

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address ConocoPhillips Company P. O. Box 2197, WL3 6106 Houston TX 77252		² OGRID Number 217817
		³ API Number 30 - 025 - 36624
³ Property Code 31667	⁵ Property Name Hardy 36 State	⁶ Well No. 28

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	36	20S	37E		2374	North	511	East	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	36	20S	37E		2000	North	175	East	

⁹ Proposed Pool 1 Hardy; Strawn, North 96893	¹⁰ Proposed Pool 2
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¹¹ Work Type Code New Well	¹² Well Type Code Oil	¹³ Cable/Rotary	¹⁴ Lease Type Code State	¹⁵ Ground Level Elevation 3494
¹⁶ Multiple N	¹⁷ Proposed Depth 8000	¹⁸ Formation Strawn	¹⁹ Contractor	²⁰ Spud Date 04/01/2004

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12.25"	8.625"	24#	1500'	695	0
7.875"	5.5"	17#	8094'	1395	

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone.
Describe the blowout prevention program, if any. Use additional sheets if necessary.

This well will be directionally drilled. Attachments include: plat designating project area as per Rule 111, the approved Communitization Agreement between the State Land Office and the BLM, the proposed directional and cement plan.

**Permit Expires 1 Year From Approval
Date Unless Drilling Underway**

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Yolanda Perez</i> Printed name: Yolanda Perez Title: Sr. Regulatory Analyst E-mail Address: yolanda.perez@conocophillips.com Date: 3/3/04 Phone: (832)486-2320		OIL CONSERVATION DIVISION Approved by: <i>[Signature]</i> Title: PETROLEUM ENGINEER Approval Date: MAR 08 2004 Expiration Date: Conditions of Approval: Attached <input type="checkbox"/>	
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DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-36624	Pool Code 96893	Pool Name Hardy; Strawn, North
Property Code 31667	Property Name HARDY STATE "36"	Well Number 28
OGRID No. 217817	Operator Name ConocoPhillips	Elevation 3494'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	36	20 S	37 E		2374	NORTH	511	EAST	LEA

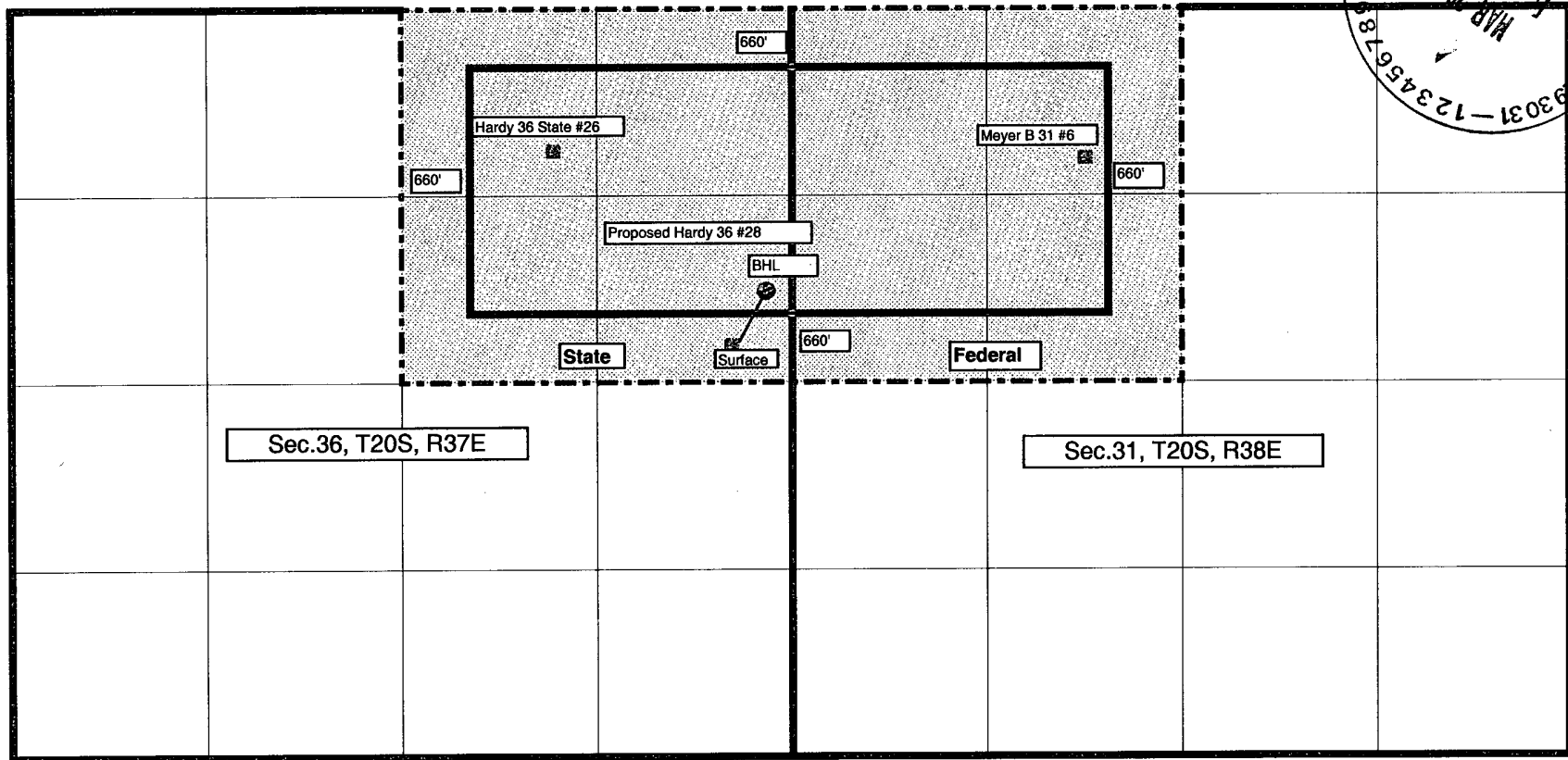
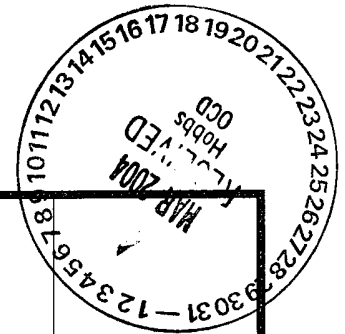
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	36	20S	37E		2000	north	175	east	Lea
Dedicated Acres 320.3	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

