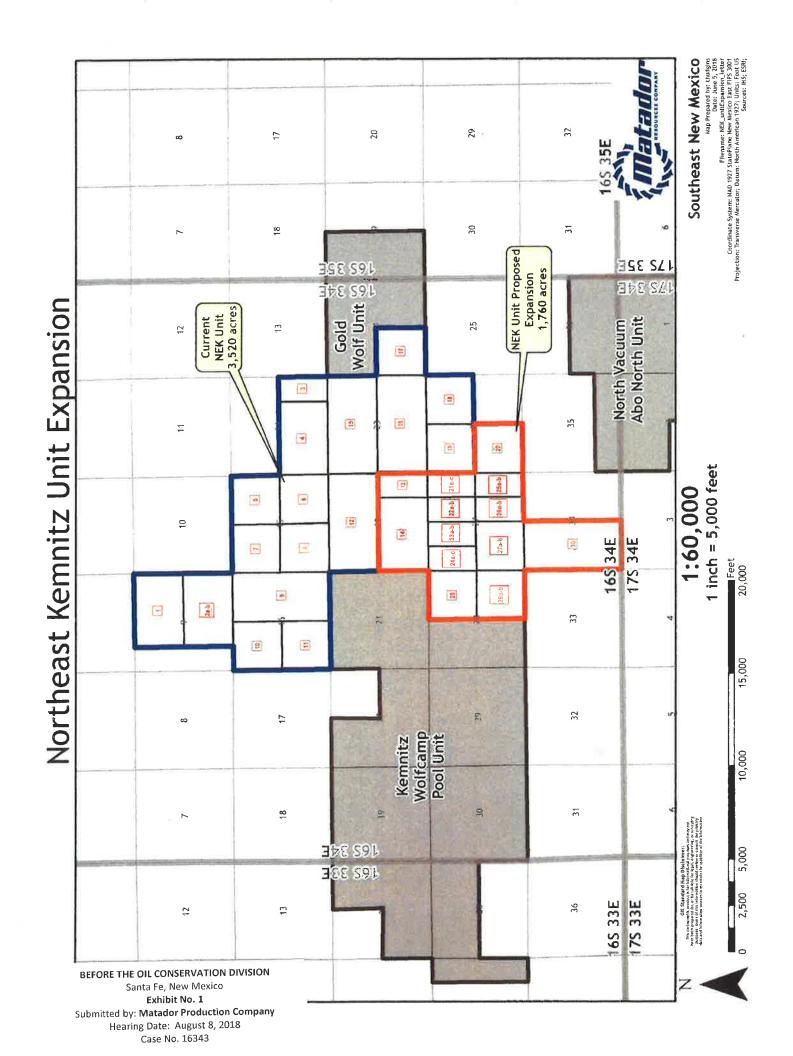
## BEFORE THE OIL CONSERVATION DIVISION EXAMINER HEARING AUGUST 8, 2018

**CASE No. 16343** 

NORTHEAST KEMNITZ UNIT

## LEA COUNTY, NEW MEXICO







## BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

> CASE NO. 5697 Order No. R-5232

APPLICATION OF ELK OIL COMPANY FOR APPROVAL OF THE NORTHEAST KEMNITZ UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

## ORDER OF THE COMMISSION

## BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on June 23, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

day of July, 1976, the Commission, a NOW, on this 6th quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

## FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Elk Oil Company, seeks approval of the Northeast Kemnitz Unit Agreement covering 3520.0 acres, more or less, of State land described as follows:

## LEA COUNTY, NEW MEXICO TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM

Section 9: E/2 and E/2 W/2

Section 14: S/2 Section 15: All Section 16: All

Section 22: N/2

Section 23: All SW/4

Section 24: SW/4 Section 26: N/2

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

## IT IS THEREFORE ORDERED:

(1) That the Northeast Kemnitz Unit Agreement is hereby approved.

-2-Case No. 5697 Order No. R-5232

- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate  $\underline{ipso}$   $\underline{facto}$  upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

ARNOLD Member

JOE D. RAMEY, Member & Secretary

SEAL

## **Matador Production Company**

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240 Voice 972.371.5481 • Fax 214.866.4981

nweeks@matadorresources.com

Nicholas Weeks Landman

June 4, 2018

## VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

**Interest Owners** 

Re: In

Invitation to Participate

Northeast Kemnitz Unit Expansion

Lea County, New Mexico

## Gentlemen:

Matador Production Company ("Matador") is currently the operator of the Northeast Kemnitz Unit (the "Unit") comprised of 3,520.00 acres. Matador has received preliminary approval for an expansion of the Unit from the New Mexico State Land Office (the "SLO"). The expansion is proposed to include the following acreage (the "Expansion Area"):

Township 16 South - Range 34 East N.M.P.M.

UNIT TRACT	DESCRIPTION	ACRES
13	Section 22: E/2SE/4	80.00
14	Section 22: SW/4, W/2SE/4	240.00
20	Section 26: SW/4	160.00
21а-с	Section 27: E/2NE/4	80.00
22a-b	Section 27: W/2NE/4	80.00
23a-b	Section 27: W/2NW/4	80.00
24a-c	Section 27: E/2NW/4	80.00
25a-b	Section 27: E/2SE/4	80.00
26a-b	Section 27: W/2SE/4	80.00
27a-b	Section 27: SW/4	160.00
28	Section 28: NE/4	160.00
29a-b	Section 28: SE/4	160.00
30	Section 34: W/2	320.00
		1760.00

As a working interest owner in the Unit or Expansion Area, Matador hereby extends an invitation to join the Unit expansion and requests your execution of the enclosed Ratification and Joinder of Unit Expansion. Enclosed for your review and files please find the following documents:

- 1. Ratification and Joinder of the Northeast Kemnitz Unit Expansion
- 2. Plat of the Northeast Kemnitz Unit and Expansion Area
- 3. Updated Exhibit "B" to the Northeast Kemnitz Unit Agreement inclusive of Expansion Area
- 4. Copy of the SLO Preliminary Approval
- 5. Copy of the Northeast Kemnitz Unit Agreement
- 6. Expanded Northeast Kemnitz Unit Operating Agreement
- 7. Memorandum of Operating Agreement, Mortgage and Financing Statement for the Expanded Northeast Kemnitz Unit Operating Agreement

Within thirty (30) days from your receipt, please execute and notarize 1) three copies of the Ratification and Joinder Agreement where indicated; 2) one copy of the signature and acknowledgment pages to the Expanded Northeast Kemnitz Operating Agreement; and 3) one copy of the signature and acknowledgment pages for the Memorandum of Operating Agreement, Mortgage and Financing Statement for the Expanded Northeast Kemnitz Unit Operating Agreement thereafter returning the executed originals to my attention. Within this 30 day window Matador will begin the application process with the SLO and New Mexico Oil Conservation Division for final approval of the Unit expansion. The effective date of the expansion shall be commensurate with that time provided for in the approval response from the SLO.

If you have any questions, or need additional information, please feel free to contact me at (972) 371-5481, or alternatively at my email: nweeks@matadorresources.com.

Respectfully,

MATADOR PRODUCTION COMPANY

Nicholas Weeks

**Enclosures** 

## RATIFICATION AND JOINDER OF UNIT AGREEMENT AND UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the NORTHEAST KEMNITZ UNIT AREA, County of Lea, State of New Mexico, dated May 5, 1976, in form approved on behalf of the Secretary of the Interior and the Commissioner of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement, dated July 1, 2018, which relates to said Unit Agreement the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

The undersigned, being the owners of the leasehold interest in the lands or minerals embraced in said Unit Area as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Kemnitz Unit Agreement and Unit Operating Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

SIGNATURE OF OFFICER	BUSINESS ENTITY
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Acknowledgment in an Individual	Capacity
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nstrument was acknowledged before me this day of, 20	O by
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(Notary Seal)	SIGNATURE OF NOTARIAL OFFICER
	MY COMMISSION EXPIRES:
Acknowledgment in an Representa	tive Capacity
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nstrument was acknowledged before me this day of, 20	) by
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on behalf of said	
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(Notary Seal)	SIGNATURE OF NOTARIAL OFFICER
	MY COMMISSION EXPIRES:

# EXHIBIT "B" , SCHEDULE OF OWNERSHIP Schedule Showing All Lands and Leases within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

TRACT NO. DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER & EXPRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	14	DVERRIDING ROYALTY AND PERCENTAGE		OPERATING RIGHTS AND PERCENTAGE	TAGE
1a <u>1165-Rade</u> Section 9: NE/4, E/2NW/4* All Depths	480	K-6874 Effective April 18, 1967 HBP	State of New Muxico - ALL 12,50%	15.0	\$0,000% \$0,000%	ong Erengy Corporation - Kelly - Kell	4,738878% 0,012069% 1,875000% 1,875000% 0,025884% 0,021768% 0,051768% 0,051768% 0,051768%	T Holo	92.187500% 5.000000% 2.612500%
2a <u>TISS-RBAE</u> Section 9: SE(A, E/Zsq)/4* Surface to base of Morrow	480	K-687a Effective April 18, 1967 HBP	State of New Mexico - ALL 12,50%	TOTAL Verde Vista Energy, Company Stath Exploration Limited Partnership		TOTAL Sleah Exploration Limited Partnership Ameratong Energy Corporation coseph J, Kelly NonDarcy Oil 8 Gas, Inc. NonDarcy Oil 8 Gas, Inc. NonDarcy Oil 8 Gas, Inc. Many Ann Rosenberg Weems Doller, Blennen Werd Wiss Energy Company DelMan Holdings, Lip	10.149148% 4.738878% 0.012069% 1.1875000% 0.025884% 0.021768% 0.051768% 0.051768% 0.051768% 0.051768% 0.051768%	MRC Permian Company Slash Exploration Limited Partnership Delhart Holdings, IP Judson Operations Lid K.V.B. W.H. Martin Energy Ltd Magic Dog Olf & Gas Ltd	100,00000% GR 75,00000% 10,000000% 8,333333% 8,333333% 8,333333%
2b <u>1165-8346</u> Section 9: SE/4, E/JSW/4* Base of Morrow to all depths below	48D	K-6874 Effective April 18, 1967 HBP	State of New Mexico - ALL 12,50%	Varde Vista Enegy Company Varde Vista Enegy Company Slash Exploration Limited Partnership	%0000 OS	State Exploration Limited Parmership State Exploration Limited Parmership Armstrong Energy Carporation Joseph J. Kelly WonDarey Oil Gass, Inc. Bodin Trust Bodin Bodin Trust Bodin Many Aan Rosenberg Weems Dick A. Benden Dick A. Benden Perfect Wits Energy Company Analyses Holdings, Ip	4,738378% 0,012089% 1,875000% 1,875000% 0,025884% 0,051768% 0,051768% 0,051768%	MRC Permian Company Siash Euploration Limited Partnership DelMar Holdings, LP	22,187500% 5,000000% 2,612500%
				TOTAL	100.0000%	TOTAL	10.149146%	TOTAL	100.000000%
3 <u>1165-1834E</u> Section 14: E/25E/4 All depths	08	(-4716 Effective July 21, 1970 HBP	State of New Mexico - ALL 12,50%	Verde vista Enegy Company Slash Exploration United Parmership	%0000°05	Slash Exploration Limited Partnership Armstrong Energy Corporation Coseph Likely Ronderscy Oil & Gas, Inc. Colle Limited Partnership, L.P. Many Ann Kelly Twitty Roak Kurz Bodin Roak	4,738678% 0,012069% 0,937500% 0,937500% 0,937500% 0,037500% 0,0375884% 0,033768% 0,031768%	MRC Permian Company Sissh Exploration IP Southwast Royalites, Inc.	70,000,000% 5,000,000% 25,000,000%
BEF(				TOTAL	100.00009%	Verac vista Energy Combany TOFAL	9.039773%	TOTAL	100.000000%

of 12

# EXHIBIT "B". SCHEDULE OF OWNERSHIP schedule Showing All Lands and Leases within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

