

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING MARCH 10, 2026**

**CASE NO. 25610**

*POWDERHORN OPERATING, LLC:  
SUPER HORNES STATE COM 401H-404H WELLS*

*MARATHON OIL COMPANY:  
CAMPANA STATE COM 701H-702H & 901H-902H  
WC WELLS*

**EDDY COUNTY, NEW MEXICO**



**Marathon Oil<sup>®</sup>**

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

**APPLICATIONS OF COTERRA ENERGY  
OPERATING CO. FOR APPROVAL OF  
STANDARD HORIZONTAL SPACING  
UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**CASE NOS. 25980, 25981, & 25982**

**APPLICATIONS OF POWDERHORN OPERATING, LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**CASE NOS. 25610, 25753 & 25754**

**APPLICATIONS OF AVANT OPERATING II,  
LLC FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NOS. 25873 & 25874**

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**CASE NOS. 25873 & 25874**

**SELF-AFFIRMED STATEMENT OF SHELLEY KLINGLER**

1. My name is Shelley Klingler, and I am a Landman with Marathon Oil Permian, LLC (“Marathon”), now a wholly owned subsidiary of ConocoPhillips Company. My responsibilities include the Permian Basin of New Mexico.

2. I am familiar with Marathon’s plan of development and the competing pooling application filed by Powderhorn Operating, LLC (“Powderhorn”) in Case No. 25610 and the status of the lands in the subject area. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My resume is attached as **MRO Exhibit A-1**.

3. Marathon is designated operator of a contract area that covers the N/2 equivalent of irregular Section 2, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico, under a Joint Operating Agreement, dated January 1, 1976 (“Marathon’s JOA”). **MRO Exhibit A-2**. Marathon does not require force pooling to proceed with its development plan because 100%

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A  
Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026  
Powderhorn Case No. 25610**

of the working interest owners in the N/2 of irregular Section 2 are voluntarily committed to Marathon's JOA, which includes the Wolfcamp formation.

4. Under its full plan of development, Marathon proposes to create a 320.32-acre, more or less, standard horizontal well spacing unit comprised of the N/2 equivalent of irregular Section 2 and to dedicate this standard horizontal well spacing unit to the following proposed wells:

- **Campana State Com 701H** well, to be drilled from a surface location in the SE/4 NE/4 (Unit H) of irregular Section 2, a first take point in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, to a last take point in Lot 4 (NW/4 NW/4 equivalent) of irregular Section 2;
- **Campana State Com 901H** well, to be drilled from a surface location in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, a first take point in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, to a last take point in Lot 4 (NW/4 NW/4 equivalent) of irregular Section 2; and
- **Campana State Com 702H** and **Campana State Com 902H** wells, both to be drilled from surface locations in the SE/4 NE/4 (Unit H) of irregular Section 2, first take points in the SE/4 NE/4 (Unit H) of irregular Section 2, to last take points in the SW/4 NW/4 (Unit E) of irregular Section 2.

5. **MRO Exhibit A-3** contains Form C-102s excerpted from the Division-approved APDs for each of the wells proposed for Marathon's standard spacing unit. The forms reflect this acreage has been assigned by the Division to the Purple Sage; Wolfcamp (Gas) Pool (98220). The C-102s reflect that each of Marathon's proposed wells are projected to be drilled at standard locations under the special pool rules governing the Wolfcamp Purple Sage Pool.

6. No ownership depth severance exists in the Wolfcamp formation underlying the subject acreage.

7. **MRO Exhibit A-4** identifies the tract participation factor for each tract that comprises the proposed N/2 spacing unit under the terms of Marathon's JOA.

8. **MRO Exhibit A-5** identifies the interest owners in each tract, and their percentage of interest held by tract within the proposed N/2 spacing unit, as specified in Marathon's JOA. The second page of the exhibit provides a unit recapitulation, showing each owner's interest on a unit-wide basis.

9. **MRO Exhibit A-6** contains a sample well proposal letter and AFEs for each well that were sent to the working interest owners pursuant to Marathon's JOA. The costs reflected in the AFEs are consistent with what Marathon and other operators have incurred for drilling similar Wolfcamp horizontal wells in the area.

10. Marathon plans to drill and complete all four of its proposed Wolfcamp wells at one time through co-development to avoid parent-child depletion effects, thereby capturing incremental reserves and preventing waste and capitalizing on cost-saving efficiencies through economies of scale, as explained in Marathon's engineering statement.

11. Because all N/2 interest owners are voluntarily committed to Marathon's JOA, Marathon has 100% working interest control over its proposed spacing unit across the entire N/2 of irregular Section 2. In contrast, Powderhorn only recently acquired a 0.78% working interest in the N/2 of irregular Section 2 that is committed to Marathon's JOA. Accordingly, Marathon owns or controls 100% of the working interest in the overlapping contested acreage that is at dispute between Powderhorn's proposed development and Marathon's plan.

12. Powderhorn is nevertheless seeking to force pool Marathon's JOA acreage—where it owns less than a one percent working interest and has obtained no additional working interest support—that Marathon plans to separately develop under 100% voluntary commitment into a competing development plan and spacing unit that requires a force pooling order.

13. Under its competing plan in **Case No. 25610**, Powderhorn seeks to force pool a 959.60-acre, more or less, standard horizontal well spacing unit within the Wolfcamp formation that is comprised of the E/2 of irregular Section 3 and all of irregular Section 2, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico. However, the only portion of Powderhorn's proposed spacing unit in Case No. 25610 that overlaps and competes with Marathon's proposed Wolfcamp development is the N/2 of irregular Section 2.

14. In Case No. 25610, Powderhorn seeks to dedicate four initial wells to its proposed Wolfcamp spacing unit, the Super Hornet State Com 401H-404H wells, at the following proposed locations:

- **Super Hornet State Com 401H**, which is a gas well that will be horizontally drilled from a surface hole location 2550' FEL & 1,380' FNL of Section 3, to a bottom hole location 100' FEL & 990' FNL of Section 2, Township 24 South, Range 26 East;
- **Super Hornet State Com 402H**, which is a gas well that will be horizontally drilled from a surface hole location 2550' FEL & 1,1410' [sic] FNL of Section 3, to a bottom hole location 100' FEL & 2,330' FNL of Section 2, Township 24 South, Range 26 East;
- **Super Hornet State Com 403H**, which is a gas well that will be horizontally drilled from a surface hole location 2535' FEL & 1,380' FSL of Section 3, to a

bottom hole location 100' FEL & 1,650' FSL of Section 2, Township 24 South, Range 26 East; and

- **Super Hornet State Com 404H**, which is gas well that will be horizontally drilled from a surface hole location 2535' FEL & 1,350' FSL of Section 3, to a bottom hole location 100' FEL & 330' FSL of Section 2, Township 24 South, Range 26 East.

15. However, only the **Super Hornet State Com 401H** and **402H** wells are located within the N/2 of irregular Section 2 and, as noted above, only that portion of Powderhorn's proposed spacing unit overlaps and competes with Marathon's development plan. Accordingly, only these wells directly compete with Marathon's proposed development.

16. In addition to the four initial wells included in its application, Powderhorn proposed four additional Wolfcamp wells across its proposed spacing unit targeting a deeper Wolfcamp interval that were not included as initial wells in its pooling application. It is unclear whether Powderhorn plans to drill these four additional wells as infill wells under a pooling order as part of a full plan of development or if it has dropped them from its full development plan.

17. Either way, because Powderhorn does not plan to initially drill and complete all its proposed Wolfcamp wells at the same time through co-development, unlike Marathon, Powderhorn's approach will result in parent-child degradation effects within the Wolfcamp formation, causing waste and impairing Marathon's correlative rights by preventing Marathon from capturing these incremental reserves. Powderhorn's proposal will also forfeit the cost savings achieved through economies of scale that favor Marathon's development.

18. Powderhorn's efforts to force pool Marathon and its operated acreage into its proposed spacing unit are also not justified because it would unreasonably impair Marathon's

correlative rights by preventing Marathon, a far more experienced operator, from being able to control its own destiny and resources by developing its own operated acreage under its existing JOA.

19. This effort to force pool Marathon's operated acreage is particularly problematic because Powderhorn is a new operator in New Mexico with no established track record as a prudent operator. It has never drilled a well or even a horizontal well in New Mexico—let alone one that is 1.5 miles long and more than 8,000 feet TVD. It also does not even operate a single well in New Mexico, according to Division records. Based on discussions during negotiations, Powderhorn also does not have an in-house drilling team and will have to contract out this substantial responsibility to an as-yet unknown third-party entity.

20. In contrast, Marathon operates more than 500 wells in New Mexico and has drilled more than 61 wells since 2023. ConocoPhillips Company, Marathon's parent company, operates more than 270 wells and has drilled more than 65 wells since 2023. COG Operating, also a wholly owned subsidiary of ConocoPhillips, operates more than 1,480 wells, and has drilled more than 160 wells since 2023. COG Production, also a wholly owned subsidiary of ConocoPhillips, operates more than 185 wells, and has drilled more than 65 wells since 2023. Marathon and ConocoPhillips Company, and its related operating companies, have long, well-established track records as successful and prudent operators in New Mexico and should not be required to hand over its 100% operated acreage that is fully committed to a voluntary operating agreement to an unproven and untested operator that does not even have its own drilling team and has never drilled a horizontal well in New Mexico.

21. In addition to a lack of experience, Powderhorn is ill-prepared to operate this acreage. As operator of the N/2 of irregular Section 2, Marathon already operates a Morrow

formation spacing unit dedicated to a State Communitization Agreement covering the N/2 of irregular Section 2. Marathon already has pre-approval from the State Land Office for a Wolfcamp Communitization Agreement for the N/2 of irregular Section 2, approved APDs, and dedicated and committed take-away capacity for oil, gas, and water, to avoid costly and impactful trucking.

22. **MRO Exhibit A-7** is an aerial image identifying irregular Section 2 in a blue outline and surrounding acreage. Marathon's proposed spacing unit is the acreage in the N/2 of irregular Section 2 above the dashed pinked line. Marathon's proposed well pad is indicated in a blue square within the N/2 of irregular Section 2. A proposed central tank battery facility is reflected in orange with a connection to the pipeline right-of-way where Marathon has firm takeaway commitments for oil, gas, and water. Marathon's proposed Campana State Com 901H and 902H wells are depicted in dark green and its Campana State Com 701H and 702H wells are in light green. Marathon would be able to use the proposed surface facilities to handle future production in the Bone Spring formation, which remains undeveloped in this acreage but is also covered under Marathon's JOA.

23. Marathon is in position to drill and develop its Wolfcamp acreage and plans to do so.

24. In contrast, Powderhorn informed Marathon during recent negotiations that it would need to rely on Marathon's takeaway for oil and gas because it had not secured committed pipeline contracts for itself. This may require acquiring additional rights of way and building out pipelines for oil and gas take away, increasing surface disturbance and the overall surface impacts. Powderhorn also does not have APDs, nor does it have a pre-approved State Communitization Agreement.

25. Marathon is in a far superior position to timely locate and drill its wells and operate on the surface compared to Powderhorn.

26. Perhaps most troubling, however, is Powderhorn's bad-faith negotiations. As a prudent and diligent landman, part of my job is to help Marathon evaluate all potential options to maximize the value and potentially leverage the strength of its mineral position. To do so, I was willing to engage in good-faith negotiations with Powderhorn over potential trades or other mutually agreeable resolution of our competing development proposals.


27. As part of those negotiations, Powderhorn offered several attractive potential trade offers based on a representation that it either owned or had the authority to offer certain net mineral acres. In response, our management team initiated the effort, and incurred time and expense, to conduct due diligence reviews. However, we soon determined that Powderhorn did not own some or even most of the mineral acreage it was offering to trade. When asked whether it owned or had authority to offer the acreage in a trade, Powderhorn was not immediately forthcoming. It was only after repeated efforts to ascertain Powderhorn's acreage position that its CEO finally conceded to me in a phone call that it did not own the acreage. That revelation terminated our negotiations.

28. To protect Marathon's correlative rights and prevent waste that would result from Powderhorn's asynchronous drilling and completion program, Powderhorn Case No. 25610 should be denied, and Marathon should be allowed to control its own resources and destiny through its preferred plan of development under its existing JOA. This approach would allow Avant to develop its acreage in the S/2 of irregular Section 2, where it controls the majority of the working interest, and Powderhorn to develop the E/2 of irregular Section 3, where it has acquired Coterra's interests, through a standup development.

29. **MRO Exhibit A-8** is a plat reflecting a potential resolution of the competing development plans in these contested cases that would allow Marathon to develop its acreage in the N/2 of irregular Section 2 under its JOA, Avant to develop its acreage in the S/2 of irregular Section 2, and Powderhorn to develop the E/2 of irregular Section 3, where it now owns a substantial mineral interest. This proposed resolution adheres to the Division's recent precedent of protecting correlative rights to resolve competing development plans with partially overlapping contested acres by allowing operators to develop acreage where they own and control the majority working interest. Marathon believes a similar resolution is available and should be followed by the Division in these contested cases as outlined in the plat.

30. **MRO Exhibits A-1 through A-8** were either prepared by me or compiled under my direction and supervision.

31. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

  
Shelley Klingler

3/4/2026  
Date

Exhibit A-1

**SHELLEY C. KLINGLER, CPL**

[Shelley.C.Klingler@ConocoPhillips.com](mailto:Shelley.C.Klingler@ConocoPhillips.com)

**Staff Land Negotiator, ConocoPhillips, Midland, TX, February 2022 – Present**

- Delaware Basin New Mexico, Eddy County Asset Area Land Negotiator, Working Operated and Non-Operated projects, Contract Negotiations, Title Clearance, Transactions (trades/carry offers/development agreements), New Mexico Land subject matter expert, COP Land Liaison with State Land Office, Mentor/Trainer

**Land Advisor (Land & Planning), Oklahoma City, OK, & Midland, TX, January 2020 – February 2022**

- Working with mineral/surface owners; Oil & Gas legal firms and independent energy companies (Op and Non-op) in the Permian/Delaware Basins.

