreement as defined by 19.15.12.7(C) NMAC. **Exhibit 4** is a list of the interest owners (including any owners of royalty or overriding royalty interests) affected by this application, an example of the letters sent by certified mail advising the interest owners that any objections must be filed in writing with the Division within 20 days from the date the Division receives this application, and proof of mailing. A copy of this application has been provided to the Bureau of Land Management and the New Mexico State Land Office since federal and state lands are involved.

Thank you for your attention to this matter, and please feel free to call if you have any questions or require additional information.

Sincerely,

\_\_\_\_\_  
Paula M. Vance  
ATTORNEY FOR DJR OPERATING, LLC

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
811 S. First St., Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised August 1, 2011

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: DJR OPERATING, LLC  
OPERATOR ADDRESS: 1700 LINCOLN ST., SUITE 2800, DENVER, CO 80203  
APPLICATION TYPE: SURFACE COMMINGLING GAS (DIVERSE OWNERSHIP)  
 Pool Commingling  Lease Commingling  Pool and Lease Commingling  Off-Lease Storage and Measurement (Only if not Surface Commingled)  
LEASE TYPE:  Fee  State  Federal

Is this an Amendment to existing Order?  Yes  No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
 Yes  No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes

(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No.  
(4) Measurement type:  Metering  Other (Specify) \_\_\_\_\_  
(5) Will commingling decrease the value of production?  Yes  No If "yes", describe why commingling should be approved \_\_\_\_\_

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Pool Name and Code. COUNSELORS GALLUP – DAKOTA POOL (13379)  
(2) Is all production from same source of supply?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
(4) Measurement type:  Metering  Other (Specify) SEE ATTACHMENT 1

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Complete Sections A and E.

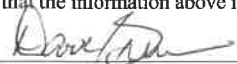
**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

(1) Is all production from same source of supply?  Yes  No  
(2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location. SEE ATTACHMENT 2  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved SEE ATTACHMENT 3 and ATTACHMENT 4A through 4E  
(3) Lease Names, Lease and Well Numbers, and API Numbers. SEE ATTACHMENTS 4A through 4E

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE:   
TYPE OR PRINT NAME Dave Brown  
E-MAIL ADDRESS: dbrown@djrlc.com

TITLE: Regulatory and Government Affairs Manager  
TELEPHONE NO.: 505-632-3476

DATE: 1/18/23

**EXHIBIT**  
**1**

**ATTACHMENT 1**  
 New Mexico Oil Conservation Division  
 Form C-107-B  
**Application for Surface Lease Commingling GAS (Diverse Ownership)**

**(B) LEASE COMMINGLING**  
**(4) Measurement Type**

**The Facility**

The Facility is located on Federal surface and minerals committed to Gallo Canyon Unit BLM Contract No. NMNM 131017X. Illustrated on the Facility Diagram are the relative location of pipes, tanks meters, separators, and compressors for the Wells and Facility and we have included worksheets which identify all pertinent equipment used to estimate monthly volumes of royalty-free gas used on-lease.

**Surface Disturbance**

No new surface disturbance at the Facility will be required for the proposed commingling. DJR will follow all applicable law to ensure surface disturbing activities are in compliance with orders, regulations and policies.

**Measurement Type and Allocation Method**

This application proposes detailed measurement and allocation methods to ensure proper payment and reporting on the basis of each "Lease", as defined in the application letter.

As illustrated on the Facility Diagram, produced gas, oil and water are separated by a three-phase separator.

**PRODUCED WATER:** After separation, the produced water is directed to water storage tanks onsite and measured using a mag meter.

**OIL:** Oil from the separation process is routed to the Vapor Recovery Towers (VRT) and then is directed to the produced oil tanks specifically designated for that well. All oil will be sold via truck on a well-by-well basis, and oil will not be commingled.

**GAS:** Following separation, the produced gas from each individual well is metered and then commingled with the produced gas from all Wells in the Facility. Also, within the Facility, flash gas off the VRT's is collected and routed to the Vapor Recovery Unit (VRU) compressors. Any flash gas collected from the VRU compressors is metered and becomes part of the commingled stream. From the commingled stream, gas is routed to the Gas Lift Compressors and potentially injected into the wellbore for production enhancement purposes. The commingled stream, net of any gas used for injection or compressor fuel, is then sent to the sales meter. The Facility Measurement Point (FMP) measurement is equal to the sales meter net of any Buy Back gas as described below.

The allocation factor applied to the FMP measurement utilized to allocate production from each individual well and Production Source will be calculated as (1) metered produced gas from the respective well; (2) plus VRU recovered gas. VRU recovered gas will be calculated and allocated to the individual Well / "Lease" based on oil production. Included with this attachment is a theoretical example of DJR's allocation methodology.

BUY BACK GAS: Some natural gas purchased by DJR from a third party will be used at the Facility as fuel gas for the compressors and heaters. The purchased fuel gas has already been metered and sold to a third-party gas connection from the M26A well pad of which royalty has already been paid on a "Lease" basis—thus, DJR is not claiming any royalty-free use for such gas.

**DJR M26A Pad Allocation Theoretical Example - Allocation Table**

**Calculation of the Oil Allocation Factor for Allocation of the VRU Recovered Gas**

VRU Recovered Gas =		2,000 mcf			
Well	Federal Unit, CA, or Lease	Oil Produced	Oil Allocation Factor	Allocated VRU Recovered Gas	
Gallo Canyon Unit 304H	Gallo Canyon Unit	4,500	0.18	369	
Gallo Canyon Unit 309H	Gallo Canyon Unit	4,000	0.16	328	
Lybrook M26 2306 Com 307H	CA NMNM 105767870	1,800	0.07	148	
Lybrook M26 2306 Com 305H	CA NMNM 105767920	4,200	0.17	344	
Lybrook M26 2306 Com 303H	CA NMNM 105767919	5,300	0.22	434	
Lybrook M26 2306 308H	Lease NMNM105389083	4,600	0.19	377	
		24,400		2,000	

**Calculation of the Gas Allocation Factor**

Well	Federal Unit, CA, or Lease	Gas Produced	Allocated VRU Recovered Gas	Injected Gas	Measured "Native Production" aka Well Net	Gas Allocation Factor
Gallo Canyon Unit 304H	Gallo Canyon Unit	22,000	369	(5,000)	17,369	0.10
Gallo Canyon Unit 309H	Gallo Canyon Unit	21,000	328	(4,000)	17,328	0.10
Lybrook M26 2306 Com 307H	CA NMNM 105767870	50,500	148	(7,500)	43,148	0.24
Lybrook M26 2306 Com 305H	CA NMNM 105767920	31,000	344	(4,200)	27,144	0.15
Lybrook M26 2306 Com 303H	CA NMNM 105767919	50,000	434	(6,300)	44,134	0.25
Lybrook M26 2306 308H	Lease NMNM105389083	32,000	377	(4,500)	27,877	0.16
		206,500	2,000	(31,500)	177,000	

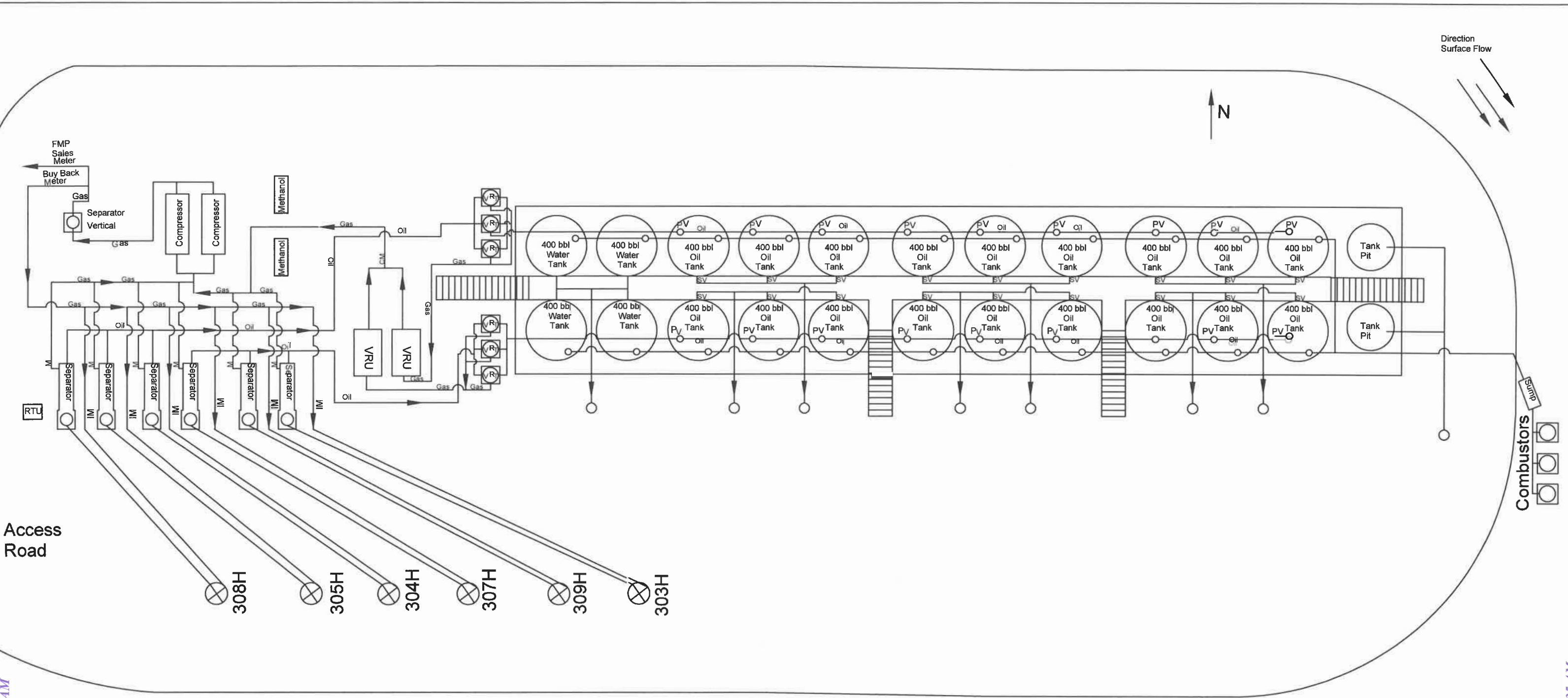
**Calculation of FMP Allocated Production**

Sales =	168,000 mcf
Buy Back Meter =	(3,800 mcf)
Facility Measurement Point =	164,200 mcf

Well	Federal Unit, CA, or Lease	Gas Allocation Factor	Allocated FMP Production aka Pad Net
Gallo Canyon Unit 304H	Gallo Canyon Unit	0.10	16,113
Gallo Canyon Unit 309H	Gallo Canyon Unit	0.10	16,075
Lybrook M26 2306 Com 307H	CA NMNM 105767870	0.24	40,028
Lybrook M26 2306 Com 305H	CA NMNM 105767920	0.15	25,181
Lybrook M26 2306 Com 303H	CA NMNM 105767919	0.25	40,942
Lybrook M26 2306 308H	Lease NMNM105389083	0.16	25,861
			164,200



# FACILITY DIAGRAM



Access Road

308H 305H 304H 307H 309H 303H

## DJR Operating LLC

Gallo Canyon Unit M26A Pad  
 Gallo Canyon Unit 304H & 309H  
 Lybrook 303H, 305H, 307H & 308H  
 T23N, R6W, Section 26, Unit Letter M

- 303H--API# 30-043-21489
- 304H--API# 30-043-21483
- 305H--API# 30-043-21490
- 307H--API# 30-043-21491
- 308H--API# 30-043-21492
- 309H--API# 30-043-21482

(FMP)=Federal Measurement Point  
 (CM)=Coriolis Meter  
 (IM)=Injection Meter  
 (SV)=Sales Valve  
 (PV)=Production Valve  
 (M)=Meter Valve

Production Valves on the Oil Tanks will be sealed during Oil Sales.

ATTACHMENT  
**2**

Tank Heaters	-Calculated per Equipment Specifications
Compressors	-Calculated per Equipment Specifications
Gaslift	-Calculated per Equipment Specifications
VRU's	-Calculated per Equipment Specifications
Separators	-Calculated per Equipment Specifications
Instrument Gas	-Calculated per Equipment Specifications
Combustor	-Calculated per Equipment Specifications
Combustor knockouts	-Calculated per Equipment Specifications

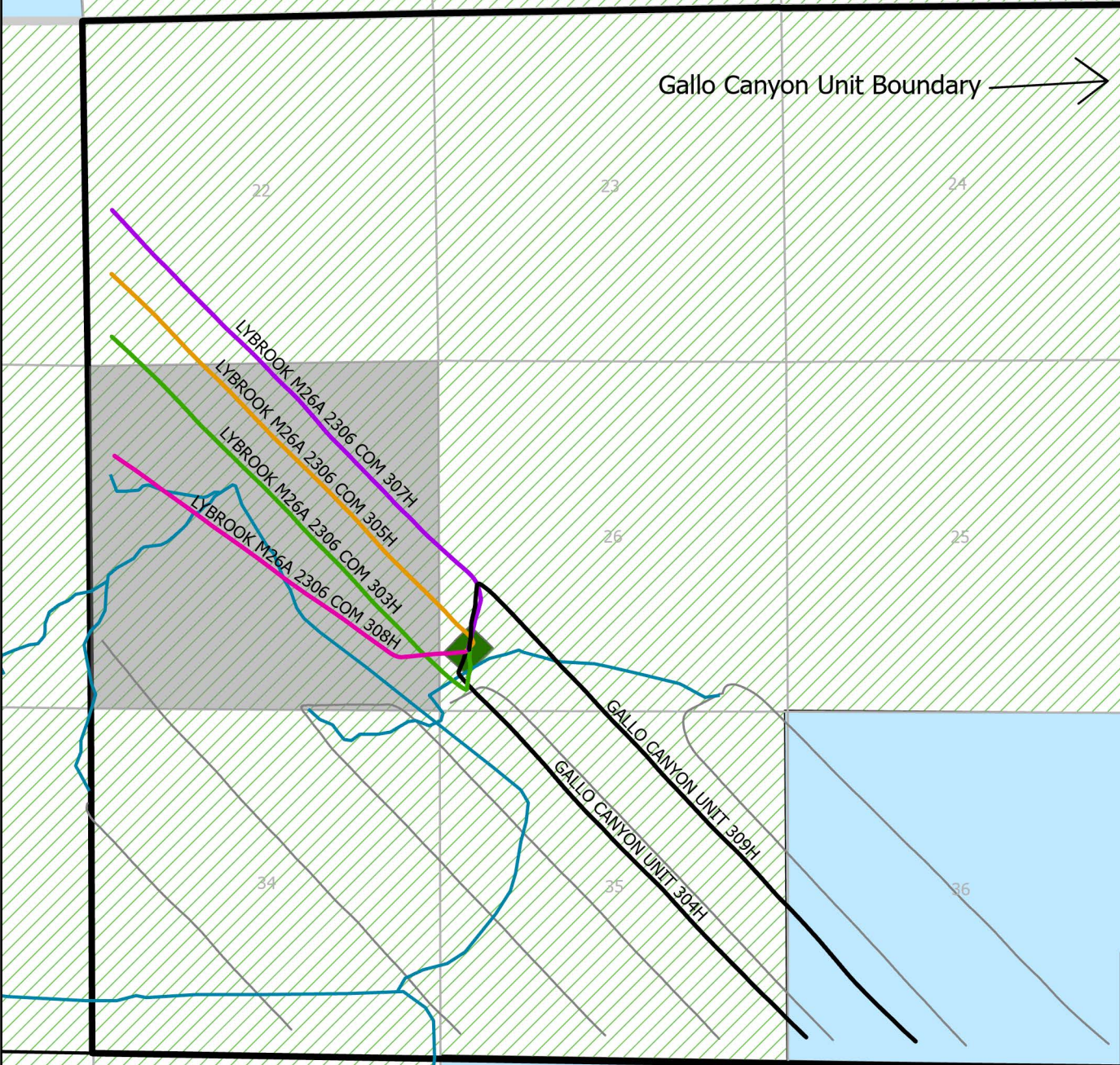


23N 6W

Gallo Canyon Unit Boundary →

### Legend

- Unit Uncommitted Tract
  - Gallo Canyon Unit Boundary
  - 3rd Party Gathering System
  - M26A 2306 Commingling Facility
  - State Minerals
  - Federal Minerals
- M26A 2306 Wells**
- Gallo Canyon Unit Participating Area NMNM 131017A (ATCH 4A)
  - CA NMNM 105767870 (Attachment 4B)
  - CA NMNM 105767920 (Attachment 4C)
  - CA NMNM 105767919 (Attachment 4D)
  - Federal Lease NMNM 105389083 (NMNM 117564) (ATCH 4E)
- Other Gallo Canyon Unit wells**
- (excluded from commingling)

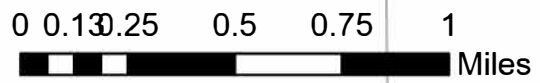


30

26

25

N



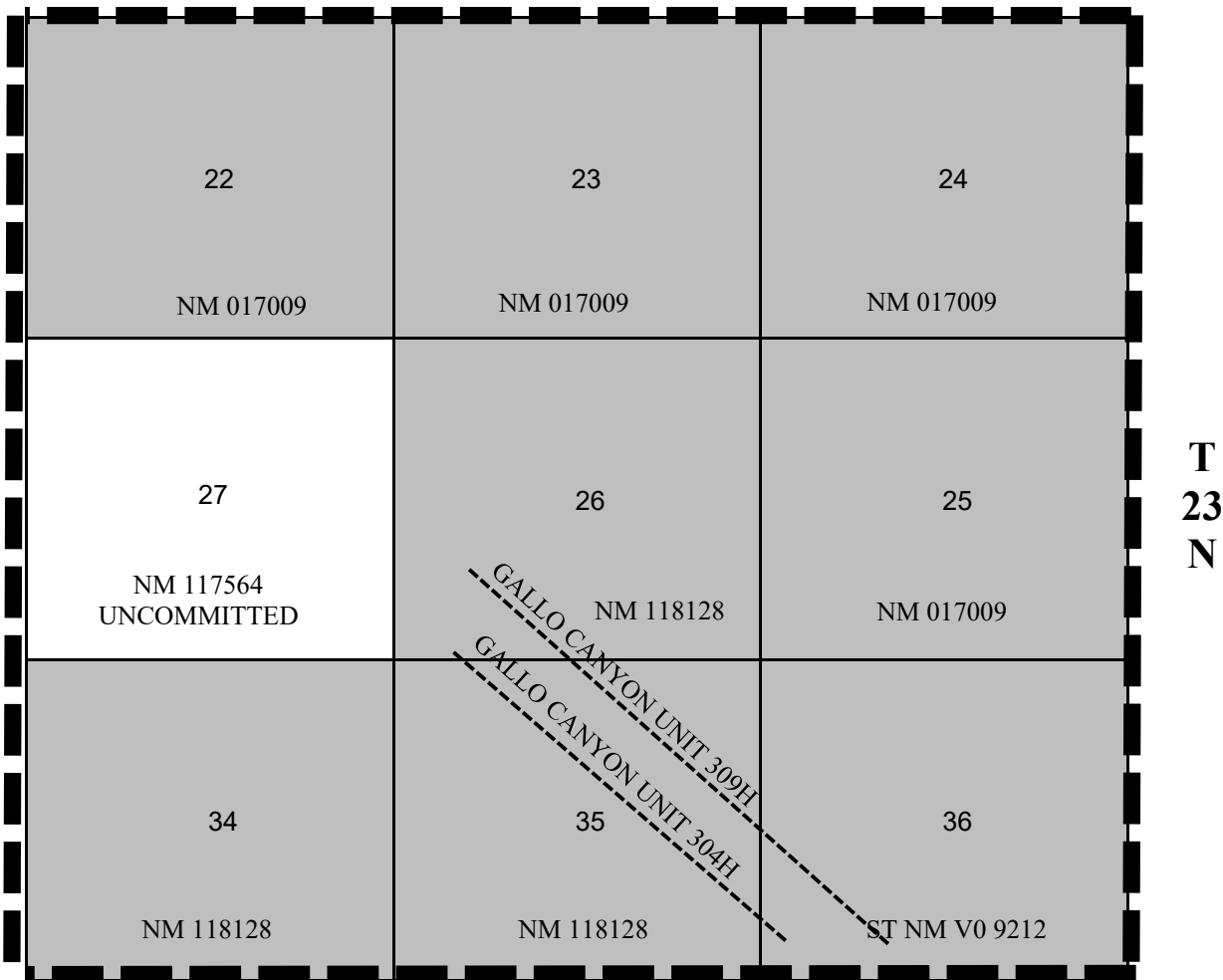
**M26A 2306 Commingling:  
Leases, Wells, Facility, Mineral  
Ownership**

**ATTACHMENT  
3**

**ATTACHMENT 4A**

**Gallo Canyon Unit**  
**Mancos Participating Area NMNM 131017A**  
**Township 23 North, Range 6 West, NMPM**  
Section 22 All  
Section 23 All  
Section 24 All  
Section 25 All  
Section 26 All  
Section 34 All  
Section 35 All  
Section 36All  
Sandoval County, New Mexico  
Containing 5,120 acres, more or less

**OPERATOR of Communitized Area: DJR OPERATING, LLC**



 **MANCOS PARTICIPATING AREA NMNM 131017A**  
**5,120 ACRES**

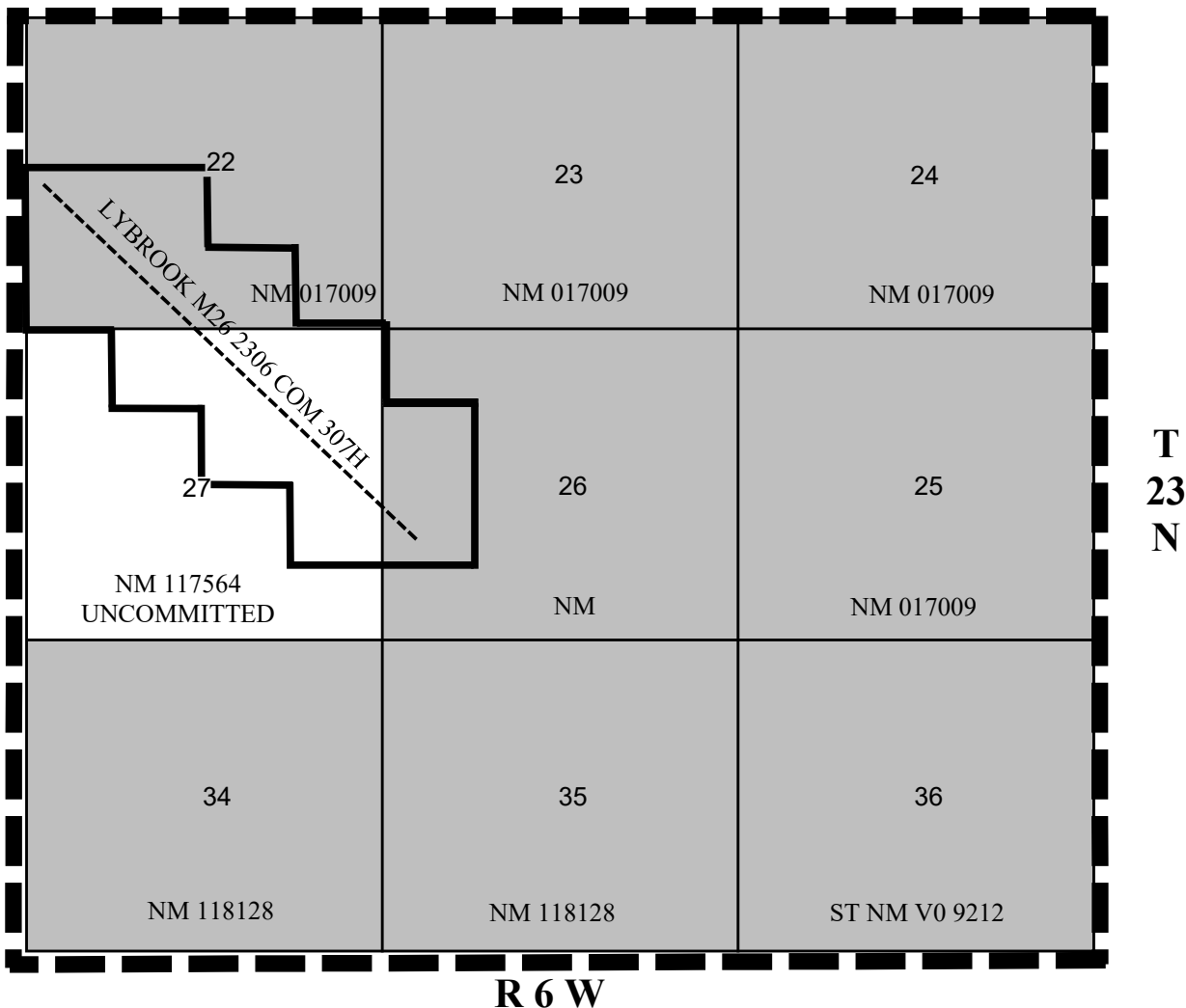
 **GALLO CANYON UNIT BOUNDARY**

**ATTACHMENT**  
**4-A**

ATTACHMENT 4B

Communitization Agreement NMNM 105767870  
Township 23 North, Range 6 West, NMPM  
Section 22 SW4SE4, SW4  
Section 26 NW4SW4, SW4NW4  
Section 27 NE4SE4, NE4, NE4NW4  
Sandoval County, NM  
Containing 520 acres, more or less

