

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING SEPTEMBER 28, 2017**

**CASE No. 15845**

*CICADA UNIT*

**EDDY COUNTY, NEW MEXICO**





FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF  
THE  
CICADA UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO

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FOR THE DEVELOPMENT AND OPERATION  
OF THE  
CICADA DEVELOPMENT UNIT AREA

COUNTY OF EDDY  
STATE OF NEW MEXICO

NO. \_\_\_\_\_

**THIS FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT** ("Agreement"), entered into as of December 1, 2016, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto";

**THIS AGREEMENT** is limited in applicability to wells containing a lateral or laterals drilled, completed or recompleted so that the horizontal component of the completion interval extends at least one hundred feet (100 ft.) in the objective formations (Horizontal Well(s)). All pre-existing and future vertical wells within the Unit boundary drilled and completed in the Wolfcamp formation (Section 3. UNITIZED LAND AND UNITIZED SUBSTANCES) are excluded from this Agreement.

WITNESSETH:

**WHEREAS**, the parties hereto are the owners of working, royalty or other oil and gas interests in the unit area subject to this agreement; and

**WHEREAS**, the Mineral Leasing Act of February 25, 1920 (41 Stat. 437), as amended (30 U.S.C 181 et seq.), authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a unit plan of development or operations of any oil and gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest.

**WHEREAS**, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 19-10-45. 46,47 NM Statutes 1978 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and

**WHEREAS**, the Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division", is authorized by an act of the Legislature (Chapter 70 and 71, NM Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

**WHEREAS**, the parties hereto hold sufficient interests in the CICADA Development Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

**WHEREAS**, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

**NOW, THEREFORE**, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

**1. ENABLING ACT AND REGULATIONS.** The Acts of March 3, 1909 and of February 25, 1920, as amended, supra, and all valid pertinent regulations including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the Effective Date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of New Mexico, are hereby accepted and made a part of this agreement.



2. **UNIT AREA.** The following described land is hereby designated and recognized as constituting the unit area:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.

Section 23: All

Section 26: All

Section 35: All

TOWNSHIP 26 SOUTH, RANGE 27 EAST, N.M.P.M.

Section 1: All

Section 2: All

Section 10: All

Section 11: W/2

Section 12: All

Section 14: W/2

Section 15: All

Eddy County, New Mexico

containing, 5760.00 acres, more or less.

Exhibit "A" attached hereto and made a part of this agreement for all purposes, shows, in addition to the boundary of the unit area, the boundaries and identities of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits "A" and "B" shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in the Exhibits as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized Officer, hereinafter referred to as "AO", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than four (4) copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office, one (1) copy with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Division of the Energy and Minerals Department, herein after referred to as "Division".

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement and/or as required by the AO and the Commissioner of Public Lands. Such expansion or contraction shall be effected in the following manner:

- (a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, or the Land Commissioner (after preliminary concurrence by the AO and Land Commissioner) shall prepare a Notice of Proposed Expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, any plans for additional drilling, and the proposed effective date of the expansion, preferably the first day of a month subsequent to the date of notice.
- (b) Said notice shall be delivered to the proper Bureau of Land Management office, the Land Commissioner, and the Division, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interest(s) are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.
- (c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO, the Land Commissioner, and the Division, evidence of mailing of the Notice of Expansion or Contraction and a copy of any objections thereto which have been filed with Unit Operator together with an application in quadruplicate, for approval of such expansion and with appropriate joinders.
- (d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO, the Land Commissioner, and the Division, become effective as



of the date prescribed in the notice thereof or such other appropriate date.

(e) If each lease in the Development Area is not fully developed and wells are not drilled as per section 10 by five (5) years from the effective date of this Agreement then undeveloped acreage shall be eliminated automatically from this Agreement, unless the AO or Land Commissioner determine otherwise. The eliminated lands shall correspond to all legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 6 months' time elapsing between the completion of one such well and the commencement of the next such well.

As lands are eliminated, the unit area will contract to existing producing regular well spacing or proration units as defined by New Mexico Oil Conservation Division.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this Subsection 2(e) shall not be considered an automatic commitment or recommitment of such lands.

If conditions warrant extension of the five (5)-year period specified in this subsection, a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent (90%) of the working interest in the current undeveloped area in the unitized lands and the owners of 60 percent (60%) of the basic royalty interests (exclusive of the basic royalty interests of the United States) in the current undeveloped area of unitized lands with approval of the AO and the Commissioner of Public Lands.

(f) During the ongoing development as per section 10, if a well is drilled to develop leases and plugged within 1 year and diligent drilling operations are not in progress on these leases/unitized lands then the unitized lands covering these leases in this area shall be evaluated for elimination from the unit by the AO and Land Commissioner. The eliminated lands shall correspond to all legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement.

**3. UNITIZED LAND AND UNITIZED SUBSTANCES.** All land now or hereafter committed to this agreement shall constitute land referred to herein as "unit area", "unitized land" or "land subject to this agreement". All oil and gas from the stratigraphic equivalent of the top of the **WOLFCAMP** formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the **WOLFCAMP** formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27East, N.M.P.M., Eddy County, New Mexico (API #30-015-21549), are unitized under the terms of this agreement and herein are called "unitized substances" (see type log attached as Exhibit "C") subject to the limitation in the second paragraph of this Agreement.

**4. UNIT OPERATOR.** Chevron U.S.A. Inc., hereby designated as Unit Operator and by signature hereto as Unit Operator, agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

**5. RESIGNATION OR REMOVAL OF UNIT OPERATOR.** Unit Operator shall have the right to resign at any time prior to the establishment of unitized production or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operators rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners, the AO, the Land Commissioner, and the Division, and until all wells then drilled



hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal lands and the Division as to State and fee lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a producing unit area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than thirty (30) days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the newly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected, elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

**6. SUCCESSOR UNIT OPERATOR.** Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator as negotiated by the working interest owners, the owners of the working interests according to their respective acreage interest in all unitized land shall, pursuant to the approval of the parties requirements of the unit operating agreement, select a successor Unit Operator. Such selection shall not become effective until:

- (a) The Unit Operator so selected, accepts in writing the duties and responsibilities of Unit Operator; and
- (b) The selection has been approved by the AO and by the Land Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the AO and the Land Commissioner at their election may declare this Unit Agreement terminated.

**7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.** If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of any unit operating agreement executed pursuant to this section shall be filed in the proper Bureau of Land Management office and one true copy with the Land Commissioner, and one true copy with the Division prior to approval of this Unit Agreement. If any Party to this Unit Agreement currently owns either no interest, or only an overriding royalty interest in, the unitized



area, or said formation, or those lands covered by leases described on Exhibit "B", then such Party shall have no obligations whatsoever, whether monetary or otherwise, to the other Parties or to the Operator, at any time or in the future.

**8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.** Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement. It is understood that under this agreement, the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

**9. DRILLING TO DISCOVERY.** This Agreement is warranted and determined necessary due to the ongoing resource development occurring in the area. The **HH SO 10 FED P3 #7H well** with a surface location in the **SE/4 SW/4 of Section 3, Township 26 South, Range 27 East, N.M.P.M.**, and a **9,860 foot horizontal lateral in the WOLFCAMP GROUP** shall hereby be initially designated as the obligation well necessary to validate this Resource Development Unit Agreement. Unit Operator will commence drilling of the obligation well on March 1, 2017 and shall, approximately six (6) months after completing this obligation well, submit a paying well determination to the AO and the Land Commissioner to determine if this well produces in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit). The paying well determination shall include at least 6 months of actual production. If the well is not capable of producing in paying quantities, then the Unit Operator shall continue drilling one well at a time, allowing not more than six (6) months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing in paying quantities is completed to the satisfaction of the AO if it be on Federal, or of the Land Commissioner if on State land, or the Division if on Fee land, or until it is reasonably proved that the unitized land is incapable of producing in paying quantities in the formations drilled hereunder. If the well is determined to be capable of producing in paying quantities, the well shall hereby be approved by the AO and the Land Commissioner as the obligation well necessary to validate this Resource Development Unit Agreement. All other wells are to be drilled as prescribed in Section 10. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

The AO and the Land Commissioner may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to commence any well as provided for in this section within the time allowed including any extension of time granted by the AO and the Land Commissioner, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO and the Land Commissioner may, after fifteen (15) days' notice to the Unit Operator, declare this Unit Agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first six (6) months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section. The failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this section, within the time allowed including any extension of time granted by the AO and the Land Commissioner, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO and the Land Commissioner may, after 15 days' notice to the Unit Operator, declare this Unit Agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the Unit Agreement approval being declared invalid *ab initio* by the AO and the Land Commissioner. In the 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 Unit Agreement approval being declared invalid *ab initio* by the AO and the Land Commissioner. Once the agreement is terminated all existing well production will be reported and allocated on a lease basis and if necessary, a Communitization Agreement may be required.