1985   1986	INACT	DESCRIPTION OF LANDS	SERIAL NUMBER & EXPIRATION	BASIC ROVALTY AND						
1975-1974   19				PERLEN I AGE	LESSEE OF RECORD AND PERCENTAGE	IGE	DVERRIDING ROYALTY AND PERCENTAGE		OPERATING RIGHTS AND PERCENTAGE	NTAGE
1565-158   150   14500   12,000   12,		165-834E ecton 14: SW/4, W/2SE/4 il dapths		State of New Mexico - ALL 12.50%	Varde Vista Engloration Limited Partnership Slash Engloration Limited Partnership	i	Start Exploration United Partnership Armstrong Energy Corporation Coseph J. Kelly Alany Ann Kelly Vinty Josef kur Bedin Osed Kur Bedin Osed Kur Bedin Start Man Resemble Weems Jick A. Blenden  Ted Yilk Energy Company		MRC Permian Company Sisth Exploration LP Southwest Royaltles, Inc.	70.000000% 5.000000% 25.000000%
1,556,1954   2,650					IOTAL		IOTAL.		тотац	100.0000001
156-8586   150   L-6875   151-90   12.50%   12		<u>165-R34E</u> ection 15: NE/4 Il depths		State of New Mexico - ALL 12.50%	Verde Vista Enelgy Company Stash Exploration Limited Partnership		Slash Exploration Umited Partnership Afmistrong Energy Corporation Stock II. Kelly VonDarcy Oil & Gas, Inc., Scale Kur Bodon Vary Ann Rosenberg Weems Vary Ann Rosenberg Weems First K. Bledner Vary Ann Rosenberg Weems First K. Bledner		MRC Permian Company Stast Explication LP Southwest Royalties, Inc.	70.000000% 5.000000% 25,000009%
156,836.26   1.0					TOTAL		TOTAL		TOTAL	100.000000%
T155-R346   150   1-6875   12-50%   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   Verde Vita Energy Company   50 000009   State of New Mexico - ALL   State of New Mexico - ALL   State Stat		<u>165.48af</u> ecton 15: SE/4 Udephis		State of New Mexico - ALL 32,50%	Verde Vista Energy Company Stash Exploration Umited Partnership		Slash Exploration Umited Partnership Armstrong Energy Corporation Scaph, Kelly WonDarry Dil & Gas, Inc. Scab Kur Bodn Scab Kur Bodn Scab Kur Bodn Varry Yun Verry Sabbath Bodin Varry Ann Rosenberg Weens Sciph Trists ''' W		MRC Permian Company Slash Exploration LP	%000000'5 %000000'5
156.0   L-6875   State of New Mexico - ALI   Seath Exploration Limited Partnership   50.0000% Sinsh Exploration Limited Partnership					TOTAL	er.	TOTAL	70	TOTAL	100.000000%
156   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1-6875   150   1		<u>165-8348</u> ecton 15: NW/4 il depths		State of New Mexico - ALL 12.50%	Verde Vista Energy Company Stash Exploration Umilted Partnership		Sisah Exploration Umiked Partnership Armstrong Energy Corporation Sossph. Kelly Armstrong Energy Corporation Armstrong Energy Corporation Armstrong Energy Corporation Armstrong Energy Corporation Armstrong Weems Armstrong		MRC Permian Company Stash Exploration I.P Southwest Royalties, Inc.	70,00000% 5,000000% 25,000000%
156.73346   1-6875   State of New Mexico : ALL   Verde Visite Entropy Company   50,0000% Slash Exploration United Partnership   50,0000% Slash Exploration United Partnershi					TOTAL		TOTAL		TOTAL	100.000000%
100.0000% TOTAL 9.422295%		<u>185-834E</u> ecton 15: 5W/4 il depths		State of New Mexico - ALL 12.50%	Verde Vista Energy Company Slash Exploration Limited Partnership San Exploration Limited Partnership		Slash Exploration United Partnership Armstrong Energy Corporation Armstrong Energy Corporation Stock Hondard Stock Inc. Bross Kurt Body Harry Sabbath Bodin Many Ann Rosentberg Weems Mary Ann Rosentberg Weems User A Blenden Totted.		MRC Permian Company Slash Exploration LP	95,000000% 5,000000% 100,000000%

EXHIBIT "B" . SCHEDULE OF OWNERSHIP Schedule showing All lands and Leases within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

TRACT NO. DESCRIPTION OF LANDS	ACRES SERIAL NUMBER & EXPRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF PEROPE AND DEPOSITABLE		ANY ANY ANY AND ANY PARTY DATE OF PROPERTY AND ANY			100
			COSE OF SECOND AND PERCENTAGE		OVERHIDING NOTALIT AND PERCENTAGE		OPERATING INSHTS AND PERCENTAGE	HAGE
9 T165-R34E	320 K-6667	State of New Mexico - ALL	Verde VIsta Energy Company		Slack Embration Limited Barmershln	7300700 F	MAD Committee of the second co	No. of Persons
Section 16: E/2	Effective January 17, 1967	12.50%	tnership	50,0000% Ar	Armstrong Energy Corporation	0.012069%	Slash Exploration Limited Partnership	5.000000%
All depths	HBP			п	Joseph J. Kelly	1,875000%	DelMar Holdings, LP	2 812500%
				ž	NonDarcy Oil & Gas, Inc.	1.875000%		
				Ŗ	Rose Kurz Bodín	0,025884%		
				m	Bodin Trust "B" UWO Harry Sabbath Bodin	0,025884%		
				2 1	Mary Ann Rosenberg Weems	0.051768%		
				o :	Dick & Blenden	0.051768%		
				s č	Verde Vista Energy Company	0,383523%		
			TOTAL	100 00000 T	School Holeman L.	1.1093/5%	*******	
						10.149148%	IOIAL	100.000000%
10 T165-R34E	160 K-6876	State of New Mexico - ALL			Slash Exploration Limited Partnership	4,738878%	MRC Permian Company	70,00000007
Section 16: NW/4	Effective April 18, 1967	12 50%	Slash Exploration Umlted Partnership	50,0000% Ar	Armstrong Energy Corporation	0.012069%	Slash Exploration LP	%000000 5
All depths	НВР			ol	Joseph J. Kelly	1,875000%	Southwest Royalties, Inc.	25,000000%
				Ż	MonDarcy Oil & Gas, Inc.	1,875000%		
				ณ์ เ	Rose Kurz Bodin	0.025884%		
				ĸĎ	Bodin Trust "B" UWO Harry Sabbath Bodin	0.025884%		
				2	Mary Ann Rosenberg Weems	0,051768%		
				o :	Dick A. Blenden	0,051768%		
				á	Verde Vista Energy Company	0,383523%		
			TOTAL	100.0000% TC	TOTAL	9.039773%	TOTAL	100.000000%
11 T165-R34E	160 L-3001	State of New Mexico - ALL	Verde Vista Energy Company	50,0000%	Slash Exploration Limited Parmershlp	4.738878%	MRC Permian Company	92.187500%
Section 16: SW/4	Effective May 20, 1969	12.50%	nership		Armstrone Energy Corporation	0 012069%	Slash Exploration Umited Partnership	2 0000000
All depths	HBP				Joseph J. Kellu	1 875000%	Delidar Holdinos ID	2,000000/8
				< 2	SCHOOL STATE OF THE STATE OF TH	1,673000%	Deliviar notatings, LP	Z B1230076
				2 0	Noticeary on & cas, inc.	1.8/5000%		
				2 6		0,02388478		
				ń.	Bodin Irust 'B' UWU Harry Sabbath Bodin	0,025884%		
				≥ i	Mary Ann Hosenberg Weems	0,051768%		
				o :	Dick A. Blenden	0,051768%		
				× (	Verde Vista Energy Company	0,383523%		
				Ĺ	Deliviar Holdings, LP	1,109375%		
				100.0000% TC	YOTAL	10.149148%	TOTAL	100.000000%
12 T165-R34E	320 K-4426	State of New Mexico - ALL	Verde Vista Energy Company	50,0000% 518	Slash Exploration Limited Partnership	4,738878%	MRC Permian Company	%00000036
Section 22: N/2	Effective April 21, 1970,	12.50%	Slash Exploration Umited Partnership	50.0000% Ar	Armstrong Energy Corporation	0.012069%	Slash Exploration I P	5,000000%
All depths	HBP				Oseph J. Kelly	1.875000%		
				ž	NonDarcy Oil & Gas. Inc	1.875000%		
				RC	Rose Kurz Bodin	0.025884%		
				Bc	Bodin Trust "B" UWO Harry Sabbath Bodin	0.025884%		
				M	Mary Ann Rosenberg Weems	0.051768%		
				ō	Dick A. Blenden	0,051768%		
				S	Verde Vista Energy Company	0.76704634		
			TOTAL	100.0000% TC	TOTAL	9.423295%	TOTAL	100.000000%
13 T165-R34E	80 VB-2285	State of New Mexico - All.	MRC Permian Company	100.0000% No	None		MRC Permian Company	100.000000%
Section 22: E/25E/4	Effective July 1, 2013	18,75%						
All depths	Expires November 1, 2018		TOTAL 10	DL %0000.001	TOTAL	0.00000055	TOTAL	100,000000%
14 T165-R34E Section 22: SW/4, W/25F/4	240 VB-2272 Effective May 1 2013.	State of New Mexico - ALL	MRC Permian Company	100,000% Nc	None		MRC Permlan Company	100,000000%
All depths	Expires November 1, 2018	P/2 (194	TOTAL	100.0000% TO	TOTAL	0.000000%	TOTAL	100.000000%

# EXHIBIT "B" . SCHEDULE OF OWNERSHIP Schedule Showing All Lancs and Leases Within the NORTHEAST KEMINITZ UNIT LEA COUNTY, NEW MEXICO

TRACT	SERIAL NUMBER & EXPRATION	BASIC ROYALTY AND						
NO. DESCRIPTION OF LANDS	ACRES DATE	PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	GE	OVERRIDING ROYALTY AND PEACENTAGE		OPERATING RIGHTS AND PERCENTAGE	BITAGE
15 <u>T165-R34E</u> Section 23: N/2 All depths	320 L-5.108-0003 Effective December 15, 1970 HBP	State of New Meaken - ALL 12.50%	Verde Vista Energy Company Slash Exploration Umited Pertnership	50,0000% Sla: 50,0000% Astronomy No. Coi Ma Ma Rosa Rosa Rosa Rosa Coi Dic	Stash Exploration Limited Partnership Armstrong Energy Corporation Loseph J. Kelly MonDaryold S. Gass, Inc. MonDaryold S. Gass, Inc. Many Ann Kelly Twitty Many Ann Kelly Twitty Many Ann Rosenberg Weems Coline Limited Partnership. L.P. Lose Kut Bodon Trux 19' UWO Harry Sabash Bodin Many Ann Rosenberg Weems Colint A. Shemston Libit A. Shemston Libit A. Shemston Libit A. Shemston	4 738378% NARC 0,012069% Slesh 0,012069% Sold 0,012069% Sold 0,037500% O,037500% O,057884% O,051268%	WRC Permian Company Sissh Exploration LP Southwest Royalturs, Inc.	70,000000% 5,000000% 25,000000%
			TOTAL	100.0000% 10	TOTAL	9.039773% TOTAL	N	100.000000%
16 <u>1165-R34E</u> Section 23: 3/2 All deptis	320 K-6448-0003 Effective October 18, 1966 HBP	State of New Medico - ALL 12.50%	Verde Vista Energy Company Slash Exploration Limited Partnership	50,0000% STa. 50,0000% Arr No No No No No No No No No No No No No	Stash Exploration United Partnership  Armstrong Energy Corporation  Armstrong Energy Corporation  Asson Live State  Asson Live State  Asson Armstrong State  Both Arms	4,738872% MHG 0,012.069% Slesh 0,9375.00% 0,9375.00% 0,9375.00% 0,025884% 0,025884% 0,051768% 0,051768% 0,051768% 1,109375%	MRC Permian Company Sissh Exploration United Partnership DelMar Holdings, LP	92.187500% 5.000003% 2.812500%
			TOTAL	100.0000% TO	ТОТАІ	10.149148% TOTAL	al.	100.000000%
1) <u>1165-834E</u> Settion 24: SW/4 All depths	160 K-6714-0003 Effective February 21, 1967 HBP	State of New Mexico - ALL 12.50%	Verde Vista Energy Company Slash Exploration Limited Partnership	50,0000% Arr 50,0000% Arr 100,0000 100,0000 100,0000 100,0000 100,0000 100,0000 100,0000 100,0000 100,0000 100,00000 100,0000 100,000	Stash Exploration Limited Partnership Armstrong Energy Corporation Sueph J. Kidn NoonDarry Oil & Gas, Inc. Colle Limited Partnership, L.P. May Ann Kyly Usdry Rose Kurt Bodin Bodin Trust TP UWU Herry Sabbath Bodin Mary Ann Rosenberg Weeens Cick A. Benden Cick A. Benden The Week Russ Bodin Disk A. Benden	4,738878% MRCP 0,012069% Starh E 0,937500% 0,937500% 0,037500% 0,025884% 0,025884% 0,025884% 0,025884% 0,025884% 0,025884% 0,025884%	MRC Permian Company Stark Exploration UP Southwest Royalites, Inc.	70.00000% 5.000000% 25.000000%
18 TISS-RB4E Section 28: NE/4 All depths	160 L.1038-0003 Effective July 16, 1968 HBP	State of New Mexica - ALL 12.50%	Verde Vista Energy Company Sigsh Exploration ilmited Partnership		Stash Exploration United Partnership Armstrong Energy Corporation Inseeph I., felly Knobarcy Oil B. Gas, Inc. Coille Limited Partnership I. P. May Ann Kelly Tristry Rose Kurtz Bodin Bodin Trust 'B' UWO Harry sabbath Bodin Bodin Trust 'B' UWO Harry Sabbath Bodin Verde Vista Energy Company Delka Arista Energy Company Delka Holdings, LP TOTMA.		MAC Permian Company Slash Exploration United Partnership DelMar Holdings, UP CGG Operating LLC Concho Oll & Gas LLC	65,000,00% 5,000,00% 23,750,00% 1,250,00% 1,00,000,00%