OPERATOR of Communitized Area: DJR OPERATING, LLC



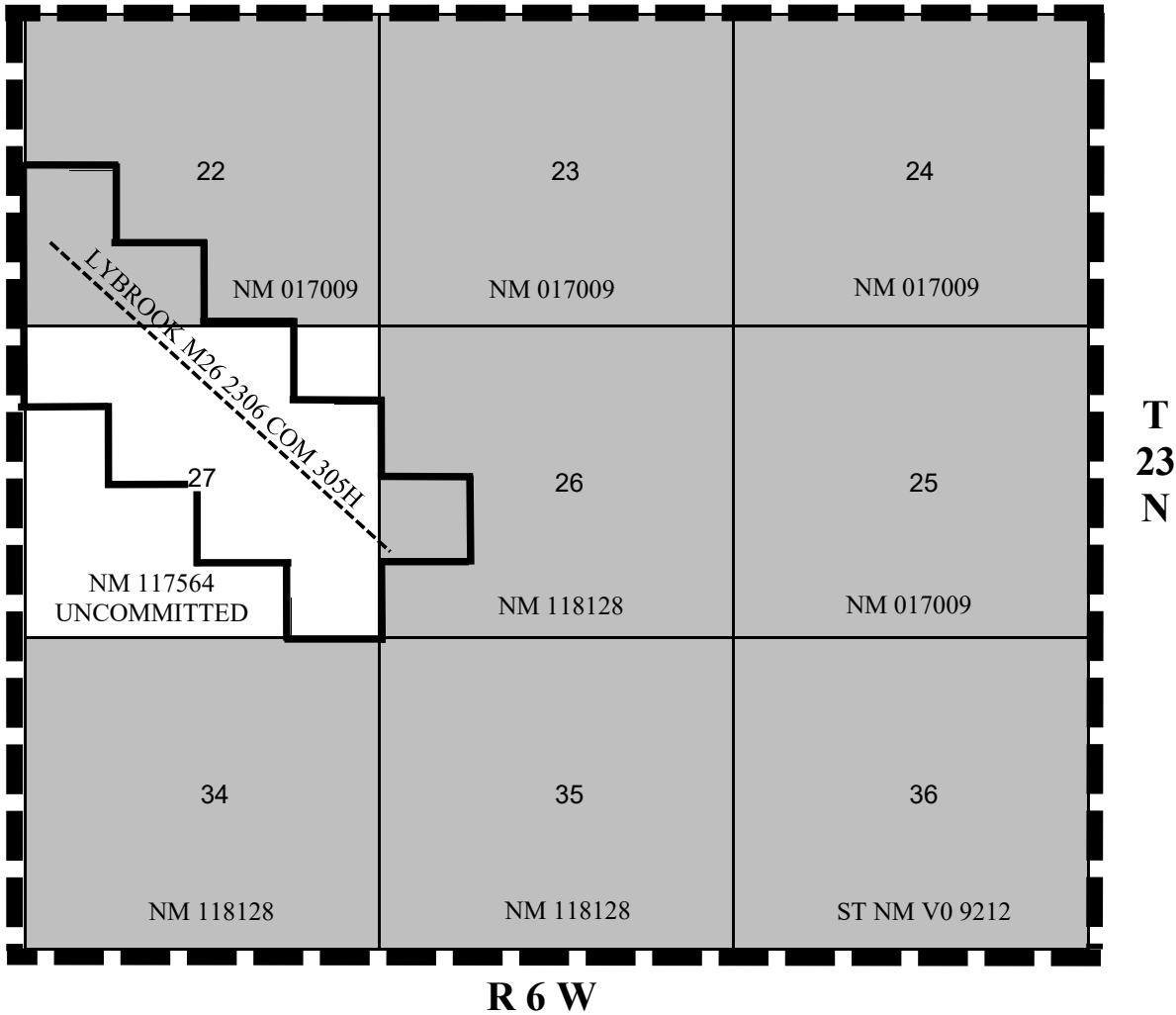
- TRACT 1**  
280.00 ACRES  
GALLO CANYON UNIT (NMNM 131017X)  
MANCOS PARTICIPATING AREA (NMNM 131017A)
- TRACT 2**  
240.00 ACRES  
BLM LEASE NMNM 117564  
UNCOMMITTED UNIT TRACT
- COMMUNITIZATION AGREEMENT BOUNDARY**
- GALLO CANYON UNIT**

ATTACHMENT  
4-B

ATTACHMENT 4C

Communitization Agreement NMNM 105767920  
Township 23 North, Range 6 West, NMPM  
Section 22 W2SW4, SE4SW4  
Section 26 NW4SW4  
Section 27 N2NW4, SE4NW4, W2NE,4 SE4NE4, N2SE4, SE4SE4  
Sandoval County, NM  
Containing 520 acres, more or less

OPERATOR of Communitized Area: DJR OPERATING, LLC



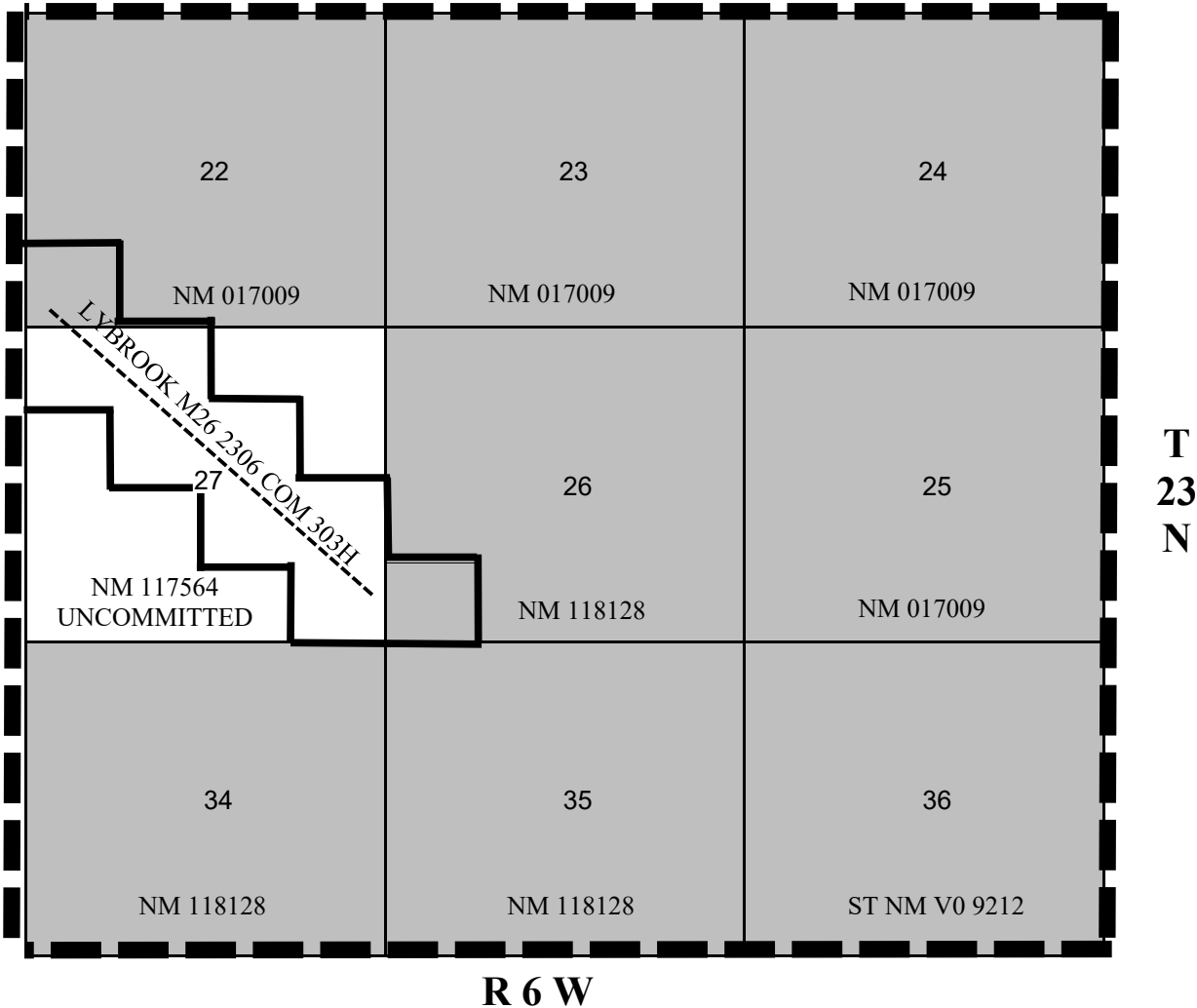
- TRACT 1  
160.00 ACRES  
GALLO CANYON UNIT (NMNM 131017X)  
MANCOS PARTICIPATING AREA (NMNM 131017A)
- TRACT 2  
360.00 ACRES  
BLM LEASE NMNM 117564  
UNCOMMITTED UNIT TRACT
- COMMUNITIZATION AGREEMENT BOUNDARY  
520.00 ACRES
- GALLO CANYON UNIT BOUNDARY

ATTACHMENT  
4-C

ATTACHMENT 4D

Communitization Agreement NMNM 105767919  
Township 23 North, Range 6 West, NMPM  
Section 22 SW4SW4  
Section 26 SW4SW4  
Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4  
Sandoval County, NM  
Containing 360 acres, more or less

OPERATOR of Communitized Area: DJR OPERATING, LLC



- TRACT 1  
80.00 ACRES  
GALLO CANYON UNIT (NMNM 131017X  
MANCOS PARTICIPATING AREA (NMNM 131017A)
- TRACT 2  
280.00 ACRES  
BLM LEASE NMNM 117564  
UNCOMMITTED UNIT TRACT
- COMMUNITIZATION AGREEMENT BOUNDARY  
360.00 ACRES
- GALLO CANYON UNIT BOUNDARY

ATTACHMENT  
4-D

**ATTACHMENT 4E**

**Lease NMNM 105389083**

**Spacing Unit**

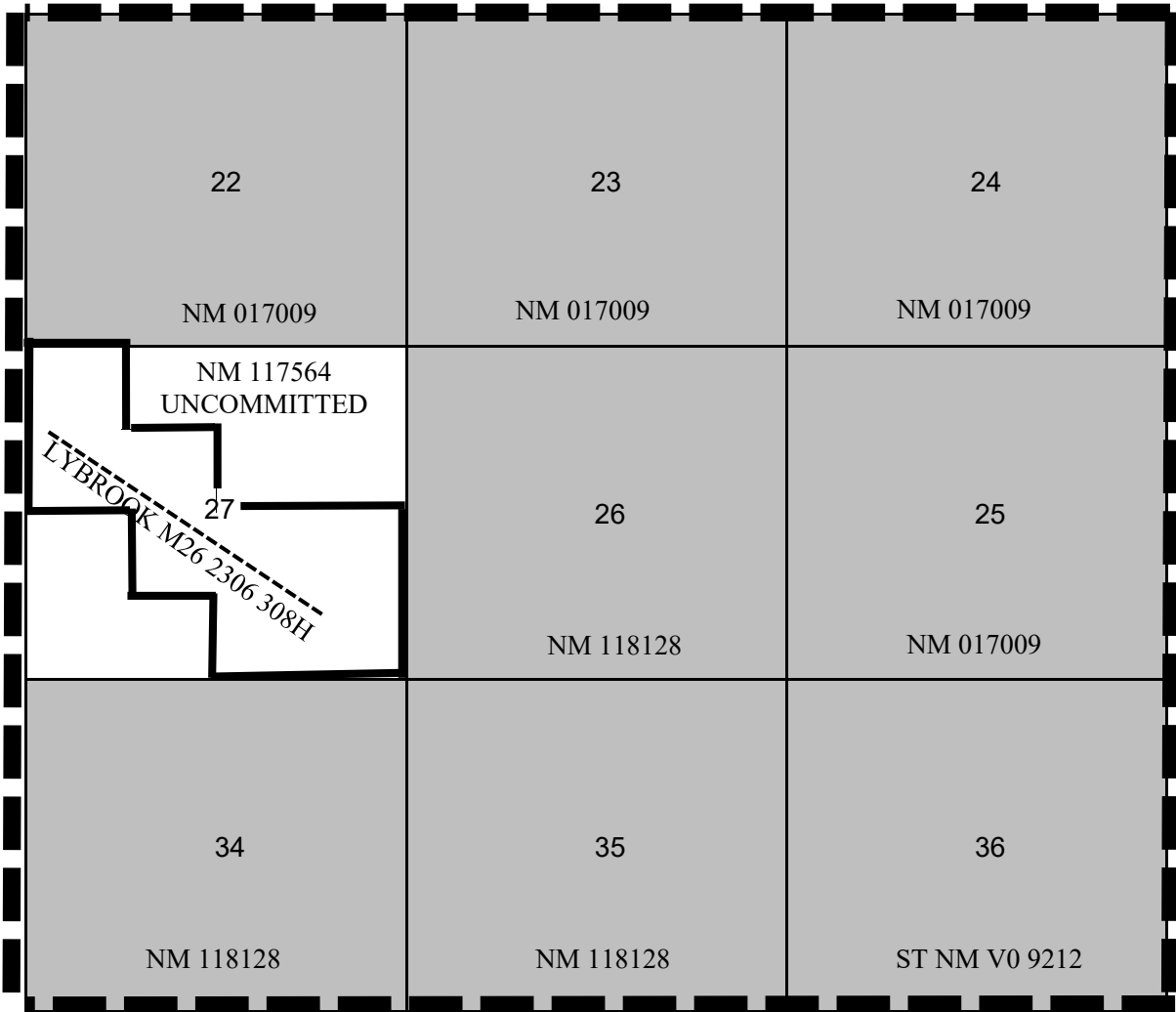
**Township 23 North, Range 6 West, NMPM**

**Section 27 W2NW4, SE4NW4, NE4SW4, SE4**

**Sandoval County, New Mexico**

**Containing 320 acres, more or less**

**OPERATOR of Communitized Area: DJR OPERATING, LLC**



- SPACING UNIT BOUNDARY  
320.00 ACRES
- ▬▬▬▬** GALLO CANYON UNIT BOUNDARY

**ATTACHMENT  
4-E**

**DISTRICT I**  
1625 N. French Dr., Hobbs, N.M. 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720

**DISTRICT II**  
811 S. First St., Artesia, N.M. 88210  
Phone: (505) 748-1283 Fax: (575) 748-9720

**DISTRICT III**  
1000 Rio Brazos Rd., Aztec, N.M. 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170

**DISTRICT IV**  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3482

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to appropriate  
District Office

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

AMENDED REPORT  
 AS-DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-043-21483		<sup>2</sup> Pool Code 13379		<sup>3</sup> Pool Name COUNSELORS GALLUP - DAKOTA POOL	
<sup>4</sup> Property Code 325207		<sup>5</sup> Property Name GALLO CANYON UNIT			<sup>6</sup> Well Number 304H
<sup>7</sup> OGRID No. 371838		<sup>8</sup> Operator Name DJR OPERATING, LLC			<sup>9</sup> Elevation 6954'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	26	T23N	R6W		862'	SOUTH	446'	WEST	SANDOVAL

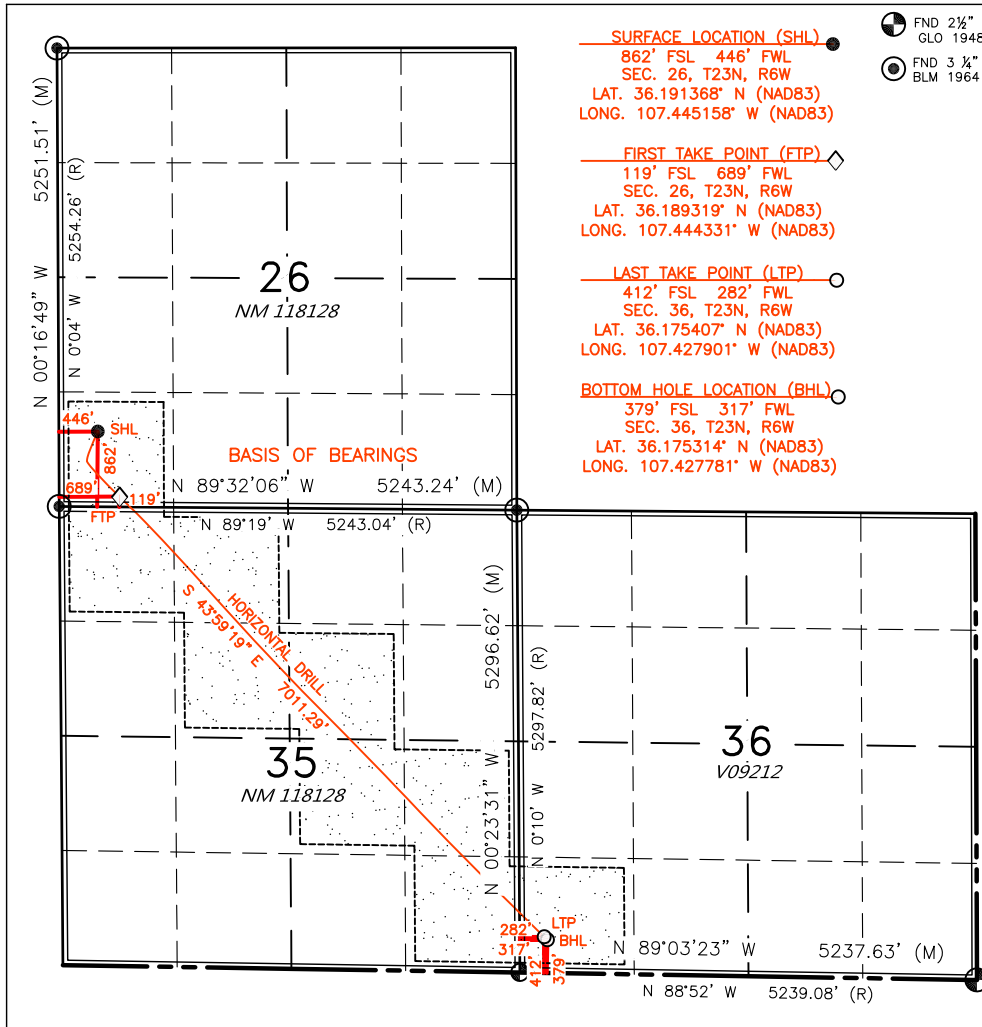
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	36	T23N	R6W		379'	SOUTH	317'	WEST	SANDOVAL

<sup>12</sup> Dedicated Acres SEC 26: SW/SW (40 AC.); SEC 35: NW/NW, NE/NW, SE/NW, SW/NE, NW/SE, NE/SE & SE/SE (280 AC.); SEC 36: SW/SW (40 AC.) = 360 ACRES		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> Order No.	
PENETRATED SPACING UNIT;							

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



<sup>17</sup> OPERATOR CERTIFICATION

FND 2 1/2" BC  
GLO 1948

FND 3 1/4" BC  
BLM 1964

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

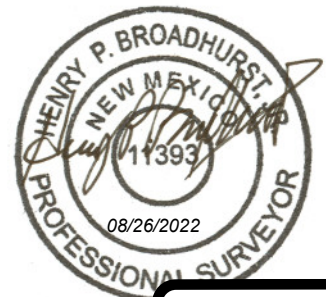
E-mail Address \_\_\_\_\_

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

AUGUST 22, 2022

Date of Survey  
Signature and Seal of Professional Surveyor:



Certificate Number

EXHIBIT  
2



**DISTRICT I**  
 1625 N. French Dr., Hobbs, N.M. 88240  
 Phone: (575) 393-6161 Fax: (575) 393-0720

**DISTRICT II**  
 811 S. First St., Artesia, N.M. 88210  
 Phone: (575) 748-1283 Fax: (575) 748-9720

**DISTRICT III**  
 1000 Rio Brazos Rd., Aztec, N.M. 87410  
 Phone: (505) 334-6178 Fax: (505) 334-6170

**DISTRICT IV**  
 1220 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-102  
 Revised August 1, 2011

Submit one copy to appropriate  
 District Office

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

AMENDED REPORT  
 AS-DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-043-21482		<sup>2</sup> Pool Code 13379		<sup>3</sup> Pool Name COUNSELORS GALLUP - DAKOTA POOL	
<sup>4</sup> Property Code 325207		<sup>5</sup> Property Name GALLO CANYON UNIT			<sup>6</sup> Well Number 309H
<sup>7</sup> OGRID No. 371838		<sup>8</sup> Operator Name DJR OPERATING, LLC			<sup>9</sup> Elevation 6954'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	26	23N	6W		881'	SOUTH	481'	WEST	SANDOVAL

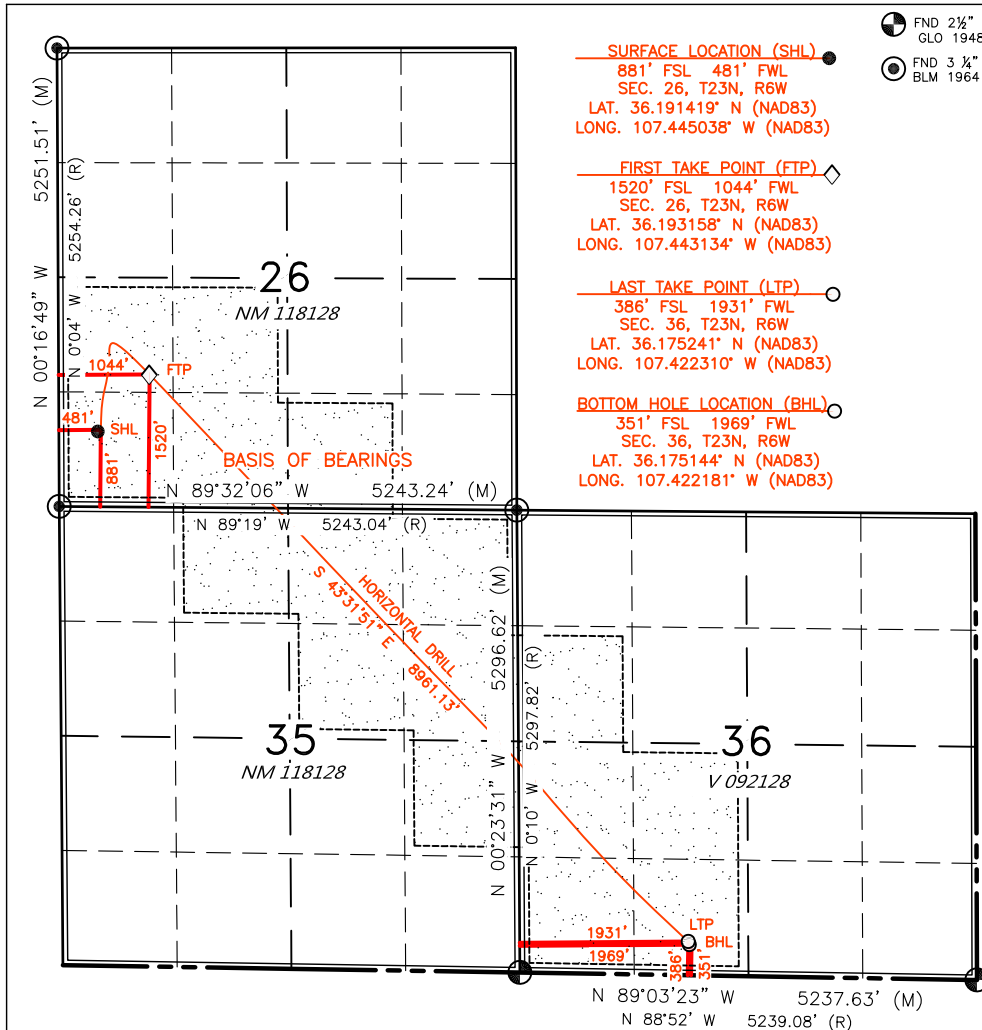
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	36	23N	6W		351'	SOUTH	1969'	WEST	SANDOVAL

