

DATE IN 11-18-04	SUSPENSE	ENGINEER STOGNER	LOGGED IN 11-18-04	TYPE NSL	APP NO. PSE10432349681
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- 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

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **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

Title

Date

e-mail Address

PATTERSON PETROLEUM LP

1004 N: Big Spring, Suite 523

Midland, Texas 79701

Office: 432-685-1414

Fax: 432-685-1133

Date: 11-18-04To: Michael StoguerFrom: Joe FitzgeraldCompany: NMOCCompany: Patterson Petroleum LPPages: (including cover) 21Comments: Request for NSL - see attachedcall if you have any questions1-800-470-4200

If you have any questions, concerns or receive this fax in error please contact: 432-685-1414.

**PATTERSON PETROLEUM, LP**

1004 N. Big Spring, Suite 523 • Midland, Texas 79701

Phone: 432-685-1414 • Fax 432-685-1133

November 17, 2004

Mike E. Stogner
Chief Examiner
New Mexico Oil Conservation Division
1220 South St. Frances Dr.
Santa Fe, New Mexico 87505

Re: Request for Administrative Approval of an Unorthodox Location for the
Patterson Petroleum, LP, Duncan 32 State #1, Located 660' FEL & 2245' FNL
of Section 32, T-17-S, R-34-E, Lea County, New Mexico

Dear Mr. Stogner:

Pursuant to our conversation Patterson Petroleum, LP, hereby requests administrative approval of the captioned. The subject location was derived by the use of 3-D seismic data and analysis thereof for the Morrow formation; however other possible productive zones may be encountered up hole at this location, which will be non-standard for same. BP America Production Company is our partner in this project and their geo-science department picked this location and has provided the enclosed map and location summary.

We have formed a 320 acre E/2 pool unit in which to drill the subject well. As you instructed, I checked with the Hobbs NMOCD office and was informed we are at a legal location for Atoka and Morrow Formations, which are to be in the Vaccum Atoka West Gas Pool and Grama Ridge Morrow East Gas Pool, respectively; however, we will be at a non-standard location for the Wolfcamp Formation, Corbin East Wolfcamp Pool, and the Abo Formation, Abo North Vaccum Pool. Per my conversation with the Hobbs NMOCD office an Abo well in said pool is to be located within 200 feet of the center of its 40 acre unit; and a Wolfcamp well is to be no closer than 660 feet from the outside lines of its 80 acre unit. ← S/2 NE/4

The subject well is to be located on State Lease B-143-5, which covers the NE/4 of Section 32-17-34, and is being Communitized with State Lease E-1448-2 to form the 320 acre E/2 Unit. Lease B-143-5 is owned by Burgundy Oil & Gas of NM, Inc., which has entered into a term assignment with BP America Production Company for all rights below the base of the San Andres. Lease E-1448-2 is owned by BP America Production Company. BP, Patterson and ConocoPhillips have entered into an Operating Agreement covering the E/2 of Section 32-17-34 as to all rights below the base of the San Andres, with Patterson as the Operator; thereby making the E/2 Unit common ownership

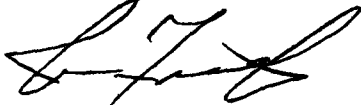
30-025
34226

between Patterson, ConocoPhillips and BP, as to all rights below the San Andres Formation.

Also enclosed for your review with this letter are copies of our C-101, C-102, and C-103, which were recently filed with the Hobbs NMOCD office.

Please let me know your decision concerning this request. Should you have any questions or need further information do not hesitate to call, my toll free number is 1-800-470-4200. My email address is fitzgeraldj@patenergy.com.

Sincerely,



Joe Fitzgerald
Land Manager

Duncan 32 #1 Location

- 660 FEL & 2245 FNL Section 32 T17s R34E
 - 660 FEL & 1980 FNL already a well location
 - Must overlap both targets to reduce risk
 - Regional sand trends lead us south
 - Possible uphole bailouts in the Abo and Wolfcamp

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, 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

Oil Conservation Division

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-101

May 27, 2004

Submit to appropriate District Office

☐ AMENDED REPORT**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

¹ Operator Name and Address PATTERSON PETROLEUM LP P.O. DRAWER 1416 SNYDER, TX 79550		² OGRID Number 141928
³ Property Code 34383		⁴ Property Name DUNCAN #32 STATE COM
⁵ Proposed Pool 1 VACUUM; MORROW		⁶ Proposed Pool 2 VACUUM; ATOKA, WEST

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	32	17-S	34-E		2245	NORTH	660	EAST	LEA

8 Proposed 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

Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary ROTARY	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 4068'
¹⁶ Multiple NO	¹⁷ Proposed Depth 13,800	¹⁸ Formation MORROW	¹⁹ Contractor PATTERSON-UTI DRLG CO	²⁰ Spud Date 12/20/04
Depth to Groundwater 140'		Distance from nearest fresh water well 4000'		Distance from nearest surface water NONE
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12_mils thick Clay <input type="checkbox"/> Pit Volume: 15,000_bbls Drilling Method: Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	400'	500	SURFACE
12-1/4"	9-5/8"	40#	4800'	1750	SURFACE
8-3/4"	5-1/2"	17#	13,800'	1000	8000'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drilling fluid synopsis attached.

BOP: Series 900, 5000# WP - See figure 25 attached.

Additional casing & cementing information attached.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

OIL CONSERVATION DIVISION

Approved by:

Printed name: NOLAN VON ROEDER

Title:

Title: ENGINEER

Approval Date:

Expiration Date:

E-mail Address: vonroeder@patenergy.com

Date: 10/28/04

Phone: 325/573-1938

Conditions of Approval Attached ☐

State of New Mexico

DISTRICT I

1025 N. FRENCH DR., SUITE, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ALBUQUERQUE, NM 88210

OIL CONSERVATION DIVISION

Submit to Appropriate District Office

State Lease - 4 Copies

DISTRICT III

1000 Rio Brazos Rd., Artes, NM 87410

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

For Lease - 3 Copies

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code 86840	Pool Name
Property Code 34383	Property Name DUNCAN "32" STATE COM		Well Number 1
OGRID No.	Operator Name PATTERSON PETROLEUM, L.P.		Elevation 4068'

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	32	17-S	34-E		2245	NORTH	660	EAST	LEA

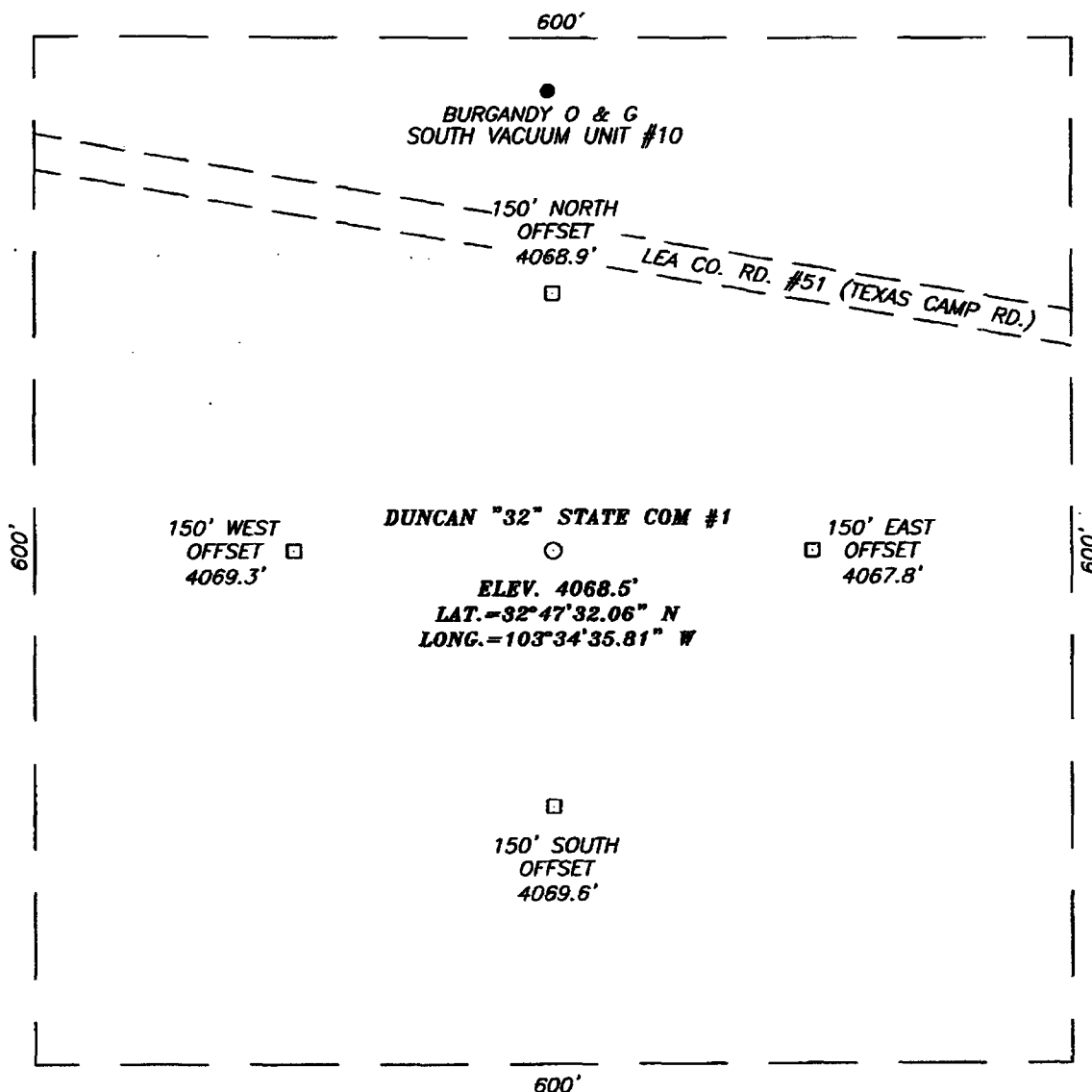
Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres		Joint or Infill	Consolidation Code		Order No.				

