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Cicada Unit Expansion

Case No. 15845
Before the Oil Conservation Division
Examiner Hearing September 05, 2019

Carlsbad



**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 FOR THE PURPOSE OF
CONSIDERING**

**CASE NO. 15845
ORDER NO. R-14459**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case come on for hearing at 8:15 on September 28, 2017, before Examiner Scott Dawson.

NOW, on this 6th day of October, 2017, 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) Chevron USA Inc. ("Chevron" or "Applicant") seeks Approval of the Cicada Unit (the "Unit"), a federal resource development unit, comprising 5760 acres, more or less, of Federal and State lands in Eddy County, New Mexico, described as follows:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

| | |
|-------------|-----|
| Section 23: | All |
| Section 26: | All |
| Section 35: | All |

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM

| | |
|-------------|-----|
| Section 1: | All |
| Section 2: | All |
| Section 10: | All |
| Section 11: | W/2 |

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2

Submitted by: **Chevron U.S.A. Inc.**

Hearing Date: September 05, 2019

Case No. 15845

| | |
|-------------|-----|
| Section 12: | All |
| Section 14: | W/2 |
| Section 15: | All |

(3) The Unitized Interval includes all oil and gas from the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Great Western Drilling Company Hay Hollow Unit Well No. 2 (API No. 30-015-21549) located in Unit F, Section 12, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(4) The Unit will be developed and operated as a single Participating Area and therefore constitute a single Project Area in accordance with Division Rule 19.15.16.7(L)(2) NMAC.

(5) The Unit currently encompasses a portion of the Purple Sage; Wolfcamp (Gas) (Pool Code 98220), which is governed by special pool rules as established by Division Order No. R-14262 which provide for 320-acre gas spacing units with wells to be located no closer than 330 feet from a unit outer boundary.

(6) Applicant appeared at hearing through counsel and presented the following testimony:

- (a) The Unit is comprised of 11 different tracts. Five Bureau of Land Management ("BLM") tracts, and six New Mexico State Land Office ("NMSLO") tracts;
- (b) The Unit will be developed to produce oil and gas from the Wolfcamp formation;
- (c) Applicant stated that the HH SO 10 P3 Well No. 7H (API 30-015-43936), which is the obligation well for the Unit has been spud;
- (d) Applicant does not have a voluntary agreement with all working interest owners in the Unit and is still in the process of reaching agreement with those interest owners;
- (e) Applicant stated that the Unitized interval fits within the vertical boundary of the Purple Sage; Wolfcamp (Gas) Pool;
- (f) The Unit agreement has been given written preliminary approval by the BLM and NMSLO;
- (g) Applicant stated that the Unit agreement has a five-year development plan, and a contraction clause in which undeveloped acreage will revert to its original spacing unit;

- (h) No faults, pinch-outs, or other geologic impediments exist to prevent the Unitized Interval from being developed by horizontal oil wells;
- (i) The available well control in the area demonstrates the Unitized Interval identified in the type log is laterally contiguous across the entire Unit;
- (j) These lands were chosen and are being proposed as the Unit Area to facilitate the most efficient, uniform, and common development;
- (k) The Federal Resource Development Unit Agreement presented at hearing has the following stipulations:
 - i. A contraction clause which states that after five years from the effective date, the undeveloped acreage shall be eliminated automatically from the proposed Unit, unless BLM or NMSLO determines otherwise;
 - ii. Two-year automatic extension with approval of 90 percent of the working interest owners along with BLM and NMSLO approval;
 - iii. It is limited to the Unitized Interval of the Wolfcamp formation;
 - iv. The effective date of the proposed Unit is December 1, 2016 which predates the spud date of the obligation well, and is prior to any production from Unit wells;
 - v. The entire Unit is treated as undivided with each tract participating as per its acreage contribution;
 - vi. It applies only to horizontal wells of at least 100 feet of lateral length in the Unitized Interval and excludes pre-existing and future vertical wells;
 - vii. The Oil Conservation Division ("OCD") is authorized to approve the Unit Agreement.

The Division concludes as follows:

- (7) Applicant has provided proper and adequate notice of this application and hearing;

(8) Within the Cicada Unit, Division rules for horizontal wells should apply only to those wells completed a lateral distance within the Wolfcamp formation of at least 100 feet in length.

(9) The Unit and offsetting acreage are within the boundaries of the Purple Sage; Wolfcamp (Gas) Pool; therefore, the 330-foot offsets at the Unit boundary would have no effect on any party in the mineral interest estate in the offsets.

(10) The Unit should constitute a single Project Area for horizontal oil well development pursuant to Division Rule 19.15.16.7(L)(2) NMAC; provided however, the Project Area should be limited to Unit Wells.

(11) Unit Wells should be defined as those wells allowed in the Cicada Unit Agreement.

(12) The Cicada Unit should be approved and this order will be in effect on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the Cicada Unit is obtained by the Applicant from the BLM and the NMSLO.

(13) The geologic evidence presented demonstrates that the entire Unit should be productive within the Unitized Interval.

(14) The correlative rights of all interest owners in the Unit will be protected provided that the Unit is ultimately fully developed in the Unitized Interval.

(15) Any submitted form C-102 for Unit wells should show: i) the drilling block for that particular well (each standard-sized spacing unit penetrated by the well) and ii) the total acreage within the Unit and the Division order number approving the Unit.

(16) Approval of the Unit will provide the Applicant the flexibility to locate and drill wells in the Unit in order to maximize the recovery of oil and gas from the Unitized Interval, thereby preventing waste, and will provide the Applicant the latitude to conduct operations in an effective and efficient manner within the Unit.

(17) The provisions contained within the Cicada Unit Agreement are in compliance with Division rules, and the development and operation of the Unit Area, as proposed, comply with the Division's conservation principles.

(18) The Applicant should provide to the Division a written copy of the final approval of the Cicada Unit by the BLM.

(19) The plan contained within the Cicada Unit Agreement for the development and operation of the Unit should be approved in principle as a proper conservation measure. All plans of development for the Cicada Unit should be submitted annually to the Division for review.

(20) The Unit operator should file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit Area, the Unit operator should file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(21) This application should be granted.

IT IS THEREFORE ORDERED THAT:

(1) As per the application of Chevron USA Inc. ("Applicant" or "Chevron"), the Cicada Unit (the "Unit") consisting of 5760 acres, more or less, of Federal and State lands located in Eddy County, New Mexico, is hereby approved.

(2) This order shall be effective on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the Cicada Unit is obtained by Applicant from the Bureau of Land Management ("BLM") and the New Mexico State Land Office ("NMSLO"). The final approval letter by the BLM and NMSLO shall be provided to the Division.

(3) The Unit shall comprise the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 27 EAST, NMPM

| | |
|-------------|-----|
| Section 23: | All |
| Section 26: | All |
| Section 35: | All |

TOWNSHIP 26 SOUTH, RANGE 27 EAST, NMPM

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

(4) Chevron USA Inc. (OGRID 4323) is hereby designated the Unit operator.

