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United States Department of the Interior

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



TAKE PRIDE
IN AMERICA

MAR 09 2018 PM 02:55

IN REPLY REFER TO:
NMNM137601
3105.2 (P0220)

03/06/2018

Reference:
Communitization Agreement
Palladium MDP1 7-6 Fed Com #6H
Section 06: Lot 1, SENE, E2SE
Section 07: E2E2
T. 24 S., R. 31 E., N.M.P.M.
Eddy County, NM

OXY USA Inc.
Attn: Stacy Rojas
P.O. Box 4294
Houston, TX 77210-4294

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM137601 involving 160.22 acres of Federal land in lease NMNM82904, and 160 acres of Federal land in lease NMNM57273, Eddy County, New Mexico, which comprise a 320.22 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the E2E2 of Section 06 and the E2E2 of Section 07, T. 24 S., R. 31 E, NMPM, Eddy County, NM, and is effective August 15, 2017. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

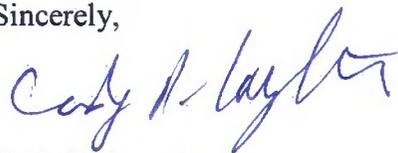
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is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

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

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

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

Sincerely,



Cody R. Layton
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

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

NMOCD

NM (9200)

NM (P0220-CFO, File Room)

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

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 E2E2 of Section 06 and the E2E2 of Section 07, T. 24 S., R. 31 E., NMPM, as to all producible hydrocarbons from the Bone Spring formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

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

Approved: 03/06/2018



Cody R. Layton
Assistant Field Manager
Lands and Minerals

Effective: August 15, 2017

Contract No.: Com. Agr. NMNM137601



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In Reply Refer to
NM137601
3107 (P0220)

Memorandum

To: State Director (9210)

From: Land Law Examiner (P0220)

Subject: First Production, Communitization Agreement NM137601

Date of Completion:	11/18/2017
Date of First Production:	11/19/2017
Field:	Cotton Draw
Operator, Well Name & No, API Number:	Oxy USA, Inc.; Palladium MDP1 7/6 Fed Com 6H; 30-015-44293
Surface Location:	sec. 7, SESE, T. 24 S., R. 31 E.
Bottom Location:	sec. 6, NENE, T. 24 S., R. 31 E.
Total Depth:	20,095 MD; 10,059 TVD
Surface Elevation:	3,525 GL
Producing Formation:	Bone Spring (10,058 – 19,910)
Well Capable of Production in Paying Quantities:	Yes
Initial Daily Production:	Oil 3955 BBL; Gas 4655 MCF; Water 5525 BBL
Current Status:	Producing Oil Well

Remarks: CA NM137601, effective 08/15/2017, communitizes production of all gas and fluid hydrocarbons in the Bone Spring formation beneath sec. 6: E2E2 and sec. 7: E2E2, T. 24 S., R. 31 E., NMPM, and comprises 160.22 acres of Federal land in lease NMNM82904 and 160 acres of Federal land in lease NMNM57273 for a 320.22 acre spacing unit, whose leases are held by actual production. If you have any questions regarding this memorandum, please call Deborah Ham at (575) 234-5965.

/S/ Deborah Ham
03/06/2018

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