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

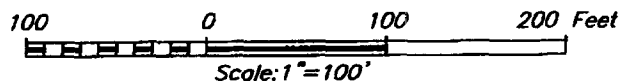
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=652761.5 N X=732798.7 E</p> <p>LAT.=32°47'32.06" N LONG.=103°34'32.81" W</p>	<p>2245'</p> <p>660'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>[Signature]</i> Signature <i>Joe F. Fitzgerald</i> Printed Name <i>Attorney In Fact</i> Title 11-10-04 Date</p>
		<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>NOVEMBER 3, 2004</p> <p>Date Surveyed Signature & Seal of Professional Surveyor <i>[Signature]</i> 04-11-1358 Certificate No. GARY RIDSON 12841</p>

SECTION 32, TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

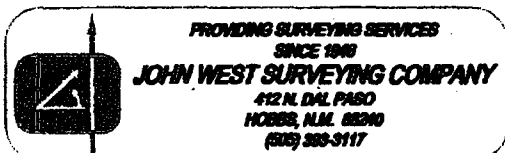
FROM THE INTERSECTION OF LEA CO. RD. #125 (QUERECHO RD.) AND LEA CO. RD. #51 (TEXAS CAMP RD.) GO EAST ON CO. RD. #51 FOR APPROX. 1.1 MILES. PROPOSED LOCATION IS APPROX. 150' SOUTH.



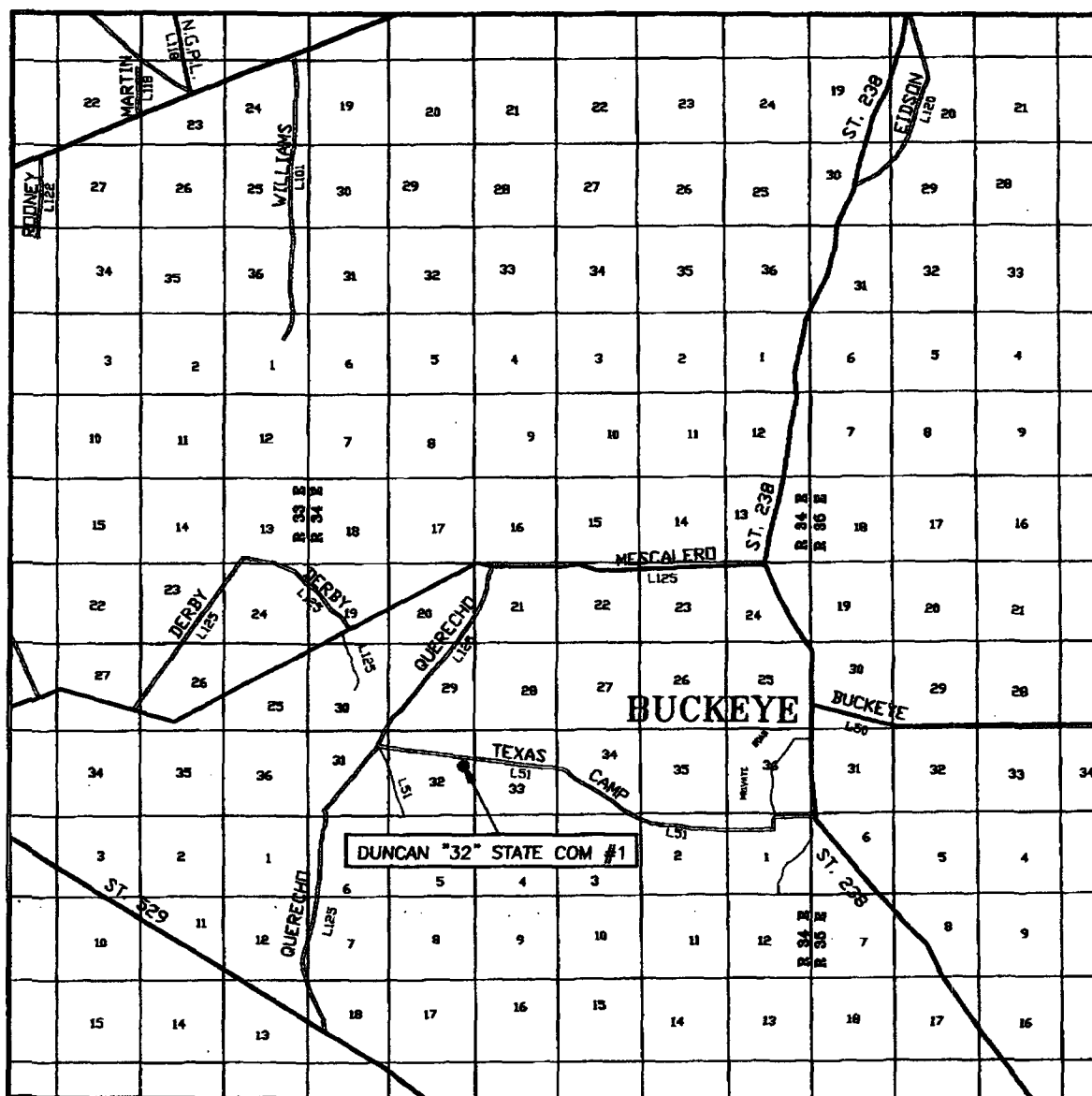
PATTERSON PETROLEUM, L.P.

DUNCAN "32" STATE COM #1 WELL
 LOCATED 2245 FEET FROM THE NORTH LINE
 AND 660 FEET FROM THE EAST LINE OF SECTION 32,
 TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO.

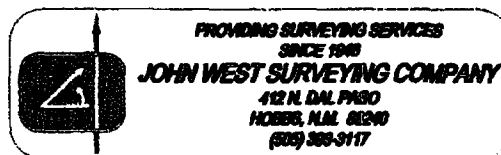
Survey Date: 11/3/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.1358	Dr By: J.R. Rev 1:N/A
Date: 11/9/04	Disk: CD#10 04111358 Scale: 1"=100'



