**Ray Powell, M.S., D.V.M.**
**COMMISSIONER**

*State of New Mexico*
*Commissioner of Public Lands*
310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

**COMMISSIONER'S OFFICE**
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

July 25, 2013

CIMAREX ENERGY CO. OF COLORADO
600 N. Marienfeld St, Suite 600
Midland, TX 79701

Attn: Kaimi Brownlee

Re: Communitization Agreement Approval (Bone Spring)
Chief 30 State Com Well No. 3
S2N2, Section 30, Township 20 South, Range 35 East, NMPM
Lea County, New Mexico

Dear Ms. Brownlee:

The Commissioner of Public Lands has this date approved the Chief 30 State Com Well No. 3 Communitization Agreement for the Bone Spring formation effective March 1, 2013. Enclosed are three Certificates of Approval.

The term of the Agreement is for one year, and so long thereafter as communitized substances are produced from the communitized area in paying quantities.

If we may be of further service, please contact Will Jones at (505) 827-6628.

Sincerely,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: Larry R. Roybal
LARRY J. ROYBAL, Director
Oil, Gas & Minerals Division
(505) 827-5744
RP/LJR/wvj

# NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

**CIMAREX ENERGY CO. OF COLORADO**
**Chief 30 State Com Well No. 3**
**S2N2, Section 30, Township 20 South, Range 35 East, Lea County, New Mexico**
**Bone Spring**

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There having been presented to the undersigned Commissioner of Public Lands of the State on New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement dated **March 1, 2013**, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

(a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.

(b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.

(c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.

(d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **25th day of July, 2013.**

Ray Powell Jr.

**COMMISSIONER OF PUBLIC LANDS**
**of the State of New Mexico**


COMMISSIONER OF PUBLIC RECORDS
STATE OF NEW MEXICO

# NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

**CIMAREX ENERGY CO. OF COLORADO**
**Chief 30 State Com Well No. 3**
**S2N2, Section 30, Township 20 South, Range 35 East, Lea County, New Mexico**
**Bone Spring**

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There having been presented to the undersigned Commissioner of Public Lands of the State on New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement dated **March 1, 2013**, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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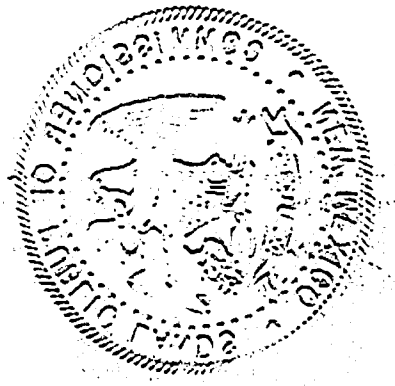
IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **25th day of July, 2013.**

**COMMISSIONER OF PUBLIC LANDS**
**of the State of New Mexico**



# NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

**CIMAREX ENERGY CO. OF COLORADO**
**Chief 30 State Com Well No. 4**
**N2N2, Section 30, Township 20 South, Range 35 East, Lea County, New Mexico**
**Bone Spring**

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There having been presented to the undersigned Commissioner of Public Lands of the State on New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement dated **July 1, 2013**, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

(a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.

(b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.

(c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.

(d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **25th day of July, 2013.**

**COMMISSIONER OF PUBLIC LANDS**
**of the State of New Mexico**

**NM State Land Office**
**Oil, Gas, & Minerals Division**

**STATE/STATE OR**
**STATE/FEE**
Revised March 2007

## COMMUNITIZATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

STATE OF NEW MEXICO )
COUNTY OF LEA ) SS)

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] is entered into as of **March 1, 2013**, 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 **Bone Spring** 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

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

**<u>Township 20 South, Range 35 East, N.M.P.M.</u>**
**Section 30: Lot 2, SE4NW4 & S/2NE/4**
**Lea County, New Mexico**
**Containing 160.12 acres, more or less, in total**

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. **Cimarex Energy Co.** shall be the Operator of said communitized area and all matters of operation shall be determined and performed by **Cimarex Energy Co.**

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 AND RECORD TITLE OWNER (LESSEE OF RECORD):

**Cimarex Energy Co.**

By: _____

Printed Name: Roger Alexander

Title: Attorney-in-Fact

Date: July 10, 2013

ACKNOWLEDGEMENT

STATE OF TEXAS )
)
COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this 10th day ~~of June,~~ July 2013, by Roger Alexander, Attorney-in-Fact for Cimarex Energy Co., a Delaware corporation, on behalf of said corporation.

