July 7, 2015

*Sent Via Email and/or Certified Mail*

Bureau of Land Management
Carlsbad Field Office
Attn: Mr. Ed Fernandez
620 East Greene Street
Carlsbad, New Mexico 88220

RE:    Cedar Lake Modified Communitization Agreement Effective Date
       T17S-R31E, Eddy County, New Mexico
       Sections 3, 4, 5, 6, 7, 8, 9 and 10

Mr. Fernandez:

Apache Corporation ("Apache") recently went to a New Mexico Oil Conservation Division Hearing in regards to the Bureau of Land Management's approved Modified Communitization Agreement ("Agreement") covering the above eight (8) sections in Eddy County, New Mexico. During the hearing, some concern was exhibited in regards to the effective date as outlined in paragraph ten (10) of the Agreement. Paragraph ten (10) states the effective date of the Agreement is November 1, 2013 or "from the onset of production of Communitized Substances, whichever is earlier." Because there was already existing production on the lands being communitized, it could be interpreted that the effective date of the Agreement is or should be earlier than November 1, 2013. I have discussed this with COG Operating LLC, the other working interest owner that is a party to the Agreement, and we both agree that we would like to amend the Agreement such that Paragraph ten (10) reads "The date of this Agreement is November 1, 2013 and it shall become effective as of this date upon execution by the necessary parties..." and remove "or from the onset of production of Communitized Substances, whichever is earlier." I'm unsure what the best way would be to effectuate this change and your input would be greatly appreciated.

Sincerely,

Christopher T. Lanning
Senior Landman
Apache Corporation – Permian Region
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hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this Agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. The date of this Agreement is November 1, 2013 and it shall become effective as of this date ~~or from the onset of production of Communitized Substances, whichever is earlier~~, upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect as to the formations covered hereby for a period of 2 years and for as long as Communitized Substances are, or can be, produced from the Communitized Area in paying quantities. Provided, that prior to production in paying quantities from the Communitized Area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This Agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the Communitized Area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2 year term of this Agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. This Agreement is warranted and determined necessary to the ongoing development occurring in the Communitized Area. Thus, not later than six (6) months after the effective date hereof, the operator of the Communitized Area shall commence to drill an adequate well at a location approved by the AO, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently to fully develop the Glorieta and Yeso formations within the Communitized Area and can be produced in paying quantities(to wit: a well that is capable of producing oil or gas of sufficient value to exceed direct operating costs and the cost of lease rentals or minimum royalty). The operator shall continue drilling one well at a time, allowing not more than six (6) months between completion of one well and the commencement of drilling operations for the next well, until the Communitized Area is fully developed. The AO may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in the AO's opinion, such action is warranted.

12. The failure to commence a well subsequent to the drilling of the well or wells that initiated this Agreement within the time allowed, including any extension of time granted by the AO, shall cause this Agreement to terminate automatically. Upon failure to continue drilling diligently additional well(s) commenced hereunder, the AO may, after fifteen (15) days notice to the operator of the Communitized Area, declare this Communitization Agreement terminated. Failure to commence drilling an additional well, or the first of multiple wells, on time and to drill diligently shall result in the Agreement approval being declared invalid ab initio by the AO. In case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the Agreement approval being declared invalid ab initio by the AO.

13. The operator shall submit for the approval of the AO an acceptable Plan of Development and Operation for the Communitized Area which, when approved, shall constitute the further drilling and development obligations of the operator under this Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the operator of the Communitized Area shall submit for the approval of the AO a plan for an additional specified period for the development and operation of the Communitized Area. Subsequent plans shall be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing plan shall be filed as a supplement to the plan.