**Land Advisor, Anadarko Petroleum (now Oxy), Midland, TX, April 2019 – January 2020**

- Advised, mentored, and educated on all things Land (Texas and New Mexico), value creation through efficient and effective planning and total well lifecycle. Educated other petro-technical disciplines on Land, including management
- Facilitated and/or presented AAPL approved classes to Land/Land Admin/Regulatory group.
- Worked Asset area, negotiated and oversaw preparation of Land related documents including, but not limited to Pooling Agreements, JOAs, Production Sharing Agreements, Leases, Term Assignments and others.
- Worked closely with Legal Department as well as outside legal, brokers and field staff on title opinions, ownership reports, curative, surface agreements and other related documents
- Maintained lease area for Obligations, Rentals, Cessation of Production Reports and others to protect company assets

**Planning Supervisor/Landman, Devon Energy, Oklahoma City, OK, September 2013 – March 2019**

- Successfully managed the integrated planning and execution teams for the drilling/completion/facility/capital budget program for the Delaware Basin Business Unit, working knowledge of SAP, Actenum, Peloton, and Quorum software as well as other Land programs
- Coordinated and collaborated with functional, asset and project teams for the appraisal and development of the program and to ensure successful execution efforts with respect to cost, schedule, and quality.
- Developed stage gate process for program reviews with SVPs and COO as related to our capital activity schedule, collaboration with corporate strategic planning and Investor Relations to optimize corporate portfolio
- Directed performance and professional development for direct reports as well as indirect reports and brokers, mentored several young professionals (Land, Engineering, Geology, HR Analytics).
- Accomplished at and proactive in effective risk, issue and change management, processes
- Well-versed in capital budget planning and tracking/explanation of variance and quarterly refresh of dynamic capital reallocation process as well as developing multidisciplinary short-term & long-term business plans and asset-based growth strategies
- 100% SOX compliant for Delaware Basin business unit
- Landman asset/execution/Regulatory areas in New Mexico, Texas and Wyoming
- Initiated and facilitated acquisitions/trades of highly sought acreage and divested non-core assets
- Collaborated with all disciplines to properly prepare undeveloped asset area including educating team on rules, regulations and stipulations in Federal, State and Fee areas in Delaware and Powder River Basins.
- Solid working knowledge of contracts/leases/agreements, surface and subsurface, determining ownership, working with title attorneys, reviewing title opinions, negotiating and drafting/consummated agreements/farm-ins (outs)/trades, performing due diligence and creating reports, maps, and other documents necessary for transparency and successful communication.
- Built and maintained positive, productive relationships with outside Regulatory agencies, partners, competitors, vendors and other allied energy industry entities (still maintain to date).

Exhibit A-1

**Landman, Continental Land Resources, Edmond, OK, 2006 – 2013**

- In-house contract landman with Devon Energy and Highmount
- Analyzed, proposed and implemented solutions to problem prospects for company interests and assignments
- Experience locating, communicating, and negotiating with mineral/surface owners, royalty interest and working interest owners
- Prepared assignments, conveyances, exhibits, proposals, elections letters
- Experience with Acquisitions, AFEs, Title Opinions, Title Curative, Due Diligence, JOAs, DPUs, PA, PSAs, ROWs, SDAs/SUAs, Farm-In/Outs, Comm Agreements, BLM, BIA, and state leases, and well audits
- Worked projects in Arkansas, Colorado, Kansas, Louisiana, Nebraska, New Mexico, North Dakota, Oklahoma, and Texas

**Independent Land professional – Part-time from 1987-2006**

**United States Navy, Naval Security Group, Intelligence Department, 1989 – 1996**

**Education/Certification:**

Certified Professional Landman, AAPL, since 2015

University of Phoenix, BS Business Management

3/10/26

A.A.P.L. FORM 610

MODEL FORM OPERATING AGREEMENT—1956  
Non-Federal Lands

OPERATING AGREEMENT

DATED

January 1, 1976

FOR UNIT AREA IN TOWNSHIP 24 South, RANGE 26 East, N.M.P.M.,  
Section 2: North One-Half (N/2)  
Eddy COUNTY, STATE OF New Mexico

*State K*

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO. 610  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
ROSS - MARTIN COMPANY, BOX 800, TULSA 74101

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A-2  
Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026

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A.A.P.L. FORM 610

## OPERATING AGREEMENT

THIS AGREEMENT, entered into this 1st day of January, 19 76, between  
JAKE L. HAMON

hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

## 1. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

- (1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.
- (2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.
- (3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.
- (4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.
- (5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
- (6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.
- (7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.
- (8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

## 2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

A. Title Examination: Title heretofore approved.

~~Each party other than Operator shall promptly submit to Operator abstracts certified from beginning to recent date, together with all title papers in its possession covering leases and oil and gas interests which it is subjecting to this contract. All of these abstracts and title records shall be examined for the benefit of all parties by Operator's attorneys.~~

~~Operator shall promptly submit abstracts certified from beginning to recent date, together with all title papers in its possession covering leases and oil and gas interests which it is subjecting to this agreement, to \_\_\_\_\_ for examination by the latter's attorney for the benefit of all parties.~~

~~All title examinations shall be made without charge. Each examining attorney shall prepare a complete title report on each separate tract based upon the abstract record and title papers submitted to him. Each title report shall contain a list of fee owners and their interests, shall state the attorney's opinion concerning validity of their interests, and shall contain an enumeration and description of title defects, if any, a report upon mortgages, taxes, pending suits, and judgments, and unreleased oil and gas leases, and a list of requirements, if any, upon which the examiner's approval of title to the lease or oil and gas interest is contingent. The title report shall also contain a specific description of the oil and gas lease being subjected to this contract, with a statement of its form, term (which will be satisfactory if it has a primary term expiring not sooner than \_\_\_\_\_), amount of royalty, status of delay rental payments, and unusual drilling~~

A.A.P.L. FORM 610

~~obligations and of excess royalty, oil payments, and other special burdens. A copy of each title opinion, and of each supplemental opinion, and of all final opinions, shall be sent promptly to each party. The opinion of the examining attorney concerning the validity of the title to each oil and gas interest and each lease, and the amount of interest covered thereby shall be binding and conclusive on the parties, but the acceptability of leases as to primary term, royalty provisions, drilling obligations, and special burdens, shall be a matter for approval and acceptance by an authorized representative of each party.~~

~~All title examinations shall be made, and title reports submitted, within a period of \_\_\_\_\_ days after the submission of abstracts and title papers. Each party shall, in good faith, try to satisfy the requirements of the examining attorneys concerning its leases and interests, and each shall have a period of \_\_\_\_\_ days from receipt of title report for this purpose. If the title to any lease, or oil and gas interest, is finally rejected by the examining attorney, all parties shall then be asked to state in writing whether they will waive the title defects and accept the leases or interests, or whether they will stand on the attorney's opinion. If one or more parties refuse to waive title defects, this agreement shall, in that case, be terminated and abandoned, and all abstracts and title papers shall be returned to their senders. If all titles are approved by the examining attorneys, or are accepted by all parties, and if all leases are accepted as to primary terms, royalty provisions, drilling obligations and special burdens, all subsequent provisions of this agreement shall become operative immediately, and the parties shall proceed to their performance as they are hereinafter stated.~~

#### **B. Failure of Title:**

After all titles are approved or accepted, any defects of title that may develop shall be the joint responsibility of all parties and, if a title loss occurs, it shall be the loss of all parties, with each bearing its proportionate part of the loss and of any liabilities incurred in the loss. If such a loss occurs, there shall be no change in, or adjustment of, the interests of the parties in the remaining portion of the Unit Area.

#### **C. Loss of Leases For Other Than Title Failure:**

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the remaining portion of the Unit Area.

### **3. UNLEASED OIL AND GAS INTERESTS**

**NO UNLEASED INTEREST, THEREFORE, NO EXHIBIT "B".**

~~If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B" and for the primary term therein stated. As to such interests, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.~~

### **4. INTERESTS OF PARTIES**

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth (1/8) royalty, the party contributing that lease shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

**5. OPERATOR OF UNIT**

JAKE L. HAMON

\_\_\_\_\_ shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

**6. EMPLOYEES**

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

**7. TEST WELL**

On or before the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, Operator shall commence the drilling of a well for oil and gas in the following location:

and shall thereafter continue the drilling of the well with due diligence to

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

**8. COSTS AND EXPENSES**

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ten percent (10%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

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**9. OPERATOR'S LIEN**

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

**10. TERM OF AGREEMENT**

This agreement shall remain in full force and effect for as long as any of the oil and gas leases subjected to this agreement remain or are continued in force as to any part of the Unit Area, whether by production, extension, renewal or otherwise; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from the Unit Area, then at the end of ninety (90) days after abandonment of the first test well, this agreement shall terminate unless one or more of the parties are then engaged in drilling a well or wells pursuant to Section 12 hereof, or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue in force until such well or wells shall have been drilled and completed. If production results therefrom this agreement shall continue in force thereafter as if said first test well had been productive in paying quantities, but if production in paying quantities does not result therefrom this agreement shall terminate at the end of ninety (90) days after abandonment of such well or wells. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

**11. LIMITATION ON EXPENDITURES**

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Five Thousand and No/100 ----- Dollars (\$ 5,000.00 ) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of \$ 5,000.00.

## 12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

- (A) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and
- (B) 200% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 25, and 200% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

### 13. RIGHT TO TAKE PRODUCTION IN KIND \*

Each party shall <sup>have the right to</sup> take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production, and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute all division orders and contracts of sale pertaining to its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

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In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

\*See Exhibit "E", Gas Storage & Balancing Agreement, for gas well production.

#### 14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

#### 15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

#### 16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

**17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS**

Each party shall pay all delay rentals and shut-in well payments which may be required under the terms of its lease or leases and submit evidence of each payment to the other parties at least ten (10) days prior to the payment date. The paying party shall be reimbursed by Operator for 100% of any such delay rental payment and 100% of any such shut-in well payment. The amount of such reimbursement shall be charged by Operator to the joint account of the parties and treated in all respects the same as costs incurred in the development and operation of the Unit Area. Each party responsible for such payments shall diligently attempt to make proper payment, but shall not be held liable to the other parties in damages for the loss of any lease or interest therein if, through mistake or oversight, any rental or shut-in well payment is not paid or is erroneously paid. The loss of any lease or interest therein which results from a failure to pay or an erroneous payment of rental or shut-in well payment shall be a joint loss and there shall be no readjustment of interests in the remaining portion of the Unit Area. If any party secures a new lease covering the terminated interest, such acquisition shall be subject to the provisions of Paragraph 22 of this agreement.

Operator shall promptly notify each other party hereto of the date on which any gas well located on the Unit Area is shut in and the reason therefor.

**~~18. PREFERENTIAL RIGHT TO PURCHASE~~**

~~Should any party desire to sell all or any part of its interests under this contract, or its rights and interests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

**19. SELECTION OF NEW OPERATOR**

Resignation or Removal. Unit Operator may resign at any time. Non-Operators may remove Unit Operator at any time by the affirmative vote of at least eighty percent (80%) of the voting interest remaining after excluding the voting interest of Unit Operator. A Unit Operator that resigns or is removed shall not be released from its obligations hereunder for a period of three (3) months after the resignation or discharge, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period.

Selection of Successor. Upon the resignation or removal of a Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners. If the Unit Operator that is removed votes only to succeed itself, or fails to vote, the successor Unit Operator may be selected by the affirmative vote of at least fifty-one percent (51%) of the voting interest remaining after excluding the voting interest of the Unit Operator that was removed. Said voting interest shall be in accordance with Working Interest Owner's then effective Unit Participation.

## 20. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

- (1) the entire interest of the party in all leases and equipment and production; or
- (2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

## 21. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

## 22. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

## 23. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

#### 24. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

#### 25. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and <sup>if such tender is accepted by all parties,</sup> such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

#### 26. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be returned for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

### 27. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "D" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

### 28. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand (\$1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

### 29. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

### 30. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

**31. OTHER CONDITIONS, IF ANY, ARE:**

31-A. Notwithstanding any provision to the contrary appearing in Section 12 hereof, consent to the drilling of a well shall not be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this agreement has reached its authorized depth, Operator shall give immediate notice to non-operators together with all information and data obtained in the drilling of such well up to such time. Concurrent therewith Operator shall also advise non-Operators of his recommendation, decision or intent respecting further operations. The parties receiving such notice, information, data and advise shall have forty-eight (48) hours (exclusive of Saturdays or Sundays or Holidays) in which to elect whether or not they desire to set casing or to participate in the completion attempt. Failure of a party receiving such notice so to reply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of all of the parties. If one or more, but less than all of the parties elect to set pipe and attempt a completion, the provisions of Section 12 shall apply to the operations thereafter conducted by less than all parties.

31-B. If any party hereto hereafter shall create any overriding royalty production payment, or other burdens against its working interest production and if any party or parties shall conduct non-consent operations pursuant to any provision of this agreement and, as a result, become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement and the non-participating party creating such subsequent burdens shall save the participating party or parties harmless with respect to the receipt of such working interest production.

31-C. In relation to the provisions of Section 17, "Delay Rentals and Shut-in Well Payments", it is further provided that in the event a well capable of producing gas in paying quantities is to be shut-in on the unit area, Operator shall immediately notify non-Operator if the well should be shut in for limited periods of time in order to balance production during peak load periods for reasons of making mechanical repairs; it being specifically provided that Operator shall not be liable for failure, through inadvertency or mistake, to so notify non-Operator.

31-D. If a purchaser of any oil, gas or other hydrocarbons produced from the Unit Area declines to make disbursements of all royalties, overriding royalties and other payments out of or with respect to production which are payable on the Unit Area, Operator will, if any non-Operator so desires, make such disbursements on behalf of said non-Operator, at his direction. In that event, Operator will use its best efforts to make disbursements correctly but will be liable for incorrect disbursement only in event of gross or willful negligence. In the event that Unit Operator is required by a non-Operator to disburse such payments on non-Operator's behalf, then Unit Operator shall be entitled to receive compensation for these services, based on its actual cost of performing such service.

31-E. No assignment, transfer, or change of ownership in any form, of any interest in any of the lands submitted to the performance of this agreement shall be binding upon Operator until he is furnished a certified copy thereof, and Operator has agreed in writing to such assignment. Until Operator has so agreed, the Assignor and interest assigned shall remain solely liable for all costs and expenses attributable to such interest.

