

UnitSource Incorporated

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January 5, 2018

Scott Dawson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

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37914
33195

RE: Mesa Verde Bone Spring Unit Area
Lea and Eddy Counties, New Mexico

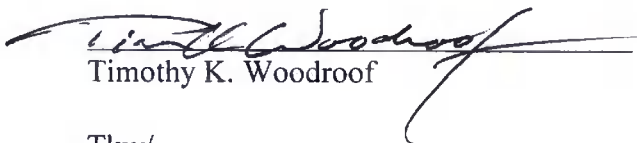
Dear Sir:

Enclosed are copies of the letter dated January 3, 2018, from the Bureau of Land Management and letter dated December 18, 2017 from the State of New Mexico Commissioner of Public Lands advising of the approval of the Mesa Verde Bone Spring Unit Agreement.

On behalf of Oxy USA, Inc. and UnitSource Incorporated, I wish to thank you for the help and cooperation which you have extended in this project.

Sincerely,

UNITSOURCE INCORPORATED


Timothy K. Woodroof

Tkw/

Enclosures



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



NMNM 137096X
3180 (P0220)

January 3, 2018

Reference:

Mesa Verde Bone Spring Resource Development Unit
Lea County, New Mexico
Eddy County, New Mexico
Final Approval of Unit Agreement

Oxy USA, Inc.
5 Greenway Plaza
Suite 110
Houston, TX 77046-0521

Dear John Schneider:

The Mesa Verde Bone Spring Unit Agreement, Lea County and Eddy County, New Mexico, is approved and effective on December 22, 2017. This agreement has been assigned No. NMNM137096X.

The basic information is as follows:

1. The unit agreement submitted for the area designated shall provide for an initial horizontal obligation well to be drilled in conformity with the terms of Section 9 of the Unit Agreement.
2. The unitized formation is from the top of the Bone Spring Formation to the top of the Wolfcamp Formation as defined in Section 3 of the Unit Agreement.
3. The unit embraces 3,461.80 acres, more or less, of which 90.76% is Federal.

4. The following Federal leases embrace lands within the unit area:

Tract No.	Description	Acres	Serial Number	Expiration Date
*1	T. 24S, R. 32E NMPM Sec 17: N/2 Sec. 18: N/2NE/4, SE/4NE/4	440	*NMNM 16353	HBP
*2	T. 24S, R. 32E NMPM Sec. 7: E/2NE/4, SE/4 Sec. 8: N/2, NW/4SW/4 Sec. 9: W/2	920	*NMNM 55953	HBP
3	T. 24S, R. 32E NMPM Sec. 17: S/2 Sec. 18: Lots 3, 4, E/2SW/4, SE/4	651.15	NMNM 66925	HBP
*4	T. 24S, R. 32E NMPM Sec. 8: E/2SW/4, SW/4SW/4, SE/4	280	*NMNM 90812	HBP
5	T. 24S, R. 32E NMPM Sec. 18: Lots 1, 2, SW/4NE/4, E2NW/4	210.65	NMNM 113965	HBP
6	T. 24S, R. 31E NMPM Sec. 13: All	640	NMNM 114979	HBP
Total Federal acres		3,141.80		

* indicates committed leases to be considered for segregation pursuant to Section 18(g) of the unit agreement, Public Law 86-705, and 43 CFR 3107.3-2:

Lease NMNM 16353 is held by production by three producing wells (Exxon 'A' Federal #1, API# 30-025-28069; Exxon 'A' Federal #3, API# 30-025-28479; and Outrider Federal #6H, API# 30-025-42932) on the acreage outside the Mesa Verde Bone Spring Unit, and has no producing wells on the acreage inside the Mesa Verde Bone Spring Unit.

Lease NMNM 55953 is held by production by two producing wells (Mesa Verde '7' Federal #1, API# 30-025-32398, and Bimini '8' Federal Com #2H, API# 30-025-4113) on the acreage inside the Mesa Verde Bone Spring Unit and has no producing wells on the acreage outside the Mesa Verde Bone Spring Unit.

Lease NMNM 90812 is held by production by three producing wells (Mesa Verde 8 Federal Com #2, API# 30-025-37914; Bimini '8' Federal Com #2H, API# 30-025-4113; and Nafta '8' Federal #1, API# 30-025-33195) on the acreage inside the Mesa Verde Bone Spring Unit, and has no producing wells on the acreage outside the Mesa Verde Bone Spring Unit.

All lands and interests are partially committed, effectively committed, or fully committed. The operator shall attempt to have all tracts fully committed within two years of the effective date of this unit agreement.

In view of the foregoing commitment status, effective control of operations within the unit area is assured. We are of the opinion that the agreement is necessary and advisable in the public interest and for the purpose of more properly conserving natural resources.

This unit provides for the drilling of an obligation well pursuant to Section 9 of the Unit Agreement. The obligation well is considered to be a contractual commitment on the part of the Unit Operator. No extension of time will be granted to commence the obligation well other than "unavoidable delay" per Section 25 of the Unit Agreement, where justified. Any extension granted for "unavoidable delay" requires convincing written justification and documentation prior to the critical date, and is limited to 30 days with possible renewal for 30-day periods if the delay is extensive, with timely written documentation for each extension. The operator shall submit a paying well determination after 6 months of production.