**10. PLAN OF FURTHER DEVELOPMENT AND OPERATION.** The Unit Operator shall submit for the approval of the AO and the Land Commissioner an acceptable Initial Plan of Development and Operation for the Development Unit Area which, when approved, shall constitute the further drilling and development obligations of the Unit Operator under this Agreement for the period specified therein. All unit wells within the unit area shall be named according to the unit name with "Unit" in the well name and numbered consecutively.

Within twelve (12) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO, the Land Commissioner, and the Division an updated acceptable plan of development and operation for the unitized land which, when approved by the AO, the Land Commissioner, and the Division shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO, the Land Commissioner, and the Division a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area and for the diligent drilling necessary to fully develop the entire unitized area. This plan shall be as complete and adequate as the AO, the Land Commissioner, and the Division may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

- (a) Specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
- (b) Provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO, the Land Commissioner, and the Division are authorized to grant a reasonable extension of the 12-month period herein prescribed for submission of an initial plan of development and on operation where such action is justified because of unusual conditions or circumstances. Plans of development and operation for the Development Unit Area shall no longer be required once the unit area is determined to be fully developed by the AO, the Land Commissioner, and the Division, and to be evaluated on a case by case basis.

**11. ALLOCATION OF PRODUCTION.** All unitized substances produced under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal land, if any. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract bears to the total acres of unitized land and unleased Federal land, if any. All proceeds less taxes and appropriate royalties, attributed to unleased Federal lands included within the unit area are to be placed in an interest earning escrow or trust account for each unleased tract by the designated Unit Operator until the land is leased. These accounts will be subject to audit by the Department of Interior. Within 90 days of the issuance of Federal lease within this designated unit area, if the lessee(s) and the working interest owner(s) do not commit the land to this Unit Agreement the proceeds for their portion of the escrow account will be forfeited. There shall be allocated to the working interest owners(s) of each tract of unitized land, in addition, such percentage of the production attributable to the unleased Federal land within the unitized area as the number of acres of such unitized tract included in said unitized area bears to the total acres of unitized land in said unitized area, for the payment of the compensatory royalty specified in section 15 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under section 15, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties.



**12. ROYALTY SETTLEMENT.** The United States, the State of New Mexico and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefore under existing contracts, laws and regulations, or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing in this section shall operate to relieve the responsible parties of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into the unit area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery in conformity with a plan of development and operation approved by the AO, the Land Commissioner, and the Division, a like amount of gas, after settlement as herein provided for any gas transferred from any other area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO, the Land Commissioner, and the Division as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

Royalty due on the United States shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 11 at the rates specified in the respective Federal lease, or at such other rate or rates as may be authorized by law or regulation and approved by the AO: provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the unitized area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

**13. RENTAL SETTLEMENT.** Rental or minimum royalties due on leases committed hereto shall be paid by appropriate working interest owners under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States, unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative. With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until the unit area establishes production.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases.

**14. CONSERVATION.** Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

**15. DRAINAGE.** (a) The Unit Operator shall take such measures as the AO and the Land Commissioner deems appropriate and adequate to prevent drainage of unitized substances for unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO, as to Federal leases and the Land Commissioner, as to State



leases.

**16. LEASES AND CONTRACTS CONFORMED AND EXTENDED.** The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect and the parties hereto hereby consent that the Secretary, as to Federal leases and the Land Commissioner, as to State leases, each by his approval hereof, or by the approval hereof by his duly authorized representative, shall and does hereby establish, alter, change, or revoke the drilling, producing, rental minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development, or operation for oil or gas of lands other than those of the United States and the State of New Mexico committed to this agreement which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that a well capable of production of unitized substances in paying quantities is established in paying quantities under this Unit Agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such Federal lease shall be extended for two (2) years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Act of February 25, 1920, as amended.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 78 I-784)(30 U.S.C. 226 (m)): "Any (Federal) lease heretofore or hereafter committed to any such (Unit) plan embracing lands that are in part within and in part outside the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided, however that any such lease as to non-unitized portion shall continue in force and effect for the term thereof, but for not less than two (2) years from the date of such



segregation and so long thereafter as oil or gas is produced in paying quantities."

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State Lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as the effective date hereof; provided, however, that notwithstanding any of the provisions of this agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the fixed term of such lease; or if, at the expiration of the fixed term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

**17. COVENANTS RUN WITH LAND.** The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or lease subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

**18. EFFECTIVE DATE AND TERM.** This agreement shall become effective December 1, 2016 when approved by the AO and the Land Commissioner or their duly authorized representative and shall automatically terminate five (5) years from said effective date unless:

(a) Upon application by the Unit Operator such date of expiration is extended by the AO and the Land Commissioner; or

(b) It is reasonably determined prior to the expiration of the fixed terms or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder, and after notice of intention to terminate this agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, this agreement is terminated with approval of the AO and the Land Commissioner; or

(c) A valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal lands and are being produced as to State lands in quantities sufficient to pay for the cost of producing same from wells on unitized land. Should production cease and diligent drilling or re-working operations to restore production or new production are not in progress or reworking within sixty (60) days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred; or

(d) It is voluntarily terminated as provided in this agreement. Except as noted herein this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO and the Land



Commissioner. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first six (6) months of this agreement unless at least one obligation well shall have been drilled in conformance with section 9.

**19. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.** The AO is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal or State law, or do not conform to any State-wide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law, provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Land Commissioner and also to any lands of the State of New Mexico subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division

Powers in the section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

**20. APPEARANCES.** Unit Operators shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interest affected hereby before the Department of the Interior, and the Land Commissioner, and the Division, and to appeal from orders issued under the regulations of said Department and the Land Commissioner and the Division or to apply for relief from any of said regulations, or in any proceedings relative to operations before the Department and the Land Commissioner and the Division or any other legally constituted authority, provided, however, that any other interested party shall also have the right at its own expense to be heard in any such proceeding.

**21. NOTICES.** All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties, or sent by postpaid registered or certified mail, to the last known address of the party or parties.

**22. NO WAIVER OF CERTAIN RIGHTS.** Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State where unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

**23. UNAVOIDABLE DELAY.** All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

**24. NONDISCRIMINATION.** In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

**25. LOSS OF TITLE.** In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this Unit Agreement, such tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be



withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State lands or leases, no payments of funds due the United States or State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the AO and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner. Such funds are to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

**26. NON-JOINDER AND SUBSEQUENT JOINDER.** If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office, the Land Commissioner, the Division and the Unit Operator prior to the approval of this agreement by the AO and the Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest, is a working interest, by the owner of such interest only subscribing to the unit operating agreement.

After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this Unit Agreement unless the corresponding working interest is committed hereto. Joinder to the Unit Agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO, the Land Commissioner, and the Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

**27. COUNTERPARTS.** This agreement may be executed in any number of counterparts, none of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described unit area.

**28. SURRENDER.** Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If, as a result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

- (a) Accept those working interest rights subject to this agreement and the unit operating agreement; or
- (b) Lease the portion of such land subject to this agreement and the unit operating agreement; or
- (c) Provide for the independent operation of any part of such land.

If the fee owner of the unitized substances does not accept the working interest rights



subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after the surrender or forfeited working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any monies found to be owing by such an accounting shall be made as between the parties within thirty (30) days.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

**29. TAXES.** The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its Effective Date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interest in said tract, and may currently retain and deduct a sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

**30. NO PARTNERSHIP.** It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this agreement, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

**31. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS.** Nothing in this agreement shall modify or change either the special Federal lease stipulations relating to surface management or such special Federal lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the unit area.