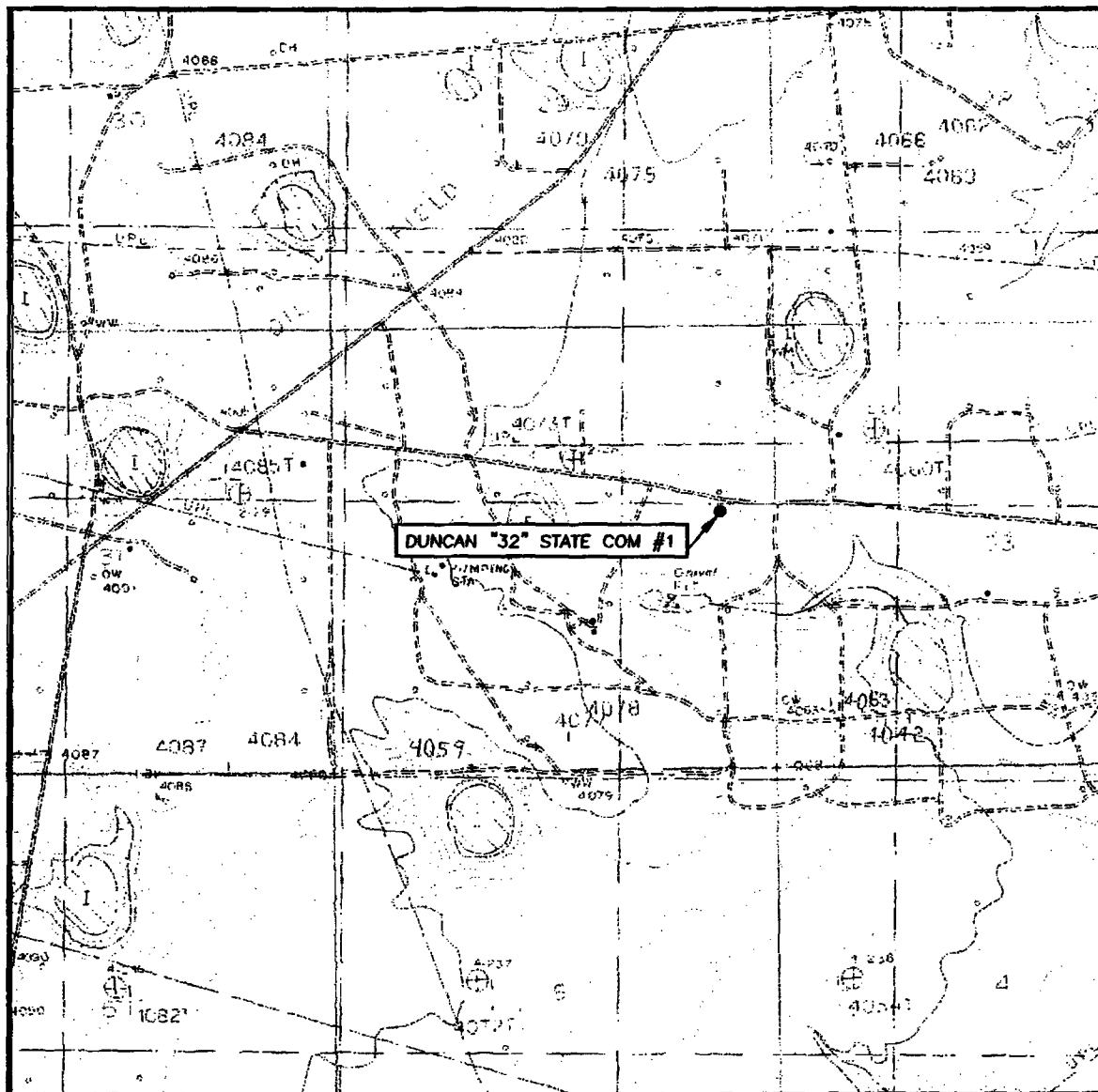
VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 32 TWP. 17-S RGE. 34-ESURVEY N.M.P.M.COUNTY LEADESCRIPTION 2245' FNL & 660' FELELEVATION 4068'OPERATOR PATTERSON
PETROLEUM, L.P.LEASE DUNCAN "32" STATE COM

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BUCKEYE, N.M. - 5'

SEC. 32 TWP. 17-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

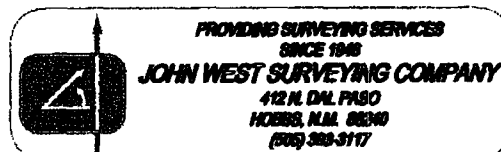
DESCRIPTION 2245' FNL & 660' FEL

ELEVATION 4068'

OPERATOR PATTERSON
PETROLEUM, L.P.

LEASE DUNCAN '32' STATE COM

U.S.G.S. TOPOGRAPHIC MAP
BUCKEYE, N.M.



**PATTERSON PETROLEUM LP**

A LIMITED PARTNERSHIP

P.O. Box 1416, Snyder, TX 79550

4510 Lamesa Hwy., Snyder, TX 79549

Phone: 325-573-1938 • Fax 325-573-1939

DRILLING FLUID SYNOPSIS**PATTERSON PETROLEUM LP**Duncan "32" State Com No. 1

Section 32

T-17-S

R-34-E

Lea County, New Mexico

CASING

13 3/8" at 400'

9 5/8" at 4800'

5 1/2" at 13,800'

DEPTH	MUD WT.	VISCOSITY	FLUID LOSS	DRILL SOLIDS	COMMENTS
0' - 400'	8.4 to 9.0	28 to 40	No Control	5%	Spud mud & paper
400' - 4800'	8.4 to 10.3	28 to 33	No Control	1%	Brine water, paper, caustic
4800 - 12,900'	8.4 to 9.2	28 to 30	No Control	1%	Cut-brine, paper & caustic
12,900 - 13,800'	10 to 10.5	36 to 46	10 cc or less	< 5%	Xanthan gum, starch, pac, & caustic

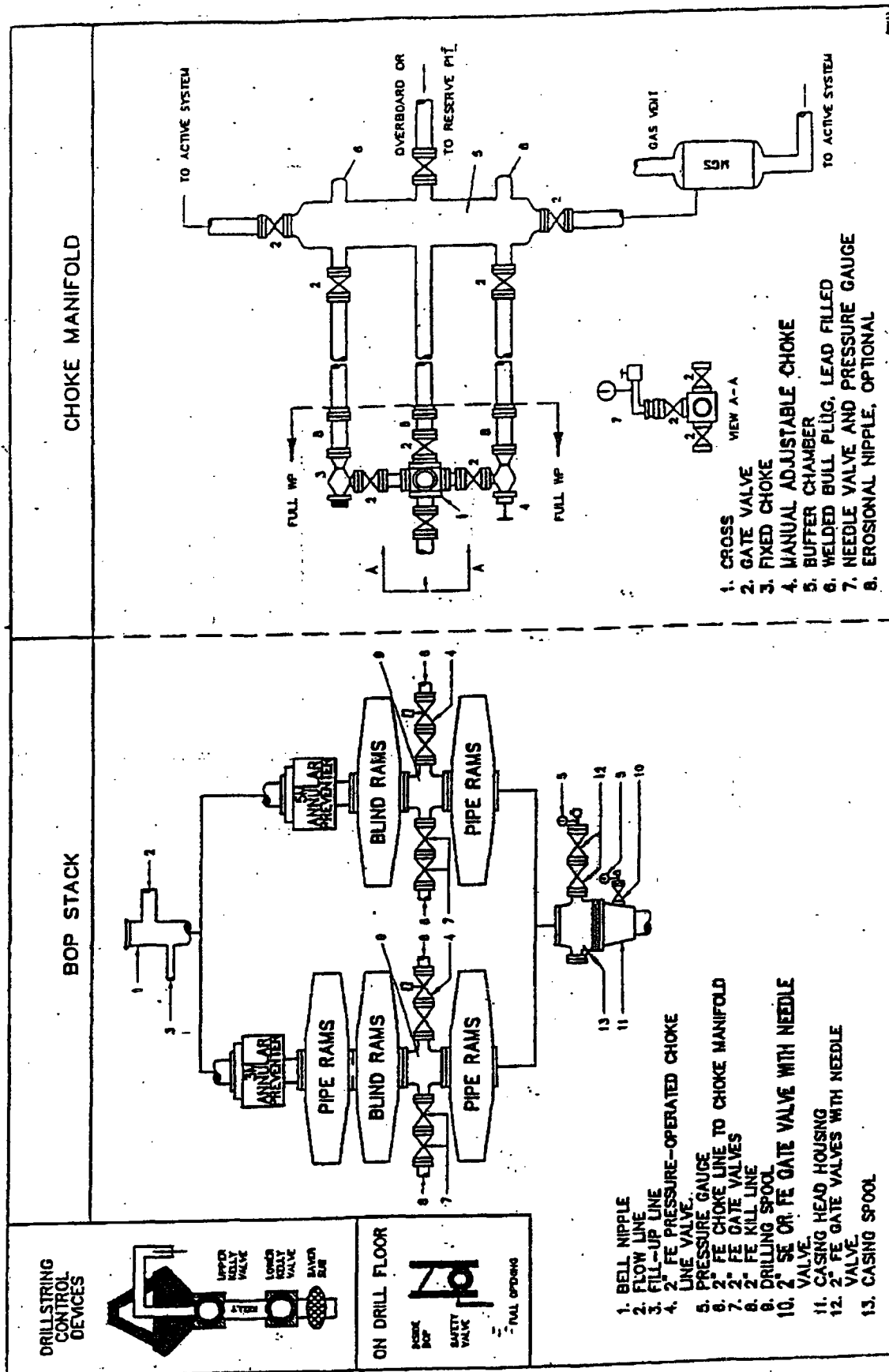


Fig. 2.5. Class 3 BOP and Choke Manifold.