EXHIBIT "B" . SCHEDULE OF OWNERSHIP Schedule Showing All lands and leases within the NORTHEAST KEANNIT UNIT LEA COUNTY, NEW MEXICO

160   1.165-R34E   160   1.1038-0003	DATE	BANC HOVALITY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	AGE	OVERRIDANG ROYALTY AND PERCENTAGE		OPERATING RIGHTS AND PERCENTAGE	NTAGE
165-834E   160								
Section 26: WW/4	60	State of New Mexico - ALL	Verde Vista Energy Company		Slash Exploration Limited Partnership	4,547788%	MRC Permian Company	67,500000%
All depths    1165-R34E   160     3ection 25: 3W/4   160     1265-R34E   160     265-R34E   80     265	uly 16, 1968	12.50%	Slash Exploration Limited Partnership	20,0000%	Armstrong Energy Corporation	0.011398%	Slash Exploration Umited Partnership	5,000000%
TISS-REAE  All depths  All depths  TISS-REAE  Section 20: SW/4  All depths  Section 27: E/2NE/4  Section 27: E/2NE/4  Base of Wolfcamp  TISS-REAE  Base of Wolfcamp  TISS-REAE  Section 27: E/2NE/4  Base of Wolfcamp to 13.250'  Section 27: E/2NE/4  Base of Wolfcamp to 13.250'  Section 27: E/2NE/4  Base of Wolfcamp to 13.250'  Section 27: E/2NE/4  13.250' to all depths below  Section 27: E/2NE/4  13.250' to all depths below  125-REAE  Section 27: E/2NE/4  13.250' to all depths below  125-REAE  Section 27: E/2NE/4  Section 27: E/2NE/4  Section 27: E/2NE/4  Section 27: E/2NE/4  Base of Wolfcamp & Below  13.250' to all depths below					Joseph J, Kelly	0,937500%	DelMar Holdings, LP	2.500000%
ILES-REAGE   150					NanDarcy Oil & Gas. Inc.	0.937500%	COG Operating LLC	23.750000%
165-R34E   160   160   160   160   160   160   160   165-R34E   160   165-R34E   160   165-R34E					Collle Limited Partnership. L.P.	0.937500%	Concho Oil & Gas LiC	1.250000%
ILES-FEIJAE   160   26cclion 26: 599/4   1165-FEIJAE   160   26cclion 26: 599/4   1165-FEIJAE   26cclion 27: 673/FE/4   26cclion 27: 973/FE/4   26cc					Marie Ann Valle Teight	ACCURACY C		200
165   160					Party Anth Relly I writis	0.937500%		
165-FB36					Hose Kurz Bodin	0.025884%		
1165-FE34E   160					Bodin Trust "B" UWO Harry Sabbath Bodin	0.025884%		
TISS-FRIGE   160					Wary Ann Rosenberg Weems	0.051768%		
1165-FE34E   160					D cx A, Blenden	0.051768%		
TISS_FRIATE   160					Verde Vista Energy Company	0.383523%		
160   160					DelMar Holdings. LP	0.453409%		
1565-R34E   160     Section 26: 3W/4     All depths     All depths     All depths     Section 27: E/2/NE/4     Surface to Base of Wolfcamp     1565-R34E     Section 27: E/2/NE/4     Base of Wolfcamp to 13,250     Section 27: E/2/NE/4     Base of Wolfcamp to 13,250     Section 27: E/2/NE/4     Section 27: E/2/NE/4     Section 27: E/2/NE/4     Section 27: Wolfcamp &			TOTAL	100.0000%	TOTAL	9.301420%	TOTAL	100.000000%
Section 26: 3W/4 All depths All depths Section 27: (2/3/E/4 Surface to Base of Wolfcamp 1165-R34E Section 27: (2/3/E/4 Base of Wolfcamp to 13,250' Base of Wolfcamp to 13,250' Base of Wolfcamp to 13,250' Section 27: (2/3/E/4 Base of Wolfcamp to 13,250' Section 27: (2/3/E/4 Base of Wolfcamp & Boow 13,250' to all depths below		State of New Mexico - ALL	MRC Permian Company	100,0000%	None		MRC Permian Company	100,000000%
All depths  1065-8034 Section 27: £/2NE/4 Section 27: £/2NE/4 Section 27: £/2NE/4 Base of Wolfcamp to 13.250 Section 27: £/2NE/4 Base of Wolfcamp to 13.250 Section 27: £/2NE/4 Section 27: £/2NE/4 Section 27: £/2NE/4 13,250 to all depths below Section 27: £/2NE/4 13,250 to all depths below	Effective May 1, 2013,	18.75%						
1165-R34E Section 27: E/2NE/4 Section 27: E/2NE/4 1165-R34E Base of Wolfcamp to 13.250 to all depths below Section 27: E/2NE/4 Base of Wolfcamp & Base of W	Expires November 1, 2018		TOTAL	100.0000%	TOTAL	0.0000000%	TOTAL	100.000000%
Surface to Base of Wolfcamp  1.65-R34E Section 27: E/7NE/4 Base of Wolfcamp to 13,250'  1.65-R34E Section 77: E/7NE/4 13,250' to all depths below Section 27: E/7NE/4 13,250' to all depths below Section 27: Wolfcamp & Section 27:	E-7564-0003 Ffective November 17, 1953	State of New Mexico - ALL	2PZ Delaware I, ULC	100,0000%	None		Magnum Hunter Production, Inc.	100.000000%
1165-R34E Section 27: E/2NE/4 Base of Wolframp to 13,250′ Baston 27: E/2NE/4 13,250′ to all depths below Section 27: E/2NE/4 13,250′ to all depths below Section 27: W/2NE/4 13,250′ to all depths below 13,250′ to all depths below 13,250′ to all depths below			TOTAL	100.00001	TOTAL	0.000000%	TOTAL	100.000000%
Section 27: E/2NE/4 Base of Wolframp to 13,250'  DISS-R34E 13,250' to all depths below Section 27: E/2NE/4 13,250' to all depths below Wolframp & Wolframp & 13,250' to all depths below 13,250' to all depths below	003	State of New Mexico - ALL	ZPZ Delaware I, LLC	100,000%	Slash Exploration Limited Partnership	3,090081%	MRC Permian Company	72,500000%
Base of Wolframp to 13,750'  1165-R34E Section 77: E/2NE/4 13,750' to all depths below 1165-R34E Section 27: WOlfsel Section 27: WOlfsel Section 27: WOlfsel 13,750' to all depths below	Effective November 17, 1953	12.50%			Armstrong Energy Corporation	0.008690%	Slash Exploration LP	5.0000000%
10.55.R34E 13.250' to all depths below 13.250' to all depths below 14.55.R34E 13.55 R34E 13.55 R34E 13.55 R34E 13.55 To all depths below					Joseph J. Kelly and wife. Barbara Kelly	0.273330%	DelMar Holdings, LP	3,750000%
105-R34E Section 27: E/7NE/4 13,250 to all depths below 1165-R34E Section 27: W/Olfate 13,250 to all depths below 12,550 to all depths below 13,250 to all depths below					Verde Vista Franco Company	1.187500%	In Ann Slyley Ruppert Trust	9.375000%
1165-R34E Saction 27: E/2NE/4 13,250' to all depths below T165-R34E Section 77: W/NIE/4 Section 77: W/NIE/4 13,250' to all depths below					DelMar Holdings. UP	1.968750%	Thomas Bay Siyley Trust	8.375000%
1055-R34E Section 27: £/2/NE/4 13.250' to all depths below 1155-R34E Section 27: W/2/NE/4 Section 27: W/2/NE/4 13.250' to all depths below			Torrai	100 00000	TOTAL	C E3035102	TOTAL	100 0000000
TLES-REGARE   80   Section 27: E/2/NE/4   13,250' to all depths below     TLES-REGARE   80   Section 27: W/2/NE/4   80   Section 27: W/2/NE/4   80   13,250' to all depths below			12.00	_	loiat.	0.32033270	1810	TOTAL CHARGE CO.
Section 27: £/2/NE/4 13,350' to all depths below  TASS-REGATE Section 27: W/2/NE/4 Section 27: W/2/NE/4 13,250' to all depths below	103	State of New Mexico - ALL	ZPZ Delaware I, LLC	100,0000%	Slash Exploration Limited Partnership	3.090081%	MRC Permian Company	%0000000'56
13,250' to all depths below  16.5.6346  Section 27: W/2NE/4  13,250' to all depths below	Effective November 17, 1953	12.50%			Armstrong Energy Corporation	0.008690%	Slash Exploration LP	5,000000%
1165-R38E Section 27: W/2NE/4 Suffree to base of Worldramp & 13,2SF to all deptits below					Joseph J. Kelly and wife, Barbara Kelly	0,273330%		
1165-1634E Section 27: W/2NE/4 Sufface to base of Wolkamp & 13,250' to all depths below					Varde Vista Energy Company	1,187500%		
1165-R34E Section 27: W/2NE/4 Surface to base of Wolfcamp & 13,250' to all depth's below			TOTAL	100,0000%	TOTAL	4.559601%	TOTAL	100.000000%
Section 27: W/2NE/4 Surface to base of Wolkramp & 13,250 to all depths below	g		Old Learning Day	) O O O O O		20000		2000
olfcamp & below	More than 1	State of Item Mento - ALL	Ar L Delawale 1, LLC		ansat exploration diffred refuse simp	ACTENDED'S	MINE PERMITTED PRINT	%nonnon'es
	ACVERTICE LV, 1909	12,50%			Armstrong Energy Lorporation	%DEGRADO'D	stash exploration LP	2,000,000%
					Joseph J. Keny and Wile, barbara Keny	1.187500%		
			TOTAL	200000000	TOTAL	4.559601%	TOTAL	200.000000%
22b T165-R34E 80 E-7564-0003	103	State of New Mexico - ALL	ZPZ Delaware I, LLC	100.0000%	Slash Exploration Limited Partnership	3,090081%	MRC Permian Company	72.500000%
	Effective November 17, 1953	12.50%			Armstrong Energy Corporation	%D89800°0	Slash Exploration LP	2,000000%
Base of Wolfcamp to 13,250' HBP				•	Joseph J. Kelly and wife, Barbara Kelly	0,273330%	DelMar Holdings, LP	3,750000%
					Verde Vista Energy Company	1.187500%	Jo Ann Siviey Ruppert Trust	9.375000%
					DelMar Holdings, LP	1.968750%	Thomas Ray Siviey Trust	3.375000%
			TOTAL	100.0000%	ТОТАЦ	6.528351%	TOTAL	100.00000005
23a T165-R34E 80 E-7564-0003	600	State of New Mexica - ALL	ZPZ Delaware I, LLC	100,000%	Stash Exploration Limited Partnership	3,090081%	MRC Permian Company	95.000000%
	Effective November 17, 1953	12.50%			A-mstrong Energy Corporation	%069800 0	Slash Exploration LP	2,0000000%
Surface to base of Wolfcamp & HBP					Joseph J. Kelly and wife, Barbara Kelly	0.273330%		
13,250' to all depths below				0	Verde Vista Energy Company	1,187500%	9	
			TOTAL	100.0000%	TOTAL	4.559601%	TOTAL	100.000000%