<sup>12</sup> Dedicated Acres SEC 26: SW/4 & SW/SE (200 AC.); SEC 35: NE/NW, NE/4 & NE/SE (240 AC.); SEC 36: SW/NW & SW/4 (200 AC.) = 640 ACRES	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>16</sup> Order No. R-13718A
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
 OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



<sup>18</sup> FND 2 1/2" BC  
 GLO 1948

<sup>18</sup> FND 3 1/4" BC  
 BLM 1964

<sup>17</sup> OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

AUGUST 26, 2022

Date of Survey  
 Signature and Seal of Professional Surveyor:



Certificate Number 11393

**DISTRICT I**  
1625 N. French Dr., Hobbs, N.M. 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720

**DISTRICT II**  
811 S. First St., Artesia, N.M. 88210  
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Phone: (505) 334-6178 Fax: (505) 334-6170

**DISTRICT IV**  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3482

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to appropriate  
District Office

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

AMENDED REPORT  
 AS-DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-043-21491		<sup>2</sup> Pool Code 13379		<sup>3</sup> Pool Name COUNSELORS GALLUP - DAKOTA POOL	
<sup>4</sup> Property Code 325257		<sup>5</sup> Property Name LYBROOK M26-2306		<sup>6</sup> Well Number 307H	
<sup>7</sup> OGRID No. 371838		<sup>8</sup> Operator Name DJR OPERATING, LLC		<sup>9</sup> Elevation 6954'	

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	26	23N	6W		871'	SOUTH	464'	WEST	SANDOVAL

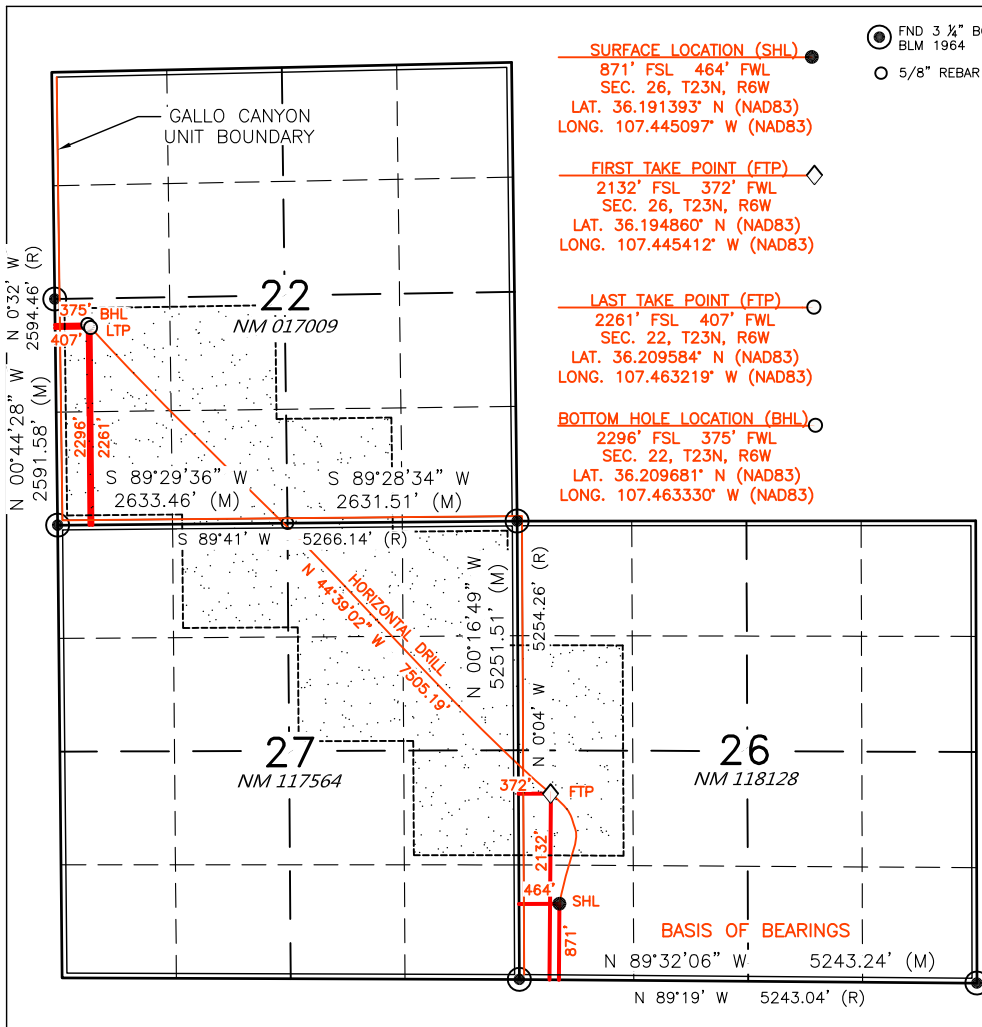
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	22	23N	6W		2296'	SOUTH	375'	WEST	SANDOVAL

<sup>12</sup> Dedicated Acres PENETRATED SPACING UNIT; UNIT: SEC 22: SW/SE & SW/4 (200 AC.); SEC 26: NW/SW & SW/NW (80 AC.); NON-UNIT: SEC 27: NE/SE, NE/4, & NE/NW (240 AC.) = 520 ACRES	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

AUGUST 29, 2022

Date of Survey  
Signature and Seal of Professional Surveyor:



Certificate Number 11393

**DISTRICT I**  
 1625 N. French Dr., Hobbs, N.M. 88240  
 Phone: (575) 393-6161 Fax: (575) 393-0720

**DISTRICT II**  
 811 S. First St., Artesia, N.M. 88210  
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**DISTRICT III**  
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**DISTRICT IV**  
 1220 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3460 Fax: (505) 476-3482

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-102  
 Revised August 1, 2011

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

Submit one copy to appropriate  
 District Office

AMENDED REPORT  
 AS-DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-043-21490		<sup>2</sup> Pool Code 13379		<sup>3</sup> Pool Name COUNSELORS GALLUP - DAKOTA POOL	
<sup>4</sup> Property Code 325257		<sup>5</sup> Property Name LYBROOK M26-2306		<sup>6</sup> Well Number 305H	
<sup>7</sup> OGRID No. 371838		<sup>8</sup> Operator Name DJR OPERATING, LLC		<sup>9</sup> Elevation 6954'	

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	26	23N	6W		852'	SOUTH	428'	WEST	SANDOVAL

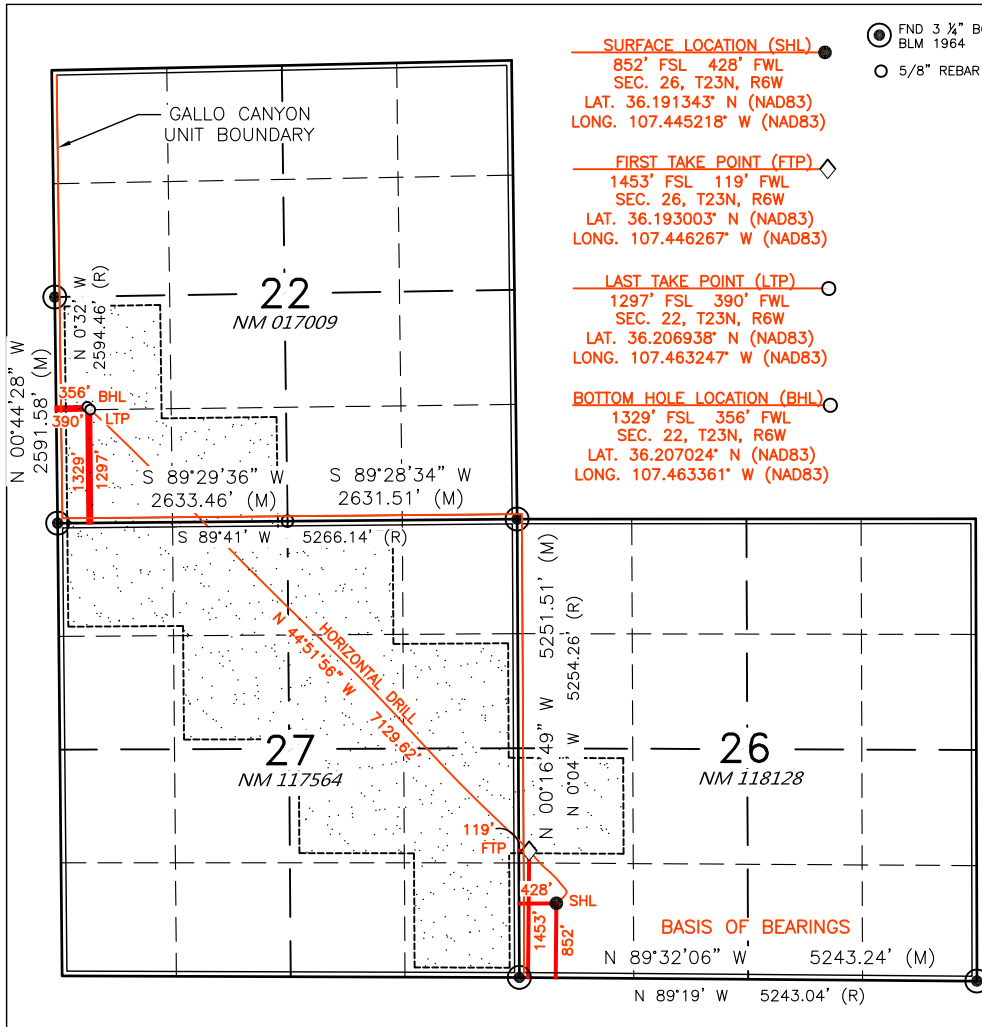
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	22	23N	6W		1329'	SOUTH	356'	WEST	SANDOVAL

<sup>12</sup> Dedicated Acres NON-UNIT: SEC 27: NE/SE, NW/SE, SE/SE, SE/NE, SW/NE, NW/NE, SE/NW, NE/NW & NW/NW (360 AC.); UNIT: SEC 22: SE/SW, SW/SW & NW/SW (120 AC.); SEC 26: NW/SW (40 AC.) = 520 ACRES	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No. R-13718 A
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16



17 OPERATOR CERTIFICATION

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Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Printed Name \_\_\_\_\_  
 E-mail Address \_\_\_\_\_

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

AUGUST 16, 2022

Date of Survey  
 Signature and Seal of Professional Surveyor:



Certificate Number 11393

**DISTRICT I**  
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**DISTRICT II**  
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**DISTRICT IV**  
 1220 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3460 Fax: (505) 476-3482

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-102  
 Revised August 1, 2011

Submit one copy to appropriate  
 District Office

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-043-21489		<sup>2</sup> Pool Code 13379		<sup>3</sup> Pool Name COUNSELORS GALLUP - DAKOTA POOL	
<sup>4</sup> Property Code 325257		<sup>5</sup> Property Name LYBROOK M26-2306			<sup>6</sup> Well Number 303H
<sup>7</sup> OGRID No. 371838		<sup>8</sup> Operator Name DJR OPERATING, LLC			<sup>9</sup> Elevation 6954'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	26	23N	6W		890'	SOUTH	499'	WEST	SANDOVAL

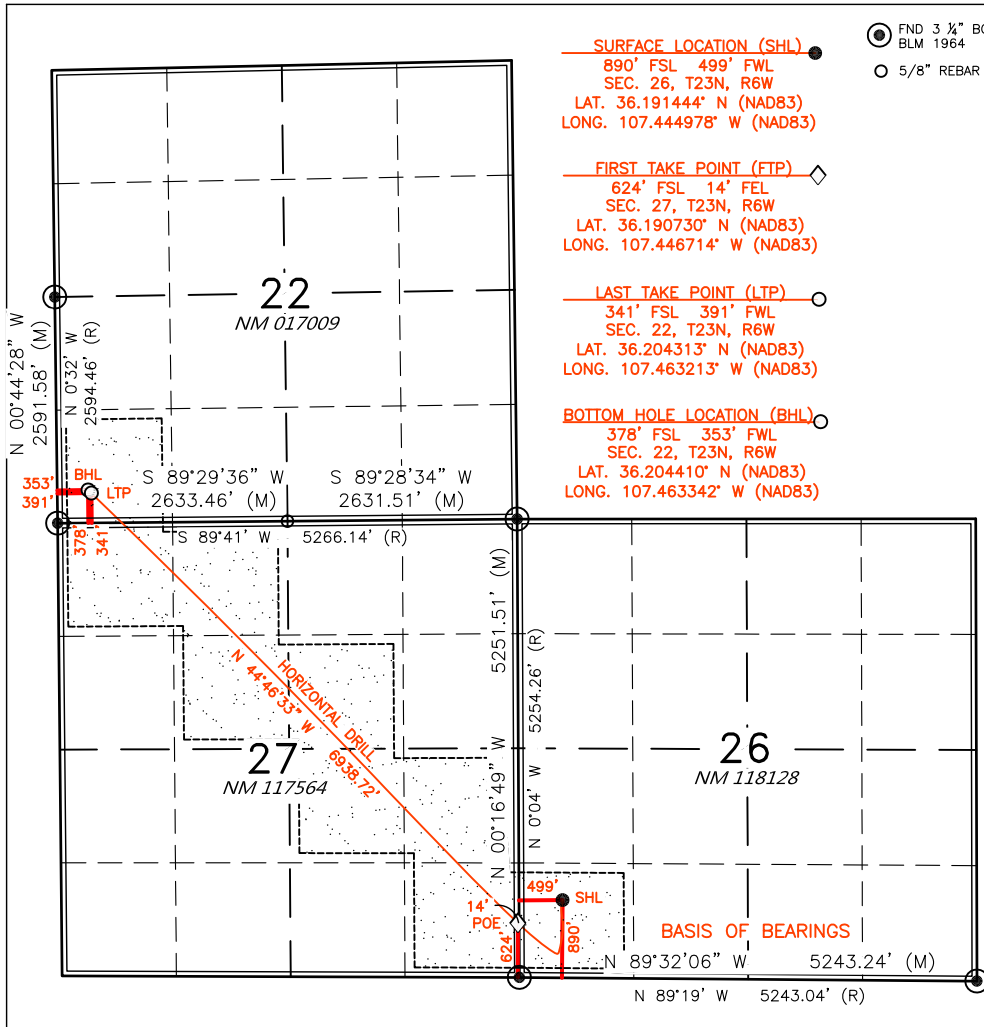
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	22	23N	6W		378'	SOUTH	353'	WEST	SANDOVAL

<sup>12</sup> Dedicated Acres PENETRATED SPACING UNIT; SEC 26: SW/SW (40 AC.); SEC 27: SE/SE, NE/SE, NW/SE, SW/NE, SE/NW, NE/NW & NW/NW (280 AC.); SEC 22: SW/SW (40 AC.) = 360 ACRES		<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
 OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



18

**17 OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

E-mail Address \_\_\_\_\_

**SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

SEPTEMBER 8, 2022

Date of Survey  
 Signature and Seal of Professional Surveyor:



Certificate Number 11393

**DISTRICT I**  
 1625 N. French Dr., Hobbs, N.M. 88240  
 Phone: (575) 393-6161 Fax: (575) 393-0720

**DISTRICT II**  
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**DISTRICT IV**  
 1220 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3460 Fax: (505) 476-3482

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-102  
 Revised August 1, 2011

Submit one copy to appropriate  
 District Office

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

AMENDED REPORT  
 AS-DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-043-21492		<sup>2</sup> Pool Code 13379		<sup>3</sup> Pool Name COUNSELORS GALLUP - DAKOTA POOL	
<sup>4</sup> Property Code 325257		<sup>5</sup> Property Name LYBROOK M26-2306		<sup>6</sup> Well Number 308H	
<sup>7</sup> OGRID No. 371838		<sup>8</sup> Operator Name DJR OPERATING, LLC		<sup>9</sup> Elevation 6954'	

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	26	23N	6W		843'	SOUTH	411'	WEST	SANDOVAL

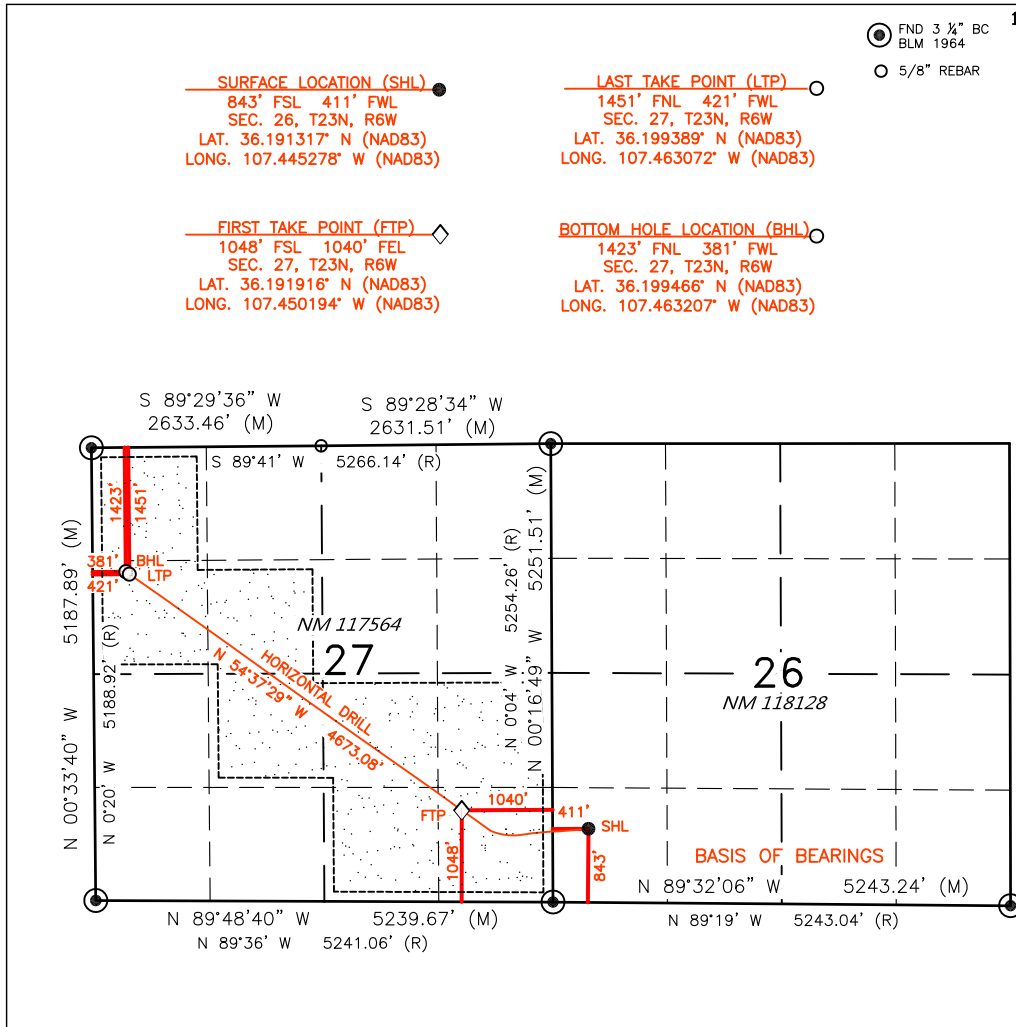
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	27	23N	6W		1423'	NORTH	381'	WEST	SANDOVAL

<sup>12</sup> Dedicated Acres PENETRATED SPACING UNIT; SEC 27: SE/4, NE/SW, SE/NW, SW/NW & NW/NW = 320 ACRES	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No. R-13718 A
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



18 17 OPERATOR CERTIFICATION

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Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

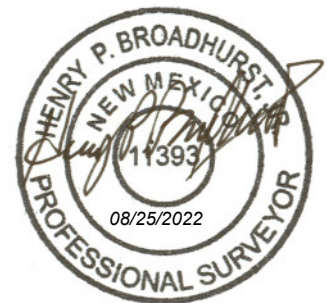
E-mail Address \_\_\_\_\_

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

AUGUST 25, 2022

Date of Survey  
 Signature and Seal of Professional Surveyor:



Certificate Number 11393

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.
- B. Approve the attached Communitization Agreement covering:
  - Township 23 North, Range 6 West, NMPM
  - Section 22 SW4SE4, SW4
  - Section 26 NW4SW4, SW4NW4
  - Section 27 NE4SE4, NE4, NE4NW4
  - Sandoval County, NM

as to oil, natural gas and associated liquid hydrocarbons producible from the Mancos Formation. This approval will become invalid **ab initio** by the Authorized Officer should then public interest requirements under Section 3105.2-3(e) not be 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.
- D. Approval of this agreement does not warrant or certify that the applicants and other working interest owners thereof hold legal or equitable title to the leases, which are committed hereto.

Approved: \_\_\_\_\_ Chief, Reservoir Management Group

Effective: \_\_\_\_\_ Bureau of Land Management

Agreement No.: \_\_\_\_\_

COMMUNITIZATION AGREEMENT

Agreement No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 23 North, Range 6 West, NMPM  
 Section 22 SW4SE4, SW4  
 Section 26 NW4SW4, SW4NW4  
 Section 27 NE4SE4, NE4, NE4NW4  
 Sandoval County, NM

Containing 520.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land and the natural gas and associated liquid hydrocarbons, 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 "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 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 four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer of the Bureau of Land Management.
- 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 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, 8/8<sup>th</sup>, 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (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 sixty (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 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.
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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

DJR OPERATING, LLC

By: Kurt S. Froistad *meb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad *meb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

DUGAN PRODUCTION CORP.

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

**BEFORE ME**, the undersigned authority, on this day personally appeared **Kurt S. Froistad**, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for **DJR OPERATING, LLC**, a Delaware limited liability company, and **DJR NOMINEE CORPORATION**, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11<sup>th</sup> day of March, 2022.