PATTERSON PETROLEUM LP
PROPOSED CASING & CEMENTING PROGRAM
DUNCAN "32" STATE COM WELL NO. 1

13 3/8", 48 lb/ft, H-40 Surface Casing Set at 400' - in a 17 1/2" Hole

Circulate to surface with 500 sacks of Class "C" + 2% CaCl₂ + 1/4 lb/sk celloflake

Slurry Weight:	14.8 ppg
Slurry Yield:	1.32 cu.ft/sk
Water Requirement:	6.3 gal/sk

9 5/8", 40 lb/ft, J-55 & N-80 Intermediate Casing Set at 4800' - in a 12 1/4" Hole

Lead : 1500 sx of 35:65 Poz Class "C" + 5% salt + 6% gel + 1/4 lb/sk celloflake
+ 2/10 % antifoamer

Desired TOC = Surface

Slurry Weight:	12.4 ppg
Slurry Yield:	2.15 cu.ft/sk
Water Requirement:	11.99 gal/sk

Tail : 250 sx of Class "C" Neat

Slurry Weight:	14.8 ppg
Slurry Yield:	1.32 cu.ft/sk
Water Requirement:	6.31 gal/sk

5 1/2", 17 lb/ft, N-80 & P110 Production String Casing Set at 13,800' - in an 8 3/4" Hole

Lead : 700 sx of Halliburton Light H + 5% salt + 3/10% HR-7 retarder

Desired TOC = 8000'

Slurry Weight:	12.7 ppg
Slurry Yield:	1.95 cu.ft/sk
Water Requirement:	10.48 gal/sk

Tail : 300 sx of Halliburton Super H w/ 0.5% Lap-1+ 0.4% dispersant +
0.25% antifoamer and 0.25% retarder

Slurry Weight:	13.2 ppg
Slurry Yield:	1.60 cu.ft/sk
Water Requirement:	8.21 gal/sk

**PATTERSON PETROLEUM, LP**

1004 N. Big Spring, Suite 523 • Midland, Texas 79701

Phone: 432-685-1414 • Fax 432-685-1133

October 27, 2004

Jeff Albers
Office of the Commissioner of Public Lands
New Mexico State Lands Office
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Re: Request for Approval of Communitization Agreement for the in the E/2 of Section
32, T-17-S, R-34-E, Lea County, New Mexico (Duncan 32 State #1 Well)

Dear Mr. Albers:

Patterson Petroleum, LP, et al, hereby requests approval of the captioned. Submitted herewith is the original signed and notarized Communitization Agreement, one copy of same and our check in the amount of \$30.00. Upon your review, please let me know your decision concerning this matter. Should you have any questions or need further information do not hesitate to call, my toll free phone number is 1-800-470-4200.

Sincerely,

Joe Fitzgerald
Land Manager

STATE/STATE
OR
STATE/FEE
REV. 2/92

COMMUNITIZATION AGREEMENT

STATE OF NEW MEXICO)

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LEA)

THAT THIS AGREEMENT* is entered into as of the 11th day of October, 2004, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable.

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 leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Pennsylvanian formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

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 undersigned as follows:

*This agreement not to be used for helium or carbon dioxide

1. *The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:*

Township 17 South Range 34 East N. M. P. M.

Section 32: E/2

LEA County, New Mexico,

containing 320 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.

2. *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 leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.*
3. *Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or*

**This agreement not to be used for helium or carbon dioxide*

heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. *The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.*
5. *There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.*
6. *The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.*
7. *The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, 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 compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.*
8. *Patterson Petroleum LP shall be the Operator of said communitized area and all matters of operation shall be determined and performed by Patterson Petroleum LP.*
9. *This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to*

*This agreement not to be used for helium or carbon dioxide

market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.
11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.
12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.
13. 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 instruments, in writing, specifically referring hereto, and

*This agreement not to be used for helium or carbon dioxide

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.

14. *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.*

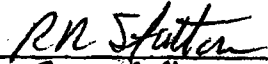
IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: PATTERSON PETROLEUM LP



BY: 
Joe Fitzgerald Attorney In Fact

LESSEES OF RECORD:

Burgundy Oil & Gas of NM INC.

BY: 
Name: Bob Staffon
Title: Vice-President

BP America Production Company

BY: 
Name: Robert C. Hagens
Title: Attorney-in-Fact 

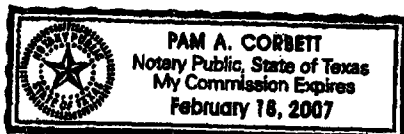
*This agreement not to be used for helium or carbon dioxide

STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 11TH day of October, 2004 by Joe E. Fitzgerald, as Attorney in Fact on behalf of Patterson Petroleum LP.

2/18/2007
My Commission Expires

Pam A. Corbett
Notary Public

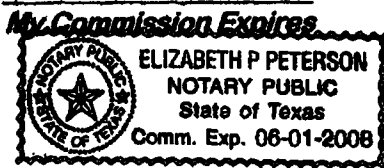


STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 29 day of October, 2004, by (name & title) R.R. Statton, V-P on behalf of Burgundy Oil & Gas NM INC.

6-1-2008
My Commission Expires

Elizabeth P. Peterson
Notary Public

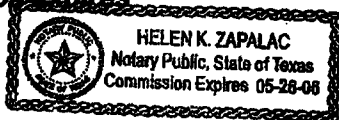


STATE OF TEXAS)
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 26 day of OCTOBER, 2004, by Robert C. Hagans as Attorney in Fact on behalf of BP America Production Company.

My Commission Expires

Helen K. Zapalac
Notary Public



*This agreement not to be used for helium or carbon dioxide

EXHIBIT "A"

Attached to and made a part of that Communitization Agreement dated October 11, 2004 by and between Patterson Petroleum LP, as Operator; and Burgundy Oil & Gas of NM Inc., and BP America Production Company, as Lessee's of Record, covering the E/2 of Section 32, Township 17 South, Range 34 East, Lea County, New Mexico.

Operator of Communitized Area: Patterson Petroleum LP

Description of Leases Committed:**Tract No. 1**

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record: Burgundy Oil & Gas of NM Inc.
Serial No. of Lease: B-143-5
Date of Lease: August 14, 1931
Description of Lands Committed: NE/4
No. of Acres: 160 acres more or less

Tract No. 2

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record: BP America Production Company
Serial No. of Lease: E-1448-2
Date of Lease: August 11, 1947
Description of Lands Committed: SE/4
No. of Acres: 160 acres more or less

RECAPITULATION

TRACT NO.	NO. OF ACRES	PERCENTAGE OF INTEREST COMMITTED IN COMMUNITIZED AREA
Lease No. 1	160	50%
Lease No. 2	<u>160</u>	<u>50%</u>
	320	100%

*This agreement not to be used for helium or carbon dioxide



PATTERSON PETROLEUM, LP

1004 N. Big Spring, Suite 523 • Midland, Texas 79701

Phone: 432-685-1414 • Fax 432-685-1133

November 17, 2004

RECEIVED

NOV 22 2004

OIL CONSERVATION
DIVISION

Mike E. Stogner
Chief Examiner
New Mexico Oil Conservation Division
1220 South St. Frances Dr.
Santa Fe, New Mexico 87505

Re: Request for Administrative Approval of an Unorthodox Location for the
Patterson Petroleum, LP, Duncan 32 State #1, Located 660' FEL & 2245' FNL
of Section 32, T-17-S, R-34-E, Lea County, New Mexico

Dear Mr. Stogner:

Pursuant to our conversation Patterson Petroleum, LP, hereby requests administrative approval of the captioned. The subject location was derived by the use of 3-D seismic data and analysis thereof for the Morrow formation; however other possible productive zones may be encountered up hole at this location, which will be non-standard for same. BP America Production Company is our partner in this project and their geo-science department picked this location and has provided the enclosed map and location summary.

We have formed a 320 acre E/2 pool unit in which to drill the subject well. As you instructed, I checked with the Hobbs NMOCD office and was informed we are at a legal location for Atoka and Morrow Formations, which are to be in the Vaccum Atoka West Gas Pool and Grama Ridge Morrow East Gas Pool, respectively; however, we will be at a non-standard location for the Wolfcamp Formation, Corbin East Wolfcamp Pool, and the Abo Formation, Abo North Vaccum Pool. Per my conversation with the Hobbs NMOCD office an Abo well in said pool is to be located within 200 feet of the center of its 40 acre unit; and a Wolfcamp well is to be no closer than 660 feet from the outside lines of its 80 acre unit.