**IN WITNESS WHEREOF,** the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

**UNIT OPERATOR AND WORKING INTEREST OWNER:**

**CHEVRON U.S.A. INC.**

**Signature:**

\_\_\_\_\_  
**Name:** \_\_\_\_\_

**Title:** Attorney-in-Fact\_\_\_\_\_

**ADDRESS FOR NOTICES:**

Chevron U.S.A. Inc.  
1400 Smith Street  
Houston, Texas 77002



Attention: Land Manager

**ACKNOWLEDGMENTS**

STATE OF TEXAS     §  
                                  §  
COUNTY OF HARRIS   §

          This instrument was acknowledged before me on this \_\_\_\_ day of \_\_\_\_\_, 2016,  
by \_\_\_\_\_, Attorney-in-Fact for Chevron U.S.A. Inc., a Pennsylvania corporation, on  
behalf of said corporation.

\_\_\_\_\_  
Notary Public for the State of Texas

My Commission Expires:

Printed Name: \_\_\_\_\_

\_\_\_\_\_



## **EXHIBIT "A" – MAP OF UNIT AREA**

Attached to and made a part of that certain Resource Development Unit Agreement for the Development and Operation of the Cicada Development Unit Area entered into by Chevron U.S.A. Inc.

### **TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.**

Section 23: All

Section 26: All

Section 35: All

### **TOWNSHIP 26 SOUTH, RANGE 27 EAST, N.M.P.M.**

Section 1: All

Section 2: All

Section 10: All

Section 11: W/2

Section 12: All

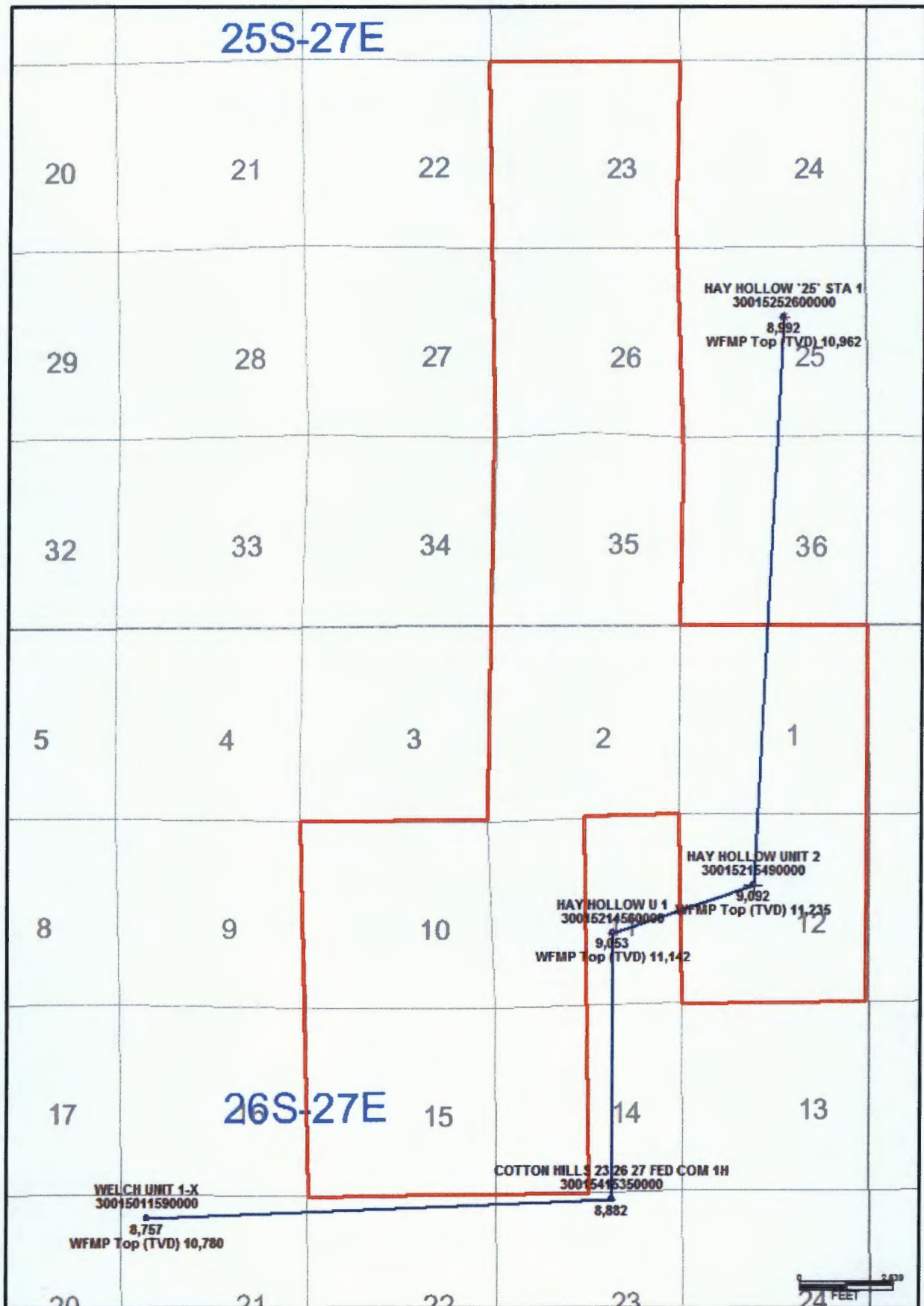
Section 14: W/2

Section 15: All

Eddy County, New Mexico

containing, **5760.00** acres, more or less; and limited to the Wolfcamp formation.







## **EXHIBIT "B" – SCHEDULE OF OWNERSHIP**

Attached to and made a part of that certain Resource Development Unit Agreement for the Development and Operation of the Cicada Unit entered into by Chevron U.S.A. Inc. on December 1, 2016.

Operator of Unit Area: Chevron U.S.A. Inc.

### **DESCRIPTION OF LEASES COMMITTED**

#### **FEDERAL:**

##### **TRACT 1:**

Lease Serial No.:	NMNM 107369
Lease Date:	December 1, 2001
Lease Term:	10 years
Lessor:	United States of America
Present Lessee:	Chevron U.S.A. Inc.
Description of Land Committed:	<u>Township 25 South, Range 27 East, N.M.P.M</u> Section 26: W/2NE/4, E/2NE/4, SW/4SE/4, W/2NW/4, SW/4 Section 35: N/2, SW/4 Eddy County, New Mexico
Number of Acres:	920.00 acres
Royalty Rate:	12.5%
Name and Percent of WI Owners:	Chevron U.S.A. Inc. 100%

##### **TRACT 2:**

Lease Serial No.:	NMNM 120350
Lease Date:	August 1, 2008
Lease Term:	10 years
Lessor:	United States of America
Present Lessee:	Chevron U.S.A. Inc.



Description of Land Committed: Township 26 South, Range 27 East, N.M.P.M  
Section 1: W/2  
Section 12: E/2NE/4, NW/4  
Eddy County, New Mexico

Number of Acres: 560.00 acres

Royalty Rate: 12.5%

Name and Percent of WI Owners: Chevron U.S.A. Inc. 100%

**TRACT 3:**

Lease Serial No.: NMNM 116028

Lease Date: July 1, 2006

Lease Term: 10 years

Lessor: United States of America

Present Lessee: Chevron U.S.A. Inc.

Description of Land Committed: Township 26 South, Range 27 East, N.M.P.M  
Section 1: E/2  
Section 12: W/2NE/4, NE/4SW/4, S/2SW/4, SE/4  
Eddy County, New Mexico

Number of Acres: 680.00 acres

Royalty Rate: 12.5%

Name and Percent of WI Owners: Chevron U.S.A. Inc. 100%

**TRACT 4:**

Lease Serial No.: NMNM 121473

Lease Date: January 1, 2009



Lease Term: 10 years  
Lessor: United States of America  
Present Lessee: Chevron U.S.A. Inc.  
Description of Land Committed: Township 26 South, Range 27 East, N.M.P.M  
Section 10: All  
Section 11: W/2  
Section 14: W/2  
Section 15: All  
Eddy County, New Mexico  
Number of Acres: 1920.00 acres  
Royalty Rate: 12.5%  
Name and Percent of WI Owners: Chevron U.S.A. Inc. 100%

**TRACT 5:**

Lease Serial No.: NMNM 114968- Currently suspended  
Lease Date: November 30, 2005  
Lease Term: 10 years  
Lessor: United States of America  
Present Lessee: Chevron U.S.A. Inc.  
Description of Land Committed: Township 25 South, Range 27 East, N.M.P.M  
Section 35: SE/4  
Eddy County, New Mexico  
Number of Acres: 160.00 acres  
Royalty Rate: 12.5%  
Name and Percent of WI Owners: Chevron U.S.A. Inc. 100%



**STATE:**

**TRACT 6:**

Lease Serial No.: VB 0734

Lease Date: August 1, 2005

Lease Term: 5 years

Lessor: State of New Mexico

Present Lessee: Chevron U.S.A. Inc.

