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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



FEB 16 2018 PM 01:05

IN REPLY REFER TO:
NMNM137582
3105.2 (P0220)

02/13/2018

Reference:
Communitization Agreement
Cedar Canyon 23-24 Fed Com #34H
T. 24 S., R. 29 E., N.M.P.M.
Section 23: S2S2
Section 24: S2SW
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 NMNM137582 involving 40.00 acre of Fee land, 120.00 acres of Federal land in lease NMNM81586, and 80.00 acres of Federal land in lease NMNM88138, Eddy County, New Mexico, which comprise a 240.00 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath S2S2 of Section 23, and the S2SW of Section 24, T. 24 S., R. 29 E., NMPM, Eddy County, NM, and is effective July 1, 2017. This agreement will affect only the production from the wellbore of the Cedar Canyon 23-24 Fed Com #34H well located at an approximate surface location of 319' from the South line and 88' from the West line of Section 23, T. 24 S., R. 29 E., and a bottom hole location of 940' from the South line and 2360' from the West line of Section 24, T. 24 S., R. 29 E., East, and shall not affect the allocation of production to any existing wells on the above described lands or on lands previously communitized with any of the above described lands. 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.

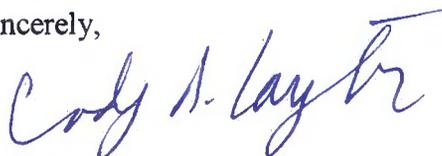
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is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

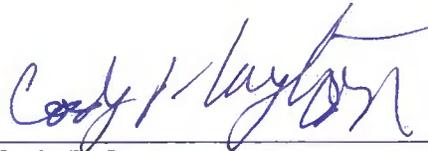
- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement 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 S2S2 of Section 23, and the S2SW of Section 24, T. 24 S., R. 29 E., NMPM, (wellbore of the Cedar Canyon 23-24 Fed Com #34H))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.

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), Carlsbad 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: 02/13/2018



Cody R. Layton
Assistant Field Manager
Lands and Minerals

Effective: July 1, 2017

Contract No.: Com. Agr. NMNM137582



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 E. Greene
Carlsbad, New Mexico 88220-6292
www.nm.blm.gov



In Reply Refer to
NM137582
3107 (P0220)

Memorandum

To: State Director (9210)

From: Land Law Examiner (P0220)

Subject: First Production, Communitization Agreement NM137582

Date of Completion: 08/31/2017
Date of First Production: 09/04/2017
Field: Pierce Crossing
Operator, Well Name & No, API Number: Oxy USA, Inc.; Cedar Canyon 23/24 Fed Com 34H;
30-015-44178
Surface Location: SWSW, sec. 23, T. 24 S., R. 29 E.
Bottom Location: SESW, sec. 24, T. 24 S., R. 29 E.
Total Depth: 17,582 MD; 10,119 TVD
Surface Elevation: 2,918 GL
Producing Formation: Bone Spring (10,188 – 17,410)
Well Capable of Production in Paying Quantities: Yes
Initial Daily Production: Oil 3593 BBL; Gas 7695 MCF; Water 13569 BBL
Current Status: Producing Oil Well

Remarks: CA NM137582, effective 07/01/2017, communitizes production of all gas and fluid hydrocarbons in the Bone Spring formation beneath sec. 23: S2S2 and sec. 24: S2SW, T. 24 S., R. 29 E., NMPM, and comprises 40 acres of Fee land. 120 acres of Federal land in lease NMNM81586 and 80 acres of Federal land in lease NMNM88138 for a 240 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**
02/13/2018

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