

614

# DEED

THIS INDENTURE entered into on  
March 28, 1974 between the Property Appraisal Department of New Mexico, first party, and

W. H. Taylor Sr.  
205 North 3rd  
Carlsbad, New Mexico

second party, WITNESSETH:

WHEREAS, first party is the owner of the property hereby conveyed to it by tax deed number

03-1969-2644 from the  
Eddy County Treasurer and is authorized to sell such property.  
CE School District.

NOW, THEREFORE for consideration paid, the receipt and sufficiency of  
which is hereby acknowledged, first party grants to second party the following described real estate in  
Eddy County, New Mexico:

W/HEMSE (519) Sec. 32-23-28 Malaga, Eddy County, New Mexico CE 320-5

(Payment Covered by House Check No. 1038)

(Sale)



WITNESS the execution hereof the day and year first above written.

PROPERTY APPRAISAL DEPARTMENT OF NEW MEXICO

Attest: *Philip P. Castro*

*Raymond H. Hoopes*  
DIRECTOR

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the  
30 day of July, A. D. 1974 at 10:10 o'clock A. M., and duly recorded  
in Book 219, Page 614 of the Records of Eddy of said County.

GERALDINE MAHAFFEY, County Clerk

By: *Loren D. Davis* Deputy

EXHIBIT  
A

D. 222/247

SHORT FORM WARRANTY DEED—New Mexico Statutory Form—Approved by State Comptroller as Standard Form Oct. 6th, 1967.

WARRANTY DEED

W.H. Taylor and June D. Taylor, his wife

for consideration paid, grant to Bill G. Taylor, a married man dealing in his sole and separate property.

the following described real estate in EDDY County, New Mexico:

NORTH 65 feet of Lot 9 and South 50 feet of North 115 feet of lot 9 Block 12, Gibson Addition to the City of Carlsbad, Eddy County, New Mexico

Lot 21, Block 2, Welshire Subdivision to the City of Carlsbad, Eddy County, New Mexico.

The surface only of the following; NW 1/4 SW 1/4 of section 5, Twp. 23 S., Rge. 28 E.N.M.P.M.

Lot 55, Block 4, May Carlsbad, Eddy County, New Mexico C In 217-105-45

Lot 1, Block 3, Bates & W 1/2 of that portion of 9th. Street lying between Bates & Adams Avenue Artesia, Eddy County, New Mexico, 16 In 61-25-18 & 23

W 1/2 N 1/2 (519) Sec. 32-23-28 Malaga, Eddy County, New Mexico CE 320-5

beg. 20' W & 50' N of SE cor of Lot 1, Block 10, Gibson, N. 135' - E 100' S 135' - W to POB Carlsbad, Eddy County, New Mexico C In 216-16-95

with warranty covenants.

WITNESS our hand s and seal s this 18th day of January 19 75

W.H. Taylor Sr. (SEAL) June D. Taylor (SEAL)

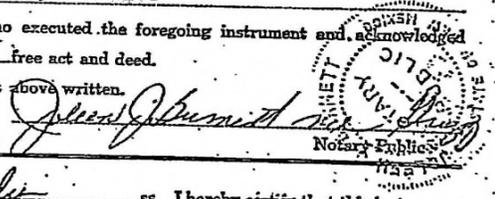
STATE OF NEW MEXICO, County of Eddy ss.

On this 18th day of January 19 75, before me personally appeared W. H. Taylor, Sr. and June D. Taylor, his wife

to me known to be the person s described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Witness my hand and seal the day and year last above written.

My commission expires 10/15 19 76



STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 7th day of May 1975 at 1:15 o'clock P. M. and duly recorded in Book 222, page 247 of the Records and Deeds of said county, on this 7 day of May A. D. 1975

Mildred Sumner County Clerk By Susan Davis Deputy

Printed and for sale by Myers Printing Co., Carlsbad, N. M.

QUITCLAIM DEED

Bill G. Taylor, and Wanda J. Taylor, his wife for consideration paid, quitclaim to Laverne Skinner Smith the following described real estate in Eddy County, New Mexico:

THE SURFACE ONLY OF:

WYNENWSE (519) Sec. 32-23-28 Malaga, Eddy County, subject to all easements and right of ways of record. No mineral rights are conveyed.

WITNESS our hand and seal this 28th day of October, 1976. Bill G. Taylor (SEAL), Wanda J. Taylor (SEAL)

STATE OF NEW MEXICO, County of Eddy ss. ACKNOWLEDGMENT INDIVIDUAL

On this 28th day of Oct, 1976 before me personally appeared Bill G. Taylor and Wanda J. Taylor, his wife to me known to be the person described in and who executed the foregoing instrument and acknowledged that executed the same as free act and deed.

Witness my hand and seal the day and year last above written.

My commission expires 7/31/77

STATE OF NEW MEXICO, County of ss. ACKNOWLEDGMENT CORPORATION

On this day of 19 before me personally appeared to me personally known, who being by me duly sworn, did say that he is of a corporation organized under the laws of the State of and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation, by authority of its board of directors, and said acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal the day and year last above written.

My commission expires Notary Public

STATE OF NEW MEXICO, County of Eddy ss. I hereby certify that this instrument was filed for record on the 29th day of October, 1976, at 11:00 o'clock A.M., and duly recorded in Book 227, Page 898, of the Records of Deeds of said County, on this 29th day of October, A.D. 1976.

Geraldine Mahaffey, County Clerk, Christina Guerrero, Deputy

OIL & GAS LEASE

THIS AGREEMENT made this 27 day of April 1981, between

Bill G. Taylor & Wanda J. Taylor, Husband & Wife,

1106 N. Country Club, Carlsbad, NM 88220

(Post Office Address)

herein called lessor (whether one or more) and W. H. Taylor, Sr., & June Taylor, husband & wife, lessee: 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets, exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, including gas, water, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals. The

following described land in Eddy County, New Mexico, to-wit:

W2NENWSE (519) Sec. 32-23-28 Malaga, Eddy County, New Mexico CE 320-5,

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 5 (Five) acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of 5 years from this date (called "primary term"), and as long thereafter as oil or gas is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3% of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line in which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 2% of the gas so sold or used, provided that on gas sold at the well the royalty shall be 3% of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay royalty provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 50 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the

bank at

which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessee shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or portion thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it be within the primary term commences the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the payment by one shall not affect the rights of other leasehold owners ratably according to the surface area of each, and default in rental assignment, release and discharge hereof of any obligations hereunder, and, if lessor or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lease or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied provision of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of strictly or liability to obtain or use equipment or materials, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessor's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Bill G. Taylor Apr. 28, 1981
Wanda J. Taylor 4/28/81

STATE OF NEW MEXICO,

County of DOY

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 28th day of April 1981 by BILL G. TAYLOR and WANDA J. TAYLOR, his wife

My Commission expires March 25 1984 [Signature] Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_ 19\_\_\_\_ Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_ 19\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_ 19\_\_\_\_ Notary Public

OIL AND GAS LEASE  
NEW MEXICO

FROM

TO

Date \_\_\_\_\_, 19\_\_\_\_

Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_

No. of Acres \_\_\_\_\_ County, New Mexico

Term \_\_\_\_\_

STATE OF NEW MEXICO  
COUNTY OF Doña Ana

I hereby certify that this instrument was filed for record on the 28 day of April A. D. 1981, at 10:45 o'clock P.m., and was duly recorded in Book 198 at Page 745 of the Records of said County.

By [Signature] County Clerk

By Charles T. Wright Deputy

STATE OF NEW MEXICO

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public

IN THE FIFTH JUDICIAL DISTRICT COURT  
COUNTY OF EDDY  
STATE OF NEW MEXICO

IN THE MATTER OF THE ESTATE OF  
BILL GRAND TAYLOR, Deceased.

FIFTH JUDICIAL DISTRICT  
EDDY COUNTY N.M.  
FILED IN MY OFFICE  
2002 OCT 31 PM 4:19  
ELEANOR W. MAGNIN  
DISTRICT COURT CLERK

No. PB2002-71  
Judge **JAY W. FORBES**

**ORDER FOR INFORMAL PROBATE OF WILL  
AND FOR INFORMAL APPOINTMENT  
OF PERSONAL REPRESENTATIVE**

THIS MATTER comes before the Court on the application of Kathy J. Smith for the informal probate of the last will and testament of Bill Grand Taylor, deceased, and for informal appointment as the personal representative of the decedent's estate. The Court, having considered the application, FINDS:

1. The application for informal probate of will and for informal appointment of a personal representative is complete.
2. The applicant has made oath or affirmation that the statements contained in the application are true to the best of applicant's knowledge and belief.
3. Applicant appears from the application to be a person interested in the settlement of decedent's estate as defined by the laws of New Mexico.
4. On the basis of the statements in the application jurisdiction of this estate, proceeding and subject matter is proper.
5. Venue is proper because the decedent's domicile at the time of death was Carlsbad, Eddy County, New Mexico.

6. An original, duly executed and apparently unrevoked will is in the possession of this Court, and, therefore, will be informally probated upon the entry of this order.

7. Any notice required by law has been given.

8. The time for original probate and informal appointment proceedings has not expired.

9. Applicant is nominated in the last will of the decedent as the Personal Representative, to serve without bond, and is not disqualified to so serve and has priority entitling applicant to the appointment.

10. The application does not indicate that a personal representative has been appointed in this or any other county within the State of New Mexico.

11. At least 120 hours have elapsed since the decedent's death.

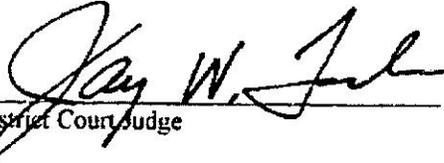
NOW, THEREFORE, IT IS ORDERED as follows:

1. The application is hereby granted.

2. The last will and testament of Bill Grand Taylor, deceased is hereby informally probated.

3. Kathy J. Smith is hereby informally appointed as personal representative of the estate of Bill Grand Taylor, without bond, in an unsupervised administration.

4. Letters testamentary be issued to Kathy J. Smith upon qualification and acceptance.

  
District Court Judge

SCANNED  
9/20/18 BL  
Zeppelin 32

## Oil & Gas Lease

THIS OIL & GAS LEASE ("lease") made this 15th day of January, 2018 between Daisy-June Taylor, a widow, 1401 West Fox, Carlsbad, New Mexico 88220, herein called "lessor" (whether one or more) and Mewbourne Oil Company, P.O. Box 7698, Tyler, Texas 75701, herein called "lessee":

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is hereby acknowledged, and of the agreements herein contained, hereby grants, leases and lets exclusively unto lessee, for the purpose of owning, investigating, exploring, prospecting, drilling, operating, producing and marketing oil, gas, and such other minerals and substances as may be produced incident to the production of oil and/or gas, the grant effected hereby to include the right to engage in all activities reasonably necessary or convenient to said stated purposes, including but not limited to conducting seismic operations, injecting gas, waters, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store, transport and market said lease substances, the following described land (deemed to comprise 5.00 acres, whether it actually comprises more or less), in Eddy County, New Mexico (the "leased premises" or "said land"), to-wit:

Township 23 South, Range 28 East, N.M.P.M.  
Section 32: W/2NE/4NW/4SE/4 . also known as  
Malaga Tract No. 519

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of two (2) years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled, or this lease is otherwise maintained in accordance with its terms.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons, 25% of that produced and saved from said land, same to be delivered free of all costs to the credit of lessor at the tanks or pipelines to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substances produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 25% of the gas so used, provided that on gas sold on or off the premises, the royalties shall be 25% of the net proceeds realized at the well from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a well on said land, or land pooled therewith, capable of producing and such well is shut-in, either before or after production therefrom, then on or before 90 days after said well is shut-in, and thereafter at annual intervals, lessee may pay or tender a shut-in royalty equal to \$1.00 per net acre of the acreage then capable of being held by the well under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that leased substances are being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to pay shut-in royalties, to commence or continue any operations of whatsoever character or to make any other payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Spacing units (for vertical wells) or project areas (for horizontal wells) pooled hereunder shall not exceed the spacing unit or project area fixed by law, from time to time during the term hereof, or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent (10%). Lessee shall file written unit or project area designations in the county in which the premises are located and such units or project areas may be designated from time to time and either before or after the completion of wells. Operations (including, but not limited to, drilling operations) on or production from any part of any such unit or project area shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease, including, for a horizontal well, those cases in which the location of the well site tract for such well is not located on the leased premises or on any other lands included within the project area for such well. There shall be allocated to the land covered by this lease included in any such unit or project area that portion of the total production of pooled minerals from wells in the unit or project area, after deducting any used in lease or unit (or project area) operations, which the net oil or gas acreage in the land covered by this lease included in the unit or project area bears to the total number of surface acres in the unit or project area. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit or project area in the same manner as though produced from said land under the terms of this lease. Any pooled unit or project area designated by Lessee, as provided herein, may be amended or dissolved by Lessee, in whole or in part, at any time and from time to time, by recording an appropriate instrument in the County where the land is situated. As used in this lease, the term "horizontal well" shall mean a well containing a single lateral that is drilled in a manner in which the horizontal component of the completion interval extends at least one hundred (100) feet in the objective formation and which exceeds the vertical component of the completion interval in the objective formation. A horizontal well may have more than one lateral as long as each lateral component meets the above requirements for a single lateral. As used in this lease, the term "lateral" shall mean that portion of the well bore that deviates from approximate vertical orientation to approximate horizontal orientation and the remainder of the well bore beyond such deviation to the end of the well bore. A "vertical well" is a well other than a horizontal well.

RETURN TO  
PAUL HADEN  
MEWBOURNE OIL CO.  
500 W. TEXAS, SUITE 1020  
MIDLAND, TX. 79701

Reception: 1801980 Book: 1103 Page: 0672 Pages: 3  
Recorded: 02/12/2018 08:43 AM Fee: \$25.00  
Eddy County, New Mexico



6. If at the expiration of the primary term (a) there is no well upon said land capable of producing oil or gas, but lessee has commenced operations thereon, or (b) there has been production from, or operations upon the leased premises within the preceding ninety (90) days, this lease shall remain in force so long as operations are prosecuted with no cessation of more than ninety (90) consecutive days, whether such operations be the same or different operations and/or on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land or this lease is otherwise maintained in force and effect. If after the expiration of the primary term there should be a cessation of production or other event or circumstance as would otherwise cause this lease to expire in accordance with its terms, this lease shall not terminate if lessee commences or restores production or commences operations for additional drilling or for reworking within ninety (90) days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder. As used throughout this lease, the term "reworking" means all actions taken to secure, restore or improve production through the use of a wellbore previously drilled, but without regard to whether the action involved be within or outside of the wellbore.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. If and when having pipe lines on the surface unreasonably interferes with existing surface uses or surfaces uses then being commenced, Lessee, when required by lessor, will bury all pipe lines below ordinary plow depth or such lesser depth as reasonably removes same as an interference, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Existing wells and/or wellbores on the leased premises may be reentered and used and to the extent such occurs the reentry shall be considered the same as the drilling of a new well on the leased premises.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee and no such change or division shall be binding upon lessee for any purpose until thirty (30) days after lessee has received at lessee's principal place of business certified copies or acceptable alternative documentation in lieu thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder, by reason of scarcity or inability to obtain or use equipment or material, by act of God, by any Federal or state law or any order, rule or regulation of governmental authority (including the time during which lessee is waiting on the issuance of any order, rule, policy or practice in connection therewith or while the time for comments on the issuance of any rule, order, practice or policy is in effect), or by other act, event, circumstance or condition beyond Lessee's reasonable control, then while so prevented, and for thirty (30) days thereafter, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder, and for thirty (30) days thereafter, and that time shall not be counted against lessee, anything in this lease to the contrary notwithstanding. As used herein, the term "order, rule, denial, policy, directive, rule-making proposal, and/or practice" includes, but is not limited to any denial, restriction or delay of drilling and/or other operations on the leased premises attributable to environmental and/or endangered species restrictions, conditions and limitations now or hereafter adopted, enforced or applied to the leased premises by any federal or state agency having authority with respect to the leased premises, and without limiting the generality of the foregoing clause, shall specifically include all lesser prairie chicken and sand dune lizard stipulations and restrictions, collectively referred to herein as "Endangered Species and Environmental Conditions." If lessee is precluded from engaging in operations because the necessary permits and approvals to drill have not been obtained, or because lessee is required to postpone or suspend operations by application of Endangered Species and Environmental Conditions, then its obligation and/or entitlement to engage in operations shall be deferred until sixty (60) days after approval of the necessary permits and approvals, or until sixty (60) days after operations are allowed to commence or resume following any period of suspension attributable to Endangered Species and Environmental Conditions, and the running of periods of special limitation applicable to the estate granted hereby shall be tolled during such deferral period.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this lease as to acreage so surrendered, except as to the liability for any payments accruing hereunder prior to the time of such surrender which shall survive surrender and continue as an obligation of lessee, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases. No partial surrender or release or partial termination shall in any manner reduce or limit lessee's entitlement to use all of the surface (as originally described and as originally subject to this lease) in connection with lessee's ownership and enjoyment of that portion of the leased premises (as

originally described and as originally subject to this lease) as to which the lease has not been surrendered, released or terminated. Moreover, under no circumstances shall lessee, as a consequence of any partial surrender or release or partial termination, be required to relocate roads, pipelines, facilities or other improvements utilized, or potentially subject to use, by lessee in connection with lessee's ownership and enjoyment of that portion of the leased premises (as originally described and as originally subject to this lease) as to which the lease has not been surrendered, released or terminated. Nor shall the filing of a document of surrender or release, or a document acknowledging partial termination, be construed as effecting a surrender, release or partial termination of surface rights incident to lessee's ownership and enjoyment of that portion of the leased premises (as originally described and as originally subject to this lease) as to which the lease has not been surrendered, released or terminated.

12. Notwithstanding anything contained herein above to the contrary, it is understood and agreed that at the expiration of the primary term, this lease shall terminate as to all lands covered hereby not included in or otherwise allocated to a "well unit" as hereinafter defined, unless lessee has drilled and completed a well on the leased premises, or lands pooled therewith, either as a producer or as a dry hole, or is drilling upon said lands across the expiration of the primary term as provided for in the body of this lease, and does not allow more than 180 days to elapse between the completion or abandonment of one well on such land and the commencement of another well thereon until the leased premises have been "fully developed," as hereinafter defined. Operations for drilling of the first such development well must be commenced (a) within 180 days after the expiration of the primary term if lessee has drilled and completed a well on the leased premises, or lands pooled therewith, either as a producer or as a dry hole, or (b) within 180 days of completion of the well which is being drilled, tested or completed across the expiration of the primary term. Should lessee fail to timely commence a well in accordance with aforesaid 180 days continuous drilling or development prior to the point in time the leased premises have fully developed then this lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit or project area created for a well capable of producing oil and/or gas or other hydrocarbons in paying quantities in accordance with the applicable rules and regulations of the New Mexico Oil Conservation Division or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the leased premises has been included in a well unit or units as defined. The date of completion of a well shall be the date of a potential test if a producing well and the date of plugging if a dry hole or abandoned well. At the end of the continuous drilling program, if any, this lease will automatically terminate as to all lands covered hereby which have not been so fully developed and as to lands so fully developed shall terminate as to all depths lying below the deepest producing formation on the leased premises.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

By: Daisy June Taylor  
Daisy June Taylor

ACKNOWLEDGMENT

STATE OF NEW MEXICO §

COUNTY OF EDDY §

The foregoing instrument was acknowledged before me this 31 day of January, 2018 by Daisy June Taylor.



Hsela Uranga  
Notary Public

Notary's Printed Name: Hsela Uranga

My Commission Expires: 10/28/2020

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(432) 682-3715  
FAX (432) 685-4170

November 20, 2018

## DIVISION ORDER TITLE OPINION

Mewbourne Oil Company  
Midland Office

Attn: Mr. Drew Robison

Re: The oil and gas producible from the communitized Wolfcamp formation, save and except the Wolfcamp "D" Shale formation as more particularly described in the Farmout Agreement dated January 3, 2018 described below, underlying the following oil and gas leases insofar as they cover the lands indicated in **Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico:**

**Tract No. 1 - State of New Mexico Lease VA-806 insofar as it covers the following:**

Section 32: N $\frac{1}{2}$ SW $\frac{1}{4}$  and SW $\frac{1}{4}$ SW $\frac{1}{4}$ ,

containing 120 acres, more or less.

**Tract No. 2 - Barbara Lee Backman, Inc., et al. Oil and Gas Lease covering the following:**

Section 32: SE $\frac{1}{4}$ SW $\frac{1}{4}$ ,

E $\frac{3}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract Nos. 206, 207, 522 and 528),  
E $\frac{1}{2}$ E $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract Nos. 520 and 526),  
W $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract Nos. 517, 518, 523 and 524),  
N $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract Nos. 529, 530, 531 and 532),  
E $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract No. 538),  
SE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract Nos. 539 and 540),  
E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract Nos. 535, 536, 543 and 544),  
SW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract Nos. 541 and 542), and  
W $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract No. 525),

containing 170 acres, more or less.

**Tract No. 3 - Daisy June Taylor Oil and Gas Lease covering the following:**

Section 32: W $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract No. 519),

containing 5 acres, more or less.

**Tract No. 4 - Beverly J. Relph, et al. Oil and Gas Leases and force pooled mineral interests covering the following:**

Section 32: W $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract No. 521),

containing 5 acres, more or less.

**Tract No. 5 - Jeanette Huffer, et al. Oil and Gas Leases and force pooled mineral interests covering the following:**

Section 32: W $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$  (Malaga Tract No. 527),

containing 5 acres, more or less.

EXHIBIT

G

**REQUIREMENT A:** You should make inquiry of James Kelly Polk to determine the reason that the distribution deed from the Estate of Mary Guitar Polk was executed and specifically what interest the estate claimed in Tract No. 2 as well as what interest the Mary Guitar Polk Estate Limited Partnership claims. I reserve possible further requirement.

**REQUIREMENT B:** You should make inquiry of Ruth Ann Polk Caudle to determine how she acquired the interest of Honey's Heritage LP in captioned land such that she could execute the non-leasing mineral deed in favor of Lost Creek Royalties LP described above. I reserve possible further requirement.

20.