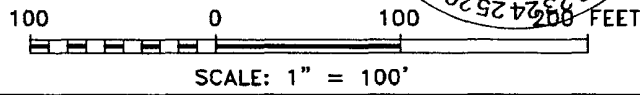
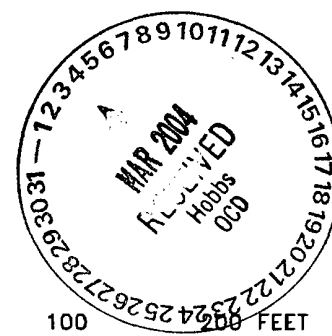
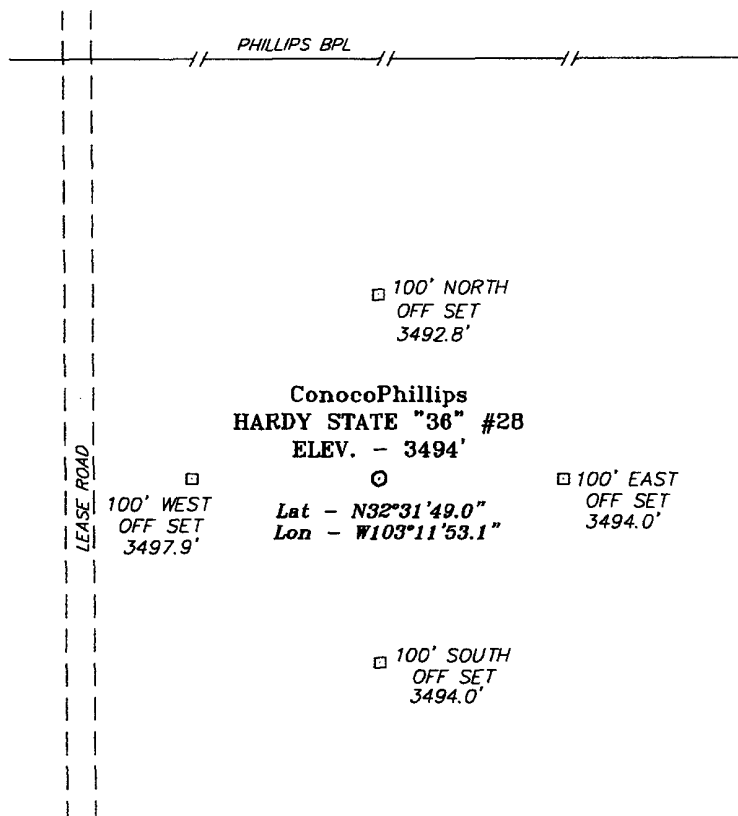
	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>Yolanda Perez</u> Signature <u>Yolanda Perez</u> Printed Name <u>Sr. Regulatory Analyst</u> Title <u>3/3/04</u> Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. <u>JUNE 9 2003</u> Date Surveyed <u>GARY L. JONES</u> Signature Seal of Professional Surveyor <u>No. 3319</u> Certificate No. <u>7977</u> BASIN SURVEYS

**PROPOSED HARDY 36 STATE #28 PLAT
NORTH HARDY STRAWN POOL**



Hardy 36 State #28 proposed Surface Location at 2374' FNL & 511' FEL & Bottomhole Location at 1950' FNL & 175' FEL
 We are proposing the green area to be the project area for the Hardy 36 State #28 directional well.
 Interior to red outline designates legal location for proposed well.
 * Well placements are approximate.

**SECTION 36, TOWNSHIP 20 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.**



DIRECTIONS TO WELL LOCATION:

ON STATE HWY #8 AT MILE MARKER #11, GO EAST ON
CO. RD. E-49 FOR 3.2 MILES; THENCE 0.4 MILE
NORTHEAST; THENCE NORTH FOR 0.4 MILE TO THE
PROPOSED LOCATION.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 3319 Drawn By: **K. GOAD**

Date: 06-16-2003 Disk: KJG CD#6 - 3319A.DWG

ConocoPhillips

REF: HARDY STATE "36" No. 28 / Well Pad Topo

THE HARDY STATE "36" No. 28 LOCATED 2374' FROM THE
NORTH LINE AND 511' FROM THE EAST LINE OF
SECTION 36, TOWNSHIP 20 SOUTH, RANGE 37 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 06-09-2003 Sheet 1 of 1 Sheets

HALLIBURTON

ConocoPhillips

DrillQuest

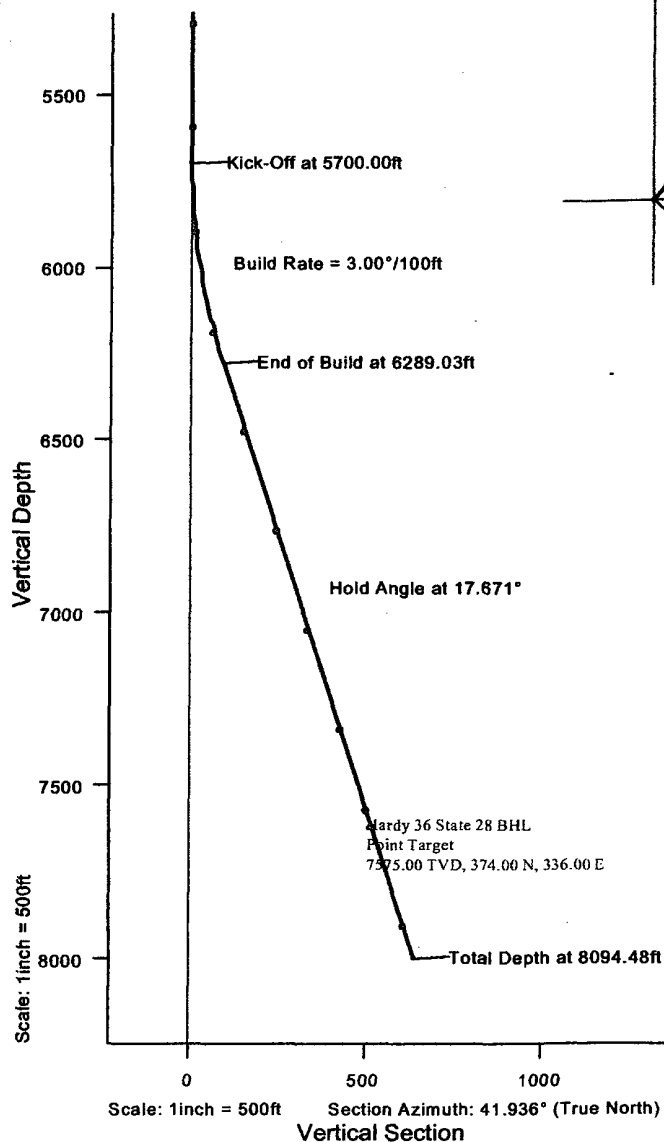
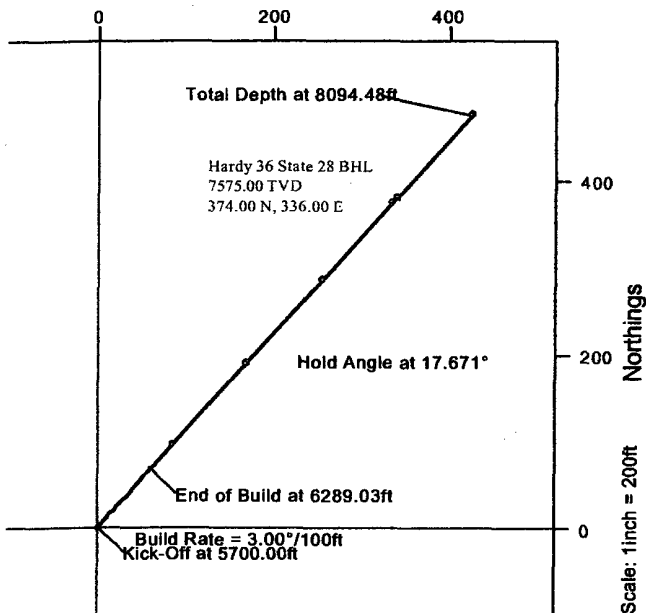
Sperry-Sun