My Commission Expires: 12.15.2025

Sharon Crumb  
Notary Public

**SHARON CRUMB**  
Notary Public  
State of Colorado  
Notary ID # 20054048113  
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **John Alexander**, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for **DUGAN PRODUCTION CORP.**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **James R. J. Strickler**, known to me to be the person whose name is subscribed to the foregoing instrument as President for **JMJ LAND AND MINERALS COMPANY**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

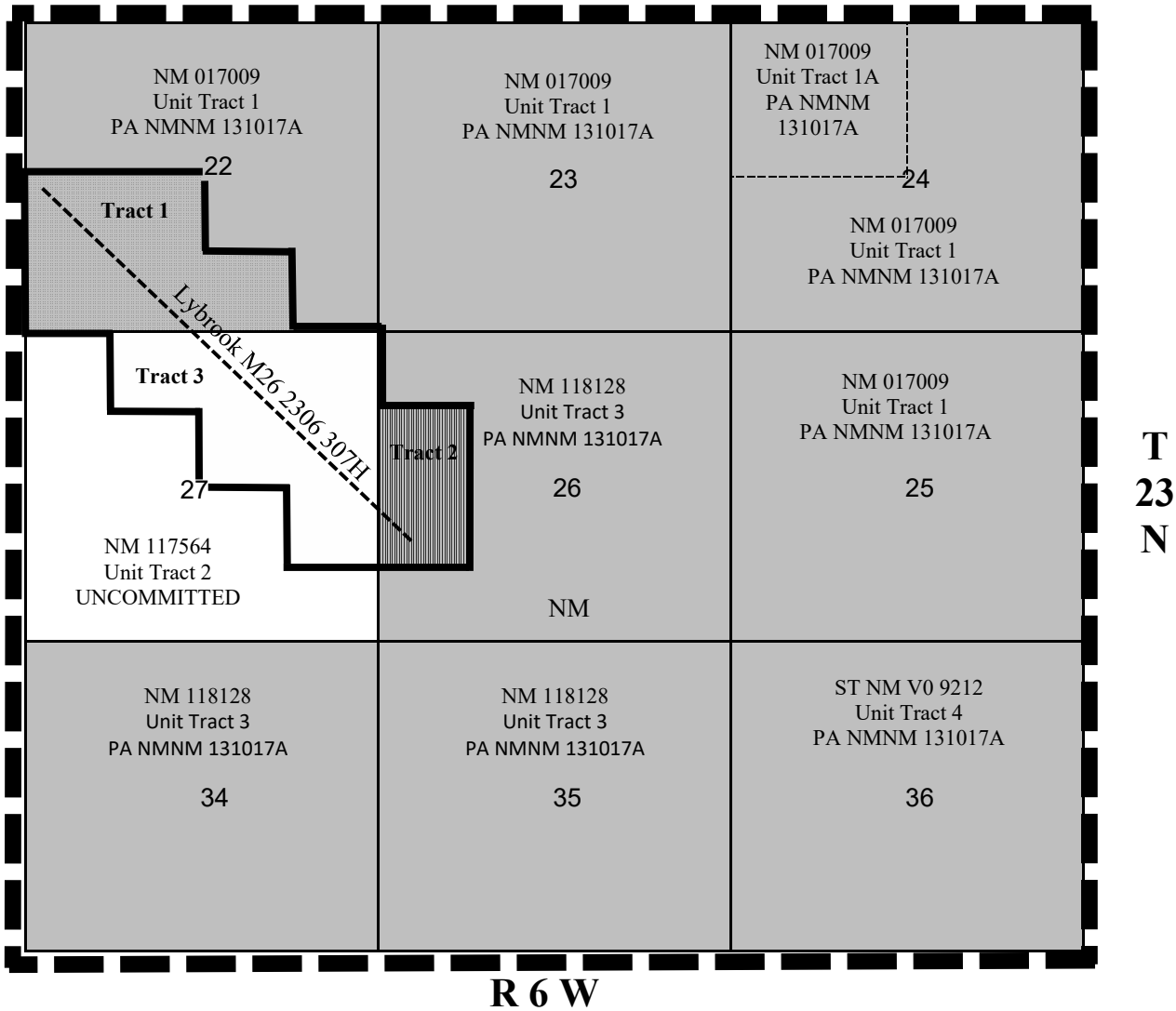
My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**EXHIBIT "A"**

**Communitization Agreement**  
**Township 23 North, Range 6 West, NMPM**  
**Section 22 SW4SE4, SW4**  
**Section 26 NW4SW4, SW4NW4**  
**Section 27 NE4SE4, NE4, NE4NW4**  
**Sandoval County, NM**

**OPERATOR of Communitized Area: DJR OPERATING, LLC**  
**OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC**








-  **TRACT 1 (200.00 ACRES)**  
**NMNM 017009 (UNIT PA TRACT 1)**  
**GALLO CANYON UNIT**  
**MANCOS PARTICIPATING**  
**AREA (NMNM 131017A)**
-  **TRACT 2 (80.00 ACRES)**  
**NMNM 118128 (UNIT PA TRACT 3)**  
**GALLO CANYON UNIT**  
**MANCOS PARTICIPATING**  
**AREA (NMNM 131017A)**
-  **COMMUNITIZATION AGREEMENT BOUNDARY**  
**520.00 ACRES**
-  **TRACT (240.00 ACRES)**  
**NMNM 117564 (UNIT TRACT 2)**  
**UNCOMMITTED**
-  **GALLO CANYON UNIT BOUNDARY**

EXHIBIT "B"

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM  
 Section 22 SW4SE4, SW4  
 Section 26 NW4SW4, SW4NW4  
 Section 27 NE4NW4, NE4, NE4SE4  
 Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
 OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC

DESCRIPTION OF LEASESTract No. 1

GALLO CANYON UNIT (NMNM 131017X)  
Mancos Participating Area (NMNM 131017A) Tract 1  
 Unit Operator DJR Operating, LLC

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> Section 22: SW4SE4, SW4 (Unit PA Tract 1)
Tract Acres:	200.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2****GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007

Lease Term: N/A HBP

Lessor: United States of America

Original Lessee: Land Professionals, Inc.

Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: NW4SW4, SW4NW4 (Unit PA Tract 3)

Tract Acres: 80.00

Lease Royalty Rate: ONRR for USA – 12.5%

Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%

Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%

Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3****Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564

Lease Date: March 1, 2007

Lease Term: N/A (HBP)

Lessor: United States of America

Original Lessee: Resource Development Technology, LLC

Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27: NE4NW4, NE4, NE4SE4

Tract Acres: 240.00

Lease Royalty Rate: ONRR for USA – 12.5%

Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	200.00	38.461539%
2 (Unit PA Tract 3)	80.00	15.384615%
3 (Unit Tract 2 Uncommitted)	240.00	46.153846%
	<u>=====</u> 520.00	<u>=====</u> 100.000000%

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.
- B. Approve the attached Communitization Agreement covering:
  - Township 23 North, Range 6 West, NMPM
  - Section 22 W2SW4, SE4SW4
  - Section 26 NW4SW4
  - Section 27 N2NW4, SE4NW4, W2NE4, SE4NE4, N2SE4, SE4SE4
  - Sandoval County, NM

as to oil, natural gas and associated liquid hydrocarbons producible from the Mancos Formation. This approval will become invalid **ab initio** by the Authorized Officer should then public interest requirements under Section 3105.2-3(e) not be 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.
- D. Approval of this agreement does not warrant or certify that the applicants and other working interest owners thereof hold legal or equitable title to the leases, which are committed hereto.

Approved: \_\_\_\_\_

Chief, Reservoir Management Group  
Bureau of Land Management

Effective: \_\_\_\_\_

Agreement No.: \_\_\_\_\_



COMMUNITIZATION AGREEMENT

Agreement No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 23 North, Range 6 West, NMPM  
 Section 22 W2SW4, SE4SW4  
 Section 26 NW4SW4  
 Section 27 N2NW4, SE4NW4, W2NE4, SE4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

Containing 520.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land and the natural gas and associated liquid hydrocarbons, 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 "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 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 four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer of the Bureau of Land Management.
- 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 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, 8/8<sup>th</sup>, 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (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 sixty (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 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.
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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Unit Operator Gallo Canyon Unit**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

**JMJ LAND & MINERALS, LLC**

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

**BEFORE ME**, the undersigned authority, on this day personally appeared **Kurt S. Froistad**, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for **DJR OPERATING, LLC**, a Delaware limited liability company, and **DJR NOMINEE CORPORATION**, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11<sup>th</sup> day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public

**SHARON CRUMB**  
Notary Public  
State of Colorado  
Notary ID # 20054048113  
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **John Alexander**, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for **DUGAN PRODUCTION CORP.**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **James R. J. Strickler**, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for **JMJ LAND AND MINERALS COMPANY**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

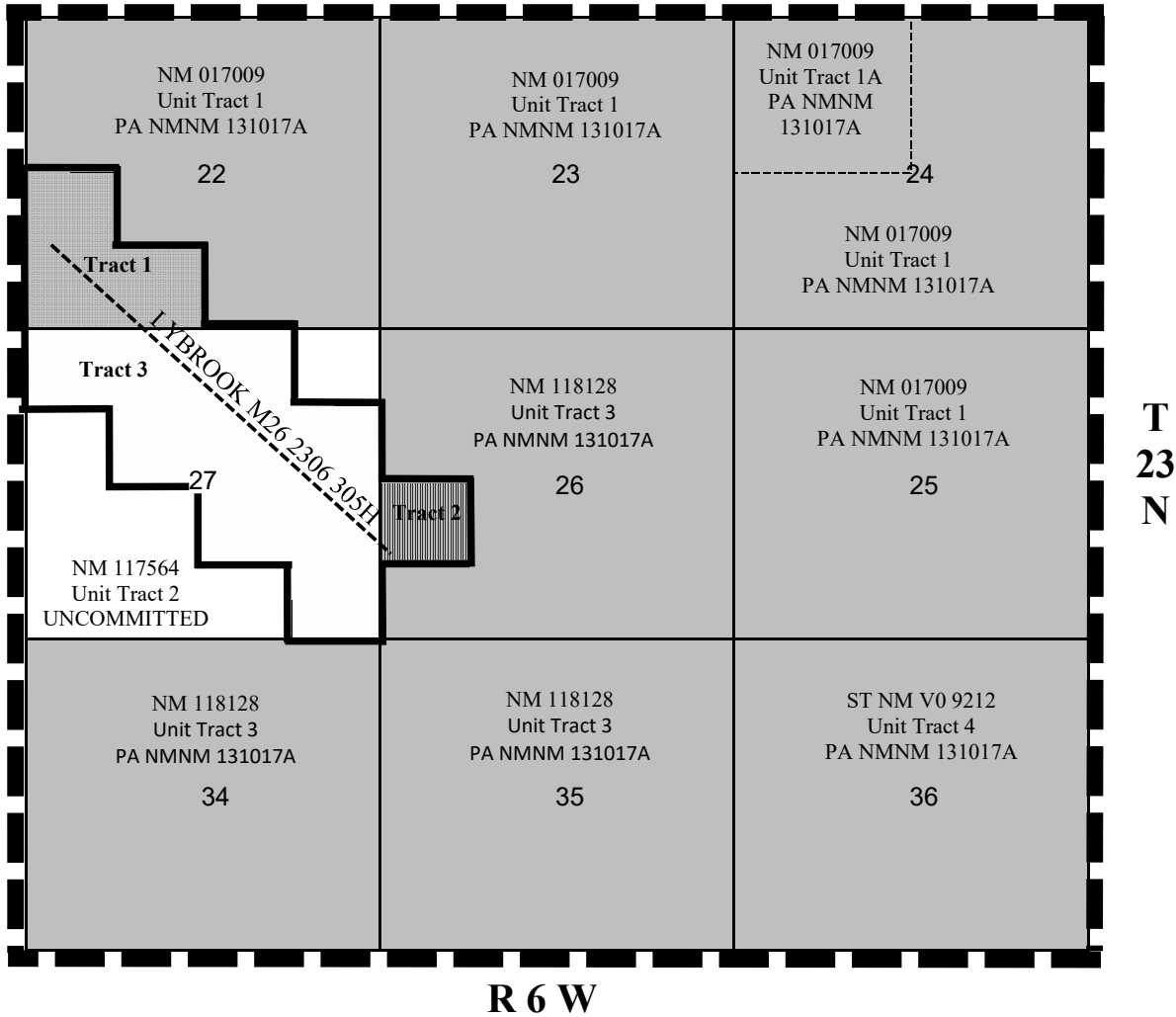
My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**EXHIBIT "A"**

Attached to Communitization Agreement dated August 1, 2022 and covering  
Township 23 North, Range 6 West, NMPM  
 Section 22 W2SW4, SE4SW4  
 Section 26 NW4SW4  
 Section 27 N2NW4, SE4NW4, W2NE,4 SE4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
 OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC








-  **TRACT 1 (120.00 ACRES)**  
 NMNM 017009 (UNIT PA TRACT 1)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)
-  **TRACT 2 (40.00 ACRES)**  
 NMNM 118128 (UNIT PA TRACT 3)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)
-  **TRACT 3 (360.00 ACRES)**  
 NMNM 117564 (UNIT TRACT 2)  
 UNCOMMITTED
-  **COMMUNITIZATION AGREEMENT BOUNDARY**  
 520.00 ACRES
-  **GALLO CANYON UNIT BOUNDARY**

EXHIBIT "B"

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM  
 Section 22 W2SW4, SE4SW4  
 Section 26 NW4SW4  
 Section 27 N2NW4, SE4NW4, W2NE4, SE4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC

OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC

DESCRIPTION OF LEASESTract No. 1

GALLO CANYON UNIT (NMNM 131017X)  
Mancos Participating Area (NMNM 131017A) Tract 1  
 Unit Operator DJR Operating, LLC

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> Section 22: W2SW4, SE4SW4 (Unit PA Tract 1)
Tract Acres:	120.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
Unit Participating Area Tract 3

Lease Date: June 1, 2007

Lease Term: N/A HBP

Lessor: United States of America

Original Lessee: Land Professionals, Inc.

Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
Section 26: NW4SW4 (Unit PA Tract 3)

Tract Acres: 40.00

Lease Royalty Rate: ONRR for USA – 12.5%

Participating Area Royalty Rate: ONRR for USA – 10.937500%  
State of New Mexico – 2.083333%

Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%

Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
DJR Nominee Corporation – 64.0625%  
DJR Assets, LLC - 6.2500%  
Dugan Production Corp. - 29.6875%

**Tract No. 3****Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564

Lease Date: March 1, 2007

Lease Term: N/A (HBP)

Lessor: United States of America

Original Lessee: Resource Development Technology, LLC

Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
Section 27 N2NW4, SE4NW4, W2NE4,  
SE4NE4, N2SE4, SE4SE4

Tract Acres: 360.00

Lease Royalty Rate: ONRR for USA – 12.5%

Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%



RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committee</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	120.00	23.076923%
2 (Unit PA Tract 3)	40.00	7.692308%
3 (Unit Tract 2 Uncommitted)	360.00	69.230769%
	<u>=====</u> 520.00	<u>=====</u> 100.000000%

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.
- B. Approve the attached Communitization Agreement covering:
  - Township 23 North, Range 6 West, N.M.P.M.
  - Section 22 SW4SW4
  - Section 26 SW4SW4
  - Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4
  - Sandoval County, NM

as to oil, natural gas and associated liquid hydrocarbons producible from the Mancos Formation. This approval will become invalid **ab initio** by the Authorized Officer should then public interest requirements under Section 3105.2-3(e) not be 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.
- D. Approval of this agreement does not warrant or certify that the applicants and other working interest owners thereof hold legal or equitable title to the leases, which are committed hereto.

Approved: \_\_\_\_\_

Chief, Reservoir Management Group  
Bureau of Land Management

Effective: \_\_\_\_\_

Agreement No.: \_\_\_\_\_

COMMUNITIZATION AGREEMENT

Agreement No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 23 North, Range 6 West, N.M.P.M.  
 Section 22 SW4SW4  
 Section 26 SW4SW4  
 Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

Containing 360.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land and the natural gas and associated liquid hydrocarbons, 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 "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 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 four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer of the Bureau of Land Management.
- 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 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, 8/8<sup>th</sup>, 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (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 sixty (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 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.
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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

DJR OPERATING, LLC

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: \_\_\_\_\_

DUGAN PRODUCTION CORP.

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

**BEFORE ME**, the undersigned authority, on this day personally appeared **Kurt S. Froistad**, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for **DJR OPERATING, LLC**, a Delaware limited liability company, and **DJR NOMINEE CORPORATION**, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11<sup>th</sup> day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public

SHARON CRUMB  
Notary Public  
State of Colorado  
Notary ID # 20054048113  
~~My Commission Expires 12-15-2025~~

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **John Alexander**, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for **DUGAN PRODUCTION CORP.**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **James R. J. Strickler**, known to me to be the person whose name is subscribed to the foregoing instrument, as President for **JMJ LAND AND MINERALS COMPANY**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**EXHIBIT "A"**

Attached to Communitization Agreement dated August 1, 2022 and covering  
Township 23 North, Range 6 West, NMPM

Section 22 SW4SW4

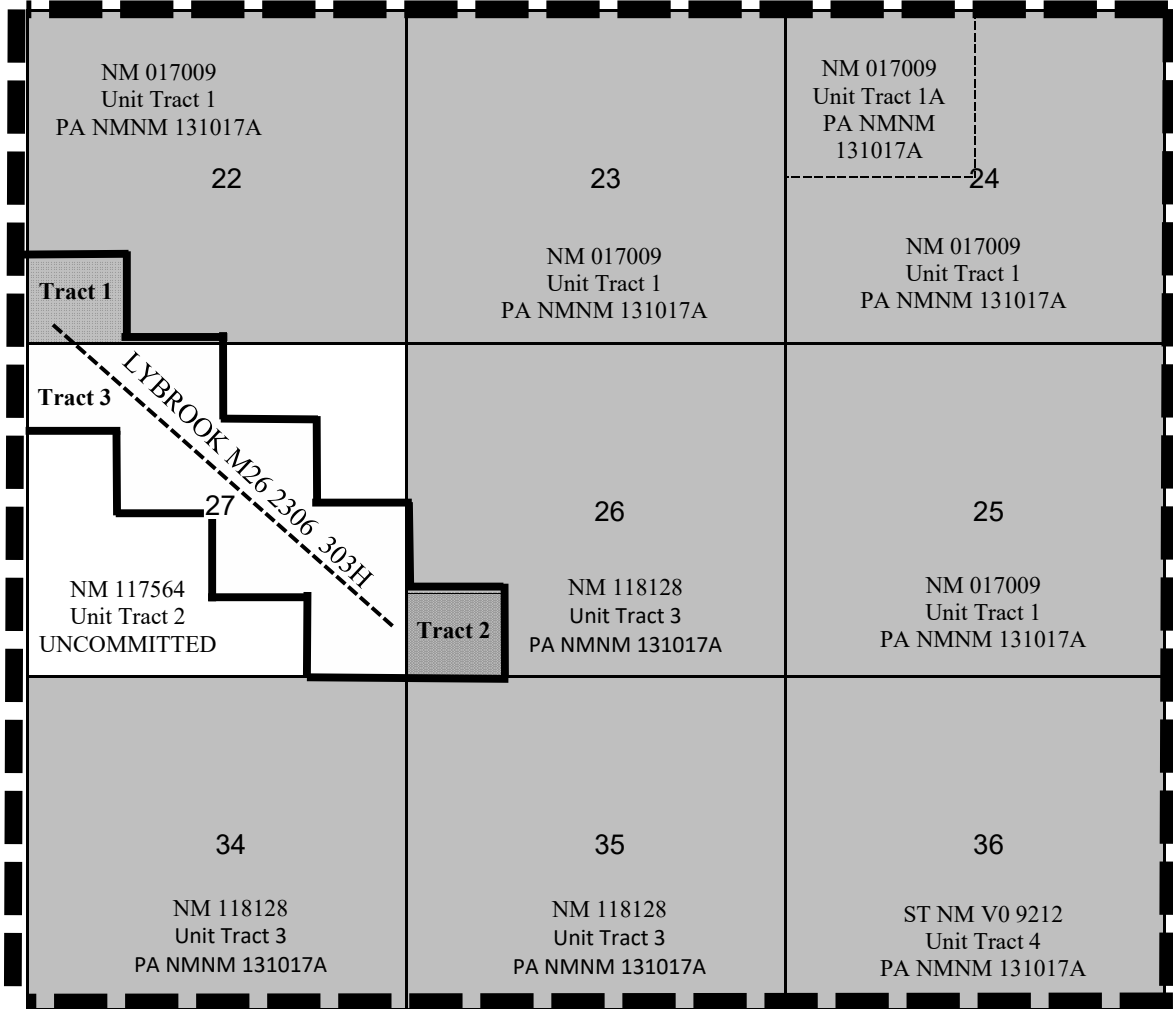
Section 26 SW4SW4

Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC

OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC



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**TRACT 1 (40.00 ACRES)**  
 NMNM 017009 (UNIT PA TRACT 1)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)



**TRACT 2 (40.00 ACRES)**  
 NMNM 118128 (UNIT PA TRACT 3)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)



**GALLO CANYON UNIT BOUNDARY**



**TRACT 3 (280.00 ACRES)**  
 NMNM 117564 (UNIT TRACT 2)  
 UNCOMMITTED



**COMMUNITIZATION AGREEMENT BOUNDARY**  
 360.00 ACRES



EXHIBIT "B"

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM

Section 22: SW4SW4

Section 26: SW4SW4

Section 27: N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC

OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC\

DESCRIPTION OF LEASESTract No. 1GALLO CANYON UNIT (NMNM 131017X)Mancos Participating Area (NMNM 131017A) Tract 1Unit Operator DJR Operating, LLC

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> Section 22: SW4SW4 (Unit PA Tract 1)
Tract Acres:	40.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007

Lease Term: N/A HBP

Lessor: United States of America

Original Lessee: Land Professionals, Inc.

Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: SW4SW4 (Unit PA Tract 3)

Tract Acres: 40.00

Lease Royalty Rate: ONRR for USA – 12.5%

Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%

Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%

Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3****Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564

Lease Date: March 1, 2007

Lease Term: N/A (HBP)

Lessor: United States of America

Original Lessee: Resource Development Technology, LLC

Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27: N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Tract Acres: 280.00

Lease Royalty Rate: 12.50%

Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	40.00	11.111111%
2 (Unit PA Tract 3)	40.00	11.111111%
3 (Unit Tract 2 Uncommitted)	280.00	77.777778%
	<u>=====</u>	<u>=====</u>
	360.00	100.000000%

## Gallo Canyon M26A 2306 Commingling Notice List

**WORKING INTEREST OWNERS**

DJR Nominee Corporation DJR Assets LLC	1700 Lincoln Street, Suite 2800	Denver, CO 80203
Dugan Production Corp.	PO Box 420	Farmington, NM 87499

**OVERRIDE OWNERS**

Tom Dugan Family LTD Partnership	PO Box 207	Farmington, NM 87499
JMJ Resources LLC	2004 North Santiago Avenue	Farmington, NM 87401
Aventine Investments LLC	2005 North Santiago Avenue	Farmington, NM 87401
Juniper Investments LLC	2936 East 57th Place	Tulsa, OK 74105
Jesse A. Strickler	2005 North Santiago Avenue	Farmington, NM 87401
DEBORAH J. VALLADAO	16277 ANNIE DRIVE	GRASS VALLEY, CA, 95949
FRANK PERKINS	6651 ESCHEMAN LN	BROWNS VALLEY, CA, 95918
JOHN PERKINS	15-2797 MALOLO ST.	PAHOA, HI, 96778

**ROYALTY OWNERS**

USA Bureau of Land Management	301 Dinosaur Trail	Santa Fe, NM 87508
New Mexico State Land Office	310 Old Santa Fe Trail	Santa Fe, NM 87501

EXHIBIT

4



**Paula M. Vance**  
**Associate**  
Phone (505) 988-4421  
Fax (505) 819-5579  
pmvance@hollandhart.com

January 20, 2023

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO: ALL AFFECTED PARTIES**

**Re: Application of DJR Operating, LLC for approval of surface commingle (lease) gas production and off-lease measurement at the M26A 2306 Production Facility located in the SW/4 SW/4 of Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico (the “Lands”)**

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application, which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from the date the Division receives the application at the Division’s Santa Fe office located at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Mona Binion  
DJR Operating, LLC  
(303) 407-7399  
mbinion@djrlc.com

Sincerely,

A handwritten signature in blue ink, appearing to read 'Paula M. Vance'.