Ruth Guitar Alexander and husband, Minor Alexander, once owned an undivided 1/8 interest in the bonus, delay rentals and royalties in Tract No. 2. According to the probate proceedings conducted for the Estate of Ruth Guitar Alexander in Cause No. PB-88-52 in the Probate Court of Eddy County, New Mexico, Ruth Guitar Alexander died a single woman and left all of her estate to her three children, James Minor Alexander, Jeri Alexander Lott and Martha Jane Alexander Rhodes. I have not been furnished the instrument or instruments wherein Ruth Guitar Alexander acquired all of the interest of Minor Alexander in Tract No. 2.

**REQUIREMENT:** Submit for examination and thereafter record in Eddy County, New Mexico the instrument or instruments wherein Ruth Guitar Alexander acquired the interest of her husband, Minor Alexander, in Tract No. 2.

21.

Jeri Alexander Mangum and First Financial Trust and Asset Management Company, N.A., as Trustees of the Jane Alexander Rhodes Revocable Trust dated June 26, 2013, once owned an undivided 1/24 interest in the bonus, delay rentals and royalties in Tract No. 2. By Mineral Deed dated May 1, 2017, effective March 1, 2017, recorded in Book 1095, page 590, Eddy County Records, Jeri Alexander Mangum and First Financial Trust and Asset Management Company, N.A., Trustees of the Jane Alexander Rhodes Revocable Trust dated June 26, 2013, conveyed all of the Trust's interest in Tract No. 2 to Jeri Alexander Mangum and First Financial Trust and Asset Management Company, N.A. as Trustees of the Carol Gibson Trust and as Trustees of the Cynthia Rhodes Trust. I have not been furnished a copy of the trust agreement for the Jane Alexander Rhodes Revocable Trust dated June 26, 2013.

**REQUIREMENT:** Submit for examination a copy of the trust agreement for the Jane Alexander Rhodes Revocable Trust dated June 26, 2013.

22.

Earl B. Guitar, Jr. and Margaret Ann Guitar, Co-Trustees of the Earl B. Guitar, Jr. and Margaret Ann Guitar Revocable Trust once owned an undivided 1/32 interest in the bonus, delay rentals and royalties in Tract No. 2. The Texas probate proceedings for the Estate of Earl B. Guitar, Jr. were filed of record in Book 1030, page 946, Eddy County Records, evidencing the death of Earl B. Guitar, Jr. on December 31, 2006. According to a Memorandum of Trust Agreement recorded in Book 655, page 245, Eddy County Records, upon the death of one of the co-trustees of the Trust, John Alexander Guitar, if willing, is to serve as the successor co-trustee of the Trust. I have not been furnished evidence of John Alexander Guitar's acceptance of the position as Co-Trustee of the Trust.

**REQUIREMENT:** Submit for examination evidence of John Alexander Guitar's acceptance of the position as Co-Trustee of the Earl B. Guitar, Jr. and Margaret Ann Guitar Revocable Trust.

→ 23.

By Tax Deed dated January 20, 1971, recorded in Book 213, page 551, Deed Records, the County Treasurer of Eddy County gave notice of delinquent taxes assessed against Bessie Black and Albert V. Adams in Tract No. 3, being Malaga Tract No. 519. The materials examined do not include any conveyances affecting Tract No. 3 before this tax deed. Then, by Deed dated

March 28, 1974, recorded in Book 219, page 614, Deed Records, the Property Appraisal Department of New Mexico conveyed to W. H. Taylor, Sr. all interest in Tract No. 3. I note that tax deeds in the New Mexico do not convey marketable title.

Subsequently, by Warranty Deed dated January 18, 1975, recorded in Book 222, page 247, Deed Records, W. H. Taylor, Sr. and wife, June D. Taylor, conveyed to Bill G. Taylor, as his separate property, either the surface only or both the surface and mineral estates in Tract No. 3. The deed is ambiguous. Bill G. Taylor later conveyed the surface estate only in Tract No. 3 to LaVerne Skinner Smith. Bill G. Taylor executed an Oil and Gas Lease dated April 27, 1981, recorded in Book 198, page 745, Oil and Gas Records, in favor of W. H. Taylor, Sr. and wife, June Taylor, essentially making a claim to the mineral interest. Bill G. Taylor died on August 1, 2002 and probate proceedings were conducted for his Estate in Cause No. 2002-71 in the Probate Court of Eddy County, New Mexico. He left all of his estate to his wife, Wanda J. Taylor, and his children, Harvey R. Taylor, Cathy J. Taylor Smith, Marilyn S. Taylor, Carolyn A. Taylor and Bill G. (Billy) Taylor, Jr. I note that W. H. Taylor, Sr. died on April 3, 2003 and probate proceedings were conducted for his Estate in Cause No. 2003-49 in the Probate Court of Eddy County, New Mexico. He left all of his estate to his wife, Daisy June Taylor. The inventory claims an interest in Tract No. 3. For purposes of this opinion, I have credited Daisy June Taylor as owning the mineral interest in Tract No. 3 and I have treated Lease No. 3 as covering this entire interest, but I cannot confirm this fact.

**REQUIREMENT:** A quiet title suit should be conducted in the District Court of Eddy County, New Mexico to determine the ownership of the mineral estate of Tract No. 3.

24.

F. W. Sooby a/k/a Frederick W. Sooby and wife, Myrtle Sooby, once owned all of the surface and mineral estates in Tract No. 4. A Certificate of Sale for Taxes dated October 1, 1913, recorded in Book 9, page 338, Tax Sale Certificate Records, stated that this tract was foreclosed on and assigned to C. P. Pardue on July 21, 1919.

I have examined a copy of the probate proceedings conducted for the Estate of Frederick W. Sooby in Cause No. 7492 in the District Court of Butler County, Kansas, recorded in Book 1036, page 635, Eddy County Records. Frederick W. Sooby died intestate on April 22, 1931. A Judgment and Decree of Heirship dated September 2, 1947 stated that his wife, Myrtle Sooby, is entitled to 1/2 of his estate and his children, Donald W. Sooby, Clayton H. Sooby, John H. Sooby and Helen Margaret McCabe are each entitled to an undivided 1/8 of his estate. Additionally, I have examined a copy of the probate proceedings conducted for the Estate of Myrtle Sooby in Cause No. 7318 in the District Court of Butler County, Kansas, recorded in Book 1036, page 703, Eddy County Records. Myrtle Sooby died intestate on September 27, 1946. A Final Settlement dated September 2, 1947 stated that her children, John H. Sooby, Clayton H. Sooby and Helen Margaret McCabe, and her granddaughter, Jacquelyn Joe Sooby, the daughter of Donald W. Sooby, now deceased, are each entitled to an undivided 1/4 of her estate. I have not examined probate proceedings conducted for the Estates of Frederick W. Sooby, Myrtle Sooby or Donald W. Sooby in New Mexico. Pending the completion of such proceedings, title to the interest which passed through the estates is unmarketable.

Then, Clayton H. Sooby, Helene Eller, Jacquelyn Jaynes, Larry Sooby, Marilyn Taylor and Betty Byers executed an Oil and Gas Lease dated March 5, 1979, recorded in Book 170, page 530, Miscellaneous Records, in favor of Ronnie Ward covering Tract No. 4. I note that John H. Sooby and Helen Margaret McCabe did not execute the oil and gas lease. I have assumed that Helene Eller, Marilyn Taylor and Betty Byers are their heirs, but I cannot confirm that fact as I have not examined probate proceedings conducted for the Estates of John H. Sooby or Helen Margaret McCabe. Pending the completion of such proceedings, title to the interest which passed through the estates is unmarketable. I note that Lease No. 10 was executed by Leon W. Taylor, a widower. I have assumed that he was the husband of Marilyn Taylor and that he inherited all of his wife's interest, but I cannot confirm this fact. I note that the parties who executed the Oil and Gas Lease dated March 5, 1979 described above claim to own the interest as Clayton H. Sooby as to 3/8 and the remaining parties each an undivided 1/8, but nothing in the records reflects this ownership; therefore, I cannot confirm these interests.

I have examined a copy of the probate proceedings conducted for the Estate of Clayton H. Sooby in Cause No. 83-PR-1082 in the District Court of Harvey County, Kansas, which are recorded in Book 1023, page 939, Eddy County Records. In his Will, Clayton H. Sooby left all of

**Kevin L. Pearson**  
**Independent Professional**  
**Landman**  
**Sarah Lee Provisions, Inc.**  
**203 S. Turner**  
**Hobbs, NM 88240**  
**Telephone (505) 933-0688**  
**Email: kslpinc@gmail.com**

May 7, 2019

Harvey R. Taylor, heir of Bill Grand Taylor, deceased

***RE: MINERALS OF BILL GRAND TAYLOR, DECEASED,  
Township 23 South, Range 28 East  
Section 32: W/2NE/4NW/4SE/4 (a/k/a Malaga Tract #519) containing  
5 acres more or less  
Eddy County, NM***

Limited Chain of Title covering the above captioned tracts of land in Section 32, Township 23 South, Range 28 East.

To Harvey Taylor:

Provided herewith is a Limited Chain of Title in Runsheet format and accompanied by a visual flowchart, including copies of all instruments related thereto. Limited Chain of Title covering the **W/2NE/4NW/4SE/4** of **Section 32-23S-28E**. We utilized the tract indices of Guaranty Title Company, the Eddy County Clerks and Recorders Office for the documents filed of record, along with the Probates, Wills and other documents provided to us by the client.

To assist in your search, we have further provided the following, namely:

1. Cover Letter/Disclaimer
2. Typed Runsheet
3. Mineral Ownership Report
4. Flowchart
5. Section Tract Maps
6. Production Map and Well information
7. Full Copies of documents obtained from the Lea County Clerk and Recorder's office, organized in Runsheet order.

### ***Certification & Disclaimer***

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### **Certification and Statement of Limitations**

**The Limited Chain of Title for W/2NE/4NW/4SE/4 of Section 32, Township 23 South, Range 28 East, 23rd Prime Meridian, located in Eddy County, New Mexico (the "Lands") was researched and gathered from the Eddy County Clerk and Recorder's office, Eddy County, New Mexico, covering the Lands, and limited to the documents listed in the Guaranty Title Company's tract index books along with Probates, Wills and other documentation provided to us by the client mentioned herein. The Limited Sovereignty Run Sheet and accompanying documents were submitted subject to the following limitations, to-wit: The Undersigned Landman examined Guaranty Title Company's indices for documents relevant to the chain of title for the Lands, along with records of the Eddy County Clerk and Recorders office in Eddy County, New Mexico.**

**Kevin L. Pearson**  
**Independent Professional**  
**Landman**  
**Sarah Lee Provisions, Inc.**  
203 S. Turner  
Hobbs, NM 88240  
Telephone (505) 933-0688  
Email: [kslpinc@gmail.com](mailto:kslpinc@gmail.com)

## **Disclaimer**

The Instruments set forth in the Run Sheet and accompanying data cover only the ownership of the oil and gas in and under the Subject Tract and expressly does not cover the ownership of coal, lignite, uranium or any other minerals or interests at any depth. The examination by the undersigned Landman and his findings resulting in the Run Sheet and accompanying data do not cover any matters not revealed by the Materials Examined, which may include any of the following: (a) area, boundaries, location of the Subject Tract, wells and improvements, rights of parties in possession, and other matters ascertainable only by investigation and/or a survey on the ground; (b) forgeries, non-delivery of deeds and conveyances, incapacity of parties due to mental condition, minority or marital status, execution by a person other than the true owner but having identical name, and other matters of execution, acknowledgment, delivery and genuineness not apparent on the face of the documents examined; (c) homestead rights; (d) mechanics', materialmen's, repairmen's, employees', contractors', operators', tax and other liens and charges not of record; (e) bankruptcy, insolvency, reorganization, moratorium, and similar laws; (f) rights reserved to or vested in any governmental, statutory or public authority with respect to zoning, the regulation of oil and gas operations and production, or otherwise regulating or restricting activity on or use of the premises, (g) rules, regulations and orders of the Office of Conservation, the Federal Energy Regulatory Commission, or any other public authority, including possible price regulation or dedication of gas reserves to interstate commerce; (h) matters relating to title, fixtures, or personal property not revealed by the Materials Examined, including Uniform Commercial Code filings; (i) matters relating to environmental conditions and laws and liability for contamination arising therefrom; (j) the effect of state and federal securities laws and regulations; (k) unsubmitted and/or unrecorded agreements and understandings; (l) minerals other than oil, gas and associated hydrocarbons; (m) ingress and egress to the Lands and other access matters; (n) incomplete or illegible instruments supplied by any party. The Examiner cannot warrant the completeness of the Limited Title Run Sheet and any other of the Material Examined in any manner.

Submitted,

*Kevin Pearson*

**Kevin L. Pearson**  
**Independent Professional Landman**  
203 S. Turner  
Hobbs, NM 88240  
(505) 933-0688  
[kslpinc@gmail.com](mailto:kslpinc@gmail.com)

**LIMITED CHAIN OF TITLE  
(Title Run Sheet)**

Limited to the County instruments of record.

Certified from 1/23/1973 through 4/26/2019

W2NE4NW4SE4 (Tract 519) of Section 32 , Township 23 South, Range 28 East,  
Eddy County, NM

#	DOCUMENT TYPE	RECORD TYPE	RECEPTION NUMBER	BK-PG	DOCUMENT DATE	EFFECTIVE DATE	RECORD DATE	GRANTOR	GRANTEE	DESCRIPTION	REMARKS
1	TAX DEED	DEED		0213-0551	1/23/73	1/23/1973	1/29/73	NELL PHILIPS, COUNTY TREASURER, EDDY COUNTY, NEW MEXICO	STATE OF NEW MEXICO	W2NE4NW4SE4, TRACT (519)	CONVEYS SAID LANDS TO THE STATE OF NEW MEXICO, TAX DEED NO. 2644
2	DEED	DEED		0219-0614	3/28/74	3/28/1974	7/30/74	PROPERTY APPRAISAL DEPARTMENT OF NEW MEXICO	W. H. TAYLOR, SR.	W2NE4NW4SE4, TRACT (519)	GRANTOR IS THE OWNER OF SAID PROPERTY CONVEYED BY TAX DEED NO. 03-1969-2644
3	WARRANTY DEED	DEED		0222-0247	1/18/75	1/18/1975	5/7/75	W. H. TAYLOR AND JUNE D. TAYLOR, HIS WIFE	BILL G. TAYLOR, MARRIED DEALING IN SOLE AND SEPARATE PROPERTY	W2NENWSE, TRACT (519) AMONG OTHER LANDS	CONVEYS ALL INTEREST IN SAID LANDS
4	QUITCLAIM DEED	DEED		0227-0898	10/28/76	10/28/1976	10/29/76	BILL G. TAYLOR AND WANDA J. TAYLOR, HIS WIFE	LAVERNE SKINNER SMITH	W2NE4NW4SE4, TRACT (519)	CONVEYS SURFACE ESTATE ONLY. SUBJECT TO ALL EASEMENTS AND RIGHT OF WAYS. NO MINERAL RIGHTS ARE CONVEYED. GRANTOR RETAINS ALL MINERAL RIGHTS
5	OIL AND GAS LEASE	MISC		0198-0745	4/27/81	4/27/1981	4/28/81	BILL G. TAYLOR AND WANDA J. TAYLOR, HIS WIFE	W. H. TAYLOR AND JUNE D. TAYLOR, HIS WIFE	W2NE4NW4SE4, TRACT (519)	TERM: 5 YEARS ROYALTY: 1/2
6	PROBATE	PB		D-503-PB-2002-71	10/31/02	3/6/2002 (LWT)	12/23/05	IN THE MATTER OF THE ESTATE OF BILL GRAND TAYLOR, DECEASED	PUBLIC		DIED TESTATE ON AUGUST 1, 2002. KATHY J. SMITH WAS APPOINTED PERSONAL REPRESENTATIVE. THE DECEASED DEVISED HIS ESTATE TO HIS FIVE CHILDREN IN EQUAL SHARES: <b>BILL G. TAYLOR, JR.</b> <b>KATHY J. SMITH</b> <b>HARVEY R. TAYLOR</b> <b>MARILYN S. TAYLOR</b> <b>CAROLYN A. TAYLOR</b> SHOULD ANY OF SAID CHILDREN PREDECEASE HIM, THE SURVIVING CHILDREN SHALL TAKE IN EQUAL SHARES, THE ENTIRETY OF THE ESTATE.
7	DEED OF DISTRIBUTION	OPR		0532-0164	11/25/03	11/25/2003	12/2/03	DAISY JUNE TAYLOR, PERSONAL REPRESENTATIVE OF THE ESTATE OF W. H. TAYLOR, DECEASED	DAISY JUNE TAYLOR	W2NE4NW4SE4, TRACT (519)	IT APPEARS THE ESTATE OF W. H. TAYLOR OWNS NO INTEREST IN SAID LANDS AS W. H. TAYLOR CONVEYED ALL INTEREST TO BILL TAYLOR AT BOOK 222, PAGE 247. WE SHOW NO RECORD OF W. H. TAYLOR EVER RECEIVING ANY OF THIS INTEREST BACK
8	OIL AND GAS LEASE	OPR		1103-0672	1/15/18	1/15/2018	2/12/18	DAISY JUNE TAYLOR, A WIDOW	MEWBOURNE OIL COMPANY	W2NE4NW4SE4 A/K/A MALAGA TRACT 519	TERM: 2 YEARS ROYALTY: 25%

We assume no responsibility for matters legal in character, nor do we render any opinion as to title to the property in question or any interest therein. Furthermore, we have used diligence in compiling the information contained herein. However, the landman listed below does not certify hereto and assumes no responsibility hereunder.

*Kevin Pearson*

Kevin Pearson, Independent Contractor on behalf Harvey Taylor

Tract Information										
Section	32	Examining Landman	K. Pearson	Tract Legal Description						
Block	Malaga Tract #519			W2NE4NW4SE4 (a/k/a Malaga Tract 519) of Section 32, Township 23S, Range 28 East						
Township	23S	Most Recent Doc. In Title	N/A							
Range	28E	Source Deed Book/Page	222-247							
County	Eddy	Source Deed Date	1/18/75	Tract Gross Acres	5.000000					
State	New Mexico	Source Deed Type	Warranty Deed	Grantor	W.H. Taylor and June D. Taylor, his wife					
Abstract				Grantee	Bill G. Taylor, married, dealing in his sole and separate property					
Title Status	Mineral Title									
MOR Date	4/27/19									
Courthouse Examine Date	4/26/19									
Online Record End Date	N/A									
Tract Notes										
<b>Tract Plat</b>										
Insert Tract Plat Here										
<b>Mineral Ownership Breakdown</b>										
Mineral Owner Name	Address		Phone #	Mineral Interest (%)	Net Mineral Acres	Lease Status				
Bill G. Taylor, Jr. (heir of Bill G. Taylor)				20.000000%	1					
Kathy J. Smith (heir of Bill G. Taylor)				20.000000%	1					
Harvey R. Taylor (heir of Bill G. Taylor)				20.000000%	1					
Marilyn S. Taylor (heir of Bill G. Taylor)				20.000000%	1					
Carolyn A. Taylor (heir of Bill G. Taylor)				20.000000%	1					
				<b>Min. Ownership Totals</b>	20%	5.00				
<b>Mineral Ownership Notes</b>										
1. Our examination shows that Bill G. Taylor owned the mineral interest in this particular tract of land in accordance with that certain Warranty Deed recorded at Book 222, Page 247, dated 1/18/1975, in the Deed Records of Eddy County, New Mexico wherein W. H. Taylor and June D. Taylor, his wife, convey all interest in the subject lands to Bill G. Taylor. Since Bill G. Taylor is now deceased, this mineral interest shall vest in his five heirs, in accordance with his Last Will and Testament and the Probate of his Estate in Cause No. D-503-PB-2002-71 in Eddy County, New Mexico. It appears the Estate of W. H. Taylor owns no interest to convey in that certain Deed of Distribution recorded at Book 532, Page 164, dated 11/25/2003 in the Public Records of Eddy County, New Mexico wherein Daisy June Taylor, as Personal Representative of said Estate conveys all interest under the subject lands to herself, as an individual. Our examination shows no record of W. H. Taylor ever receiving any of said interest back after conveying all of it to Bill G. Taylor.										