# EXHIBIT "B" . SCHEDULE OF OWNERSHIP Schedule Showing All Lands and Leases within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

24a T165-R34E Section 27: E/2NW/4 Surface to 10,974'

23b <u>1165-R34E</u> Section 27: W/2NW/4 Base of Wolfcamp to 13,250°

ACRES

DESCRIPTION OF LANDS

### Carrier of Nove Marke - Ma	DATE	FERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE		OPENALING RIGHTS AND PENCENTAGE	PHLENIAGE
The procession of the proces							
Entire   Common   1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	E-7564-0003	State of New Mexico - ALL	ZPZ Delaware I, LLC		3_090081%	MRC Permian Company	72.500000%
14   14   14   14   14   14   14   14	Effective November 17, 1953	12,50%		Armstrong Energy Corporation	0,008690%	Slash Exploration LP	%000000 '5
TOTAL   160 COOK   12 Miles   160 COOK   1	НВР			Joseph J. Kelly and wife, Barbara Kelly	0.273330%	DelMar Holdings, LP	3,750000%
TOTAL   TOTA				Verde Vista Energy Company	1,187500%	Jo Ann Sivley Ruppert Trust	9.375000%
TOTAL   MANUAL CONTROL   TOTAL   TOT				- 5	1.968750%	Thomas Ray Siviey Trust	9,375000%
Figure Normalie 17, 1920  Figure Normalie 17					6.528351%	TOTAL	100,000000%
100   100	80 E-7564-0003	State of New Mexico - ALL	ZPZ Delaware I, LLC		0.200000%	Chesapeake Exploration, LLC	100.000000X
Cert and Such Equation Unity Trust dated Innumy 6, 1982  Aguster Ropolites, D  The Period Ann Anley 2986 Trust  Allins Frankly LC (Louved Annumby Prust dated Innumy 6, 1982  Allins Frankly LC (Louved Annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust dated Bowmber 28, 2000  Beder 5 Sun's Coll annumby Prust Bowmber 28, 2000  Coll annumby Prust Bowmber 20, 2000  Coll annumby Prust Bowmber 20, 2000  Coll annumby Prust Bowmber 20, 2000  Devide Tribe Bowmber 20, 2000  Salounder 1 Sun's Sun's Bowmber 20, 2000  Salounder 1 Sun's Sun's Bowmber 20, 2000  Salounder 1 Sun's Sun's Bowmber 20, 2000  Salounder 20, 20		12.50%		•	0,200000%		
	HBP			Mary Ellen Ward	1,000000%		
				Carl and Ruth Engwall Living Trust dated January 6, 1982	1,000000%		
				Alpine Royaldes, LLC	0,003663%		
				Aguitar Royalties, LP	0,246093%		
				The Patricia Ann Ainley 1986 Trust	0,007326%		
				Allan Family LLC	0.007326%		
				L.B. C. Lusvardí Annuity Trust dated November 28, 2000	0.011172%		
				Bader & Son's Oil and Gas, LLC	0.022345%		
				William H. Barclay	0.007326%		
				Lisa A, Blue Baron	0.007326%		
				The Barrett Family Trust dated July 28, 2000	0,033154%		
				Bedworth, Ltd.	0,007326%		
				Cames R. Berens	0.018315%		
				Robert J. Bernabe	0,007326%		
				Gringotts 5404, LLC	0,027241%		
				N Noble FLP, LP	0.166819%		
				Elisa Noble Family Umited Partnership, LLP	0.038186%		
				Accretive Royalties Limited Partnership, LLP	0.117412%		
				J. Douglas Bradley, L.P	0.117412%		
				David L, Flakes Fur, LL	0.01401070		
				Accretion Oil of Gds Royalites, LLC	0.007326%		
				Oll saddict July 1	0.007326%		
				Bonito Boughter 10	0.0781096		
				Ballbark Futures, LLC	0.007338%		
				Happy Otter Holdings, LP	0.004102%		
				Sasquatch Holdings, LLC	0.004102%		
				The Philip L, Elkus Trust of September 9, 1974	0,014652%		
				Azure Resource Management, LLC	0,007326%		
				Deaton Royalty Trust, LLC	0.020148%		
				Real Estate Interventions, LLC	0,000934%		
				The Hora Street Trust	%6R60T0'0		
					0,014632%		
				Shee June Recember Revocable Thist dated May 16, 2005	0.092253%		
d August 12, 1996 Ip Unit 8				DAN BOSTONIA	0.027433%		
d August 12, 1996 Ip Unit B				J. Douglas Bradley, LP	0.027070%		
dınık 8				The Brinkley Family Trust dated August 12, 1996	0,007326%		
Ip Unit 6				Geehive Capital, Ltd.	0,007326%		
Ip Unit B				Brower Family Partnership, LP	0.073261%		
rties artnership Unit B is, Itd.				Byron Brown, MD	0.007326%		
ərtnership Unit B rs, Ltd.				3rown & Brown Properties	0,043957%		
				Browning Family Trust	0.007326%		
				3udd Family Limited Partnership Unit B	0,021978%		
				러 & M Buie Investments, Ltd.	0.008203%		

EXHIBIT "B" . SCHEDULE OF OWNERSHIP Schedule Showing All Jands and Leases Within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

SERIAL NUMBER & EXPRATION
DATE

DESCRIPTION OF LANDS ACRES

F AND SE LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	OPERATING INGHTS AND PERCENTAGE
	Parish Place Management Corp.	0.012821%
	Beckwith Partners, LLC	0.096631%
	Robert K. and Carolyn J. Chadwick Revocable Trust dated 1/21/2005	0,086797%
	Noble Royaity Access Fund I, LP	0,049963%
	Cindy C. and Robert C, Chiu	0,010989%
	John Sneidon Clark	0,014652%
	HDC Partners	0.028569%
	Loyd Royalties Family Limited Partnership, LLP	0.029508%
	Noble Rayalty Access Fund II, LP	0.075395%
	Louis William and Marilyn Cracken, LLC	0.014652%
	David Cradick	0.021978%
	Rescate Royalties, LP	0.164063%
	Pinkston Royaltles, LP	0.246094%
	FOSIET KOYBITIES, LP V adimir Nicholae Dackiw fermieras)on Truce dated tune 1,000	0,164063%
	Pamela C. Davis, and Albert Cercons	0.008203%
	Tenairs Partners, Ltd.	0.007326%
	The Anna DeGroote Trust dated January 20, 2000	0.007326%
	Deaton Marital Trust	0,005495%
	Deaton Family Trust	0.007326%
	Mark Diem	D,021978%
	Richard M. and Donna R. Duffleld	0,007326%
	Ronald Leadle	0,012089%
	Incodore M. Engoord Family Urust	0.014652%
	Thomas M. Bersion Irust	0.0101889%
	Faw Motor Company, Inc	2/25220 2/252200 1/2522000
	Faw's Gazage Inc.	%/.ZE.COXO
	FEHRCO, Inc.	0,008203%
	Fairview Family Properties, LLC	0,029305%
	The Joe J. Flalkoff Revocable Trust Living Trust dated February 12, 1997	0.007327%
	Finn Living Trust dated February 15, 2000	0,004396%
	Rainey Fogle!	%926200"0
	Rochelle Rosenthal Forester	0,021979%
	Dolores M. Fournier and Robert J. Fournier	0,014652%
	Ballparks Future, LLC	%0200000
	Noble Hoyarkies Access Fund IX, LP	0.0141/9%
	Freymond Family Trust	6 Let 840 L
	The Galatz 1977 Family Trust	0.029305%
	A thur C. Gay and wife, Janet H. Gay	0.009158%
	Gay Family Revocable Trust	0,007327%
	Steven E. Gifford Revocable Living Trust dated December B, 1994	0.007327%
	Richard L. Gilbert	0,007326%
	Gusson Of Fruits, L.C. The Cillate Ligher Trust detail Committee 10 1000	%5/8770 O
	The Boccamo Family Fig. 8 partnership 110	0,014652%
	Mary Goepfert	0.016119%
	The James J. Goggins Revocable Trust dated December 27, 1989	0.007326%
	Barrett Goldstein, MD, PA, Benefit Trust	0.007326%
	Joe B. and Nancy G. Green	0.007326%
	La Cruz, LP	0,007326%
	Charles Ray & Karen A. Guilbeau, Jr Rodney I, and Bethany Hadfield	0.014652%
	Roaney J. and bethany Hagnerd Bradley J. Hanson	0,007326%

# EXHIBIT "B" . SCHEDULE OF OWNERSHIP Schedule Showing All lands and Leases Within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

SERIAL NUMBER & EXPRATION BASIC NOYALTY AND DATE.

DATE. PERCENTAGE

DESCRIPTION OF LANDS ACRES

LESSEE OF RECORD AND PERCENTAGE	DVERRIDING ROYALTY AND PERCENTAGE	OPERATING RIGHTS AND PERCENTAGE
	The Harper Family Trust dated July 5, 2000	0.007336%
	The Harper Family Trust	0,007326%
	Ashtan Royaltles, LLC	0.008203%
	Robert B. Hart, Sr. and Charlotte R. Hart	0,009159%
	rip Grimin Truck Service Center, LP Cababa 11d	0,492189%
	Robert C. and Joyce A. Henricus	0,007326%
	Ferd Partners, Ltd.	0.0070508%
	Rudolph Hermann and Albine I. Hermann Revocable Trust	0.089361%
	BHW Charltable Trust	0.008275%
	Clayton Hudnall	0,004102%
	John F. Hudnall	0,004102%
	Sharon F. Acton	0.010989%
	Bannie Hughes	0,007326%
	Yat Chiu Hung and Salween Hung	0.007326%
	Kim B. Hurt	0.014218%
	Inomas E. Hussey Living Frust dated January 30, 2004	0,068866%
	ine nugri wi. nuxwable and karen M. Huxrable Family Trust dated 11/8/1999 	0.021979%
	JoAnn Hynnek	%6/6T700
	Arrhur D. Indianer Revocable Living Trust dated August 12, 1996	0.003663%
	Smon Indianer Trust dated September 16, 1983	0,003663%
	Joseph Ivanyi	0.014652%
	Drake Royalty Properties, LLC	0.012821%
	ELSR, LP	0.008203%
	Bernt Killingstad Family Trust	0,041016%
	The Kim and Kim Trust dated January 14, 2003	0.014652%
	Kinler Dil & Gas, Inc.	0.027070%
	Christine N. King, Trustee dated August 14, 1987	0.014652%
	Phil E. Kotter Family Living Trust	0,010989%
	Nitin Kumar and Veena Kumar	0,036631%
	Cheuk and Susanne Kwan Living Trust dated October 5, 2000	0.146523%
	DINGR NR, LLC	0,148362%
	Blythe Royalty Holdings, LLC	0.002624%
	obca drande Irlust	0.012515%
	Mirhael G Materick St	0.002255%
	Karen N. Materich	O'COTROES
	The Matetich Children's Trust	0.003917%
	Daniel J. Waldron	0.000832%
	M & S Hardin, Ltd	0.001246%
	TFT Holdings, LLC	0.049750%
	Noble Royalty Access Fund XI (11)	0.001095%
	O&G investment, LLC	0.005737%
	FXS/AFS Oil, LLC	0.003404%
	Ashenic Constant Land Land	0.000253%
	A tributy esquiber and veyra esquiber	0.000348%
	InsCorp Design Limited	0.002455%
	Boothe Texan Family Investments, Ltd.	0.002524%
	James M. Madden and Donna J. Madden	0.001828%
	Royalties Holdings, LLC	0.000429%
	Coral Way, LLC	0.122571%
	Kenlandow Associates Limited Partnership	0,021978%
•	cric & Natherine Larsen Revocable Trust dtd 11/28/1995, as restated 1/20/2003 Birhand Cilatham	0,007326%
	II DI IN THE COLORES	0.008203%