Description of Land Committed: Township 25 South, Range 27 East, N.M.P.M  
Section 26: E/2NW/4, E/2SE/4, NW/4SE/4  
Eddy County, New Mexico

Number of Acres: 200.00 acres

Royalty Rate: 18.75%

Name and Percent of WI Owners: Chevron U.S.A. Inc. 100%

**TRACT 7:**

Lease Serial No.: VB 1805

Lease Date: February 1, 2010

Lease Term: 5 years

Lessor: State of New Mexico

Present Lessee: Chevron U.S.A. Inc.

Description of Land Committed: Township 26 South, Range 27 East, N.M.P.M  
Section 2: W/2  
Eddy County, New Mexico

Number of Acres: 320.00 acres



Royalty Rate: 18.75%

Name and Percent of  
WI Owners: Chevron U.S.A. Inc. 100%

**TRACT 8:**

Lease Serial No.: VB 1796

Lease Date: February 1, 2010

Lease Term: 5 years

Lessor: State of New Mexico

Present Lessee: Chevron U.S.A. Inc.

Description of Land  
Committed: Township 26 South, Range 27 East, N.M.P.M  
Section 2: E/2  
Eddy County, New Mexico

Number of Acres: 320.00 acres

Royalty Rate: 18.75%

Name and Percent of  
WI Owners: Chevron U.S.A. Inc. 100%

**TRACT 9:**

Lease Serial No.: VB 2123

Lease Date: January 1, 2012

Lease Term: 5 years

Lessor: State of New Mexico

Present Lessee: Chevron U.S.A. Inc.

Description of Land  
Committed: Township 26 South, Range 27 East, N.M.P.M  
Section 12: NW/4SW/4  
Eddy County, New Mexico



Number of Acres: 40.00 acres  
Royalty Rate: 18.75%  
Name and Percent of  
WI Owners: Chevron U.S.A. Inc. 100%

**TRACT 10:**

Lease Serial No.: VB 1005  
Lease Date: September 1, 2006  
Lease Term: 5 years  
Lessor: State of New Mexico  
Present Lessee: Mewbourne Oil Company.  
Description of Land  
Committed: Township 25 South, Range 27 East, N.M.P.M  
Section 23: N/2  
Eddy County, New Mexico  
Number of Acres: 320.00 acres  
Royalty Rate: 18.75%  
Name and Percent of  
WI Owners: Chevron U.S.A. Inc. 95%  
Read & Stevens Inc. 5%

**TRACT 11:**

Lease Serial No.: VB 0994  
Lease Date: September 1, 2006  
Lease Term: 5 years  
Lessor: State of New Mexico  
Present Lessee: Mewbourne Oil Company.  
Description of Land  
Committed: Township 25 South, Range 27 East, N.M.P.M  
Section 23: S/2  
Eddy County, New Mexico



Number of Acres: 320.00 acres

Royalty Rate: 18.75%

Name and Percent of  
WI Owners: Chevron U.S.A. Inc. 95%  
Read & Stevens Inc. 5%

### **RECAPITULATION**

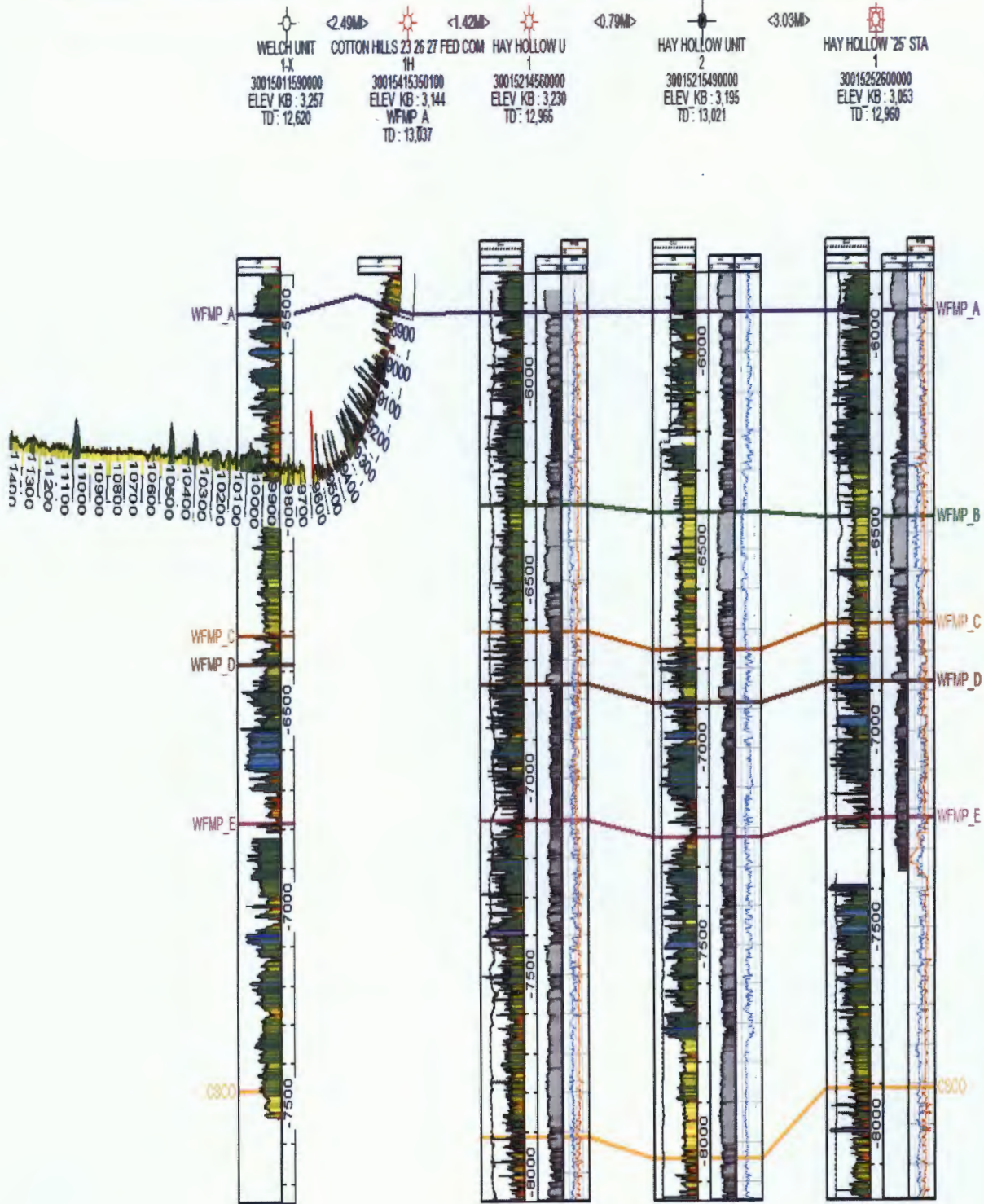
<b><u>Tract No.</u></b>	<b><u>No. Acres Committed</u></b>	<b><u>Percentage of Interest in Unit Area</u></b>
1	920.00	15.9722%
2	560.00	9.7222%
3	680.00	11.8055%
4	1920.00	33.3333%
5	160.00	2.7777%
6	200.00	3.4722%
7	320.00	5.5556%
8	320.00	5.5556%
9	40.00	0.6945%
10	320.00	5.5556%
11	320.00	5.5556%
<b>TOTAL</b>	<b>5760.00</b>	<b>100%</b>

**End of Exhibit B**



## EXHIBIT "C" – STRATIGRAPHIC TYPE LOG

Attached to and made a part of that certain Resource Development Unit Agreement for the Development and Operation of the (Cicada Unit) entered into by Chevron U.S.A. Inc. on December 1, 2016.