NWNW  
(D)

NENW  
(C)

NWNE  
(B)

NENE  
(A)

Bounds Rd

3100 ft

23S 28E

SWNW  
(E)

SENW  
(F)

SWNE  
(G)

SENE  
(H)

32

NWSW  
(L)

NESW  
(K)

NWSE  
(J)

NESE  
(I)

3100 ft

SWSW  
(M)

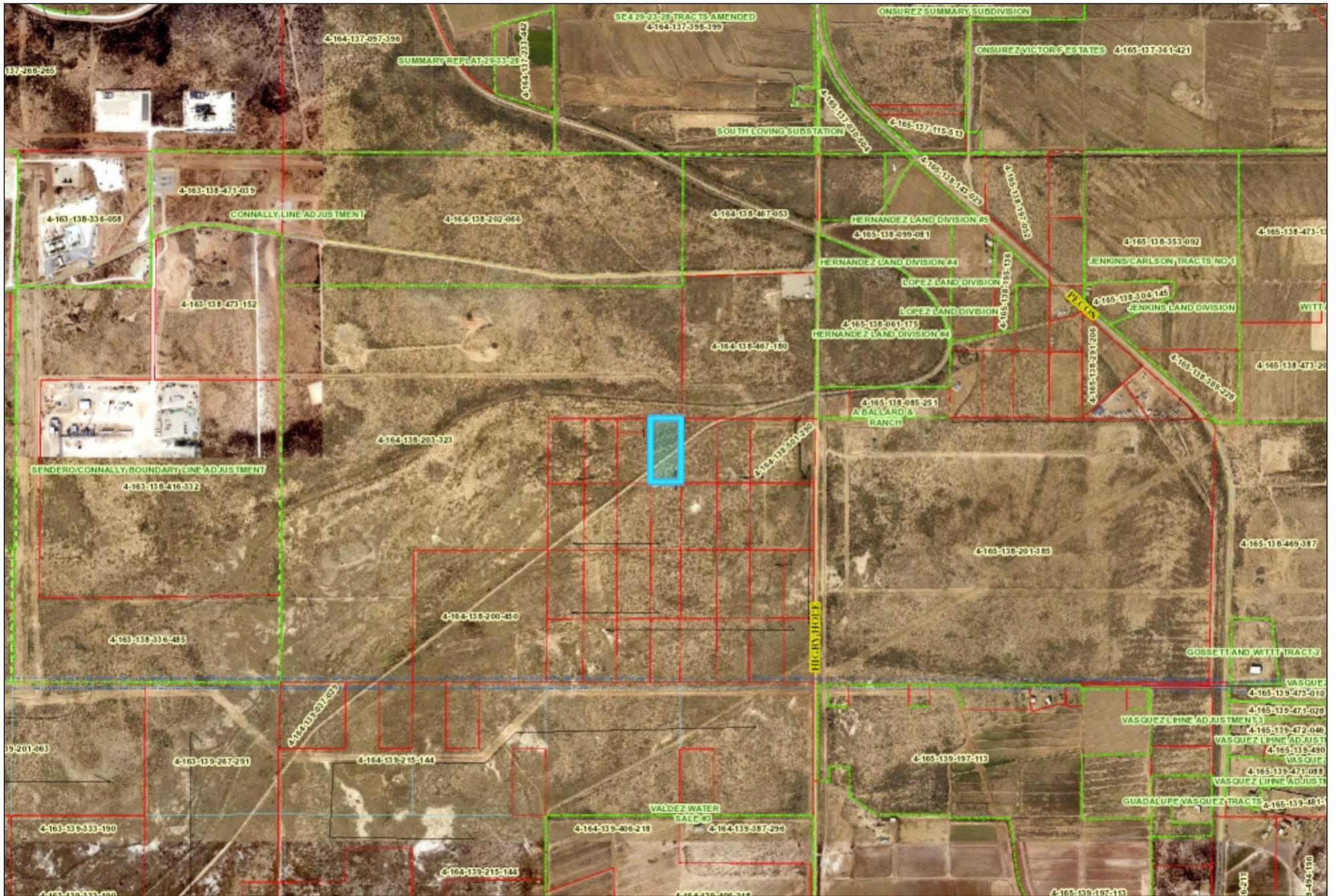
SESW  
(N)

SWSE  
(O)

SESE  
(P)

U.S. GEOLOGICAL SURVEY

7



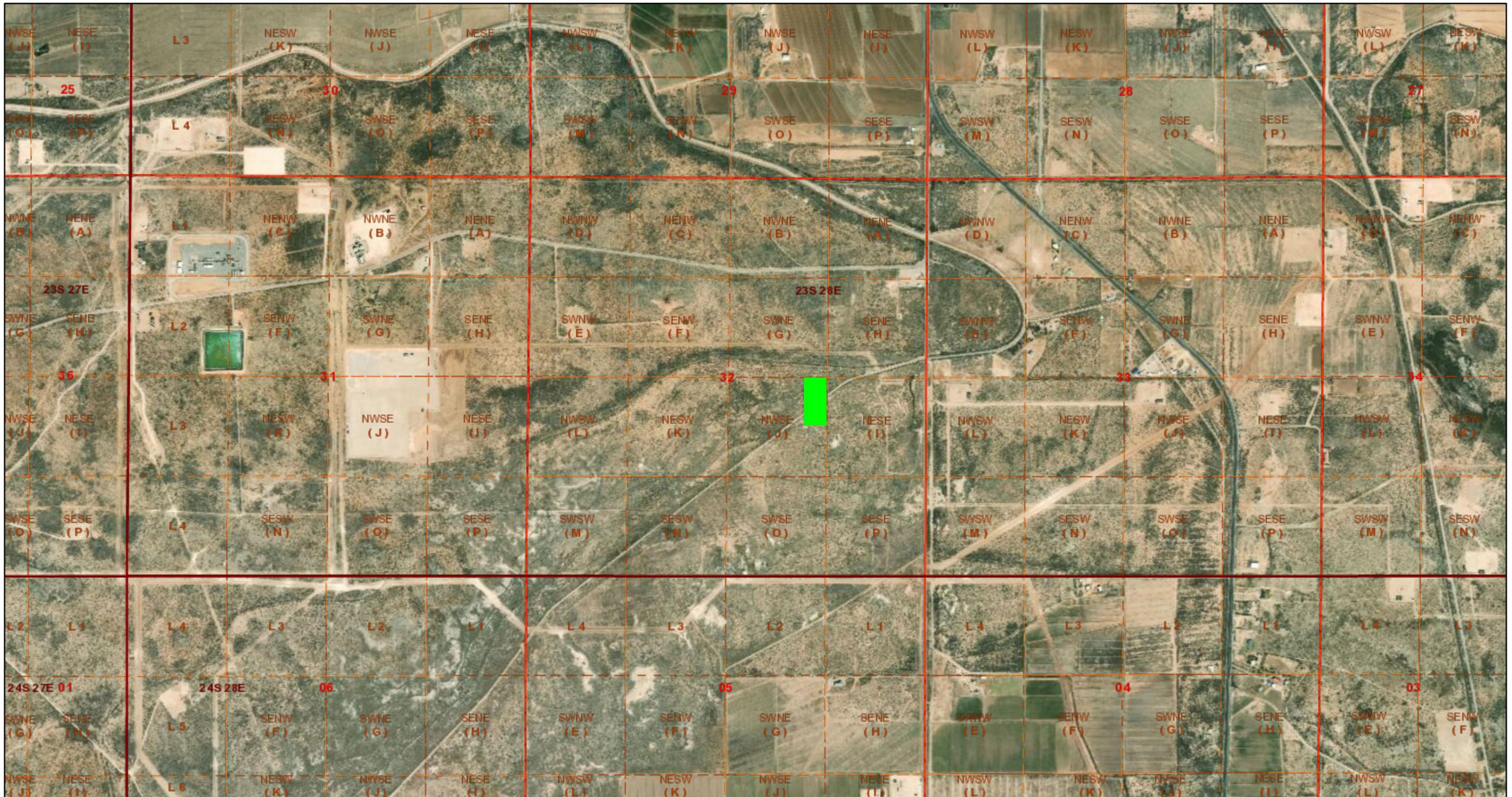
Assessor Map  
 Web Print: 05/07/2019

This map is a user generated static output from an Internet mapping site and is for reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable.



©2019 Sidwell. All rights reserved.

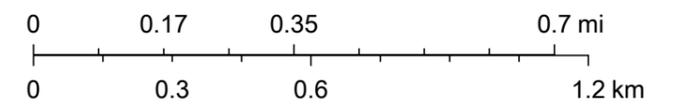
# Arial Map



5/7/2019, 6:06:46 PM

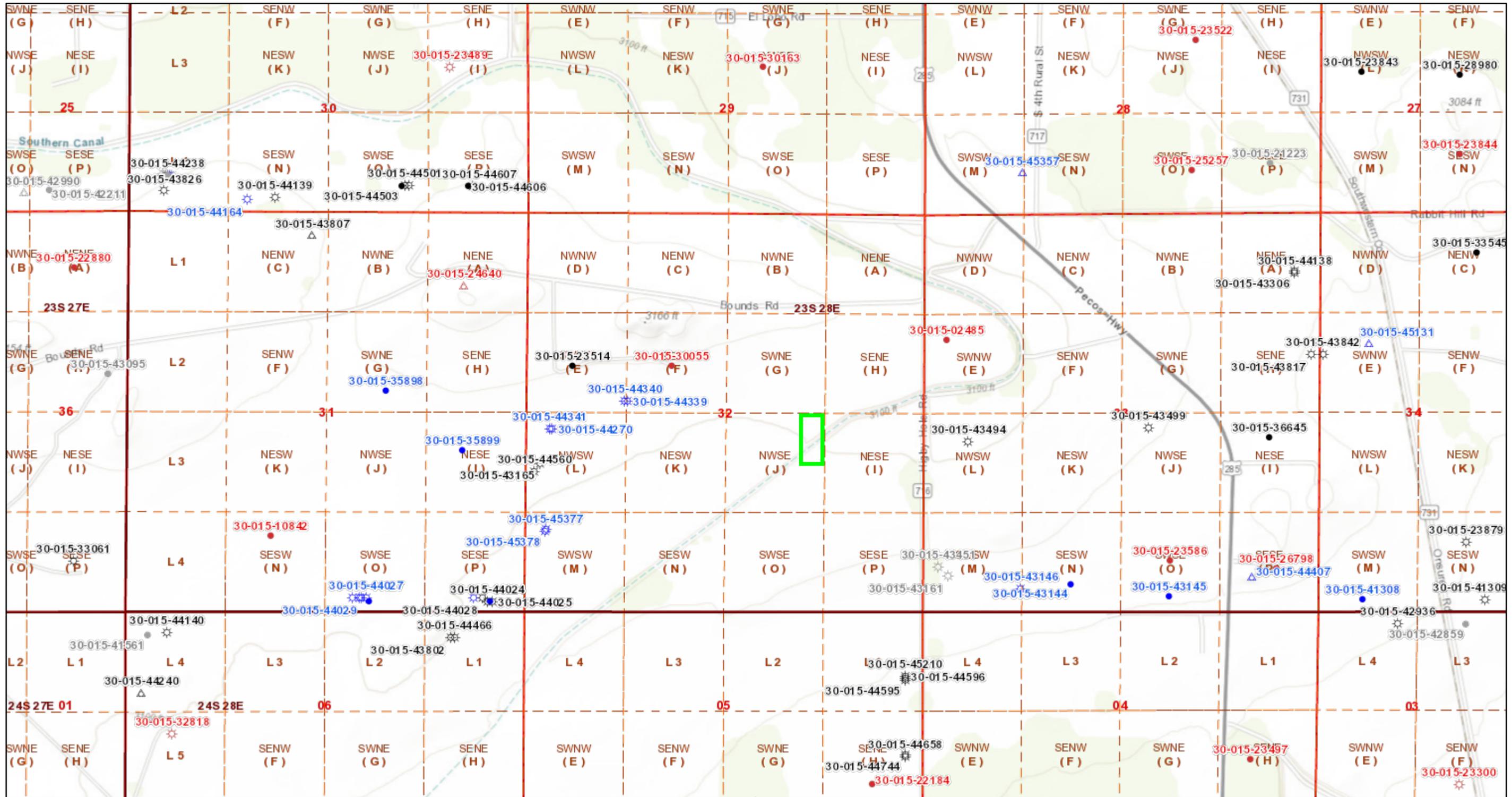
-  OCD Districts
-  OCD District Offices
-  PLSS Townships
-  PLSS First Division
-  PLSS Second Division

1:18,056



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community, OCD, BLM

# Production Map



5/7/2019, 6:12:15 PM

1:18,056

Well Locations - Small Scale

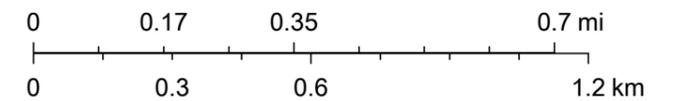
Well Locations - Large Scale

- Active
- New
- Plugged
- Cancelled
- Temporarily Abandoned
- Miscellaneous
- ☼ CO2 Active
- ☼ CO2 Cancelled
- ☼ CO2 New
- ☼ CO2 Plugged
- ☼ CO2 Temporarily Abandoned

- ☼ Gas Active
- ☼ Gas, Cancelled, Never Drilled
- ☼ Gas, New
- ☼ Gas, Plugged
- ☼ Gas, Temporarily Abandoned
- ☼ Injection, Active
- ☼ Injection, Cancelled
- ☼ Injection, New
- ☼ Injection, Plugged
- ☼ Injection, Temporarily Abandoned
- Oil, Active
- Oil, Cancelled

- Oil, New
- Oil, Plugged
- Oil, Temporarily Abandoned
- ▲ Salt Water Injection, Active
- ▲ Salt Water Injection, Cancelled
- ▲ Salt Water Injection, New

- ▲ Salt Water Injection, Plugged
- ▲ Salt Water Injection Temporarily Abandoned
- Water, Active
- Water, Cancelled
- Water, New
- Water, Plugged



Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap contributors, and the GIS User Community, OCD,

**STIPULATION AND QUITCLAIM DEED**

**State of New Mexico**        }  
  }  
**County of Eddy**                }

**All Take Notice of These Presents:**

**Recitals:**

Comes now Daisy June Taylor, hereinafter “June Taylor,” and states as follows:

1. By Deed dated March 28, 1974, and recorded in Book 219 at Page 614 of the Eddy County Deed Records, the Property Appraisal Department of New Mexico conveyed to W.H. Taylor, Sr., Tract 3, being Malaga Tract No. 519, in W1/2NENWSE of Section 32 in Township 23 South, Range 28 East in Eddy County, New Mexico.
2. By Warranty Deed dated January 18, 1975 (the “1975 Warranty Deed”), my husband, W.H. Taylor, Sr., and I conveyed seven distinct parcels of property, all in Eddy County, separately described within the conveyance with type-written line breaks, to Bill G. Taylor, Sr., a married man dealing in his sole and separate property. The 1975 Warranty Deed was recorded in the Eddy County Deed Records Book 222 at Page 247.
3. The third parcel conveyed by the 1975 Warranty Deed was the surface of “NW1/4SW1/4NW1/4 of section 5, Twp 23 S., Rge. 28 E. N.M.P.M.” My husband and I unambiguously indicated our intention to convey only the surface estate of the third parcel by prefacing the legal description of only the third parcel with the words of limitation “The surface only of the following;”.
4. We used no words of limitation in describing any of the other six parcels conveyed by the 1975 Warranty Deed since we did not intend to limit our conveyance of the other parcels.
5. Thus, the sixth parcel conveyed by the 1975 Warranty Deed was the “W1/2NENWSE (Tract 519) Sec. 32-23-28 Malaga, Eddy County, New Mexico CE 320-5”. My husband and I used no words of limitation in describing the sixth parcel as it was our intention to convey all of our interests in the parcel, including, without limitation, the mineral and surface estates.
6. On information and belief, on October 28, 1976, Bill G. Taylor, Sr., then executed a Quitclaim Deed to LaVerne Skinner Smith the surface only of the “W1/2NENWSE (519) Sec. 32-23-28 Malaga, Eddy County, Subject to all easements and right of ways of record. No mineral rights are conveyed.” This quitclaim deed of only the surface estate was recorded in Book 227 at Page 898 of the Eddy County Deed Records Book.
7. On April 27, 1981, my husband and I took a five year lease back from Bill G. Taylor, Sr., for the right to develop the oil and gas interests in the identically described “W1/2NENWSE (Tract 519) Sec. 32-23-28 Malaga, Eddy County, New Mexico CE 320-5” (the “1981 Lease”). The 1981 Lease was recorded in the Eddy County Oil and Gas Records in Book 198 at Page 745.

8. No oil, gas, or other minerals were discovered in paying quantities on the 1981 Lease by April 27, 1986, and so the lease expired by its terms and the mineral estate reverted to Bill G. Taylor, Sr., on April 27, 1986. Neither my husband, W.H. Taylor, Sr., nor I, Daisy June Taylor, ever thereafter reacquired any interest in the W1/2NENWSE (Tract 519) of Section 32 in Township 23 South, Range 28 East in Eddy County, New Mexico.
9. Upon information and belief, Bill Grand Taylor, Sr., died testate on August 1, 2002. Bill Grand Taylor's Last Will and Testament, which was admitted to Informal Probate on October 31, 2002, bequeathed the remainder and residue of his estate to his children: Bill G. Taylor, Jr., Kathy J. Smith, Harvey R. Taylor, Marilyn S. Taylor, and Carolyn A. Taylor in equal shares.
10. On November 25, 2003, as personal representative of the Estate of my husband, W. H. Taylor, deceased, I executed a Deed of Distribution, without warranties of title, express or implied, to myself of the W1/2NENWSE (Tract 519) of Section 32 in Township 23 South, Range 28 East in Eddy County, New Mexico, which was recorded in Book 532 at Page 164 of the Deed Records of Eddy County, New Mexico on December 12, 2003. I believe the November 25, 2003 Deed of Distribution is a nullity as neither my husband, W.H. Taylor, Sr., nor I ever reacquired or held any interest in the W1/2NENWSE (Tract 519) of Section 32 in Township 23 South, Range 28 East in Eddy County, New Mexico, following the expiration of the 1981 lease on April 27, 1986.
11. In January 2018, I was approached by a representative of Mewbourne Oil Company, who represented to me that I owned an interest in the W1/2NENWSE (Tract 519) of Section 32 in Township 23 South, Range 28 East in Eddy County, New Mexico, and persuaded me to lease that interest to Mewbourne Oil Company. Based entirely upon the representative's representations and assurances to me that I owned an interest in the W1/2NENWSE (Tract 519) of Section 32 in Township 23 South, Range 28 East in Eddy County, New Mexico, I signed the lease presented to me. I was not represented by counsel or anyone else in the transaction.
12. It is my present belief that the statements and assurances were mistaken. It is my further belief and understanding that, subsequent to the expiration of that certain 1981 lease from Bill G. Taylor on April 27, 1986, I have not held, and do not now hold, any interest in the W1/2NENWSE (Tract 519) of Section 32 in Township 23 South, Range 28 East in Eddy County, New Mexico.
13. It is my intent to clarify and confirm the ownership of the interests in the Malaga Tract as belonging to the children of Bill Grand Taylor, Sr.

WHEREFORE,

**Stipulation and Quitclaim Conveyance**

I, June Taylor, do hereby Stipulate and Quitclaim any and all interest in the W/2NE/4NW/4SE/4 (a/k/a Malaga Tract #519) of Section 32, containing 5 acres more or less, in Township 23 South, Range 28 East, in Eddy County, New Mexico, to Bill G. Taylor, Jr., 199 11th Ave. NW, Rio Rancho, NM 87144, Harvey R. Taylor, 124 Fifth St., Carlsbad, NM 88220, Marilyn S. Taylor, 2310 Avenue B, Carlsbad, NM 88220, Carolyn A. Schrock, 1702 Curry St., Carlsbad, NM 88220, and Kathy J. Smith, 233 New Mexico Dr., Portales, NM 88130, in equal shares.

The provisions hereof shall be binding upon and inure to the benefit of the Taylors and their respective successors and assigns.

Executed on this 21 day of August, 2019.

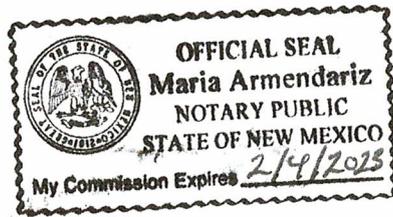
Daisy June Taylor  
Daisy June Taylor

STATE OF NEW MEXICO       §  
  §  
COUNTY OF EDDY           §

This document was acknowledged before me on August 21 2019, by Daisy June Taylor.

Maria Armendariz  
Notary Public

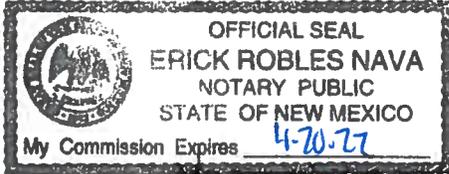
My commission expires: 2/4/2023



Bill G. Taylor Jr.  
Bill G. Taylor, Jr.

STATE OF NEW MEXICO       §  
  §  
COUNTY OF Bernalillo     §

This document was acknowledged before me on August 16<sup>th</sup> 2019, by Bill G. Taylor, Jr.



Erick Robles Nava  
Notary Public

My commission expires: 4-20-22

\_\_\_\_\_  
Harvey R. Taylor

STATE OF NEW MEXICO       §  
  §  
COUNTY OF \_\_\_\_\_     §

This document was acknowledged before me on August \_\_\_\_ 2019, by Harvey R. Taylor.

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

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Marilyn S. Taylor

STATE OF NEW MEXICO       §  
  §  
COUNTY OF \_\_\_\_\_     §

This document was acknowledged before me on August \_\_\_\_ 2019, by Marilyn S. Taylor.

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

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Bill G. Taylor, Jr.

STATE OF NEW MEXICO §  
  §  
COUNTY OF \_\_\_\_\_ §

This document was acknowledged before me on August \_\_\_ 2019, by Bill G. Taylor, Jr.

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

My commission expires: \_\_\_\_\_

Harvey R. Taylor  
Harvey R. Taylor

STATE OF NEW MEXICO §  
  §  
COUNTY OF Eddy §

This document was acknowledged before me on August 16<sup>th</sup> 2019, by Harvey R. Taylor.

Annette Briones  
Notary Public

 OFFICIAL SEAL 02/27/2023  
Annette Briones  
NOTARY PUBLIC  
STATE OF NEW MEXICO  
My Commission Expires: 02/27/2023

Marilyn S. Taylor  
Marilyn S. Taylor

STATE OF NEW MEXICO §  
  §  
COUNTY OF Eddy §

This document was acknowledged before me on August 16 2019, by Marilyn S. Taylor.

Marylou R. Quintela  
Notary Public

My commission expires: July 30<sup>th</sup>, 2023

 OFFICIAL SEAL  
MARYLOU R. QUINTELA  
NOTARY PUBLIC-STATE OF NEW MEXICO  
My commission expires: 07-30-2023



**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruce@aol.com](mailto:jamesbruce@aol.com)

FEB 06 2018 AM 10:54

February 6, 2018

*Case 15991*

Florence Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florence:

Enclosed for filing, on behalf of Mewbourne Oil Company, are an application for compulsory pooling, together with a proposed advertisement.

Very truly yours,



James Bruce

Attorney for Mewbourne Oil Company

**EXHIBIT**

**J**

Parties Notified

1. EOG Resources, Inc.  
5509 Champions Dr.  
Midland, TX 79706  
Attn: Mr. Clay Haggard
2. RKI Exploration & Production, Inc.  
3500 One Williams Center, Suite 3500  
Tulsa, OK 74172  
Attn: Mr. Nick Weems
3. Costilla Energy, Inc.  
c/o Compass Operating, LLC  
P.O. Box 1389  
Midland, TX 79702-1389  
Attn: Mr. Cadell Liedtke
4. Donald Bruce Sooly  
and/or his heirs  
address unknown
5. Ruby Kay Vesley  
address Unknown
6. Tiffany Beth Kennedy  
address Unknown
7. Helene Eller  
address Unknown
8. Jacquelyn Jayner  
address Unknown
9. Larry Sooly  
address Unknown
10. Betty Byers  
address Unknown
11. Jeanette Huffer  
address Unknown
12. Michael Huffer  
address Unknown
13. Thomas Huffer  
address Unknown
14. John Huffer  
address Unknown
15. Joy Huffer  
address Unknown
16. David Huffer  
address Unknown
17. Marlene Mitchell Colburn  
address Unknown

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MEWBOURNE OIL COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

Case No. <sup>15 991</sup>  
~~15 991~~ FEB 06 2018 AM 10:54

AMENDED APPLICATION

Mewbourne Oil Company applies for an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 of Section 32, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the S/2 of Section 32, and has the right to drill a well or wells thereon.