---

Paula M. Vance  
**ATTORNEY FOR DJR OPERATING, LLC**

**MANIFEST - 73758 - DJR Gallo Canyon M26A Commingling**

Parent ID	Mail Date	Name	Address_1	City	ST	Zip	MailClass	Tracking	Well
31309	01/20/2023	DJR Nominee Corporation DJR Assets LLC	1700 N Lincoln St Ste 2800	Denver	CO	80203-4535	Certified with Return Receipt (Signature)	94148118987 65834723624	73758 - DJR - Gallo Canyon M26A Commingling - NL - 1
31309	01/20/2023	Dugan Production Corp.	PO Box 420	Farmington	NM	87499-0420	Certified with Return Receipt (Signature)	94148118987 65834723600	73758 - DJR - Gallo Canyon M26A Commingling - NL - 2
31309	01/20/2023	Tom Dugan Family LTD Partnership	PO Box 207	Farmington	NM	87499-0207	Certified with Return Receipt (Signature)	94148118987 65834723693	73758 - DJR - Gallo Canyon M26A Commingling - NL - 3
31309	01/20/2023	JMJ Resources LLC	2004 N Santiago Ave	Farmington	NM	87401	Certified with Return Receipt (Signature)	94148118987 65834723648	73758 - DJR - Gallo Canyon M26A Commingling - NL - 4
31309	01/20/2023	Aventine Investments LLC	2005 N Santiago Ave	Farmington	NM	87401-9058	Certified with Return Receipt (Signature)	94148118987 65834723686	73758 - DJR - Gallo Canyon M26A Commingling - NL - 5
31309	01/20/2023	Juniper Investments LLC	2936 E 57th Pl	Tulsa	OK	74105-7410	Certified with Return Receipt (Signature)	94148118987 65834723631	73758 - DJR - Gallo Canyon M26A Commingling - NL - 6
31309	01/20/2023	Jesse A. Strickler	2005 N Santiago Ave	Farmington	NM	87401-9058	Certified with Return Receipt (Signature)	94148118987 65834723679	73758 - DJR - Gallo Canyon M26A Commingling - NL - 7
31309	01/20/2023	Deborah J. Valladao	16277 Annie Dr	Grass Valley	CA	95949-7146	Certified with Return Receipt (Signature)	94148118987 65834723112	73758 - DJR - Gallo Canyon M26A Commingling - NL - 8
31309	01/20/2023	Frank Perkins	6651 Escheman Ln	Browns Valley	CA	95918-9677	Certified with Return Receipt (Signature)	94148118987 65834723150	73758 - DJR - Gallo Canyon M26A Commingling - NL - 9
31309	01/20/2023	John Perkins	15-2797 Malolo St	Pahoa	HI	96778-9156	Certified with Return Receipt (Signature)	94148118987 65834723129	73758 - DJR - Gallo Canyon M26A Commingling - NL - 10
31309	01/20/2023	USA Bureau of Land Management	301 Dinosaur Trl	Santa Fe	NM	87508-1560	Certified with Return Receipt (Signature)	94148118987 65834723198	73758 - DJR - Gallo Canyon M26A Commingling - NL - 11
31309	01/20/2023	New Mexico State Land Office	310 Old Santa Fe Trl	Santa Fe	NM	87501-2708	Certified with Return Receipt (Signature)	94148118987 65834723181	73758 - DJR - Gallo Canyon M26A Commingling - NL - 12

**From:** [McClure, Dean, EMNRD](#) on behalf of [Engineer, OCD, EMNRD](#)  
**To:** [Paula M. Vance](#)  
**Cc:** [McClure, Dean, EMNRD](#); [Wrinkle, Justin, EMNRD](#); [Powell, Brandon, EMNRD](#); [Paradis, Kyle O](#); [Dawson, Scott](#); [Lamkin, Baylen L](#)  
**Subject:** Approved Administrative Order CTB-1081  
**Date:** Friday, May 19, 2023 8:39:02 AM  
**Attachments:** [CTB1081 Order.pdf](#)

NMOCD has issued Administrative Order CTB-1081 which authorizes DJR Operating, LLC (371838) to surface commingle or off-lease measure, as applicable, the following wells:

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-043-21483	Gallo Canyon Unit #304H	M	26-23N-6W	13379
		C D F G I J P	35-23N-6W	
		M	36-23N-6W	
30-043-21482	Gallo Canyon Unit #309H	K L M N O	26-23N-6W	13379
		A B C G H I	35-23N-6W	
		E K L M N	36-23N-6W	
30-043-21491	Lybrook M26 2306 Com #307H	K L M N O	22-23N-6W	13379
		E L	26-23N-6W	
		A B C G H I	27-23N-6W	
30-043-21490	Lybrook M26 2306 Com #305H	L M N	22-23N-6W	13379
		L	26-23N-6W	
		B C D F G H I J P	27-23N-6W	
30-043-21489	Lybrook M26 2306 Com #303H	M	22-23N-6W	13379
		M	26-23N-6W	
		C D F G J I P	27-23N-6W	
30-043-21492	Lybrook M26A 2306 #308H	D E F I J K O P	27-23N-6W	13379

The administrative order is attached to this email and can also be found online at OCD Imaging.

Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.

Dean McClure  
 Petroleum Engineer, Oil Conservation Division  
 New Mexico Energy, Minerals and Natural Resources Department  
 (505) 469-8211



# United States Department of the Interior



BUREAU OF LAND MANAGEMENT  
New Mexico State Office  
301 Dinosaur Trail  
Santa Fe, New Mexico 87508  
<https://www.blm.gov/new-mexico>

In Reply Refer To:  
NMNM105767919  
3105.2 (NM920)

RECEIVED

MAR - 8 2023

DJR Energy LLC  
1700 Lincoln St. Ste. 2800  
Denver, CO 80203  
303-595-7430

Reference:  
Communitization Agreement  
Lybrook M26 2306 303H  
Section 22: SWSW;  
Section 26: SWSW;  
Section 27: N2NW, SENW, SWNE, N2SE, SESE;  
T.23 N., R.6 W., N.M.P.M.  
Sandoval County, NM

DJR Operating LLC  
1700 Lincoln Street, Suite 2800  
Denver CO 80203

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM105767919 involving 40.00 acres of Federal land in lease NMNM017009, 40.00 acres of Federal land in lease NMNM118128, and 280.00 acres of Federal land in lease NMNM117564, Sandoval County, New Mexico, which comprise a 360.00 acre well spacing unit within Participating Area NMNM131017A, or the Gallo Canyon Unit Mancos PA.

The agreement communitizes all rights to crude oil, associated natural gas, and other liquid hydrocarbons from the Mancos formation, only through the wellbore of the Lybrook M26 2306 303H (API 300-043-21489) beneath the SWSW of Sec. 22, SWSW of Sec. 26, and N2NW, SENW, SWNE, N2SE, and SESE of Sec. 27 of T. 23 N., R. 6 W., NMPM, Sandoval County, NM, and is effective August 1, 2022. 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 Jordan Yawn by email at jyawn@blm.gov or by phone (505) 954-2138. Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

KYLE  
PARADIS

Digitally signed by KYLE  
PARADIS  
Date: 2023.02.16  
11:30:58 -07'00'

Kyle Paradis  
Branch Chief of Reservoir Management  
Division of Minerals

1 Enclosure:  
1 - Communitization Agreement

cc:  
ONRR, Denver  
NM Taxation & Revenue Dept. (Revenue Processing Div.)  
NMOCD  
NM (P0220-CFO, File Room)  
NMSO (NM925, File)

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. 266(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine and certify that the plan of development and operation contemplated in the attached Communitization Agreement is necessary, advisable, and in the public interest for the purpose of more properly conserving the natural resources.
- B. Approve the attached Communitization Agreement NMNM105767919 involving Federal Lease(s) NMNM017009, NMNM118128, and NMNM117564. This Communitization Agreement is in Sec. 22, 26, and 27, T. 23 N., R. 6 W., NMPM, Sandoval County, New Mexico, for production of oil, associated natural gas, and other liquid hydrocarbons producible from the Mancos Formation.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said Communitization Agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the Communitization Agreement.

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. In addition, approval of this agreement does not warrant or certify that the State or Patented land descriptions and acreages are consistent with the latest survey for those lands.

This approval is granted subject to the condition that the requirements of Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982 be satisfied for all wells drilled anywhere within the communitized area.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a leases site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells, as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which gas is first measured through permanent metering facilities, whichever first occurs.

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for civil penalties for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3163.2(e)(2).

KYLE  
PARADIS

Digitally signed by KYLE  
PARADIS  
Date: 2023.02.16  
11:32:18 -07'00'

Kyle Paradis  
Branch Chief of Reservoir Management  
Division of Minerals

Effective: August 1, 2022  
Contract No.: NMNM105767919

RECEIVED

MAY 27 2022

BLM, NMSO  
SANTA FE

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.
- B. Approve the attached Communitization Agreement covering:
  - Township 23 North, Range 6 West, N.M.P.M.
  - Section 22 SW4SW4
  - Section 26 SW4SW4
  - Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4
  - Sandoval County, NM

as to oil, natural gas and associated liquid hydrocarbons producible from the Mancos Formation. This approval will become invalid **ab initio** by the Authorized Officer should then public interest requirements under Section 3105.2-3(e) not be 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.
- D. Approval of this agreement does not warrant or certify that the applicants and other working interest owners thereof hold legal or equitable title to the leases, which are committed hereto.

Approved: \_\_\_\_\_

\_\_\_\_\_  
Chief, Reservoir Management Group  
Bureau of Land Management

Effective: \_\_\_\_\_

Agreement No.: \_\_\_\_\_

FEDERAL COMMUNITIZATION AGREEMENTContract No. NMNM105767919

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 have drilled a Mancos oil well designated **Lybrook M26 2306 303H (API 30-043-21489)** ("Subject Well") located in Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico.

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 23 North, Range 6 West, N.M.P.M.  
 Section 22 SW4SW4  
 Section 26 SW4SW4  
 Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

Containing 360.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land and crude oil, associated natural gas and other liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation and only through the well bore of the **Subject Well**.

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. The Operator of the Communitized area shall be **DJR Operating, LLC**, 1700 Lincoln Street, Suite 2800, Denver, Colorado 80203. 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 lessees of record and 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 of the Bureau of Land Management.

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, insofar as the production from the **Subject Well** is concerned, with the understanding and agreement between the parties hereto that all communitized substances produced from the **Subject Well** 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, 8/8<sup>th</sup>, 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 the **Subject Well** 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (2) years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities from the **Subject Well**; 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 sixty (60) days thereafter, reworking or drilling operations on the **Subject Well** are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. 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.
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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

**DJR OPERATING, LLC**

By: Kurt S. Froistad mlb  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad mlb  
Kurt S. Froistad, Land Manager  
Date: \_\_\_\_\_

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

**JMJ LAND & MINERALS, LLC**

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public

SHARON CRUMB
Notary Public
State of Colorado
Notary ID # 20054048113
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: \_\_\_\_\_

**DUGAN PRODUCTION CORP.**

By: John Alexander  
John Alexander, Vice President  
Date: 5.9.2022

**JMJ LAND & MINERALS, LLC**

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )
) ss
COUNTY OF DENVER )

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GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public

SHARON CRUMB
Notary Public
State of Colorado
Notary ID # 20054048113
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022

My Commission Expires: 11/2/24

Tyram M Feil
Notary Public

STATE OF NEW MEXICO
NOTARY PUBLIC
TYRAM M. FEIL
COMMISSION # 1058569
MY COMMISSION EXPIRES 11/02/2024

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: \_\_\_\_\_

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

*AND COMPANY*  
**JMJ LAND & MINERALS, LLC**

By: James R. J. Strickler  
James R. J. Strickler, President  
Date: 5-9-2022

ACKNOWLEDGEMENTS

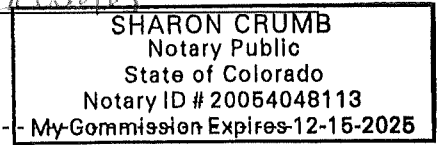
STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 14th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public



STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public

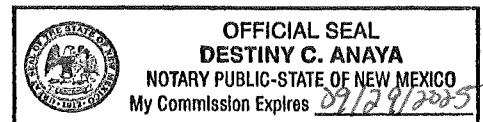
STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 09/29/2025

Destiny C. Anaya
Notary Public



**EXHIBIT "A"**

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM

Section 22 SW4SW4

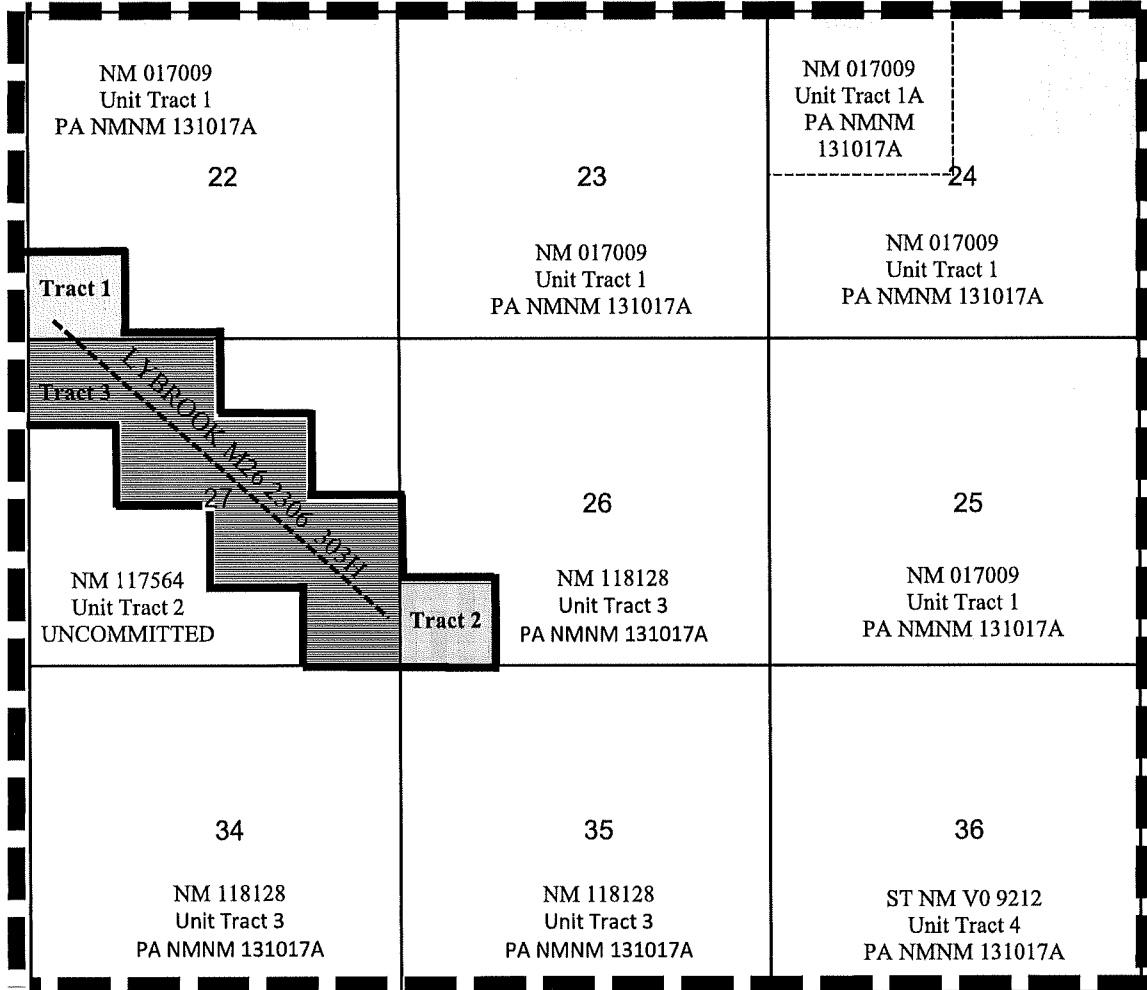
Section 26 SW4SW4

Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC

OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC



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23  
N

R 6 W



**TRACT 1 (40.00 ACRES)**  
 NMNM 017009 (UNIT PA TRACT 1)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)



**TRACT 2 (40.00 ACRES)**  
 NMNM 118128 (UNIT PA TRACT 3)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)



**GALLO CANYON UNIT BOUNDARY**



**TRACT 3 (280.00 ACRES)**  
 NMNM 117564 (UNIT TRACT 2)  
 UNCOMMITTED



**COMMUNITIZATION AGREEMENT BOUNDARY**  
 360.00 ACRES

EXHIBIT "B"

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM  
 Section 22: SW4SW4  
 Section 26: SW4SW4  
 Section 27: N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
 OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC\

DESCRIPTION OF LEASESTract No. 1

GALLO CANYON UNIT (NMNM 131017X)  
Mancos Participating Area (NMNM 131017A) Tract 1  
 Unit Operator DJR Operating, LLC

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> Section 22: SW4SW4 (Unit PA Tract 1)
Tract Acres:	40.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007

Lease Term: N/A HBP

Lessor: United States of America

Original Lessee: Land Professionals, Inc.

Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: SW4SW4 (Unit PA Tract 3)

Tract Acres: 40.00

Lease Royalty Rate: ONRR for USA – 12.5%

Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%

Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%

Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3****Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564

Lease Date: March 1, 2007

Lease Term: N/A (HBP)

Lessor: United States of America

Original Lessee: Resource Development Technology, LLC

Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27: N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Tract Acres: 280.00

Lease Royalty Rate: 12.50%

Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	40.00	11.111111%
2 (Unit PA Tract 3)	40.00	11.111111%
3 (Unit Tract 2 Uncommitted)	280.00	77.777778%
	<u>360.00</u>	<u>100.000000%</u>





# United States Department of the Interior



BUREAU OF LAND MANAGEMENT  
New Mexico State Office  
301 Dinosaur Trail  
Santa Fe, New Mexico 87508  
<https://www.blm.gov/new-mexico>

In Reply Refer To:  
NMNM105767920  
3105.2 (NM920)

Reference:  
Communitization Agreement  
Lybrook M26 2306 305H  
Section 22: W2SW, SESW;  
Section 26: NWSW;  
Section 27: N2NW, SENW, W2NE, SENE, N2SE, SESE;  
T.23 N., R.6 W., N.M.P.M.  
Sandoval County, NM

RECEIVED

MAR - 8 2023

DJR Energy LLC  
1700 Lincoln St. Ste. 2800  
Denver, CO 80203  
303-595-7430

DJR Operating LLC  
1700 Lincoln Street, Suite 2800  
Denver CO 80203

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM105767920 involving 120.00 acres of Federal land in lease NMNM017009, 40.00 acres of Federal land in lease NMNM118128, and 360.00 acres of Federal land in lease NMNM117564, Sandoval County, New Mexico, which comprise a 520.00 acre well spacing unit within Participating Area NMNM131017A, or the Gallo Canyon Unit Mancos PA.

The agreement communitizes all rights to crude oil, associated natural gas, and other liquid hydrocarbons from the Mancos formation, only through the wellbore of the Lybrook M26 2306 305H (API 300-043-21490) beneath the W2SW of Sec. 22, NWSW of Sec. 26, and N2NW, SENW, W2NE, SENE, N2SE, SESE of Sec. 27 of T. 23 N., R. 6 W., NMPM, Sandoval County, NM, and is effective August 1, 2022. 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

INTERIOR REGION 5 · MISSOURI BASIN  
Kansas, Most of Montana, North Dakota,  
Nebraska, South Dakota

INTERIOR REGION 6 · ARKANSAS-  
RIO GRANDE-TEXAS GULF  
Oklahoma, Texas

INTERIOR REGION 7 · UPPER  
COLORADO BASIN  
Colorado, New Mexico, Utah, Wyoming

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 Jordan Yawn by email at [jjawn@blm.gov](mailto:jjawn@blm.gov) or by phone (505) 954-2138. Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

KYLE  
PARADIS

Digitally signed by KYLE  
PARADIS  
Date: 2023.02.16  
11:28:07 -07'00'

Kyle Paradis  
Branch Chief of Reservoir Management  
Division of Minerals

1 Enclosure:  
1 - Communitization Agreement

cc:  
ONRR, Denver  
NM Taxation & Revenue Dept. (Revenue Processing Div.)  
NMOCD  
NM (P0220-CFO, File Room)  
NMSO (NM925, File)

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. 266(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine and certify that the plan of development and operation contemplated in the attached Communitization Agreement is necessary, advisable, and in the public interest for the purpose of more properly conserving the natural resources.
- B. Approve the attached Communitization Agreement NMNM105767920 involving Federal Lease(s) NMNM017009, NMNM118128, and NMNM117564. This Communitization Agreement is in Sec. 22, 26, and 27, T. 23 N., R. 6 W., NMPM, Sandoval County, New Mexico, for production of oil, associated natural gas, and other liquid hydrocarbons producible from the Mancos Formation.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said Communitization Agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the Communitization Agreement.

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. In addition, approval of this agreement does not warrant or certify that the State or Patented land descriptions and acreages are consistent with the latest survey for those lands.

This approval is granted subject to the condition that the requirements of Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982 be satisfied for all wells drilled anywhere within the communitized area.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a leases site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells, as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which gas is first measured through permanent metering facilities, whichever first occurs.

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for civil penalties for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3163.2(e)(2).

KYLE  
PARADIS

Digitally signed by KYLE PARADIS  
Date: 2023.02.16 11:28:56 -07'00'

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Kyle Paradis  
Branch Chief of Reservoir Management  
Division of Minerals

Effective: August 1, 2022  
Contract No.: NMNM105767920

FEDERAL COMMUNITIZATION AGREEMENTContract No. NM NM 105767920

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 have drilled a Mancos oil well designated **Lybrook M26 2306 305H (API 30-043-21490)** ("Subject Well") located in Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico.

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 23 North, Range 6 West, NMPM  
 Section 22 W2SW4, SE4SW4  
 Section 26 NW4SW4  
 Section 27 N2NW4, SE4NW4, W2NE4, SE4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

Containing 520.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land and the crude oil, associated natural gas and other liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation and only through the well bore of the Subject Well.

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. The Operator of the Communitized area shall be **DJR Operating, LLC**, 1700 Lincoln Street, Suite 2800, Denver, Colorado 80203. 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 lessees of record and 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 of the Bureau of Land Management.