## 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](http://www.blm.gov/nm)



NM137168X  
3180 (P0220)

June 28, 2017

Reference:  
Application and Request for Designation  
Cicada Resource Development Unit

CERTIFIED—RETURN RECEIPT REQUESTED  
7016 1370 0001 2059 1078

Mid-Continent Business Unit  
Amber Tarr Delach  
Chevron U.S.A. Inc.  
1400 Smith Street, Room 40196  
Houston, TX 77002

Ms Tarr Delach:

Your application of January 3, 2017 filed with the Bureau of Land Management (BLM) Carlsbad Field Office, requests the designation of the Cicada Resource Development Unit area, embracing 5120.00 acres, more or less, in Eddy County, New Mexico, as logically subject to a resource development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to public interest requirements and unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit "A" and Exhibit "B", the Cicada Resource Development Unit area, Eddy County, New Mexico, is hereby designated as a logical unit area and has been assigned agreement number NMNM137168X. This designation is for all oil and gas from the Wolfcamp formations only and valid for a period of one year from the date of this letter.

The resource development unit agreement to be submitted for the area designated shall provide for a proposed obligation well named the HH SO 10 P3 7H, a 9,215' TVD horizontal lateral

**BEFORE THE OIL CONSERVATION  
DIVISION**  
Santa Fe, New Mexico  
Exhibit No. 2  
Submitted by: **CHEVRON U.S.A. INC.**  
Hearing Date: September 28, 2017



Wolfcamp well, with a surface location in the SESW of Section 3, T26S-R27E, sufficient to test the Wolfcamp formation.

The HH SO 10 P3 7H well will be the first designated obligation horizontal well to test the Wolfcamp formation for the unit. As stated in paragraph 3 in the unit agreement unitized substances are as follows:

"All oil and gas from the stratigraphic equivalent of the top of the **WOLFCAMP** formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the **WOLFCAMP** formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API #30-015-21549), are unitized under the terms of this agreement and herein are called "unitized substances" (see type log attached as Exhibit "C") subject to the limitation in the second paragraph of this Agreement."

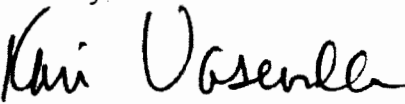
Your proposed use of a Resource Development Unit Agreement which is a modification of the Model onshore unit agreement for unproven areas in 43 CFR 3186.1 and provided by the BLM Carlsbad Field Office is accepted.

In the absence of any type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted that, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

Please include the latest status of all acreage when the executed agreement is submitted for final approval. In preparing Exhibits "A" and "B", the format of the sample exhibits of the model form shall be followed. A minimum of three copies of the executed agreement shall be submitted with your request for final approval.

Please contact Chris Walls, Petroleum Engineer, at 575-234-2234 if you have any questions.

Sincerely,

  
for Field Manager,  
Lands and Minerals

Enclosure

cc:

NM9210

NMP0220





**Aubrey Dunn**  
**COMMISSIONER**

***State of New Mexico***  
***Commissioner of Public Lands***

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

**COMMISSIONER'S OFFICE**

Phone (505) 827-5760

Fax (505) 827-5766

[www.nmstatelands.org](http://www.nmstatelands.org)

July 28, 2017

Amber Delach  
Land Representative  
Mid-Continent Business Unit  
North American Exploration and Production Co  
Chevron USA, Inc.  
1400 Smith Street, Room 41096  
Houston, TX 77002

Re: Revised Preliminary Approval  
Cicada Unit  
Eddy County, New Mexico

Dear Ms. Delach:

We have received your letter dated July 19, 2017 in which you requested a revision to the original preliminary approval for Cicada Unit. Your latest submittal included a revised unexecuted copy of the unit agreement in which 640 acres have been added to the unit agreement area. This revised agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases until final approval and an effective date have been given.

When submitting your agreement for final approval, please include the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 19.2.100.51, a statement of facts showing that:
  - a. The agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
  - b. Under the proposed unit operation, the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas in place under its lands in the proposed unit area.
  - c. Each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
  - d. The unit agreement is in other respects for the best interest of the Trust.

**BEFORE THE OIL CONSERVATION  
DIVISION**

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: **CHEVRON U.S.A. INC.**

Hearing Date: September 28, 2017



Chevron USA, Inc.

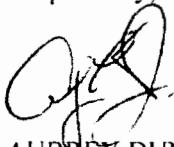
July 28, 2017

Page 2

3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Approval order from the New Mexico Oil Conservation Division. State Land Office approval is conditioned upon approval by the New Mexico Oil Conservation Division.
5. One copy of the Unit Operating Agreement (if applicable).
6. A \$1,000 filing fee. The filing fee is \$100 for each section or partial section included in the unit, whether federal, state, or privately owned.

If you have any questions or if we may be of further assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791.

Respectfully,



AUBREY DUNN  
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc:   OCD – Attn: Mr. Daniel Sanchez  
      RMD – Attn: Mr. Danny Martinez  
      RMD – Attn: Mr. Roddy Martinez  
      BLM – Attn: Mr. Chris Walls  
      OGMD and Units Reader Files



District I  
1624 N. French Dr., Hobbs, NM 88249  
Phone (575) 393-6181 Fax (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone (575) 748-1283 Fax (575) 748-0720  
District III  
1000 Rio Brazos Road, Artesia, NM 87410  
Phone (505) 334-6178 Fax (505) 334-6179  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone (505) 476-3460 Fax (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

☒ AMENDMENT REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-43936	<sup>2</sup> Pool Code 48220	<sup>3</sup> Pool Name Purple Sage Wolfcamp (Gas)
<sup>4</sup> Property Code 312044	<sup>5</sup> Property Name HHSO 10 P3	<sup>6</sup> Well Number 7H
<sup>7</sup> OGRID No. 4323	<sup>8</sup> Operator Name CHVRON U.S.A. INC.	<sup>9</sup> Elevation 3279'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	3	26 SOUTH	27 EAST, N.M.P.M.		578'	SOUTH	2066'	WEST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	15	26 SOUTH	27 EAST, N.M.P.M.		280'	SOUTH	2010'	WEST	EDDY

<sup>12</sup> Dedicated Acres 640	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
--------------------------------------	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