2. Applicant proposes to drill the the following wells:

(a) The Zeppelin 32 W0L1 State Com. Well No. 1H, to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in the NW/4SW/4, and a terminus in the NE/4SE/4, of Section 32. The beginning and end of the producing interval will be orthodox; and

(b) The Zeppelin 32 W2L1 State Com. Well No. 2H, to be drilled to a depth sufficient to test the Wolfcamp formation. The well is a horizontal well, with a surface location in the NW/4SW/4, and a terminus in the NE/4SE/4, of Section 32. The beginning and end of the producing interval will be orthodox.

Applicant seeks to dedicate the S/2 of Section 32 to the wells to form a standard 320 acre gas spacing and proration unit in the Wolfcamp formation.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S/2 of Section 32 for the purposes set forth herein.

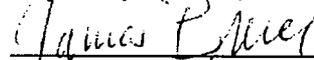
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the wells or to otherwise commit their interests to the wells, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Wolfcamp formation in the S/2 of Section 32, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests in the Wolfcamp formation underlying the S/2 of Section 32 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the Wolfcamp formation underlying the S/2 of Section 32;
- B. Designating applicant as operator of the wells;
- C. Considering the cost of drilling and completing the wells, and allocating the cost among the wells' working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Mewbourne Oil Company

PROPOSED ADVERTISEMENT

***Case No. 15991 (readvertised):***

***Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico.*** Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 of Section 32, Township 23 South, Range 28 East, NMPM. The unit will be dedicated to (i) the Zeppelin 32 W2LI State Com. Well No. 2H, a horizontal well with a surface location in the NW/4SW/4, and a bottomhole location in the NE/4SE/4, of Section 32, and (ii) the Zeppelin 32 W0LI State Com. Well No. 1H, a horizontal well with a surface location in the NW/4SW/4, and a bottomhole location in the NE/4SE/4, of Section 32. The producing intervals of the wells will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 2 miles south of Loving, New Mexico.

**CASE NO. 15991**  
Zeppelin 32 W0LI St. Com #1H and  
Zeppelin 32 W2LI St. Com #2H Wells  
S/2 Section 32, T23S, R28E  
Eddy County, New Mexico

**TRACT OWNERSHIP:**

**TRACT #1:** N/2 SW/4 and SW/4 SW/4 of Section 32, containing 120.00 acres, more or less.

BTA Oil Producers, L.L.C. 100.00000%

**TRACT #2:** SE/4 SW/4 Malaga Tracts 517, 518, 519, 520, 522, 206, 523, 524, 525, 526, 528, 207, 529, 530, 531, 532, 535, 536, 538, 539, 540, 541, 542, 543, and 544, containing 170.00 acres more or less.

Mewbourne Oil Company 100.00000%

**TRACT #3:** Malaga Tract 521, containing 5.0 acres, more or less.

Mewbourne Oil Company	37.50%
Clayton H. Sooby, and/or his heirs	37.50%
Donald Bruce Sooby, and/or his heirs	9.375%
Ruby Kay Vesley	1.56249%
Tiffany Beth Kennedy	1.56249%
Helen Eller, and /or her heirs	12.5%
Jacquelyn Jaynes, and/or her heirs	12.5%
Barry Sooby, and/or his heirs	12.5%
Betty Byers, and/or his heirs	12.5%

**TRACT #4:** Malaga Tract 527, containing 5.0 acres, more or less.

Jeanette Huffer, and/or her heirs	1/7
Michael Huffer, and/or his heirs	1/7
Thomas Huffer, and/or his heirs	1/7
John Huffer, and/or his heirs	1/7
Joy Huffer, and/or her heirs	1/7
David Huffer, and/or his heirs	1/7
Marlene Mitchell Coburn, and /or her heirs	1/7

**TRACT #5:** Malaga Tract 533, containing 5.0 acres, more or less.

EOG Resources, Inc.	81.25%
Costilla Energy, Inc.	18.75%

**TRACT #6:** Malaga Tract 534, containing 5.0 acres, more or less.

RKI Exploration & Production, L.L.C. 100%

**TRACT #7:** Malaga Tract 537, containing 5.0 acres, more or less.

The heirs or devisees of Lewis M. Cromwell, Deceased  
Jay B. Cromwell  
Ross Duncan Properties, LLC

**EXHIBIT  
K**



# MEWBOURNE OIL COMPANY

FASKEN CENTER  
500 WEST TEXAS AVE, SUITE 1020  
MIDLAND, TX 79701

TELEPHONE (432) 682-3715

FACSIMILE (432) 685-4170

**ZEPPELIN "32" PROSPECT**  
S/2 of Section 32-23S-28E  
Eddy County, New Mexico,  
containing 640.00 acres, more or less

**Mitchell Robb**  
February 24, 2016  
LAST ENTRY CHECKED:  
Eddy Co: Book 1050, Page 263

**Land Plat:**

[Hatched Area]								
<u>TRACT NO. 1</u>	517	518	519	520	521	522	206	
	2	2	2	2	3	2	2	
<u>TRACT NO. 2</u>	523	524	525	526	527	528	207	
	2	2	2	2	4	2	2	
<u>TRACT NO. 2</u>	529	530	531	532	533	534	535	536
	2	2	2	2	5	6	2	2
<u>TRACT NO. 2</u>	537	538	539	540	541	542	543	544
	7	2	2	2	2	2	2	2

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

APPLICATION OF MEWBOURNE OIL COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

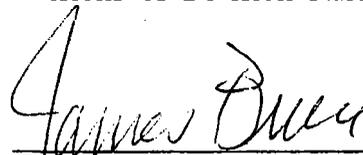
Case No. 15991

AFFIDAVIT OF NOTICE

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

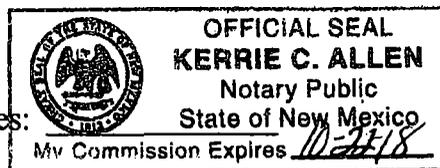
James Bruce, being duly sworn upon his oath, deposes and states:

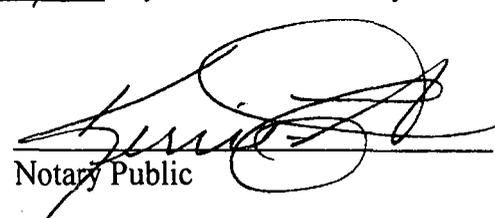
1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am an attorney for Mewbourne Oil Company.
3. Mewbourne Oil Company has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the application filed herein.
4. Notice of the application was provided to the interest owners, at their last known addresses, by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Attachment A.
5. Applicant has complied with the notice provisions of Division Rules NMAC 19.15.4.9 and 19.15.4.12.C.

  
\_\_\_\_\_  
James Bruce

SUBSCRIBED AND SWORN TO before me this 7<sup>th</sup> day of March, 2018 by James Bruce.

My Commission Expires:



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



EXHIBIT

L

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

February 2, 2018

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

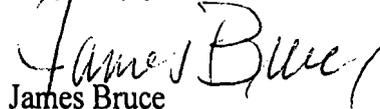
Ladies and gentlemen:

Enclosed is a copy of an application for a compulsory pooling, filed with the New Mexico Oil Conservation Division by Mewbourne Oil Company, regarding Wolfcamp wells in the S/2 of Section 32, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, February 22, 2018, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest who may be affected by the application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting this matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, February 15, 2018. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and his or her attorney; a concise statement of the case; the names of the 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 need to be resolved prior to the hearing

Very truly yours,

  
James Bruce

Attorney for Mewbourne Oil Company

ATTACHMENT

A

EXHIBIT A

1. EOG Resources, Inc.  
5509 Champions Dr.  
Midland, TX 79706  
Attn: Mr. Clay Haggard
2. RKI Exploration & Production, Inc.  
3500 One Williams Center, Suite 3500  
Tulsa, OK 74172  
Attn: Mr. Nick Weems
3. Costilla Energy, Inc.  
c/o Compass Operating, LLC  
P.O. Box 1389  
Midland, TX 79702-1389  
Attn: Mr. Cadell Liedtke

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>■ Complete items 1, 2, and 3.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature  <input checked="" type="checkbox"/> Agent  <input type="checkbox"/> Addressee</p>	
<p>1. Article Addressed to:</p> <p style="text-align: center;">EOG Resources, Inc. 5509 Champions Dr. Midland, TX 79706</p> <p style="text-align: center;">9590 9402 3526 7275 4140 00</p>		<p>B. Received by (Printed Name) <i>Buy</i> C. Date of Delivery <i>2-9-18</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes          If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>2. Article Number: <b>7017 0190 0000 8403 1090</b></p>		<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®  <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™  <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery  <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation™  <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	
<p>PS Form 3811, July 2015 PSN 7530-02-000-9053 <i>MDC-ZEP</i> Domestic Return Receipt</p>			

U.S. Postal Service™ CERTIFIED MAIL® RECEIPT Domestic Mail Only	
<p>For delivery information, visit our website at <a href="http://www.usps.com">www.usps.com</a>®</p> <p style="text-align: center; font-size: 2em; opacity: 0.5;">OFFICIAL USE</p>	
<p>Certified Mail Fee \$</p> <p>Extra Services &amp; Fees (check box, add fee as appropriate)</p> <p><input type="checkbox"/> Return Receipt (hardcopy) \$</p> <p><input type="checkbox"/> Return Receipt (electronic) \$</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery \$</p> <p><input type="checkbox"/> Adult Signature Required \$</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery \$</p>	<p>Postmark Here</p>
<p>Postage \$</p> <p>Total Postage and Fees \$</p>	
<p>Sent To <b>RKI Exploration &amp; Production, Inc.</b>  <b>3500 One Williams Center, Suite 3500</b>  <b>Tulsa, OK 74172</b></p> <p>Street and Apt. No., P.O. Box, or Military Address</p> <p>City, State, ZIP+4®</p>	
<p>PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions</p>	

U.S. Postal Service™ CERTIFIED MAIL® RECEIPT Domestic Mail Only	
<p>For delivery information, visit our website at <a href="http://www.usps.com">www.usps.com</a>®</p> <p style="text-align: center; font-size: 2em; opacity: 0.5;">OFFICIAL USE</p>	
<p>Certified Mail Fee \$</p> <p>Extra Services &amp; Fees (check box, add fee as appropriate)</p> <p><input type="checkbox"/> Return Receipt (hardcopy) \$</p> <p><input type="checkbox"/> Return Receipt (electronic) \$</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery \$</p> <p><input type="checkbox"/> Adult Signature Required \$</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery \$</p>	<p>Postmark Here</p>
<p>Postage \$</p> <p>Total Postage and Fees \$</p>	
<p>Sent To <b>EOG Resources, Inc.</b>  <b>5509 Champions Dr.</b>  <b>Midland, TX 79706</b></p> <p>Street and Apt. No., P.O. Box, or Military Address</p> <p>City, State, ZIP+4®</p>	
<p>PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions</p>	

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>■ Complete items 1, 2, and 3.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature  <input checked="" type="checkbox"/> Agent  <input type="checkbox"/> Addressee</p>	
<p>1. Article Addressed to:</p> <p style="text-align: center;">RKI Exploration &amp; Production, Inc. 3500 One Williams Center, Suite 3500 Tulsa, OK 74172</p> <p style="text-align: center;">9590 9402 3526 7275 4140 00</p>		<p>B. Received by (Printed Name) C. Date of Delivery <i>2-10-18</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes          If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>2. Article Number: <b>7017 0190 0000 8403 1083</b></p>		<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®  <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™  <input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery  <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation™  <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	
<p>PS Form 3811, July 2015 PSN 7530-02-000-9053 <i>MDC-ZEP</i> Domestic Return Receipt</p>			

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p><i>[Signature]</i></p>
<p>1. Article Addressed to:</p> <p>Costilla Energy, Inc. c/o Compass Operating, LLC P.O. Box 1389 Midland, TX 79702-1389</p> <p>9590 9402 3526 1213 4125</p>	<p>B. Received by (Printed Name) <input type="checkbox"/> C. Date of Delivery</p> <p><i>Steve Campbell 2/20/12</i></p>
<p>2. Article Number (over \$500)</p> <p>7017 0190 0000 8403 1076</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If YES, enter delivery address below:</p>
<p>PS Form 3811, July 2015 PSN 7530-02-000-9053</p>	<p>3. Service Type</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Adult Signature</li> <li><input type="checkbox"/> Adult Signature Restricted Delivery</li> <li><input checked="" type="checkbox"/> Certified Mail®</li> <li><input type="checkbox"/> Certified Mail Restricted Delivery</li> <li><input type="checkbox"/> Collect on Delivery</li> <li><input type="checkbox"/> Priority Mail Express®</li> <li><input type="checkbox"/> Registered Mail™</li> <li><input type="checkbox"/> Registered Mail Restricted Delivery</li> <li><input type="checkbox"/> Return Receipt for Merchandise</li> <li><input type="checkbox"/> Signature Confirmation™</li> <li><input type="checkbox"/> Signature Confirmation Restricted Delivery</li> </ul> <p>MOE-2EP</p>

Domestic Return Receipt

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Certified Mail Fee	\$	
Extra Services & Fees (check box, add fee as appropriate)	\$	
<input type="checkbox"/> Return Receipt (hardcopy)	\$	
<input type="checkbox"/> Return Receipt (electronic)	\$	
<input type="checkbox"/> Certified Mail Restricted Delivery	\$	
<input type="checkbox"/> Adult Signature Required	\$	
<input type="checkbox"/> Adult Signature Restricted Delivery	\$	
Postage	\$	
Total Postage and Fees	\$	
Sent To	Costilla Energy, Inc. c/o Compass Operating, LLC P.O. Box 1389 Midland, TX 79702-1389	
Street and Apt. No.		
City, State, ZIP+4®		

Postmark Here

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

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION TO CONSIDER:**

**CASE NO. 15991  
ORDER NO. R-14757**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on March 8, 2018 at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 28<sup>th</sup> day of June 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Mewbourne Oil Company (“Mewbourne” or “Applicant”), seeks an order pooling all uncommitted interests within a standard 320-acre gas spacing unit (“the Unit”) in the Wolfcamp formation, Purple Sage; Wolfcamp (Gas) Pool (Pool Code 98220) comprised of the S/2 of Section 32, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) The Unit will be dedicated to two horizontal wells; the Zeppelin 32 W0LI State Com Well No.1H and the Zeppelin 32 W2LI State Com Well No.2H (the “subject wells”). The completed intervals of the subject wells will be at orthodox locations.

(4) The Zeppelin 32 W0LI State Com Well No.1H (API No. 30-015-44560) will be drilled from a surface location, 2030 feet from the South line and 205 feet from the West line (Unit L), to a terminus, 2310 feet from the South line and 330 feet from the East line (Unit L) of Section 32, Township 23 South, Range 28 East.

**EXHIBIT**

**M**

(5) The Zeppelin 32 W2LI State Com Well No.2H (API No. 30-015-43165) has been drilled from a surface location, 1980 feet from the South line and 205 feet from the West line (Unit L), to a terminus, 2310 feet from the South line and 331 feet from the East line (Unit I), both in Section 32, Township 23 South, Range 28 East.

(6) The subject wells are within the Purple Sage; Wolfcamp (Gas) Pool (Pool code 98220), which is governed by statewide Rule 19.15.15.10.B NMAC which provides for 320-acre gas spacing unit, and by special pool rules established by Division Order No. R-14262 which allows wells to be located no closer than 330 feet from the unit outer boundary. The Unit consists of two adjacent quarter sections within a governmental section.

(7) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) the Wolfcamp formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal wells from west to east is appropriate for the Unit;
- (c) Applicant stated the Zeppelin 32 WOLI State Com Well No.1H has been spud;
- (d) Applicant stated the Zeppelin 32 W2LI State Com Well No.2H has been drilled, but not completed;
- (e) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments; and
- (f) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(8) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(9) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(10) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed wells to a common source of supply within the Unit at the proposed locations.

(11) There are interest owners in the Unit that have not agreed to pool their interests.

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation within the Unit.

(13) Mewbourne Oil Company should be designated the operator of the proposed wells and of the Unit.

(14) To ensure protection of correlative rights, any pooled working interest owner whose address is known should be notified and have an opportunity to protest before the Division grants any extension of the time provided herein for commencing drilling.

(15) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC and to the terms and conditions of this order.

(16) Any pooled working interest owner who does not pay its share of estimated well costs for any well in advance should have withheld from production its share of reasonable well costs of such well plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$8,000 per month, per well, while drilling and \$800 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*."

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Mewbourne Oil Company, all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation underlying a standard 320-acre gas spacing unit ("the Unit") in the Wolfcamp formation, Purple Sage; Wolfcamp (Gas) Pool (Pool Code 98230) comprised of the S /2 of Section 32, Township 23 South, Range 28 East, NMPM, in Eddy County, New Mexico, are hereby pooled.

(2) The Unit will be dedicated to two horizontal wells: the Zeppelin 32 WOLI State Com Well No.1H and the Zeppelin 32 W2LI State Com Well No.2H (the "subject wells"). The completed interval of the subject wells will be at orthodox locations.

(3) The Zeppelin 32 W0LI State Com Well No.1H (API No. 30-015-44560) drilled from a surface location, 2030 feet from the South line and 205 feet from the West line (Unit L), to a terminus, 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 32, Township 23 South, Range 28 East.

(4) The Zeppelin 32 W2LI State Com Well No.2H (API No. 30-025-44439) drilled from a surface location, 1980 feet from the South line and 205 feet from the West line (Unit L), to a terminus, 2310 feet from the South line and 331 feet from the East line (Unit I) of Section 32, Township 23 South, Range 28 East.

(5) Unless at least one of the subject wells is completed within 180 days after commencement of the first such well, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the subject wells for good cause shown by satisfactory evidence.

(6) Upon final plugging and abandonment of both subject wells and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(7) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the wells and of the Unit.

(8) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each proposed well ("well costs").

(9) Within 30 days from the date the schedule of estimated well costs for each well is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs for such well to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs for either well as provided above shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph for either well shall thereafter be referred to as "non-consenting working interest owners" with respect to any well for which they so elect.

(10) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs for each proposed well within 90 days following completion of such well. If no objection to the actual well costs for any well is received by the Division, and

the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(11) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(12) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(13) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(14) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$8,000 per month, per well, while drilling and \$800 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not in excess of what are reasonable, attributable to pooled working interest owners.

(15) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

(16) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating

costs shall include all reasonable costs actually incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to Ordering Paragraph (13), that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(18) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(19) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

A handwritten signature in black ink that reads "Heather Riley". The signature is written in a cursive style.

**HEATHER RILEY  
Director**

SEAL

**QUITCLAIM DEED**

I, Wanda J. Taylor, do hereby Quitclaim any and all interest in the **W/2NE/4NW/4SE/4 (a/k/a Malaga Tract #519) of Section 32, containing 5 acres more or less, in Township 23 South, Range 28 East, in Eddy County, New Mexico**, to Bill G. Taylor, Jr., Harvey R. Taylor, Marilyn S. Taylor, Carolyn A. Schrock, and Kathy J. Smith, in equal shares.

The provisions hereof shall be binding upon and inure to the benefit of the Taylors and their respective successors and assigns.

Executed on this 14 day of August, 2019.

*Wanda J. Taylor*  
Wanda J. Taylor

STATE OF NEW MEXICO     §  
  §  
COUNTY OF EDDY         §

This document was acknowledged before me on August 14 2019, by Wanda J. Taylor.

*[Signature]*  
Notary Public

My commission expires: 06/12/2022  
48857444.v1

My Commission Expires: \_\_\_\_\_  
NOTARY PUBLIC - STATE OF NEW MEXICO  
Dayne Hooten  
OFFICIAL SEAL

 OFFICIAL SEAL  
Dayne Hooten  
NOTARY PUBLIC - STATE OF NEW MEXICO  
My Commission Expires: 06/12/2022

**EXHIBIT**  
**N**

WANDA TAYLOR  
SAME DAY

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE **PUBLIC RECORDS; YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER**

**PAID UP  
OIL AND GAS LEASE**

THIS PAID UP OIL AND GAS LEASE (the "Lease"), made and entered into the eighth day of August, 2019 (the "Effective Date"), by and between **Kathy J. Taylor Smith**, whose address is **233 New Mexico Drive, Portales, NM, 88130**, hereinafter called "Lessor" (whether one or more), and **Ozark Royalty Company, LLC**, with an address at **111 S. Highland Street, Suite 352, Memphis, TN 38111**, hereinafter called "Lessee".

1. Grant of Lease. Lessor, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby lease, let and demise unto Lessee, its successors and assigns, without representations, without warranties, or without covenants of title of any kind or nature, or without any other warranties or representations, the following:

a. Lands Leased. The lands described as follows (the "Lands") for the purposes and with the right of exploring, investigating, drilling for and operating for, producing, treating, storing and transporting oil and gas, subject to the further provisions of this provision "1."; for the purposes of determining payments due hereunder, unless a survey made by Lessee should otherwise determine, the Lands shall be deemed to contain 1 acre, whether actually containing more or less, located in the **County of Eddy, New Mexico**, and described as follows, to wit:

**An undivided 1/5 interest in the W1/2NENWSE (Tract 519) of Section 32, Range 23 South of Township 28 East (CE 320) in Eddy County, New Mexico, containing "1.0" net acre, more or less.**

2. Term. Subject to other provisions contained in this Lease, this Lease shall remain in force for a term commencing on the Effective Date and expiring at midnight local time **THREE (3) years** after the Effective Date (the "Expiration Date"), which term is referred to in this Lease as the "Primary Term", and for so long thereafter as oil and gas, or either of them, is being produced in paying quantities from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein and the royalties are paid thereon as herein provided. In the event Lessee fails to pay, or make payments of royalties or shut in royalties when due, Lessor may terminate the lease after giving notice to the Lessee and an opportunity to cure the default. If the default of nonpayment of royalties or shut in royalties plus statutory interest is not paid within 30 days after payment is due, then this Lease shall terminate.