New Mexico
Lea County
Unknown
Hardy 36 State # 28
Plan 06/25/03



Scale: 1 inch = 200ft

Eastings

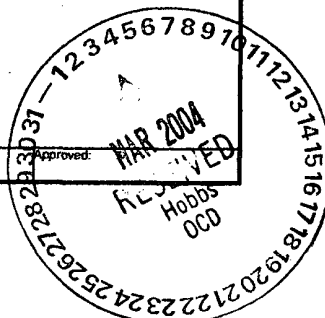


DrillQuest 3.03.05.001

Prepared by:
AdminDate/Time:
25 June, 2003 - 14:53

Checked:

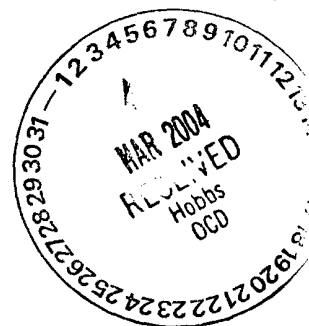
Approved:



Surface Casing					0 - 1500 ft	
O.D. (in)	Weight (ppf)	I.D. (in)	Drift (in)	Grade	Conn	Conn OD (in)
8.625	24.00	8.097	7.972	J-55	ST&C	9.625
Collapse (psi)	Burst (psi)	Tensile - Tube/Conn (K-lbs)			PSI Test (psi)	Rating
1290	2760	276 / 176				PPCO
1370	2950	381 / 244			2650	API
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)			Maximum Torque (ft-lbs)	
1830		2440			3050	

Interval (ft)	0 - 1000	1000 - 1500
Spacer	40 bbls FW	
Slurry	Lead	Tail
Composition	35:65 Poz:Class C + 5% D44 (bwow) + 6% D20 + 2% S1 + 0.25 pps D29	Class C + 2% S1 + 0.25 pps D29
Density (ppg)	12.4	14.8
Yield (ft3 / sx)	2.17	1.34
Sacks		320 (100% excess)
Mix Water (gps)	12.05	6.29
Thick Time (hrs:min)	5:10	4:15
Comp Strength (psi)	12 hrs = 200 psi, 72 hrs = 596 psi	12 hrs = 604 psi, 72 hrs = 1250 psi
Free Water (%)	<0.4% (1.0 ml/250 ml)	0.2% (0.5 ml/250 ml)
Fluid Loss (cc)	40	806

D44 = Salt, D20 = Gel, S1 = Accel, D29 = LCM



Production Casing				0 – 8094		
O.D. (in)	Weight (ppf)	I.D. (in)	Drift (in)	Grade	Conn	Conn OD (in)
5.500	17.00	4.892	4.767	L-80	LT&C	6.050
Collapse (psi)	Burst (psi)	Tensile – Tube/Conn (K-lbs)		PSI Test (psi)		Rating
6290	7740	397 / 338		6950		API
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)		Maximum Torque (ft-lbs)		
2560		3410		4260		

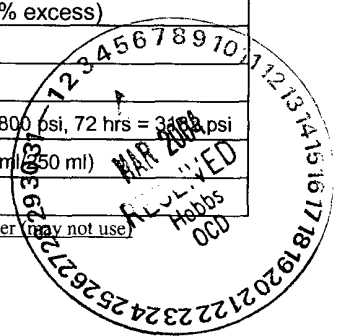
Multi-Stage Production Casing Cement Plan

1 st Stage (based on 8094' TD w/ DV 4050')		
Interval (ft)	4050 – 8094	
Spacer	24 bbls Zonelock SC	
Slurry	Lead	Tail
Composition	50:50 Poz:Class H + 5% D44 (bwow) + 2% D20 + 5 pps D42 + 0.25% D65 + 0.2% D46 + 0.2% D167 + 0.25 pps D29	
Density (ppg)	13.2	
Yield (ft ³ / sx)	1.68	
Sacks	805 (100% excess)	
Mix Water (gps)	8.25	
Thick Time (hrs:min)	5:00	
Comp Strength (psi)	24 hrs = 845 psi, 72 hrs = 1284 psi	
Free Water (%)	(3 ml/250 ml)	
Fluid Loss (cc)	1053 mL	