31-F. Any payments that might become due to Jake L. Hamon in accordance with the provisions of this agreement will be due and payable to Jake L. Hamon at his office in Dallas, Texas.

31-G. Each party hereto agrees to execute any additional instruments deemed necessary to give full force and expression to this agreement as herein set out.

31-H. Notwithstanding anything contained herein to the contrary, it is stipulated and agreed by and between the parties hereto that this Operating Agreement is subject to all the terms contained in that certain Communiti- zation Agreement dated April 12, 1974, covering the N/2 of Section 2, T-24-S, R-26-E, N.M.P.M., executed by Jake L. Hamon and wife, Nancy B. Hamon, and Pennzoil Company, approved by the Commissioner of Public Lands of the State of New Mexico on May 21, 1974, but deemed to be effective April 12, 1974.

A.A.P.L. FORM 610

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

OPERATOR

ATTEST:

\_\_\_\_\_

*Jake L. Hamon*  
JAKE L. HAMON

APPROVED  
*WK*  
\_\_\_\_\_  
*JS*

Non - OPERATORS

HILLIARD OIL & GAS, INC.

ATTEST:

*G.B. Fry*  
\_\_\_\_\_  
ASSISTANT SECRETARY

*E.H. Kanning Jr.*  
By: \_\_\_\_\_  
Executive Vice President

APPROVED  
*WK*  
\_\_\_\_\_  
*DRS*

PENNZOIL COMPANY

ATTEST:

\_\_\_\_\_

*W.C. Taylor*  
By: \_\_\_\_\_  
Agent and Attorney-in-Fact

THE STATE OF TEXAS X  
COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared JAKE L. HAMON, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

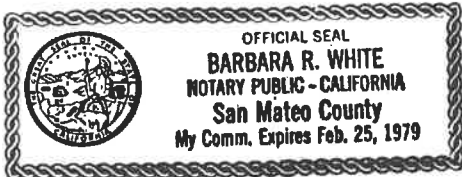
GIVEN UNDER MY HAND AND SEAL OF OFFICE this 19<sup>th</sup> day of March, 1976.

Jaw Hyatt  
Notary Public in and for  
Dallas County, Texas

THE STATE OF California X  
COUNTY OF San Mateo X

BEFORE ME, the undersigned authority, on this day personally appeared G. M. Manning, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as Vice Pres. of HILLIARD OIL & GAS, INC., a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 23<sup>rd</sup> day of March, 1976.



Barbara R. White  
Notary Public in and for  
San Mateo County, Calif.

THE STATE OF TEXAS X  
COUNTY OF MIDLAND X

BEFORE ME, the undersigned authority, on this day personally appeared W. C. HAYES, known to me to be the person whose name is subscribed to the foregoing instrument as Agent and Attorney-in-Fact for PENNZOIL COMPANY, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 14<sup>th</sup> day of April, 1976.

Marjorie L. Matthews  
Notary Public in and for  
Midland County, Texas  
MARJORIE L. MATTHEWS

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated January 1, 1976, by and between Jake L. Hamon as Operator and Pennzoil Company et al, as non-Operators, covering lands in Eddy County, New Mexico;

DESCRIPTION OF LAND:

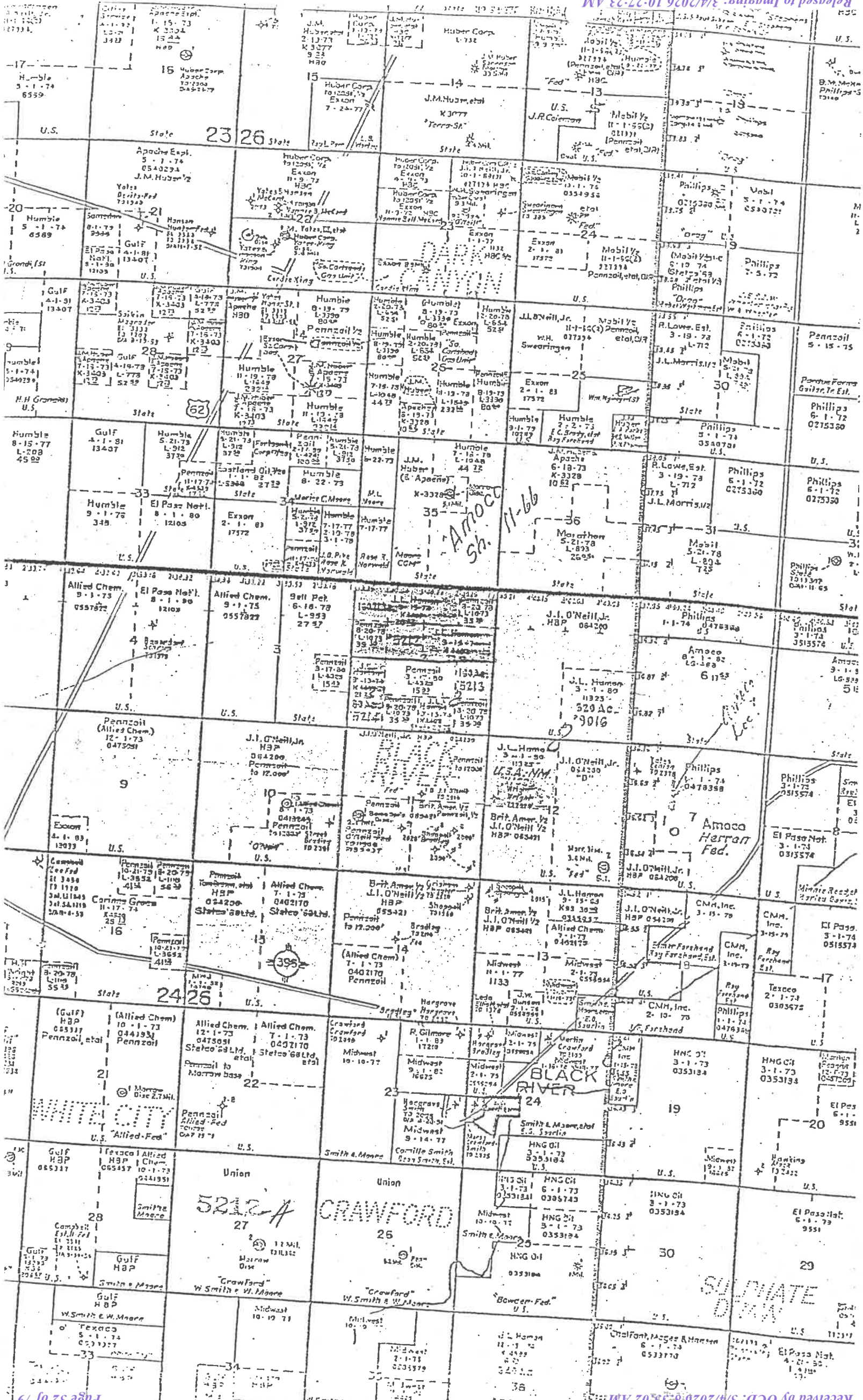
N/2 of Section 2, Township 24 South, Range 26 East, Eddy County, New Mexico

OWNERSHIP:

Jake L. Hamon ----- 43.74064%  
P.O. Box 663  
Dallas, Texas 75221

Hilliard Oil & Gas, Inc. ----- 43.74063%  
2200 Sand Hill Road  
Menlo Park, California 94025

Pennzoil Company ----- 12.51873%  
P.O. Drawer 1828  
Midland, Texas 79701



5212 A CRAWFORD

BLACK RIVER

SUPIATE DRAIN

N O E X H I B I T " B "

## EXHIBIT " C "

Attached to and made a part of Operating Agreement dated January 1, 1976, by and between Jake L. Hamon, as Operator and Pennzoil Company et al, as non-Operators, covering lands in Eddy County, New Mexico;

## ACCOUNTING PROCEDURE JOINT OPERATIONS

### I. GENERAL PROVISIONS

#### 1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

#### 2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

#### 3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

#### 4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

#### 5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

#### 6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

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## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

### 3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

### 4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

### 5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

### 6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

### 7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

### 8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

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**10. Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

**11. Insurance**

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

**12. Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

**III. OVERHEAD****1. Overhead - Drilling and Producing Operations**

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (XX) Fixed Rate Basis, Paragraph 1A, or  
 ( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall (X) shall <sup>not</sup> be covered by the Overhead rates. *6/1*

**A. Overhead - Fixed Rate Basis**

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ \$1,565.00

Producing Well Rate \$ \$244.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

**(a) Drilling Well Rate**

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

**(b) Producing Well Rates**

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

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**B. Overhead - Percentage Basis**

(1) Operator shall charge the Joint Account at the following rates:

## (a) Development

\_\_\_\_\_ Percent ( %) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

## (b) Operating

\_\_\_\_\_ Percent ( %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

**2. Overhead - Major Construction (TO BE NEGOTIATED IF THE NECESSITY ARISES)**

~~To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ \_\_\_\_\_:~~

~~A. \_\_\_\_\_ % of total costs if such costs are more than \$ \_\_\_\_\_ but less than \$ \_\_\_\_\_; plus~~

~~B. \_\_\_\_\_ % of total costs in excess of \$ \_\_\_\_\_ but less than \$1,000,000; plus~~

~~C. \_\_\_\_\_ % of total costs in excess of \$1,000,000.~~

~~Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.~~

**3. Amendment of Rates**

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

**IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS**

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

**1. Purchases**

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

**2. Transfers and Dispositions**

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

**A. New Material (Condition A)**

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

**(2) Line Pipe**

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

**B. Good Used Material (Condition B)**

Material in sound and serviceable condition and suitable for reuse without reconditioning:

**(1) Material moved to the Joint Property**

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

**(2) Material moved from the Joint Property**

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

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- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

**C. Other Used Material (Condition C and D)**

**(1) Condition C**

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

**(2) Condition D**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

**D. Obsolete Material**

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

**E. Pricing Conditions**

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

**3. Premium Prices**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

**4. Warranty of Material Furnished by Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

**V. INVENTORIES**

The Operator shall maintain detailed records of Controllable Material.

**1. Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

**2. Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

**3. Special Inventories**

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

**4. Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

## EXHIBIT "D"

Attached to and made a part of operating agreement dated January 1, 1976, by and between Jake L. Hamon, as operator, and Pennzoil Company Et Al, as non-operator, and covering lands in Eddy County, New Mexico.

With respect to the operations covered by this agreement, Operator shall purchase and carry during the period of this agreement the following insurance coverages:

| <u>KIND</u>            | <u>POLICY FORM</u>     | <u>MINIMUM LIMITS OF LIABILITY</u>   |
|------------------------|------------------------|--|
| Workmen's Compensation | Statutory              | Workmen's Compensation-<br>Statutory benefits plus<br>Employers Liability-<br>\$300,000                          |
| Liability              | Comprehensive          | BI (\$250,000 each person)<br>(\$500,000 each accident)<br>PD (\$500,000 each accident)<br>(\$500,000 aggregate) |
| Motor Vehicle          | Standard<br>Automobile | BI (\$250,000 each person)<br>(\$300,000 each accident)<br>PD (\$50,000 each accident)                           |

Operator reserves the sole right to select the insurance carrier and to select and purchase from such insurance carrier the types and kinds of coverage available under the above described policy forms, subject to whatever exclusions operator agrees to be included in such policy forms, and the failure of the above described policies to cover any loss that may occur, or the insolvency of the insurance carrier selected by the operator, shall not be deemed as negligence of the operator or lack of due diligence upon the part of the operator. Non-operators shall have the right to inspect such policies at the office of the operator at Dallas, Texas.

If the parties hereto or any of them shall insure their respective risks beyond the specific limits of insurance required to be carried by the operator under the terms of the agreement, the benefits of such insurance shall inure to the parties procuring and maintaining the same, respectively, and the cost of such insurance shall be borne by such parties, respectively, without reimbursement one from the other and without entering into the accounting hereunder.

## EXHIBIT "E"

Attached to and made a part of Operating Agreement dated January 1, 1976, by and between Jake L. Hamon, as Operator, and Pennzoil Company Et Al, as Non-Operators, covering lands located in Eddy County, New Mexico;

GAS STORAGE AND BALANCING AGREEMENT

1. Each party shall have the right to take in kind and separately dispose of its proportionate share of the gas produced from the Unit Area and shall be entitled to an opportunity to produce its fair share of the allowable production from a gas well (including lawful tolerances) established by appropriate regulatory authority.

2. It is the intent that each party be entitled to gas produced in the proportion that its ownership interest bears to the sum of the ownership interests. It is the intent that the Unit Operator have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Unit Operator shall cause deliveries to be made to the gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

3. To give effect to the intent of this agreement, the Unit Operator shall be governed by the following rights of each party:

(a) When the well's current production is less than the well allowable due to either the capacity of the well to produce or the Unit Operator causing the well to produce below allowable in order to properly balance well allowable overproduction:

(1) Each underproduced party (a party who has taken a lesser volume of gas than the quantity such party is herein entitled) shall have the right to take a greater amount of gas than its proportionate share of the well's current production, provided that the right to take such greater amount shall be in proportion that its interest bears to the total interest of all underproduced parties desiring to take more than their proportionate share of the well's current production.

(2) Each overproduced party (a party who has taken a greater volume of gas than the quantity such party is herein entitled) shall reduce its respective take in the proportion that such party's interest bears to the total interest of all overproduced parties, but in no event shall any overproduced party be required to reduce its take to less than fifty percent (50%) of such overproduced party's proportionate share of the well's current production.

(b) When the well's current production is less than the well allowable due to combined pipeline takes or for reasons other than in subparagraph (a) above:

(1) Each underproduced party shall have the right as in subparagraph (a)(1) above.

(2) Each overproduced party shall reduce its respective take in the proportion that such party's interest bears to the total interest of all overproduced parties, but in no event shall any overproduced party be required to reduce its take to less than fifty percent (50%) of such overproduced party's proportionate share of the well allowable.

(c) When the well's current production is equal to or greater than the well allowable:

(1) Each underproduced party shall have the right to take a greater amount of gas than its proportionate share of the well allowable, provided that the right to take such greater amount shall be in proportion that its interest bears to the total interests of all underproduced parties desiring to take more than their proportionate share of the well allowable.

(2) Each overproduced party shall have the right as in subparagraph (a)(2) above.

