



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

30 015 43579



3105
(3105.2)
CA NMNM138284

AUG 09 2018 PM 03:20

08/06/2018

CERTIFIED MAIL - RETURN RECEIPT REQUESTED
7018 1130 0001 3251 0502

Costilla Energy
P.O. Box 10369
Midland, TX 79702-7369

Re: Communitization Agreement No. NMNM138284
Ross Draw 25 Fed Com 31H Well
Sec. 25, W2W2; Sec. 36, NWNW, Lot 1
T. 26 S., R. 29 E.
Eddy County, New Mexico

Gentlemen:

On June 5, 2018 we sent you a letter stating that we were in the process of reviewing the above referenced communitization agreement (CA) which was recently submitted by XTO Energy, INC., the CA operator. We were notified by the CA operator that they had been unable to obtain a signature from you committing your interest as a record title owner in the communitized area that would allow the BLM to approve the proposed CA. You are listed as a record title owner for Federal Oil and Gas Lease No. NMNM35607 (Tract 1) which is part of the proposed CA.

Section 4 of your lease terms for Lease No. NMNM35607 states that the lessor reserves the right to specify rates of development and production in the public interest and to require the lessee (record title owner) to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation embracing the leased lands. We have determined that it is in the best interest of the Federal government to approve the proposed CA.

Our records indicate you failed to respond to our letter dated June 5, 2018. As a result, we hereby commit your record title interest in Lease No. NMNM35607 to CA No. NMNM138284,

effective October 13, 2016, (the effective date of the CA), in accordance with the terms and provisions of Lease No. NMNM35607.

This decision may be appealed in accordance with 43 CFR-3165.3(b).

If you would be interested in discussing this situation further, please call Deborah Ham, Land Law Examiner, at (575) 234-5965.

Sincerely,



Acting For:

Cody Layton
Assistant Field Manager,
Lands and Minerals

cc: Mr. Carlos de la Garza
XTO Energy, Inc.
810 Houston Street
Fort Worth, TX 76102



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3105
(3105.2)
CA NMNM138284

AUG 09 2018 PM 03:21

08/06/2018

CERTIFIED MAIL - RETURN RECEIPT REQUESTED
7018 1130 0001 3251 0472

Mr. James W. Brock
P.O. Box 2872
Odessa, TX 79760

Re: Communitization Agreement No. NMNM138284
Ross Draw 25 Fed Corn 31H Well
Sec. 25, W2W2; Sec. 36, NWNW, Lot 1
T. 26 S., R. 29 E.
Eddy County, New Mexico

Dear Mr. Brock:

On June 5, 2018 we sent you a letter stating that we were in the process of reviewing the above referenced communitization agreement (CA) which was recently submitted by XTO Energy, INC., the CA operator. We were notified by the CA operator that they had been unable to obtain a signature from you committing your interest as a record title owner in the communitized area that would allow the BLM to approve the proposed CA. You are listed as a record title owner for Federal Oil and Gas Lease No. NMNM35607 (Tract 1) which is part of the proposed CA.

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effective October 13, 2016, (the effective date of the CA), in accordance with the terms and provisions of Lease No. NMNM35607.

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If you would be interested in discussing this situation further, please call Deborah Ham, Land Law Examiner, at (575) 234-5965.

Sincerely,



Acting For:

Cody Layton

Assistant Field Manager,
Lands and Minerals

cc: Mr. Carlos de la Garza
XTO Energy, Inc.
810 Houston Street
Fort Worth, TX 76102



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AUG 09 2018 PM 08:20

IN REPLY REFER TO:

NM138284

3105.2 (P0220)

08/06/2018

Reference: FINAL APPROVAL
Communitization Agreement
Ross Draw 25 Fed Com 31H
Sec. 25, W2W2
Sec. 36, W2NW
T. 26 S., R. 29 E.
Eddy County, NM

XTO Energy Inc.
810 Houston Street
Fort Worth, TX 76102-6298

Gentlemen:

This letter is for the **final approval** of the Communitization Agreement NMNM138284 involving 120 acres of Federal land in lease NMNM35607, 40 acres of Federal land in lease NMNM41646 and 63.97 acres of State land, Eddy County, New Mexico, which comprise a 223.97 acre well spacing unit. Final approval has been granted and final force pool letters have been mailed to the lessees of record that XTO Energy, Inc. and Bureau of Land Management, Carlsbad Field Office were unable to locate. A copy of this letter is included.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath Sec. 25, W2W2 and Sec. 36, W2NW, T. 26 S., R. 29 E., NMPM, Eddy County, NM, and is effective 11/13/2016. 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.

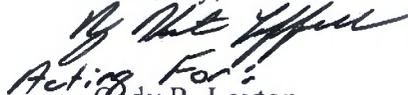
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is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



Acting For:
Cody R. Layton
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)

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 sec. 25, W2W2 and sec. 36, W2NW, T. 26 S., R. 29 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.

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: 08/06/2018

Cody R. Layton
Acting For:

Cody R. Layton
Field Manager,
Lands and Minerals

Effective: 11/13/2016

Contract No.: Com. Agr. NM138284



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 E. Greene
Carlsbad, New Mexico 88220-6292
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In Reply Refer to
NM138284
3107 (P0220)

AUG 09 2018 PM03:20

Memorandum

To: State Director (9210)

From: Legal Instrument Examiner (P0220)

Subject: First Production, Communitization Agreement NM138284

Date of Completion:	06/02/2017
Date of First Production:	06/02/2017
Field:	WC-015 G-03 S262925D
Operator, Well Name & No, API Number:	XTO Energy; Ross Draw 25 Fed Com 31H; 30-015-43579
Surface Location:	NWNW; sec. 25, T. 26 S., R. 29 E.
Bottom Location:	Lot 1; sec. 36, T. 26 S., R. 29 E.
Total Depth:	15,296' MD; 8,794' TVD
Surface Elevation:	2,927' GL
Producing Formation:	Bone Spring (9,100' – 15,147')
Well Capable of Production in Paying Quantities:	Yes
Initial Daily Production:	Oil 210 BBL; Gas 552 MCF; Water 1097 BBL
Current Status:	Producing Oil Well

Remarks: CA NM138284, effective 11/13/2016, communitizes production of all gaseous and fluid hydrocarbons in the Bone Spring formation beneath the W2W2 of sec. 25, and the W2NW of sec. 36, T. 26 S., R 29 E., NMPM, and is comprised of 120 acres of Federal land in lease NMNM35607, 40 acres of Federal land in lease NMNM41646 and 63.97 acres of State land for a 223.97 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
08/06/2018

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