(5) Pursuant to the Unit Agreement, the Unitized Interval shall include all oil and gas from the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth at 9,092 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Great Western Drilling Company Hay Hollow Unit Well No. 2 (API 30-015-21549) located in

Unit F, Section 12, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(6) Unit Wells shall be those wells allowed in the Unit Agreement.

(7) All existing and future wells within the horizontal limits of this Unit but not designated per the agreement as Unit Wells shall remain dedicated and subject to the requirements of existing pools or statewide rules.

(8) The Unit shall constitute a single Project Area for horizontal oil well development pursuant to Division Rule 19.15.16.7(L)(2) NMAC; provided however, the Project Area shall be limited to Unit Wells.

(9) The plan contained within the Cicada Unit Agreement for the development and operation of the Unit is hereby approved in principle as a proper conservation measure. All plans of development for the Cicada Unit shall be submitted annually to the Division for review.

(10) Any submitted form C-102 for Unit wells shall show: i) the drilling block for that particular well (each standard-sized spacing unit penetrated by the well); and ii) the total acreage within the Unit and the Division order number approving the Unit.

(11) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit, the Unit operator shall file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(12) 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.



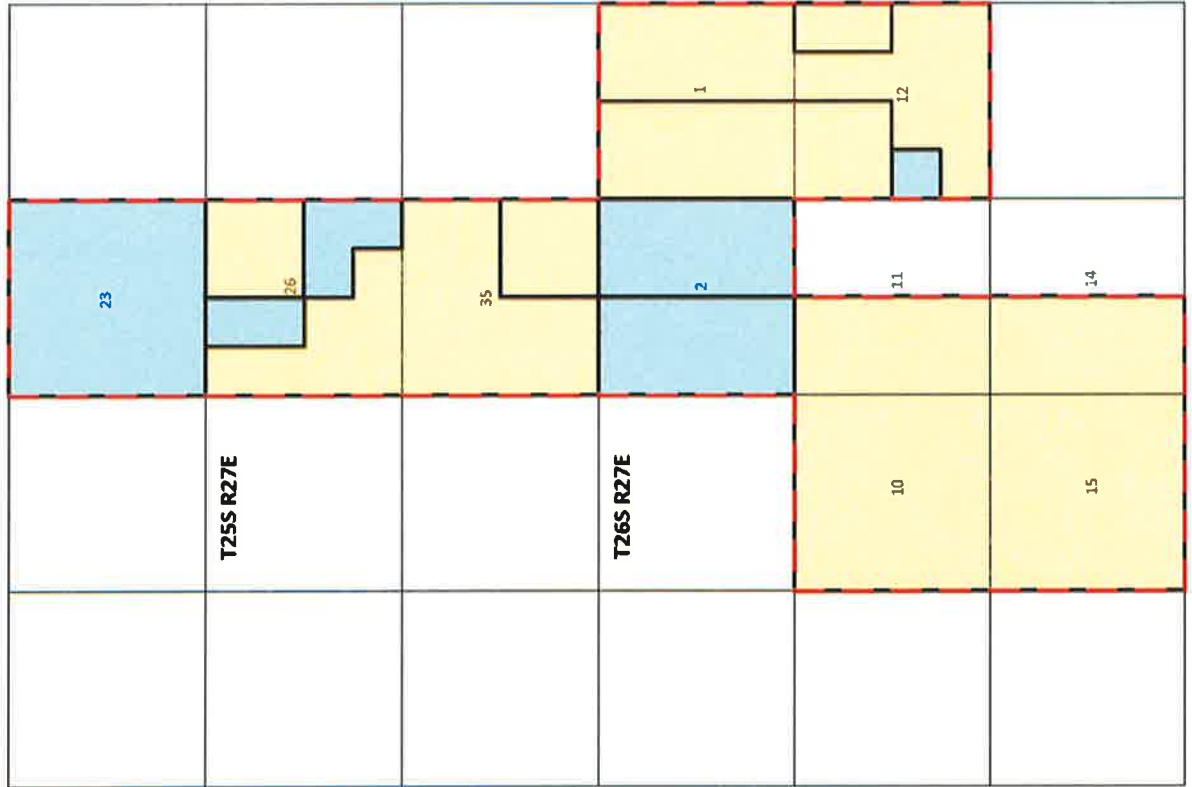
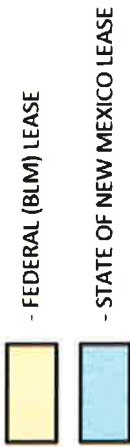
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director

HAYHURST NEW MEXICO – CICADA UNIT

LEGEND



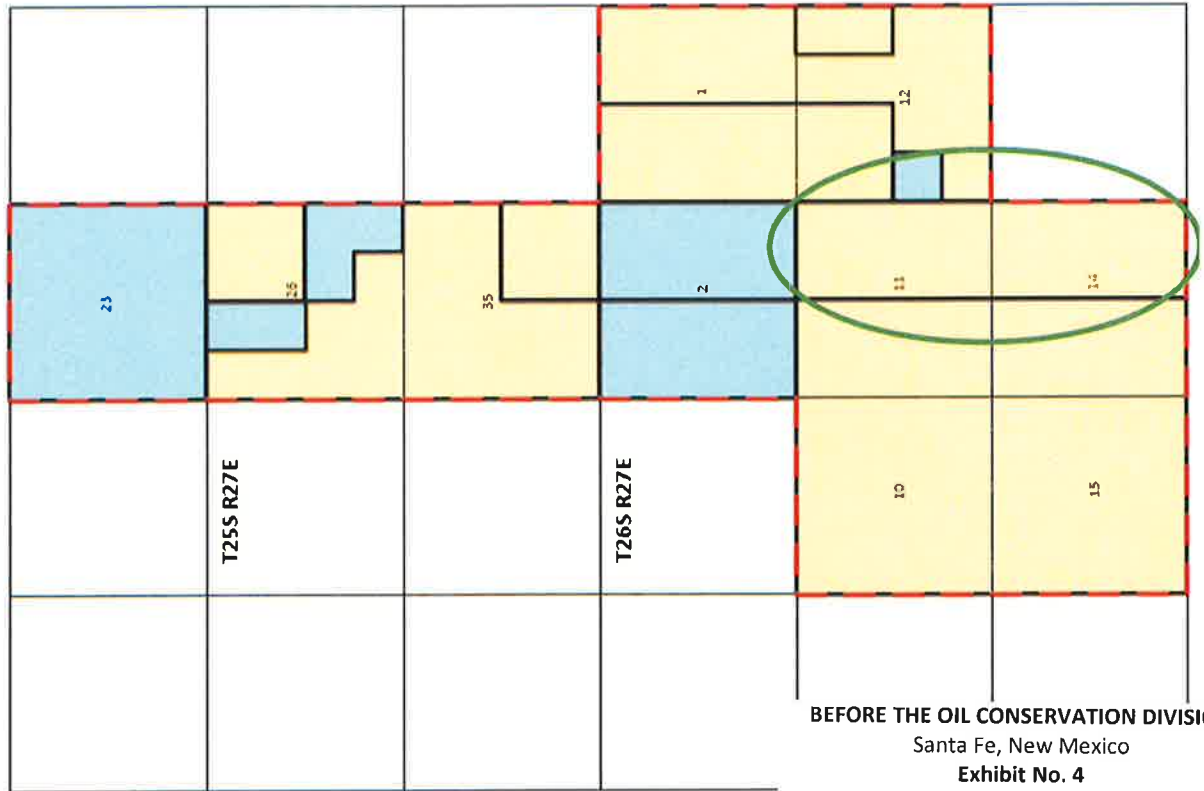
Cicada Unit

Current Subsurface Ownership

- 5,760 total acres
 - 5 Federal Tracts totaling 4,240 acres or 73.61% of the Unit Area
 - 6 State Tracts totaling 1,520 acres or 26.39% of the Unit Area
- Chevron U.S.A. Inc. - 95.88% WI
- Chevron Midcontinent, L.P. - 4.12% WI