(d) The Unit Operator, at the request of any party, may produce the entire well stream, if necessary, for a deliverability test not to exceed seventy-two (72) hours duration required under such requesting party's gas sales contract and may overproduce in any other situation provided that such overproducing would be consistent with prudent operations.

4. Each party taking gas shall furnish the Unit Operator a monthly statement of gas taken. After commencement of production, Unit Operator shall furnish a current account monthly of the gas balance between parties hereto including the total quantity of gas produced, the portion thereof used in Unit operations, vented or lost, and the total quantity of gas delivered to a market.

5. Each party producing and/or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

6. The provisions of this agreement shall be separately applicable to each well and each reservoir to the end that production from one reservoir in a gas well may not be utilized for the purpose of balancing underproduction from other reservoirs.

7. When gas sales from a gas well permanently cease, Unit Operator shall make a final determination of the volumes of over and/or underproduction, if any, which have accrued since the last volumetric balance, as of the date of such cessation of sales and the identity of the party or parties who are over or underproduced. A cash balancing adjustment shall be made by the overproduced party, or parties, to the underproduced party or parties, for the overproduced volumes which have been taken and sold; the price to be paid for such adjustment shall be the actual price received for such overproduction by the overproduced party, or parties, less appropriate deductions for taxes and/or royalties paid on such production by the overproduced party.

8. This shall constitute a separate agreement as to each well and as to each reservoir.

|   |  |   |
|---|--|---|
| <b>C-102</b><br><br>Submit Electronically<br>Via OCD Permitting | <b>State of New Mexico</b><br><b>Energy, Minerals &amp; Natural Resources Department</b><br><b>OIL CONSERVATION DIVISION</b> | Revised July 9, 2024  |
|   | Submittal Type:  | <input checked="" type="checkbox"/> Initial Submittal<br><input type="checkbox"/> Amended Report<br><input type="checkbox"/> As Drilled |

**WELL LOCATION INFORMATION**

|  |  |  |
|--|--|--|
| API Number<br><b>30-015-57891</b>  | Pool Code<br><b>98220</b>                        | Pool Name<br><b>Purple Sage; Wolfcamp (Gas)</b>  |
| Property Code<br><b>338864</b>   | Property Name<br><b>CAMPANA STATE COM</b>        | Well Number<br><b>701H</b>   |
| OGRID No.<br><b>372098</b>   | Operator Name<br><b>MARATHON OIL PERMIAN LLC</b> | Ground Level Elevation<br><b>3,267'</b>  |
| Surface Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |  | Mineral Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |

**Surface Location**

| UL | Section | Township | Range | Lot | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-----|--------------|--------------|------------|--------------|--------|
| H  | 2       | 24S      | 26E   |     | 1,322' FNL   | 440' FEL     | 32.249985° | -104.256598° | EDDY   |

**Bottom Hole Location**

| UL | Section | Township | Range | Lot   | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-------|--------------|--------------|------------|--------------|--------|
|    | 2       | 24S      | 26E   | LOT 4 | 660' FNL     | 200' FWL     | 32.251742° | -104.271721° | EDDY   |

|                                  |  |                                     |   |                                  |
|----------------------------------|--|-------------------------------------|---|----------------------------------|
| Dedicated Acres<br><b>320.32</b> | Infill or Defining Well<br><b>Defining</b> | Defining Well API<br><b>Pending</b> | Overlapping Spacing Unit (Y/N)<br><b>N</b>  | Consolidation Code<br><b>N/A</b> |
| Order Numbers.                   |  |                                     | Well setbacks are under Common Ownership: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                                  |

**Kick Off Point (KOP)**

| UL | Section | Township | Range | Lot | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-----|--------------|--------------|------------|--------------|--------|
| H  | 2       | 24S      | 26E   |     | 1,322' FNL   | 440' FEL     | 32.249985° | -104.256598° | EDDY   |


**First Take Point (FTP)**

| UL | Section | Township | Range | Lot   | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-------|--------------|--------------|------------|--------------|--------|
|    | 2       | 24S      | 26E   | LOT 1 | 660' FNL     | 330' FEL     | 32.251806° | -104.256221° | EDDY   |

**Last Take Point (LTP)**

| UL | Section | Township | Range | Lot   | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-------|--------------|--------------|------------|--------------|--------|
|    | 2       | 24S      | 26E   | LOT 4 | 660' FNL     | 330' FWL     | 32.251743° | -104.271301° | EDDY   |

|   |  |  |
|---|--|--|
| Unitized Area or Area of Uniform Interest<br><b>COM</b> | Spacing Unit Type <input checked="" type="checkbox"/> Horizontal <input type="checkbox"/> Vertical | Ground Floor Elevation:<br><b>3,267'</b> |
|---|--|--|

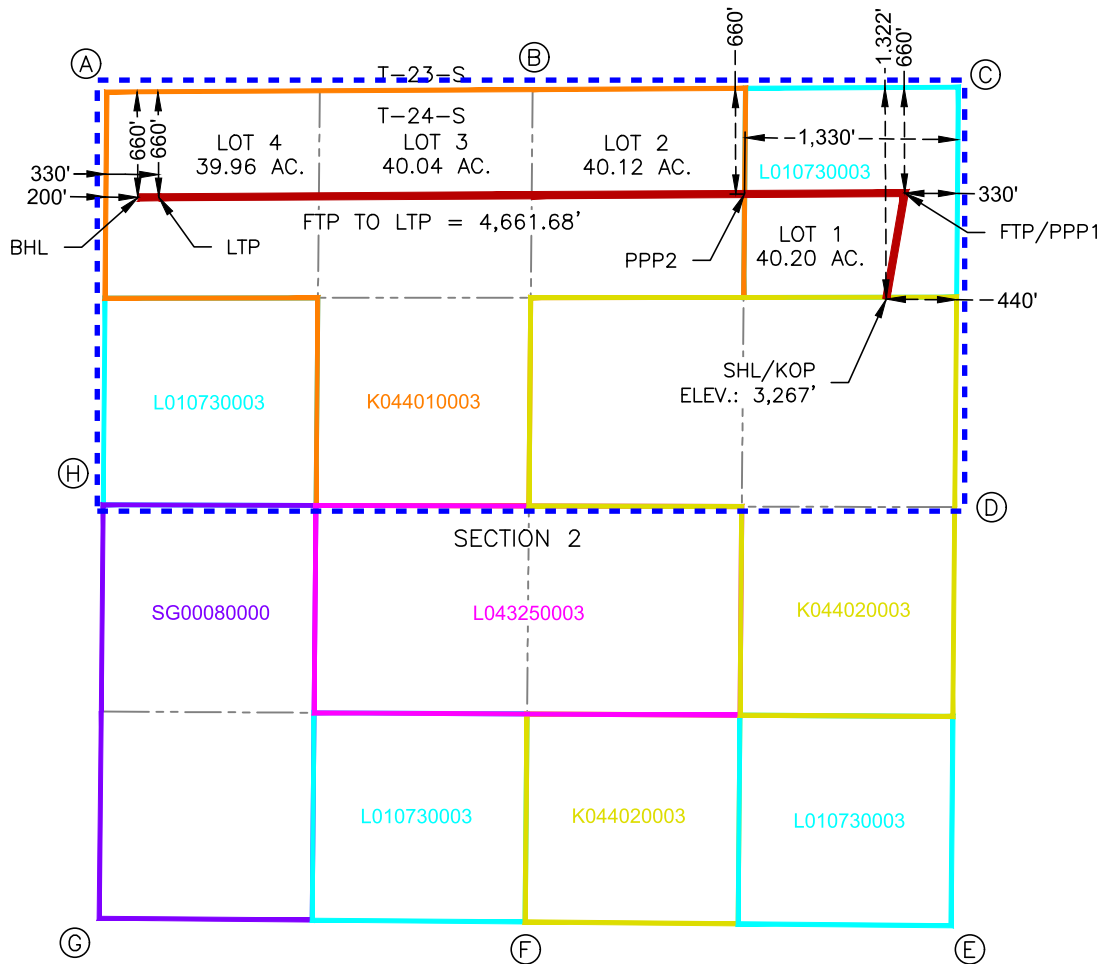
|  |  |   |                                    |
|--|--|---|------------------------------------|
| <b>OPERATOR CERTIFICATIONS</b><br><br>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and, if the well is a vertical or directional well, that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of a working interest or unleased mineral interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.<br><br>If this well is a horizontal well, I further certify that this organization has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located or obtained a compulsory pooling order from the division. |  | <b>SURVEYOR CERTIFICATIONS</b><br><br>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. |                                    |
| Signature<br><i>Mayte Reyes</i>  | Date<br><b>2/19/2026</b>                                 | <br>Signature and Seal of Professional Surveyor   |                                    |
| Printed Name<br><b>Mayte Reyes</b>   | Email Address<br><b>mayte.x.reyes@conocophillips.com</b> | Certificate Number<br><b>12177</b>  | Date of Survey<br><b>2/10/2026</b> |
|  |  | Revision Number<br><b>1</b>   |                                    |

Note: 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.

ACREAGE DEDICATION PLATS

This grid represents a standard section. You may superimpose a non-standard section, or larger area, over this grid. Operators must outline the dedicated acreage in a red box, clearly show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. If this is a horizontal wellbore show on this plat the location of the First Take Point and Last Take Point, and the point within the Completed interval (other than the First Take Point or Last Take Point) that is closest to any outer boundary of the tract.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed, contact the OCD Engineering Bureau. Independent subdivision surveys will not be acceptable.



**CAMPANA STATE COM 701H**

**SURFACE HOLE LOCATION & KICK-OFF POINT**  
 1,322' FNL & 440' FEL  
 ELEV. = 3,267'  
 NAD 83 X = 565,059.83'  
 NAD 83 Y = 454,686.33'  
 NAD 83 LAT = 32.249985°  
 NAD 83 LONG = -104.256598°

**FIRST TAKE POINT & PENETRATION POINT 1**  
 660' FNL & 330' FEL  
 NAD 83 X = 565,175.73'  
 NAD 83 Y = 455,348.99'  
 NAD 83 LAT = 32.251806°  
 NAD 83 LONG = -104.256221°

**PENETRATION POINT 2**  
 660' FNL & 1,330' FEL  
 NAD 83 X = 564,175.31'  
 NAD 83 Y = 455,343.45'  
 NAD 83 LAT = 32.251793°  
 NAD 83 LONG = -104.259458°

**LAST TAKE POINT**  
 660' FNL & 330' FWL  
 NAD 83 X = 560,514.12'  
 NAD 83 Y = 455,323.14'  
 NAD 83 LAT = 32.251743°  
 NAD 83 LONG = -104.271301°

**BOTTOM HOLE LOCATION**  
 660' FNL & 200' FWL  
 NAD 83 X = 560,384.11'  
 NAD 83 Y = 455,322.42'  
 NAD 83 LAT = 32.251742°  
 NAD 83 LONG = -104.271721°

| CORNER COORDINATES<br>NEW MEXICO EAST - NAD 83 |                             |
|--|-----------------------------|
| POINT  | NORTHING/EASTING            |
| A  | N:455,981.28' E:560,190.11' |
| B  | N:455,996.05' E:562,850.83' |
| C  | N:456,010.87' E:565,511.63' |
| D  | N:453,387.12' E:565,488.29' |
| E  | N:450,771.40' E:565,465.11' |
| F  | N:450,795.03' E:562,803.62' |
| G  | N:450,818.60' E:560,142.24' |
| H  | N:453,401.31' E:560,166.56' |

|   |  |  |
|---|--|--|
| <b>C-102</b><br><br>Submit Electronically<br>Via OCD Permitting | State of New Mexico<br>Energy, Minerals & Natural Resources Department<br><b>OIL CONSERVATION DIVISION</b> | Revised July 9, 2024<br><br>Submittal Type:<br><input checked="" type="checkbox"/> Initial Submittal<br><input type="checkbox"/> Amended Report<br><input type="checkbox"/> As Drilled |
|---|--|--|

WELL LOCATION INFORMATION

|  |  |  |
|--|--|--|
| API Number<br><b>30-015-57893</b>  | Pool Code<br><b>98220</b>                        | Pool Name<br><b>Purple Sage; Wolfcamp (Gas)</b>  |
| Property Code<br><b>338864</b>   | Property Name<br><b>CAMPANA STATE COM</b>        |  |
| OGRID No.<br><b>372098</b>   | Operator Name<br><b>MARATHON OIL PERMIAN LLC</b> | Well Number<br><b>901H</b>   |
| Surface Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |  | Mineral Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |

Surface Location

| UL | Section  | Township   | Range      | Lot          | Ft. from N/S      | Ft. from E/W    | Latitude          | Longitude           | County      |
|----|----------|------------|------------|--------------|-------------------|-----------------|-------------------|---------------------|-------------|
|    | <b>2</b> | <b>24S</b> | <b>26E</b> | <b>LOT 1</b> | <b>1,302' FNL</b> | <b>440' FEL</b> | <b>32.250040°</b> | <b>-104.256597°</b> | <b>EDDY</b> |

Bottom Hole Location

| UL | Section  | Township   | Range      | Lot          | Ft. from N/S    | Ft. from E/W    | Latitude          | Longitude           | County      |
|----|----------|------------|------------|--------------|-----------------|-----------------|-------------------|---------------------|-------------|
|    | <b>2</b> | <b>24S</b> | <b>26E</b> | <b>LOT 4</b> | <b>380' FNL</b> | <b>200' FWL</b> | <b>32.252511°</b> | <b>-104.271713°</b> | <b>EDDY</b> |

|                                  |  |  |   |                                  |
|----------------------------------|--|--|---|----------------------------------|
| Dedicated Acres<br><b>320.32</b> | Infill or Defining Well<br><b>Infill</b> | Defining Well API<br><b>Pending 701H</b> | Overlapping Spacing Unit (Y/N)<br><b>N</b>  | Consolidation Code<br><b>N/A</b> |
| Order Numbers.                   |  |  | Well setbacks are under Common Ownership: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                                  |