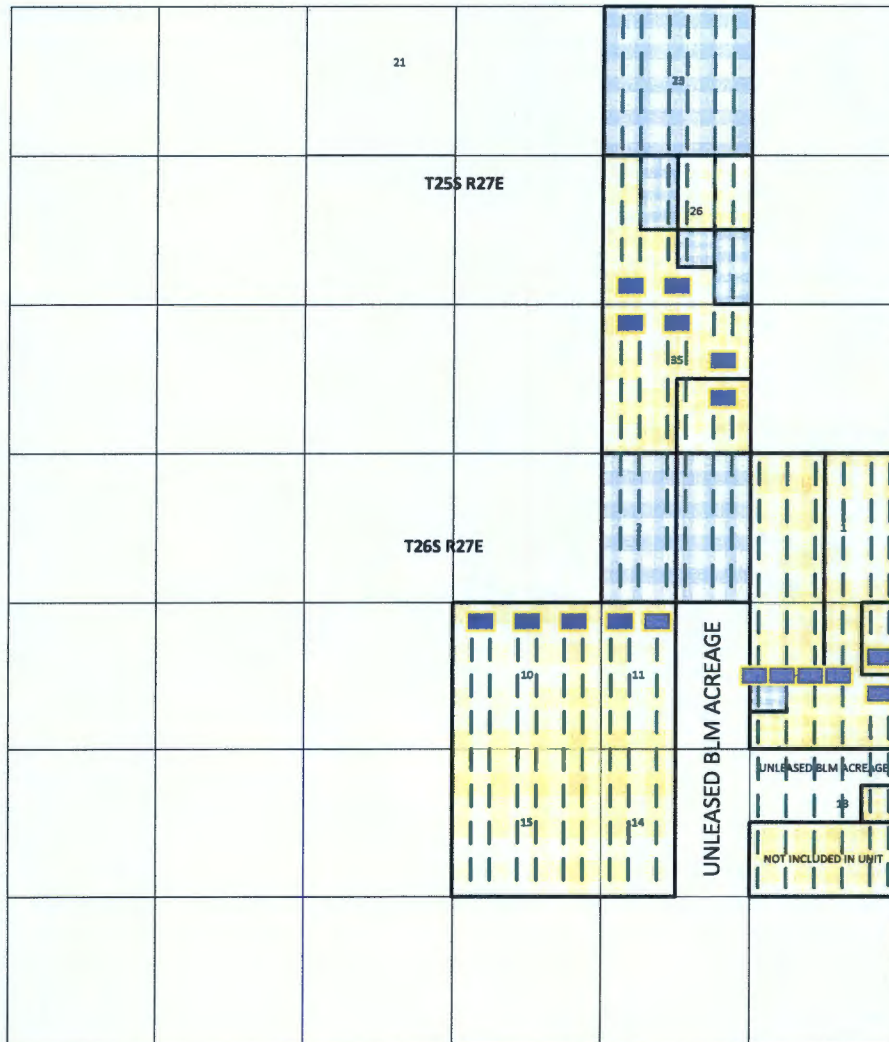
<p><b>HHSO 10 P3 7H WELL</b></p> <p>X= 547,567 NAD 27 Y= 387,559 LAT. 32.065422 LONG. 104.179779</p> <p>X= 588,751 NAD83 Y= 387,616 LAT. 32.065544 LONG. 104.180272</p> <p>ELEVATION +3279' NAVD 88</p> <p><b>CORNER COORDINATES TABLE (NAD 27)</b></p> <p>A - Y=392447.75, X=545573.63 B - Y=387009.20, X=545492.91 C - Y=386937.82, X=550774.76 D - Y=381711.59, X=545622.05 E - Y=381659.95, X=550943.63 F - Y=376414.09, X=545653.53 G - Y=376383.44, X=550941.76</p> <p>Mid Point Y=381692.09, X=547632.21 First Take Point Y=386651.88, X=547512.22 Last Take Point Y=376732.45, X=547661.67</p> <p><b>PROPOSED BOTTOM HOLE LOCATION</b></p> <p>X= 547,662 NAD 27 Y= 376,682 LAT. 32.035521 LONG. 104.179523</p> <p>X= 588,846 NAD83 Y= 376,739 LAT. 32.035644 LONG. 104.180015</p>		<p><b>"OPERATOR CERTIFICATION"</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this information either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order then before entered by the division.</p> <p>Signature: <i>[Signature]</i> Date: 11-29-2016 Printed Name: <i>[Name]</i> E-mail Address: <i>[Email]</i></p> <p><b>"SURVEYOR CERTIFICATION"</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge.</p> <p>Date of Survey: 01-05-2016 Signature and Seal of Professional Surveyor: <i>[Signature]</i> Certificate Number: 23008</p>
---	--	---

BEFORE THE OIL CONSERVATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 4  
Submitted by: CHEVRON U.S.A. INC.  
Hearing Date: September 28, 2017



**HAYHURST NEW MEXICO – LEASE MAP**  
**LEGEND**

-  - FEDERAL (BLM) LEASE
-  - STATE OF NEW MEXICO LEASE
-  - FEE LEASE
-  - WOLFCAMP WELLBORE





**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**


**APPLICATION OF CHEVRON U.S.A. INC.  
FOR APPROVAL OF THE CICADA UNIT,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 15845**

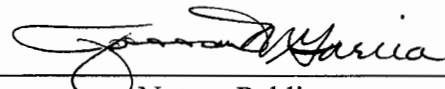
**AFFIDAVIT**

STATE OF NEW MEXICO    )  
  ) ss.  
COUNTY OF SANTA FE    )

Jordan L. Kessler, attorney in fact and authorized representative of Chevron U.S.A., Inc.,  
the Applicant herein, being first duly sworn, upon oath, states that the above-referenced  
Application has been provided under the notice letters and proof of receipts attached hereto.

  
\_\_\_\_\_  
Jordan L. Kessler

SUBSCRIBED AND SWORN to before me this 27th day of September, 2017, by Jordan  
L. Kessler.

  
\_\_\_\_\_  
Notary Public





HOLLAND & HART<sup>LLP</sup>



**Jordan L. Kessler**  
**Associate**  
**Phone** (505) 988-4421  
**Fax** (505) 983-6043  
JLKessler@hollandhart.com

September 8, 2017

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO: AFFECTED PARTIES**

**Re: Application Of Chevron USA Inc. For Approval Of The Cicada Unit,  
Eddy County, New Mexico.**

Ladies and Gentlemen:

This letter is to advise you that Chevron USA, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. This application has been set for hearing before a Division Examiner at 8:15 a.m. on September 28, 2017. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,

Jordan L. Kessler  
**ATTORNEYS FOR CHEVRON U.S.A. INC.**



**Chevron USA - Cicada -- Affected Parties**  
**Case No. 15845 (12)**

Chevron U.S.A. Inc.  
1400 Smith St.  
Houston, TX 77002

Read & Stevens, Inc.  
PO Box 1518  
Roswell, NM 88202

The State of New Mexico  
310 Old Santa Fe Trail  
Santa Fe, NM 87501

The United States of America  
301 Dinosaur Trail  
Santa Fe, NM 87508

Curtis Mewbourne, Trustee  
PO Box 7698  
Tyler, Texas 75711

Chevron U.S.A. Inc.  
1400 Smith St.  
Houston, TX 77002

EOG Y Resources Inc.  
5509 Champions Drive  
Midland, Texas 79706

Oxy Y-1 Company  
5 Greenway Plaza  
Suite 110  
Houston, Texas 77046-0521

Bureau of Land Management  
620 E. Green Street  
Carlsbad, NM 88220

Bureau of Land Management  
6251 College Blvd., Suite A.  
Farmington, NM 87402

New Mexico State Land Office  
31 Old Santa Fe Trail



Santa Fe, NM 87501

New Mexico State Land Office  
P.O. Box 1148  
Santa Fe, NM 87504-1148



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Chevron/ Cicada  
 Case No. 15845

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Extra Services & Fees (check box, add fee as appropriate)

☒ Return Receipt (hardcopy) \$

☐ Return Receipt (electronic) \$

☐ Certified Mail Restricted Delivery \$

☐ Adult Signature Required \$

☐ Adult Signature Restricted Delivery \$

Postmark Here

Chevron U.S.A. Inc.  
 1400 Smith St.  
 Houston, TX 77002

PS Form 3800, April 2015 PSN 7530-02-000-9053 See Reverse for Instructions

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Chevron/ Cicada  
 Case No. 15845

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

☒ Return Receipt (hardcopy) \$

☐ Return Receipt (electronic) \$

☐ Certified Mail Restricted Delivery \$

☐ Adult Signature Required \$

☐ Adult Signature Restricted Delivery \$

Postmark Here

Read & Stevens, Inc.  
 PO Box 1518  
 Roswell, NM 88202

PS Form 3800, April 2015 PSN 7530-02-000-9053 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

■ Complete items 1, 2, and 3.  
 ■ Print your name and address on the reverse so that we can return the card to you.  
 ■ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Read & Stevens, Inc.  
 PO Box 1518  
 Roswell, NM 88202

2. Article Number (Transfer from service label)

7016 3010 0001 1046 8651

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature ☐ Agent ☒ Addressee  
 M. Novak

B. Received by (Printed Name) C. Date of Delivery  
 M. Novak

D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

3. Service Type

☐ Adult Signature ☐ Priority Mail Express®

☐ Adult Signature Restricted Delivery ☐ Registered Mail™

☒ Certified Mail® ☐ Registered Mail Restricted Delivery

☐ Certified Mail Restricted Delivery ☒ Return Receipt for Merchandise

☐ Collect on Delivery ☐ Signature Confirmation™

☐ Collect on Delivery Restricted Delivery ☐ Signature Confirmation Restricted Delivery

☐ Insured Mail ☐ Mail Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt



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Chevron/ Cicada  
Affected Parties  
Case No. 15845

Certified Mail Fee \$  
Extra Services & Fees (check box, add fee as appropriate)  
☒ Return Receipt (hardcopy) \$  
☐ Return Receipt (electronic) \$  
☐ Certified Mail Restricted Delivery \$  
☐ Adult Signature Required \$  
☐ Adult Signature Restricted Delivery \$

Postmark Here

The State of New Mexico  
310 Old Santa Fe Trail  
Santa Fe, NM 87501

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.