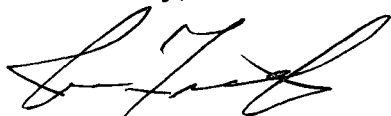
The subject well is to be located on State Lease B-143-5, which covers the NE/4 of Section 32-17-34, and is being Communitized with State Lease E-1448-2 to form the 320 acre E/2 Unit. Lease B-143-5 is owned by Burgundy Oil & Gas of NM, Inc., which has entered into a term assignment with BP America Production Company for all rights below the base of the San Andres. Lease E-1448-2 is owned by BP America Production Company. BP, Patterson and ConocoPhillips have entered into an Operating Agreement covering the E/2 of Section 32-17-34 as to all rights below the base of the San Andres, with Patterson as the Operator; thereby making the E/2 Unit common ownership

between Patterson, ConocoPhillips and BP, as to all rights below the San Andres Formation.

Also enclosed for your review with this letter are copies of our C-101, C-102, and C-103, which were recently filed with the Hobbs NMOCD office.

Please let me know your decision concerning this request. Should you have any questions or need further information do not hesitate to call, my toll free number is 1-800-470-4200. My email address is fitzgeraldj@patenergy.com.

Sincerely,

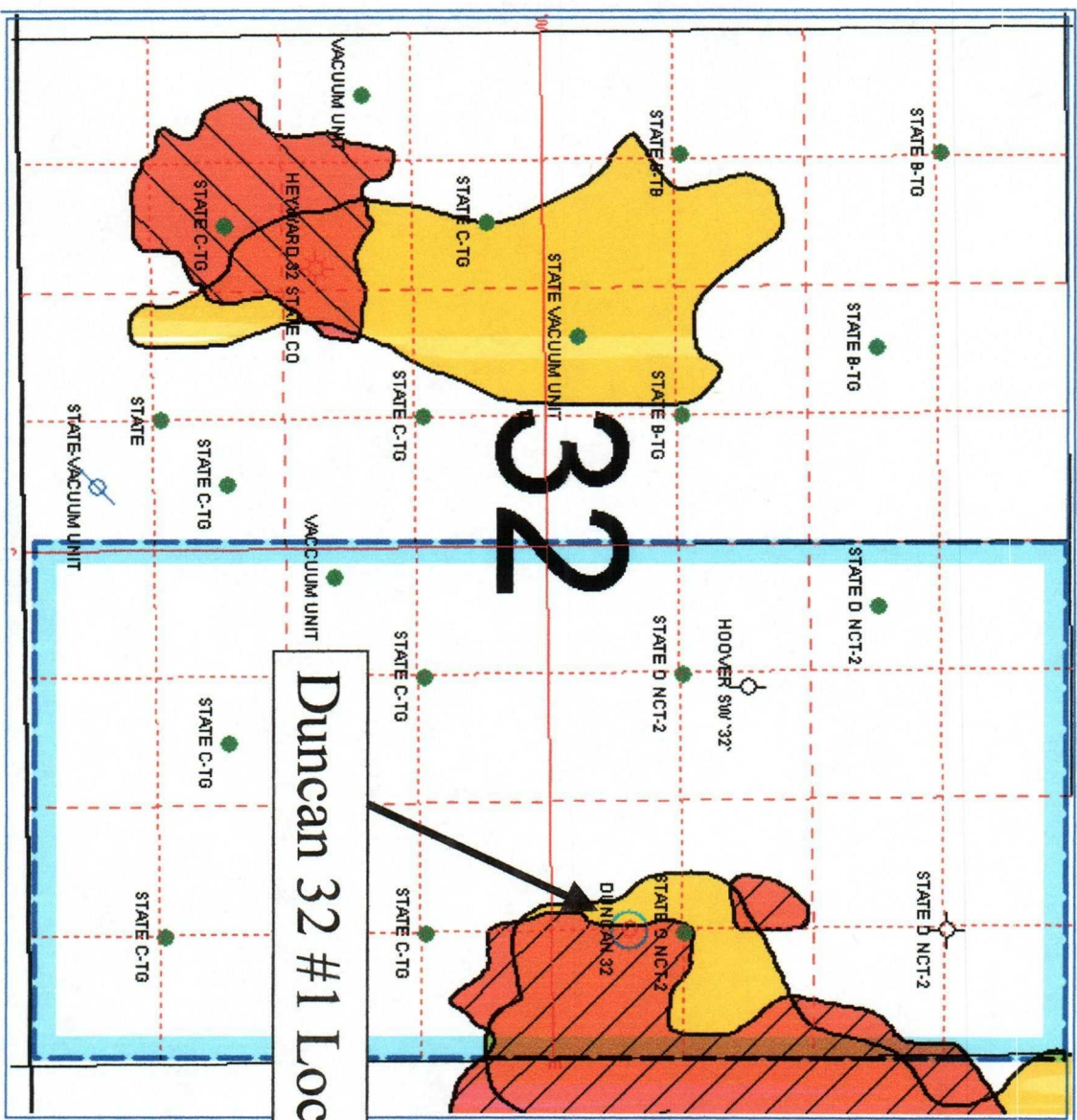
A handwritten signature in black ink, appearing to read 'Joe Fitzgerald', written in a cursive style.

Joe Fitzgerald
Land Manager

Duncan 32 #1 Location

- 660 FEL & 2245 FNL Section 32 T17s R34E
 - 660 FEL & 1980 FNL already a well location
 - Must overlap both targets to reduce risk
 - Regional sand trends lead us south
 - Possible uphole bailouts in the Abo and Wolfcamp

Duncan 32 Location



Seismically
Defined
Target Outlines

- Middle Lower Morrow Target
- Lowest Lower Morrow Target

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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

Form C-101
May 27, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address PATTERSON PETROLEUM LP P.O. DRAWER 1416 SNYDER, TX 79550		² OGRID Number 141928
		³ API Number 30 -
⁴ Property Code 34383	⁵ Property Name DUNCAN "32" STATE COM	⁶ Well No. 1
⁹ Proposed Pool 1 VACUUM; MORROW		¹⁰ Proposed Pool 2 VACUUM; ATOKA, WEST

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	32	17-S	34-E		2245	NORTH	660	EAST	LEA

⁸ Proposed 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

Additional Well Information

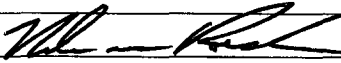
¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary ROTARY	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 4068'
¹⁶ Multiple NO	¹⁷ Proposed Depth 13,800	¹⁸ Formation MORROW	¹⁹ Contractor PATTERSON-UTI DRLG CO	²⁰ Spud Date 12/20/04
Depth to Groundwater 140'		Distance from nearest fresh water well 4000'		Distance from nearest surface water NONE
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12_mils thick Clay <input type="checkbox"/> Pit Volume: 15,000 ____ bbls Drilling Method:				
Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input checked="" type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48#	400'	500	SURFACE
12-1/4"	9-5/8"	40#	4800'	1750	SURFACE
8-3/4"	5-1/2"	17#	13,800'	1000	8000'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drilling fluid synopsis attached.
BOP: Series 900, 5000# WP - See figure 25 attached.
Additional casing & cementing information attached.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> .		OIL CONSERVATION DIVISION	
Printed name: NOLAN VON ROEDER 		Approved by:	
Title: ENGINEER		Title:	
E-mail Address: vonroedern@patenergy.com		Approval Date:	
Date: 10/28/04		Expiration Date:	
Phone: 325/573-1938		Conditions of Approval Attached <input type="checkbox"/>	

DISTRICT I

1625 N. FRENCH DR., HOBBES, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 86840	Pool Name
Property Code 34383	Property Name DUNCAN "32" STATE COM	Well Number 1
OGRID No.	Operator Name PATTERSON PETROLEUM, L.P.	Elevation 4068'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	32	17-S	34-E		2245	NORTH	660	EAST	LEA