EXHIBIT "B" , SCHEDULE OF OWNERSHIP Schedule Showing All Lands and Leases Within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

SERIAL NUMBER & EXPIRATION BASIC ROYALTY AND DATE PERCENTAGE

ACRES

DESCRIPTION OF LANDS

LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	OPERATING RIGHTS AND PERCENTAGE
	I on W Lodhotter Trust	7/03/C CECOU O
	Ashton R. Lee	0.036631%
	Sarganey Properties, LLC	0.021978%
	William A. Lewis, Jr.	0,007326%
	William A, Lewis Jr,	0,007326%
	Fremier Trust, inc., Custodian FBO Joel Davidson, MD, IMA Ronald Licht Revocable Trust	0.00/326%
	The Undros Family Revocable Trust dated December 12, 1982	0,007326%
	Nichol Littlewood Family Trust	0,025641%
	SJL Limited Partnership	0,007326%
	Michael Litwack Revocable Trust	0.007326%
	Lamar Lloyd Aaton Maine Miner I ow Higher Truck	20707200
	Mobile Royalby Arress Fund II I II	0.00/326%
	Noble Boxalty Access Find III 19	0.576196%
	TITG Investments, Ltd.	0.020508%
	The Lynch Family Trust dated September 3, 1991	0,007326%
	Michael K. and Linda Maher, as Trustees of Michael Maher DMD, PSP	0.007326%
	Marc and Denise Maisei	0,010989%
	First Clearing Corp Cust for Ronnle Malone IRA Rollover #1015-1630	0.010123%
	First Clearing Corp Cust for Wilma Jane Malone IRA Rollover #2718-2166	0.010282%
	Dennis P. Markey I rust dated December 5, 2001	%475/00'n
	Katherine C. Marx and Christopher C. Marx	0.009158%
	Maynard Energy Partners	0.014652%
	Hadrian Company	0,007326%
	Randall Thomas Mays 1999 Non-Exempt Trust	0.012305%
	Kathryn Mays Johnson 1999 Non-Exempt Trust	0,012305%
	Linda Mays McCaul 1999 Non-Exempt Trust	0.012305%
	Mark Pitman Mays 1999 Non-Exempt Trust	0,012305%
	Michael McCollum	0.018315%
	Paul E, McNulby Revocable Trust	0.014652%
	Jaj Ganesh Trust	0,007326%
	The Miller Family Trust dated July 13, 1994	0,029305%
	Leonard G. Miller	0,051283%
	Ministration of Detroits 2, LLC Rick R. Minter and Datricis A. Minter Revocable Living Trust dated 5/22/1991	%ESTERN'O
	Mistry Trust	0.021989%
	Hackenbush, LLC	%E976E0'0
	Moody Store, Inc.	0,021978%
	Michelle Mulaney	0,020508%
	The MMV and JLM Family Trust	0,082031%
	Saroara Naugain Negling Semily True	0,007,825%
	LDA Limited Partnership	0,018315%
	The Bernarr G. Pardo and Claudia L. Fihe Family Trust	0,007326%
	Byron Parsons	0,007326%
	Byron and LouAnne Parsons	0.007326%
	Richard R. Paul, Jr. Revocable Living Trust	0,029305%
	J. Fred and Margaret Perry	0,073261%
	Date M. Pescatrice swilliam Carl Pflurer	0,008203%
	William Call Flugger Paul Diantenes & Sandra Plantenes Revocable Living Trust	0.052327%
	J. Blake Pogue	0.008203%
	The Polos 1984 Family Trust (Decedent's Trust)	0.007692%
	Robert G. Porter	0.007326%

EXHIBIT "B" . SCHEDULE OF OWNERSHIP Schedule Showing All lands and Leases within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

ACRES

DESCRIPTION OF LANDS

NTAGE	PROFE OF RECORD AND PERFECTAGE	SECTION SHOULD BE SET THE SECTION SECT	eta) esekartare etattori actividado producente de
	COORT OF THE PROPERTY OF THE P	DYCHRIGING ROTALLY AND PERCENTAGE	OPERATING RIGHTS AND PERCENTAGE
		The Prue Family Limited Partnership	%9722200 O
		Robert and Margaret Quinn	0.007326%
		Javier & Melinda Ramos, LLC	0.014652%
		Venturian Holdings, LLC	0.205078%
		Robert Rayburn	0 007326%
		Aloha Partners, LP	0 020508%
		R. Richard Rhodes, Jr.	0.010989%
		Ridgley Partners, Ltd.	0.020508%
		Harold Thomas Robbins, Jr. and Lea Deloris Robbins	96906890 0
		Joseph Imbasciani, as Trustee of the Rosalle R. Robbins Trust dated 6/28/2010	0.068906%
		Marks Family Trust dated June 30, 1997	0,007326%
		Gerald Roberts Trust	0.007326%
		John T. Robinson and Judy Robins	0,007326%
		Nodenburg, Inc.	0.031136%
		T & Multiple	0.014652%
		Marcial Edward Hothers	0.0410168
		Julia Bird Ruhlman	2010100
		Revell Ruttenberg	20000000000000000000000000000000000000
		Ryan Separate Partnershlp, LP	0.041016%
		STR Investments, LLC	0.082031%
		The David J. Sayles Trust dated January 20, 1983	0.007326%
		Santi A. Belenchia Trust	0.007326%
		James Scarff	0.007326%
		Klaus A. Schmidt	0.009158%
		Thomas M. Schott	0.007326%
		William E. Schultz, Jr., and Pamela M. Schultz	0,008203%
		Gesine Mund Schmidt	0.009158%
		Mardot, LP	0.246095%
		Alfred Theodore Scott	0,021979%
		Scott T. Svenson and Ailyson Svenson	0.010989%
		Airpark Mini Storage, LLC	0,025641%
		Garrield Plaza Apartments	0,073261%
		Jord Silvarriain	0,00/326%
		Paula X Chinos Beconsile Test	CLULUSCHA?
		Michael Sluzzka and Janet Sluzzka Living Trust dated May 10, 1999	0.00/322%
		Vail Consulting, Inc.	0.016095%
		The Gary and Suzanne Smith Trust dated August 25, 1993	0,007326%
		Joseph L. Spychaj, Sr. Trust dated June 30, 1992	0,010989%
		Stangl Living Trust dated August 2, 1992	0,007326%
		Sheve and Elizabeth Sterser	0.007326%
		The Floyd S, Stevens and Kathryn A, Stevens Family Trust dated 10/8/1994	0,007326%
		Winthrop Stiles and Wile, Sue Stiles	0,007326%
		Janyss J. Sullivan 1999 Trust Andres Gal Szabo	0.018315%
		Sceph W. Tallman Family Trust	0.05747276
		The 2005 Trinity Trust	0,040560%
		Matthew I Therrell	0,040295%
		The Richard V, Treakle and Carolyn C. Treakle Family Trust dated 7/6/1991	0,007325%
		Clearwater Partners, Ltd.	0,020508%
		Trester Family Foundation	0.020508%
		Braden Turek and wife, Darlene Turek	0.020407%
		Carried Harrist and Mississ I have been a farmed from the farmed	0,007326%
		Tatter Family Trust dated 12/11	0.011530%
			8/T00000

## EXHIBIT "B" , SCHEDULE OF OWNERSHIP Schedule Showing All Lands and Lesses within the NORTHEAST KEMNITZ UNIT LEA COUNTY, NEW MEXICO

ACRES	SERIAL NUMBER & EXPRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OWERIGNIË ROYALTY AND PERCENTAGE	OPERATI	OPERATING RIGHTS AND PERCENTAGE	TAGE
				Mole Properties	0,007326%		
				Southwest Federated North Texas, LP	0_018315%		
				Kevin Wang and Victoria Wang	0,009158%		
				Ernest James Warner, Trustee	0,007570%		
				The Whann Family Limited Partnership	0.010254%		
				Benjamin White	0.007326%		
				Trinity FP Management, LLC	0,008059%		
				Rogers Wilson Investments	0.008203%		
				Margaret and Frank Wintroub	0,007326%		
				P.R. Wisdom	0,007326%		
				recurs security income Partners II, LP	0.077336%		
				JIL Oil Corp.	0.082031%		
				Theodore V, Yuhas, VMD P.C.	0.007326%		
				Noble Royalties	0,047201%		
					9,865234%		
			TOTAL 100.0000%	0% TOTAL	20.468360% TOTAL		100.000000%
80 E-7564-0003 State of New Messoo - ALL Effective November 17, 1953 12, 50%	State of New Mexico - 12 50%	ALL	ZPZ Delaware I, ∐C 100,0000%	ION None	Devon Energy Produ	Devon Energy Production Company, LP	100,000000%
			TOTAL 100,0000%	ØK TDTAL	0.000000% TOTAL		100,000000%
State of I	State of New Mexico - ,	ALL.	ZPZ Delaware I, LLC			yany	72,500000%
Effective November 17, 1953 12.50%	12.50%			Armstrong Energy Corporation			2,0000000%
HBP				Joseph J., Kelly and Wife, Barbara Kelly			3,750000%
				Verde Vista Energy Company		art Trust	9,375000%
						rust	9.375000%
			TOTAL 130.0000%	DW TOTAL	6-528351% TOTAL		100.000000%
State of P	State of New Mexico - ALL		ZPZ Deiaware I, LLC 1.00.0000%	10% Slash Exploration Limited Partnership		ушк	95.000000%
Effective November 17, 1953 12.50%	12.50%			Armstrong Energy Corporation	0.008690% Slash Exploration LP		5.000000%
				Verde Vista Energy Company	1,187500%		
			TOTAL 100.0000%	27	4.559601% TOTAL		100.000000%
30 LG-0477-0002 State of New Mexico - ALL	State of New Mexico - A	#	Slash Exploration LP 100,0000%		3,125000% MRC Permlan Company	yany	45,0000000%
Effective August 1, 1972 12,50%	12,50%			Norma J. Barton, as her separate property	3,125000% Slash Exploration LP		2.000000%
НВР				Joseph J. Keily, and wife, Barbara A. Kelly		s, Inc.	25,000000%
				Armstrong Energy Corporation		rt Trust	12,500000%
				S ash Exploration Limited Partnership	0.560937% Thomas Ray Sivley Trust	rust	12.500000%
			TOTAL 100.0000%		B.812500% TOTAL		100,0000000%
80 LG-0477-0002 State of New Mexico - ALL	State of New Mexico - A	H	Slash Exploration LP 100,0000%	Roy G, Barton	3,125000% MRC Permian Company	yany	51,250000%
Effective August 1, 1972 12,50%	12.50%			Norma J. Barton	3,125000% Slash Exploration LP		2,0000000%
HBP				Joseph J. Kelfy, and wife, Barbara A, Kelly		s, Inc.	15,625000%
				Armstrong Energy Corporation	0,001367% Jo Ann Sivley Ruppert Trust	ert Trust	7.812500%
				Mercle Vieta Foots Company		odirelos ine	17 500000%
			TOTAL 100.0000%	1/7	8.8906.25% TOTAL		100.000000%

EXHIBIT "B" , SCHEDULE OF OWNERSHIP Schedule Showing All Lands and Leases within the NORTHEAST KEMNIT UNIT LEA COUNTY, NEW MEXICO

