



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov



IN REPLY REFER TO:
NMNM-139452
3105.2 (P0220)

RECEIVED

DEC 17 2018

December 11, 2018

DISTRICT II-ARTESIA O.C.D.

Reference:
Communitization Agreement
Prince George Federal Com 1H
Section 29: W/2 E/2
T. 15 S., R. 29 E., N.M.P.M.
Chaves County, NM

30.005-641310

Mack Energy Corporation
Attn: Staci Sanders
P.O. Box 960
Artesia, NM 88211-0960

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM-139452 involving 80.00 acres of Federal land in lease NMNM-101106 and 80.00 acres of Federal land in lease NMNM-131583, which comprise a 160.00 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the San Andres formation beneath the W/2 E/2 of section 29, T. 15 S., R. 29 E., NMPM, Chaves County, NM, and is effective November 01, 2018. 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.

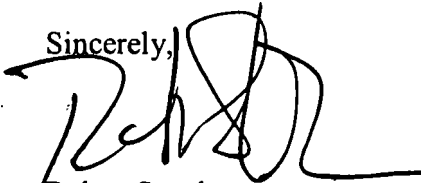
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is 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 Jennifer Sanchez, Petroleum Engineer at (575) 627-0237.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Ruben Sanchez', written over the word 'Sincerely,'.

Ruben Sanchez
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

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

NMOCD

NM (9200) State Director

NM State Land Comm. (Only CA with "State" or "Fee" acreage)

NM (P0220-RFO, File Room) -Lease Files NMNM-101106, NMNM-131583, and CA File NMNM-139452

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:

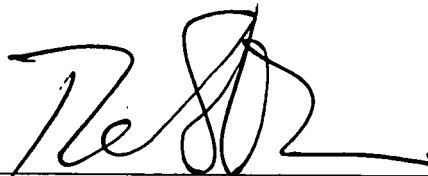
- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement 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 W/2 E/2 of section 29, T. 15 S., R. 29 E., NMPM, as to all producible hydrocarbons from the San Andres formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

Approval also requires operator to submit copies of sundries or any other documentation regarding activity with this well to the Bureau of Land Management (BLM), Roswell Field Office pursuant to Item 9 of the approved Communitization Agreement.

- 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: December 11, 2018



Ruben Sanchez
Assistant Field Manager
Lands and Minerals

Effective: November 01, 2018

Contract No.: Com. Agr. NMNM-139452

COMMUNITIZATION AGREEMENT
Contract No. NMNM 139452

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such Parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

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

Township 15 South, Range 29 East, N.M.P.M.
Section 29: W/2 E/2
Chaves County, New Mexico

containing 160 acres, and this agreement shall include the San Andres Formation underlying said lands and the crude oil and associated natural gas, hereinafter referred to as "communitized substances," producible from such formation.

2. Attached hereto and made a part of this agreement for all purposes, is Exhibit B, designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area, and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas regulations.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the CA area are to be placed in an interest earning escrow or trust account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders rules or regulations.
10. The date of this agreement is November 1, 2018 and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.
12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.
14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented

to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

Operator:

Mack Energy Corporation

By: Staci D. Sanders
Staci D. Sanders
Vice President - Land

Date: 11/2/18

Record Title Owner & Working Interest Owner:

Chase Oil Corporation

By: Staci D. Sanders
Staci D. Sanders
Vice President - Land

Date: 11/2/18

Working Interest Owners:

Robert C. Chase

Robert C. Chase
Robert C. Chase

Date: 11/2/18

Ventana Minerals LLC

By: Staci D. Sanders
Staci D. Sanders, Attorney-in-Fact

Date: 11/2/18

DiaKan Minerals LLC

By: Courtney Lanning
Courtney Lanning, Attorney-in-Fact

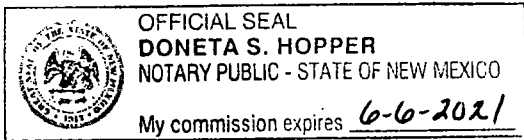
Date: 11/6/18

ACKNOWLEDGEMENTS

STATE OF NEW MEXICO §

COUNTY OF EDDY §

This instrument was acknowledged before me on this 2ND day of November, 2018, by Staci D. Sanders, Vice President-Land for **Mack Energy Corporation**, a New Mexico corporation, on behalf of said corporation.

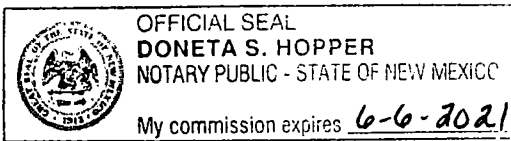


Doneta S. Hopper
Notary Public

STATE OF NEW MEXICO §

COUNTY OF EDDY §

This instrument was acknowledged before me on this 2ND day of November, 2018, by Staci D. Sanders, Vice President-Land for **Chase Oil Corporation**, a New Mexico corporation, on behalf of said corporation.

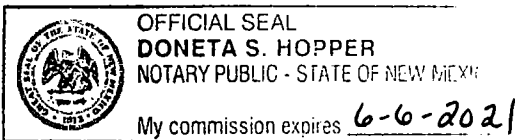


Doneta S. Hopper
Notary Public

STATE OF NEW MEXICO §

COUNTY OF EDDY §

This instrument was acknowledged before me on this 2ND day of November, 2018, by **Robert C. Chase**.

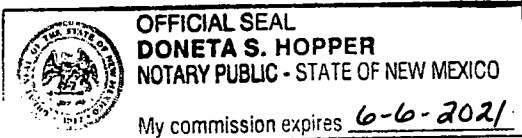


Doneta S. Hopper
Notary Public

STATE OF NEW MEXICO §

COUNTY OF EDDY §

This instrument was acknowledged before me on this 2ND day of November, 2018, by Staci D. Sanders as Attorney-in-Fact of **Ventana Minerals LLC**, a New Mexico limited liability company, on behalf of said company.

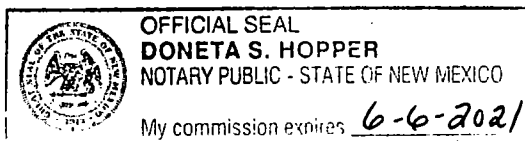


Doneta S. Hopper
Notary Public

STATE OF NEW MEXICO §

COUNTY OF EDDY §

This instrument was acknowledged before me on this 6th day of November, 2018, by Courtney Lanning as Attorney-in-Fact of **DiaKan Minerals LLC**, a Texas limited liability company, on behalf of said company.



Doneta S. Hopper
Notary Public