HAYHURST NEW MEXICO – CICADA UNIT LEGEND



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 4
Submitted by: Chevron U.S.A. Inc.
Hearing Date: September 05, 2019
Case No. 15845

Cicada Unit

Proposed Expansion

- 640 additional BLM leasehold acres
- NMNM 138828
 - E/2 Section 11 and E/2 Section 14
 - Lease was offered at September 2018 lease sale, Chevron was the successful bidder

Unit Numbers Post-Expansion

- 6,400 total acres
 - 6 Federal Tracts totaling 4,880 acres or 76.25% of the Unit Area
 - 6 State Tracts totaling 1,520 acres or 23.75% of the Unit Area





United States Department of the Interior

BUREAU OF LAND MANAGEMENT
New Mexico State Office
301 Dinosaur Trail
Santa Fe, New Mexico 87508
www.blm.gov/new-mexico



In Reply Refer To:

NMNM137168X
3180 (NM92500)

JUL 02 2019

07/02/2019

Reference:

Proposed Expansion of the
Cicada Unit NMNM137168X
Eddy County, New Mexico

Chevron USA INC.
1400 Smith St.
Houston, TX 77002

Dear Christopher Cooper:

Your application of 05/14/2019, requests preliminary approval of the proposed expansion of the Cicada Unit Area, Eddy County, New Mexico. This expansion will add 640 acres to the 5760 existing acres, resulting in an enlarged unit area of 6400 acres, more or less, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

This expansion is regarded as acceptable based on the geologic and reservoir information accompanying your application. We hereby concur in the proposed expansion, provided it is accomplished pursuant to Section 2 of the unit agreement. The effective date of the proposed expansion will be determined following your final application pursuant to Section 2.

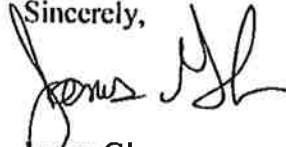
Preliminary approval shall not be construed to mean final approval of the agreement.

A minimum of four copies of the application for final approval, accompanied by the appropriate joinders and updates to Exhibits "A" and "B" should be filed with the Authorized Officer.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 5
Submitted by: **Chevron U.S.A. Inc.**
Hearing Date: September 05, 2019
Case No. 15845

Please contact James Glover, Reservoir Management Supervisory Geologist at 505-954-2139 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'James Glover', with a stylized flourish at the end.

James Glover
Supervisory Geologist
Branch of Reservoir Management
Division of Minerals

cc:

New Mexico State Land Office
NM92500 – M. Dupre



Stephanie Garcia Richard
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

7/26/2019

Chevron USA Inc
ATTN: Mr. Chris Cooper
1400 Smith Street
Houston, TX 77002

Re: Preliminary Approval of Unit Expansion
Cicada Unit
Eddy County, New Mexico

Dear Mr. Cooper:

This office has received your letter of 17th May, 2019, along with supporting documentation, in which Chevron requested initial approval for the Cicada Unit expansion, Eddy County, New Mexico.

The New Mexico State Land Office has this date granted preliminary approval for the Cicada Unit expansion, to include 320 acres (E2) of section 11, 26S-27E, and 320 acres (E2) of section 14, 26S-27E. State Land Office approval is subject to like approval by the New Mexico Oil Conservation Division and the BLM.

If you have any questions or if we may be of further assistance, please contact Units Manager Scott Dawson at 505-827-5791.

Respectfully,

Stephanie Garcia Richard /JR

STEPHANIE GARCIA RICHARD
COMMISSIONER OF PUBLIC LANDS

cc: NMOCD – Attn: Will Jones
RMD – Attn: Ms. Billie Luther
BLM Santa Fe – James Glover
Units Reader Files

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 6

Submitted by: **Chevron U.S.A. Inc.**

Hearing Date: September 05, 2019

Case No. 15845

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

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FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CICADA DEVELOPMENT UNIT AREA

COUNTY OF EDDY
STATE OF NEW MEXICO

NO. NMNM 137168X

THIS FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT ("Agreement"), entered into as of April 30, 2018, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto";

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

WITNESSETH:

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

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

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

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

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

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

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

1. ENABLING ACT AND REGULATIONS. The Acts of March 3, 1909 and of February 25, 1920. as amended, supra, and all valid pertinent regulations including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms

of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the Effective Date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of New Mexico, are hereby accepted and made a part of this agreement.

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

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

Section 23: All

Section 26: All

Section 35: All

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

Section 1: All

Section 2: All

Section 10: All

Section 11: All

Section 12: All

Section 14: All

Section 15: All

Eddy County, New Mexico

containing, 6,400.00 acres, more or less.

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

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

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, or the Land Commissioner (after preliminary concurrence by the AO and Land Commissioner) shall prepare a Notice of Proposed Expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, any plans for additional drilling, and the proposed effective date of the expansion, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper Bureau of Land Management office, the Land Commissioner, and the Division, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interest(s) are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO, the Land Commissioner, and the Division, evidence of mailing of the Notice of Expansion or Contraction and a copy of any objections thereto which have been filed with Unit Operator together with an application in quadruplicate, for approval of such expansion and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO, the Land Commissioner, and the Division, become effective as of the date prescribed in the notice thereof or such other appropriate date.

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

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

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

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

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

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

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

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of unitized production or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operators rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners, the AO, the Land Commissioner, and the Division, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal lands and the Division as to State and fee lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned

among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of any unit operating agreement executed pursuant to this section shall be filed in the proper Bureau of Land Management office and one true copy with the Land Commissioner, and one true copy with the Division prior to approval of this Unit Agreement. If any Party to this Unit Agreement currently owns either no interest, or only an overriding royalty interest in, the unitized area, or said formation, or those lands covered by leases described on Exhibit "B", then such Party shall have no obligations whatsoever, whether monetary or otherwise, to the other Parties or to the Operator, at any time or in the future.

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

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

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

is warranted.