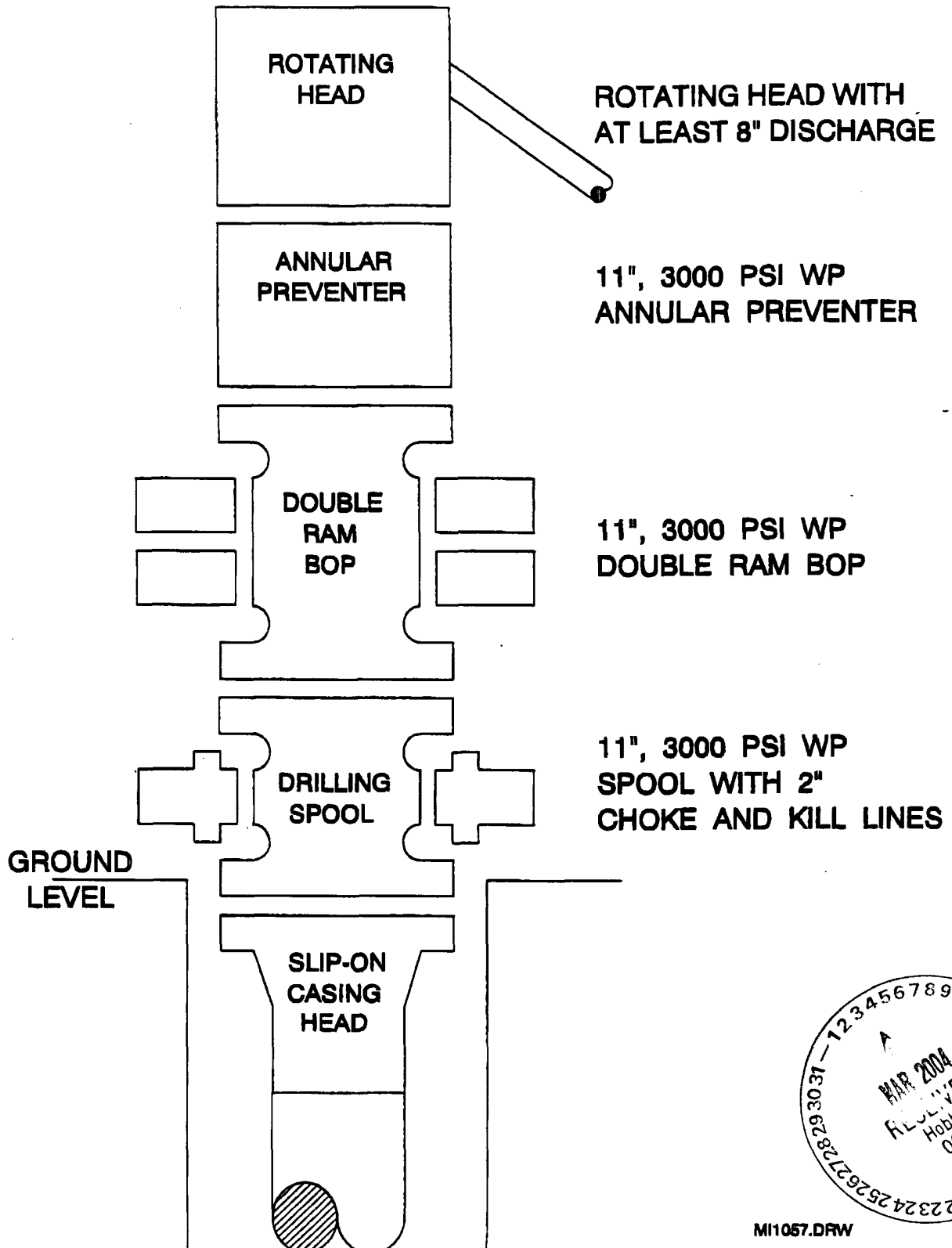
D44 = Salt, D20 = Gel, D42 = Ext, D46 = Anti-foam, D167 = FLA, D29 = LCM

2 nd Stage (based on 8094' TD w/ DV 4050')		
Interval (ft)	0 – 3500	3500 – 4050 (550' of tail)
Spacer	24 bbls Zonelock SC	
Slurry	Lead	Tail
Composition	35:65 Poz:Class C + 5% D44 (bwow) + 6% D20 + 0.25 pps D29 + 0.3% B159	Class C Neat
Density (ppg)	12.4	14.8
Yield (ft ³ / sx)	2.15	1.32
Sacks	490 (100% excess)	100 (100% excess)
Mix Water (gps)	12.05	6.31
Thick Time (hrs:min)	4:40	3:20
Comp Strength (psi)	24 hrs = 280 psi, 72 hrs = 435 psi	24 hrs = 2800 psi, 72 hrs = 3468 psi
Free Water (%)	0% (0 ml/250 ml)	1.2% (3.0 ml/250 ml)
Fluid Loss (cc)	292	1466

D13 = Retarder, D44 = Salt, D20 = Gel, D29 = LCM, B159 = Extender (may not use)