NO.	CT DESCRIPTION OF LANDS	ACRES	SERIAL NUMBER & EXPRATION DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	AGE	OVERRIDING ROYALTY AND PERCENTAGE		OPERATING RIGHTS AND PERCENTAGE	ENTAGE
26a	a T165-R34E Sertion 27: W/25E/a	8	E-2509-0007	State of New Mexico - ALL	Magnum Hunter Production, Inc.	100,0000%	None		Magnum Hunter Production, Inc.	100.000000%
	Surface to base of Wolfcamp & 100' below base of the Morrow to all depths below		H8P	V Present	TOTAL	100.0009%	TOTAL	0.000000%	TOTAL	300.000000
26b	b. 1165-R34E Section 27: W/25E/4 Base of Wolfcamp to 100' Bellow Base of the Motrow	09	E-7509-0007 Effective March 10, 1949 HBP	State of New Mexico - ALL 12,50%	Magnum Hunter Production, Inc.	100,0000%	Armstrong Energy Corporation Stats Exploration United Partnership Verde Vista Energy Company Loseph 1, Kelly and Wile, garbara A. Kelly Atland: Richfield Company	0,004785% 1,690527% 0,546875% 2,000000% 3,125000%	MRC Permian Company Slach Exploration LP Southwest Royalites, Inc, Jo Ann Sivey Ruppert Trust Thomas Ray Slavey Trust	\$1,250000% \$,000000% 15,625000% 7,312500% 7,312500%
			æ		TOTAL	100.0000%	TOTAL	7.367187%	TOTAL	100,000000%
27a	a TISS-RB4E Section 27: SW/4 Surface to base of Wolfcamp & 100* below base of the Morrow to all depths below	160	LG-0271-0002 Effective June 1, 1972 HBP	State of New Mexico - ALL 12.50%	Slash Exploration LP	100,0000%	Slash Exploration Limited Partnership be could be relived to the relived of the relived to the r	2.644258% 1.041673% 1.041673% 0.001563% 2.000000% 2.083333%	MAC Permian Company Slash Exploration LP Southwast Royaldes, Inc. Jo Ann Sivley Ruppert Trust Thomas Ray Sivley Trust	45,000000% 5,000000% 25,000000% 12,500000%
					TOTAL	100.0000%	TOTAL	8.612500%	TOTAL	100.000000%
27b	b 1165-8346 Section 27: 9W/4 Base of Wolferm to 100' Below Base of the Morrow	160	(G-0271-0002 Effective June 1, 1972 HBP	State of New Medio - ALL 12.50%	Slash Exploration LP	100.000%	Armstrong Energy Corporation Stake topoloration United Partnership Inequalities Howard Midhael Howard Werde Vizz Hergy Company Joseph J. Xelly and Wile, arbara A. Kelly Susan Howard Searghhats	0,001367% 2,566349% 1,041663% 0,156250% 2,080300% 2,083333%	MRC Permian Company Slash Esploration ID Southwast Reyaltes, Inc. Jo Ann Sivley Rupper Trust Thomas Ray Sivley Trust Thomas Ray Sivley Trust Thomas Ray Sivley Trust Tronza	51,250000% 5,000000% 15,625000% 7,812500% 12,500000%
ř		,			I CLAR	100.0000%	101AL	, C700CB18	Map Demins	3000000000
28	3 T165-R34E Section 28: NE/4 All depths	160	VB-2266 Effective May 1, 2013 Expires November 1, 2018	State of New Mexico - ALL 18,75%	MKC Permian Company TOTAL	100,0000%	None TOTAL	%00000000	WIKL Permian Company TOTAL	100.000000%
29a	a <u>T165-R34E</u> Section 28: SE/4 Surface to 12,526' and 13,500' to all depths below	150	E-1769-0004 Effective March 10, 1948 HBP	State of New Mexico - ALL 12.50%	Magnum Hunter Production, Inc. TOTAL	100.000%	Breitburn Operating LP TOTAL	10,000000% 10,000000%	Magnum Hunter Production, Inc. TOTAL	100.000000%
29b	b. <u>7165-1834£</u> Section 28: SE/4 12,526' to 13,500'	160	E-1769-0004 Effective March 10, 1948 HBP	State of New Mexico - ALL 12,50%	Magnum Hunter Production, Inc., TOTAL	100,0000%	None TOTAL	0.000000%	Breitburn Operating LP TOTAL	100.000000%
30	7165-R39E Section 34: W/2 All depths	320	VB-2267 Effective May 1, 2013. Expires November 1, 2018	State of New Mexico - ALL 18,75%	MRC Permian Company TOTAL	100.0000%	None TOTAL	0.000000%	MRC Permian Company TOTAL	100.000000%
				5280,00 0.00 5280,00	RECAPITULATION Acres of Sate of New Mexico Lands = Acres of fee Lands = Acres Total	100 0000% 0.0000% 100.0000%				

## UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTHEAST KEMNITZ UNIT AREA LEA COUNTY, NEW MEXICO

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THIS AGREEMENT, entered into as of the 5th day of May, 1976 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto;"

## WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of
New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88,
Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7,
Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve
the development or operation of State lands under agreements made by
lessees of State land jointly or severally with other lessees where
such agreements provide for the unit operation or development of part
of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of.

New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap.
162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953

Annotated) to amend with the approval of lessee, evidenced by the

lessee's execution of such agreement or otherwise, any oil and gas

lease embracing State lands so that the length of the term of said

lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS th marties hereto holds fir intinterests in the NORTHEAST KEMNITZ 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. <u>Unit Area</u>: The following described land is hereby designated and recognized as constituting the unit area:

Township 16 South, Range 34 East, N.M.P.M.

Section 9: E½,E½W½
Section 14: S½
Section 15: All
Section 16: All
Section 22: N½
Section 23: All
Section 24: SW¼
Section 26: N½

containing 3,520 acres, more or less, Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity 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 said schedule or map 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 on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

All land committed to this agreement shall constitute land referred to herein as "Unitized land" or "land subject to this agreement."

- 2. UNITIZE SUBSTANCES. All oil, is tural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".
- 3. UNIT OPERATOR. Elk Dil Company, whose address is

  P. O. Box 310, Roswell, New Mexico 88201 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and 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 that capacity and not as an owner of interests 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 when such an interest is owned by it.
- 4. <u>RESIGNATION OR REMOVAL OF UNIT OPERATOR</u>. Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 or working interest determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the unit operator under this agreement shall not terminate his 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 equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder.

Nothing herein shall to construed as authorizing amoval of any material, equipment and appurtenances needed for the preservation of any wells.

- 5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggreage not less than seventy-five percent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.
- 6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such 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 "Operating Agreement". No such 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 inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.
- 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising an meand all rights of the prospection of the producing of the producing of the producing of the purposes herein provided. Acceptable evidence of title to said rights shall be deposited with said 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 being 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.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Morrow formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 13,300 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit; quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonable proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the

drilling requirements bereof with respect to be raitial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any

alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. <u>ALLOCATION OF PRODUCTION</u>. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized

land, and for the nurrase of determining any innefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. <u>PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:</u>
All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of untized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to be the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the

committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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 as to the protion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of the, are being produced in paying quantities from any portion of said lands.

- 14. <u>CONSERVATION</u>. 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 laws or regulations.
- 15. <u>DRAINAGE</u>. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.
- 16. <u>COVENANTS RUN WITH LAND</u>. The covenants herein shall be construed to be covenants running with the land with respect to the

this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder the grantee, transferree or other successor in interest. No assignment or transfer or any working royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

- 17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.
- 18. <u>RATE OF PRODUCTION</u>. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.
- 19. <u>APPEARANCES</u>. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to

apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

- 20. <u>NOTICES</u>. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.
- 21. <u>UNAVOIDABLE DELAY</u>. 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, but only so long as, 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, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.
- 22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld.

unit operator as such as relieved from any responsibility for any defect or failure of any citle hereunder.

- 23. SEBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner-is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their porportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.
- 24. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to be 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.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as the respective dates set forth opposite their signatures.

ELK OIL COMPANY

Date: May 5, 1976

ATTEST:

STATE OF NEW MEXICO
COUNTY OF CHAVES

Acknowledged before me this <u>5th</u> day of <u>May</u>, 1976

<u>Joseph J. Kelly, President</u>, ELK OIL COMPANY, a New Mexico
Corporation.

My Commission Expires:

July 15, 1978

Notary Public

notary rubine

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND
OF OWNERSHIP OF ALL LANDS IN THE
NORTH-EAST KEMNITZ UNIT AREA
LEA COUNTY, NEW MEXICO

All lands in T-16S, R-34E, N.M.P.M.

I	. · · ·							167
Working Interest & Percentage	Elk Oil Company All	Elk Oil Company All	E1k Oil Company All	Elk Oil Company All	E1k Oil Company All	Elk Oil Company All	Elk Oil Company All	Elk Oil Company All
Overriding Royalty & Percentage	Elk - 3.75% Resources Dev. Fund - 3.75%	J.M. Kelly-7.5%	J.M. Kelly-7.5%	Elk 0i1 - 7.5%	Elk – 3.75% Resources Dev. Fund – 3.75%	Elk Oil - 3.75% Resources Dev. Fund - 3.75%	Elk Oil - 3.75% Resources Dev. Fund - 3.75%	Elk Oil - 3.75% Resources Dev. Fund - 3.75%
Lessee of Record	Elk Oil Co.	John M. Kelly	John M. Kelly	Elk Oil Co.	Elk Oil Co.	Elk Oil Co.	Elk Oil Co.	E1k Oi1 Co.
Basic Royalty	New Mex. 12½%	New Mex. 12½%	New Mex. 12%	New Mex. 12½%	New Mex. 12½%	New Mex. 12%	New Mex. 12½≈	New Mex. 12½%
Lease Number and Date	K-6874 4/18/67	L-3000 5/20/69	L-4716 7/21/70	L-4960 10/20/70	K-6875 4/18/67	K-6667 1/17/67	K-6876 4/18/67	L-3001 5/20/69
No. of Acres	480.	240.	80.	320.	320.	320.	160.	160.
Description	Sec. 9: E½,E½M½	Sec 14: SW½,W½SE%	Sec 14: E2SE4	Sec 15: E½	Sec 15: №	Sec 16: E <sub>2</sub>	Sec 16: NW술	Sec 16: SW₄
Tract Number	<del>-</del> -	2	ຕ້	4.	ហ	9	7.	ထိ

EXHIBIT "B" (Continued)

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Tract Number	Description	No. of Acres	Lease Number and Date	Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
6	Sec 22: N <sub>2</sub>	320.	L-4426 4/21/70	New Mex. 12½%	E1k 0i1 Co.	E1k 0i1 - 7.5%	Elk Oil Company All
10.	Sec 23: №2	320.	L-5108 12/15/70	New Mex. 12%	John M. Kelly	J.M. Kelly - 7.5%	Elk Oil Company All
<u>:</u>	Sec 23: 5½	320.	K-6448 10/18/66	New Mex. 1228	John M. Kelly	J.M. Kelly - 7.5%	Elk Oil Company All
12.	Sec 24: SW4	160	K-6714 2/21/67	New Mex. 12%	John M. Kelly	J.M. Kelly - 7.5%	E1k Oil Company All
13.	Sec 26: N <sub>2</sub>	320.	L-1038 7/16/68	New Mex. 12≒%	John M. Kelly	J.M. Kelly - 7.5%	Elk Oil Company All

13 New Mexico Tracts Comprising 3,520 acres or 100% of Unit Area

NORTHEAST KEMNITZ UNIT Lea County, New Mexico ELK OIL COMPANY Operator

3

Acreage 80% W.I. State Leases 3,520 acres Estimated Reserves 50 Billion CF Gas

(Morrow Sand Only) (10 year life)

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10 million bbls gas liquids

## Net Reserve Appraisal

Natural 6	ias	<u>Condensate</u>
Annual Prod. Sales Price	40 Billion Cu. ft. 4.38 Billion Cu.ft. \$1.10*	8 Million barrels 976,000 barrels \$12.17*
Oper. & Dev. Costs Operating	\$.20	\$2.17
Profit Present	\$.90/MCF	\$10.00/ьы.
Worth(8%)	\$16,675,200.00	\$37,056,000.00

Total Net Worth: \$53,731,200.00

Last Sale of Gas in area FEA Oil Price May, 1976.

# ADDENDUM TO THAT CERTAIN UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTHEAST KEMNITZ UNIT AREA LEA COUNTY, NEW MEXICO DATED MAY 5, 1976

### **UNIT EXPANSION**

THIS ADDENDUM TO THE UNIT AGREEMENT is entered into as of the day of, 20, by and between the parties subscribing, ratifying or consenting hereto (the
"Agreement Addendum").
The parties subscribing, ratifying or consenting hereto agree to the following terms of the unit expansion:
1. <u>EXPANDED UNIT AREA.</u> The following described land (the "Expanded Unit Area") is hereby designated and recognized as constituting the lands added by expansion:
Township, Range, N.M.P.M.
Sections
Containing acres, more or less,County, New Mexico.
County, New Mexico.