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, insofar as the production from the **Subject Well** is concerned, with the understanding and agreement between the parties hereto that all communitized substances produced from the **Subject Well** 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, 8/8<sup>th</sup>, 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 the **Subject Well** 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (2) years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities from the **Subject Well**; 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 sixty (60) days thereafter, reworking or drilling operations on the **Subject Well** are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. 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.
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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Unit Operator Gallo Canyon Unit**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

**JMJ LAND & MINERALS, LLC**

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

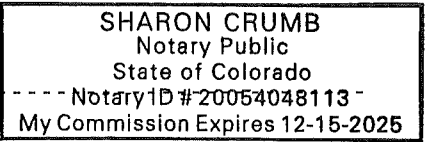
STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public



STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public



**Operator of the Communitized Area**  
**Unit Operator Gallo Canyon Unit**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mk*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mk*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**DUGAN PRODUCTION CORP.**

By: John Alexander  
John Alexander, Vice President  
Date: 5. P. 2022

**JMJ LAND & MINERALS, LLC**

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Notary Public Sharon Crumb SHARON CRUMB Notary Public State of Colorado Notary ID # 20054048113 My Commission Expires 12-15-2025

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 11/2/24

Notary Public Tyram Feil STATE OF NEW MEXICO NOTARY PUBLIC TYRAM FEIL COMMISSION # 1058568 MY COMMISSION EXPIRES 11/02/2024

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public \_\_\_\_\_

**Operator of the Communitized Area**  
**Unit Operator Gallo Canyon Unit**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager

Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager

Date: 3/11/2022

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President

Date: \_\_\_\_\_

<sup>AND</sup>  
**JMJ LAND & MINERALS, LLC** *Company JJD*

By: James R. J. Strickler  
James R. J. Strickler, President

Date: 5-3-2022

ACKNOWLEDGEMENTS

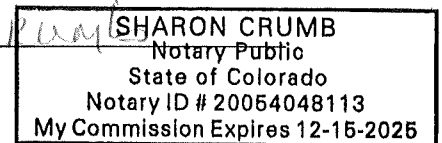
STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public



STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public

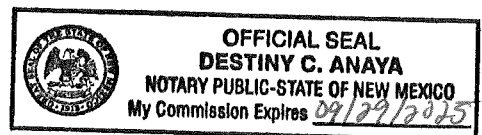
STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 09/29/2025

Destiny C. Anaya
Notary Public



**EXHIBIT "A"**

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM

Section 22 W2SW4, SE4SW4

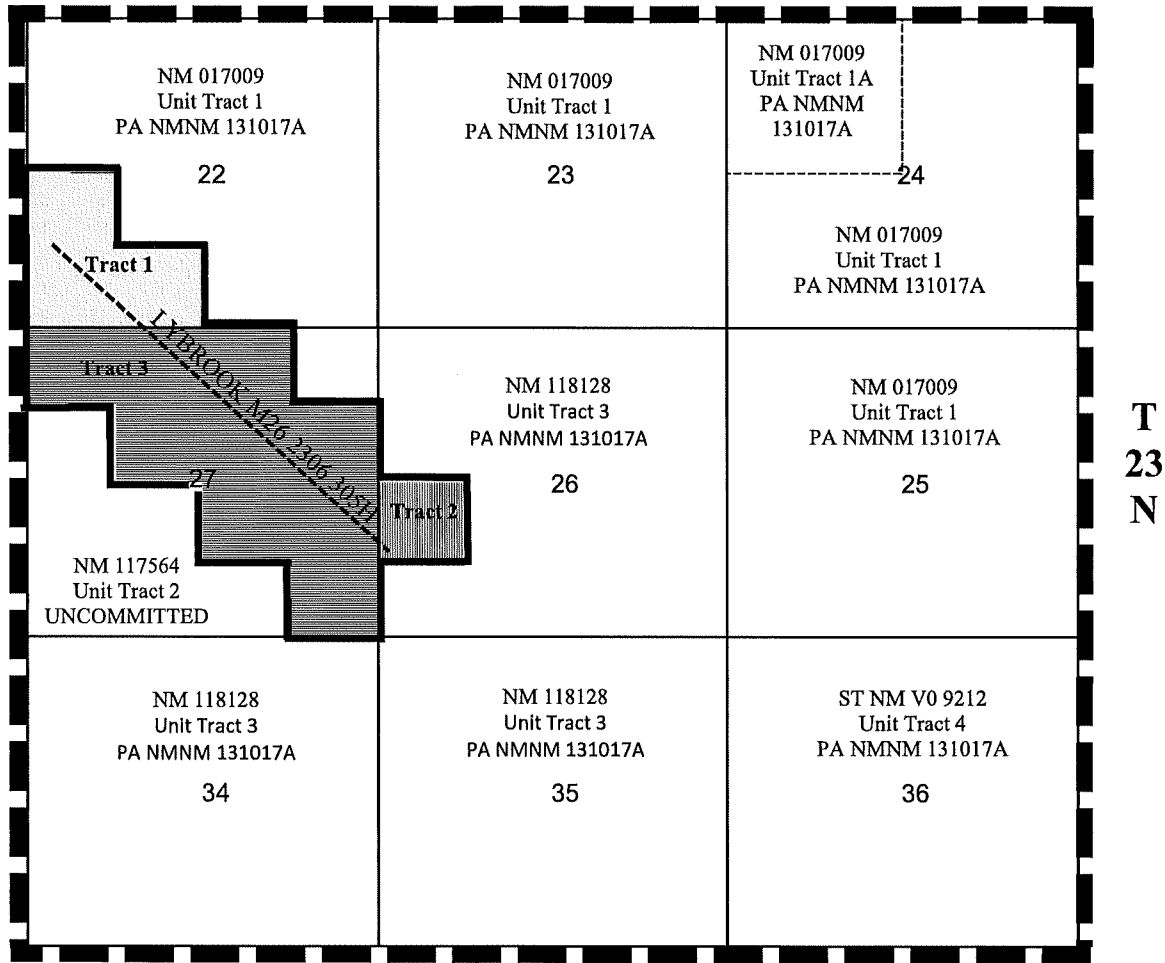
Section 26 NW4SW4

Section 27 N2NW4, SE4NW4, W2NE,4 SE4NE4, N2SE4, SE4SE4

Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC

OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC



**R 6 W**



**TRACT 1 (120.00 ACRES)**  
 NMNM 017009 (UNIT PA TRACT 1)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)



**TRACT 2 (40.00 ACRES)**  
 NMNM 118128 (UNIT PA TRACT 3)  
 GALLO CANYON UNIT  
 MANCOS PARTICIPATING  
 AREA (NMNM 131017A)



**COMMUNITIZATION AGREEMENT BOUNDARY**  
 520.00 ACRES



**TRACT 3 (360.00 ACRES)**  
 NMNM 117564 (UNIT TRACT 2)  
 UNCOMMITTED



**GALLO CANYON UNIT BOUNDARY**

EXHIBIT "B"

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM  
 Section 22 W2SW4, SE4SW4  
 Section 26 NW4SW4  
 Section 27 N2NW4, SE4NW4, W2NE4, SE4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
 OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC

DESCRIPTION OF LEASESTract No. 1

GALLO CANYON UNIT (NMNM 131017X)  
Mancos Participating Area (NMNM 131017A) Tract 1  
 Unit Operator DJR Operating, LLC

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> Section 22: W2SW4, SE4SW4 (Unit PA Tract 1)
Tract Acres:	120.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2****GALLO CANYON UNIT (NMNM 131017X)  
Mancos Participating Area (NMNM 131017A) Tract 3  
Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007

Lease Term: N/A HBP

Lessor: United States of America

Original Lessee: Land Professionals, Inc.

Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: NW4SW4 (Unit PA Tract 3)

Tract Acres: 40.00

Lease Royalty Rate: ONRR for USA – 12.5%

Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%

Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%

Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3****Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564

Lease Date: March 1, 2007

Lease Term: N/A (HBP)

Lessor: United States of America

Original Lessee: Resource Development Technology, LLC

Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27 N2NW4, SE4NW4, W2NE4,  
 SE4NE4, N2SE4, SE4SE4

Tract Acres: 360.00

Lease Royalty Rate: ONRR for USA – 12.5%

Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committee</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	120.00	23.076923%
2 (Unit PA Tract 3)	40.00	7.692308%
3 (Unit Tract 2 Uncommitted)	360.00	69.230769%
	<u>520.00</u>	<u>100.000000%</u>





# United States Department of the Interior



BUREAU OF LAND MANAGEMENT  
New Mexico State Office  
301 Dinosaur Trail  
Santa Fe, New Mexico 87508  
<https://www.blm.gov/new-mexico>

RECEIVED

MAR - 8 2023

In Reply Refer To:  
NMNM105767870  
3105.2 (NM920)

DJR Energy LLC  
1700 Lincoln St. Ste. 2800  
Denver, CO 80203  
303-595-7430

Reference:  
Communitization Agreement  
Lybrook M26 2306 307H  
Section 22: SWSE, SW;  
Section 26: NWSW, SWNW;  
Section 27: NESE, NE, NENW;  
T.23 N., R.6 W., N.M.P.M.  
Sandoval County, NM

DJR Operating LLC  
1700 Lincoln Street, Suite 2800  
Denver CO 80203

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM105767870 involving 200.00 acres of Federal land in lease NMNM017009, 80.00 acres of Federal land in lease NMNM118128, and 240.00 acres of Federal land in lease NMNM117564, Sandoval County, New Mexico, which comprise a 520.00 acre well spacing unit within Participating Area NMNM131017A, or the Gallo Canyon Unit Mancos PA.

The agreement communitizes all rights to crude oil, associated natural gas, and other liquid hydrocarbons from the Mancos formation, only through the wellbore of the Lybrook M26 2306 307H (API 300-043-21491) beneath the SWSE, SW of Sec. 22, NWSW, SWNW of Sec. 26, and NESE, NE, and NENW of Sec. 27 of T. 23 N., R. 6 W., NMPM, Sandoval County, NM, and is effective August 1, 2022. 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

INTERIOR REGION 5 · MISSOURI BASIN  
Kansas, Most of Montana, North Dakota,  
Nebraska, South Dakota

INTERIOR REGION 6 · ARKANSAS-  
RIO GRANDE-TEXAS GULF  
Oklahoma, Texas

INTERIOR REGION 7 · UPPER  
COLORADO BASIN  
Colorado, New Mexico, Utah, Wyoming

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 Jordan Yawn by email at jyawn@blm.gov or by phone (505) 954-2138. Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

KYLE  
PARADIS

Digitally signed by KYLE  
PARADIS  
Date: 2023.02.16 11:24:51  
-07'00'

Kyle Paradis  
Branch Chief of Reservoir Management  
Division of Minerals

1 Enclosure:  
1 - Communitization Agreement

cc:  
ONRR, Denver  
NM Taxation & Revenue Dept. (Revenue Processing Div.)  
NMOCD  
NM (P0220-CFO, File Room)  
NMSO (NM925, File)

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. 266(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine and certify that the plan of development and operation contemplated in the attached Communitization Agreement is necessary, advisable, and in the public interest for the purpose of more properly conserving the natural resources.
- B. Approve the attached Communitization Agreement NMNM105767870 involving Federal Lease(s) NMNM017009, NMNM118128, and NMNM117564. This Communitization Agreement is in Sec. 22, 26, and 27, T. 23 N., R. 6 W., NMPM, Sandoval County, New Mexico, for production of oil, associated natural gas, and other liquid hydrocarbons producible from the Mancos Formation.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said Communitization Agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the Communitization Agreement.

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. In addition, approval of this agreement does not warrant or certify that the State or Patented land descriptions and acreages are consistent with the latest survey for those lands.

This approval is granted subject to the condition that the requirements of Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982 be satisfied for all wells drilled anywhere within the communitized area.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a leases site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells, as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which gas is first measured through permanent metering facilities, whichever first occurs.

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for civil penalties for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3163.2(e)(2).

KYLE  
PARADIS

Digitally signed by  
KYLE PARADIS  
Date: 2023.02.16  
11:25:28 -07'00'

Kyle Paradis  
Branch Chief of Reservoir Management  
Division of Minerals

Effective: August 1, 2022  
Contract No.: NMNM105767870

RECEIVED

MAY 27 2022

BLM, NMSO  
SANTA FE

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.
- B. Approve the attached Communitization Agreement covering:
  - Township 23 North, Range 6 West, NMPM
  - Section 22 SW4SE4, SW4
  - Section 26 NW4SW4, SW4NW4
  - Section 27 NE4SE4, NE4, NE4NW4
  - Sandoval County, NM

as to oil, natural gas and associated liquid hydrocarbons producible from the Mancos Formation. This approval will become invalid **ab initio** by the Authorized Officer should then public interest requirements under Section 3105.2-3(e) not be 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.
- D. Approval of this agreement does not warrant or certify that the applicants and other working interest owners thereof hold legal or equitable title to the leases, which are committed hereto.

Approved: \_\_\_\_\_

\_\_\_\_\_  
Chief, Reservoir Management Group  
Bureau of Land Management

Effective: \_\_\_\_\_

Agreement No.: \_\_\_\_\_

FEDERAL COMMUNITIZATION AGREEMENTContract No. NMNM105767870

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 have drilled a Mancos oil well designated **Lybrook M26 2306 307H (API 30-043-21491)** ("Subject Well") located in Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico.

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 23 North, Range 6 West, NMPM  
 Section 22 SW4SE4, SW4  
 Section 26 NW4SW4, SW4NW4  
 Section 27 NE4SE4, NE4, NE4NW4  
 Sandoval County, NM

Containing 520.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land crude oil, associated natural gas and other liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation and only through the well bore of the **Subject Well**.

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. The Operator of the Communitized area shall be **DJR Operating, LLC**, 1700 Lincoln Street, Suite 2800, Denver, Colorado 80203. 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 lessees of record and 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 of the Bureau of Land Management.

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, insofar as the production from the **Subject Well** is concerned, 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, 8/8<sup>th</sup>, 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 the **Subject Well** 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (2) years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities from the **Subject Well**; 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 sixty (60) days thereafter, reworking or drilling operations on the **Subject Well** are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. 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.
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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

DJR OPERATING, LLC

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

DUGAN PRODUCTION CORP.

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_



ACKNOWLEDGEMENTS

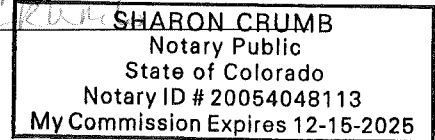
STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public



STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**DUGAN PRODUCTION CORP.**

By: John Alexander  
John Alexander, Vice President  
Date: 5.9.2022

**JMJ LAND & MINERALS, LLC**

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public

SHARON CRUMB
Notary Public
State of Colorado
Notary ID # 20064048113
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May

My Commission Expires: 11/2/24

Tyram M. Feil
Notary Public

STATE OF NEW MEXICO
NOTARY PUBLIC
TYRAM M. FEIL
COMMISSION # 1058568
MY COMMISSION EXPIRES 11/02/2024

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

**DJR OPERATING, LLC**

By: *Kurt S. Froistad* *mlb*  
Kurt S. Froistad, Land Manager  
Date: *3/11/2022*

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: *Kurt S. Froistad* *mlb*  
Kurt S. Froistad, Land Manager  
Date: *3/11/2022*

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

*Ass*  
**JMJ LAND & MINERALS, LLC** *Company*

By: *James R. J. Strickler*  
James R. J. Strickler, President  
Date: *5-9-2022*

ACKNOWLEDGEMENTS

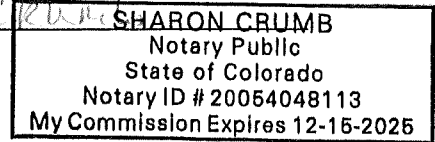
STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public



STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 09/29/2025

Destiny C. Anaya
Notary Public

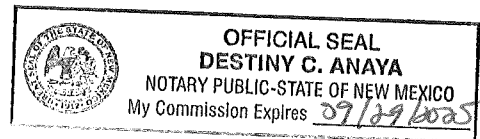
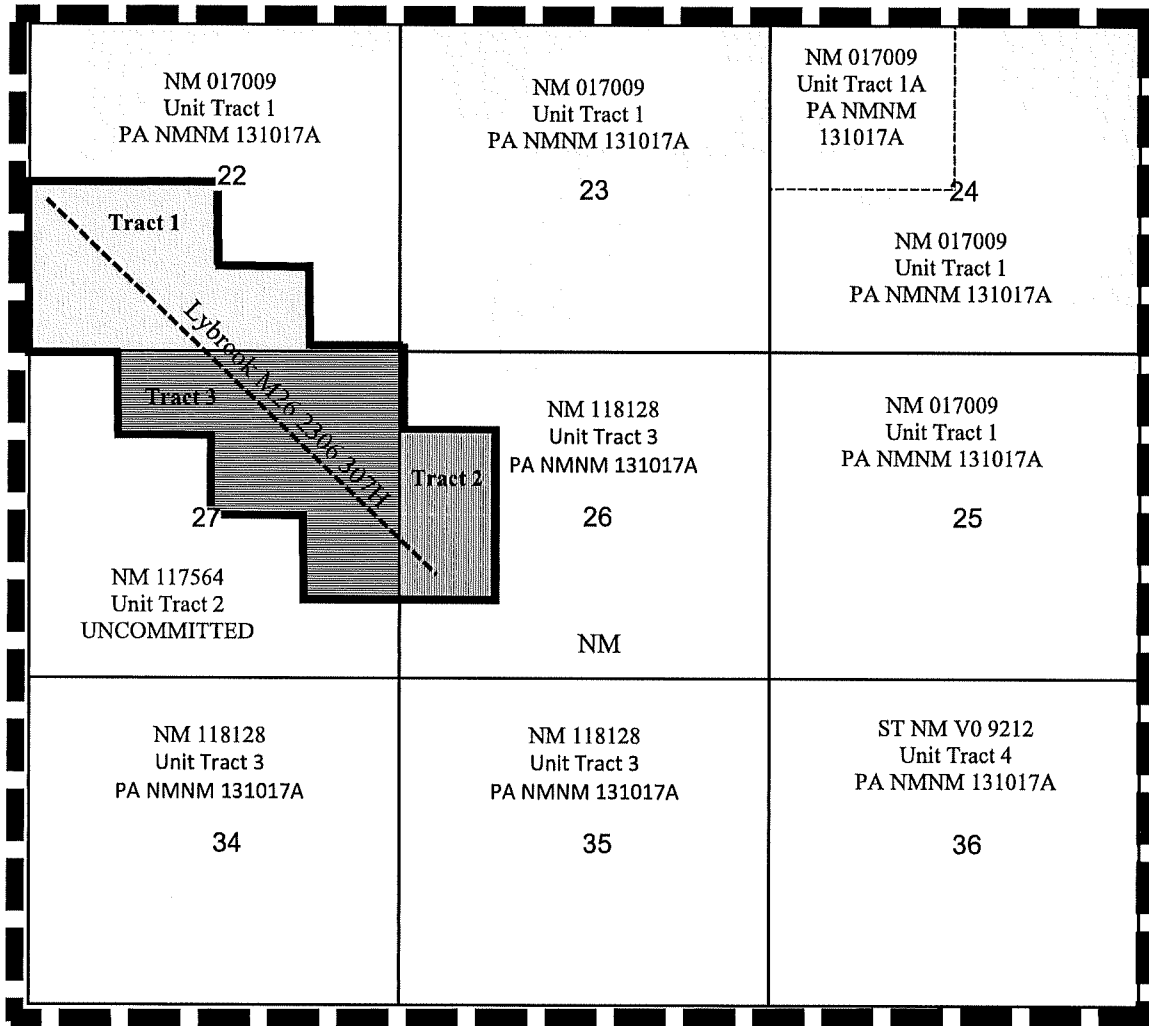


EXHIBIT "A"

Communitization Agreement  
Township 23 North, Range 6 West, NMPM  
Section 22 SW4SE4, SW4  
Section 26 NW4SW4, SW4NW4  
Section 27 NE4SE4, NE4, NE4NW4  
Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC



R 6 W



TRACT 1 (200.00 ACRES)  
NMNM 017009 (UNIT PA TRACT 1)  
GALLO CANYON UNIT  
MANCOS PARTICIPATING  
AREA (NMNM 131017A)



TRACT 2 (80.00 ACRES)  
NMNM 118128 (UNIT PA TRACT 3)  
GALLO CANYON UNIT  
MANCOS PARTICIPATING  
AREA (NMNM 131017A)



COMMUNITIZATION AGREEMENT BOUNDARY  
520.00 ACRES



TRACT (240.00 ACRES)  
NMNM 117564 (UNIT TRACT 2)  
UNCOMMITTED



GALLO CANYON UNIT BOUNDARY

EXHIBIT "B"

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM  
 Section 22 SW4SE4, SW4  
 Section 26 NW4SW4, SW4NW4  
 Section 27 NE4NW4, NE4, NE4SE4  
 Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
 OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC

DESCRIPTION OF LEASESTract No. 1

GALLO CANYON UNIT (NMNM 131017X)  
Mancos Participating Area (NMNM 131017A) Tract 1  
 Unit Operator DJR Operating, LLC

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> Section 22: SW4SE4, SW4 (Unit PA Tract 1)
Tract Acres:	200.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2****GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007  
 Lease Term: N/A HBP  
 Lessor: United States of America  
 Original Lessee: Land Professionals, Inc.  
 Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: NW4SW4, SW4NW4 (Unit PA Tract 3)

Tract Acres: 80.00  
 Lease Royalty Rate: ONRR for USA – 12.5%  
 Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%  
 Lease Working Interest Owners: DJR Nominee Corporation – 100.00000%  
 Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3****Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564  
 Lease Date: March 1, 2007  
 Lease Term: N/A (HBP)  
 Lessor: United States of America  
 Original Lessee: Resource Development Technology, LLC  
 Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27: NE4NW4, NE4, NE4SE4

Tract Acres: 240.00  
 Lease Royalty Rate: ONRR for USA – 12.5%  
 Lease Working Interest Owner(s): DJR Nominee Corporation – 100.0000000%



RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	200.00	38.461539%
2 (Unit PA Tract 3)	80.00	15.384615%
3 (Unit Tract 2 Uncommitted)	240.00	46.153846%
	<u>520.00</u>	<u>100.000000%</u>

**From:** [Paula M. Vance](#)  
**To:** [McClure, Dean, EMNRD](#)  
**Subject:** [EXTERNAL] RE: Action ID: 179366; CTB-1081  
**Date:** Monday, March 20, 2023 8:31:35 PM  
**Attachments:** [M26A Commingling Allocation Example.pdf](#)

**CAUTION:** This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

Dean,

I believe the following should answer your question but let me know if you have any other inquiries regarding this application:

**Once the wells are completed, the BTU content will be adjusted based on each well’s gas analysis. Exhibit E shown in DJR’s BLM commingling application (attached, which was included as part of DJR’s NMOCD application) did use the same BTU, but since the wells to be commingled have not been completed yet and there is no gas analysis available, for illustrative purposes the same BTU was shown for each well. This will change once gas analysis is obtained following completion and a specific BTU can be identified on a well-by-well basis.**

Again, let me know if you have any further follow-up! Thanks!

Kind Regards,

**Paula Vance**

**Associate, Holland & Hart LLP**

[pmvance@hollandhart.com](mailto:pmvance@hollandhart.com) | **T:** (505) 954-7286 | **M:** (337) 280-9055

CONFIDENTIALITY NOTICE: This message is confidential and may be privileged. If you believe that this email has been sent to you in error, please reply to the sender that you received the message in error; then please delete this email.

---

**From:** McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>  
**Sent:** Friday, March 10, 2023 11:57 AM  
**To:** Paula M. Vance <PMVance@hollandhart.com>  
**Subject:** Action ID: 179366; CTB-1081

To whom it may concern (c/o Paula Vance for DJR Operating, LLC),

The Division is reviewing the following application:

<b>Action ID</b>	179366
<b>Admin No.</b>	CTB-1081
<b>Applicant</b>	DJR Operating, LLC (371838)
<b>Title</b>	M26A 2306 Production Facility (Gas)
<b>Sub. Date</b>	1/25/2023

Please provide the following additional supplemental documents:

- 

Please provide additional information regarding the following:

- Is the gas recovered via the VRUs allocated with the assumption that the gas from all wells have equal BTU values? If so, how accurate is this assumption?

Additional notes:

- 

All additional supplemental documents and information may be provided via email and should be done by replying to this email. The produced email chain will be uploaded to the file for this application.

Please note that failure to take steps to address each of the requests made in this email within 10 business days of receipt of this email may result in the Division rejecting the application requiring the submittal of a new application by the applicant once it is prepared to address each of the topics raised.

Dean McClure  
Petroleum Engineer, Oil Conservation Division  
New Mexico Energy, Minerals and Natural Resources Department  
(505) 469-8211

**From:** [Paula M. Vance](#)  
**To:** [McClure, Dean, EMNRD](#)  
**Cc:** [Adam Rankin](#)  
**Subject:** [EXTERNAL] DJR's Gallo Caynon Unit wells and Lyrbook M26 2306 Com wells Commingling Updated CAs - Action Item: 179366  
**Date:** Monday, January 30, 2023 11:10:19 AM  
**Attachments:** [image001.png](#)  
[NMNM105767919.pdf](#)  
[NMNM105767920.pdf](#)  
[NMNM105767870.pdf](#)

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

Dean,

Please find attached the updated CA's for DJR's above-referenced commingling application (Action Item: 179366). These are in the process of being formally approved by BLM.

Let me know if you need anything else on regarding this application.