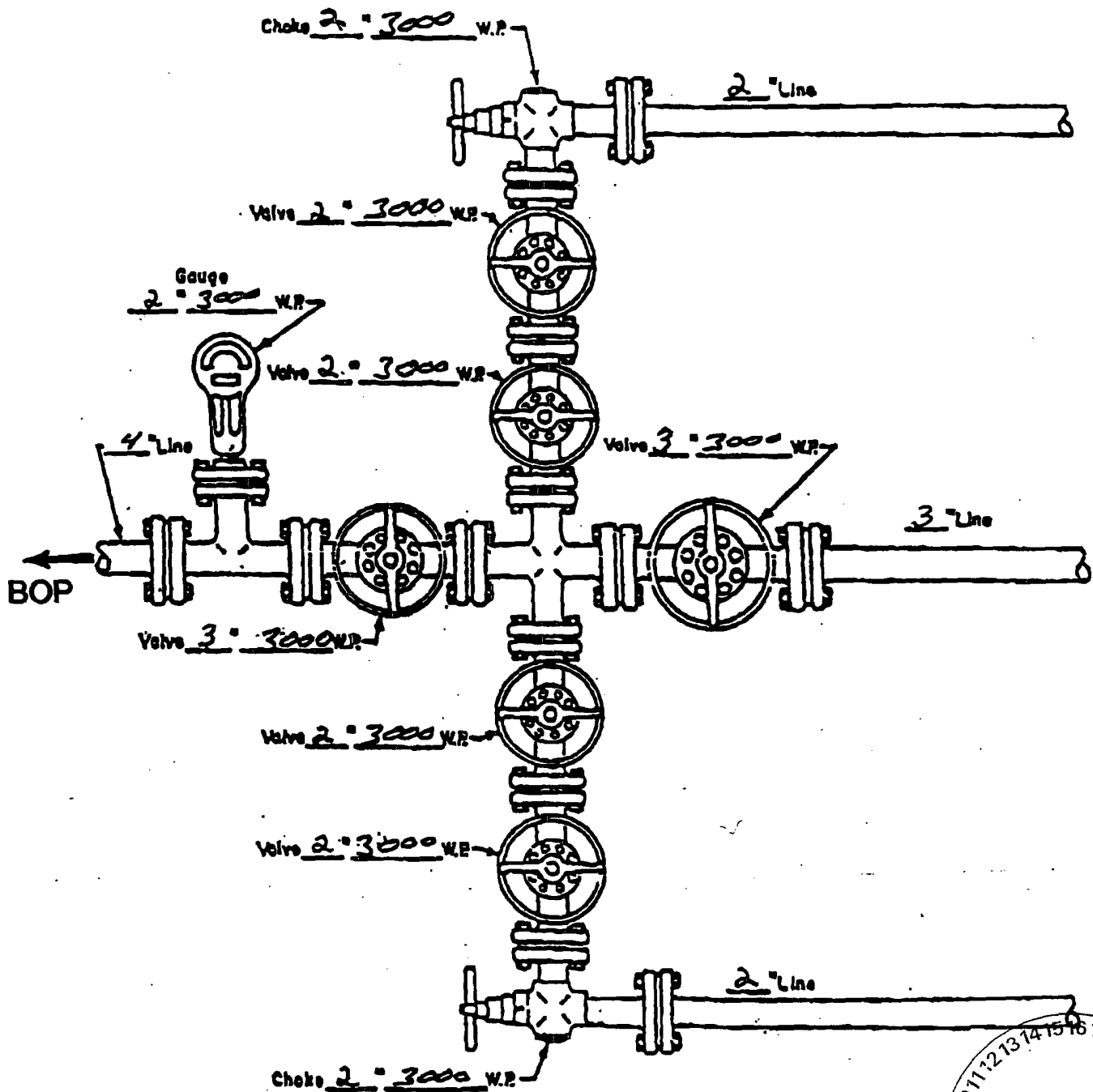


BOP SPECIFICATIONS



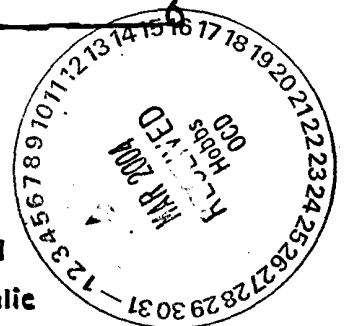
MI1057.DRW

CHOKE MANIFOLD DIAGRAM



MANIFOLD
3000 #W.P.

- ☒ Manual
- ☐ Hydraulic



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

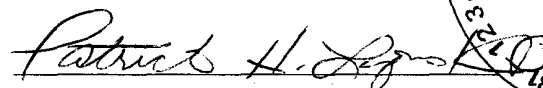
ConocoPhillips
Hardy 36 State Well No. 28
Lea County, New Mexico
NE4, Section 36, Township 20 South, Range 37 East, and NW4 Section 31, Township 20 South, Range 38 East
Strawn

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **January 1, 2004** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

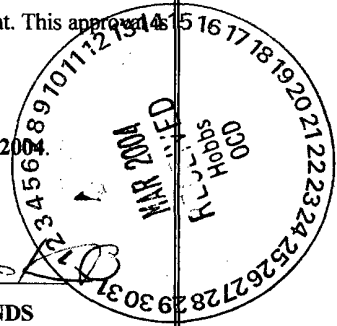
NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 13th day of February, 2004.



COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico





United States Department of the Interior

BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019

IN REPLY REFER
NMNM111024
3105.2 (06300)

ConocoPhillips
Attention: Linda H. Hicks
P. O. Box 2197
Houston, TX 77251-2197

FEB 17 2004

Dear Ms. Hicks:

Enclosed is one approved copy of Communitization Agreement NMNM111024, involving 80.00 acres of land in Federal lease NM-2511, 80.30 acres of land in Federal lease LC-031696-B, and 160.00 acres of State land in Lea County, New Mexico, comprising a 320.30 acre well spacing unit.

The agreement communitizes all rights as to oil, natural gas, and associated liquid hydrocarbons producible from the Strawn formation in the NE1/4 section 36, T. 20 S., R. 37 E., and lots 1, 2, E1/2NW1/4 section 31, T. 20 S., R. 38 E., NMPM, and is effective January 1, 2004.

Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

/s/ Larry D. Bray

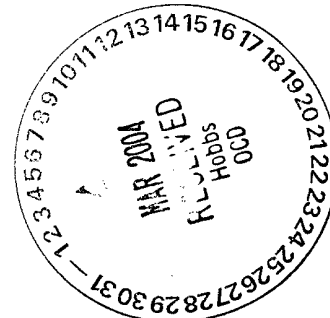
Larry D. Bray
Assistant Field Manager,
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

MMS, Denver (357B-1, G. Ryer/C. Rood)
Commissioner of Public Lands, Santa Fe
NM Taxation & Revenue Dept. (Revenue Processing Div.)
Attention: Maureen Pasquier
P. O. Box 2308
Santa Fe, NM 87504
NMSO (92000)
NM (08000, C. Queen)
NM (08010, D. Parker)
NM (06300, ML Ormseth) (copy of signed Comm)
Lease File - NM-2511, LC-031696-B

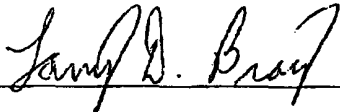


Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement covering the NE1/4 section 36, T. 20 S., R. 37 E., and lots 1, 2, E1/2NW1/4 section 31, T. 20 S., R. 38 E., NMPM, Lea County, New Mexico, as to oil, natural gas, and associated liquid hydrocarbons producible from the Strawn formation. This approval will become invalid if the public interest requirements under section 3105.2-3(e) are not met.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

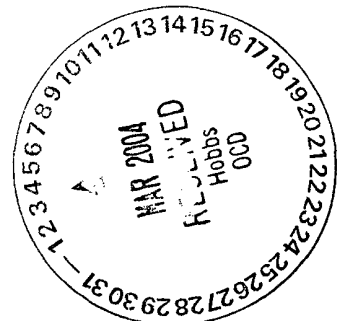
Approved: February 17, 2004



Authorized Officer

Effective: January 1, 2004

Contract No.: Com. Agr. NMNM111024



COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

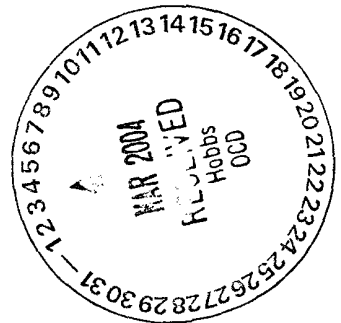
NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 20 South, Range 37 East, N.M.P.M.
Section 36: NE/4

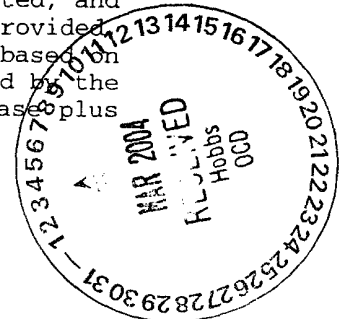
Township 20 South, Range 38 East, N.M.P.M.
Section 31: Lots 1 and 2, E/2 NW/4

Lea County, New Mexico



containing 320.30 acres, more or less, and this agreement shall include only the Strawn formation(s) underlying said lands, and the oil, natural gas and associated liquid hydrocarbons, hereinafter referred to as communitized substances, producible from such formation.

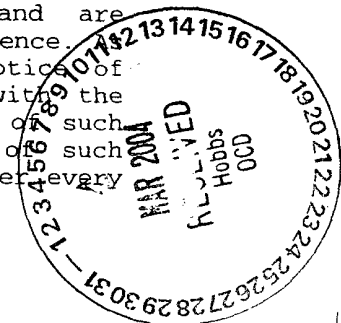
2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.



7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.