Pursuant to 43 CFR 3183.4(b) and Section 9 of the Unit Agreement, if the Public Interest Requirement is not fulfilled, the unit will be declared invalid and no lease committed to this agreement shall receive the benefits of 43 CFR 3107.3-2 and 3107.4.

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.

All unit wells shall be operated by the Unit Operator.

Copies of the approved agreement are being distributed to the appropriate Federal offices. You are requested to furnish all interested parties with appropriate evidence of this approval.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Stovall", is written over the printed name.

Jim Stovall
Pecos District Manager

Enclosures

cc:

ONRR, Denver (MS357B-1)

New Mexico Taxation & Revenue Dept.
Revenue Processing Division

LLNM9210

NMP0220

CERTIFICATION-DETERMINATION


Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. sec 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3180, I do hereby:

Approve the attached agreement for the development and operation of the Mesa Verde Bone Spring Unit Area, Lea County and Eddy County, State of New Mexico. This approval shall be invalid ab initio if the public interest requirement under § 3183.4(b) of this title is not met.

Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

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

Dated: January 3, 2018


James Stovall
Field Manager
Bureau of Land Management

Contract No: NMNM 137096X



Aubrey Dunn
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

OXY USA Inc.
ATTN: Mr. John Schneider
PO Box 27757
Houston, TX 77227-7757

December 18, 2017

RE: Final Approval of Unit Agreement
Mesa Verde Bone Spring Unit
Lea and Eddy Counties, New Mexico

Dear Mr. Schneider:

This office has received your agent's letter of November 15, 2017 in which OXY requested final approval for the Mesa Verde Bone Spring Unit, Lea and Eddy Counties, New Mexico.

The New Mexico State Land Office has this date granted final approval for the Mesa Verde Bone Spring Unit Agreement. State Land Office approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

- The unit agreement becomes effective on the effective date designated by the BLM.
- Your filing fee of \$490 (\$700 minus the \$210 fee submitted on March 22, 2017) has been received.
- Enclosed are five (5) Certificates of Approval.
- Please note the attached checklist to assist in completing the NM State Land Office requirements for this unit.

If you have any questions or if we may be of further assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791.

Respectfully


AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: NMOCD – Attn: Mr. Daniel Sanchez
RMD – Attn: Mr. Roddy Martinez
BLM Carlsbad – Attn: Mr. Chris Walls
OGMD and Units Reader Files

NM State Land Office Post-Approval Checklist
For Mesa Verde Bone Spring Unit

- ☐ Within six (6) months after the effective date of the unit, spud the initial obligation well for the unit.
- ☐ After 6 months from first production of the initial well, submit a "paying quantities" determination request
 - ☐ if the initial well is on Federal acreage, to the Bureau of Land Management, or
 - ☐ to the Land Commissioner if the obligation well is on State Trust acreage.
- ☐ Name all unit wells as "Mesa Verde Bone Spring Unit" wells.

Plans of Development

Plans of development should include (1) the number and location of any wells to be drilled and the proposed order and time for such drilling and (2) a summary of operations and production for the previous year.

(3) For the New Mexico State Land Office, also include a map that illustrates both current and planned infrastructure for the unit: well locations, tank batteries, gathering systems, and any other facilities that may impact the surface of New Mexico State Trust lands.

- ☐ Within twelve (12) months after receiving a "paying quantities" determination for the unit, submit a plan of development and operation for the unit. The plan should be submitted to the Bureau of Land Management, the New Mexico State Land Office, and the New Mexico Oil Conservation Division.
- ☐ File subsequent plans of development on a calendar year basis not later than March 1 each year.



Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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Fax (505) 827-5766

www.nmstatelands.org

XTO Energy Inc.
ATTN: Mr. Law Armstrong
810 Houston Street
Fort Worth, TX 76102-6298

December 18, 2017

Re: Poker Lake Unit
Commercial Well Determination
Poker Lake Unit #303H
Delaware Formation
Eddy County, New Mexico

Dear Mr. Armstrong:

We are in receipt of your letter of August 30, 2017, together with the commercial determination data for the above referenced well.

The Bureau of Land Management, by their letter of November 13, 2017, advised this office that they agree with your determination that the Poker Lake Unit #303H is not capable of producing unitized substances in paying quantities from the Delaware Formation.

Please be advised that the New Mexico State Land Office concurs with the Bureau of Land Management's determination:

Well Name & Number	Location	Pool/Formation	Completion Date	NM State Land Office Determination
Poker Lake Unit #303H API # 30-015-37646	4-25S-31E	Poker Lake; Delaware South (50386)	5/5/2012	Non-Commercial

This well should be produced on a lease or communitization basis. The well's Delaware completion is not entitled to be part of a Participating Area.

If you have any questions or if we may be of further assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791.

Respectfully,


AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

OCD -Attn: Mr. Daniel Sanchez

RMD - Attn: Mr. Roddy Martinez

BLM Carlsbad - Attn: Mr. Chris Walls

OGMD - Well Designation Coordinator

OGMD and Units Reader Files