Upon failure to commence any well as provided for in this section within the time allowed including any extension of time granted by the AO and the Land Commissioner, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO and the Land Commissioner may, after fifteen (15) days' notice to the Unit Operator, declare this Unit Agreement terminated. The failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this section, within the time allowed including any extension of time granted by the AO and the Land Commissioner, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO and the Land Commissioner may, after 15 days' notice to the Unit Operator, declare this Unit Agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the Unit Agreement approval being declared invalid *ab initio* by the AO and the Land Commissioner. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the Unit Agreement approval being declared invalid *ab initio* by the AO and the Land Commissioner. Once the agreement is terminated all existing well production will be reported and allocated on a lease basis and if necessary, a Communitization Agreement may be required.

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

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

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

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

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

the AO, the Land Commissioner, and the Division, and to be evaluated on a case by case basis.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of the first well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Unit Operator shall submit for approval by the AO, a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land in the Unit Area. These lands shall constitute a participating area on approval of the AO, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. The participating area so established shall be revised from time to time as provided in Section 2, subject to the approval of the AO, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as not reasonably proved to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

Regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the AO as to the proper definition or redefinition of the participating area, or until a participating area has been established, the portion of all payments affected thereby shall, except royalty due the United States, be impounded in a manner mutually acceptable to the owners of committed working interests. Royalties due the United States shall be determined by the AO and the amount thereof shall be deposited, as directed by the AO, until a participating area is finally approved and then adjusted in accordance with a determination of the sum due as Federal royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the AO, that a well drilled under this agreement is not capable of production of unitized substances in paying quantities and inclusion in the participating area of the land on which it is situated is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located by communitization agreement or on a lease basis for the individual well. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the unit operating agreement

12. ALLOCATION OF PRODUCTION. All unitized substances produced under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal land, if any, included in the Unit Area. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract bears to the total acres of unitized land and unleased Federal land, if any. There shall be allocated to the working interest owners(s) of each tract of unitized land in said Unit Area, in addition, such percentage of the production attributable to the unleased Federal land within the unitized area as the number of acres of such unitized tract included in said

unitized area bears to the total acres of unitized land in said unitized area, for the payment of the compensatory royalty specified in section 16 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under section 16, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. It is hereby agreed that production of unitized substances from the Unit Area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular part or tract of the Unit Area.

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

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

Royalty due on the United States shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 12 at the rates specified in the respective Federal lease, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the unitized area were a single consolidated lease.

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

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

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

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

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

(b) Whenever the participating area approved under section 11 of this agreement contains unleased Federal lands, the value of 12½ percent of the production that would be allocated to such Federal lands under section 12 of this agreement, if such lands were leased, committed, and entitled to participation, shall be payable as compensatory royalties to the Federal Government. Parties to this agreement holding working interests in committed leases within the applicable participating area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal lands to their unitized tracts under section 12. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR part 206. Payment of compensatory royalties on the production reallocated from unleased Federal land to the committed tracts within the participating area shall fulfill the Federal royalty obligation for such production, and said production shall be subject to no further royalty assessment under section 13 of this agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the participating area that includes unleased Federal lands receive a production allocation, and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

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

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant

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

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

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

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784)(30 U.S.C. 226 (m)): "Any (Federal) lease heretofore or hereafter committed to any such (Unit) plan embracing lands that are in part within and in part outside the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided, however that any such lease as to non-unitized portion shall continue in force and effect for the term thereof, but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

If the public interest requirement is not satisfied, the segregation of a lease and/or extension of a lease pursuant to 43 CFR 3107.3-2 and 43 CFR 3107.4, respectively, shall not be effective.

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

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

production of oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

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

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

(d) It is voluntarily terminated as provided in this agreement. Except as noted herein this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO and the Land Commissioner. The Unit Operator shall give notice of any such approval to all parties hereto. If the public interest requirement is not satisfied, the approval of this unit by the AO shall be invalid.

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

of prospecting and developing in the absence of the specific written approval thereof by the Land Commissioner and also to any lands of the State of New Mexico subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division

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

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

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

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

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

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

26. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this Unit Agreement, such tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State lands or leases, no payments of funds due the United States or State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the AO and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner. Such funds are to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

27. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office, the Land Commissioner, the Division and the Unit Operator prior to the approval

of this agreement by the AO and the Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest, is a working interest, by the owner of such interest only subscribing to the unit operating agreement.

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

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

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

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

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

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

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after the surrender or forfeited working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to

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

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

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

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

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

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

CHEVRON U.S.A. INC.
(Unit Operator and Working Interest
Owner)

Signature:

Name: _____

Title: Attorney-in-Fact _____

ADDRESS FOR NOTICES:

Chevron U.S.A. Inc.
Attention: Land Manager
1400 Smith St.
Houston, Texas 77002

CHEVRON MIDCONTINENT, L.P.
BY CHEVRON MIDCONTINENT OPERATIONS LLC,
ITS GENERAL PARTNER
(Working Interest Owner)

Signature:

Name: _____

Title: Attorney-in-Fact _____

ADDRESS FOR NOTICES:

Chevron Midcontinent, L.P.
Attention: Land Manager
1400 Smith St.
Houston, Texas 77002

ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

 This instrument was acknowledged before me on this _____ day of _____, 2019,
by K. R. McNally, Attorney-in-Fact for Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf
of said corporation.

Notary Public for the State of Texas

My Commission Expires:

Printed Name: _____

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

 This instrument was acknowledged before me on this _____ day of _____, 2019,
by K. R. McNally, Attorney-in-Fact for Chevron Midcontinent Operations LLC, a Delaware limited
liability company, as General Partner of Chevron Midcontinent, L.P. a Texas limited partnership, on
behalf of said limited partnership.



Notary Public for the State of Texas

My Commission Expires:

Printed Name: _____

Exhibit "A"
CICADA UNIT AREA
Eddy County, New Mexico

Chevron U.S.A. Inc. - Operator

| | | | |
|---|---------------|----------------|-------------------|
|  | Federal Lands | <u>Acreage</u> | <u>Percentage</u> |
| | | 4,880 | 76.25% |
|  | State Lands | 1,520 | 23.75% |
| | | <u>6,400</u> | <u>100.00%</u> |