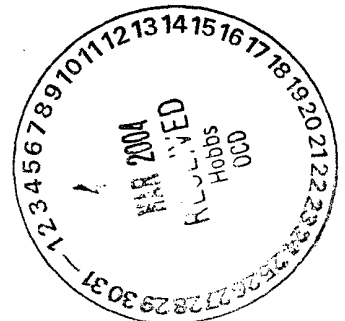
10. The date of this agreement is January 1 2004,
(Month) (day) (year)

and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every



thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.
12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of 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.



IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

DATE: 1/23/04

CONOCOPHILLIPS COMPANY, OPERATOR

BY: J. P. Gregory
J. P. Gregory, Attorney-in-Fact *llh*

WORKING INTEREST OWNERS

BP AMERICA PRODUCTION COMPANY

BY: [Signature]

NAME: Robert C. Hagens

TITLE: Attorney-in-Fact

DATE: _____

CHEVRON U.S.A. INC.

BY: _____

NAME: _____

TITLE: _____

DATE: _____

STATE OF TEXAS

SS

COUNTY OF HARRIS

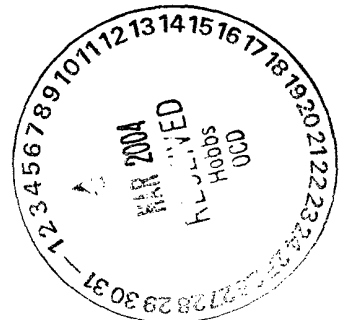
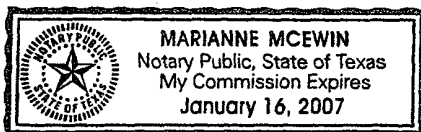
SS

The foregoing instrument was acknowledged before me this 23rd day of January, 2004, by J. P. GREGORY as Attorney-in-Fact on behalf of CONOCOPHILLIPS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

1/16/07

Marianne McEwin
NOTARY PUBLIC in and for State of Texas
County, Harris
(Typed Name) Marianne McEwin



STATE OF _____ SS

COUNTY OF _____ SS

The foregoing instrument was acknowledged before me on this ____ day of January, 2004, by Charles D. Frisbie, Attorney-in-Fact for CHEVRON U.S.A. INC., a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

NOTARY PUBLIC in and for

County, _____

(Typed Name) _____

STATE OF TEXAS SS

COUNTY OF HARRIS SS

FEB (HK2) The foregoing instrument was acknowledged before me on this 4 day of ~~January~~, 2004, by Robert C. HAGENS, Attorney-in-Fact for BP America Production Company, a Delaware corporation, on behalf of said corporation.

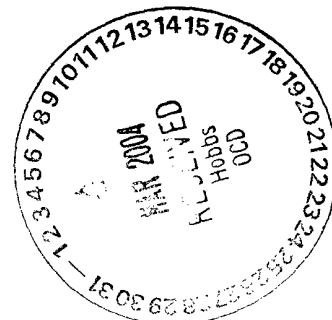
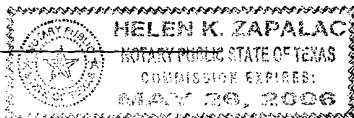
My Commission Expires:

Helen K. Zapalac

NOTARY PUBLIC in and for

County, _____

(Typed Name) _____



IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

DATE: 1/23/04

CONOCOPHILLIPS COMPANY, OPERATOR

BY: J. P. Gregory
J. P. Gregory, Attorney-in-Fact mt

WORKING INTEREST OWNERS

BP AMERICA PRODUCTION COMPANY

BY: _____

NAME: _____

TITLE: _____

DATE: _____

CHEVRON U.S.A. INC.

BY: Charles D. Frisbie

NAME: Charles D. Frisbie

TITLE: Attorney-in-Fact

DATE: February 9, 2004

STATE OF TEXAS

SS

COUNTY OF HARRIS

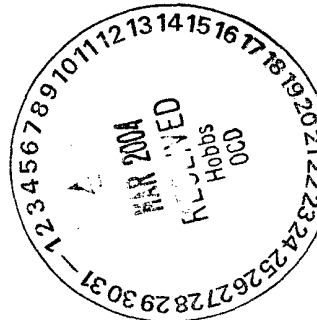
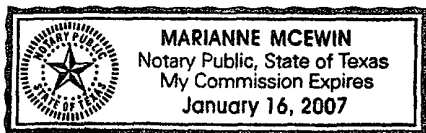
SS

The foregoing instrument was acknowledged before me this 23rd day of January, 2004, by J. P. GREGORY as Attorney-in-Fact on behalf of CONOCOPHILLIPS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

1/16/07

Marianne McEwin
NOTARY PUBLIC in and for State of
County, TEXAS
(Typed Name) Marianne McEwin



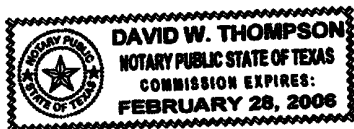
STATE OF TEXAS SS

COUNTY OF MIDLAND SS

The foregoing instrument was acknowledged before me on this 9th day of ~~February~~ January, 2004, by Charles D. Frisbie, Attorney-in-Fact for CHEVRON U.S.A. INC., a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

2/28/2006



David W. Thompson
NOTARY PUBLIC in and for
____ County, State of Texas
(Typed Name) David W. Thompson

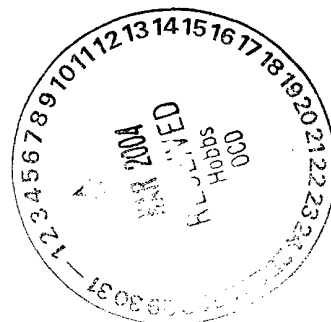
STATE OF _____ SS

COUNTY OF _____ SS

The foregoing instrument was acknowledged before me on this ____ day of January, 2004, by _____, Attorney-in-Fact for BP America Production Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