Exhibit "A-Expansion" attached hereto is a map showing both the Northeast Kemnitz Unit acreage at the effective date of this Agreement Addendum and the lands designated for expansion, with boundaries and identity of tracts and leases identified in said areas to the extent known to the unit operator. Exhibit "B-Expansion" attached hereto is a schedule clearly indicating which tracts are contained in the Northeast Kemnitz Unit area at the effective date of this Agreement Addendum and which are contained in the Expanded Unit Area. Exhibit "B-Expansion" shows, to the extent known to the unit operator, the acreage, percentage and kind of ownership of oil and gas interests in all lands in both the Northeast Kemnitz Unit area at the effective date of this Agreement Addendum and in the Expanded Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interests as are shown on said map or schedule owned by such party. Exhibits "A-Expansion" and "B-Expansion" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner," or the Oil Conservation Division, hereinafter referred to as the "Division".

The term "Expansion Acreage" means that acreage specifically designated in Section 1 of the Agreement Addendum as the Expanded Unit Area. On the effective date of this Agreement Addendum,

the "expansion acreage" shall be added to the acreage designated as the Northeast Kemnitz Unit. Any leases contained in the Expansion Area that are set to expire on or before the effective date of this Agreement Addendum are hereby extended and ratified by way of this Agreement Addendum for the mutual covenants and obligations as set forth herein until sixty days after the effective date of this Agreement Addendum and thereafter under the terms and conditions set forth below and in the Kemnitz Unit Agreement.

2. <u>DRILLING TO DISCOVERY IN EXPANSION ACREAGE</u>. This Agreement Addendum requires the drilling of three obligation wells, each of which shall be drilled to test the Wolfcamp or another formation or formations within the Expansion Acreage. The unit operator shall, no later than July 1 May 15, 2018, commence operations upon an adequate test well for oil and/or gas upon some part of the lands embraced within the Expansion Acreage and shall drill said well with due diligence to a depth sufficient to test the Wolfcamp or Upper Pennsylvanian formation or until it shall, in the opinion of the unit operator, be determined that the further drilling of said well shall be impracticable (the "Initial Obligation Well"). Operations upon the second of the three obligation wells shall commence no later than March-January 15, 2019. Operations upon the third of the three obligation wells shall commence no later than November September 15, 2019.

After drilling the Initial Obligation Well, the unit operator has the option at any time to voluntarily terminate its remaining drilling obligations under this Agreement Addendum. However, voluntary termination of the Agreement Addendum will result in contraction of any portion of the Expansion Acreage that does not contain a well producing in paying quantities from the Northeast Kemnitz Unit area. Notwithstanding anything to the contrary contained herein, the unit operator's failure to meet the drilling obligations herein shall not affect the terms and conditions of the Kemnitz Unit Agreement in effect prior to the effective date of this Agreement Addendum.

The drilling of the three obligation wells validates the terms of this unit Agreement Addendum.

Any well commenced by unit operator prior to or on July May 151, 2018, even if it is before this Agreement Addendum becomes effective, upon the Expansion Acreage and drilled to the depth provided herein for the drilling of the Initial Obligation Well shall be considered as complying with the drilling requirements hereof with respect to the Initial Obligation Well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted. Upon failure to comply with the drilling provisions of this article, the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit Agreement Addendum terminated, and all rights, privileges and obligations granted and assumed by this unit Agreement Addendum shall cease and terminate as of such date; provided that any portion of the Expansion Acreage containing a well producing in paying quantities will not be removed from the Northeast Kemnitz Unit.

3. <u>OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES ON EXPANSION ACREAGE.</u> Should unitized substances in paying quantities be discovered upon the Expansion Acreage, the unit operator shall, on or before six months from the time of the initial discovery well's

completion, file a report with the Commissioner and Division of the status of the development of the Expansion Acreage and the development contemplated for the following twelve-month period. Thereafter, a yearly Plan of Development is required for the entire Northeast Kemnitz Unit inclusive of the Expansion Acreage.

It is understood that one of the main considerations for the approval of this Agreement Addendum by the Commissioner is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the Expansion Acreage as a reasonably prudent operator would develop such area under the same or similar circumstances.

- 4. <u>EFFECTIVE DATE AND TERM.</u> This Agreement Addendum shall become effective upon approval by the Commissioner and the Division and shall terminate if the unit operator fails to comply with the terms of Section 2.
- 5. <u>STATURE OF PROVISIONS IN ORIGINAL UNIT AGREEMENT.</u> This Agreement Addendum addresses the terms of the expanded unit area for the Northeast Kemnitz Unit. All terms of the Northeast Kemnitz Unit Agreement in effect at the effective date of this Agreement Addendum remain in full force if not expressly modified by this Agreement Addendum.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST:

(Notary)



### Aubrey Dunn COMMISSIONER

# State of New Mexico Commissioner of Public Lands 310 OLD SANTA FE TRAIL

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

April 17, 2018

MRC Permian Company ATTN: Mr. Jonathan Filbert One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, TX 75240

Re:

**REVISED** Preliminary Approval of Unit Expansion

Northeast Kemnitz Unit Lea County, New Mexico

Dear Mr. Filbert

We have received the unexecuted copy of the REVISED unit agreement addendum that you have submitted for the proposed Northeast Kemnitz Unit expansion area, Lea County, New Mexico. This REVISED agreement addendum meets the general requirements for preliminary approval as to form and content, and preliminary approval is hereby granted as of this date.

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. Requested lease extensions are addressed in a separate transaction.

As specified in the REVISED unit agreement addendum, MRC Permian Company has agreed, as of the effective date of the addendum, to drill 3 obligation wells on the expansion acreage:

- Well #1 to be spud no later than July 1, 2018 May 15, 2018;
- Well #2 to be spud no later than March 1, 2019 January 15, 2019; and
- Well #3 to be spud no later than November 1, 2019 September 15, 2019.

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.

Hearing Date: August 8, 2018

Case No. 16343

- 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.
- 3. All ratifications and joinders from the Lessees of Record and Working Interest Owners. We require one set, all with original signatures acknowledged by a notary.
- 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 \$500 total filing fee. The filing fee is \$100 for each section or partial section included in the unit, whether 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,

AUBRITY DUNN

COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: NMOCD, Attn: Mr. Daniel Sanchez RMD, Attn: Mr. Roddy Martinez OGMD and Units Reader Files

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

APPLICATION OF MATADOR PRODUCTION COMPANY, FOR APPROVAL OF THE EXPANSION OF THE NORTHEAST KEMITZ UNIT, LEA COUNTY, NEW MEXICO.

**CASE NO. 16343** 

### **AFFIDAVIT**

STATE OF NEW MEXICO	)	
	)	SS
COUNTY OF SANTA FE	)	

Jordan L. Kessler, attorney in fact and authorized representative of Matador Production Company, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Applications have been provided under the notice letters and proof of receipts attached hereto.

Jordan L. Kessler

SUBSCRIBED AND SWORN to before me this 8th day of August 2018 by Jordan L. Kessler,

My Commission Expires:

OFFICIAL SEAL

CLARINDA L. WETZSTEON

NOTARY PUBLIC

STATE OF NEW MEXICO

My Commission Expires:



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

July 19, 2018

# VIA CERTIFIED MAIL CERTIFIED RECEIPT REQUESTED

TO: AFFECTED PARTIES

Re: Application Of Matador Production Company For Approval Of The

Expansion of the Northeast Kemnitz Unit, Lea County, New Mexico.

Northeast Kemnitz Expansion Area

### Ladies & Gentlemen:

This letter is to advise you that Matador Production Company has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on August 9, 2018. 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 business 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.

If you have any questions about this matter please contact Kyle Perkins at (972) 371-5202 or KPerkins@matadorresources.com.

Sincerely,

Jordan L. Kessler

ATTORNEY FOR MATADOR PRODUCTION

**COMPANY** 



# **Shipment Confirmation Acceptance Notice**

Note to Mailer: The labels and volume associated to this form online, must match the labeled packages being presented to the USPS® employee with this form.

Matador Production Company - Kimnitz Expansion CM# 79102.0002 20180718 Uncommited WI OWners

Shipment Date: 07/16/2018 Shipped From: Name:\_HOLLAND & HART LLP Address: 110 N GUADALUPE ST # 1 City: SANTA FE State: NM ZIP+4®\_87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	14
Total	14

<sup>\*</sup>Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

### B. USPS Action

- Note to RSS Clerk:

  1. Home screen > Mailing/Shipping > More
- Select Shipment Confirm
   Scan or enter the barcode/label number from PS Form 5630
   Confirm the volume count message by selecting Yes or No
   Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail. Leave form with customer or in customer's mail receptacle.

**USPS SCAN AT ACCEPTANCE** 

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# Shipment Confirmation Acceptance Notice

Note to Mailer: The labels and volume associated to this form online, must match the labeled packages being presented to the USPS® employee with this form.

Matador Production Company - Kimnitz Expansion CM# 79102.0002 20180718 Offset List

Shipment Date: 07/16/2018 Shipped From: Name: HOLLAND & HART LLP Address: 110 N GUADALUPE ST # 1 City: SANTA FE State:\_NM\_ ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	3
Total	3

<sup>\*</sup>Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

### **B. USPS Action**

- Note to RSS Clerk:
  1. Home screen > Mailing/Shipping > More
  2. Select Shipment Confirm
  3. Scan or enter the barcode/label number from PS Form 5630
  4. Confirm the volume count message by selecting Yes or No
  5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail. Leave form with customer or in customer's mail receptacle.

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# **Shipment Confirmation Acceptance Notice**

Note to Mailer: The labels and volume associated to this form online, must match the labeled packages being presented to the USPS® employee with this form.

Matador Production Company - Kimnitz Expansion CM# 79102.0002 20180718 Royality Owner

Shipment Date: 07/16/2018 Shipped From: Name: HOLLAND & HART LLP Address: \_\_110 N GUADALUPE ST # 1 City: SANTA FE State: NM \_ ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	1
Total	1

<sup>\*</sup>Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

### B. USPS Action

- Note to RSS Clerk:

  1. Home screen > Mailing/Shipping > More
  2. Select Shipment Confirm
  3. Scan or enter the barcode/label number from PS Form 5630
  4. Confirm the volume count message by selecting Yes or No
  5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail. Leave form with customer or in customer's mail receptacle.

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### **Shipment Confirmation Acceptance Notice**

Note to Mailer: The labels and volume associated to this form online, must match the labeled packages being presented to the USPS® employee with this form.

Matador Production Company - Kimnitz Expansion CM# 79102.0002 20180718 Royality Owner

Shipment Date: 07/16/2018 Shipped From: Name: HOLLAND & HART LLP Address: 110 N GUADALUPE ST # 1 City: SANTA FE State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	1
Total	1

<sup>\*</sup>Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

### B. USPS Action

- Note to RSS Clerk:

  1. Home screen > Mailing/Shipping > More

  2. Select Shipment Confirm

  3. Scan or enter the barcode/label number from PS Form 5630

  4. Confirm the volume count message by selecting Yes or No

  5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail. Leave form with customer or in customer's mail receptacle.

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### Recipient

State of New Mexico Commissioner of public Lands 301 Dinosaur Trail Santa Fe NM 87508

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07/20/2018 03:21	DEPART USPS FACILITY	ALBUQUERQUE,NM, 87101
07/19/2018 20:05	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101
07/19/2018 18:50	ORIGIN ACCEPTANCE	Santa fe,nm, 87501
07/19/2018 11:45	SHIPMENT RECEIVED ACCEPTANCE PENDING	Santa fe,nm, 87501
07/16/2018 10:06	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	Santa fe,nm, 87501



# **Shipment Confirmation Acceptance Notice**

Note to Mailer: The labels and volume associated to this form online, must match the labeled packages being presented to the USPS® employee with this form.