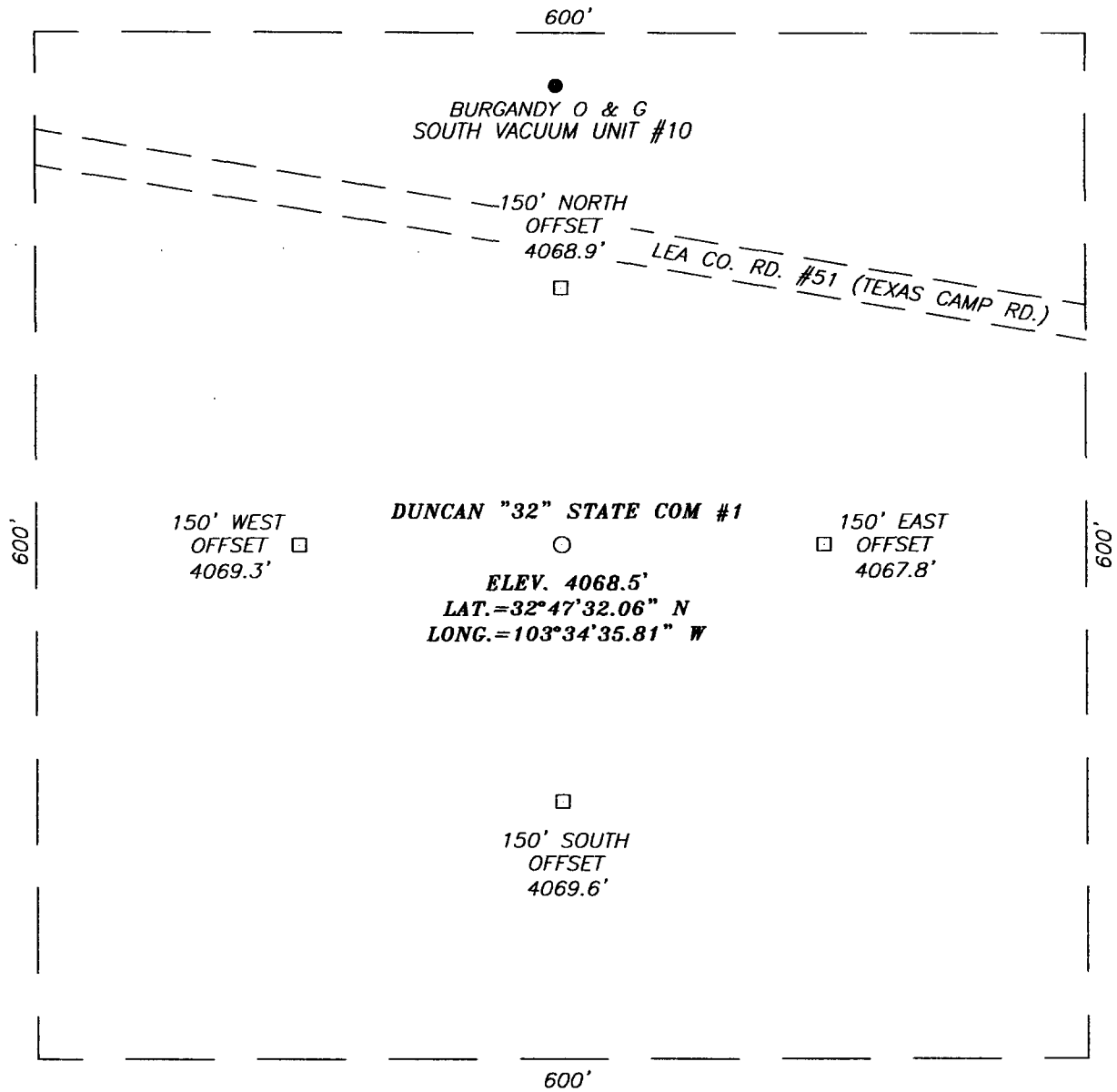
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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

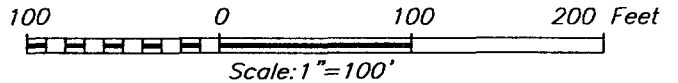
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=652761.5 N X=732798.7 E</p> <p>LAT.=32°47'32.06" N LONG.=103°34'32.81" W</p>	<p>2245'</p> <p>660'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>[Signature]</i> Signature Joe Fitzgerald Printed Name Attorney In Fact Title 11-10-04 Date</p>
		<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>NOVEMBER 3, 2004</p> <p>Date Surveyed Signature & Seal of Professional Surveyor <i>[Signature]</i> 04.11.1358 Certificate No. GARY EIDSON 12641</p>

SECTION 32, TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

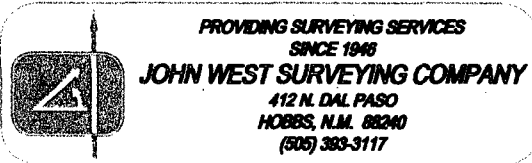
FROM THE INTERSECTION OF LEA CO. RD. #125
(QUERECHO RD.) AND LEA CO. RD. #51 (TEXAS
CAMP RD.) GO EAST ON CO. RD. #51 FOR
APPROX. 1.1 MILES. PROPOSED LOCATION IS
APPROX. 150' SOUTH.



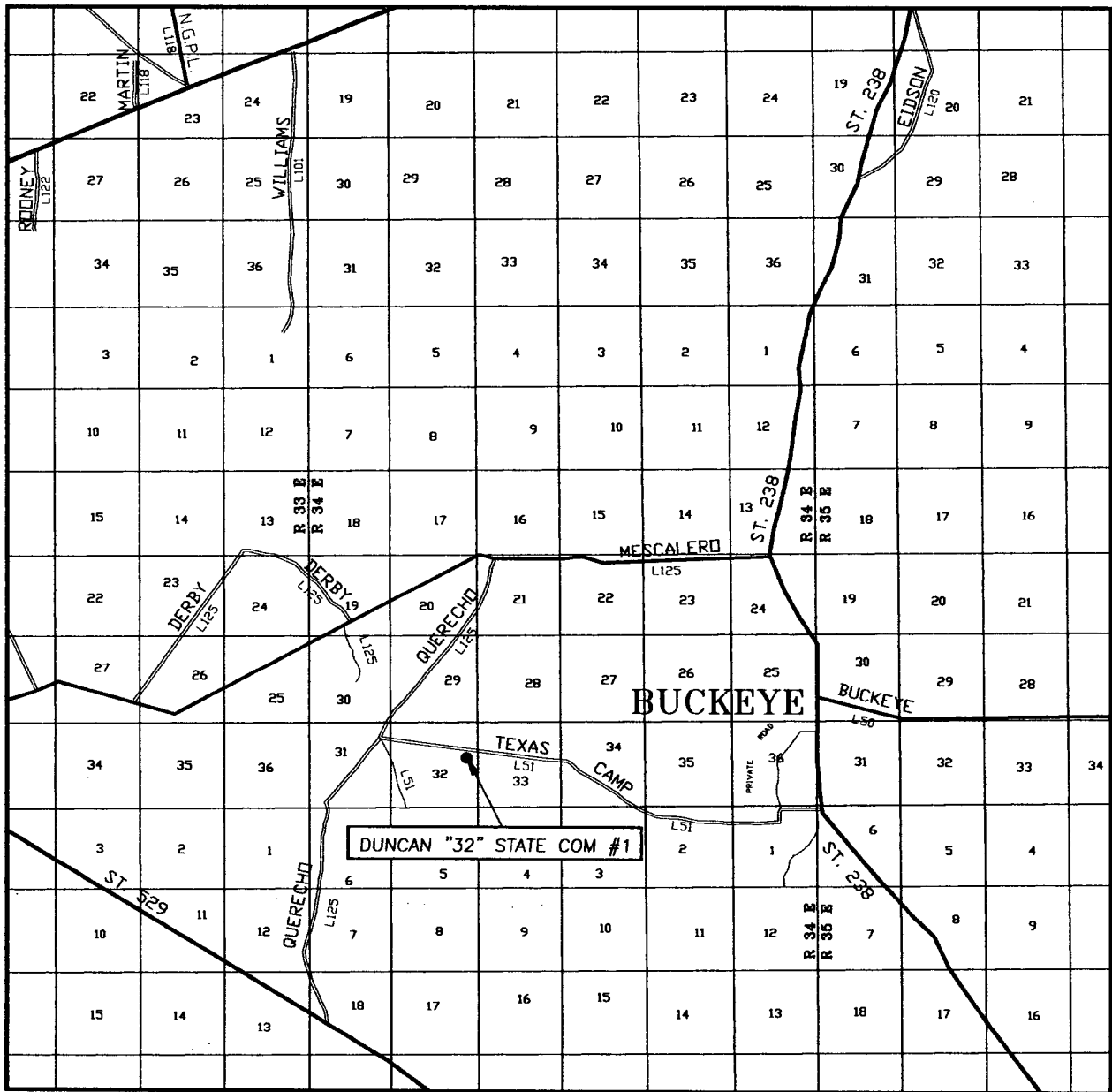
PATTERSON PETROLEUM, L.P.

DUNCAN "32" STATE COM #1 WELL
LOCATED 2245 FEET FROM THE NORTH LINE
AND 660 FEET FROM THE EAST LINE OF SECTION 32,
TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 11/3/04		Sheet 1 of 1 Sheets	
W.O. Number: 04.11.1358		Dr By: J.R.	Rev 1:N/A
Date: 11/9/04	Disk: CD#10	04111358	Scale: 1"=100'



VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 32 TWP. 17-S RGE. 34-E

SURVEY N.M.P.M.