Kick Off Point (KOP)

| UL | Section  | Township   | Range      | Lot          | Ft. from N/S      | Ft. from E/W    | Latitude          | Longitude           | County      |
|----|----------|------------|------------|--------------|-------------------|-----------------|-------------------|---------------------|-------------|
|    | <b>2</b> | <b>24S</b> | <b>26E</b> | <b>LOT 1</b> | <b>1,302' FNL</b> | <b>440' FEL</b> | <b>32.250040°</b> | <b>-104.256597°</b> | <b>EDDY</b> |

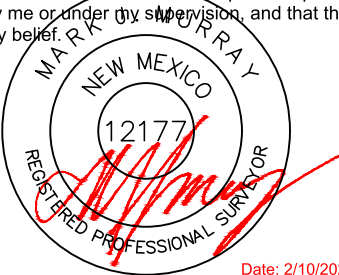
First Take Point (FTP)

| UL | Section  | Township   | Range      | Lot          | Ft. from N/S    | Ft. from E/W    | Latitude          | Longitude           | County      |
|----|----------|------------|------------|--------------|-----------------|-----------------|-------------------|---------------------|-------------|
|    | <b>2</b> | <b>24S</b> | <b>26E</b> | <b>LOT 1</b> | <b>380' FNL</b> | <b>330' FEL</b> | <b>32.252576°</b> | <b>-104.256213°</b> | <b>EDDY</b> |

Last Take Point (LTP)

| UL | Section  | Township   | Range      | Lot          | Ft. from N/S    | Ft. from E/W    | Latitude          | Longitude           | County      |
|----|----------|------------|------------|--------------|-----------------|-----------------|-------------------|---------------------|-------------|
|    | <b>2</b> | <b>24S</b> | <b>26E</b> | <b>LOT 4</b> | <b>380' FNL</b> | <b>330' FWL</b> | <b>32.252513°</b> | <b>-104.271292°</b> | <b>EDDY</b> |

|   |  |  |
|---|--|--|
| Unitized Area or Area of Uniform Interest<br><b>COM</b> | Spacing Unit Type <input checked="" type="checkbox"/> Horizontal <input type="checkbox"/> Vertical | Ground Floor Elevation:<br><b>3,267'</b> |
|---|--|--|

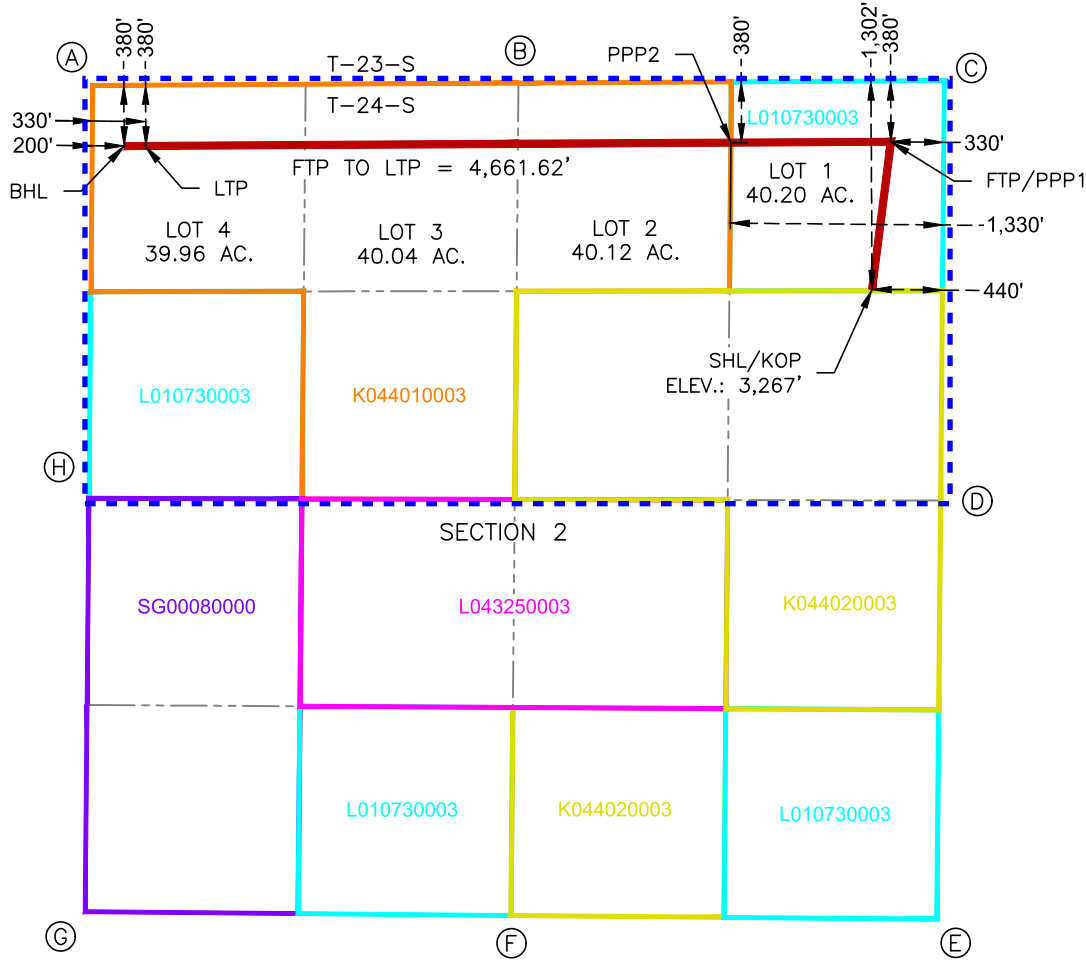
|   |  |                                    |                             |
|---|--|------------------------------------|-----------------------------|
| <p><b>OPERATOR CERTIFICATIONS</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and, if the well is a vertical or directional well, that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of a working interest or unleased mineral interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>If this well is a horizontal well, I further certify that this organization has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located or obtained a compulsory pooling order from the division.</p> | <p><b>SURVEYOR CERTIFICATIONS</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <div style="text-align: center;">  </div> <p style="text-align: right; color: red;">Date: 2/10/2026</p> |                                    |                             |
| Signature <i>Mayte Reyes</i> Date <b>2/19/2026</b>  | Signature and Seal of Professional Surveyor  |                                    |                             |
| Printed Name<br><b>Mayte Reyes</b>  | Certificate Number<br><b>12177</b>   | Date of Survey<br><b>2/10/2026</b> | Revision Number<br><b>1</b> |
| Email Address<br><b>mayte.x.reyes@conocophillips.com</b>  |  |                                    |                             |

Note: 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.

ACREAGE DEDICATION PLATS

This grid represents a standard section. You may superimpose a non-standard section, or larger area, over this grid. Operators must outline the dedicated acreage in a red box, clearly show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. If this is a horizontal wellbore show on this plat the location of the First Take Point and Last Take Point, and the point within the Completed interval (other than the First Take Point or Last Take Point) that is closest to any outer boundary of the tract.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed, contact the OCD Engineering Bureau. Independent subdivision surveys will not be acceptable.



**CAMPANA STATE COM 901H**

**SURFACE HOLE LOCATION & KICK-OFF POINT**  
 1,302' FNL & 440' FEL  
 ELEV. = 3,267'  
 NAD 83 X = 565,060.01'  
 NAD 83 Y = 454,706.34'  
 NAD 83 LAT = 32.250040°  
 NAD 83 LONG = -104.256597°

**FIRST TAKE POINT & PENETRATION POINT 1**  
 380' FNL & 330' FEL  
 NAD 83 X = 565,178.22'  
 NAD 83 Y = 455,629.01'  
 NAD 83 LAT = 32.252576°  
 NAD 83 LONG = -104.256213°

**PENETRATION POINT 2**  
 380' FNL & 1,330' FEL  
 NAD 83 X = 564,177.82'  
 NAD 83 Y = 455,623.45'  
 NAD 83 LAT = 32.252563°  
 NAD 83 LONG = -104.259449°

**LAST TAKE POINT**  
 380' FNL & 330' FWL  
 NAD 83 X = 560,516.67'  
 NAD 83 Y = 455,603.13'  
 NAD 83 LAT = 32.252513°  
 NAD 83 LONG = -104.271292°

**BOTTOM HOLE LOCATION**  
 380' FNL & 200' FWL  
 NAD 83 X = 560,386.66'  
 NAD 83 Y = 455,602.40'  
 NAD 83 LAT = 32.252511°  
 NAD 83 LONG = -104.271713°

| CORNER COORDINATES<br>NEW MEXICO EAST - NAD 83 |                             |
|--|-----------------------------|
| POINT  | NORTHING/EASTING            |
| A  | N:455,981.28' E:560,190.11' |
| B  | N:455,996.05' E:562,850.83' |
| C  | N:456,010.87' E:565,511.63' |
| D  | N:453,387.12' E:565,488.29' |
| E  | N:450,771.40' E:565,465.11' |
| F  | N:450,795.03' E:562,803.62' |
| G  | N:450,818.60' E:560,142.24' |
| H  | N:453,401.31' E:560,166.56' |

|   |  |  |
|---|--|--|
| <b>C-102</b><br><br>Submit Electronically<br>Via OCD Permitting | State of New Mexico<br>Energy, Minerals & Natural Resources Department<br><b>OIL CONSERVATION DIVISION</b> | Revised July 9, 2024<br><br>Submittal Type:<br><input checked="" type="checkbox"/> Initial Submittal<br><input type="checkbox"/> Amended Report<br><input type="checkbox"/> As Drilled |
|---|--|--|

WELL LOCATION INFORMATION

|  |  |  |
|--|--|--|
| API Number<br><b>30-015-</b>   | Pool Code<br><b>98220</b>                        | Pool Name<br><b>Purple Sage; Wolfcamp (Gas)</b>  |
| Property Code<br><b>338864</b>   | Property Name<br><b>CAMPANA STATE COM</b>        | Well Number<br><b>702H</b>   |
| OGRID No.<br><b>372098</b>   | Operator Name<br><b>MARATHON OIL PERMIAN LLC</b> | Ground Level Elevation<br><b>3,267'</b>  |
| Surface Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |  | Mineral Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |

Surface Location

| UL       | Section  | Township   | Range      | Lot | Ft. from N/S      | Ft. from E/W    | Latitude          | Longitude           | County      |
|----------|----------|------------|------------|-----|-------------------|-----------------|-------------------|---------------------|-------------|
| <b>H</b> | <b>2</b> | <b>24S</b> | <b>26E</b> |     | <b>1,362' FNL</b> | <b>440' FEL</b> | <b>32.249875°</b> | <b>-104.256599°</b> | <b>EDDY</b> |

Bottom Hole Location

| UL       | Section  | Township   | Range      | Lot | Ft. from N/S      | Ft. from E/W    | Latitude          | Longitude           | County      |
|----------|----------|------------|------------|-----|-------------------|-----------------|-------------------|---------------------|-------------|
| <b>E</b> | <b>2</b> | <b>24S</b> | <b>26E</b> |     | <b>2,180' FNL</b> | <b>200' FWL</b> | <b>32.247564°</b> | <b>-104.271769°</b> | <b>EDDY</b> |

|                                  |  |  |   |                                  |
|----------------------------------|--|--|---|----------------------------------|
| Dedicated Acres<br><b>320.32</b> | Infill or Defining Well<br><b>Infill</b> | Defining Well API<br><b>Pending 701H</b> | Overlapping Spacing Unit (Y/N)<br><b>N</b>  | Consolidation Code<br><b>N/A</b> |
| Order Numbers.                   |  |  | Well setbacks are under Common Ownership: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                                  |

Kick Off Point (KOP)

| UL       | Section  | Township   | Range      | Lot | Ft. from N/S      | Ft. from E/W    | Latitude          | Longitude           | County      |
|----------|----------|------------|------------|-----|-------------------|-----------------|-------------------|---------------------|-------------|
| <b>H</b> | <b>2</b> | <b>24S</b> | <b>26E</b> |     | <b>1,362' FNL</b> | <b>440' FEL</b> | <b>32.249875°</b> | <b>-104.256599°</b> | <b>EDDY</b> |

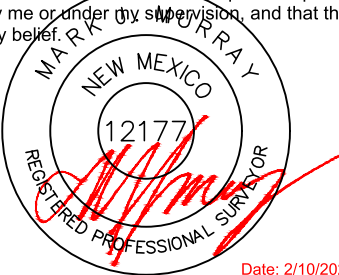
First Take Point (FTP)

| UL       | Section  | Township   | Range      | Lot | Ft. from N/S      | Ft. from E/W    | Latitude          | Longitude           | County      |
|----------|----------|------------|------------|-----|-------------------|-----------------|-------------------|---------------------|-------------|
| <b>H</b> | <b>2</b> | <b>24S</b> | <b>26E</b> |     | <b>2,180' FNL</b> | <b>330' FEL</b> | <b>32.247628°</b> | <b>-104.256269°</b> | <b>EDDY</b> |

Last Take Point (LTP)

| UL       | Section  | Township   | Range      | Lot | Ft. from N/S      | Ft. from E/W    | Latitude          | Longitude           | County      |
|----------|----------|------------|------------|-----|-------------------|-----------------|-------------------|---------------------|-------------|
| <b>E</b> | <b>2</b> | <b>24S</b> | <b>26E</b> |     | <b>2,180' FNL</b> | <b>330' FWL</b> | <b>32.247565°</b> | <b>-104.271349°</b> | <b>EDDY</b> |

|   |  |  |
|---|--|--|
| Unitized Area or Area of Uniform Interest<br><b>COM</b> | Spacing Unit Type <input checked="" type="checkbox"/> Horizontal <input type="checkbox"/> Vertical | Ground Floor Elevation:<br><b>3,267'</b> |
|---|--|--|