Kind Regards,



**Holland  
& Hart**

**Paula Vance**  
Associate

**HOLLAND & HART LLP**

110 North Guadalupe Street, Suite 1, Santa Fe, NM 87501

[pmvance@hollandhart.com](mailto:pmvance@hollandhart.com) | T: (505) 954-7286 | M: (337) 280-9055

CONFIDENTIALITY NOTICE: This message is confidential and may be privileged. If you believe that this email has been sent to you in error, please reply to the sender that you received the message in error; then please delete this email.



RECEIVED

May 26, 2022

MAY 27 2022

NMNM 105767870

BLM, NMSO  
SANTA FE

Bureau of Land Management  
Attention: Lisa Rivera  
301 Dinosaur Trail  
Santa Fe, NM 87508

Re: Communitization Agreement  
Lybrook M26 2306 307H  
San Juan County, NM

Ladies & Gentlemen,

Enclosed please find, in triplicate, a Federal Communitization Agreement covering the 520 acre horizontal spacing unit for DJR's Lybrook M26 2306 307H well (f/k/a Gallo Canyon Unit 307H) (API 30-043-21491).

The subject Horizontal Spacing Unit comprises of one 280-acre tract, being a portion of the Gallo Canyon Unit Mancos Participating Area NMNM 131017A, and the second 240-acre tract from one Federal Lease NMNM 0117564 which is non-committed tract within the boundary of said unit.

I trust you will find all of the enclosed in order, however, if you have any questions or concerns, please do not hesitate to contact Mona Binion (303) 407-7399 or [mbinion@djrlc.com](mailto:mbinion@djrlc.com).

Regards,

**DJR Nominee Corporation**  
a subsidiary of DJR Energy, Inc.

Mona L. Binion, CPL  
Senior Land Consultant

**1700 Lincoln Street, Suite 2800, Denver, CO 80203**

[www.djrlc.com](http://www.djrlc.com)  
tel (303) 595-7430

FEDERAL COMMUNITIZATION AGREEMENT

Contract No. NMNM105767P70

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 have drilled a Mancos oil well designated **Lybrook M26 2306 307H (API 30-043-21491)** ("Subject Well") located in Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico.

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 23 North, Range 6 West, NMPM  
 Section 22 SW4SE4, SW4  
 Section 26 NW4SW4, SW4NW4  
 Section 27 NE4SE4, NE4, NE4NW4  
 Sandoval County, NM

Containing 520.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land crude oil, associated natural gas and other liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation and only through the well bore of the **Subject Well**.

- 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. The Operator of the Communitized area shall be **DJR Operating, LLC**, 1700 Lincoln Street, Suite 2800, Denver, Colorado 80203. 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 lessees of record and 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 of the Bureau of Land Management.

- 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, insofar as the production from the **Subject Well** is concerned, 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, 8/8<sup>th</sup>, 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 the **Subject Well** 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (2) years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities from the **Subject Well**; 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 sixty (60) days thereafter, reworking or drilling operations on the **Subject Well** are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. 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.
- 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 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 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 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 above written and have set opposite their respective names the date of execution.



**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

DJR OPERATING, LLC

By: Kurt S. Froistad *MLW*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad *MLW*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

DUGAN PRODUCTION CORP.

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

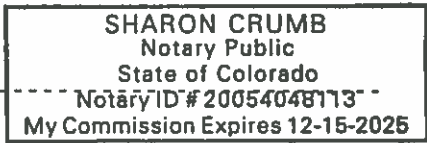
ACKNOWLEDGEMENTS

STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025 Sharon Crumb
Notary Public



STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_ Notary Public

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_ Notary Public

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

DJR OPERATING, LLC

By: Kurt S. Froistad *mub*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad *mub*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

DUGAN PRODUCTION CORP.

By: John Alexander  
John Alexander, Vice President  
Date: 5-9-2022

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12.15.2025

Sharon Crumb
Notary Public

SHARON CRUMB
Notary Public
State of Colorado
Notary ID # 20054048113
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 11/2/24

Myra M. Feil
Notary Public

STATE OF NEW MEXICO
NOTARY PUBLIC
MYRA M. FEIL
COMMISSION # 1058568
MY COMMISSION EXPIRES 11/02/2024

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

Notary Public

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

*AND COMPANY INC*  
**JMJ LAND & MINERALS, LLC**  
By: James R. J. Strickler  
James R. J. Strickler, President  
Date: 5-9-2022

ACKNOWLEDGEMENTS

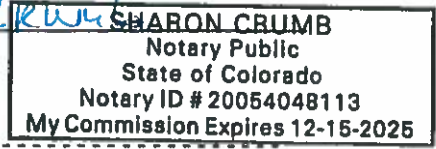
STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

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GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public



STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

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GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 09/29/2025

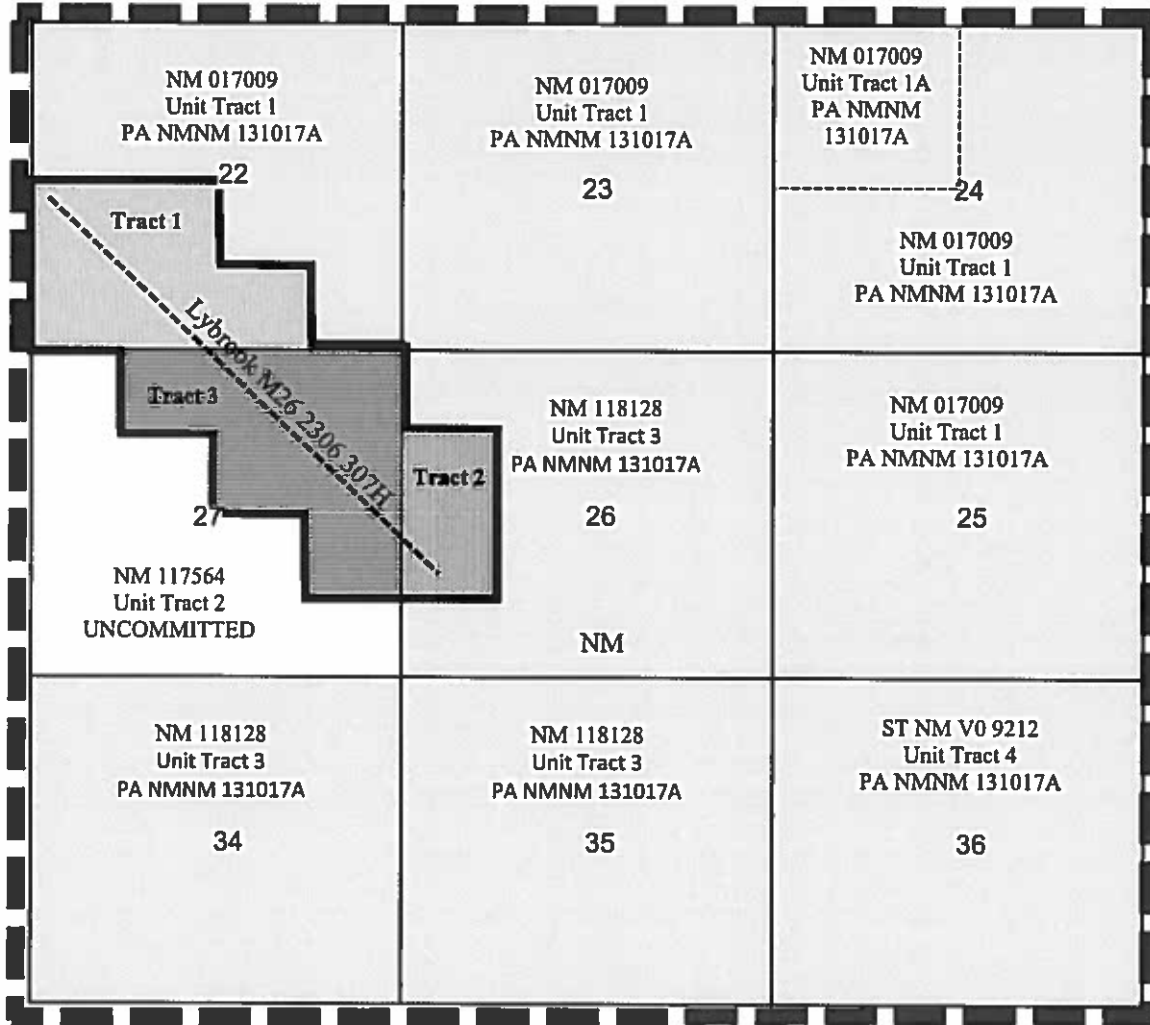
Destiny C. Anaya  
Notary Public



**EXHIBIT "A"**

**Communitization Agreement**  
**Township 23 North, Range 6 West, NMPM**  
**Section 22 SW4SE4, SW4**  
**Section 26 NW4SW4, SW4NW4**  
**Section 27 NE4SE4, NE4, NE4NW4**  
**Sandoval County, NM**

**OPERATOR of Communitized Area: DJR OPERATING, LLC**  
**OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC**



**T  
23  
N**

**R 6 W**



**TRACT 1 (200.00 ACRES)**  
**NMNM 017009 (UNIT PA TRACT 1)**  
**GALLO CANYON UNIT**  
**MANCOS PARTICIPATING**  
**AREA (NMNM 131017A)**



**TRACT 2 (80.00 ACRES)**  
**NMNM 118128 (UNIT PA TRACT 3)**  
**GALLO CANYON UNIT**  
**MANCOS PARTICIPATING**  
**AREA (NMNM 131017A)**



**COMMUNITIZATION AGREEMENT BOUNDARY**  
**520.00 ACRES**



**TRACT (240.00 ACRES)**  
**NMNM 117564 (UNIT TRACT 2)**  
**UNCOMMITTED**



**GALLO CANYON UNIT BOUNDARY**

**EXHIBIT "B"**

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM  
Section 22 SW4SE4, SW4  
Section 26 NW4SW4, SW4NW4  
Section 27 NE4NW4, NE4, NE4SE4  
Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC

**DESCRIPTION OF LEASES**

**Tract No. 1**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 1**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> <u>Section 22: SW4SE4, SW4 (Unit PA Tract 1)</u>
Tract Acres:	200.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%



**Tract No. 2**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007

Lease Term: N/A HBP

Lessor: United States of America

Original Lessee: Land Professionals, Inc.

Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: NW4SW4, SW4NW4 (Unit PA Tract 3)

Tract Acres: 80.00

Lease Royalty Rate: ONRR for USA – 12.5%

Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%

Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%

Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3**

**Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564

Lease Date: March 1, 2007

Lease Term: N/A (HBP)

Lessor: United States of America

Original Lessee: Resource Development Technology, LLC

Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27: NE4NW4, NE4, NE4SE4

Tract Acres: 240.00

Lease Royalty Rate: ONRR for USA – 12.5%

Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	200.00	38.461539%
2 (Unit PA Tract 3)	80.00	15.384615%
3 (Unit Tract 2 Uncommitted)	240.00	46.153846%
	<u>520.00</u>	<u>100.000000%</u>



RECEIVED

May 26, 2022

MAY 27 2022

NMNM 105767919

BLM, NMSO  
SANTA FE

Bureau of Land Management  
Attention: Lisa Rivera  
301 Dinosaur Trail  
Santa Fe, NM 87508

Re: Communitization Agreement  
Lybrook M26 2306 303H  
San Juan County, NM

Ladies & Gentlemen,

Enclosed please find, in triplicate, a Federal Communitization Agreement covering the 360 acre horizontal spacing unit for DJR's Lybrook M26 2306 303H well (f/k/a Gallo Canyon Unit 303H) (API 30-043-21489).

The subject Horizontal Spacing Unit comprises of one 80-acre tract, being a portion of the Gallo Canyon Unit Mancos Participating Area NMNM 131017A, and the second 280-acre tract from one Federal Lease NMNM 0117564 which is non-committed tract within the boundary of said unit.

I trust you will find all of the enclosed in order, however, if you have any questions or concerns, please do not hesitate to contact Mona Binion (303) 407-7399 or [mbinion@djrlc.com](mailto:mbinion@djrlc.com).

Regards,

**DJR Nominee Corporation**  
a subsidiary of DJR Energy, Inc.

Mona L. Binion, CPL  
Senior Land Consultant

1700 Lincoln Street, Suite 2800, Denver, CO 80203

[www.djrlc.com](http://www.djrlc.com)  
tel (303) 595-7430

**FEDERAL COMMUNITIZATION AGREEMENT**

Contract No. NMNM105767919

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 have drilled a Mancos oil well designated **Lybrook M26 2306 303H (API 30-043-21489)** ("Subject Well") located in Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico.

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 23 North, Range 6 West, N.M.P.M.  
 Section 22 SW4SW4  
 Section 26 SW4SW4  
 Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

Containing 360.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land and crude oil, associated natural gas and other liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation and only through the well bore of the **Subject Well**.

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. The Operator of the Communitized area shall be **DJR Operating, LLC**, 1700 Lincoln Street, Suite 2800, Denver, Colorado 80203. 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 lessees of record and 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 of the Bureau of Land Management.

- 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, insofar as the production from the **Subject Well** is concerned, with the understanding and agreement between the parties hereto that all communitized substances produced from the **Subject Well** 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, 8/8<sup>th</sup>, 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 the **Subject Well** 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (2) years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities from the **Subject Well**; 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 sixty (60) days thereafter, reworking or drilling operations on the **Subject Well** are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. 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.
- 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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

DJR OPERATING, LLC

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

DUGAN PRODUCTION CORP.

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

**BEFORE ME**, the undersigned authority, on this day personally appeared **Kurt S. Froistad**, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for **DJR OPERATING, LLC**, a Delaware limited liability company, and **DJR NOMINEE CORPORATION**, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11<sup>th</sup> day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public

SHARON CRUMB  
Notary Public  
State of Colorado  
Notary ID #20054048113-  
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **John Alexander**, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for **DUGAN PRODUCTION CORP.**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **James R. J. Strickler**, known to me to be the person whose name is subscribed to the foregoing instrument, as President for **JMJ LAND AND MINERALS COMPANY**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

DJR OPERATING, LLC

By: Kurt S. Froistad mlb  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad mlb  
Kurt S. Froistad, Land Manager  
Date: \_\_\_\_\_

DUGAN PRODUCTION CORP.

By: John Alexander  
John Alexander, Vice President  
Date: 5.9.2022

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )
) ss
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb
Notary Public

SHARON CRUMB
Notary Public
State of Colorado
Notary ID # 20054048113
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 11/2/24

Tyra M. Feil
Notary Public

STATE OF NEW MEXICO
NOTARY PUBLIC
TYRA M. FEIL
COMMISSION # 1058568
MY COMMISSION EXPIRES 11/02/2024

STATE OF NEW MEXICO )
) s.s.
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_ day of \_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**Operator of the Communitized Area**  
**Gallo Canyon Unit Operator**

**DJR OPERATING, LLC**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager  
Date: \_\_\_\_\_

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

*AND COMPANY*  
**JMJ LAND & MINERALS, LLC**  
By: James R. J. Strickler  
James R. J. Strickler, President  
Date: 5-9-2022

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

**BEFORE ME**, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public

SHARON CRUMB  
Notary Public  
State of Colorado  
Notary ID # 20054048113  
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 09/29/2025

Destiny C. Anaya  
Notary Public

OFFICIAL SEAL  
DESTINY C. ANAYA  
NOTARY PUBLIC-STATE OF NEW MEXICO  
My Commission Expires 09/29/2025

**EXHIBIT "A"**

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM

Section 22 SW4SW4

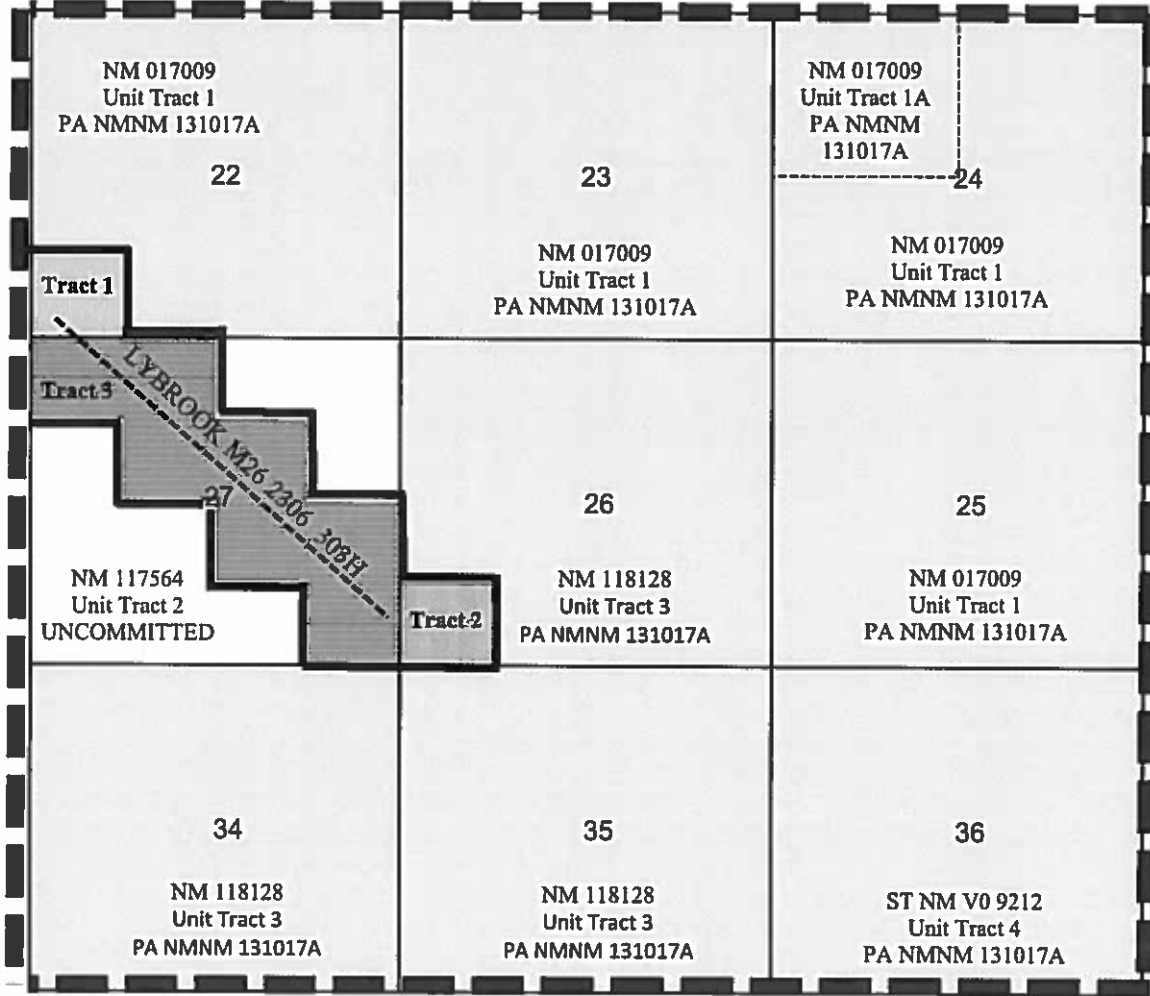
Section 26 SW4SW4

Section 27 N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC

OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC



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23  
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R 6 W



TRACT 1 (40.00 ACRES)  
NMNM 017009 (UNIT PA TRACT 1)  
GALLO CANYON UNIT  
MANCOS PARTICIPATING  
AREA (NMNM 131017A)



TRACT 2 (40.00 ACRES)  
NMNM 118128 (UNIT PA TRACT 3)  
GALLO CANYON UNIT  
MANCOS PARTICIPATING  
AREA (NMNM 131017A)



GALLO CANYON UNIT BOUNDARY



TRACT 3 (280.00 ACRES)  
NMNM 117564 (UNIT TRACT 2)  
UNCOMMITTED



COMMUNITIZATION AGREEMENT BOUNDARY  
360.00 ACRES

**EXHIBIT "B"**

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM

Section 22: SW4SW4

Section 26: SW4SW4

Section 27: N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC

OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC\

**DESCRIPTION OF LEASES**

**Tract No. 1**

**GALLO CANYON UNIT (NMNM 131017X)**

**Mancos Participating Area (NMNM 131017A) Tract 1**

**Unit Operator DJR Operating, LLC**

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> <u>Section 22: SW4SW4 (Unit PA Tract 1)</u>
Tract Acres:	40.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007

Lease Term: N/A HBP

Lessor: United States of America

Original Lessee: Land Professionals, Inc.

Record Lessee: DJR Nominee Corporation

Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: SW4SW4 (Unit PA Tract 3)

Tract Acres: 40.00

Lease Royalty Rate: ONRR for USA – 12.5%

Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%

Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%

Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3**

**Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564

Lease Date: March 1, 2007

Lease Term: N/A (HBP)

Lessor: United States of America

Original Lessee: Resource Development Technology, LLC

Record Lessee: JMJ Land and Minerals Company

Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27: N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4

Tract Acres: 280.00

Lease Royalty Rate: 12.50%

Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	40.00	11.111111%
2 (Unit PA Tract 3)	40.00	11.111111%
3 (Unit Tract 2 Uncommitted)	280.00	77.777778%
	<u>360.00</u>	<u>100.000000%</u>





May 26, 2022

RECEIVED

MAY 27 2022

NMNM 105707920

BLM, NMSO  
SANTA FE

Bureau of Land Management  
Attention: Lisa Rivera  
301 Dinosaur Trail  
Santa Fe, NM 87508

Re: Communitization Agreement  
Lybrook M26 2306 305H  
San Juan County, NM

Ladies & Gentlemen,

Enclosed please find, in triplicate, a Federal Communitization Agreement covering the 520 acre horizontal spacing unit for DJR's Lybrook M26 2306 305H well (f/k/a Gallo Canyon Unit 305H) (API 30-043-21490).

The subject Horizontal Spacing Unit comprises of one 160-acre tract, being a portion of the Gallo Canyon Unit Mancos Participating Area NMNM 131017A, and the second 360-acre tract from one Federal Lease NMNM 0117564 which is non-committed tract within the boundary of said unit.

I trust you will find all of the enclosed in order, however, if you have any questions or concerns, please do not hesitate to contact Mona Binion (303) 407-7399 or [mbinion@djrlc.com](mailto:mbinion@djrlc.com).

Regards,

**DJR Nominee Corporation**  
a subsidiary of DJR Energy, Inc.

Mona L. Binion, CPL  
Senior Land Consultant

FEDERAL COMMUNITIZATION AGREEMENT

Contract No. NMMMI05767920

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof, is 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 have drilled a Mancos oil well designated **Lybrook M26 2306 305H (API 30-043-21490)** ("Subject Well") located in Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico.

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 23 North, Range 6 West, NMPM  
 Section 22 W2SW4, SE4SW4  
 Section 26 NW4SW4  
 Section 27 N2NW4, SE4NW4, W2NE4, SE4NE4, N2SE4, SE4SE4  
 Sandoval County, NM

Containing 520.00 acres, more or less, and this Agreement shall include only the Mancos formation, underlying said land and the crude oil, associated natural gas and other liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation and only through the well bore of the Subject Well.

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. The Operator of the Communitized area shall be **DJR Operating, LLC**, 1700 Lincoln Street, Suite 2800, Denver, Colorado 80203. 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 lessees of record and 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 of the Bureau of Land Management.

- 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, insofar as the production from the **Subject Well** is concerned, with the understanding and agreement between the parties hereto that all communitized substances produced from the **Subject Well** 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, 8/8<sup>th</sup>, 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 the **Subject Well** 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 date of this Agreement is August 1, 2022, and it shall become effective as of this date 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 as to the Mancos formation for a period of two (2) years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities from the **Subject Well**; 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 sixty (60) days thereafter, reworking or drilling operations on the **Subject Well** are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. 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.
- 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 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 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 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 above written and have set opposite their respective names the date of execution.

**Operator of the Communitized Area**  
**Unit Operator Gallo Canyon Unit**

DJR OPERATING, LLC

By: Kurt Froistad *meb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt Froistad *meb*  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

DUGAN PRODUCTION CORP.