1. Article Addressed to:

The State of New Mexico  
310 Old Santa Fe Trail  
Santa Fe, NM 87501

2. Article Number (Transfer from service label)  
7016 3010 0001 1046 8644

3. Service Type  
☐ Adult Signature  
☐ Adult Signature Restricted Delivery  
☒ Certified Mail<sup>®</sup>  
☐ Certified Mail Restricted Delivery  
☐ Collect on Delivery  
☐ Collect on Delivery Restricted Delivery  
☐ Insured Mail  
☐ Insured Mail Restricted Delivery

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No  
If YES, enter delivery address below

SEP 19 2017

PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt

7016 3010 0001 1046 8637

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**CERTIFIED MAIL<sup>®</sup> RECEIPT**  
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For delivery information, visit **OFFICIAL**

Chevron/ Cicada  
Affected Parties  
Case No. 15845

Certified Mail Fee \$  
Extra Services & Fees (check box, add fee as appropriate)  
☒ Return Receipt (hardcopy) \$  
☐ Return Receipt (electronic) \$  
☐ Certified Mail Restricted Delivery \$  
☐ Adult Signature Required \$  
☐ Adult Signature Restricted Delivery \$

Postmark Here

The United States of America  
301 Dinosaur Trail  
Santa Fe, NM 87508

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

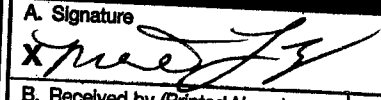
1. Article Addressed to:

The United States of America  
301 Dinosaur Trail  
Santa Fe, NM 87508

2. Article Number (Transfer from service label)  
7016 3010 0001 1046 8637

3. Service Type  
☐ Adult Signature  
☐ Adult Signature Restricted Delivery  
☒ Certified Mail<sup>®</sup>  
☐ Certified Mail Restricted Delivery  
☐ Collect on Delivery  
☐ Collect on Delivery Restricted Delivery  
☐ Insured Mail  
☐ Insured Mail Restricted Delivery

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No  
If YES, enter delivery address below

SEP 11 2017

PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt



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Chevron/Cicada  
 Case No. 15845

Certified Mail Fee \$  
 Extra Services & Fees (check box, add fee as appropriate)  
☒ Return Receipt (hardcopy) \$  
☐ Return Receipt (electronic) \$  
☐ Certified Mail Restricted Delivery \$  
☐ Adult Signature Required \$  
☐ Adult Signature Restricted Delivery \$

Postage \$

Postmark Here

Curtis Mewbourne, Trustee  
 PO Box 7698  
 Tyler, Texas 75711

PS Form 3800, April 2015 PSN 7530-02-000-9053 See Reverse for Instructions

7016 3010 0001 1046 8613

**U.S. Postal Service<sup>®</sup>**  
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Chevron/Cicada  
 Case No. 15845

Certified Mail Fee \$  
 Extra Services & Fees (check box, add fee as appropriate)  
☒ Return Receipt (hardcopy) \$  
☐ Return Receipt (electronic) \$  
☐ Certified Mail Restricted Delivery \$  
☐ Adult Signature Required \$  
☐ Adult Signature Restricted Delivery \$

Postage \$

Postmark Here

Chevron U.S.A. Inc.  
 1400 Smith St.  
 Houston, TX 77002

PS Form 3800, April 2015 PSN 7530-02-000-9053 See Reverse for Instructions

**COMPLETE THIS SECTION**

■ Complete items 1, 2, and 3.  
 ■ Print your name and address on the reverse so that we can return the card to you.  
 ■ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron U.S.A. Inc.  
 1400 Smith St.  
 Houston, TX 77002

2. Article Number (Transfer from service label)

7016 3010 0001 1046 8613

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature [Signature] ☐ Agent ☐ Addressee

B. Received by [Signature] C. Date of Delivery SEP 2017

D. Is delivery address different from item 1? ☒ Yes ☐ No  
 If YES, enter delivery address below:

3. Service Type

☐ Adult Signature ☐ Priority Mail Express<sup>®</sup>  
☐ Adult Signature Restricted Delivery ☐ Registered Mail<sup>™</sup>  
☒ Certified Mail<sup>®</sup> ☐ Registered Mail Restricted Delivery  
☐ Certified Mail Restricted Delivery ☐ Return Receipt for Merchandise  
☐ Collect on Delivery ☐ Signature Confirmation<sup>™</sup>  
☐ Collect on Delivery Restricted Delivery ☐ Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt



7016 3010 0001 1046 8606

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Chevron/ Cicada  
 Case No. 15845

Certified Mail Fee \$  
 Extra Services & Fees (check box, add fee as appropriate)  
☒ Return Receipt (hardcopy) \$  
☐ Return Receipt (electronic) \$  
☐ Certified Mail Restricted Delivery \$  
☐ Adult Signature Required \$  
☐ Adult Signature Restricted Delivery \$

Postage \$  
 Total \$  
 Sent \$  
 Street 5509 Champions Drive  
 City Midland, Texas 79706

PS Form 3800, April 2015 PSN 7530-02-000-9053 See Reverse for Instructions

0658 9400 1000 0001 1046 8590

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Chevron/ Cicada  
 Case No. 15845

Certified Mail Fee \$  
 Extra Services & Fees (check box, add fee as appropriate)  
☒ Return Receipt (hardcopy) \$  
☐ Return Receipt (electronic) \$  
☐ Certified Mail Restricted Delivery \$  
☐ Adult Signature Required \$  
☐ Adult Signature Restricted Delivery \$

Postage \$  
 Total \$  
 Sent \$  
 Street 5 Greenway Plaza  
 Suite 110  
 City Houston, Texas 77046-0521

PS Form 3800, April 2015 PSN 7530-02-000-9053 See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

**1. Article Addressed to:**

Oxy Y-1 Company  
 5 Greenway Plaza  
 Suite 110  
 Houston, Texas 77046-0521



9590 9402 3164 7166 5170 10

**2. Article Number (Transfer from service label)**

7016 3010 0001 1046 8590

PS Form 3811, July 2015 PSN 7530-02-000-9053

**COMPLETE THIS SECTION ON DELIVERY**

**A. Signature**

X *[Signature]* ☐ Agent ☐ Addressee

**B. Received by (Printed Name)**

**C. Date of Delivery**

*[Signature]* 9-14-17

**D. Is delivery address different from item 1? ☐ Yes**  
 If YES, enter delivery address below: ☐ No

**3. Service Type**

- |  |   |
|--|---|
| <input type="checkbox"/> Adult Signature                         | <input type="checkbox"/> Priority Mail Express <sup>®</sup>         |
| <input type="checkbox"/> Adult Signature Restricted Delivery     | <input type="checkbox"/> Registered Mail <sup>™</sup>               |
| <input checked="" type="checkbox"/> Certified Mail <sup>®</sup>  | <input type="checkbox"/> Registered Mail Restricted Delivery        |
| <input type="checkbox"/> Certified Mail Restricted Delivery      | <input checked="" type="checkbox"/> Return Receipt for Merchandise  |
| <input type="checkbox"/> Collect on Delivery                     | <input type="checkbox"/> Signature Confirmation <sup>™</sup>        |
| <input type="checkbox"/> Collect on Delivery Restricted Delivery | <input type="checkbox"/> Signature Confirmation Restricted Delivery |

Mail  
 Restricted Delivery  
 (00)

Domestic Return Receipt



7016 3010 0001 1046 8583

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Chevron/ Cicada  
 Accepted Parties  
 Case No. 15845

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

<input checked="" type="checkbox"/> Return Receipt (hardcopy)	\$
<input type="checkbox"/> Return Receipt (electronic)	\$
<input type="checkbox"/> Certified Mail Restricted Delivery	\$
<input type="checkbox"/> Adult Signature Required	\$
<input type="checkbox"/> Adult Signature Restricted Delivery	\$