3. Cost-Free Royalty Share. For the purposes of this Lease, the term "Cost-Free Royalty Share" shall mean a fraction equal to One-Fourth (**1/4**) or Twenty Five Percent (**25%**) of 8/8 of the volumes produced delivered to Lessor free of all pre-production and post production costs as more fully described below.

4. Royalties. In respect of oil and gas which may be produced from the Lands or lands with which the Lands or any part thereof may be pooled or unitized as permitted herein, as royalty, Lessee covenants and agrees that Lessee shall comply with each of the following provisions:

a. Oil Royalty. In respect of oil (for the purposes of this Lease, the term "oil" shall also include other liquid hydrocarbons, other than as provided in provision "4.c."), Lessee shall deliver to the credit of Lessor, as royalty, in the pipeline to which Lessee may connect Lessee's wells, the Cost-Free Royalty Share of all oil produced and saved by Lessee from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein; the delivery of such oil shall be made free and clear of costs and expenses to the credit of Lessor into the storage tanks or the pipeline to which the well or wells on the Lands may be connected. In the measurement of oil or other liquid hydrocarbons, 100% tank tables shall be used. Field tests, measurements, and corrections of crude oil shall be in keeping with the currently approved A.P.I. Code of Measuring, Sampling and Testing Crude Oil. When any oil is produced and used off of the Lands or lands with which the Lands may be pooled as permitted herein, Lessee shall pay Lessor, as royalty, the Cost-Free Royalty Share of the "Market Value" (as hereinafter defined) of such oil. If any oil is sold or otherwise disposed of to any affiliate, subsidiary or parent of Lessee, or any successor company, their affiliate, or subsidiary, or a company in which the Lessee or successor company (Assignee) owns even a fractional interest in the purchasing entity. The same "arms-length" transaction requirement shall apply to the operator of any well or wells into which the herein lands are made a part by virtue of a valid pooling order issued by the New Mexico OCD and no Lessee, Assignee, Operator or any Assign, successor or heir of same shall have the right to enter into a contract for the sale of oil, gas or natural gas liquids, whether now or in future, at a price that is below the Market Value of the oil produced, as defined herein, attributable to the Lands described herein. Such oil shall be sold or otherwise disposed of at a price not less than the "Market Value" thereof, which for the purpose of this Lease shall mean a price equal to the average of the three highest prices being paid for oil to any party in Eddy county identified in the lands leased or, if there are no oil sales occurring in said county, then such price shall be equal to or greater than the average of the three highest prices being paid for oil in the counties in New Mexico which are contiguous to Eddy county.

b. Gas Royalty. In respect of gas (for the purposes of this Lease, term "gas" shall mean and include natural gas, casinghead gas and all other gaseous or vaporous substances which are hydrocarbons as the same may exist at the surface under normal atmospheric pressures and at normal ambient temperatures) produced, saved and sold from the Lands or lands with which the Lands or any part

**EXHIBIT**

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thereof may be pooled as permitted herein, Lessee shall pay Lessor, a royalty equal to the Cost-Free Royalty Share of the amount realized by Lessee therefrom, computed at the point of sale or use, free of all costs, including, without limitation, costs incurred for all pre-production or post-production costs, including but not limited to the cost of land acquisition, surface damage payments, rentals, transportation, dehydration, compressing, processing, including the New Mexico Natural Gas Processors' Tax, treating or otherwise marketing the production or rendering the production capable of being marketed, but excluding applicable ad valorem and severance taxes, but in no event less than the Cost-Free Royalty Share of the price prevailing for gas of similar quality in the field in which the Lands are located, or if there are no gas sales occurring in said field, then the prevailing price in Eddy County. Except as provided in Paragraph 4.d, when any gas is produced and used off of the Lands or lands with which the Lands may be pooled as permitted herein, Lessee shall pay Lessor, as royalty, the Cost-Free Royalty Share of the "Market Value" (as hereinafter defined) of such gas. If any gas is sold or otherwise disposed of to any affiliate, subsidiary or parent of Lessee or any successor company, their affiliate, or subsidiary, or a company in which the Lessee or successor company (Assignee) owns even a fractional interest in the purchasing entity. The same "arms-length" transaction requirement shall apply to the operator of any well or wells into which the herein lands are made a part by virtue of a valid pooling order issued by the New Mexico OCD and no Lessee, Assignee, Operator or any Assign, successor or heir of same shall have the right to enter into a contract for the sale of oil, gas or natural gas liquids, whether now or in future, at a price that is below the Market Value of the gas produced, as defined herein, attributable to the Lands described herein. Such gas shall be sold or otherwise disposed of at a price not less than the "Market Value" thereof, which for the purpose of this Lease shall mean a price equal to the average of the three highest prices being paid for gas to any party in the Eddy county, or, if there are no gas sales occurring in Eddy county, then such price shall be equal to or greater than the average of the three highest prices being paid for gas in the New Mexico counties which are contiguous to Eddy county.

c. Plant Products Royalty. If gas is produced from Lands and processed in an absorption, extraction, casinghead, stripping or other plant or plants, whether such plants are listed in the foregoing list or not (a "processing plant"), then, in lieu of the royalties provided for in the immediately preceding provision "4.b.", Lessee shall pay, as royalty, and the Lessor shall receive, the Cost-Free Royalty Share of the proceeds realized by Lessee from the sale of all plant products extracted, separated, absorbed or saved from such gas before the addition of treating or blending agents or substances not derived from such gas and, in addition, Lessor shall be paid, as royalty, the Cost-Free Royalty Share of the amount realized by Lessee from the sale of the residue gas remaining after the extraction of the plant products therefrom.; provided, however, that if such residue gas is sold or otherwise disposed of to any affiliate, subsidiary, or parent of Lessee, the computation of the royalty thereon shall be based upon the Market Value thereof. No royalty shall be paid on Lessor's proportionate share of residue gas used, for no compensation to Lessee, for fuel in a processing plant where such residue gas is processed for the extraction or removal of liquid hydrocarbons, and Lessee may inject gas into any oil or gas producing formation underlying the Lands after such gas has been processed for the extraction or removal of the liquid hydrocarbons therein contained, and no royalty shall be paid on gas so injected; provided, however, that royalty shall be due on said gas if said gas is injected in any well off of the Lands. If any gas is produced from the Lands and is processed in a processing plant or plants owned by Lessee or any affiliate, subsidiary, or parent of Lessee, or any successor company, their affiliate, or subsidiary, or a company in which the Lessee or successor company (Assignee) owns even a fractional interest in the purchasing entity. The same "arms-length" transaction requirement shall apply to the operator of any well or wells into which the herein lands are made a part by virtue of a valid pooling order issued by the New Mexico OCD and no Lessee, Assignee, Operator or any Assign, successor or heir of same shall have the right to enter into a contract for the sale of oil, gas or natural gas liquids, whether now or in future, at a price that is below the Market Value of the plant products, as defined herein, attributable to the Lands described herein., the royalties due on such plant products and gas shall be based upon the Market Value of such gas and plant products.

d. Lessee or Assignee shall be entitled to receive a full accounting of all such non-arm length transactions within thirty (30) calendar days from the date of sale, whether proceeds from the sale have been received by Lessee or Assignee on that date or not.

e. Shut-In Royalty. If at any time, whether before or after the Expiration Date, Lessee shall have completed a well or wells on the Lands (or on land with which the Lands or any part thereof may be pooled) which well or wells are capable of producing gas in paying quantities but are shut-in with the result that gas is not produced, sold or used for thirty (30) days due to government restrictions mechanical issues, lack of market or similar reasons, and the Lease is not being maintained in force and effect by other provisions contained herein, Lessee shall first promptly notify Lessor of the date such well or wells was shut in, and thereafter, Lessee may pay as shut-in royalty to Lessor for each such shut-in well, on or before the later of (i) the Expiration Date or (ii) the sixtieth (60<sup>th</sup>) day after the date such gas ceases to be sold or used, an amount equal to the greater of: (A) the product of Five Dollars (\$5.00) times the total acreage (reducing the same by reason of any proportionate reduction as contemplated in provision "12.") then covered by this Lease or (B) One Hundred Dollars (\$100.00), and upon the making of the greater payment specified in this provision "4.d.", it will be considered that gas is being produced in paying quantities within the meaning of this Lease for a period of one (1) year after such well is shut-in. In like manner and upon like payments being made annually on or before the expiration of the last preceding year for which such shut-in royalty payment has been made, it will be considered that said well or wells are producing gas in paying quantities for successive periods of one (1) year; provided, however, that the proper payment of shut-in royalties under this Paragraph "4.d." shall not perpetuate this Lease (i) for more than a total period of five (5) years in the aggregate, or (ii) for a continuous shut-in period in excess of two (2) years. Shut in payments and notices shall be mailed to Lessor at the address set forth in the first paragraph of the Lease.

If gas production is begun or resumed during the year following the payment of a shut-in royalty and the well is subsequently shut-in with the result that gas is not then being produced, the second annual shut-in payment shall be due and payable on the first annual anniversary date of the first payment (the

"First Anniversary Date"). If there is production on the First Anniversary Date and the well is subsequently shut-in with the result that gas is not then being produced, then the second shut-in payment shall be made on or before 60 days after such new shut-in date or the Lease shall terminate. Such second shut-in royalty payment shall perpetuate this Lease only until the second annual anniversary date of the first shut-in royalty payment. The Lease shall likewise terminate prior to one year after the payment of a shut-in payment if the Lessee fails to timely pay shut-in royalty payments on each additional well which is shut-in. Should any shut-in royalty payment not be made in a timely manner as this Paragraph 4.d provides, then, in that event, it shall be considered for all purposes that there is no production from any such well or wells and except to the extent that this Lease is then being perpetuated under other provisions of this Lease, this Lease shall terminate at midnight on the last day provided for the payment of such shut-in royalties, and Lessee shall thereupon furnish to Lessor a release of all of Lessee's interest in and to this Lease.

(1) Place, Time and Manner of Payment of Production Royalties. Except as specifically provided above, any notices or correspondence and all royalties due under the provisions of provisions "4.a.", "4.b." or "4.c." shall be paid to Lessor free and clear of all costs and expenses of making such oil or gas merchantable or otherwise treating the same, and shall be mailed to Lessor shall be mailed to the address as set forth in the first paragraph of this Lease.

(2) Lessee shall tender first royalty payments to Lessor on or before ninety (90) days after the last day of the month of the first sale of production. Thereafter, if and only if Lessor's royalties exceed one-hundred dollars (\$100) from the sale of oil and/or gas in a given month, then Lessee shall tender royalty payments to Lessor within thirty (30) days after the last day of the month containing the last date oil is produced and sold and within sixty (60) days after the last day of the month containing the last date gas is produced and sold. It is expressly agreed that if Lessee fails to pay royalties within the aforementioned timeframe, Lessor may thereafter notify Lessee in writing of such failure and Lessee shall then have thirty (30) days from receipt of such notice to make such payments, and if Lessee then fails to pay such royalties, Lessor may terminate this Lease at any time thereafter and evidence such termination by a written instrument filed for record in the official records in the county and state referred to hereinabove. Lessee will also be required to pay interest at a rate two percent (2%) above the rate charged on loans to depository institutions by the New York Federal Reserve Bank on royalty payments not paid within the above time frames. In the event any dispute or question arises concerning the title to Lessor's interest, Lessee may withhold royalty payment accruing to the interest or interests affected, without consequence to the hereinabove stated termination penalty, until such dispute or question of title has been corrected.

f. Division Orders. The execution of a division order shall not be required as a condition or prerequisite for royalty payments to be due and payable under this Lease.

g. Production In-Kind: The terms of provisions "4.a.", "4.b." and "4.c."above are subject to Lessor's unconditional right and option, at any time to take said oil and gas royalty in-kind and to make Lessor's separate contracts for the sale and marketing thereof, provided only that notice in writing of the exercise of such right and option shall be given and Lessor at Lessee's expense shall make adequate arrangements for the separate sale and delivery.

5. Pooling and Unitization. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the minimum proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico ("Oil Conservation Division") or by any other lawful authority for the pool or area in which said land is situated. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. Protection From Adjacent Units. In the event a well or wells producing oil and/or gas in paying quantities should be drilled on adjacent land and should such well or wells be draining the Lands, Lessee agrees to drill such offset wells as a reasonable and prudent operator would drill under the same or similar circumstances. If oil and/or gas are discovered on the Lands, or on lands pooled therewith, Lessee agrees to further develop said Lands as a reasonable and prudent operator would under the same or similar circumstances.

7. No Delay Rentals. This Lease is a "paid-up" lease, and no delay rentals shall be required to be paid by Lessee.

8. Option to Release. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this Lease as to any part or all of the Lands or of any interval thereunder, and

thereby be relieved of all obligations as to the released acreage or interest. If this Lease is released as to a portion of the Lands, any payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this Lease immediately prior to such release.

9. Operations: Retained Wellsite Tracts.

Definitions - For the purposes of this Lease the following underlined terms shall have the definition set beside each, below:

Operations" shall mean operations for and any of the following: actual drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or actual production of oil or gas.

"Continuous Drilling Operations" shall mean that not more than ninety (90) days shall expire between the date of completion of a well or the abandonment as a dry hole of a well (such date to be deemed the earlier of (i) the filing of a Well Completion Report with any agency having jurisdiction in the premises (the "Agency") or (ii) the date of which the rig is removed from the well site) and the commencement of Actual Drilling Operations for the drilling of the next succeeding well to the development of the Lands to the density of maximum allowable production.

"Actual Drilling Operation" shall mean that the commencement of the first operation conducted after the conductor casing has been driven, spudding operations have been completed and the drill key has been raised and the first joint of drill pipe has been secured on the drill stem.

If oil or gas is not being produced in paying quantities from the Lands, or acreage pooled therewith, on or before the Expiration Date and the Lessee is not then, or in the 90 days preceding the Expiration Date, conducting Operations on the Lands, or acreage pooled therewith, this Lease shall immediately terminate. If oil or gas is not being produced in paying quantities from the Lands on or before the Expiration Date, but Lessee is then, or in the 90 days preceding the Expiration Date, conducting Operations on the Lands, or acreage pooled therewith, this Lease shall remain in force and effect as to the Lands so long, and only so long, as Lessee conducts Continuous Drilling Operations on the Lands, or acreage pooled therewith. For all purposes herein, all drilling, completion and production operations conducted off the Lands, or lands pooled or unitized therewith, that are intended to result in the drilling and completion of a producing interval on the Lands, or lands pooled or unitized therewith, shall be considered operations conducted on the Lands, or lands pooled or unitized therewith, for purposes of meeting Lessee's obligations under this section, or for otherwise extending and/or maintaining this Lease in effect under any other section or provision hereof, regardless of whether the off-Lease Operations are conducted on lands pooled or unitized with any part of the Lands. For the purposes of this Lease the term "Operations" shall mean operations for and any of the following: actual drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or actual production of oil or gas. For the purposes of this Lease, the term "Continuous Drilling Operations" shall mean that not more than 90 days shall expire between the date of completion of a well or the abandonment as a dry hole of a well (such date to be deemed the earlier of (i) the filing of a Well Completion Report with any agency having jurisdiction in the premises (the "Agency") or (ii) the date of which the rig is removed from the well site) and the commencement of Actual Drilling Operations for the drilling of the next succeeding well to the development of the Lands to the density of maximum allowable production. For the purposes of this lease, the commencement of "Actual Drilling Operation" shall mean that the first operation conducted after the conductor casing has been driven, spudding operations have been completed and the kelly has been raised and the first joint of drill pipe has been secured on the drill stem. If Lessee commences Actual Drilling Operations on a well within ninety (90) days after the date of completion or abandonment of the previous well, the difference shall NOT be credited towards the next period of time for the commencement of the next well nor carried forward or cumulated in any manner.

If Lessee fails to conduct Continuous Drilling Operations on the Lands at any time after the Expiration Date, this Lease shall thereupon terminate as to all Lands save and except (i) those tracts around wells then producing oil and/or gas in paying quantities {the "Retained Wellsite Tracts"}, limited to the rights from the surface to the base of the deepest interval then producing, or capable of producing, in any well(s) drilled on such Retained Wellsite Tract and (ii) such rights-of-way and easements across the remainder to the Lands for such pipelines and roads as may be necessary for production and operations on the Retained Wellsite Tracts.

The Retained Wellsite Tracts shall be designated in strict compliance with the following:

a. Shape of Retained Wellsite Tract. Each Retained Wellsite Tract shall be in as nearly the form of a rectangle as possible, with the sides parallel to the sides of the Lands, with one side coinciding with one side of the Lands, if possible, and with the well thereon located at a legally spaced location or proration unit within such area as allowed by the governmental authority having jurisdiction in the area.

b. Size of Retained Wellsite Tract. The Retained Wellsite Tract shall for each well or wells then producing oil and/or gas consist of not more than the number of surface acres of contiguous land around each such well which is the smallest size then prescribed or permitted by the Agency as the minimum proration unit for obtaining the maximum allowable production of oil or gas from such well.

It is provided, however, if the Lands are pooled or unitized with other acreage pursuant to the terms of provision "5." hereof, that the size and shape of the Retained Wellsite Tract shall conform to the portion of the Lands included in the pooled or unitized acreage on which production is then being derived.

At the end of the primary term, all acreage not included in a proration or spacing unit as designated by the Oil Conservation Division and all depths below the base of the deepest producing horizon, shall be automatically eliminated from this Lease and revert to Lessor, unless within 180 days prior to or upon the end of the primary term, Lessee has drilled a well or is drilling a well on the leased premises or on lands pooled therewith, in which event this Lease will be held in its entirety as long as not more than 180 days elapse between the completion of one well and the commencement of another. "Completion" of a well shall be defined as the earliest of (1) the date on which the well is plugged and abandoned, (2) ninety (90) days after the draw-works of the drilling rig is removed

from location, or (3) the date certified to the Oil Conservation Division that the well has been completed as a producing well in paying quantities, whichever is appropriate. "Commencement" of a well shall be defined as the date actual drilling operations are commenced on the leased premises or on lands pooled therewith, and diligently prosecuted thereafter.

Lessee agrees to furnish Lessor, no later than thirty (30) days after the expiration of the Primary Term (or any other time at which there has been a termination of the rights under this Lease, whether partial or complete), a copy of the instrument evidencing the release of all or a portion of the Lands resulting from the terms of this paragraph. If Lessee is then engaged in drilling and/or reworking operations on the Lands, or lands pooled therewith, then Lessee shall have the right to either drill such well to total depth or complete its reworking operations with reasonable diligence and dispatch, and the provisions of this paragraph shall become effective at completion of said operations. A well upon which shut-in royalty payments are being paid as provided in provision "4.d." shall be deemed as producing gas in paying quantities.

10. Removal of Equipment. Lessee shall have the right at any time while this Lease is in force and effect or within one hundred eighty (180) days after the termination hereof to remove all machinery and fixtures placed on the Lands by Lessee, including the right to draw and remove casing.

11. Proportionate Reduction. If this Lease covers an interest in the oil or gas in all or any part of the Lands less than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), then the royalties to be paid to Lessor hereunder as to the Lands provided for in provision "4.a." shall be paid only in the proportion which the interest therein, if any, covered by this Lease, bears to the whole and undivided fee simple estate therein. The provisions of this provision "11." shall not apply to the consideration given Lessor for the granting of this Lease.

12. Substances Covered. This Lease covers oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons in either a liquid or gaseous phase or state and such minerals as may be produced in association with the production of oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons; provided, however, that nothing in this Lease shall be deemed to authorize the gasification or in situ combustion of uranium, coal or lignite, and this Lease shall not be deemed to cover either uranium, coal or lignite. The classification of a well as either a gas well or oil well by the Agency shall be conclusive in respect of its classification under the terms of this Lease.

13. Information Required. Lessee shall immediately file this Lease for record and shall within ninety (90) days furnish Lessor at the addresses set forth herein above a recorded copy of same. Lessee shall, at Lessor's written request, furnish Lessor with available information concerning any and all wells drilled on the leased premises including but not limited to copies of all logs of wells, bottom-hole location surveys, core data, completion data, bottom-hole pressure data, and all other geologic or reservoir data obtained by Lessee from such wells. At Lessor's written request Lessee shall also furnish Lessor with copies of all governmental filings. Lessor and Lessor's representatives shall hold all such information in strict confidence and shall not release any such information to third parties without the prior written consent of Lessee. Consent will not be unreasonably withheld.

14. Onsite Visits. Lessor may, at Lessor's own risk and expense, have a representative on the Lands during Operations, at all times, who shall be entitled to examine all cores, electrical logs, and other well data, and who may witness the checking or measuring of all hydrocarbons or minerals produced from the leased premises. Lessor agrees to consult and communicate with Lessee in regards to any onsite visit, and Lessor shall not have direct access to any drilling rig or completion spread, without Lessee's consent. This provision is intended to allow Lessor to observe Lessee's Operations on the Lands from a safe and prudent distance and location, as determined by Lessee.

15. Force Majeure. Lessee shall not be liable for any delays in Lessee's performance of any covenant or condition hereunder, express or implied, or for total or partial non-performance thereof, for so long as, and only so long as, Lessee is prevented from performing the same due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition wholly beyond the control of Lessee, including acts of God and actions of the elements, acts of the public enemy, strikes, lockouts, accidents, laws, acts, rules, regulations and order of federal, state or municipal government, or officers of agents thereof. If Lessee is required to cease drilling or reworking or producing operations on the Lands (or lands properly pooled therewith under the provisions of this Lease) by force majeure, then one hundred eighty (180) days after the start of the force majeure event, each and every provision of this Lease that might operate to terminate it shall be suspended, and this Lease shall continue in full force and effect during such suspension period. If any period of suspension occurs before the Expiration Date, the term thereof shall be added to such Primary Term. The terms of this provision "15." shall not be applicable in respect of any payments required to be made under any provision of this Lease, it being expressly understood and agreed that the terms of this provision "15." shall not override or modify any requirement of such payments.

16. Notice. All communications, notices and information required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or courier to the addresses set forth on the first page of the Lease.

17. Implied Covenants. None of the covenants contained in this Lease shall negate or in any way limit or serve in lieu of any implied covenant available to Lessor under the law of the State of New Mexico, including, without limitation, the implied covenants to further develop, to market and to protect against drainage.