NOTARY PUBLIC in and for
____ County, _____
(Typed Name) _____



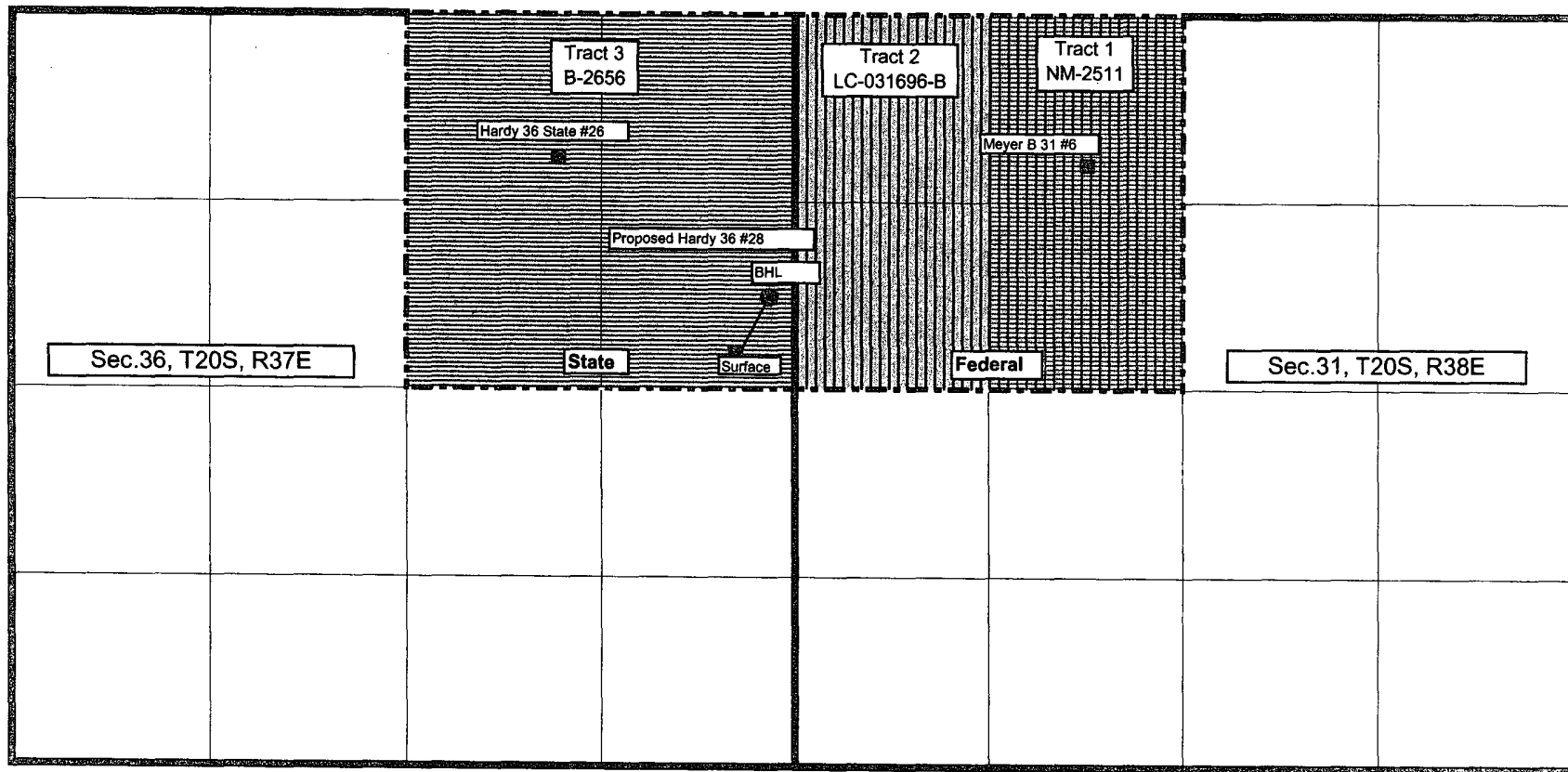


EXHIBIT "B"

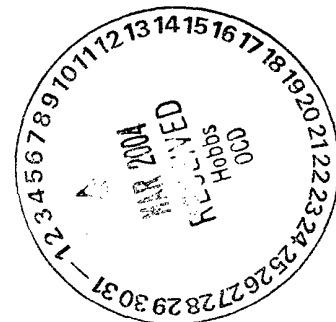
To Communitization Agreement dated January 1, 2004, embracing NE/4 of Section 36, T-20-S, R-27-E, N.M.P.M., and Lots 1, 2, E/2 NW/4 Section 31, T-20-S, R-28-E, N.M.P.M., Lea County, New Mexico.

Operator of Communitized Area:

CONOCOPHILLIPS COMPANY

DESCRIPTION OF LEASES COMMITTED
Tract No. 1

Lease Serial No.: NM-2511
Lease Date: September 7, 1934
Lease Term:
Lessor: United States of America
Original Lessee: Sophia Meyer
Present Lessee: Sophia Meyer
Description of Land Committed:
Township 20 South, Range 38 East, Section 31: E/2 NW/4
Number of Acres: 80.00
Royalty Rate: Sliding scale- Schedule D
Name and Percent ORRI Owners: None
Name and Percent WI Owners: ConocoPhillips Company - 50%
Chevron U.S.A. Inc. - 25%
BP America Production Company - 25%

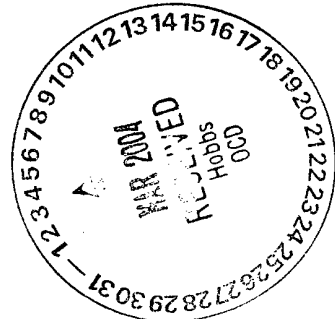


Tract No. 2

Lease Serial No.: LC-031696 (B)
Lease Date: September 7, 1934
Lease Term:
Lessor: United States of America
Original Lessee: Sophia Meyer
Present Lessee: Sophia Meyer
Description of Land Committed:
Township 20 South, Range 38 East, Section 31: Lots 1 and 2
Number of Acres: 80.30
Royalty Rate: Sliding scale Schedule D
Name and Percent ORRI Owners: None
Name and Percent WI Owners: ConocoPhillips Company - 50%
Chevron U.S.A. Inc. - 25%
BP America Production Company - 25%

Tract No. 3

Lease Serial No.: B-2656
Lease Date: September 23, 1933
Lease Term:
Lessor: State of New Mexico
Original Lessee: Continental Oil Company
Present Lessee: ConocoPhillips Company
Description of Land Committed:
Township 20 South, Range 37 East, Section 36: NE/4
Number of Acres: 160.00
Royalty Rate: 12.5%
Name and Percent ORRI Owners: None
Name and Percent WI Owners: ConocoPhillips Company 100%



RECAPITULATION

Tract No.	No. of Acres Committed	Percentage of Interest in Communitized Area
1	80.00	24.98%
2	80.30	25.07%
3	160.00	49.95%

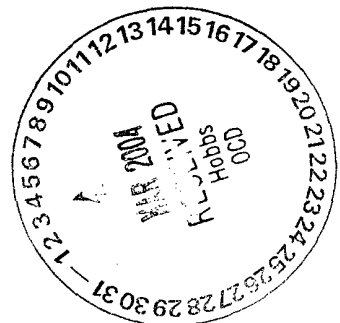


ADDENDUM TO COMMUNITIZATION AGREEMENT DATED January 1, 2004
EMBRACING NE/4 SECTION 36, T-20-S, R-37-E, N.M.P.M. AND
LOTS 1, 2, E/2 NW/4 SECTION 31, T-20-S, R-38-E, N.M.P.M.
LEA COUNTY, NEW MEXICO

This Communitization Agreement pertains to the drilling of the Hardy 36 State #28 well to be drilled as a directional well pursuant to State of New Mexico Oil Conservation Division Rule 19.15.3.111 for Deviation Tests and Directional Wells - copy attached.