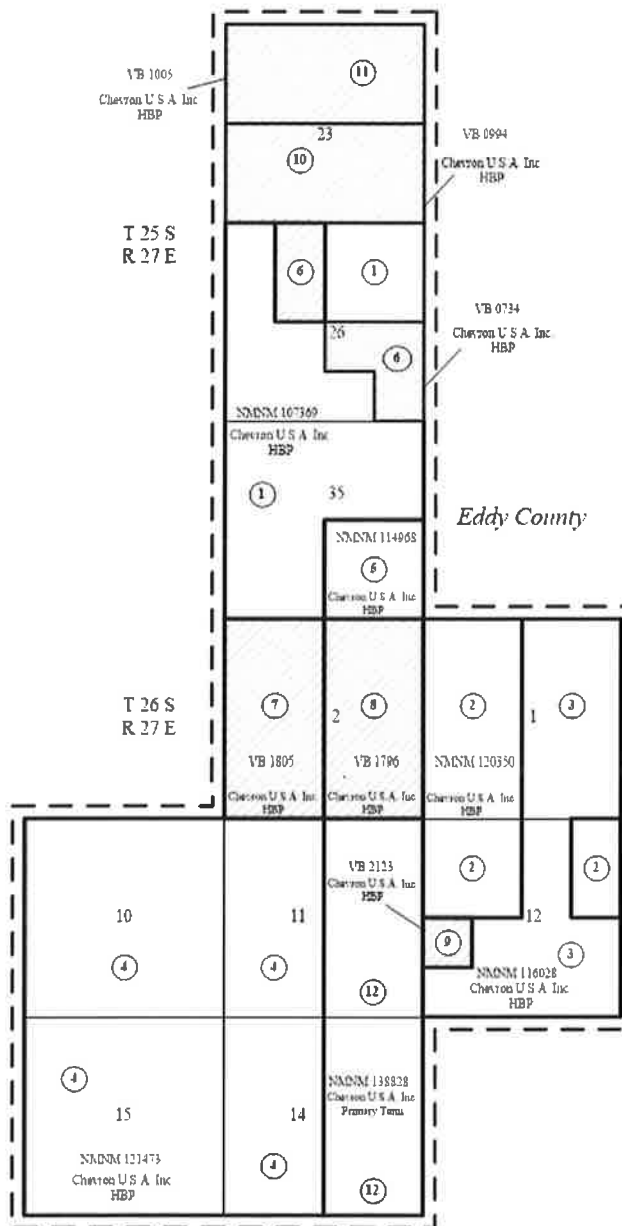


Exhibit "B"

Schedule Showing the Percentage and Ownership of Oil and Gas Interests

Cicada Unit Area

Eddy County, New Mexico

Ownership reflected herein covers those formations lying below the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API #30-015-21549)

| TRACT NUMBER | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NUMBER & LEASE EXPIRATION DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD & PERCENTAGE | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------------|--|--------------------|---|-------------------------------|----------------------------------|---------------------------------|----------------------------------|
| 1 | Federal Lands <u>T25S, R27E, N.M.P.M.</u> Section 26: NE/4, SW/4SE/4, W/2NW/4, SW/4 Section 35: N/2, SW/4 | 920 | NMNM 107369 Effective December 1, 2001 HBP | 12.5% Royalty U.S.A. - All | Chevron U.S.A. Inc. | 100% | Chevron U.S.A. Inc. 100% |
| 2 | Federal Lands <u>T26S, R27E, N.M.P.M.</u> Section 1: W/2 Section 12: E/2NE/4, NW/4 | 560 | NMNM 120350 Effective August 1, 2008 HBP | 12.5% Royalty U.S.A. - All | Chevron U.S.A. Inc. | 100% | Chevron U.S.A. Inc. 100% |
| 3 | Federal Lands <u>T26S, R27E, N.M.P.M.</u> Section 1: E/2 Section 12: W/2NE/4, SE/4, NE/4SW/4, S/2SW/4 | 680 | NMNM 116028 Effective July 1, 2006 HBP | 12.5% Royalty U.S.A. - All | Chevron U.S.A. Inc. | 100% | Chevron U.S.A. Inc. 100% |

| TRACT NUMBER | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NUMBER & LEASE EXPIRATION DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD & PERCENTAGE | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------------|---|--------------------|--|--|--------------------------------------|--|----------------------------------|
| 4 | <u>Federal Lands</u> <u>T26S, R27E, N.M.P.M.</u> Section 10: All Section 11: W/2 Section 14: W/2 Section 15: All | 1920 | NMNM 121473 Effective January 1, 2009 HBP | 12.5% Royalty U.S.A. - All | Chevron U.S.A. Inc. | None | Chevron U.S.A. Inc. 100% |
| 5 | <u>Federal Lands</u> <u>T25S, R27E, N.M.P.M.</u> Section 35: SE/4 | 160 | NMNM 114968 Effective November 20, 2005 HBP | 12.5% Royalty U.S.A. - All | Mewbourne Oil Co. Oxy Y-1 Company | Oxy Y-1 Company EOG Resources, Inc. | Chevron U.S.A. Inc. 100% |
| 6 | <u>State Lands</u> <u>T25S, R27E, N.M.P.M.</u> Section 26: E/2NW/4, E/2SE/4, NW/4SE/4 | 200 | VB-0734 Effective August 1, 2005 HBP | 18.75% Royalty State of New Mexico - All | Chevron U.S.A. Inc. | None | Chevron U.S.A. Inc. 100% |

| TRACT NUMBER | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NUMBER & LEASE EXPIRATION DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD & PERCENTAGE | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------------|---|--------------------|---|--|----------------------------------|---------------------------------|----------------------------------|
| 7 | <u>State Lands</u> <u>T26S, R27E, N.M.P.M.</u> Section 2: W/2 | 320 | VB-1805 Effective February 1, 2010 HBP | 18.75% Royalty State of New Mexico - All | Chevron U.S.A. Inc. | None | Chevron U.S.A. Inc. 100% |
| 8 | <u>State Lands</u> <u>T26S, R27E, N.M.P.M.</u> Section 2: E/2 | 320 | VB-1796 Effective February 1, 2010 HBP | 18.75% Royalty State of New Mexico - All | Chevron U.S.A. Inc. | None | Chevron U.S.A. Inc. 100% |
| 9 | <u>State Lands</u> <u>T26S, R27E, N.M.P.M.</u> Section 12: NW/4SW/4 | 40 | VB-2123 Effective January 1, 2012 Primary Term | 18.75% Royalty State of New Mexico - All | Chevron U.S.A. Inc. | None | Chevron U.S.A. Inc. 100% |

| TRACT NUMBER | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NUMBER & LEASE EXPIRATION DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD & PERCENTAGE | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|--|---|--------------------|--|--|----------------------------------|---------------------------------|--|
| 10 | <u>State Lands</u> <u>T25S, R27E, N1M, P1M</u> Section 23: S/2 | 320 | VB-0994 Effective September 1, 2006 HBP | 18.75% Royalty State of New Mexico - All | Chevron U.S.A. Inc. | Chevron U.S.A. Inc. | Chevron U.S.A. Inc. Chevron Midcontinent, L.P. |
| | | | | | 100% | 6.2500% | 65.80% 34.20% |
| 11 | <u>State Lands</u> <u>T25S, R27E, N1M, P1M</u> Section 23: N/2 | 320 | VB-1005 Effective September 1, 2006 HBP | 18.75% Royalty State of New Mexico - All | Chevron U.S.A. Inc. | Chevron U.S.A. Inc. | Chevron U.S.A. Inc. Chevron Midcontinent, L.P. |
| | | | | | 100% | 6.2500% | 65.80% 34.20% |
| 12 | <u>Federal Lands</u> <u>T26S, R27E, N1M, P1M</u> Section 11: E/2 Section 14: E/2 | 320 | NMNM 138828 Effective November 1, 2018 Primary Term | 12.5% Royalty U.S.A. - All | Chevron U.S.A. Inc. | None | Chevron U.S.A. Inc. |
| | | | | | 100% | | 100% |
| 6 FEDERAL TRACTS TOTALING 4,880 ACRES OR 76.25% OF THE UNIT AREA | | | | | | | |
| 6 STATE TRACTS TOTALING 1,520 ACRES OR 23.75% OF THE UNIT AREA | | | | | | | |

