



United States Department of the Interior

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



IN REPLY REFER TO:
NM133396
3105.2 (P0220)

Reference:
Delaware Ranch 12 MD Fed Com 1H
T. 26 S., R. 28 E.,
Section 12, W2
Eddy County, NM

OCT 02 2014

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2014 OCT -8 P 2:50

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88220-6292

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NM133396 involving 120 acres of Federal land in lease NMNM118707, and 200 acres of Fee land for a 320 well spacing unit, NMPM, Eddy County, New Mexico, which comprise a 320 acre well spacing unit.

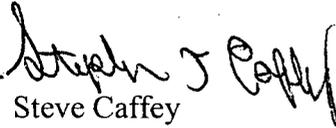
The agreement communitizes all rights to all producible hydrocarbons from the Wolfcamp formation beneath W2 of sec. 12, T. 26 S., R. 28 E., NMPM, and is effective 4/1/14. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue at 1-800-525-9167 or 303-231-3504.

If you have any questions regarding this approval, please contact Edward G. Fernandez, Petroleum Engineer at (575) 234-2220.

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

Sincerely,


Steve Caffey
Assistant Field Manager,
Lands and Minerals

1 Enclosure:
1 - Communitization Agreement

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

Determination - Approval - Certification

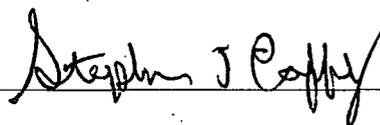
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

- B. Approve the attached Communitization Agreement covering the W2 of sec. 12, T. 26 S., R. 28 E., NMPM, as to all producible hydrocarbons from the Wolfcamp formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (e) are not met.

- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved:



Authorized Officer
Stephen Caffey
Asst. Field Mgr.

Effective: 4/1/14

Contract No.: Com. Agr. NM133396



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Carlsbad, New Mexico 88220-6292
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In Reply Refer to
NM133396
3107 (P0220)

Memorandum

To: State Director (9210)

From: Land Law Examiner (P0220)

Subject: First Production, Communitization Agreement NM133396

Date of Completion: 5/7/14
Date of First Production: 5/7/14
Field: Wolfcamp 97954
Operator, Well Name & No, API Number: Yates Petroleum; Delaware Ranch 12 MD Fed Com 1H; 3001542081
Surface Location: W2, sec. 12, T. 26 S., R. 28 E.
Total Depth: 15,160 MD; 10,687' TVD
Surface Elevation: 2,947 GL
Producing Formation: Wolfcamp (10,931' – 15,089)
Well Capable of Production in Paying Quantities: Yes
Initial Daily Production: Oil 267 BBL; Gas 3,454 MCF; Water 2,127 BBL
Current Status: Producing Gas Well

Remarks: CA NM133396, effective 4/1/14, communitizes production of all gas and fluid hydrocarbons in the Wolfcamp formation beneath the W2 of sec. 12, T. 26 S., R. 28 E., NMPM, and comprises 120 acres of Federal land in lease NM118707, and 200 acres of Fee land for a 320 acre well spacing unit, whose leases are held by actual production.

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

/S/ Arthur Morrison
10/1/14

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