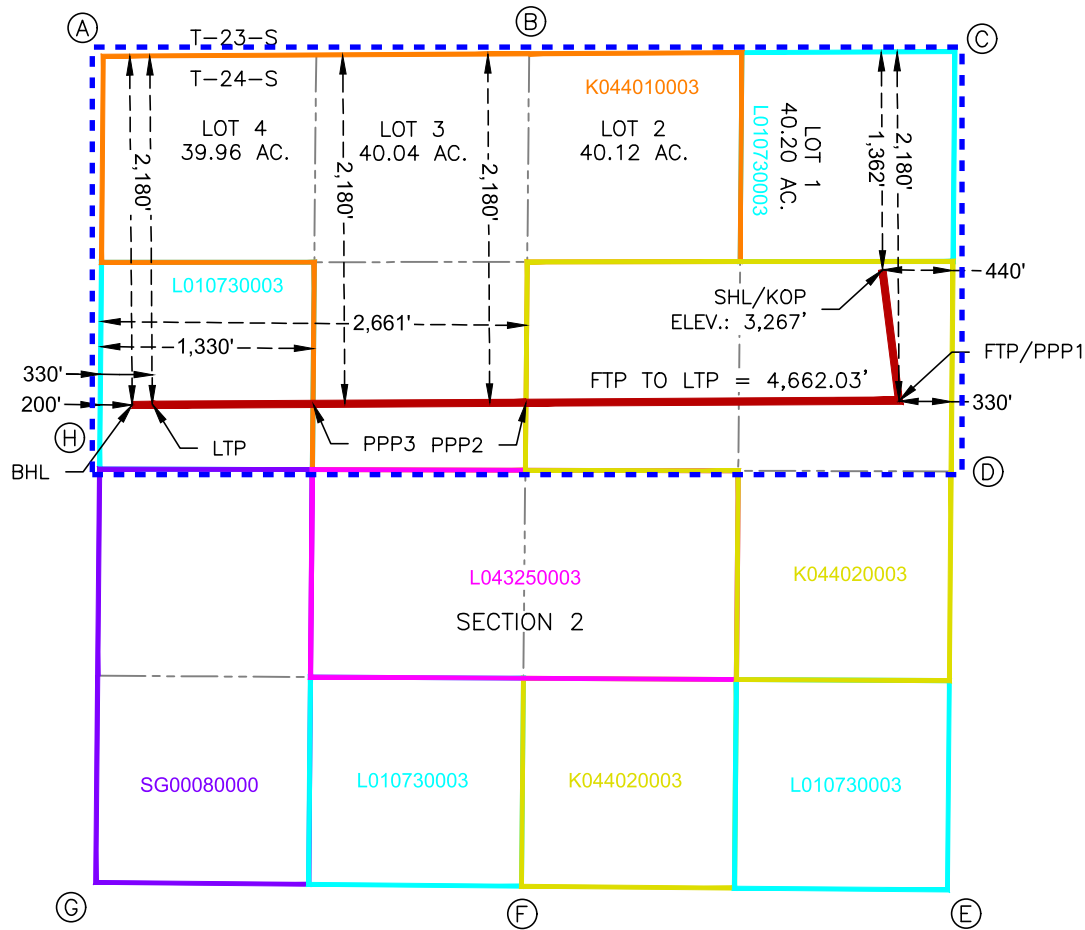
|   |  |                                    |                             |
|---|--|------------------------------------|-----------------------------|
| <p><b>OPERATOR CERTIFICATIONS</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and, if the well is a vertical or directional well, that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of a working interest or unleased mineral interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>If this well is a horizontal well, I further certify that this organization has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located or obtained a compulsory pooling order from the division.</p> | <p><b>SURVEYOR CERTIFICATIONS</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <div style="text-align: center;">  </div> <p style="text-align: right; color: red;">Date: 2/10/2026</p> |                                    |                             |
| Signature<br><i>Mayte Reyes</i> Date<br><b>2/19/2026</b>  | Signature and Seal of Professional Surveyor  |                                    |                             |
| Printed Name<br><b>Mayte Reyes</b>  | Certificate Number<br><b>12177</b>   | Date of Survey<br><b>2/10/2026</b> | Revision Number<br><b>1</b> |
| Email Address<br><b>mayte.x.reyes@conocophillips.com</b>  |  |                                    |                             |

Note: 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.

ACREAGE DEDICATION PLATS

This grid represents a standard section. You may superimpose a non-standard section, or larger area, over this grid. Operators must outline the dedicated acreage in a red box, clearly show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. If this is a horizontal wellbore show on this plat the location of the First Take Point and Last Take Point, and the point within the Completed interval (other than the First Take Point or Last Take Point) that is closest to any outer boundary of the tract.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed, contact the OCD Engineering Bureau. Independent subdivision surveys will not be acceptable.



**CAMPANA STATE COM 702H**

**SURFACE HOLE LOCATION & KICK-OFF POINT**  
 1,362' FNL & 440' FEL  
 ELEV. = 3,267'  
 NAD 83 X = 565,059.47'  
 NAD 83 Y = 454,646.33'  
 NAD 83 LAT = 32.249875°  
 NAD 83 LONG = -104.256599°

**FIRST TAKE POINT & PENETRATION POINT 1**  
 2,180' FNL & 330' FEL  
 NAD 83 X = 565,162.21'  
 NAD 83 Y = 453,828.89'  
 NAD 83 LAT = 32.247628°  
 NAD 83 LONG = -104.256269°

**PENETRATION POINT 2**  
 2,180' FNL & 2,661' FWL  
 NAD 83 X = 562,831.04'  
 NAD 83 Y = 453,816.14'  
 NAD 83 LAT = 32.247597°  
 NAD 83 LONG = -104.263809°

**PENETRATION POINT 3**  
 2,180' FNL & 1,330' FWL  
 NAD 83 X = 561,500.47'  
 NAD 83 Y = 453,808.75'  
 NAD 83 LAT = 32.247579°  
 NAD 83 LONG = -104.268113°

**LAST TAKE POINT**  
 2,180' FNL & 330' FWL  
 NAD 83 X = 560,500.25'  
 NAD 83 Y = 453,803.20'  
 NAD 83 LAT = 32.247565°  
 NAD 83 LONG = -104.271349°

**BOTTOM HOLE LOCATION**  
 2,180' FNL & 200' FWL  
 NAD 83 X = 560,370.23'  
 NAD 83 Y = 453,802.48'  
 NAD 83 LAT = 32.247564°  
 NAD 83 LONG = -104.271769°

| CORNER COORDINATES<br>NEW MEXICO EAST - NAD 83 |                             |
|--|-----------------------------|
| POINT  | NORTHING/EASTING            |
| A  | N:455,981.28' E:560,190.11' |
| B  | N:455,996.05' E:562,850.83' |
| C  | N:456,010.87' E:565,511.63' |
| D  | N:453,387.12' E:565,488.29' |
| E  | N:450,771.40' E:565,465.11' |
| F  | N:450,795.03' E:562,803.62' |
| G  | N:450,818.60' E:560,142.24' |
| H  | N:453,401.31' E:560,166.56' |

|   |  |   |
|---|--|---|
| <b>C-102</b><br><br>Submit Electronically<br>Via OCD Permitting | State of New Mexico<br>Energy, Minerals & Natural Resources Department<br><b>OIL CONSERVATION DIVISION</b> | Revised July 9, 2024  |
|   |  | Submittal Type: <input checked="" type="checkbox"/> Initial Submittal<br><input type="checkbox"/> Amended Report<br><input type="checkbox"/> As Drilled |

WELL LOCATION INFORMATION

|  |  |  |
|--|--|--|
| API Number<br><b>30-015-57894</b>  | Pool Code<br><b>98220</b>                        | Pool Name<br><b>Purple Sage; Wolfcamp (Gas)</b>  |
| Property Code<br><b>338864</b>   | Property Name<br><b>CAMPANA STATE COM</b>        |  |
| OGRID No.<br><b>372098</b>   | Operator Name<br><b>MARATHON OIL PERMIAN LLC</b> |  |
| Surface Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |  | Mineral Owner: <input checked="" type="checkbox"/> State <input type="checkbox"/> Fee <input type="checkbox"/> Tribal <input type="checkbox"/> Federal |
| Well Number<br><b>902H</b>   |  |  |
| Ground Level Elevation<br><b>3,267'</b>  |  |  |

Surface Location

| UL | Section | Township | Range | Lot | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-----|--------------|--------------|------------|--------------|--------|
| H  | 2       | 24S      | 26E   |     | 1,342' FNL   | 440' FEL     | 32.249930° | -104.256598° | EDDY   |

Bottom Hole Location

| UL | Section | Township | Range | Lot | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-----|--------------|--------------|------------|--------------|--------|
| E  | 2       | 24S      | 26E   |     | 1,700' FNL   | 200' FWL     | 32.248883° | -104.271754° | EDDY   |

|                                  |  |  |   |                                  |
|----------------------------------|--|--|---|----------------------------------|
| Dedicated Acres<br><b>320.32</b> | Infill or Defining Well<br><b>Infill</b> | Defining Well API<br><b>Pending 701H</b> | Overlapping Spacing Unit (Y/N)<br><b>N</b>  | Consolidation Code<br><b>N/A</b> |
| Order Numbers.                   |  |  | Well setbacks are under Common Ownership: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                                  |

Kick Off Point (KOP)

| UL | Section | Township | Range | Lot | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-----|--------------|--------------|------------|--------------|--------|
| H  | 2       | 24S      | 26E   |     | 1,342' FNL   | 440' FEL     | 32.249930° | -104.256598° | EDDY   |


First Take Point (FTP)

| UL | Section | Township | Range | Lot | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-----|--------------|--------------|------------|--------------|--------|
| H  | 2       | 24S      | 26E   |     | 1,700' FNL   | 330' FEL     | 32.248947° | -104.256254° | EDDY   |

Last Take Point (LTP)

| UL | Section | Township | Range | Lot | Ft. from N/S | Ft. from E/W | Latitude   | Longitude    | County |
|----|---------|----------|-------|-----|--------------|--------------|------------|--------------|--------|
| E  | 2       | 24S      | 26E   |     | 1,700' FNL   | 330' FWL     | 32.248885° | -104.271333° | EDDY   |

|   |  |  |
|---|--|--|
| Unitized Area or Area of Uniform Interest<br><b>COM</b> | Spacing Unit Type <input checked="" type="checkbox"/> Horizontal <input type="checkbox"/> Vertical | Ground Floor Elevation:<br><b>3,267'</b> |
|---|--|--|

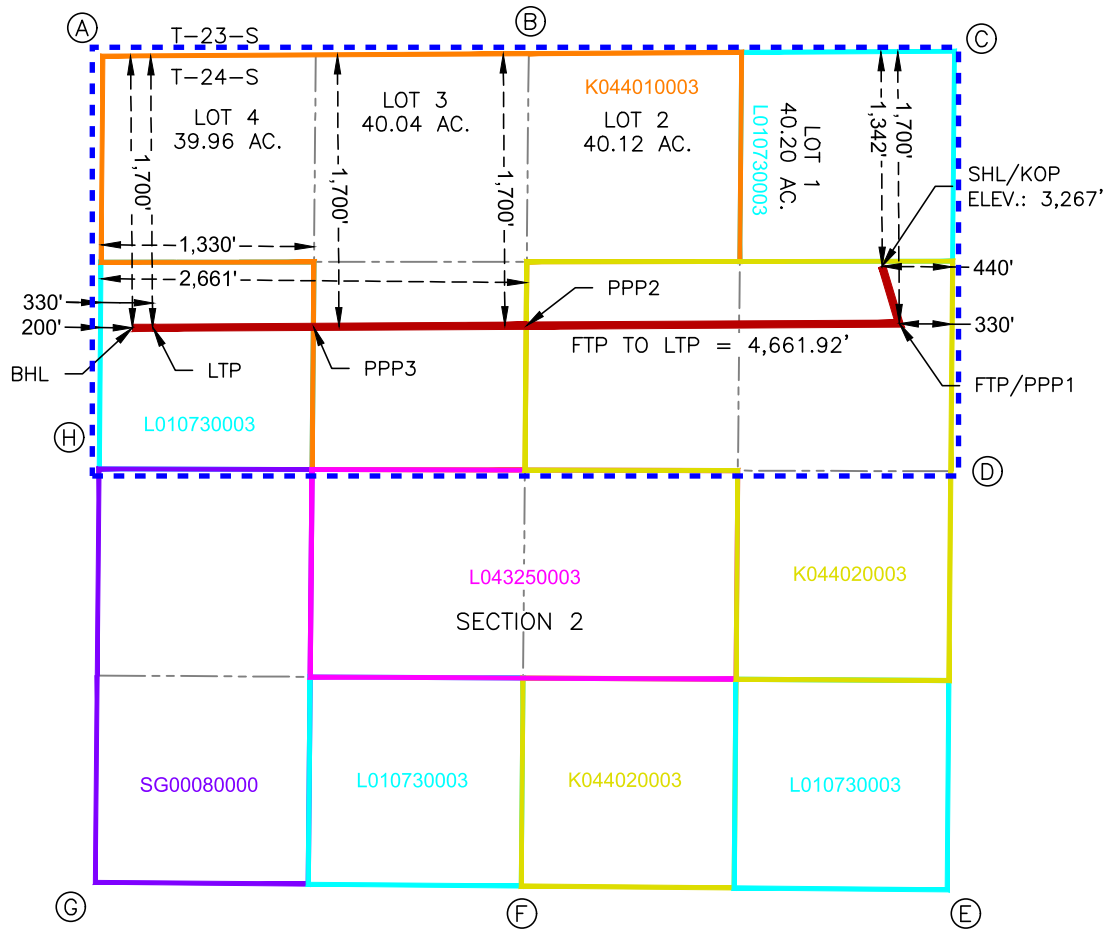
|   |   |   |                             |  |
|---|---|---|-----------------------------|--|
| <p><b>OPERATOR CERTIFICATIONS</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and, if the well is a vertical or directional well, that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of a working interest or unleased mineral interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>If this well is a horizontal well, I further certify that this organization has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located or obtained a compulsory pooling order from the division.</p> | <p><b>SURVEYOR CERTIFICATIONS</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <div style="text-align: center;">  <p>Date: 2/10/2026</p> </div> |   |                             |  |
| Signature<br><i>Mayte Reyes</i>   | Date<br><b>2/19/2026</b>  | Signature and Seal of Professional Surveyor |                             |  |
| Printed Name<br><b>Mayte Reyes</b>  | Certificate Number<br><b>12177</b>  | Date of Survey<br><b>2/10/2026</b>          | Revision Number<br><b>1</b> |  |
| Email Address<br><b>mayte.x.reyes@conocophillips.com</b>  |   |   |                             |  |