12 TRACTS TOTALING 6,400 ACRES IN THE UNIT AREA

RECAPITULATION

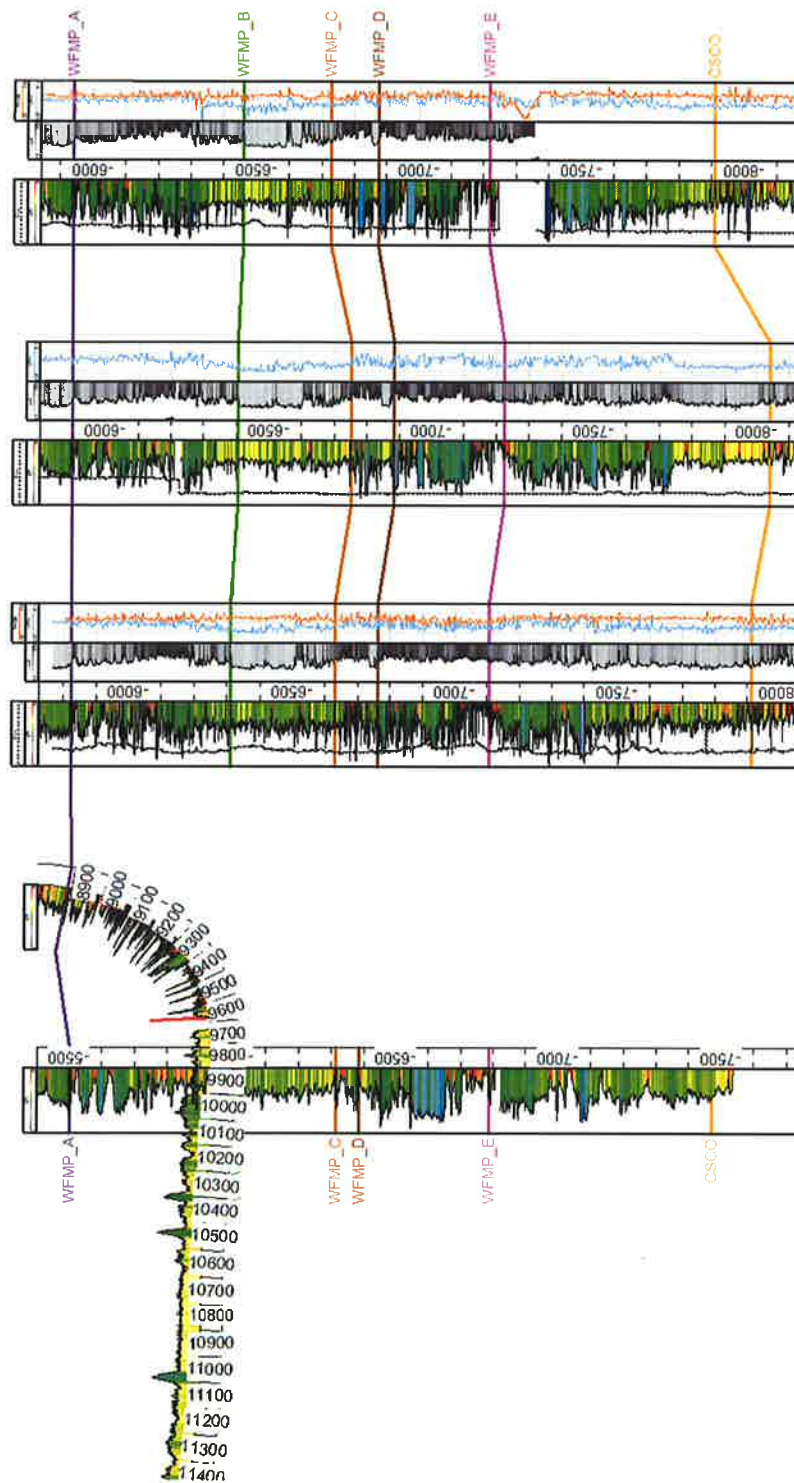
| Tract No. | No. Acres Committed | Percentage of Interest in Unit Area |
|--------------|------------------------|--|
| 1 | 920 | 14.37500% |
| 2 | 560 | 8.75000% |
| 3 | 680 | 10.62500% |
| 4 | 1920 | 30.00000% |
| 5 | 160 | 2.50000% |
| 6 | 200 | 3.12500% |
| 7 | 320 | 5.00000% |
| 8 | 320 | 5.00000% |
| 9 | 40 | 0.62500% |
| 10 | 320 | 5.00000% |
| 11 | 320 | 5.00000% |
| 12 | 640 | 10.00000% |
| TOTAL | 6,400 | 100.00000% |

End of Exhibit "B"

EXHIBIT "C" - STRATIGRAPHIC TYPE LOG

Cicada Unit Area

Eddy County, New Mexico



Cross section from southwest to northeast across proposed unit showing the correlation from Wolfcamp top to Wolfcamp base (Cisco Fm.)

Case No. 15845



August 16, 2019

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: AFFECTED PARTIES

**Re: Application of Chevron U.S.A. Inc. for Approval of the Expansion of the
Cicada Unit, Eddy County, New Mexico.
Cicada Unit Expansion Area**

Ladies & Gentlemen:

This letter is to advise you that Chevron U.S.A. Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on September 5, 2019, and the status of the hearing can be monitored through the Division's website at <http://www.emnrd.state.nm.us/ocd/>. Division hearings will commence at 8:15 a.m. in Porter Hall at the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

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

If you have any questions about this matter, please contact Chris Cooper at (713) 372-6778 or ChrisCooper@chevron.com.

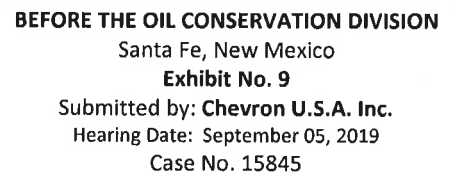
Sincerely,

Michael H. Feldewert
ATTORNEY FOR CHEVRON U.S.A. INC.