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President  
Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

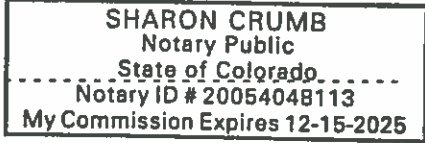
STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

**BEFORE ME**, the undersigned authority, on this day personally appeared **Kurt S. Froistad**, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for **DJR OPERATING, LLC**, a Delaware limited liability company, and **DJR NOMINEE CORPORATION**, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11<sup>th</sup> day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public



STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **John Alexander**, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for **DUGAN PRODUCTION CORP.**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared **James R. J. Strickler**, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for **JMJ LAND AND MINERALS COMPANY**, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**Operator of the Communitized Area**  
**Unit Operator Gallo Canyon Unit**

DJR OPERATING, LLC

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager

Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

DJR NOMINEE CORPORATION

By: Kurt S. Froistad *mlb*  
Kurt S. Froistad, Land Manager

Date: 3/11/2022

DUGAN PRODUCTION CORP.

By: John Alexander  
John Alexander, Vice President

Date: 5.9.2022

JMJ LAND & MINERALS, LLC

By: \_\_\_\_\_  
James R. J. Strickler, President

Date: \_\_\_\_\_

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

BEFORE ME, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public

SHARON CRUMB  
Notary Public  
State of Colorado  
Notary ID # 20054048113  
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared John Alexander, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for DUGAN PRODUCTION CORP., a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of May, 2022.

My Commission Expires: 11/2/24

Tyram Feil  
Notary Public

STATE OF NEW MEXICO  
NOTARY PUBLIC  
TYRAM FEIL  
COMMISSION # 1058568  
MY COMMISSION EXPIRES 11/02/2024

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

BEFORE ME, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



**Operator of the Communitized Area  
Unit Operator Gallo Canyon Unit**

**DJR OPERATING, LLC**

By: Kurt S. Froistad mlb  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**Lessees of Record & Working Interest Owners**

**DJR NOMINEE CORPORATION**

By: Kurt S. Froistad mlb  
Kurt S. Froistad, Land Manager  
Date: 3/11/2022

**DUGAN PRODUCTION CORP.**

By: \_\_\_\_\_  
John Alexander, Vice President  
Date: \_\_\_\_\_

<sup>AND</sup>  
**JMJ LAND & MINERALS, LLC** Company of JAL  
By: James R. J. Strickler  
James R. J. Strickler, President  
Date: 5-9-2022

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
 ) ss  
COUNTY OF DENVER )

**BEFORE ME**, the undersigned authority, on this day personally appeared Kurt S. Froistad, known to me to be the person whose name is subscribed to the foregoing instrument, as Land Manager for DJR OPERATING, LLC, a Delaware limited liability company, and DJR NOMINEE CORPORATION, a Delaware corporation and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation and limited liability companies.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11<sup>th</sup> day of March, 2022.

My Commission Expires: 12-15-2025

Sharon Crumb  
Notary Public  
**SHARON CRUMB**  
Notary Public  
State of Colorado  
Notary ID # 20054048113  
My Commission Expires 12-15-2025

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

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GIVEN UNDER MY HAND AND SEAL OF OFFICE this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

My Commission Expires: \_\_\_\_\_  
Notary Public

STATE OF NEW MEXICO )  
 ) s.s.  
COUNTY OF SAN JUAN )

**BEFORE ME**, the undersigned authority, on this day personally appeared James R. J. Strickler, known to me to be the person whose name is subscribed to the foregoing instrument, as Vice President for JMJ LAND AND MINERALS COMPANY, a New Mexico corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9<sup>th</sup> day of May, 2022.

My Commission Expires: 09/29/2025

Destiny C. Anaya  
Notary Public

**OFFICIAL SEAL**  
**DESTINY C. ANAYA**  
NOTARY PUBLIC-STATE OF NEW MEXICO  
My Commission Expires 09/29/2025

**EXHIBIT "A"**

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM

Section 22 W2SW4, SE4SW4

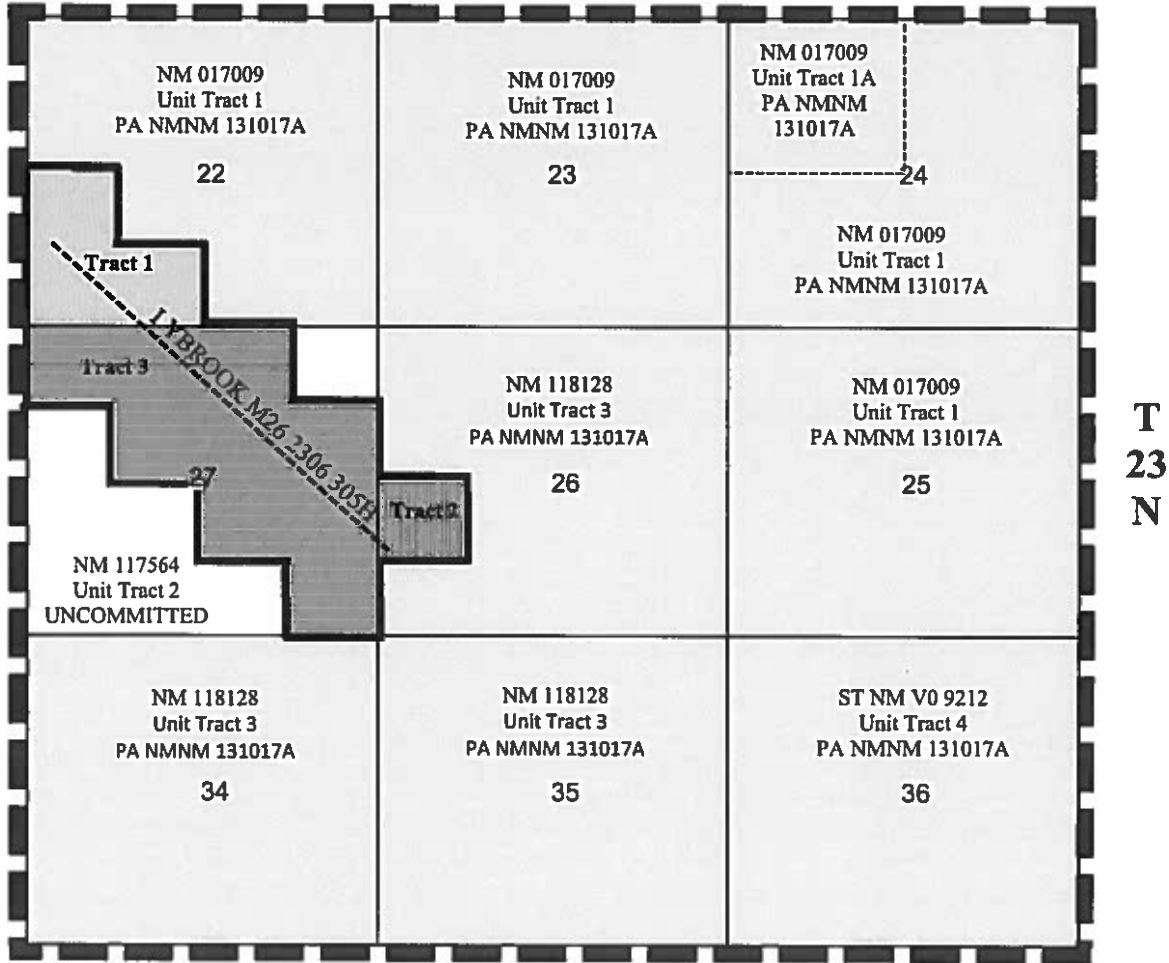
Section 26 NW4SW4

Section 27 N2NW4, SE4NW4, W2NE,4 SE4NE4, N2SE4, SE4SE4

Sandoval County, NM

OPERATOR of Communitized Area: **DJR OPERATING, LLC**

OPERATOR of Gallo Canyon Unit: **DJR OPERATING, LLC**



**R 6 W**



**TRACT 1 (120.00 ACRES)**  
NMNM 017009 (UNIT PA TRACT 1)  
GALLO CANYON UNIT  
MANCOS PARTICIPATING  
AREA (NMNM 131017A)



**TRACT 2 (40.00 ACRES)**  
NMNM 118128 (UNIT PA TRACT 3)  
GALLO CANYON UNIT  
MANCOS PARTICIPATING  
AREA (NMNM 131017A)



**COMMUNITIZATION AGREEMENT BOUNDARY**  
520.00 ACRES



**TRACT 3 (360.00 ACRES)**  
NMNM 117564 (UNIT TRACT 2)  
UNCOMMITTED



**GALLO CANYON UNIT BOUNDARY**

**EXHIBIT "B"**

Attached to Communitization Agreement dated August 1, 2022 and covering

Township 23 North, Range 6 West, NMPM  
Section 22 W2SW4, SE4SW4  
Section 26 NW4SW4  
Section 27 N2NW4, SE4NW4, W2NE4, SE4NE4, N2SE4, SE4SE4  
Sandoval County, NM

OPERATOR of Communitized Area: DJR OPERATING, LLC  
OPERATOR of Gallo Canyon Unit: DJR OPERATING, LLC

**DESCRIPTION OF LEASES**

**Tract No. 1**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 1**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.:	NMNM 017009
Participating Area Serial No.	NMNM 131017A (Gallo Canyon Unit Mancos PA) Unit Participating Area Tract 1
Lease Date:	May 1, 1973
Lease Term:	N/A HBP
Lessor:	United States of America
Original Lessee:	Marshall R. Perkins
Record Lessee:	Dugan Production Corp.
Tract Description of Land:	<u>Insofar and only insofar as participating area covers:</u> <u>Township 23 North, Range 6 West, N.M.P.M.</u> Section 22: W2SW4, SE4SW4 (Unit PA Tract 1)
Tract Acres:	120.00
Lease Royalty Rate:	ONRR for USA 12.5%
Participating Area Royalty Rate:	ONRR for USA – 10.937500% State of New Mexico – 2.083333%
Lease Working Interest Owners:	DJR Nominee Corporation – 50.0000% Dugan Production Corp. - 50.0000%
Participating Area Working Interest Owners:	<u>Executed by Unit Operator in behalf of</u> <u>Committed Working Interest Owners</u> DJR Nominee Corporation – 64.0625% DJR Assets, LLC - 6.2500% Dugan Production Corp. - 29.6875%

**Tract No. 2**

**GALLO CANYON UNIT (NMNM 131017X)**  
**Mancos Participating Area (NMNM 131017A) Tract 3**  
**Unit Operator DJR Operating, LLC**

Lease Serial No.: NMNM 118128  
 Participating Area Serial No. NMNM 131017A (Gallo Canyon Unit Mancos PA)  
 Unit Participating Area Tract 3

Lease Date: June 1, 2007  
 Lease Term: N/A HBP  
 Lessor: United States of America  
 Original Lessee: Land Professionals, Inc.  
 Record Lessee: DJR Nominee Corporation  
 Tract Description of Land: Insofar and only insofar as participating area covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 26: NW4SW4 (Unit PA Tract 3)

Tract Acres: 40.00  
 Lease Royalty Rate: ONRR for USA – 12.5%  
 Participating Area Royalty Rate: ONRR for USA – 10.937500%  
 State of New Mexico – 2.083333%  
 Lease Working Interest Owners: DJR Nominee Corporation – 100.0000%  
 Participating Area Working Interest Owners: Executed by Unit Operator in behalf of  
Committed Working Interest Owners  
 DJR Nominee Corporation – 64.0625%  
 DJR Assets, LLC - 6.2500%  
 Dugan Production Corp. - 29.6875%

**Tract No. 3**

**Unit Tract 2 Uncommitted**

Lease Serial No.: NMNM 117564  
 Lease Date: March 1, 2007  
 Lease Term: N/A (HBP)  
 Lessor: United States of America  
 Original Lessee: Resource Development Technology, LLC  
 Record Lessee: JMJ Land and Minerals Company  
 Tract Description of Land: Insofar and only insofar as said lease covers:  
Township 23 North, Range 6 West, N.M.P.M.  
 Section 27 N2NW4, SE4NW4, W2NE4,  
 SE4NE4, N2SE4, SE4SE4

Tract Acres: 360.00  
 Lease Royalty Rate: ONRR for USA – 12.5%  
 Lease Working Interest Owner(s): DJR Nominee Corporation – 100.000000%

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committee</u>	<u>Percent of Interest in Communitized Area</u>
1 (Unit PA Tract 1)	120.00	23.076923%
2 (Unit PA Tract 3)	40.00	7.692308%
3 (Unit Tract 2 Uncommitted)	360.00	69.230769%
	<u>520.00</u>	<u>100.000000%</u>

# AFFIDAVIT OF PUBLICATION

## STATE OF NEW MEXICO

County of Bernalillo      SS

LEGALNOTICEPUBLIC  
ATIONTOALLAFFECT  
EDPARTIESINCLUDIN  
GDJRNOMINEECORP  
ORATIONDJRASSETS  
LLCDUGANPRODUCTI  
ONCORPTOMDUGAN  
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SHI

David Montoya, the undersigned, authorized Representative of the Albuquerque Journal, on oath states that this newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Session Laws of 1937, that payment therefore has been made of assessed as court cost; and that the notice, copy of which is hereto attached, was published in said paper in the regular daily edition, for 1 time(s) on the following date(s):

01/26/2023

David Montoya

Sworn and subscribed before me, a Notary Public, in and for the County of Bernalillo and State of New Mexico this

6 day of February of 2023

PRICE \$341.91

Statement to come at the end of month.

ACCOUNT NUMBER 1071602

CHRISTINA MARIE WHITE  
Notary Public - State of New Mexico  
Commission # 1122050  
My Comm. Expires Jul 26, 2026

Christina

Legal Notice (Publication)

To: All affected parties, including: DJR Nominee Corporation DJR Assets LLC; Dugan Production Corp.; Tom Dugan Family LTD Partnership; JMJ Resources LLC; Aventine Investments LLC; Juniper Investments LLC; Jesse A. Strickler, his or her heirs and devisees; Deborah J. Valladao, her heirs and devisees; Frank Perkins, his heirs and devisees; John Perkins, his heirs and devisees; USA Bureau of Land Management; and New Mexico State Land Office.

Application of DJR Operating, LLC for approval of surface commingle (lease) gas production and off-lease measurement at the M26A 2306 Production Facility located in the SW/4 SW/4 of Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico (the "Lands"). DJR Operating, LLC ("DJR Operating") (OGRID No. 371838) seeks administrative approval for surface commingling (lease) and off-lease measurement, pursuant to 19.15.12.10 NMAC, at the M26A 2306 Production Facility, located in SW/4 SW/4 of Section 26, Township 23 North, Range 6 West, NMPM, Sandoval County, NM (the "M26A Facility") of gas only production from the Mancos Formation underlying the Leases (or portions thereof) consisting of (1) Gallo Canyon Unit Mancos Participating Area BLM Contract No. NMNM 131017A ("Unit PA") and (2) Federal lease NMNM 105389083 (Legacy No. NMNM 117564) (the "Federal Lease") in the Counselors Gallup-Dakota Pool (Pool code 13379) from the following described lands and associated wells which are diverse in ownership and hereinafter individually referred to as "Lease" or collectively referred as "Leases", per 19.15.12.7.C NMAC:

(a) Gallo Canyon Unit Participating Area: The Gallo Canyon Unit is a federal exploratory unit (NMNM 131017X) located in Sandoval County, NM and is limited in depth to cover the Mancos Formation (the "Unit"). While the Unit area encompasses 5,760 acres, Unit participation is limited to 5,120 committed acres consisting of 4,480 Federal acres and 640 State acres. The reason is because Federal Oil and Gas Lease NMNM-117564, which includes all of Section 27, T23N-R6W within the Unit boundary, is not committed to the Unit. Thus, the Gallo Canyon Mancos Oil Participating Area "A" (NMNM 131017A) is a fixed participating area that covers 5,120 acres; being all committed Unit lands (referred to herein as the "Unit PA"). The Unit PA is the basis for allocation of production from the Gallo Canyon Unit 304H (API #30-043-21483) and Gallo Canyon Unit 309H (API #30-043-21482).

(b) Communitization Agreement NMNM-105767870: Communitization Agreement NMNM-105767870 was entered into for the allocation of production from Lybrook M26 2306 Com 307H well (API #30-043-21491) among the portions of the Federal Lease and Unit PA contained therein, which corresponds with the Standard Horizontal Spacing Unit formed under the terms of New Mexico Oil Conservation Division Rules 19.15.16.15 (B) NMAC, more specifically described as follows:

Township 23 North, Range 6 West, NMPM  
Section 22: SW $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$   
Section 26: NW $\frac{1}{4}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$   
Section 27: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$   
Containing 520 acres, more or less

(c) Communitization Agreement NMNM-105767920: Communitization Agreement NMNM-105767920 was entered into for the allocation of production from Lybrook M26 2306 Com 305H well (API #30-043-21490) among the portions of the Federal Lease and Unit PA contained therein, which corresponds with the Standard Horizontal Spacing Unit formed under the terms of New Mexico Oil Conservation Division Rules 19.15.16.15 (B) NMAC, more specifically described as follows:

Township 23 North, Range 6 West, NMPM  
Section 22: W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 26: NW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 27: N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$   
Containing 520 acres, more or less

(d) Communitization Agreement NMNM-105767919: Communitization Agreement NMNM-105767919 was entered into for the allocation of production from Lybrook M26 2306 Com 303H well (API #30-043-21489) among the portions of the Federal Lease and Unit PA contained therein, which corresponds with the Standard Horizontal Spacing Unit formed under the terms of New Mexico Oil Conservation Division Rules 19.15.16.15 (B) NMAC, more specifically described as follows:

Township 23 North, Range 6 West, NMPM  
Section 22: SW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 26: SW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 27: N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$   
Containing 360 acres, more or less

(e) Federal Lease NMNM 105389083 (Legacy No. NMNM 117564): Federal Lease NMNM 105389083 covers 1,323.52 acres, more or less located in Sandoval County, NM. That certain portion of the lease covering All of Section 27, Township 23 North, Range 6 West, NMPM, being 640 acres, more or less, is located within the boundaries of the Gallo Canyon Unit as an uncommitted, non-participating tract (the "Federal Lease"). The entire production from the Lybrook M26A 2306 308H well is allocated to the Federal Lease.

(f) Pursuant to 19.15.12.10.C(4)(g), from all future additions of pools, leases or leases and pools to the M26A 2306 Production Facility with notice provided only to the interest owners whose interest in the production is to be added.

Any objection to this application must be filed in writing within twenty days from date of publication with the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division. If you have any questions about this application, please contact Mona Binion, DJR Operating LLC, (303) 407-7399 or mbinion@djrlc.com.

Journal: January 26, 2023



**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**APPLICATION FOR SURFACE COMMINGLING  
SUBMITTED BY DJR OPERATING, LLC**

**ORDER NO. CTB-1081**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

**FINDINGS OF FACT**

1. DJR Operating, LLC (“Applicant”) submitted a complete application to surface commingle the gas production from the pools, leases, and wells identified in Exhibit A (“Application”).
2. Applicant proposed a method to allocate the gas production to the pools, leases, and wells to be commingled.
3. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
4. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
5. Applicant in the notice for the Application stated that it sought authorization to prospectively include additional pools, leases, and wells in accordance with 19.15.12.10.C.(4)(g) NMAC.
6. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, gas production from wells which have not yet been approved to be drilled, but will produce from a pool and lease identified in Exhibit A.

**CONCLUSIONS OF LAW**

7. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, 19.15.12. NMAC, and 19.15.23. NMAC.
8. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10.A.(2) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.
9. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.

10. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10.B.(1) NMAC or 19.15.12.10.C.(1) NMAC, as applicable.
11. Commingling of gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10.B.(3) NMAC and 19.15.12.10.C.(4)(h) NMAC.
12. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10.C.(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added.
13. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

### **ORDER**

1. Applicant is authorized to surface commingle gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to store and measure gas production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

Applicant is authorized to surface commingle gas production from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A.

Applicant is authorized to store and measure gas production off-lease from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

2. The allocation of gas production to wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of gas production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.
3. The gas production for each well identified in Exhibit A shall be separated and metered prior to commingling it with production from another well.
4. Applicant shall measure and market the commingled gas at a well pad, central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9. NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8.B. NMAC for such venting

or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8.E. NMAC.

5. Applicant shall calibrate the meters used to measure or allocate gas production in accordance with 19.15.12.10.C.(2) NMAC.
6. If the commingling of gas production from any pool, lease, or well reduces the value of the commingled gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
7. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B in accordance with 19.15.12.10.C.(4)(g) NMAC, provided the pools, leases, and subsequently drilled wells are within the identified parameters included in the Application.
8. If a well is not included in Exhibit A but produces from a pool and lease identified in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well, proposed method to determine the allocation of gas production to it, and the location(s) that commingling of its production will occur.
9. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
10. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
11. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

  
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**DYLAN M. FUGE  
DIRECTOR**

**DATE:** 5/14/2023

State of New Mexico  
Energy, Minerals and Natural Resources Department

**Exhibit A**

Order: CTB-1081  
Operator: DJR Operating, LLC (371838)  
Central Tank Battery: M26A 2306 Production Facility  
Central Tank Battery Location: UL M, Section 26, Township 23 North, Range 6 West  
Gas Title Transfer Meter Location: UL M, Section 26, Township 23 North, Range 6 West

**Pools**

Pool Name	Pool Code
COUNSELORS GALLUP-DAKOTA	13379

**Leases as defined in 19.15.12.7(C) NMAC**

Lease	UL or Q/Q	S-T-R
PA Mancos NMNM 105380025 (131017A)	All	22-23N-6W
	All	23-23N-6W
	All	24-23N-6W
	All	25-23N-6W
	All	26-23N-6W
	All	34-23N-6W
	All	35-23N-6W
	All	36-23N-6W
CA Mancos NMNM 105767919	M	22-23N-6W
	M	26-23N-6W
	C D F G J I P	27-23N-6W
CA Mancos NMNM 105767920	L M N	22-23N-6W
	L	26-23N-6W
	B C D F G H I J P	27-23N-6W
CA Mancos NMNM 105767870	K L M N O	22-23N-6W
	E L	26-23N-6W
	A B C G H I	27-23N-6W
NMNM 105389083 (117564)	All	27-23N-6W

**Wells**

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-043-21483	Gallo Canyon Unit #304H	M	26-23N-6W	13379
		C D F G I J P	35-23N-6W	
		M	36-23N-6W	
30-043-21482	Gallo Canyon Unit #309H	K L M N O	26-23N-6W	13379
		A B C G H I	35-23N-6W	
		E K L M N	36-23N-6W	
30-043-21491	Lybrook M26 2306 Com #307H	K L M N O	22-23N-6W	13379
		E L	26-23N-6W	
		A B C G H I	27-23N-6W	

30-043-21490	Lybrook M26 2306 Com #305H	L M N	22-23N-6W	13379
		L	26-23N-6W	
		B C D F G H I J P	27-23N-6W	
30-043-21489	Lybrook M26 2306 Com #303H	M	22-23N-6W	13379
		M	26-23N-6W	
		C D F G J I P	27-23N-6W	
30-043-21492	Lybrook M26A 2306 #308H	D E F I J K O P	27-23N-6W	13379

**District I**  
 1625 N. French Dr., Hobbs, NM 88240  
 Phone:(575) 393-6161 Fax:(575) 393-0720

**District II**  
 811 S. First St., Artesia, NM 88210  
 Phone:(575) 748-1283 Fax:(575) 748-9720

**District III**  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 Phone:(505) 334-6178 Fax:(505) 334-6170

**District IV**  
 1220 S. St Francis Dr., Santa Fe, NM 87505  
 Phone:(505) 476-3470 Fax:(505) 476-3462

**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

CONDITIONS

Action 179366

**CONDITIONS**

Operator: DJR OPERATING, LLC 1 Road 3263 Aztec, NM 87410	OGRID: 371838
	Action Number: 179366
	Action Type: [C-107] Surface Commingle or Off-Lease (C-107B)

**CONDITIONS**

Created By	Condition	Condition Date
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	5/19/2023