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**CAMPANA STATE COM 902H**

**SURFACE HOLE LOCATION & KICK-OFF POINT**  
 1,342' FNL & 440' FEL  
 ELEV. = 3,267'  
 NAD 83 X = 565,059.65'  
 NAD 83 Y = 454,666.33'  
 NAD 83 LAT = 32.249930°  
 NAD 83 LONG = -104.256598°

**FIRST TAKE POINT & PENETRATION POINT 1**  
 1,700' FNL & 330' FEL  
 NAD 83 X = 565,166.48'  
 NAD 83 Y = 454,308.92'  
 NAD 83 LAT = 32.248947°  
 NAD 83 LONG = -104.256254°

**PENETRATION POINT 2**  
 1,700' FNL & 2,661' FNL  
 NAD 83 X = 562,835.40'  
 NAD 83 Y = 454,296.12'  
 NAD 83 LAT = 32.248916°  
 NAD 83 LONG = -104.263794°

| CORNER COORDINATES<br>NEW MEXICO EAST - NAD 83 |                             |
|--|-----------------------------|
| POINT  | NORTHING/EASTING            |
| A  | N:455,981.28° E:560,190.11' |
| B  | N:455,996.05° E:562,850.83' |
| C  | N:456,010.87° E:565,511.63' |
| D  | N:453,387.12° E:565,488.29' |
| E  | N:450,771.40° E:565,465.11' |
| F  | N:450,795.03° E:562,803.62' |
| G  | N:450,818.60° E:560,142.24' |
| H  | N:453,401.31° E:560,166.56' |

**PENETRATION POINT 3**  
 1,700' FNL & 1,330' FNL  
 NAD 83 X = 561,504.88'  
 NAD 83 Y = 454,288.73'  
 NAD 83 LAT = 32.248898°  
 NAD 83 LONG = -104.268098°

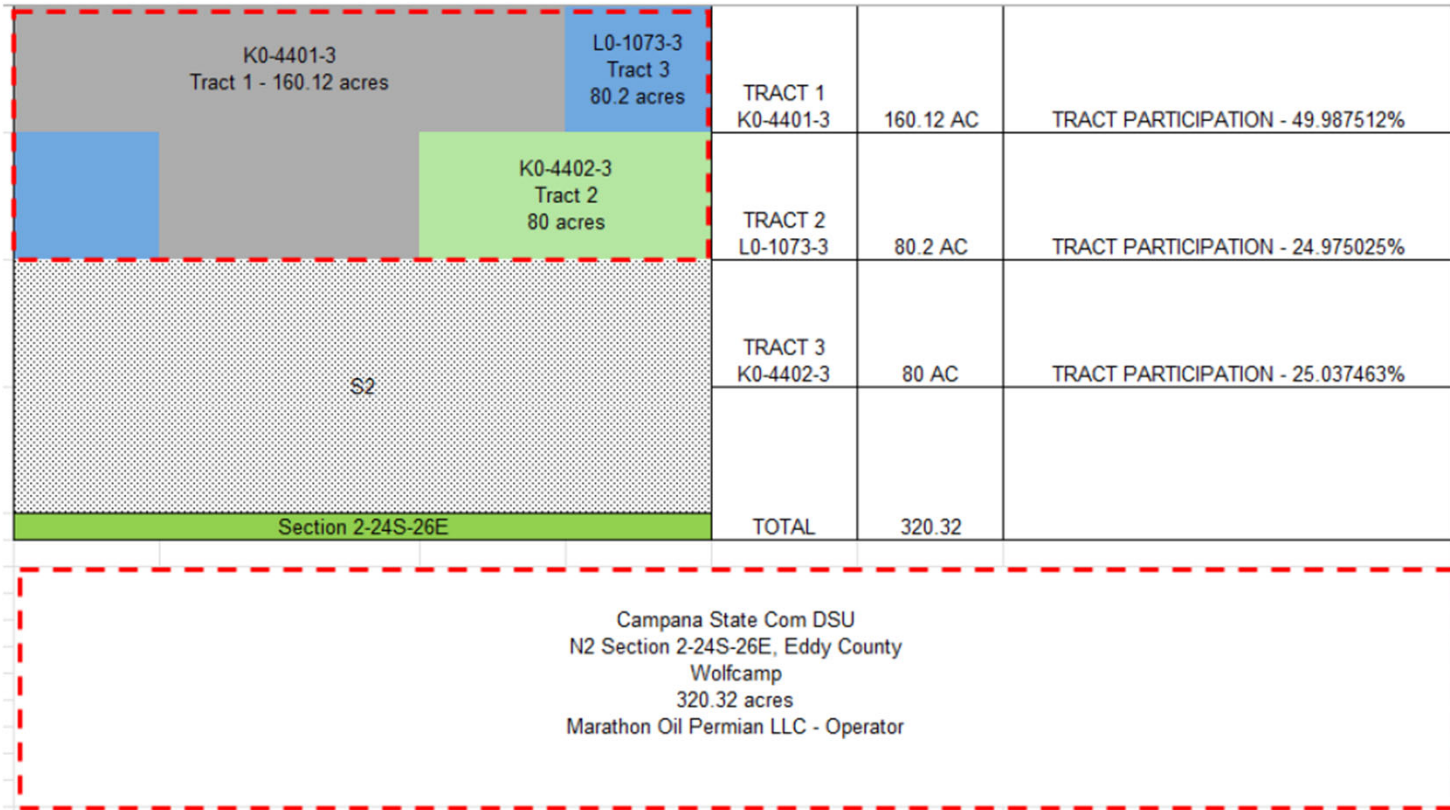
**LAST TAKE POINT**  
 1,700' FNL & 330' FNL  
 NAD 83 X = 560,504.63'  
 NAD 83 Y = 454,283.18'  
 NAD 83 LAT = 32.248885°  
 NAD 83 LONG = -104.271333°

**BOTTOM HOLE LOCATION**  
 1,700' FNL & 200' FNL  
 NAD 83 X = 560,374.62'  
 NAD 83 Y = 454,282.46'  
 NAD 83 LAT = 32.248883°  
 NAD 83 LONG = -104.271754°



Lease Tract Map & Recapitulation: **\*\*No pooling required\*\***

Campana State Com 701H, 702H, 901H, & 902H – Wolfcamp Spacing Unit  
N2 of Section 2, Township 24 South, Range 26 East, Eddy County, NM



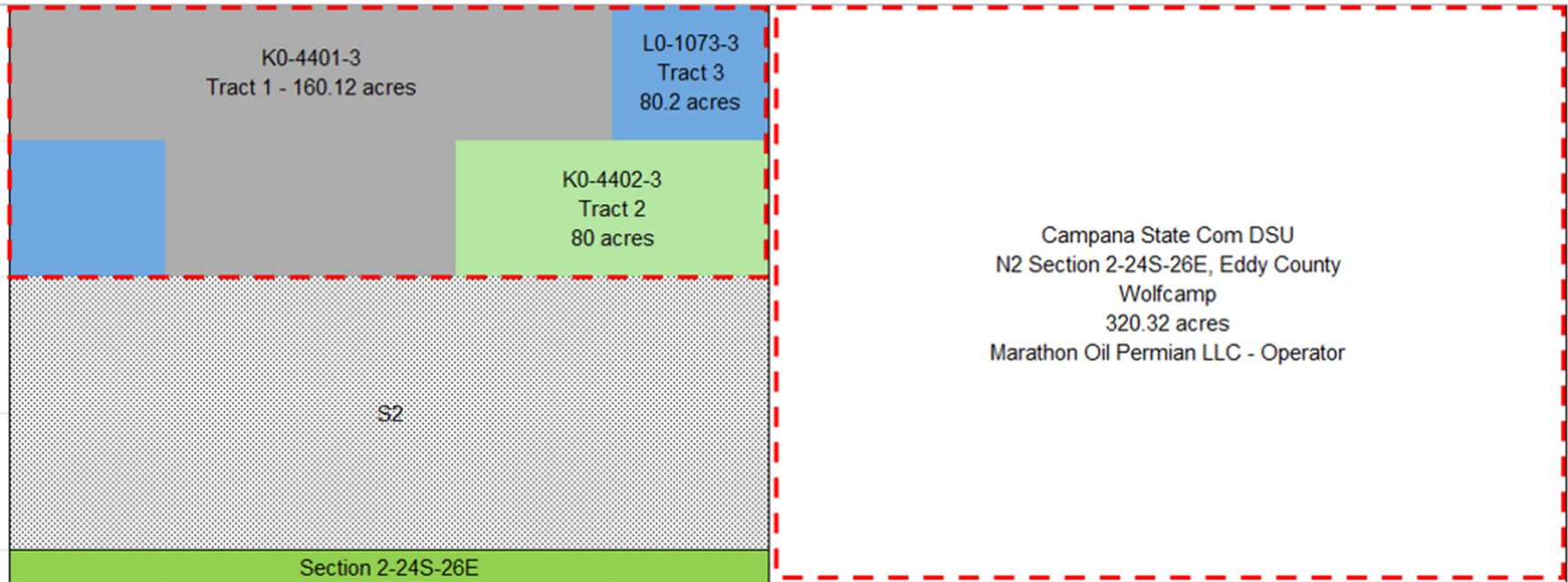


Working Interests by Tract; All Working Interest Parties are committed to JOA dated 1/1/1976  
 Marathon Oil Permian LLC – Operator **\*\*No pooling required\*\***  
 Campana State Com 701H, 702H, 901H, & 902H – Wolfcamp Spacing Unit  
 N2 of Section 2 , Township 24 South, Range 26 East, Eddy County, NM

|                   |                      |           |   |  |
|-------------------|----------------------|-----------|---|--|
|                   | TRACT 1<br>K0-4401-3 | 160.12 AC | MARATHON OIL PERMIAN LLC - 50%<br>KAISER-FRANCIS OIL COMPANY - 50%                                  |  |
|                   | TRACT 2<br>L0-1073-3 | 80.2 AC   | MARATHON OIL PERMAIN LLC - 71.875%<br>KAISER-FRANCIS OIL COMPANY - 25%<br>STEPHEN V. PRICE - 3.125% |  |
|                   | TRACT 3<br>K0-4402-3 | 80 AC     | MARATHON OIL PERMIAN LLC - 50%<br>KAISER-FRANCIS OIL COMPANY - 50%                                  |  |
| Section 2-24S-26E |                      | TOTAL     | 320.32  |  |

Campana State Com DSU  
 N2 Section 2-24S-26E, Eddy County  
 Wolfcamp  
 320.32 acres  
 Marathon Oil Permian LLC - Operator

Unit wide Working Interests – Marathon Oil Permian LLC – Operator by OA dated 1/1/1976  
 Campana State Com 701H, 702H, 901H, & 902H –  
 Wolfcamp Spacing Unit **\*\*No pooling required\*\***  
 N2 of Section 2, Township 24 South, Range 26 East, Eddy County, NM



| Working Interest Owner     | Interest Percentage |            |            | Unit              |
|----------------------------|---------------------|------------|------------|-------------------|
|                            | Tract 1             | Tract 2    | Tract 3    |                   |
| Marathon Oil Permian LLC   | 0.50000000          | 0.50000000 | 0.71875000 | 0.55476945        |
| Kaiser-Francis Oil Company | 0.50000000          | 0.50000000 | 0.25000000 | 0.43740634        |
| Stephen V. Price           | 0.00000000          | 0.00000000 | 0.03125000 | 0.00782421        |
| <b>TOTAL</b>               |                     |            |            | <b>1.00000000</b> |

Campana State Com N2 2-24S-26E



Shelley C. Klingler  
Staff Land Negotiator  
600 W. Illinois Ave  
Midland, TX 79701  
O: 432-688-9027  
F: 432-221-0470

Shelley.c.klingler@conocophillips.com

February 12, 2026

Via FedEx

**KAISER-FRANCIS OIL COMPANY**  
6733 South Yale Avenue  
Tulsa, OK 74136

Re: **Campana State Com 701H, 702H, 901H, 902H**  
N2 Section 2, T24S-R26E, Wolfcamp  
Eddy County, New Mexico

Dear Sir or Madam:

Marathon Oil Permian, LLC (“Marathon”), as Operator, proposes the drilling of the following horizontal wells with productive laterals located in N2 Section 2, T24S-R26E, Eddy County, New Mexico (collectively, the “Operation”). The surface pad(s) will be located in Unit H and Lot 1 of Section 2, T24S-R26E (subject to change).

- **CAMPANA STATE COM 701H**, to be drilled to a depth sufficient to test the Wolfcamp formation at an approximate total vertical depth of 8,800’. The surface location for this well is proposed at a legal location in Unit H of Section 2, T24S-R26E, and a bottom hole location at a legal location in Lot 4 of Section 2, T24S-R26E. The dedicated horizontal standard spacing unit will be N2 Section 2, T24S-R26E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,557,639.85, as shown on the attached Authority for Expenditure (“AFE”).
- **CAMPANA STATE COM 702H**, to be drilled to a depth sufficient to test the Wolfcamp formation at an approximate total vertical depth of 8,800’. The surface location for this well is proposed at a legal location in Unit H of Section 2, T24S-R26E, and a bottom hole location at a legal location in Unit E of Section 2, T24S-R26E. The dedicated horizontal standard spacing unit will be N2 Section 2, T24S-R26E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,557,639.85, as shown on the attached Authority for Expenditure (“AFE”).
- **CAMPANA STATE COM 901H**, to be drilled to a depth sufficient to test the Wolfcamp formation at an approximate total vertical depth of 9,400’. The surface location for this well is proposed at a legal location in Lot 1 of Section 2, T24S-R26E, and a bottom hole location at a legal location in Lot 4 of Section 2, T24S-R26E. The dedicated horizontal standard spacing unit will be N2 Section 2, T24S-R26E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$8,062,173.16, as shown on the attached Authority for Expenditure (“AFE”).
- **CAMPANA STATE COM 902H**, to be drilled to a depth sufficient to test the Wolfcamp formation at an approximate total vertical depth of 9,400’. The surface location for this well is proposed at

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
Exhibit No. A-6  
Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026  
Powderhorn Case No. 25610

Campana State Com N2 2-24S-26E

a legal location in Unit H of Section 2, T24S-R26E, and a bottom hole location at a legal location in Unit E of Section 2, T24S-R26E. The dedicated horizontal standard spacing unit will be N2 Section 2, T24S-R26E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$8,062,173.16, as shown on the attached Authority for Expenditure ("AFE").