18. Compliance with Laws. Lessee shall comply with all applicable laws, and regulations of governmental authorities in the conduct of all drilling and producing operations on the Lands, including, without limitation, those applicable to the protection of health and/or the environment. Lessee agrees that (i) no toxic or hazardous chemicals or wastes regulations shall be stored or disposed of on the Lands and (ii) all Wells which may be located on the Lands which are no longer capable of producing in paying quantities shall be plugged and



NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS; YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

**PAID UP  
OIL AND GAS LEASE**

THIS PAID UP OIL AND GAS LEASE (the "Lease"), made and entered into the eighth day of August, 2019 (the "Effective Date"), by and between **Carolyn A. Schrock** whose address is **1702 Curry Road, Carlsbad, NM 88220**, hereinafter called "Lessor" (whether one or more), and **Ozark Royalty Company, LLC**, with an address at **111 S. Highland Street, Suite 352, Memphis, TN 38111**, hereinafter called "Lessee".

1. Grant of Lease. Lessor, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby lease, let and demise unto Lessee, its successors and assigns, without representations, without warranties, or without covenants of title of any kind or nature, or without any other warranties or representations, the following:

a. Lands Leased. The lands described as follows (the "Lands") for the purposes and with the right of exploring, investigating, drilling for and operating for, producing, treating, storing and transporting oil and gas, subject to the further provisions of this provision "1."; for the purposes of determining payments due hereunder, unless a survey made by Lessee should otherwise determine, the Lands shall be deemed to contain 1 acre, whether actually containing more or less, located in the County of **Eddy, New Mexico**, and described as follows, to wit:

**An undivided 1/5 interest in the W1/2NENWSE (Tract 519) of Section 32, Range 23 South of Township 28 East (CE 320) in Eddy County, New Mexico, containing "1.0" net acre, more or less.**

2. Term. Subject to other provisions contained in this Lease, this Lease shall remain in force for a term commencing on the Effective Date and expiring at midnight local time **THREE (3) years** after the Effective Date (the "Expiration Date"), which term is referred to in this Lease as the "Primary Term", and for so long thereafter as oil and gas, or either of them, is being produced in paying quantities from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein and the royalties are paid thereon as herein provided. In the event Lessee fails to pay, or make payments of royalties or shut in royalties when due, Lessor may terminate the lease after giving notice to the Lessee and an opportunity to cure the default. If the default of nonpayment of royalties or shut in royalties plus statutory interest is not paid within 30 days after payment is due, then this Lease shall terminate.

3. Cost-Free Royalty Share. For the purposes of this Lease, the term "Cost-Free Royalty Share" shall mean a fraction equal to One-Fourth (1/4) or Twenty Five Percent (25%) of 8/8 of the volumes produced delivered to Lessor free of all pre-production and post production costs as more fully described below.

4. Royalties. In respect of oil and gas which may be produced from the Lands or lands with which the Lands or any part thereof may be pooled or unitized as permitted herein, as royalty, Lessee covenants and agrees that Lessee shall comply with each of the following provisions:

a. Oil Royalty. In respect of oil (for the purposes of this Lease, the term "oil" shall also include other liquid hydrocarbons, other than as provided in provision "4.c."), Lessee shall deliver to the credit of Lessor, as royalty, in the pipeline to which Lessee may connect Lessee's wells, the Cost-Free Royalty Share of all oil produced and saved by Lessee from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein; the delivery of such oil shall be made free and clear of costs and expenses to the credit of Lessor into the storage tanks or the pipeline to which the well or wells on the Lands may be connected. In the measurement of oil or other liquid hydrocarbons, 100% tank tables shall be used. Field tests, measurements, and corrections of crude oil shall be in keeping with the currently approved A.P.I. Code of Measuring, Sampling and Testing Crude Oil. When any oil is produced and used off of the Lands or lands with which the Lands may be pooled as permitted herein, Lessee shall pay Lessor, as royalty, the Cost-Free Royalty Share of the "Market Value" (as hereinafter defined) of such oil. If any oil is sold or otherwise disposed of to any affiliate, subsidiary or parent of Lessee, or any successor company, their affiliate, or subsidiary, or a company in which the Lessee or successor company (Assignee) owns even a fractional interest in the purchasing entity. The same "arms-length" transaction requirement shall apply to the operator of any well or wells into which the herein lands are made a part by virtue of a valid pooling order issued by the New Mexico OCD and no Lessee, Assignee, Operator or any Assign, successor or heir of same shall have the right to enter into a contract for the sale of oil, gas or natural gas liquids, whether now or in future, at a price that is below the Market Value of the oil produced, as defined herein, attributable to the Lands described herein. Such oil shall be sold or otherwise disposed of at a price not less than the "Market Value" thereof, which for the purpose of this Lease shall mean a price equal to the average of the three highest prices being paid for oil to any party in Eddy county identified in the lands leased or, if there are no oil sales occurring in said county, then such price shall be equal to or greater than the average of the three highest prices being paid for oil in the counties in New Mexico which are contiguous to Eddy county.

b. Gas Royalty. In respect of gas (for the purposes of this Lease, term "gas" shall mean and include natural gas, casinghead gas and all other gaseous or vaporous substances which are hydrocarbons as the same may exist at the surface under normal atmospheric pressures and at normal ambient temperatures) produced, saved and sold from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein, Lessee shall pay Lessor, a royalty equal to the Cost-Free

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Royalty Share of the amount realized by Lessee therefrom, computed at the point of sale or use, free of all costs, including, without limitation, costs incurred for all pre-production or post-production costs, including but not limited to the cost of land acquisition, surface damage payments, rentals, transportation, dehydration, compressing, processing, including the New Mexico Natural Gas Processors' Tax, treating or otherwise marketing the production or rendering the production capable of being marketed, but excluding applicable ad valorem and severance taxes, but in no event less than the Cost-Free Royalty Share of the price prevailing for gas of similar quality in the field in which the Lands are located, or if there are no gas sales occurring in said field, then the prevailing price in Eddy County. Except as provided in Paragraph 4.d, when any gas is produced and used off of the Lands or lands with which the Lands may be pooled as permitted herein, Lessee shall pay Lessor, as royalty, the Cost-Free Royalty Share of the "Market Value" (as hereinafter defined) of such gas. If any gas is sold or otherwise disposed of to any affiliate, subsidiary or parent of Lessee or any successor company, their affiliate, or subsidiary, or a company in which the Lessee or successor company (Assignee) owns even a fractional interest in the purchasing entity. The same "arms-length" transaction requirement shall apply to the operator of any well or wells into which the herein lands are made a part by virtue of a valid pooling order issued by the New Mexico OCD and no Lessee, Assignee, Operator or any Assign, successor or heir of same shall have the right to enter into a contract for the sale of oil, gas or natural gas liquids, whether now or in future, at a price that is below the Market Value of the gas produced, as defined herein, attributable to the Lands described herein. Such gas shall be sold or otherwise disposed of at a price not less than the "Market Value" thereof, which for the purpose of this Lease shall mean a price equal to the average of the three highest prices being paid for gas to any party in the Eddy county, or, if there are no gas sales occurring in Eddy county, then such price shall be equal to or greater than the average of the three highest prices being paid for gas in the New Mexico counties which are contiguous to Eddy county.

c. Plant Products Royalty. If gas is produced from Lands and processed in an absorption, extraction, casinghead, stripping or other plant or plants, whether such plants are listed in the foregoing list or not (a "processing plant"), then, in lieu of the royalties provided for in the immediately preceding provision "4.b.", Lessee shall pay, as royalty, and the Lessor shall receive, the Cost-Free Royalty Share of the proceeds realized by Lessee from the sale of all plant products extracted, separated, absorbed or saved from such gas before the addition of treating or blending agents or substances not derived from such gas and, in addition, Lessor shall be paid, as royalty, the Cost-Free Royalty Share of the amount realized by Lessee from the sale of the residue gas remaining after the extraction of the plant products therefrom.; provided, however, that if such residue gas is sold or otherwise disposed of to any affiliate, subsidiary, or parent of Lessee, the computation of the royalty thereon shall be based upon the Market Value thereof. No royalty shall be paid on Lessor's proportionate share of residue gas used, for no compensation to Lessee, for fuel in a processing plant where such residue gas is processed for the extraction or removal of liquid hydrocarbons, and Lessee may inject gas into any oil or gas producing formation underlying the Lands after such gas has been processed for the extraction or removal of the liquid hydrocarbons therein contained, and no royalty shall be paid on gas so injected; provided, however, that royalty shall be due on said gas if said gas is injected in any well off of the Lands. If any gas is produced from the Lands and is processed in a processing plant or plants owned by Lessee or any affiliate, subsidiary, or parent of Lessee, or any successor company, their affiliate, or subsidiary, or a company in which the Lessee or successor company (Assignee) owns even a fractional interest in the purchasing entity. The same "arms-length" transaction requirement shall apply to the operator of any well or wells into which the herein lands are made a part by virtue of a valid pooling order issued by the New Mexico OCD and no Lessee, Assignee, Operator or any Assign, successor or heir of same shall have the right to enter into a contract for the sale of oil, gas or natural gas liquids, whether now or in future, at a price that is below the Market Value of the plant products, as defined herein, attributable to the Lands described herein., the royalties due on such plant products and gas shall be based upon the Market Value of such gas and plant products.

d. Lessee or Assignee shall be entitled to receive a full accounting of all such non-arm length transactions within thirty (30) calendar days from the date of sale, whether proceeds from the sale have been received by Lessee or Assignee on that date or not.

e. Shut-In Royalty. If at any time, whether before or after the Expiration Date, Lessee shall have completed a well or wells on the Lands (or on land with which the Lands or any part thereof may be pooled) which well or wells are capable of producing gas in paying quantities but are shut-in with the result that gas is not produced, sold or used for thirty (30) days due to government restrictions mechanical issues, lack of market or similar reasons, and the Lease is not being maintained in force and effect by other provisions contained herein, Lessee shall first promptly notify Lessor of the date such well or wells was shut in, and thereafter, Lessee may pay as shut-in royalty to Lessor for each such shut-in well, on or before the later of (i) the Expiration Date or (ii) the sixtieth (60<sup>th</sup>) day after the date such gas ceases to be sold or used, an amount equal to the greater of: (A) the product of Five Dollars (\$5.00) times the total acreage (reducing the same by reason of any proportionate reduction as contemplated in provision "12.") then covered by this Lease or (B) One Hundred Dollars (\$100.00), and upon the making of the greater payment specified in this provision "4.d.", it will be considered that gas is being produced in paying quantities within the meaning of this Lease for a period of one (1) year after such well is shut-in. In like manner and upon like payments being made annually on or before the expiration of the last preceding year for which such shut-in royalty payment has been made, it will be considered that said well or wells are producing gas in paying quantities for successive periods of one (1) year; provided, however, that the proper payment of shut-in royalties under this Paragraph "4.d." shall not perpetuate this Lease (i) for more than a total period of five (5) years in the aggregate, or (ii) for a continuous shut-in period in excess of two (2) years. Shut in payments and notices shall be mailed to Lessor at the address set forth in the first paragraph of the Lease.

If gas production is begun or resumed during the year following the payment of a shut-in royalty and the well is subsequently shut-in with the result that gas is not then being produced, the second annual shut-in payment shall be due and payable on the first annual anniversary date of the first payment (the "First Anniversary Date"). If there is production on the First Anniversary Date and the well is

subsequently shut-in with the result that gas is not then being produced, then the second shut-in payment shall be made on or before 60 days after such new shut-in date or the Lease shall terminate. Such second shut-in royalty payment shall perpetuate this Lease only until the second annual anniversary date of the first shut-in royalty payment. The Lease shall likewise terminate prior to one year after the payment of a shut-in payment if the Lessee fails to timely pay shut-in royalty payments on each additional well which is shut-in. Should any shut-in royalty payment not be made in a timely manner as this Paragraph 4.d provides, then, in that event, it shall be considered for all purposes that there is no production from any such well or wells and except to the extent that this Lease is then being perpetuated under other provisions of this Lease, this Lease shall terminate at midnight on the last day provided for the payment of such shut-in royalties, and Lessee shall thereupon furnish to Lessor a release of all of Lessee's interest in and to this Lease.

(1) Place, Time and Manner of Payment of Production Royalties. Except as specifically provided above, any notices or correspondence and all royalties due under the provisions "4.a.", "4.b." or "4.c." shall be paid to Lessor free and clear of all costs and expenses of making such oil or gas merchantable or otherwise treating the same, and shall be mailed to Lessor shall be mailed to the address as set forth in the first paragraph of this Lease.

(2) Lessee shall tender first royalty payments to Lessor on or before ninety (90) days after the last day of the month of the first sale of production. Thereafter, if and only if Lessor's royalties exceed one-hundred dollars (\$100) from the sale of oil and/or gas in a given month, then Lessee shall tender royalty payments to Lessor within thirty (30) days after the last day of the month containing the last date oil is produced and sold and within sixty (60) days after the last day of the month containing the last date gas is produced and sold. It is expressly agreed that if Lessee fails to pay royalties within the aforementioned timeframe, Lessor may thereafter notify Lessee in writing of such failure and Lessee shall then have thirty (30) days from receipt of such notice to make such payments, and if Lessee then fails to pay such royalties, Lessor may terminate this Lease at any time thereafter and evidence such termination by a written instrument filed for record in the official records in the county and state referred to hereinabove, Lessee will also be required to pay interest at a rate two percent (2%) above the rate charged on loans to depository institutions by the New York Federal Reserve Bank on royalty payments not paid within the above time frames. In the event any dispute or question arises concerning the title to Lessor's interest, Lessee may withhold royalty payment accruing to the interest or interests affected, without consequence to the hereinabove stated termination penalty, until such dispute or question of title has been corrected.

f. Division Orders. The execution of a division order shall not be required as a condition or prerequisite for royalty payments to be due and payable under this Lease.

g. Production In-Kind. The terms of provisions "4.a.", "4.b." and "4.c." above are subject to Lessor's unconditional right and option, at any time to take said oil and gas royalty in-kind and to make Lessor's separate contracts for the sale and marketing thereof, provided only that notice in writing of the exercise of such right and option shall be given and Lessor at Lessee's expense shall make adequate arrangements for the separate sale and delivery.

5. Pooling and Unitization. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the minimum proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico ("Oil Conservation Division") or by any other lawful authority for the pool or area in which said land is situated. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. Protection From Adjacent Units. In the event a well or wells producing oil and/or gas in paying quantities should be drilled on adjacent land and should such well or wells be draining the Lands, Lessee agrees to drill such offset wells as a reasonable and prudent operator would drill under the same or similar circumstances. If oil and/or gas are discovered on the Lands, or on lands pooled therewith, Lessee agrees to further develop said Lands as a reasonable and prudent operator would under the same or similar circumstances.

7. No Delay Rentals. This Lease is a "paid-up" lease, and no delay rentals shall be required to be paid by Lessee.

8. Option to Release. Lessee may at any time and from time to time execute and deliver to Lessor or file for record a release or releases of this Lease as to any part or all of the Lands or of any interval thereunder, and thereby be relieved of all obligations as to the released acreage or interest. If this Lease is released as to a portion

of the Lands, any payments computed in accordance therewith shall thereupon be reduced in the proportion that the acreage released bears to the acreage which was covered by this Lease immediately prior to such release.

9. Operations: Retained Wellsite Tracts.

Definitions - For the purposes of this Lease the following underlined terms shall have the definition set beside each, below:

Operations shall mean operations for and any of the following: actual drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or actual production of oil or gas.

Continuous Drilling Operations shall mean that not more than ninety (90) days shall expire between the date of completion of a well or the abandonment as a dry hole of a well (such date to be deemed the earlier of (i) the filing of a Well Completion Report with any agency having jurisdiction in the premises (the "Agency") or (ii) the date of which the rig is removed from the well site) and the commencement of Actual Drilling Operations for the drilling of the next succeeding well to the development of the Lands to the density of maximum allowable production.

Actual Drilling Operation shall mean that the commencement of the first operation conducted after the conductor casing has been driven, spudding operations have been completed and the drill key has been raised and the first joint of drill pipe has been secured on the drill stem.

If oil or gas is not being produced in paying quantities from the Lands, or acreage pooled therewith, on or before the Expiration Date and the Lessee is not then, or in the 90 days preceding the Expiration Date, conducting Operations on the Lands, or acreage pooled therewith, this Lease shall immediately terminate. If oil or gas is not being produced in paying quantities from the Lands on or before the Expiration Date, but Lessee is then, or in the 90 days preceding the Expiration Date, conducting Operations on the Lands, or acreage pooled therewith, this Lease shall remain in force and effect as to the Lands so long, and only so long, as Lessee conducts Continuous Drilling Operations on the Lands, or acreage pooled therewith. For all purposes herein, all drilling, completion and production operations conducted off the Lands, or lands pooled or unitized therewith, that are intended to result in the drilling and completion of a producing interval on the Lands, or lands pooled or unitized therewith, shall be considered operations conducted on the Lands, or lands pooled or unitized therewith, for purposes of meeting Lessee's obligations under this section, or for otherwise extending and/or maintaining this Lease in effect under any other section or provision hereof, regardless of whether the off-Lease Operations are conducted on lands pooled or unitized with any part of the Lands. For the purposes of this Lease the term "Operations" shall mean operations for and any of the following: actual drilling, testing, completing, reworking, recompleting, deepening, plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas, or actual production of oil or gas. For the purposes of this Lease, the term "Continuous Drilling Operations" shall mean that not more than 90 days shall expire between the date of completion of a well or the abandonment as a dry hole of a well (such date to be deemed the earlier of (i) the filing of a Well Completion Report with any agency having jurisdiction in the premises (the "Agency") or (ii) the date of which the rig is removed from the well site) and the commencement of Actual Drilling Operations for the drilling of the next succeeding well to the development of the Lands to the density of maximum allowable production. For the purposes of this lease, the commencement of "Actual Drilling Operation" shall mean that the first operation conducted after the conductor casing has been driven, spudding operations have been completed and the kelly has been raised and the first joint of drill pipe has been secured on the drill stem. If Lessee commences Actual Drilling Operations on a well within ninety (90) days after the date of completion or abandonment of the previous well, the difference shall NOT be credited towards the next period of time for the commencement of the next well nor carried forward or cumulated in any manner.

If Lessee fails to conduct Continuous Drilling Operations on the Lands at any time after the Expiration Date, this Lease shall thereupon terminate as to all Lands save and except (i) those tracts around wells then producing oil and/or gas in paying quantities (the "Retained Wellsite Tracts"), limited to the rights from the surface to the base of the deepest interval then producing, or capable of producing, in any well(s) drilled on such Retained Wellsite Tract and (ii) such rights-of-way and easements across the remainder to the Lands for such pipelines and roads as may be necessary for production and operations on the Retained Wellsite Tracts.

The Retained Wellsite Tracts shall be designated in strict compliance with the following:

a. Shape of Retained Wellsite Tract Each Retained Wellsite Tract shall be in as nearly the form of a rectangle as possible, with the sides parallel to the sides of the Lands, with one side coinciding with one side of the Lands, if possible, and with the well thereon located at a legally spaced location or proration unit within such area as allowed by the governmental authority having jurisdiction in the area.

b. Size of Retained Wellsite Tract The Retained Wellsite Tract shall for each well or wells then producing oil and/or gas consist of not more than the number of surface acres of contiguous land around each such well which is the smallest size then prescribed or permitted by the Agency as the minimum proration unit for obtaining the maximum allowable production of oil or gas from such well.

It is provided, however, if the Lands are pooled or unitized with other acreage pursuant to the terms of provision "5." hereof, that the size and shape of the Retained Wellsite Tract shall conform to the portion of the Lands included in the pooled or unitized acreage on which production is then being derived.

At the end of the primary term, all acreage not included in a proration or spacing unit as designated by the Oil Conservation Division and all depths below the base of the deepest producing horizon, shall be automatically eliminated from this Lease and revert to Lessor, unless within 180 days prior to or upon the end of the primary term, Lessee has drilled a well or is drilling a well on the leased premises or on lands pooled therewith, in which event this Lease will be held in its entirety as long as not more than 180 days elapse between the completion of one well and the commencement of another. "Completion" of a well shall be defined as the earliest of (1) the date on which the well is plugged and abandoned, (2) ninety (90) days after the draw-works of the drilling rig is removed from location, or (3) the date certified to the Oil Conservation Division that the well has been completed as a

indemnify and hold Lessor harmless from any loss or damage Lessor may suffer as a result of any environmental damage or pollution resulting from the operations conducted by Lessee or otherwise resulting from or relating to a breach by Lessee of the covenants contained in this provision "18." or otherwise contained in this Lease.

19. Indemnification. Lessee agrees to indemnify and hold harmless Lessor from and against any and all claims resulting from or arising out of or in connection with operations of or for Lessee hereunder, and from and against all costs and expenses incurred by Lessor from and against any and all claims. Each assignee claiming hereunder agrees to indemnify and hold harmless Lessor from and against any and all claims resulting from or arising out of or in connection with operations of or for such assignee hereunder, and from and against all costs and expenses incurred by Lessor by reason of such claim or claims.

20. Additional Consideration Prior to such Commencement. If Lessee or any of its working interest owners, successors or assigns have agreed to pay or later does pay a higher royalty, bonus and/or delay rental to a third party in the drilling unit, spacing unit, or pooled or unitized land to which the Lands are included, Lessee shall pay Lessor the difference between the consideration paid Lessor, per mineral acre, and the consideration paid to a third party based on the higher royalty, bonus and/or delay rental, retroactive to the effective date of this lease.

21. Warranty: Lessor grants this Lease without any warranties or representations of title, ownership, previous operations, existence of oil or gas, or control of the Lands, either express or implied and without recourse against Lessor. The Lands are leased "as is, where is", with all faults. Lessor agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes, or other liens on the Lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

THIS PAID UP OIL AND GAS LEASE MAY BE EXECUTED AS ONE DOCUMENT SIGNED BY ALL OF THE LESSORS AND/OR LESSEES OR IN SEPARATE DOCUMENTS WHICH SHALL BE COUNTERPARTS HEREOF. IF EXECUTED IN SEPARATE COUNTERPARTS, ALL SUCH COUNTERPARTS, WHEN EXECUTED BY ONE OR MORE OF THE LESSORS AND/OR LESSEES, SHALL CONSTITUTE BUT ONE AND THE SAME INSTRUMENT. THE FAILURE OF ANY ONE OR MORE LESSORS TO SIGN THIS LEASE OR ANY COUNTERPART HEREOF, SHALL NOT IN ANY MANNER AFFECT THE VALIDITY AND BINDING NATURE OF THIS LEASE AS TO THOSE LESSORS WHO EXECUTED SAME.