There have been significantly larger withdrawals from the NM State "Hardy 36 State" Lease than observed from the Meyer B-31 Federal Lease. From seismic interpretation, the North Hardy Strawn appears to be compartmentalized by geologic features or flow units. This has been corroborated with historic pressure data between offsetting wells. However, the seismic data suggests multiple geologic features in the area of the proposed Hardy 36 State #28 directional well. As to which or all of these seismic features provide a pressure barrier is unknown at this time. Based on drainage patterns honoring the seismic features and historic pressures, ConocoPhillips Company's best estimate of the recoverable reserves from the proposed Hardy 36 State #28 are equally distributed between the Hardy 36 State Lease (NE/4 Sec. 36, T20S, R37E) and the Meyer B-31 Lease (Lots 1, 2, E/2 NW/4 Sec. 31, T20S, R38E). However, due to acreage differences, in the Communitization Agreement, the production is allocated 49.95% to the Hardy 36 State Lease and 50.05% to the Meyer B-31 Federal Leases.

Only the production from the Hardy 36 State #28 will be subject to this Communitization Agreement.



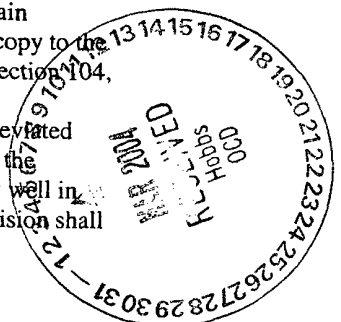
19.15.3.111 DEVIATION TESTS AND DIRECTIONAL WELLS

A. Definitions - the following definitions shall apply to Section 111 of 19.15.3 NMAC only:

- (1) Azimuth - the deviation in the horizontal plane of a wellbore expressed in terms of compass degrees.
- (2) Deviated Well - any wellbore which is intentionally deviated from vertical but not with an intentional azimuth. Any deviated well is subject to Section 111, Subsection B of 19.15.3 NMAC.
- (3) **Directional Well - a wellbore which is intentionally deviated from vertical with an intentional azimuth. Any directional well is subject to Section 111, Subsection C of 19.15.3 NMAC.**
- (4) Kick-off Point - the point at which the wellbore is intentionally deviated from vertical.
- (5) Lateral - any portion of a wellbore past the point where the wellbore has been intentionally departed from the vertical.
- (6) Penetration Point - the point where the wellbore penetrates the top of the pool from which it is intended to produce.
- (7) **Producing Area - the area that lies within a window formed by plotting the measured distance from the North, South, East and West boundaries of a project area, inside of which a vertical wellbore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing unit for the applicable pool(s).**
- (8) Producing Interval - that portion of the wellbore drilled inside the vertical limits of a pool, between its penetration point and its terminus.
- (9) **Project Area - an area designated on Form C-102 that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units, or an approved secondary, secondary, tertiary or pressure maintenance project.**
- (10) Project Well - any well drilled, completed, produced or injected into as either a vertical well, deviated well or directional well.
- (11) Spacing Unit - the acreage that is dedicated or a well in accordance with Rule 104. Included in this definition is a "unit of proration for oil or gas" as defined by the Division and all non-standard such units previously approved by the Division.
- (12) Terminus - the farthest point attained along the wellbore.
- (13) Unorthodox - any part of the producing interval which is located outside of the producing area.
- (14) Vertical Well - a well that does not have an intentional departure or course deviation from the vertical.
- (15) Wellbore - the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted.

B. Deviated Wellbores

- (1) Deviation Tests Required. Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas.
- (2) Excessive Deviation. When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, the operator shall run a directional survey to establish the location of the producing interval(s).
- (3) Unorthodox Locations. If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the outer boundaries of the applicable unit, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Section 104, Subsection F, Paragraph (3) of 19.15.3 NMAC to obtain approval of the unorthodox location.
- (4) Directional Survey Requirements. Upon request from the Division Director, any vertical or deviated well shall be directionally surveyed. The appropriate Division District Office shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed.



C. Directional Wellbores

(1) **Directional Drilling Within a Project Area.** A permit to directionally drill a wellbore may be granted by the appropriate Division District Office if the producing interval is entirely within the producing area or at an unorthodox location previously approved by the Division. Additionally, if the project area consists of a combination of drilling units and includes any State or Federal acreage, a copy of the OCD Form C-102 shall be sent to the State Land Office or the Bureau of Land Management.

(2) **Unorthodox Wellbores.** If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Section 104, Subsection F, Paragraph (3) of 19.15.3 NMAC.

(3) **Allowables for Project Areas With Multiple Proration Units.** The maximum allowable assigned to the project area within a prorated pool shall be based upon the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore or wellbores. Such maximum allowable shall be applicable to all production from the project area, including any vertical wellbores on standard spacing units inside the project area.

(4) **Directional Surveys Required.** A directional survey shall be required on each well drilled under the provisions of this section. The appropriate Division District Office shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. If the directional survey indicates that any part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the outer boundary of the applicable unit, then the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Section 104, Subsection F, Paragraph (3) of 19.15.3 NMAC to obtain approval of the unorthodox location.

(5) **Re-entry of Vertical or Deviated Wellbores for Directional Drilling Projects.** These wellbores shall be considered orthodox provided the surface location is orthodox and the location of producing interval is within the tolerance allowed for deviated wellbores under Section 111, Subsection B, Paragraph (3) of 19.15.3 NMAC.

D. Additional Matters

(1) Directional surveys required under the provisions of Section 111 of 19.15.3 NMAC shall have shot points no more than 200 feet apart and shall be run by competent surveying companies that are approved by the Division Director. Exceptions to the minimum shot point spacing will be allowed provided the accuracy of the survey is still within acceptable limits.

(2) The Division Director, may, at his discretion, set any application for administrative approval whereby the operator shall submit appropriate information and give notice as requested by the Division Director. Unprotested applications may be approved administratively within 20 days of receipt of the application and supporting information. If the application is protested, or the Division Director decides that a public hearing is appropriate, the application may be set for public hearing.

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in Section 111 of 19.15.3 NMAC shall be granted only after notice and opportunity for hearing.

E. Reserved.

(1) Reserved.

(2) Reserved.

F. Reserved.

(1) Reserved.

(2) Reserved.

(3) Reserved.

[1-1-50; 8-28-62; 3-2-84; 7-26-95; 2-1-96; A, 7-31-97; 19.15.3.111 NMAC - Rn, 19 NMAC 15.C.111-15-01]