Postal Delivery Report
Chevron - Cicada Unit
Case No. 15845

| TrackingNo | ToName | DeliveryAddress | City | Stat | Zip | USPS_Status |
|----------------------------|---------------------------------|-----------------------------|----------|------|----------------|---|
| 94148108987650 41516999 | Mewbourne Oil Company | 500 W Texas Ave Ste 1020 | Midland | TX | 79701- 4279 | Your item was delivered to an individual at the address at 3:11 pm on August 19, 2019 in MIDLAND, TX 79701. |
| 94148108987650 41517002 | OXY Y-1 Company | 5 Greenway Plz Ste 110 | Houston | TX | 77046- 0521 | Your item was delivered at 6:23 am on August 20, 2019 in HOUSTON, TX 77027. |
| 94148108987650 41517019 | EOG Resources, Inc. | 5509 Champions Dr | Midland | TX | 79706- 2843 | Your item was delivered at 7:39 am on August 20, 2019 in MIDLAND, TX 79702. |
| 94148108987650 41517026 | New Mexico State Land Office | PO Box 1148 | Santa Fe | NM | 87504- 1148 | Your item was delivered at 11:08 am on August 19, 2019 in SANTA FE, NM 87501. |
| 94148108987650 41517033 | Bureau of Land Management | 301 Dinosaur Trl | Santa Fe | NM | 87508- 1560 | Your package will arrive later than expected, but is still on its way. It is currently in transit to the next facility. |

© 2019 Chevron



Cicada Unit Area
Eddy County, New Mexico

<2.4900> **<1.42MI>** **<0.79MI>** **<3.03MI>**

WELCH UNIT **COTTON HILLS 21 25 27 FED COM** **HAY HOLLOW U** **HAY HOLLOW 25 STA**

1A **1H** **1** **1**

30015011550000 **30015213560000** **30015213560000** **30015226100000**

ELEV_KB 3.253 **ELEV_KB 3.144** **ELEV_KB 3.230** **ELEV_KB 3.052**

TD -12.820 **TD -13.037** **TD -12.966** **TD -12.960**

WFMP_A **WFMP_C** **WFMP_D** **WFMP_E** **CS CO**

11400 **11300** **11200** **11100** **11000** **10900** **10800** **10700** **10600** **10500** **10400** **10300** **10200** **10100** **10000** **9900** **9800** **9700** **9600** **9500** **9400** **9300** **9200** **9100** **9000** **8900** **8800** **8700** **8600** **8500** **8400** **8300** **8200** **8100** **8000**

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Top Wolfcamp A Structure Map (TVDSS), all wells displayed



