



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office

6251 College Blvd. - Suite A

Farmington, New Mexico 87402

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SEP 15 A 3: 19

IN REPLY REFER TO:
NMNM 132818 (CA)
3105 (NMF0110)

September 9, 2016

Southland Royalty Co LLC
ATTN: Gene Caldwell
400 West 7th Street
Fort Worth, TX 76102

Dear Mr. Caldwell:

Reference is made to Communitization Agreement (CA) NMNM 132818 approved and effective on July 7, 2014. The agreement communitized 80.00 acres of Federal minerals in lease NMNM 29339 and 80.00 acres of Fee minerals described as NE/4 of Section 15, T. 32N., R. 4W., NMPM, Rio Arriba County, New Mexico as to natural gas and associated liquid hydrocarbons producible from the Pictured Cliffs formation. The term of the agreement was for two years and so long thereafter as communitized substances are, or can be produced in paying quantities.

Our records show the Carracas Unit FR No. 104 well was dedicated to the above-described communitized spacing unit. According to our records, the Pictured Cliffs was to be added as a new pay zone for this well. While drilling the well bore was damaged. On 07/18/2014 Energen Resources Corporation proposed to plug and abandoned (P+A) wellbore. The BLM Geologic and Engineering staff had reviewed and approved the intent. The USFS was notified by Energen. On October 1, 2014 the well was P+A. On October 3, 2014, a dry hole marker was set. The public interest requirements for an approved communitization agreement were not met and are now invalid *ab initio* under section 3105.2-3.

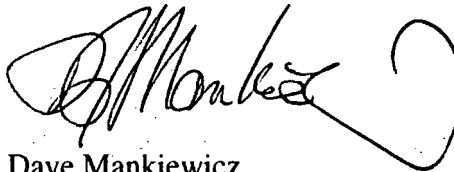
Lease NMNM 29339 is held by actual production. The Carracas 10B No 15 well, located in Sec 10, T. 32N, R 4W. SWSE with an API number of 30-039-25384. The well reports to Communitization Agreement NMNM-103101.

Under 43 CFR 3165.3, you may request an Administrative Review of any instructions, orders, or decisions issued by the Authorized Officer. Such a request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such a request will not result in a suspension of the instructions, orders, or decisions unless the

reviewing official so determines. Procedures governing appeals from the instructions, orders, or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et. Seq.

If you have any questions regarding this agreement, please contact Cynthia Marquez at the address above address, email cmarquez@blm.gov or telephone (505) 564-7741.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Mankiewicz", with a large, sweeping flourish extending from the end of the signature.

Dave Mankiewicz
Assistance Field Manager, Minerals

Distribution:

NMSO-1

ONRR, MS-357-B1, Denver CO-1

NM Tax & Revenue. Dept.-1

NMOCD-1

CA file:NMNM132818-1

Lease Files NMNM 29339-1

NMF01110: CMarquez: cm: 09/08/2016: X7741: U: Term CA/Energen//NMNM132818