IN WITNESS WHEREOF, this instrument is executed this the 21 day of August, 2019.

LESSOR:

Carolyn A. Schrock  
1702 Curry Road  
Carlsbad, NM 88220

  
Carolyn A. Schrock

ACKNOWLEDGMENT

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF EDDY )

This instrument was acknowledged before me on August 21, 2019, by Carolyn A. Schrock.

  
Notary Public

My commission expires: 03-28-2023



OFFICIAL SEAL  
Makandi Jones  
NOTARY PUBLIC - STATE OF NEW MEXICO

\_\_\_\_\_  
R. Brian Coker

My Commission Expires: 03-28-2023

ACKNOWLEDGMENT

STATE OF TENNESSEE - )  
 ) ss.  
COUNTY OF SHELBY )

This instrument was acknowledged before me on August \_\_\_\_, 2019, by R. Brian Coker.

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

My commission expires: \_\_\_\_\_  
49021013.v1



## Summary of Communications with Mewbourne Oil:

### **Emails Pertaining to Mewbourne's Two Existing, Producing Wells Only:**

Mewbourne requests Taylors to Ratify June Taylor/Mewbourne lease for S/2 Section 32, T23S, R28E Eddy County, New Mexico

- 2/20/19: Paul Haden wrote a letter to each Taylor Family member informing us they have credited June Taylor with Malaga Tract. Mewbourne had Daisy June Taylor sign a lease with Mewbourne in 2018. They credited that the acreage to her but were unsure.
- 2/28/19: ph to ht  
Harvey Taylor emails Paul Haden of MOC informing him that he was unaware of Mewbourne's activity with the acreage and that June had signed a lease on property rightfully belonging to our Father, Bill G Taylor Sr. He states the lease with June is invalid and that he will inform the siblings and probably turn this over to an attorney. Acknowledges funds from production are in suspense.
- 3/01/19: ph to ht Carbon Copy cs, cd, cm  
Paul Haden responded to email from Harvey Taylor; notifies him of his March 31 retirement. Suggests Bill Taylor family to get a quit claim deed from June Taylor and to discuss it with our attorney. Cc: Cy Shook and Case Dyke and Corey Mitchell.
- 3/12/19: cs to ht  
9:39 AM Cy Shook emailed Harvey Taylor asking the Taylor family to ratify the lease of June Taylor and informing us that MOC is holding all funds in suspense until this is worked out.
- 3/12/19: ht to cs  
2:39 PM Harvey Taylor responded to Cy's email stating he needed more time to discuss with his family. Harvey informed him we will get an attorney to negotiate. Harvey informs Cy this acreage is important to his family. Asks Cy what is the sign on bonus they are offering.
- 3/21/19: cs to ht  
9:46 AM Cy Shook emailed offer to Harvey Taylor of \$1,000 per acre sign on bonus on a Daisy June Taylor lease if Bill Taylor family will ratify it.
- 3/21/19: ht to cs  
4:33 PM Harvey Taylor returned email speaking for himself. He states the offer was "within the realm of possibility". Harvey told Cy Shook the \$1000 per acre is a little low, that the last lease he signed on Wolfcamp minerals was for over \$8999 per acre. Harvey states he wishes MOC had contacted "US" prior to drilling. How much did you pay June Taylor per acre? He informs Mr. Shook; I will act on the advice of a lawyer. He asks when did the wells go online and how much money has accrued in escrow?

3/24/19: mt to cs  
Marilyn Taylor emailed Cy Shook. She asks Cy to send her the very best lease Mewbourne has to her for her review and to receive. She informs Cy that June Taylor and her lease has nothing to do with her and there are concerns. She asks for his best sign on bonus offer. She informs him that it is a competitive market and is receiving multiple offers. She does not wish to be insulted further at this junction. She feels this situation is awkward because other mineral companies do business in ways that build trustful relations. Informs Shook that she will consult an attorney before making any decisions on this tract.

3/26/19: cs to ht  
7:09 AM Cy Shook sent an email to Harvey with an offer to ratify June's lease and increased sign on bonus offer from \$1,000 per acre to \$3,500 per acre

3/26/19: cs to ht  
7:36 AM Cy Shook emails Harvey there is about \$40000 in accrued escrow.

3/26/19: mt forwarded to ht, bt an email from cs to mt  
10:04 AM Cy Shook answers Marilyn's 3/24/19 request for a different lease. Mr. Shook condescendingly replies "To keep it simple we're asking that heirs of Bill Taylor, Sr. ratify the lease signed by June (Taylor). By ratifying that lease you will not be liable for any costs associated with the development of the minerals and will retain a 1/4<sup>th</sup> royalty interest on the lands in question."

3/26/19: ht to cs  
2:08 PM Per the "**Summary of Communication with Taylor Family**" that Marathon has submitted as evidence, Mr. Bruce states; "Harvey Taylor emailed Cy Shook *with every family member copied* on the email. Stated "maybe" about the offer to ratify June's lease. Stated his lawyer is working on another project. Asked more questions." **Mr. Bruce is factually in error. Harvey only emailed Cy Shook.** Harvey stated "the short answer is "maybe"" then asked Mr. Shook some questions.

3/26/19: cs to ht  
2:15 PM Mr. Shook tells Harvey the wells started producing in July 2018.

4/8/19: cs to ht  
3:40PM Per the "**Summary of Communication with Taylor Family**" that Marathon has submitted as evidence Mr. Bruce states; "*Cy Shook sent email to whole Taylor family. Asked if family had considered offer.*" **Once again Mr. Bruce is factually in error. Cy Shook only emailed Harvey.** Mr. Shook asks Harvey if the family would ratify June Taylor's lease.

4/8/19: ht to cs Carbon Copy bt, mt, ks, ct  
7:58 PM Harvey Taylor emailed Cy Shook and copied entire family with “maybe” as the answer to the offer. **Harvey again told him “I can only speak for myself”**. Harvey says he would like a better lease. Said he would like a lease that pays royalties on all the gas. He is still waiting on counsel.

4/23/19: bt to cs Carbon Copy mt, ht, ks, ct  
3:47 AM Bill G. Taylor, Jr. emailed Cy Shook with all family members copied. States that Mewbourne created this problem. Asks if MOC has thought of other solutions to this problem. It appears MOC is producing, transporting, extracting, marketing our minerals without written authorization.

4/23/19: bt to cs Carbon Copy ht, ct, mt, ks  
7:21 AM Bill informs Mr. Shook that email is better correspondence for the family.

4/23/19: cs to bt  
7:12 AM This email is found beneath Bill’s 4/23/19 7:21 AM email. Cy emails Bill and asks to speak on the phone.

4/23/19: bt to cs Carbon Copy mt, ht, ks, ct  
10:33 AM Bill emails response to Cy and asks him just to reply in an email. Bill tells Mr. Shook that we have hired a professional landman to do a thorough Title Research on this property for us. This **only became necessary** because Mewbourne told June Taylor that the mineral acreage was hers. Bill asks Mr. Shook, “Does MOC have a full title search of this 5 acres that is in question you can share with us to help speed the process along?” Bill reminds him that Harvey, Marilyn and Bill have each requested that he send us the best lease that Mewbourne uses. Once again Bill reminds Mr. Shook that the Taylors last lease (2018) was in the immediate vicinity of \$9000 per acre. Almost 3 times more than Mewbourne had offered.

4/23/19: bt to cs Carbon Copy mt, ht, ct, ks  
2:55 PM Bill responds to Cy Shook’s email of 4/23/19 12:23 PM. Bill questions Mewbourne’s statement that the Bill Taylors and June Taylor should engage in a lawsuit against each other. **Quote Mr. Shook; “title opinion from an attorney licensed to practice law in New Mexico at credits the interest in June Taylor but requires a suit to quiet title on the 5 acres.”**

4/23/19: Below Bill’s email of 4/23/19 2:55 PM is Mr. Shook’s email of  
12:23 PM 4/23/19 12:23 PM in which he says Mewbourne Title Opinion “requires a suit to quiet title on the 5 acres.”

4/23/19: bt to cs Carbon Copy mt, ht, ks, ct  
11:34 AM Below Bill’s email of 4/23/19 2:55 PM is Bill’s email of 11:34 AM. Bill reminds Mr. Shook that “three of us have requested MOC send a better contract or lease.” Bill further replies to Mr. Shook; “You asked me: “How does the family intend to fix the title issue?”” Bill responds; “Right now we are currently doing a full

title exam of the five mineral acres in question.” Bill asks, “Does MOC have a full Title Search of this 5 acres that is in question.” Bill says that the last lease we signed was in the area of \$9000 per acre.

4/24/19: bt to cs Carbon Copy mt, ht, ct, ks  
9:03 AM Bill tells Mr. Shook we are still trying to determine why Mewbourne credits this acreage to June Taylor instead of the Bill Taylors. Bill again asks for a copy of Mewbourne’s title report explaining why it is Mewbourne’s opinion that the acreage belongs to June Taylor.

4/23/19: bt to cs  
3:26 PM Below Bill’s email of 4/24/19/9:03 AM; Bill replies to Mr. Shook at 4/23/19 3:26 PM again that we have a landman doing a title report on this property.

4/23/19: cs to bt  
3:03 PM Below Bill’s email of 4/24/19 9:03 AM is Cy Shook’s email of 4/23/19 3:03 PM in which Cy Shook says the Taylors can work out a Title Resolution without a lawsuit against each other.

4/24/19: bt to cs Carbon Copy mt, ct, ht, ks  
9:59AM Bill thanks Mr. Shook for explaining why Mewbourne thinks the acreage is June Taylor’s.

4/24/19 cs to bt  
9:49 AM Below Bill’s 4/24/19 9:59 AM email is Cy Shook’s email of 4/24/19 9:49 AM. In this email Mr. Shook explains he cannot share Mewbourne’s Title Opinion.

*All of the prior emails were regarding the previous already drilled wells.* So, the title/heading “**Summary of Communication with Taylor Family**” submitted by **Mewbourne Oil attorney James Bruce is somewhat misleading about our communications**, it would lead someone who hasn’t read the emails to believe that Mewbourne had compiled a list of emails discussing their two new proposed wells with the Taylor family. ***This is not the case.*** Mewbourne ONLY DISCUSSED the wells they had been producing since before they contacted us. It seemed to us their sole objective in the entire chain of emails was to have us ratify the lease they had Daisy June Taylor sign for \$1000 per acre, up to possibly \$3500 per acre. Several times in the chain of emails we tell Mr. Shook that the last wolfcamp lease we signed was for about \$9000 per acre, quite a discrepancy.

**MEWBOURNE DESIRES TO DRILL TWO NEW WELLS IN:  
S/2 OF SECTION 32, T23S, R28E, EDDY COUNTY, NEW MEXICO**

These are: MOC’s Zeppelin 32 W0LI State Com No. 1H  
MOC’s Zeppelin 32 W2LI State Com No. #2H  
S/2 Sections 32, T23S, R28E  
Eddy County, New Mexico

**All communication from Mewbourne to the Taylors pertaining to the two new wells Mewbourne wants to drill in section 32 involving the Taylor acreage consists of the following very limited notice:**

- 5/24/19: Well proposals were mailed to Taylors regarding the two new wells. Notice that the AUTHORIZATION FOR EXPENDITURE documents that we are to sign were prepared on 6/28/2017 and 9/5/2017. Why didn't Mewbourne contact us in 2017 or 2018? There is no mention of a start to drill date.
- 7/18/19: Bill G. Taylor Jr. picks up a certified letter of notice of Force Pool Hearing from Mewbourne Oil attorney James Bruce. Other family members receive Force Pool Hearing notices at later dates.
- 7/25/19: We observe a legal notice in the Carlsbad Current Argus newspaper that we are to be Force Pooled.

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(432) 682-3715  
FAX (432) 685-4170

February 19, 2019

Via Certified Mail

Harvey R. Taylor  
124 South 5<sup>th</sup> Street  
Carlsbad, NM 88220

Re: Zeppelin "32" Prospect  
S/2 Section 32,  
T23S, R28E  
Eddy County, New Mexico

Dear Mr. Taylor:

Last January, Mewbourne Oil Company acquired an Oil and Gas Lease from Daisy June Taylor covering a full mineral interest in the W/2NE/4NW/4SE/4 of the captioned Section 32 which covers 5.0 acres. Enclosed for your reference and information are the following regarding such interest:

- 1) Recorded copy of Oil and Gas Lease dated January 15, 2018 as executed by Daisy June Taylor regarding the referenced tract of land.
- 2) Copy of pertinent pages of our Division Order Title Opinion dated November 20, 2018. In particular, please refer to pages 49 and 50 regarding Title Requirement No.23.
- 3) Recorded copy of Warranty Deed dated January 18, 1975 from W.H. Taylor and his wife June D. Taylor covering the referenced 5.0-acre tract of land, among other lands to Bill G. Taylor. This warranty Deed may or may not have covered the mineral ownership in the 5.0-acre tract of land as it is ambiguous.
- 4) Recorded copy of Probate #1PB 2002-71 for the estate of Bill Grand Taylor, deceased.

In reference to the above, the mineral ownership in the referenced tract may also be owned by Wanda J. Taylor, Candy A. Taylor, Harvey R. Taylor, Bill G. Taylor, Jr., Marilyn S. Taylor and/or Kathy J. Smith.

As stated in Title Requirement No. 23, a quiet title suit should be conducted in the District court of Eddy County, New Mexico to determine the ownership in the mineral state of the referenced 5.0-acre tract of land.

EXHIBIT  
R

To date, Mewbourne Oil Company as Operator has drilled two horizontal wells under the captioned S/2 of Section 32 which include the referenced 5.0-acre tract of land in the gas proration units for the Zeppelin 32 W0LI State Com #1H Well and the Zeppelin 32 W2LI State Com #2H Wells. These wells produce from the Wolfcamp formation. The royalty proceeds attribute to the 5.0-acre tract are currently being held in legal suspense pending the determination of the mineral ownership in the 5.0 acre tract of land described above.

In the event you do not have an attorney to represent you as to your possible mineral ownership, I can recommend Mr. Cas Tabor of the Tabor & Byers law firm in Carlsbad, New Mexico. His phone number is (575)885-4171 and email address is [castabor@yahoo.com](mailto:castabor@yahoo.com)

Should you have any questions regarding the above, please call me at (432)682-3715 or my e-mail address is [phaden@mewbourne.com](mailto:phaden@mewbourne.com)

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman  
DPH/BI

Xc: Ms. Daisy June Taylor  
1401 West Fox  
Carlsbad, NM 88220

**From:** Harvey Taylor <[hotgreenchile@yahoo.com](mailto:hotgreenchile@yahoo.com)>  
**Sent:** Thursday, February 28, 2019 6:04 PM  
**To:** Paul Haden <[phaden@mewbourne.com](mailto:phaden@mewbourne.com)>  
**Subject:** Zeppelin 32 Sec. 32, T23S, R28E

2/28/19

Mr. Paul Haden,

I have received the information you sent me. I was unaware of the activity on section 32 and unaware June had signed a lease on these acres. This was my father's property and rightfully belongs to the heirs of Bill Taylor. I will have to consult with my brother and sisters and see what they want to do about this. You are right to hold this in legal suspense and ask you to continue to do so until this is resolved. These mineral acres do not belong to June and her signing a lease on our acres is invalid.

It depends on how my siblings wish to handle this, but we probably will be turning this over to an attorney.

Thank you for notifying us about this,

Harvey Taylor

**EXHIBIT  
S**

**From:** Paul Haden  
**Sent:** Friday, March 1, 2019 8:31 AM  
**To:** Harvey Taylor <[hotgreenchile@yahoo.com](mailto:hotgreenchile@yahoo.com)>  
**Cc:** Cy Shook <[cshook@Mewbourne.com](mailto:cshook@Mewbourne.com)>; Case Dyke <[cdyke@mewbourne.com](mailto:cdyke@mewbourne.com)>; Corey Mitchell <[cmitchell@Mewbourne.com](mailto:cmitchell@Mewbourne.com)>  
**Subject:** RE: Zeppelin 32 Sec. 32, T23S, R28E

Thanks Harvey for the response . We'll wait to hear from you . By the way , I will be retiring March 31 , 2019 so all future correspondence needs to go to Mr . Cy Shook of this office . Perhaps June needs to execute a Quitclaim Mineral Deed to all of the heirs of Bill Taylor . Just a suggestion which you might discuss with your attorney .

On Tuesday, March 12, 2019, 9:39:20 AM MDT, Cy Shook <[cshook@Mewbourne.com](mailto:cshook@Mewbourne.com)> wrote:

Mr. Taylor,

I was wondering if you'd had a chance to discuss this issue with your family and attorney? Would you be interested in signing a lease ratification and MOC will hold all the proceeds in suspense until it's worked out? Feel free to call me anytime to discuss a plan.

Thanks,

**Cy Shook**

Mewbourne Oil Company

500 West Texas, Suite 1020

Midland, Texas 79701

(432)682-3715

**EXHIBIT  
U**

**From:** Harvey Taylor <[hotgreenchile@yahoo.com](mailto:hotgreenchile@yahoo.com)>  
**Sent:** Tuesday, March 12, 2019 3:40 PM  
**To:** Cy Shook <[cshook@Mewbourne.com](mailto:cshook@Mewbourne.com)>  
**Subject:** Re: Zeppelin 32 Sec. 32, T23S, R28E

Mr. Shook,

Please continue to hold this money in suspense until this is sorted out. I still need a reply from a couple of my sisters. I have been in contact with a lawyer but didn't discuss this matter with him. This looks to be a fairly simple procedure so if my sisters want to use Mr Tabor we may just contact him for this. This acreage is important to my family and we appreciate you contacting us. The June Taylor lease looks like a good lease to me but we'll get an attorney to negotiate that for us. In my limited experience I have been leasing through 3rd party companies instead of directly with the operator, but if the deals are close I'd like to work with you. On the bone spring and wolfcamp wells I would like a royalty on gas used onsite as well as sold gas. What are you offering as a sign on bonus on this section?

Thank you,

Harvey Taylor

**MEWBOURNE OIL COMPANY**  
AUTHORIZATION FOR EXPENDITURE

Well Name: Zeppelin 32 W0LI State Com #1H Prospect: Wolfcamp  
 Location: SL: 2030' FSL & 205' FWL; BHL: 2310' FSL & 330' FEL County: Eddy ST: NM  
 Sec. 32 Blk:      Survey:      TWP: 23S RNG: 28E Prop. TVD: 9547' TMD: 14163'

INTANGIBLE COSTS 0180	CODE	TCP	CODE	CC
Regulatory Permits & Surveys	0180-0100	\$5,000	0180-0200	
Location / Road / Site / Preparation	0180-0105	\$75,000	0180-0205	\$10,000
Location / Restoration	0180-0106	\$175,000	0180-0206	\$50,000
Daywork / Turnkey / Footage Drilling 18 days drlg / 3 days comp @ \$19,000/d	0180-0110	\$363,500	0180-0210	\$60,600
Fuel 1500 gal/day @ \$1.89/gal	0180-0114	\$63,300		
Mud, Chemical & Additives	0180-0120	\$150,000	0180-0220	
Horizontal Drillout Services			0180-0222	\$80,000
Cementing	0180-0125	\$70,000	0180-0225	\$25,000
Logging & Wireline Services	0180-0130		0180-0230	\$162,000
Casing / Tubing / Snubbing Service Coil Tbg / Toe Prep	0180-0134	\$20,000	0180-0234	\$60,000
Mud Logging	0180-0137	\$20,000		
Stimulation 27 Stg 10.8 MM gal x 10.8 MM #			0180-0241	\$2,085,000
Stimulation Rentals & Other			0180-0242	\$100,000
Water & Other	0180-0145	\$40,000	0180-0245	\$360,000
Bits	0180-0148	\$72,000	0180-0248	\$4,000
Inspection & Repair Services	0180-0150	\$40,000	0180-0250	\$5,000
Misc. Air & Pumping Services	0180-0154		0180-0254	\$5,000
Testing & Flowback Services	0180-0158	\$15,000	0180-0258	\$30,000
Completion / Workover Rig			0180-0260	
Rig Mobilization	0180-0164	\$160,000		
Transportation	0180-0165	\$25,000	0180-0265	\$12,000
Welding Services	0180-0168	\$5,000	0180-0268	\$5,000
Contract Services & Supervision	0180-0170		0180-0270	\$24,000
Directional Services Includes Vertical control	0180-0175	\$136,800		
Equipment Rental	0180-0180	\$124,400	0180-0280	\$20,000
Well / Lease Legal	0180-0184	\$5,000	0180-0284	
Well / Lease Insurance	0180-0185	\$4,500	0180-0285	
Intangible Supplies	0180-0188	\$8,000	0180-0288	\$1,000
Damages	0180-0190	\$30,000	0180-0290	\$2,200
ROW & Easements	0180-0192		0180-0292	\$12,800
Pipeline Interconnect			0180-0293	
Company Supervision	0180-0195	\$91,100	0180-0295	\$63,300
Overhead Fixed Rate	0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment	0180-0198		0180-0298	
Contingencies 10% (TCP) 10% (CC)	0180-0199	\$170,900	0180-0299	\$319,700
<b>TOTAL</b>		<b>\$1,879,500</b>		<b>\$3,516,600</b>