Matador Production Company - Kimnitz Expansion CM# 79102.0002 20180718 Uncommited WI OWners

Shipment Date: 07/16/2018 Shipped From: Name: HOLLAND & HART LLP Address: 110 N GUADALUPE ST # 1 City:\_SANTA FE ZIP+4® 87501 State: NM

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	14
Total	14

<sup>\*</sup>Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

### B. USPS Action

Note to RSS Clerk:
1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm

3. Scan or enter the barcode/label number from PS Form 5630
4. Confirm the volume count message by selecting Yes or No
5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail. Leave form with customer or in customer's mail receptacle.

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Account
Tools

### Mail Piece Tracking Number: 9214 8901 9403 8307 8135 03

### Recipient

Magnum Hunter Productions Inc 600 N Marienfeld St Suite 800 Midland TX 79701

Date & Time	Event	Event Location
08/04/2018 03:13	REMINDER TO SCHEDULE REDELIVERY	MIDLAND,TX, 79701
07/30/2018 09:44	AVAILABLE FOR PICKUP	SANTA FE,NM, 87501
07/30/2018 08:39	ARRIVAL AT UNIT	SANTA FE,NM, 87501
07/28/2018 12:36	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101
07/27/2018 13:20	PROCESSED THROUGH USPS FACILITY	EL PASO,TX, 79910
07/23/2018 12:04	UNABLE TO DELIVER PROBLEM WITH ADDRESS	MIDLAND,TX, 79701
07/23/2018 03:21	PROCESSED THROUGH USPS FACILITY	MIDLAND,TX, 79711
07/21/2018 21:15	DEPART USPS FACILITY	MIDLAND,TX, 79711
07/21/2018 20:09	PROCESSED THROUGH USPS FACILITY	MIDLAND,TX, 79711
07/20/2018 03:21	DEPART USPS FACILITY	ALBUQUERQUE,NM, 87101
07/19/2018 20:33	PROCESSED THROUGH USPS FACILITY	ALBUQUERQUE,NM, 87101

07/19/2018 19:18	ORIGIN ACCEPTANCE	SANTA FE,NM, 87501
07/19/2018 11:45	SHIPMENT RECEIVED ACCEPTANCE PENDING	SANTA FE,NM, 87501
07/16/2018 10:08	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	SANTA FE,NM, 87501

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### **Shipment Confirmation Acceptance Notice**

Note to Mailer: The labels and volume associated to this form online, must match the labeled packages being presented to the USPS® employee with this form.

Matador Production Company - Kimnitz Expansion CM# 79102.0002 20180718 Offset List

Shipment Date:	07/16/2018
Shipped From:	
Name:	HOLLAND & HART LLP
Address:	110 N GUADALUPE ST # 1
City:	SANTA FE
State:	NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	3
Total	3

<sup>\*</sup>Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

### B. USPS Action

- Note to RSS Clerk:
  1. Home screen > Mailing/Shipping > More
  2. Select Shipment Confirm
  3. Scan or enter the barcode/label number from PS Form 5630
  4. Confirm the volume count message by selecting Yes or No
  5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail. Leave form with customer or in customer's mail receptacle.

**USPS SCAN AT ACCEPTANCE** 

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### Recipient

XTO Holding LLC Land Dept LOC 115 22777 Springwoods Village Parkway Spring TX 77389

Date & Time	Event	Event Location
07/24/2018 00:45	DELIVERY STATUS NOT UPDATED	SPRING,TX, 77389
07/23/2018 10:45	OUT FOR DELIVERY	SPRING,TX, 77389
07/23/2018 10:35	SORTING/PROCESSING COMPLETE	SPRING,TX, 77389
07/23/2018 10:26	ARRIVAL AT UNIT	SPRING,TX, 77379
07/19/2018 11:45	SHIPMENT RECEIVED ACCEPTANCE PENDING	Santa fe,nm, 87501
07/16/2018 10:03	PRE-SHIPMENT INFO SENT USPS AWAITS ITEM	Santa fe,nm, 87501

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# **Affidavit of Publication**

STATE OF NEW MEXICO COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

> Beginning with the issue dated July 17, 2018 and ending with the issue dated July 17, 2018.

Publisher

Sworn and subscribed to before me this 17th day of July 2018.

Business Manager

My commission expires

January 29, 2019 (Seal

OFFICIAL SEAL **GUSSIE BLACK Notary Public** State of New Mexico My Commission Expires

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

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LEGAL NOTICE July 17, 2018

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 August 9, 2018, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint 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 July 30, 2018. 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 case and notice to the public.

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

To: All offset owners, overriding royalty interest, and pooled parties, including: COG Operating LLC; Concho Oil & Gas, LLC; Southwest Royalties, Inc; The Jo Ann Sivley Ruppert Trust c/o US Trust Bank of America; The Thomas Ray Sivley Trust; Magnum Hunter Production, inc.; Devon Energy Production Company, LP; Verde Vista Energy Company; ZPZ Delaware I, LLC; Chesapeake Exploration, LLC; Breitburn Operating, LP; Judson Operations, LTD; K.V. & W.H. Martin Energy, LTD; Magic Dog Oil & Gas, LLC; State of New Mexico, Commissioner of Public Lands; XTO Holdings, LLC; ZPZ Delaware 1, LLC; Chevron Midcontinent, LP.

Case No. 16343: Application Of Matador Production Company For Approval Of The Expansion of the Northeast Kemnitz Unit, Lea County, New Mexico. Applicant seeks approval to expand the geographic area of the Northeast Kemnitz Unit by 1,760 acres of land. Said Unit currently consists of approximately 3,520 acres of State lands in Lea County, New Mexico. The total unit acreage will include 5,280 acres. Matador seeks to expand the Unit to include the following State lands situated in Lea County, New Mexico.

Township 16 South - Range 34 East N.M.P.M.

Section 22: S/2 Section 22: 5/2 Section 26: SW/4 Section 27: All Section 28: E/2 Section 34: W/2

The unitized Interval includes all depths. The Northeast Kemnitz Expansion Area is approximately 11 miles southeast of Lovington, New Mexico.

67100754

00215039

HOLLAND & HART LLC PO BOX 2208 SANTA FE,, NM 87504-2208

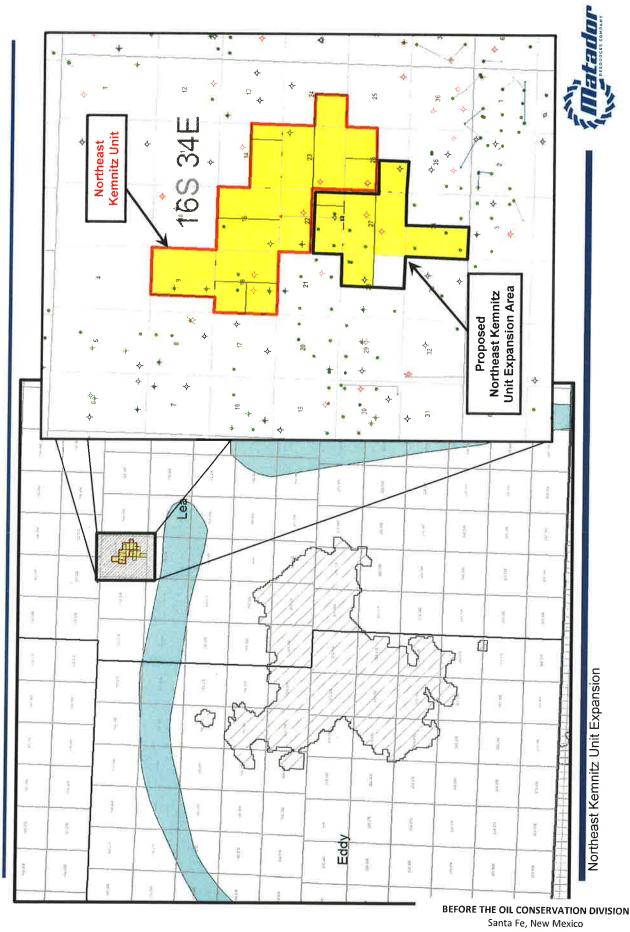
BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico Exhibit No. 7

Submitted by: Matador Production Company Hearing Date: August 8, 2018

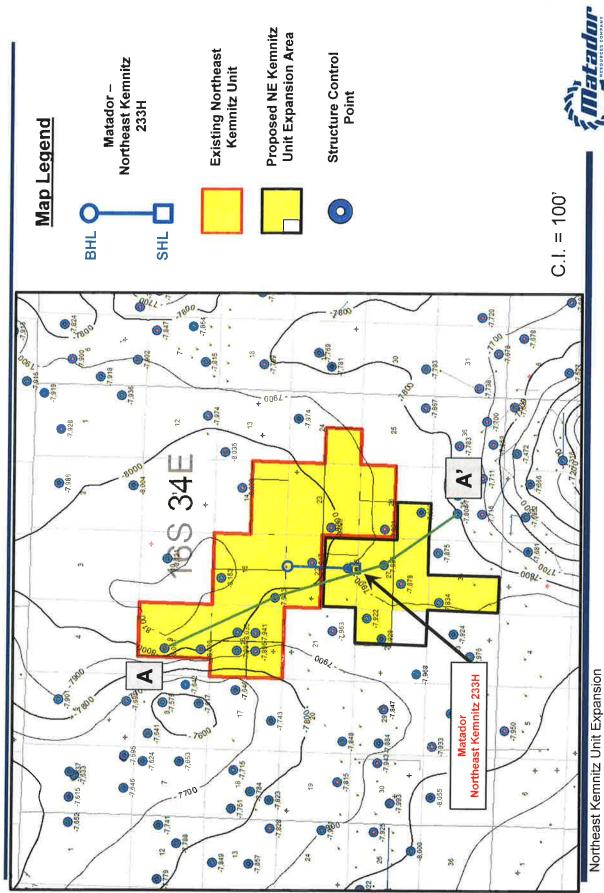
Case No. 16343

Northeast Kemnitz Unit Expansion Locator Map



Santa Fe, New Mexico
Exhibit No. 8
Submitted by: Matador Production Company
Hearing Date: August 8, 2018
Case No. 16343

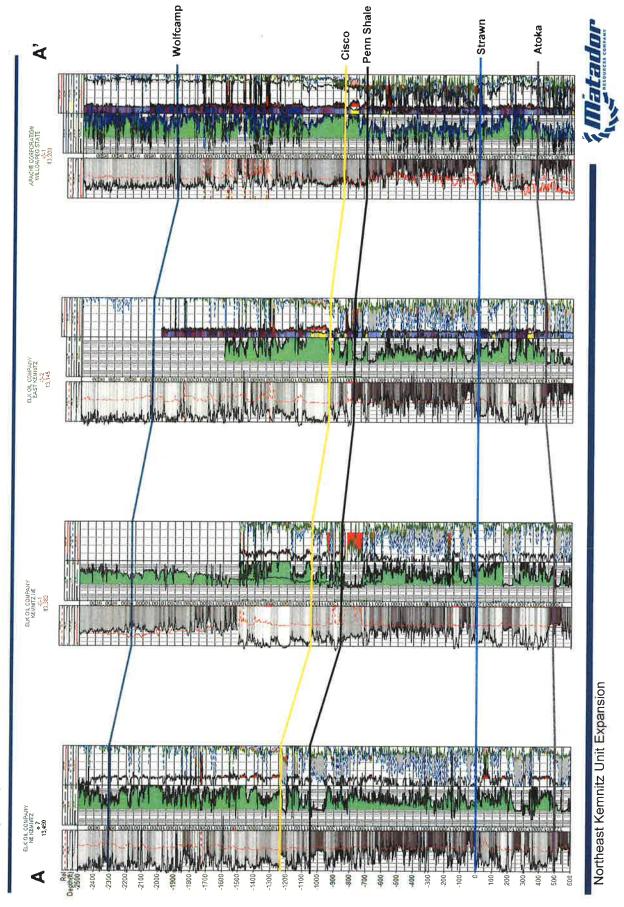
# Northeast Kemnitz Unit Expansion Structure Map (Top Strawn)



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 9

Submitted by: Matador Production Company Hearing Date: August 8, 2018 Case No. 16343

Northeast Kemnitz Unit Expansion Stratigraphic Cross Section A - A'



### BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 80
Submitted by: Matador Production Company

Hearing Date: August 8, 2018