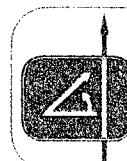
COUNTY LEA

DESCRIPTION 2245' FNL & 660' FEL

ELEVATION 4068'

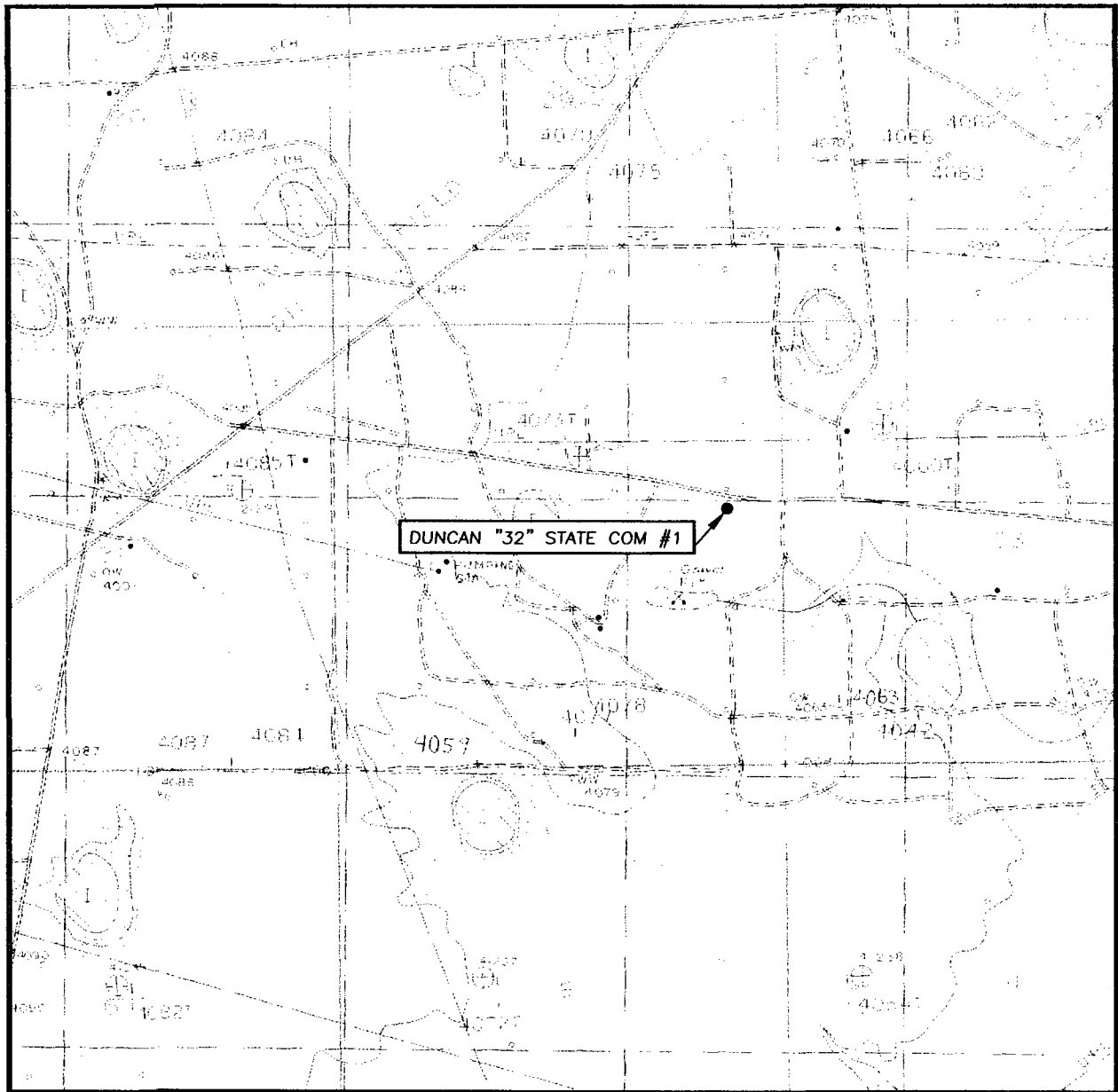
OPERATOR PATTERSON PETROLEUM, L.P.

LEASE DUNCAN "32" STATE COM



PROVIDING SURVEYING SERVICES
SINCE 1948
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBES, N.M. 88240
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BUCKEYE, N.M. — 5'

SEC. 32 TWP. 17-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

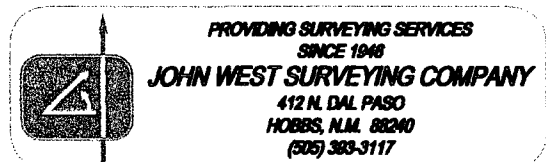
DESCRIPTION 2245' FNL & 660' FEL

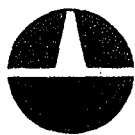
ELEVATION 4068'

OPERATOR PATTERSON
PETROLEUM, L.P.

LEASE DUNCAN "32" STATE COM

U.S.G.S. TOPOGRAPHIC MAP
BUCKEYE, N.M.





PATTERSON PETROLEUM LP

A LIMITED PARTNERSHIP

P.O. Box 1416, Snyder, TX 79550

4510 Lamesa Hwy., Snyder, TX 79549

Phone: 325-573-1938 • Fax 325-573-1939

DRILLING FLUID SYNOPSIS

PATTERSON PETROLEUM LP

Duncan "32" State Com No. 1

Section 32

T-17-S

R-34-E

Lea County, New Mexico

CASING

13 3/8" at 400'

9 5/8" at 4800'

5 1/2" at 13,800'

DEPTH	MUD WT.	VISCOSITY	FLUID LOSS	DRILL SOLIDS	COMMENTS
0' - 400'	8.4 to 9.0	28 to 40	No Control	5%	Spud mud & paper
400' - 4800'	8.4 to 10.3	28 to 33	No Control	1%	Brine water, paper, caustic
4800 - 12,900'	8.4 to 9.2	28 to 30	No Control	1%	Cut-brine, paper & caustic
12,900 - 13,800'	10 to 10.5	36 to 46	10 cc or less	< 5%	Xanthan gum, starch, pac, & caustic