TANGIBLE COSTS 0181	CODE	TCP	CODE	CC
Casing (19.1" - 30")	0181-0793			
Casing (10.1" - 19.0") 400' - 13 3/8" 54.5# J-55 ST&C @ \$35.71/ft	0181-0794	\$15,200		
Casing (8.1" - 10.0") 2510' - 9 5/8" 40# N-80 LT&C @ \$29.98/ft	0181-0795	\$80,000		
Casing (6.1" - 8.0") 9770' - 7" 29# P-110 LT&C @ \$27.76/ft	0181-0796	\$288,200		
Casing (4.1" - 6.0") 5115' - 4 1/2" 13.5# P-110 LT&C @ \$11.92/ft			0181-0797	\$64,800
Tubing (2" - 4")			0181-0798	
Drilling Head	0181-0860	\$40,000		
Tubing Head & Upper Section 10k Frac valve and tree			0181-0870	\$48,000
Horizontal Completion Tools			0181-0871	\$32,000
Sucker Rods			0181-0875	
Subsurface Equipment			0181-0880	
Artificial Lift Systems			0181-0884	
Pumping Unit			0181-0885	
Surface Pumps & Prime Movers VRU & SWD transfer pump			0181-0886	\$60,000
Tanks - Oil 3- 750 bbl			0181-0890	\$45,000
Tanks - Water 3-750 bbl			0181-0891	\$48,000
Separation / Treating Equipment 36"x15"x1000# 3 ph & 30"x10"x1000# 3 ph/ GB			0181-0895	\$50,000
Heater Treaters, Line Heaters 6'x20'x75# HT			0181-0897	\$15,000
Metering Equipment			0181-0898	\$6,000
Line Pipe & Valves - Gathering			0181-0900	\$65,000
Fittings / Valves & Accessories			0181-0906	\$70,000
Cathodic Protection			0181-0908	\$6,000
Electrical Installation			0181-0909	\$75,000
Equipment Installation			0181-0910	\$50,000
Pipeline Construction			0181-0920	\$18,000
<b>TOTAL</b>		<b>\$423,400</b>		<b>\$652,800</b>
<b>SUBTOTAL</b>		<b>\$2,302,900</b>		<b>\$4,169,400</b>
<b>TOTAL WELL COST</b>				<b>\$6,472,300</b>

Extra Expense Insurance

- I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.  
 Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.
- I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Prepared by: R. Terrell Date: 6/28/2017  
 Company Approval: *M. Whitton* Date: 6/29/2017

Joint Owner Interest: 0.31250000% Amount: \$20,225.94  
 Joint Owner Name: Bill G. Taylor, Jr. Signature: *Bill G. Taylor Jr.*



# MEWBOURNE OIL COMPANY

## AUTHORIZATION FOR EXPENDITURE

Well Name: Zeppelin 32 W01L State Com #1H Prospect: Wolfcamp  
 Location: SL: 2030' FSL & 205' FWL; BHL: 2310' FSL & 330' FEL County: Eddy ST: NM  
 Sec. 32 Blk:      Survey:      TWP: 23S RNG: 28E Prop. TVD: 9547' TMD: 14163'

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Fuel 1500 gal/day @ \$1.89/gal	0180-0114	\$63,300		
Mud, Chemical & Additives	0180-0120	\$150,000	0180-0220	
Horizontal Drillout Services			0180-0222	\$80,000
Cementing	0180-0125	\$70,000	0180-0225	\$25,000
Logging & Wireline Services	0180-0130		0180-0230	\$162,000
Casing / Tubing / Snubbing Service Coil Tbg / Toe Prep	0180-0134	\$20,000	0180-0234	\$60,000
Mud Logging	0180-0137	\$20,000		
Stimulation 27 Stg 10.8 MM gal x 10.8 MM #			0180-0241	\$2,085,000
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Intangible Supplies	0180-0188	\$8,000	0180-0288	\$1,000
Damages	0180-0190	\$30,000	0180-0290	\$2,200
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Pipeline Interconnect			0180-0293	
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Electrical Installation			0181-0909	\$75,000
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<b>TOTAL</b>		<b>\$423,400</b>		<b>\$652,800</b>
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**TOTAL WELL COST \$6,472,300**

Extra Expense Insurance

I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.  
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I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Prepared by: R. Terrell Date: 6/28/2017  
 Company Approval: *m. whitte* Date: 6/29/2017

Joint Owner Interest: 0.31250000% Amount: \$20,225.94  
 Joint Owner Name: Harvey R. Taylor Signature: *Harvey R. Taylor*

# MEWBOURNE OIL COMPANY

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 Sec. 32 Blk: X Survey:  TWP: 23S RNG: 28E Prop. TVD: 10480 TMD: 15050

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Fuel 1500 gal/day @ 1.89/gal	0180-0114	\$78,200		
Mud, Chemical & Additives	0180-0120	\$150,000	0180-0220	
Horizontal Drillout Services Coil Tbg Drillout			0180-0222	\$80,000
Cementing	0180-0125	\$70,000	0180-0225	\$20,000
Logging & Wireline Services	0180-0130	\$1,500	0180-0230	\$180,000
Casing / Tubing / Snubbing Service	0180-0134	\$20,000	0180-0234	\$60,000
Mud Logging	0180-0137	\$20,000		
Stimulation 27 Stg 11.0 MM gal / 11.0 MM lb			0180-0241	\$1,750,000
Stimulation Rentals & Other			0180-0242	\$150,000
Water & Other	0180-0145	\$40,000	0180-0245	\$295,000
Bits	0180-0148	\$72,000	0180-0248	\$4,000
Inspection & Repair Services	0180-0150	\$40,000	0180-0250	\$5,000
Misc. Air & Pumping Services	0180-0154		0180-0254	\$10,000
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Rig Mobilization	0180-0164	\$80,000		
Transportation	0180-0165	\$20,000	0180-0265	\$20,000
Welding Services	0180-0168	\$5,000	0180-0268	\$15,000
Contract Services & Supervision	0180-0170	\$36,800	0180-0270	\$22,500
Directional Services Includes Vertical Control	0180-0175	\$162,000		
Equipment Rental	0180-0180	\$161,600	0180-0280	\$30,000
Well / Lease Legal	0180-0184	\$5,000	0180-0284	
Well / Lease Insurance	0180-0185	\$4,800	0180-0285	
Intangible Supplies	0180-0188	\$8,000	0180-0288	\$1,000
Damages	0180-0190	\$20,000	0180-0290	
ROW & Easements	0180-0192		0180-0292	\$1,000
Pipeline Interconnect			0180-0293	
Company Supervision	0180-0195	\$117,600	0180-0295	\$51,400
Overhead Fixed Rate	0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment	0180-0198		0180-0298	
Contingencies 10% (TCP) 10% (CC)	0180-0199	\$180,500	0180-0299	\$286,100
<b>TOTAL</b>		<b>\$1,985,000</b>		<b>\$3,146,900</b>

TANGIBLE COSTS 0181	CODE	TCP	CODE	CC
Casing (19.1" - 30")	0181-0793			
Casing (10.1" - 19.0") 400' - 13 3/8" 54.5# J-55 ST&C @ \$35.71/ft	0181-0794	\$15,300		
Casing (8.1" - 10.0") 2510' - 9 5/8" 36# J-55 LT&C @ \$24.85/ft	0181-0795	\$66,700		
Casing (6.1" - 8.0") 10810' - 7" 26# P-110 LT&C @ \$19.69/ft	0181-0796	\$227,400		
Casing (4.1" - 6.0") 5140' - 4 1/2" 13.5# P-110 LTC @ \$14.25/ft			0181-0797	\$78,300
Tubing (2" - 4")			0181-0798	
Drilling Head	0181-0860	\$40,000		
Tubing Head & Upper Section 10k Frac Valve and Tree			0181-0870	\$48,000
Horizontal Completion Tools Completion Liner Hanger			0181-0871	\$27,000
Sucker Rods			0181-0875	
Subsurface Equipment			0181-0880	
Artificial Lift Systems Gas Lift Valves			0181-0884	
Pumping Unit			0181-0885	
Surface Pumps & Prime Movers 1/2 VRU/SWD Transfer Pump/Circ Pump			0181-0886	\$30,000
Tanks - Oil 3 - 750 bbl steel			0181-0890	\$48,000
Tanks - Water 3 - 750 bbl steel coated			0181-0891	\$50,000
Separation / Treating Equipment 30"x10"x1k# 3 ph/36"x15"x1k# Hor 3ph/Gun bbl			0181-0895	\$40,000
Heater Treaters, Line Heaters 6'x20'x75# HT			0181-0897	\$16,000
Metering Equipment			0181-0898	\$12,000
Line Pipe & Valves - Gathering 3/4 Mile 4" Gas & 12" Poly Water			0181-0900	\$130,000
Fittings / Valves & Accessories			0181-0906	\$60,000
Cathodic Protection			0181-0908	\$5,000
Electrical Installation			0181-0909	\$50,000
Equipment Installation			0181-0910	\$40,000
Pipeline Construction 3/4 Mile Buried 4" Steel & 3/4 Mile 12" Poly			0181-0920	\$100,000
<b>TOTAL</b>		<b>\$349,400</b>		<b>\$734,300</b>
<b>SUBTOTAL</b>		<b>\$2,334,400</b>		<b>\$3,881,200</b>

**TOTAL WELL COST \$6,215,600**

Extra Expense Insurance

I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.  
 Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Prepared by: Bo Talley Date: 9/5/2017  
 Company Approval: m. whitte Date: 9/5/2017

Joint Owner Interest: 0.31250000% Amount: \$19,423.75  
 Joint Owner Name: Harvey R. Taylor Signature: Harvey R. Taylor

# MEWBOURNE OIL COMPANY

## AUTHORIZATION FOR EXPENDITURE

Well Name: Zeppelin 32 W0LI State Com #1H Prospect: Wolfcamp  
 Location: SL: 2030' FSL & 205' FWL; BHL: 2310' FSL & 330' FEL County: Eddy ST: NM  
 Sec. 32 Blk:      Survey:      TWP: 23S RNG: 28E Prop. TVD: 9547' TMD: 14163'

INTANGIBLE COSTS 0180	CODE	TCP	CODE	CC
Regulatory Permits & Surveys	0180-0100	\$5,000	0180-0200	
Location / Road / Site / Preparation	0180-0105	\$75,000	0180-0205	\$10,000
Location / Restoration	0180-0106	\$175,000	0180-0206	\$50,000
Daywork / Turnkey / Footage Drilling 18 days drlg / 3 days comp @ \$19,000/d	0180-0110	\$363,500	0180-0210	\$60,600
Fuel 1500 gal/day @ \$1.89/gal	0180-0114	\$63,300		
Mud, Chemical & Additives	0180-0120	\$150,000	0180-0220	
Horizontal Drillout Services			0180-0222	\$80,000
Cementing	0180-0125	\$70,000	0180-0225	\$25,000
Logging & Wireline Services	0180-0130		0180-0230	\$162,000
Casing / Tubing / Snubbing Service Coil Tbg / Toe Prep	0180-0134	\$20,000	0180-0234	\$60,000
Mud Logging	0180-0137	\$20,000		
Stimulation 27 Stg 10.8 MM gal x 10.8 MM #			0180-0241	\$2,085,000
Stimulation Rentals & Other			0180-0242	\$100,000
Water & Other	0180-0145	\$40,000	0180-0245	\$360,000
Bits	0180-0148	\$72,000	0180-0248	\$4,000
Inspection & Repair Services	0180-0150	\$40,000	0180-0250	\$5,000
Misc. Air & Pumping Services	0180-0154		0180-0254	\$5,000
Testing & Flowback Services	0180-0158	\$15,000	0180-0258	\$30,000
Completion / Workover Rig			0180-0260	
Rig Mobilization	0180-0164	\$160,000		
Transportation	0180-0165	\$25,000	0180-0265	\$12,000
Welding Services	0180-0168	\$5,000	0180-0268	\$5,000
Contract Services & Supervision	0180-0170		0180-0270	\$24,000
Directional Services Includes Vertical control	0180-0175	\$136,800		
Equipment Rental	0180-0180	\$124,400	0180-0280	\$20,000
Well / Lease Legal	0180-0184	\$5,000	0180-0284	
Well / Lease Insurance	0180-0185	\$4,500	0180-0285	
Intangible Supplies	0180-0188	\$8,000	0180-0288	\$1,000
Damages	0180-0190	\$30,000	0180-0290	\$2,200
ROW & Easements	0180-0192		0180-0292	\$12,800
Pipeline Interconnect			0180-0293	
Company Supervision	0180-0195	\$91,100	0180-0295	\$63,300
Overhead Fixed Rate	0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment	0180-0198		0180-0298	
Contingencies 10% (TCP) 10% (CC)	0180-0199	\$170,900	0180-0299	\$319,700
<b>TOTAL</b>		<b>\$1,879,500</b>		<b>\$3,516,600</b>
TANGIBLE COSTS 0181	CODE	TCP	CODE	CC
Casing (19.1" - 30")	0181-0793			
Casing (10.1" - 19.0") 400' - 13 3/8" 54.5# J-55 ST&C @ \$35.71/ft	0181-0794	\$15,200		
Casing (8.1" - 10.0") 2510' - 9 5/8" 40# N-80 LT&C @ \$29.98/ft	0181-0795	\$80,000		
Casing (6.1" - 8.0") 9770' - 7" 29# P-110 LT&C @ \$27.76/ft	0181-0796	\$288,200		
Casing (4.1" - 6.0") 5115' - 4 1/2" 13.5# P-110 LT&C @ \$11.92/ft			0181-0797	\$64,800
Tubing (2" - 4")			0181-0798	
Drilling Head	0181-0860	\$40,000		
Tubing Head & Upper Section 10k Frac valve and tree			0181-0870	\$48,000
Horizontal Completion Tools			0181-0871	\$32,000
Sucker Rods			0181-0875	
Subsurface Equipment			0181-0880	
Artificial Lift Systems			0181-0884	
Pumping Unit			0181-0885	
Surface Pumps & Prime Movers VRU & SWD transfer pump			0181-0886	\$60,000
Tanks - Oil 3- 750 bbl			0181-0890	\$45,000
Tanks - Water 3-750 bbl			0181-0891	\$48,000
Separation / Treating Equipment 36"x15'x1000# 3 ph & 30"x10'x1000# 3 ph/ GB			0181-0895	\$50,000
Heater Treaters, Line Heaters 6'x20'x75# HT			0181-0897	\$15,000
Metering Equipment			0181-0898	\$6,000
Line Pipe & Valves - Gathering			0181-0900	\$65,000
Fittings / Valves & Accessories			0181-0906	\$70,000
Cathodic Protection			0181-0908	\$6,000
Electrical Installation			0181-0909	\$75,000
Equipment Installation			0181-0910	\$50,000
Pipeline Construction			0181-0920	\$18,000
<b>TOTAL</b>		<b>\$423,400</b>		<b>\$652,800</b>
<b>SUBTOTAL</b>		<b>\$2,302,900</b>		<b>\$4,169,400</b>
<b>TOTAL WELL COST</b>		<b>\$6,472,300</b>		

Extra Expense Insurance

I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.  
 Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Prepared by: R. Terrell Date: 6/28/2017  
 Company Approval: M. Whitton Date: 6/29/2017

Joint Owner Interest: 0.31250000% Amount: \$20,225.94  
 Joint Owner Name: Marilyn S. Taylor Signature: Marilyn S. Taylor

# MEWBOURNE OIL COMPANY

## AUTHORIZATION FOR EXPENDITURE

Well Name: Zeppelin 32 W2LI State Com #2H Prospect: Wolfcamp  
 Location: SL: 1980' FSL & 205' FWL; BHL: 2310' FSL & 331' FEL County: Eddy ST: NM  
 Sec: 32 Blk:      Survey:      TWP: 23S RNG: 28E Prop. TVD: 10480 TMD: 15050

INTANGIBLE COSTS 0180	CODE	TCP	CODE	CC
Regulatory Permits & Surveys	0180-0100	\$5,000	0180-0200	
Location / Road / Site / Preparation	0180-0105	\$40,000	0180-0205	\$25,000
Location / Restoration	0180-0106	\$175,000	0180-0206	\$30,000
Daywork / Turnkey / Footage Drilling 22 days drlg / 3 days comp @ \$19000/d	0180-0110	\$447,000	0180-0210	\$60,900
Fuel 1500 gal/day @ 1.89/gal	0180-0114	\$78,200		
Mud, Chemical & Additives	0180-0120	\$150,000	0180-0220	
Horizontal Drillout Services Coil Tbg Drillout			0180-0222	\$80,000
Cementing	0180-0125	\$70,000	0180-0225	\$20,000
Logging & Wireline Services	0180-0130	\$1,500	0180-0230	\$180,000
Casing / Tubing / Snubbing Service	0180-0134	\$20,000	0180-0234	\$60,000
Mud Logging	0180-0137	\$20,000		
Stimulation 27 Stg 11.0 MM gal / 11.0 MM lb			0180-0241	\$1,750,000
Stimulation Rentals & Other			0180-0242	\$150,000
Water & Other	0180-0145	\$40,000	0180-0245	\$295,000
Bits	0180-0148	\$72,000	0180-0248	\$4,000
Inspection & Repair Services	0180-0150	\$40,000	0180-0250	\$5,000
Misc. Air & Pumping Services	0180-0154		0180-0254	\$10,000
Testing & Flowback Services	0180-0158	\$15,000	0180-0258	\$30,000
Completion / Workover Rig			0180-0260	
Rig Mobilization	0180-0164	\$80,000		
Transportation	0180-0165	\$20,000	0180-0265	\$20,000
Welding Services	0180-0168	\$5,000	0180-0268	\$15,000
Contract Services & Supervision	0180-0170	\$36,800	0180-0270	\$22,500
Directional Services Includes Vertical Control	0180-0175	\$162,000		
Equipment Rental	0180-0180	\$161,600	0180-0280	\$30,000
Well / Lease Legal	0180-0184	\$5,000	0180-0284	
Well / Lease Insurance	0180-0185	\$4,800	0180-0285	
Intangible Supplies	0180-0188	\$8,000	0180-0288	\$1,000
Damages	0180-0190	\$20,000	0180-0290	
ROW & Easements	0180-0192		0180-0292	\$1,000
Pipeline Interconnect			0180-0293	
Company Supervision	0180-0195	\$117,600	0180-0295	\$51,400
Overhead Fixed Rate	0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment	0180-0198		0180-0298	
Contingencies 10% (TCP) 10% (CC)	0180-0199	\$180,500	0180-0299	\$286,100
<b>TOTAL</b>		<b>\$1,985,000</b>		<b>\$3,146,900</b>

TANGIBLE COSTS 0181	CODE	TCP	CODE	CC
Casing (19.1" - 30")	0181-0793			
Casing (10.1" - 19.0") 400' - 13 3/8" 54.5# J-55 ST&C @ \$35.71/ft	0181-0794	\$15,300		
Casing (8.1" - 10.0") 2510' - 9 5/8" 36# J-55 LT&C @ \$24.85/ft	0181-0795	\$66,700		
Casing (6.1" - 8.0") 10810' - 7" 26# P-110 LT&C @ \$19.69/ft	0181-0796	\$227,400		
Casing (4.1" - 6.0") 5140' - 4 1/2" 13.5# P-110 LTC @ \$14.25/ft			0181-0797	\$78,300
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Drilling Head	0181-0860	\$40,000		
Tubing Head & Upper Section 10k Frac Valve and Tree			0181-0870	\$48,000
Horizontal Completion Tools Completion Liner Hanger			0181-0871	\$27,000
Sucker Rods			0181-0875	
Subsurface Equipment			0181-0880	
Artificial Lift Systems Gas Lift Valves			0181-0884	
Pumping Unit			0181-0885	
Surface Pumps & Prime Movers 1/2 VRU/SWD Transfer Pump/Circ Pump			0181-0886	\$30,000
Tanks - Oil 3 - 750 bbl steel			0181-0890	\$48,000
Tanks - Water 3 - 750 bbl steel coated			0181-0891	\$50,000
Separation / Treating Equipment 30"x10"x1k# 3 ph/36"x15"x1k# Hor 3ph/Gun bbl			0181-0895	\$40,000
Heater Treaters, Line Heaters 6'x20'x75# HT			0181-0897	\$16,000
Metering Equipment			0181-0898	\$12,000
Line Pipe & Valves - Gathering 3/4 Mile 4" Gas & 12" Poly Water			0181-0900	\$130,000
Fittings / Valves & Accessories			0181-0906	\$60,000
Cathodic Protection			0181-0908	\$5,000
Electrical Installation			0181-0909	\$50,000
Equipment Installation			0181-0910	\$40,000
Pipeline Construction 3/4 Mile Buried 4" Steel & 3/4 Mile 12" Poly			0181-0920	\$100,000
<b>TOTAL</b>		<b>\$349,400</b>		<b>\$734,300</b>
<b>SUBTOTAL</b>		<b>\$2,334,400</b>		<b>\$3,881,200</b>

**TOTAL WELL COST \$6,215,600**

Extra Expense Insurance

I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.  
 Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Prepared by: Bo Talley Date: 9/5/2017  
 Company Approval: M. Whittor Date: 9/5/2017

Joint Owner Interest: 0.31250000% Amount: \$19,423.75  
 Joint Owner Name: Marilyn S. Taylor Signature: Marilyn S. Taylor

**PERSONAL REPRESENTATIVE'S MINERAL DEED**

KATHY J. SMITH, Personal Representative of the Estate of BILL GRAND TAYLOR, deceased, reappointed as Personal Representative on August 21, 2019, by the Fifth Judicial District Court for Eddy County, New Mexico, in Cause Number D-503-PB-2002-00071, grants to HARVEY R. TAYLOR, a single person whose address is 124 Fifth St., Carlsbad, NM 88220, KATHY J. SMITH, a married woman in her separate estate whose address is 233 New Mexico Dr., Portales, NM 88130, MARILYN S. TAYLOR, a single person whose address is 2310 Avenue B, Carlsbad, NM 88220, CAROLYN A. TAYLOR a/k/a CAROLYN A. SCHROCK, a married woman in her separate estate whose address is 1702 Curry Rd., Carlsbad, NM 88220, and BILL G. TAYLOR, JR., a married man in his separate estate whose address is 199 11<sup>th</sup> Ave. NW, Rio Rancho, NM 87144, as tenants in common, in equal shares, as to an undivided one-fifth (1/5<sup>th</sup>) interest each, all of the decedent's interest in and to the oil, gas and other minerals in and under and that may be produced from the following described real property in Eddy County, New Mexico:

**The West Half of the Northeast Quarter of the Northwest Quarter of the Southeast Quarter (W/2NE/4NW/4SE/4) of Section Thirty Two (32), Township Twenty Three 23 South (23S), Range Twenty Eight East (28E), N.M.P.M.**

DATED this 21<sup>st</sup> day of August, 2019.



**KATHY J. SMITH,**  
Personal Representative of the Estate of  
**BILL GRAND TAYLOR, Deceased**

Reception: 1911148 Book: 1126 Page: 1229 Pages: 2

Recorded: 08/21/2019 04:11 PM Fee: \$25.00

Eddy County, New Mexico ~ Robin Van Natta, County Clerk



eRecorded Document

JJ

**EXHIBIT**

**Z**

