



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:

NM136645

3105.2 (P0220)

01/17/2017

Reference: Communitization Agreement

EK 29 BS2 Fed Com 4H

Section 29: W2W2

T. 18 S., R. 34 E.

Lea County, NM

McElvain Oil & Gas

1050 17th St., Suite 2500

Denver, CO 80265-2080

2017 JAN 25 P 2:26
RECEIVED OGD

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NM136645 involving 40 acres of Federal land in lease NMNM0245247 and 120 acres of Federal land in lease NMNM116166, Lea County, New Mexico, which comprise a 160 acre well spacing unit.

The agreement communitizes all rights to all producible gas and all producible hydrocarbons from the Bone Spring formation beneath Sec. 29, W2W2, T. 18 S., R. 34 E., NMPM, Lea County, NM, and is effective 10/01/2016. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

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

If you have any questions regarding this approval, please contact Chris Walls at (575) 234-2234 or Deborah Ham at (575) 234-5965.

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

Sincerely,



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

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

NMOCD

NM (9200)

NM (P0220-CFO, File Room)

NM State Land Comm.

Determination - Approval - Certification

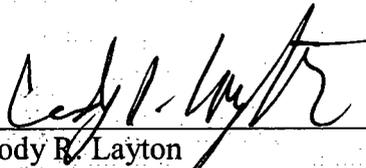
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- 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 Sec. 29, W2W2, T. 18 S., R. 34 E., NMPM, as to all producible gas and hydrocarbons from the Bone Spring formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

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

Approved: 01/17/2017



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

Effective: 10/01/2016

Contract No.: Com. Agr. NM136645



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Carlsbad, New Mexico 88220-6292
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In Reply Refer to
NM136645
3107 (P0220)

Memorandum

To: State Director (9210)

From: Land Law Examiner (P0220)

Subject: First Production, Communitization Agreement NMNM136645

Date of Completion: 11/02/2016
Date of First Production: 11/05/2016
Field: E-K
Operator, Well Name & No, API Number: McElvain Oil & Gas; EK 29 BS2 Fed Com 4H; 30-025-42700
Surface Location: Sec. 30, NENE, T. 18 S., R. 34 E.
Bottom Location: Sec. 29, NWNW, T. 18 S., R. 34 E.
Total Depth: 14,771' MD; 9,944' TVD
Surface Elevation: 3904 KB
Producing Formation: Bone Spring (10,110 – 14,660)
Well Capable of Production in Paying Quantities: Yes
Initial Daily Production: Oil 218 BBL; Gas 103 MCF; Water 812 BBL
Current Status: Producing Oil Well

Remarks: CA NMNM136645 effective 10/01/2016, communitizes production of all gas and fluid hydrocarbons in the Bone Spring formation beneath sec. 29: W2W2, T. 18 S., R. 34 E., NMPM, and comprises 40 acres of Federal land in lease NMNM0245247 and 120 acres of Federal land in lease NMNM116166 for a 160 acre well spacing unit whose leases are held by actual production. Per point of entry for wellbore path and production perforations, surface location of well is not within CA boundary.

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

/S/ Deborah Ham

01/17/2017

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