Postmark Here

Bureau of Land Management  
 620 E. Green Street  
 Carlsbad, NM 88220

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

7016 3010 0001 1046 8576

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Chevron/ Cicada  
 Accepted Parties  
 Case No. 15845

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

<input checked="" type="checkbox"/> Return Receipt (hardcopy)	\$
<input type="checkbox"/> Return Receipt (electronic)	\$
<input type="checkbox"/> Certified Mail Restricted Delivery	\$
<input type="checkbox"/> Adult Signature Required	\$
<input type="checkbox"/> Adult Signature Restricted Delivery	\$

Postmark Here

Bureau of Land Management  
 6251 College Blvd., Suite A.  
 Farmington, NM 87402

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

## 1. Article Addressed to:

Bureau of Land Management  
 6251 College Blvd., Suite A.  
 Farmington, NM 87402



9590 9402 3164 7166 5170 34

## 2. Article Number (Transfer from service label)

7016 3010 0001 1046 8576

PS Form 3811, July 2015 PSN 7530-02-000-9053

## COMPLETE THIS SECTION ON DELIVERY

## A. Signature

X

☐ Agent  
☐ Addressee

## B. Received by (Printed Name)

K. KELNIESS

## C. Date of Delivery

10 SEP 2017

D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☐ No

## 3. Service Type

<input type="checkbox"/> Adult Signature	<input type="checkbox"/> Priority Mail Express <sup>®</sup>
<input type="checkbox"/> Adult Signature Restricted Delivery	<input type="checkbox"/> Registered Mail <sup>TM</sup>
<input checked="" type="checkbox"/> Certified Mail <sup>®</sup>	<input type="checkbox"/> Registered Mail Restricted Delivery
<input type="checkbox"/> Certified Mail Restricted Delivery	<input checked="" type="checkbox"/> Return Receipt for Merchandise
<input type="checkbox"/> Collect on Delivery	<input type="checkbox"/> Signature Confirmation <sup>TM</sup>
<input type="checkbox"/> Collect on Delivery Restricted Delivery	<input type="checkbox"/> Signature Confirmation Restricted Delivery
<input type="checkbox"/> Insured Mail	
<input type="checkbox"/> Mail Restricted Delivery	

Domestic Return Receipt



7016 3010 0001 1046 8569

# U.S. Postal Service<sup>™</sup> CERTIFIED MAIL<sup>®</sup> RECEIPT

Domestic Mail Only

For delivery information, visit [usps.com](#)

OFFICIAL

Chevron/ Cicada  
Postmark  
Here  
Case No. 15845

Certified Mail Fee

Extra Services & Fees (check box, add fee as appropriate)

☒ Return Receipt (hardcopy) \$

☐ Return Receipt (electronic) \$

☐ Certified Mail Restricted Delivery \$

☐ Adult Signature Required \$

☐ Adult Signature Restricted Delivery \$

Postage

\$

Total

\$

Sales

\$

Subtotal

\$

City, State, ZIP+4<sup>™</sup>

New Mexico State Land Office  
31 Old Santa Fe Trail  
Santa Fe, NM 87501

PS Form 3800, April 2015 PSN 7530-02-000-9001

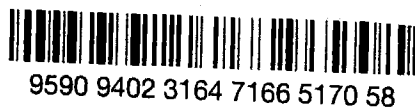
See Reverse for Instructions

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

New Mexico State Land Office  
31 Old Santa Fe Trail  
Santa Fe, NM 87501



2. Article Number (Transfer from service label)

7016 3010 0001 1046 8569

PS Form 3811, July 2015 PSN 7530-02-000-9003

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

SEP 13 2017

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail<sup>®</sup>
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery
- ☐ Insured Mail
- ☐ Mail Restricted Delivery
- ☐ Priority Mail Express<sup>®</sup>
- ☐ Registered Mail<sup>™</sup>
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation<sup>™</sup>
- ☐ Signature Confirmation Restricted Delivery

Mail Restricted Delivery

Domestic Return Receipt

7016 3010 0001 1046 8552

# U.S. Postal Service<sup>™</sup> CERTIFIED MAIL<sup>®</sup> RECEIPT

Domestic Mail Only

For delivery information, visit [usps.com](#)

OFFICIAL

Chevron/ Cicada  
Postmark  
Here  
Case No. 15845

Certified Mail Fee

Extra Services & Fees (check box, add fee as appropriate)

☒ Return Receipt (hardcopy) \$

☐ Return Receipt (electronic) \$

☐ Certified Mail Restricted Delivery \$

☐ Adult Signature Required \$

Postage

\$

Total

\$

Sales

\$

Subtotal

\$

City, State, ZIP+4<sup>™</sup>

New Mexico State Land Office  
P.O. Box 1148  
Santa Fe, NM 87504-1148

PS Form 3800, April 2015 PSN 7530-02-000-9001

See Reverse for Instructions

## SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1.

New Mexico State Land Office  
P.O. Box 1148  
Santa Fe, NM 87504-1148



2. Article Number (Transfer from service label)

7016 3010 0001 1046 8552

PS Form 3811, July 2015 PSN 7530-02-000-9003

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

SEP 11 2017

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☒ Certified Mail<sup>®</sup>
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery
- ☐ Mail
- ☐ Mail Restricted Delivery
- ☐ Priority Mail Express<sup>®</sup>
- ☐ Registered Mail<sup>™</sup>
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation<sup>™</sup>
- ☐ Signature Confirmation Restricted Delivery

Mail

Mail Restricted Delivery

00

Domestic Return Receipt



## Affidavit of Publication

State of New Mexico,  
County of Eddy, ss.

**Danny Fletcher**, being first duly  
sworn, on oath says:

That he is the Publisher of the  
Carlsbad Current-Argus, a  
newspaper published daily at the  
City of Carlsbad, in said county of  
Eddy, state of New Mexico and of  
general paid circulation in said  
county; that the same is a duly  
qualified newspaper under the laws  
of the State wherein legal notices  
and advertisements may be  
published; that the printed notice  
attached hereto was published in the  
regular and entire edition of said  
newspaper and not in supplement  
thereof on the date as follows, to wit:

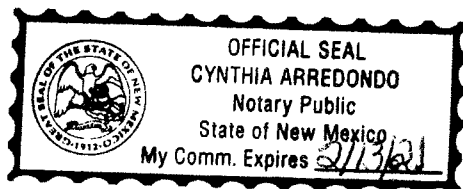
September 13 2017

That the cost of publication is  
**\$152.85** and that payment thereof  
has been made and will be  
assessed as court costs.

Subscribed and sworn to before me  
this 14 day of September, 2017

My commission Expires 2/13/21

Notary Public



September 13, 2017

STATE OF NEW MEXICO  
ENERGY, MINERALS  
AND NATURAL  
RESOURCES  
DEPARTMENT  
OIL CONSERVATION  
DIVISION  
SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **September 28, 2017**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **September 18, 2017**. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF  
NEW MEXICO TO:  
All named parties and  
persons having any  
right, title, interest or  
claim in the following  
cases and notice  
to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: **Chevron U.S.A. Inc.; Read & Stevens, Inc.; The State of New Mexico; The United States of America; Curtis Mewbourne, Trustee; EOG Y Resources Inc.; Oxy Y-1 Company.**

Case No. 15845: Application Of Chevron USA Inc. For Approval Of The Cicada Unit, Eddy County, New Mexico. Applicant seeks approval of its Cicada Unit consisting of approximately 5,760.00 acres of the following Federal and State lands situated in Eddy County, New Mexico:

**TOWNSHIP 25 SOUTH,  
RANGE 27 EAST,  
N.M.P.M.**

Section 23: All  
Section 26: All  
Section 35: All

**TOWNSHIP 26 SOUTH,  
RANGE 27 EAST,  
N.M.P.M.**

Section 1: All  
Section 2: All  
Section 10: All  
Section 11: W/2  
Section 12: All  
Section 14: W/2  
Section 15: All

The unitized interval is the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API #30-015-21549). The subject acreage is located approximately 15 miles southwest of Malaga, New Mexico.

**BEFORE THE OIL CONSERVATION  
DIVISION**

Santa Fe, New Mexico

Exhibit No. 7

Submitted by: **CHEVRON U.S.A. INC.**

Hearing Date: September 28, 2017