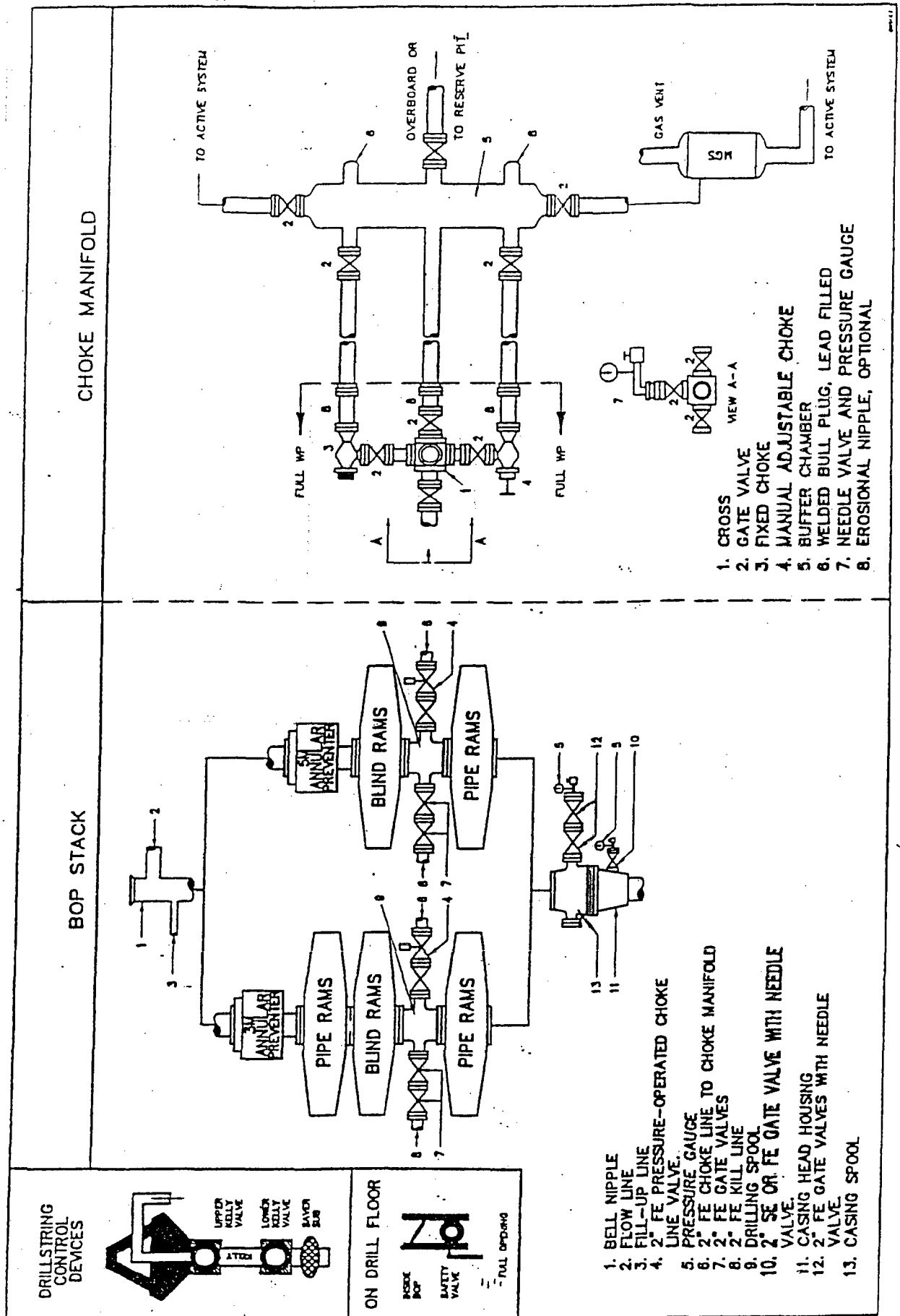


Fig. 2.5. Class 3 BOP and Choke Manifold.

PATTERSON PETROLEUM LP
PROPOSED CASING & CEMENTING PROGRAM

DUNCAN "32" STATE COM WELL NO. 1

13 3/8", 48 lb/ft, H-40 Surface Casing Set at 400' - in a 17 1/2" Hole

Circulate to surface with 500 sacks of Class "C" + 2% CaCl₂ + ¼ lb/sk celloflake

Slurry Weight:	14.8 ppg
Slurry Yield:	1.32 cu.ft/sk
Water Requirement:	6.3 gal./sk

9 5/8", 40 lb/ft, J-55 & N-80 Intermediate Casing Set at 4800' - in a 12¼" Hole

Lead : 1500 sx of 35:65 Poz Class "C" + 5% salt + 6% gel + 1/4 lb/sk celloflake
+ 2/10 % antifoamer

Desired TOC = Surface

Slurry Weight:	12.4 ppg
Slurry Yield:	2.15 cu.ft/sk
Water Requirement:	11.99 gal/sk

Tail : 250 sx of Class "C" Neat

Slurry Weight:	14.8 ppg
Slurry Yield:	1.32 cu.ft/sk
Water Requirement:	6.31 gal/sk

5½", 17 lb/ft, N-80 & P110 Production String Casing Set at 13,800' - in an 8 3/4" Hole

Lead : 700 sx of Halliburton Light H + 5% salt + 3/10% HR-7 retarder

Desired TOC = 8000'

Slurry Weight:	12.7 ppg
Slurry Yield:	1.95 cu.ft/sk
Water Requirement:	10.48 gal/sk

Tail : 300 sx of Halliburton Super H w/ 0.5% Lap-1+ 0.4% dispersant +
0.25% antifoamer and 0.25% retarder

Slurry Weight:	13.2 ppg
Slurry Yield:	1.60 cu.ft/sk
Water Requirement:	8.21 gal/sk



PATTERSON PETROLEUM, LP

1004 N. Big Spring, Suite 523 • Midland, Texas 79701

Phone: 432-685-1414 • Fax 432-685-1133

October 27, 2004

Jeff Albers
Office of the Commissioner of Public Lands
New Mexico State Lands Office
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Re: Request for Approval of Communitization Agreement for the in the E/2 of Section
32, T-17-S, R-34-E, Lea County, New Mexico (Duncan 32 State #1 Well)

Dear Mr. Albers:

Patterson Petroleum, LP, et al, hereby requests approval of the captioned. Submitted herewith is the original signed and notarized Communitization Agreement, one copy of same and our check in the amount of \$30.00. Upon your review, please let me know your decision concerning this matter. Should you have any questions or need further information do not hesitate to call, my toll free phone number is 1-800-470-4200.

Sincerely,

Joe Fitzgerald
Land Manager

COMMUNITIZATION AGREEMENT

STATE OF NEW MEXICO)

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LEA)

THAT THIS AGREEMENT* is entered into as of the 11th day of October, 2004, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable.

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 leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Pennsylvanian formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

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 undersigned as follows:

*This agreement not to be used for helium or carbon dioxide

1. *The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:*

Township 17 South Range 34 East N. M. P. M.

Section 32 : E/2

LEA County, New Mexico,

containing 320 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit "A" showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.

2. *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 leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.*
3. *Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or*

heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

- 4. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.*
- 5. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.*
- 6. The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.*
- 7. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, 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 compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.*
- 8. Patterson Petroleum LP shall be the Operator of said communitized area and all matters of operation shall be determined and performed by Patterson Petroleum LP.*
- 9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to*

market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

- 10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.*
- 11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.*
- 12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.*
- 13. 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 instruments, 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.

14. *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.*

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: PATTERSON PETROLEUM LP

BY: 

Joe Fitzgerald Attorney In Fact

LESSEES OF RECORD:

Burgundy Oil & Gas of NM INC.

BY: 

Name: *Bob Statton*

Title: *Vice-President*

BP America Production Company

BY: 

Name: *Robert C. Hagens*

Title: *Attorney-in-Fact* 

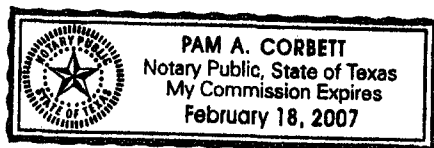
*This agreement not to be used for helium or carbon dioxide

STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 11TH day of October, 2004 by Joe E. Fitzgerald, as Attorney in Fact on behalf of Ratterson Petroleum LP.

2/18/2007
My Commission Expires

Pam A. Corbett
Notary Public

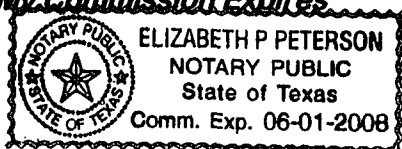


STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 29 day of October, 2004, by (name & title) R.R. Statton, V-P on behalf of Burgundy Oil & Gas NM INC.

6-1-2008
My Commission Expires

Elizabeth P. Peterson
Notary Public



STATE OF TEXAS)
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 26 day of OCTOBER, 2004, by Robert C. Hagens as Attorney in Fact on behalf of BP America Production Company.

My Commission Expires

Helen K. Zapalac
Notary Public

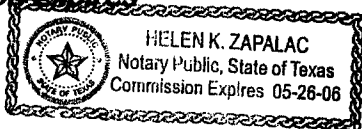


EXHIBIT "A"

Attached to and made a part of that Communitization Agreement dated October 11, 2004 by and between Patterson Petroleum LP, as Operator; and Burgundy Oil & Gas of NM Inc., and BP America Production Company, as Lessee's of Record, covering the E/2 of Section 32, Township 17 South, Range 34 East, Lea County, New Mexico.

Operator of Communitized Area: Patterson Petroleum LP

Description of Leases Committed:

Tract No. 1

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record: Burgundy Oil & Gas of NM Inc.
Serial No. of Lease: B-143-5
Date of Lease: August 14, 1931
Description of Lands Committed: NE/4
No. of Acres: 160 acres more or less

Tract No. 2

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record: BP America Production Company
Serial No. of Lease: E-1448-2
Date of Lease: August 11, 1947
Description of Lands Committed: SE/4
No. of Acres: 160 acres more or less

RECAPITULATION

TRACT NO.	NO. OF ACRES	PERCENTAGE OF INTEREST COMMITTED IN COMMUNITIZED AREA
Lease No. 1	160	50%
Lease No. 2	<u>160</u>	<u>50%</u>
	320	100%

*This agreement not to be used for helium or carbon dioxide

Note to file:



State of New Mexico
OIL CONSERVATION COMMISSION

From

MICHAEL E. STOGNER
PETROLEUM ENGINEER

Re: p SEMO - 432349681

Memo

To 3:30 PM Nov. 24, 2004

Talked w/ Joe Fitzgerald today:

- 1) Operating Agreement mentioned in the appl. is a separate agreement than the communitization - attached. All parties have signed and agreed to the well location. Presumably may have an override in the NE 1/4 of Sec. 32
- 2) All of Sec. has the same beneficiality
- 3) Hobbs OCS said the Aftka and Morrow intervals are standard.

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505-827-5811