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

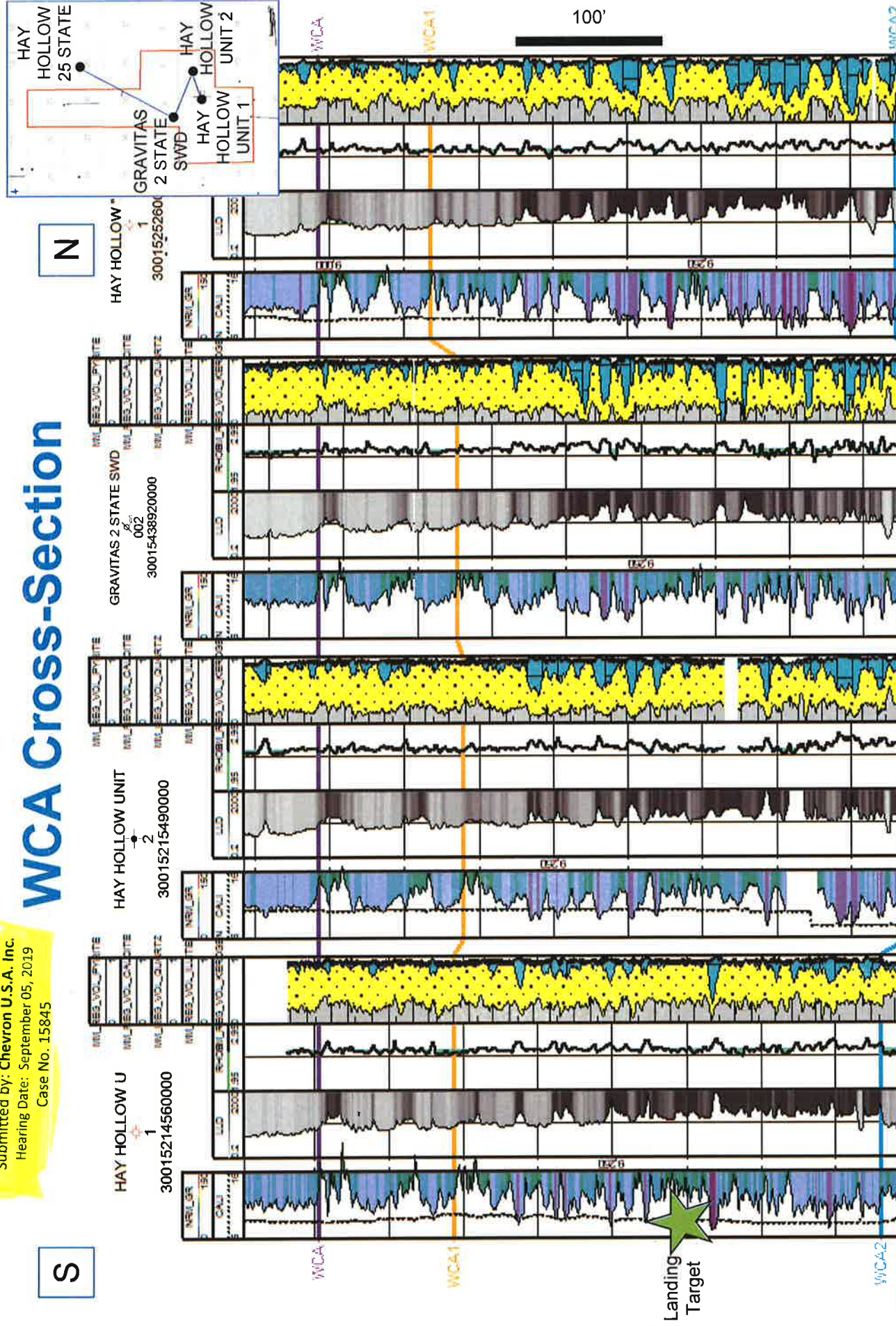
Exhibit No.11

Submitted by: **Chevron U.S.A. Inc.**

Hearing Date: September 05, 2019

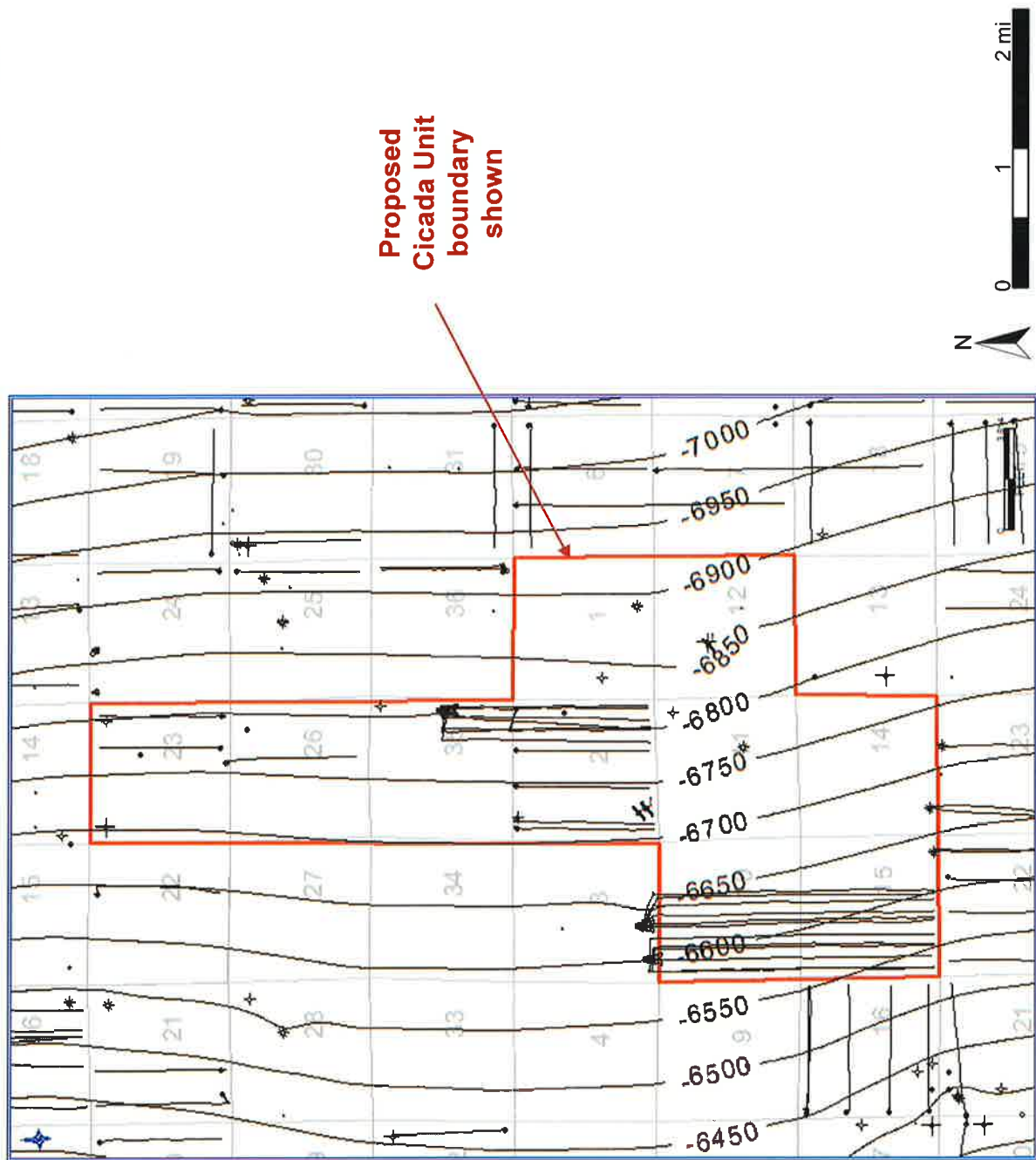
Case No. 15845

WCA Cross-Section

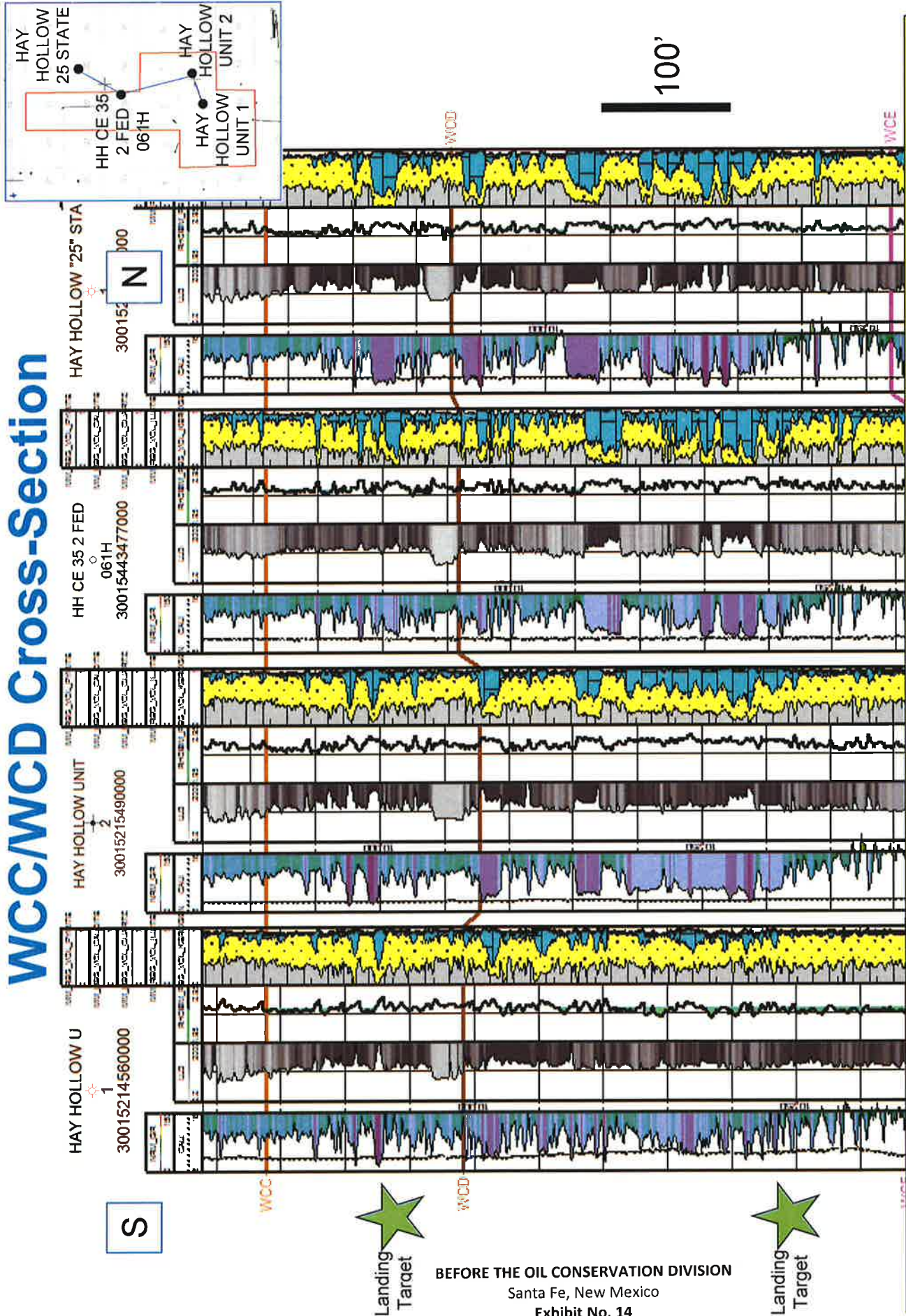


WCA has multiple potential targets. Most wells in this area have targeted the WCA1 (WCA shale). Above the WCA1, the X-Y sands are also prospective.

Top Wolfcamp D Structure Map (TVDSS), all wells displayed



WCC/WCD Cross-Section



WCD is a thick interval, composed of clay rich abyssal plane, overlain by thick debrites (limestone). WCC is a calciturbidite interval overlying the WCD.