



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



IN REPLY REFER TO:

NMNM138273

3105.2 (P0220)

06/07/2018

Reference:

Communitization Agreement

Cottonwood 29-32 Federal Com 1H & 2H

Section 29: All,

Section 32: N2N2, Lots 1-4.

T. 26 S., R. 26 E., N.M.P.M.

Eddy County, NM

Chisholm Energy Operating, LLC

801 Cherry Street, Suite 1200-Unit 20

Fort Worth, TX 76102

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM138273 involving 640 acres of Federal land in lease NMNM113944, and 252.20 acres of State land, Eddy County, New Mexico, which comprise a 892.20 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath All, Sec. 29, and N2N2, Lots 1-4 in Sec. 32, T. 26 S., R. 26 E., NMPM, Eddy County, NM, and is effective October 30, 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.

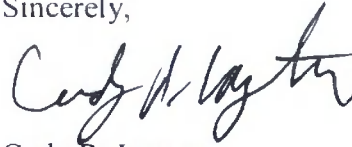
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is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

A handwritten signature in black ink, appearing to read "Cody R. Layton". The signature is fluid and cursive, with the first name "Cody" being more prominent.

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.

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:

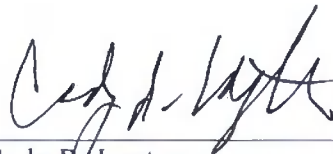
- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement 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 All of sec. 29, and the N2N2, Lots 1-4 sec. 32, T. 26 S., R. 26 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: 06/07/2018



Cody R. Layton
Assistant Field Manager
Lands and Minerals

Effective: October 30, 2017

Contract No.: Com. Agr. NMNM138273



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620 E. Greene
Carlsbad, New Mexico 88220-6292
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In Reply Refer to
NM138273
3107 (P0220)

Memorandum

To: State Director (9210)

From: Land Law Examiner (P0220)

Subject: First Production, Communitization Agreement NM138273

Date of Completion:	10/30/2017
Date of First Production:	11/20/2017
Field:	Welch
Operator, Well Name & No, API Number:	Chisholm Energy.; Cottonwood 29/32 Fed Com 2BS 2H; 30-015-43704
Surface Location:	sec. 29, NWNW, T.26 S., R.26 E.
Bottom Location:	sec. 32, Lot 3, T.26 S., R.26 E.
Total Depth:	13,960 MD; 6,716 TVD
Surface Elevation:	3,433 GL
Producing Formation:	Bone Spring (7,168 – 13,858)
Well Capable of Production in Paying Quantities:	Yes
Initial Daily Production:	Oil 164 BBL; Gas 1912 MCF; Water 2424 BBL
Current Status:	Producing Oil Well

Remarks: CA NM138273, effective 10/30/2017, communitizes production of all gas and fluid hydrocarbons in the Bone Spring formation beneath all sec. 29, and sec. 32, N2N2 and Lots 1-4, T. 26 S., R. 26 E., NMPM, and comprises 640 acres of Federal land in lease NMNM113944 and 252.20 acres of State land for a 892.20 acre well 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

06/07/2018

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