Viviana M. Bush
Notary Public in and for the State of Texas

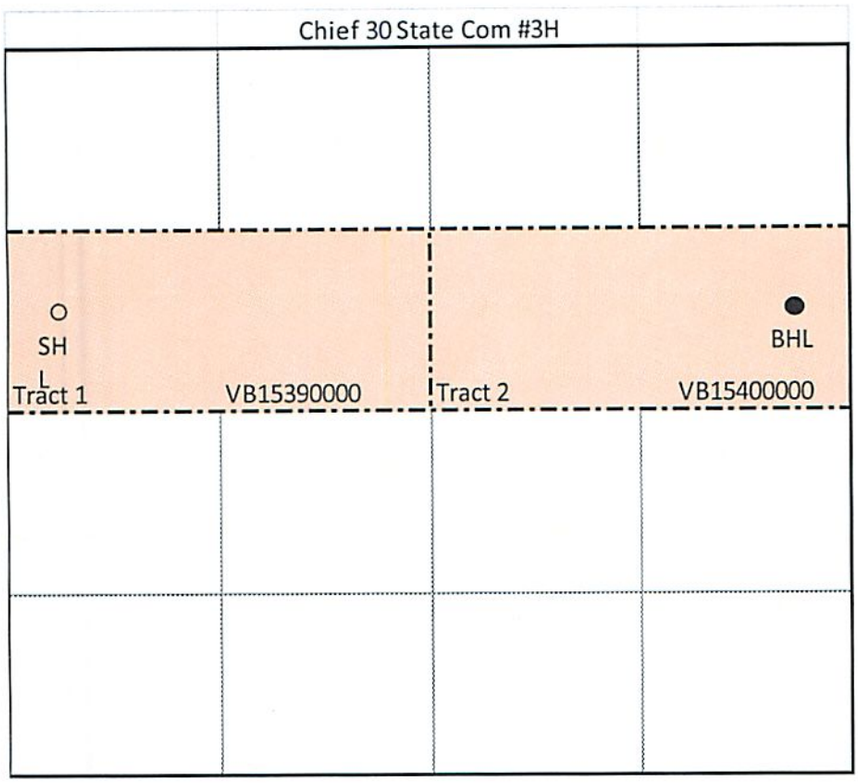
My Commission Expires: 09/26/2016

VIVIANA M. BUSH
Notary Public, State of Texas
My Commission Expires
September 26, 2016

## EXHIBIT A

ATTACHED TO AND MADE PART OF THAT CERTAIN COMMUNITIZATION AGREEMENT DATED MARCH 12, 2013, BETWEEN CIMAREX ENERGY CO., AND THE STATE OF NEW MEXICO, COVERING LOT 2, SE/4NW/4 & S/2NE4 OF SECTION 30, TOWNSHIP 20 SOUTH, RANGE 35 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO

OPERATOR OF COMMUNITIZED AREA: CIMAREX ENERGY CO




## DESCRIPTION OF LEASES COMMITTED

### TRACT NO. 1

| | |
|---|---|
| Serial No.: | VB15390000 |
| Dated: | December 1, 2008 |
| Recorded: | Book 1616, Page 573 |
| Lessor: | State of New Mexico, acting by and through its Commissioner of Public Lands |
| Original Lessee: | Doug J. Schutz |
| Current Lessee: | Cimarex Energy Co. – 100% |
| Description of Lands Committed: | Township 20 South, Range 35 East, N.M.P.M.<br>Section 30: Lot 2 & SE4NW/4<br>Lea County, New Mexico |
| Number of Acres Committed: | 80.12 |

**TRACT NO. 2**

| | |
|---|---|
| Serial No.: | VB15400000 |
| Dated: | December 1, 2008 |
| Recorded: | Book 1616, Page 568 |
| Lessor: | State of New Mexico, acting by and through its Commissioner of Public Lands |
| Original Lessee: | Doug J. Schutz |
| Current Lessee: | Cimarex Energy Co. – 100% |
| Description of Lands Committed: | Township 20 South, Range 35 East, N.M.P.M.<br>Section 30: S2SNE/4<br>Lea County, New Mexico |
| Number of Acres Committed: | 80.00 |

**RECAPITULATION**

| TRACT NUMBER | NUMBER OF ACRES COMMITTED | PERCENTAGE OF INTEREST IN COMMUNITIZED AREA |
|---|---|---|
| 1 | 80.12 | 50.03747% |
| 2 | 80.00 | 49.96253% |
| TOTAL: | 160.12 | 100.00000% |