Marathon is proposing to drill these wells as successor operator under the terms of Operating Agreement dated January 1, 1976, covering the N2 of Section 2, T24S-R26E, which your interest is subject to.

Please indicate your participation elections in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFEs and a copy of your geologic requirements, to my attention at the letterhead address or by email to shelly.c.klingler@conocophillips.com. Should you have any questions, please do not hesitate to contact me.

Sincerely,

COG Operating LLC



Shelley C. Klingler  
Staff Land Negotiator

Please Indicate your election below:

| <b>PARTICIPATE</b><br>Elect to participate in drilling & completion of well | <b>DO NOT PARTICIPATE</b><br>Elect <b>NOT</b> to participate in drilling & completion of well | <b>WELL NAME</b>              |
|---|---|-------------------------------|
|   |   | <b>CAMPANA STATE COM 701H</b> |
|   |   | <b>CAMPANA STATE COM 702H</b> |
|   |   | <b>CAMPANA STATE COM 901H</b> |
|   |   | <b>CAMPANA STATE COM 902H</b> |

**KAISER-FRANCIS OIL COMPANY**

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
Drill & Complete**

**Well Name** Campana Fed Com 701H  
**SHL** 440' FEL 1322 FNL SECTION 2-24S-26E  
**BHL** 200' FWL & 660' FNL SECTION 2-24S-26E  
**Formation** WCA  
**Legal** N2 2-24S-26E  
**AFE Numbers** TBD

**Prospect** HELLFIRE 2426  
**State & County** Eddy NM  
**Objective** D&C  
**Depth** 8800'  
**MD** 13780'

| Cost Description                                 | Code | PreSpud (PS) | Pre-Set Casing(PC) | Drilling (DR)   | Completions (C) | Tank Btty Constrcn(TB) | Pmpq Equip (PEQ) | Revision | Total           |
|--|------|--------------|--------------------|-----------------|-----------------|------------------------|------------------|----------|-----------------|
| <b>Intangible Costs</b>                          |      |              |                    |                 |                 |                        |                  |          |                 |
| D-Bit and Mill                                   | M620 |              |                    | \$ 82,025.00    |                 |                        |                  | \$ -     | \$ 82,025.00    |
| D-Lost in Hole (DBR DP WBM)                      | M690 |              |                    | \$ -            |                 |                        |                  | \$ -     | \$ -            |
| D-Fuel & Lubricant                               | M710 |              |                    | \$ 62,974.80    |                 |                        |                  | \$ -     | \$ 62,974.80    |
| D-Water  | M720 |              |                    | \$ 64,235.35    |                 |                        |                  | \$ -     | \$ 64,235.35    |
| D-Mud & Chemicals                                | M741 |              |                    | \$ 174,338.40   |                 |                        |                  | \$ -     | \$ 174,338.40   |
| D-Drilling Overhead                              | O110 |              |                    | \$ 25,585.00    |                 |                        |                  | \$ -     | \$ 25,585.00    |
| D-Daywork Contract                               | O120 |              |                    | \$ 44,030.00    |                 |                        |                  | \$ -     | \$ 44,030.00    |
| D-Field Office and Trailer                       | O320 |              |                    | \$ 26,180.00    |                 |                        |                  | \$ -     | \$ 26,180.00    |
| D-Permit, Fee and License                        | O400 |              |                    | \$ 36,125.00    |                 |                        |                  | \$ -     | \$ 36,125.00    |
| D-Environmental, Health and Safety Service       | S160 |              |                    | \$ 107,058.35   |                 |                        |                  | \$ -     | \$ 107,058.35   |
| D-Drilling Rtg                                   | S210 |              |                    | \$ 558,845.25   |                 |                        |                  | \$ -     | \$ 558,845.25   |
| D-Drilling Rtg Mob/Demob                         | S211 |              |                    | \$ 231,200.00   |                 |                        |                  | \$ -     | \$ 231,200.00   |
| D-Pipe, Tubing, Casing Running and Handling      | S220 |              |                    | \$ 38,250.00    |                 |                        |                  | \$ -     | \$ 38,250.00    |
| D-Directional Drilling, MWD/LWD, Motor           | S230 |              |                    | \$ 177,437.50   |                 |                        |                  | \$ -     | \$ 177,437.50   |
| D-Solid Control                                  | S250 |              |                    | \$ 38,318.00    |                 |                        |                  | \$ -     | \$ 38,318.00    |
| D-Mud Logging, GeoSteering, PVT                  | S272 |              |                    | \$ 28,050.00    |                 |                        |                  | \$ -     | \$ 28,050.00    |
| D-Cementing Service                              | S281 |              |                    | \$ 131,529.00   |                 |                        |                  | \$ -     | \$ 131,529.00   |
| D-Cementing & Casing Eqpt and Accessories        | S283 |              |                    | \$ 59,500.00    |                 |                        |                  | \$ -     | \$ 59,500.00    |
| D-Other Specialized Service                      | S470 |              |                    | \$ 54,400.00    |                 |                        |                  | \$ -     | \$ 54,400.00    |
| D-Site Preparation and Road Work                 | S511 |              |                    | \$ 197,200.00   |                 |                        |                  | \$ -     | \$ 197,200.00   |
| D-Land Freight                                   | S710 |              |                    | \$ 61,176.20    |                 |                        |                  | \$ -     | \$ 61,176.20    |
| D-Downhole Drilling Tools and Eqpt Rental        | S820 |              |                    | \$ 53,550.00    |                 |                        |                  | \$ -     | \$ 53,550.00    |
| D-Surface Drilling Tools and Eqpt Rental         | S830 |              |                    | \$ 68,782.00    |                 |                        |                  | \$ -     | \$ 68,782.00    |
| D-Wellhead and Tree Rental Services              | S860 |              |                    | \$ 17,000.00    |                 |                        |                  | \$ -     | \$ 17,000.00    |
| C-Completions Fluids & Other Chemicals           | 304  |              |                    | \$ -            | \$ 24,427.71    |                        |                  | \$ -     | \$ 24,427.71    |
| C-Lctn/Pits/Roads                                | 305  |              |                    | \$ -            | \$ 7,270.15     |                        |                  | \$ -     | \$ 7,270.15     |
| C-DST & Production Testing                       | 306  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Frac Equipment                                 | 307  |              |                    | \$ -            | \$ 657,803.30   |                        |                  | \$ -     | \$ 657,803.30   |
| C-Frac Chemicals                                 | 308  |              |                    | \$ -            | \$ 182,626.20   |                        |                  | \$ -     | \$ 182,626.20   |
| C-Frac Proppant                                  | 309  |              |                    | \$ -            | \$ 524,614.13   |                        |                  | \$ -     | \$ 524,614.13   |
| C-Land Based Transport                           | 310  |              |                    | \$ -            | \$ 26,172.55    |                        |                  | \$ -     | \$ 26,172.55    |
| C-Fuel Delivery & Services                       | 311  |              |                    | \$ -            | \$ 167,504.29   |                        |                  | \$ -     | \$ 167,504.29   |
| C-Water  | 312  |              |                    | \$ -            | \$ 236,716.13   |                        |                  | \$ -     | \$ 236,716.13   |
| C-Drilling / Compl Surface Equip Rental w/ Oper  | 315  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Drilling / Compl Surface Equip Rental w/o Oper | 325  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Bits & Mills                                   | 326  |              |                    | \$ -            | \$ 2,326.45     |                        |                  | \$ -     | \$ 2,326.45     |
| C-Wellhead & Tree Service (Labor Only)           | 327  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Coiled Tubing Services                         | 329  |              |                    | \$ -            | \$ 99,455.67    |                        |                  | \$ -     | \$ 99,455.67    |
| C-Perf/Wireline Svc                              | 331  |              |                    | \$ -            | \$ 168,667.51   |                        |                  | \$ -     | \$ 168,667.51   |
| C-Fishing, Milling Services                      | 337  |              |                    | \$ -            | \$ 33,151.89    |                        |                  | \$ -     | \$ 33,151.89    |
| C-Other Miscellaneous Services & Consumables     | 339  |              |                    | \$ -            | \$ 14,540.30    |                        |                  | \$ -     | \$ 14,540.30    |
| C-Pump / Kill Truck                              | 343  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| C-Wellsite Contract Labor & Supervisor           | 345  |              |                    | \$ -            | \$ 66,303.78    |                        |                  | \$ -     | \$ 66,303.78    |
| C-Permits, Fees, Surface Damages                 | 346  |              |                    | \$ -            | \$ 2,908.06     |                        |                  | \$ -     | \$ 2,908.06     |
| C-Company and Consultant Supervision             | 347  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| TB-Damages/Right of Way                          | 351  |              |                    |                 | \$ -            | \$ 1,229.41            |                  | \$ -     | \$ 1,229.41     |
| TB-Location/Pits/Roads                           | 353  |              |                    |                 | \$ -            | \$ 40,570.69           |                  | \$ -     | \$ 40,570.69    |
| TB-Contract Labor                                | 356  |              |                    |                 | \$ -            | \$ 223,753.52          |                  | \$ -     | \$ 223,753.52   |
| PEQ-Contract Labor                               | 374  |              |                    |                 |                 |                        | \$ 65,716.86     | \$ -     | \$ 65,716.86    |
| PEQ-Water Disposal                               | 387  |              |                    |                 |                 |                        | \$ 303,805.81    | \$ -     | \$ 303,805.81   |
| PEQ-HRZ Well Offset Frac                         | 391  |              |                    |                 |                 |                        | \$ 31,242.44     | \$ -     | \$ 31,242.44    |
| <b>Total Intangible Costs</b>                    |      | \$ -         | \$ -               | \$ 2,337,789.85 | \$ 2,559,965.73 | \$ 265,553.63          | \$ 400,765.12    | \$ -     | \$ 5,564,074.33 |

|  |      |      |      |               |               |               |               |      |                 |
|--|------|------|------|---------------|---------------|---------------|---------------|------|-----------------|
| <b>Tangible Costs</b>                          |      |      |      |               |               |               |               |      |                 |
| PEQ-Flowback Crews & Equip                     | 392  |      |      |               |               |               | \$ 182,068.02 | \$ - | \$ 182,068.02   |
| D-Surface Casing                               | M521 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Intermed Csg                                 | M523 |      |      | \$ 254,150.00 |               |               |               | \$ - | \$ 254,150.00   |
| D-Production Casing/Liner                      | M531 |      |      | \$ 325,550.00 |               |               |               | \$ - | \$ 325,550.00   |
| D-Wellhead Equip, X-Mas Tree and Associated Eq | E100 |      |      | \$ 36,550.00  |               |               |               | \$ - | \$ 36,550.00    |
| D-Telecommunication Equipment                  | E600 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Conductor                                    | M510 |      |      | \$ 27,200.00  |               |               |               | \$ - | \$ 27,200.00    |
| C-Tubing                                       | 504  |      |      | \$ 55,253.15  |               |               |               | \$ - | \$ 55,253.15    |
| C-Wellhead Equip                               | 505  |      |      | \$ 34,896.73  |               |               |               | \$ - | \$ 34,896.73    |
| TB-Tanks                                       | 510  |      |      |               | \$ 72,535.48  |               |               | \$ - | \$ 72,535.48    |
| TB-Flowlines/Pipelines                         | 511  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Htr Trtr/Seprtr                             | 512  |      |      |               | \$ 229,900.60 |               |               | \$ - | \$ 229,900.60   |
| TB-Electrical System/Equipment                 | 513  |      |      |               | \$ 141,382.72 |               |               | \$ - | \$ 141,382.72   |
| C-Pckrs/Anchors/Hgrs                           | 514  |      |      | \$ 68,630.23  |               |               |               | \$ - | \$ 68,630.23    |
| TB-Couplings/Fittings/Valves                   | 515  |      |      |               | \$ 240,965.33 |               |               | \$ - | \$ 240,965.33   |
| TB-Pumps-Surface                               | 521  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Instrumentation/SCADA/POC                   | 522  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Miscellaneous                               | 523  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Meters/Lacts                                | 525  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Flares/Combusters/Emission                  | 526  |      |      |               | \$ 39,341.28  |               |               | \$ - | \$ 39,341.28    |
| C-Gas Lift/Compression                         | 527  |      |      | \$ 26,754.16  |               |               |               | \$ - | \$ 26,754.16    |
| PEQ-Wellhead Equipment                         | 531  |      |      |               |               |               | \$ 65,716.86  | \$ - | \$ 65,716.86    |
| <b>Total Tangible Costs</b>                    |      | \$ - | \$ - | \$ 691,050.00 | \$ 185,534.27 | \$ 869,196.37 | \$ 247,784.88 | \$ - | \$ 1,993,565.52 |

|                         |      |      |                 |                 |                 |               |      |                 |
|-------------------------|------|------|-----------------|-----------------|-----------------|---------------|------|-----------------|
| <b>Total Gross Cost</b> | \$ - | \$ - | \$ 3,028,839.85 | \$ 2,745,500.00 | \$ 1,134,750.00 | \$ 648,550.00 | \$ - | \$ 7,557,639.85 |
|-------------------------|------|------|-----------------|-----------------|-----------------|---------------|------|-----------------|

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

By: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

We approve:  
 \_\_\_\_\_  
 % Working Interest

COG Operating LLC  
 By: \_\_\_\_\_

Company: \_\_\_\_\_  
 By: \_\_\_\_\_  
 Printed Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
Drill & Complete**

|   |                                   |
|---|-----------------------------------|
| <b>Well Name</b> Campana Fed Com 702H             | <b>Prospect</b> HELLFIRE 2426     |
| <b>SHL</b> 440' FEL 1362' FNL SECTION 2-24S-26E   | <b>State &amp; County</b> Eddy NM |
| <b>BHL</b> 200' FWL & 2180' FNL SECTION 2-24S-26E | <b>Objective</b> D&C              |
| <b>Formation</b> WCA                              | <b>Depth</b> 8800'                |
| <b>Legal</b> N2 2-24S-26E                         | <b>MD</b> 13780'                  |
| <b>AFE Numbers</b> TBD                            |                                   |

| Cost Description                                 | Code | PreSpud (PS) | Pre-Set Casing(PC) | Drilling (DR)   | Completions (C) | Tank Btty Constrcn(TB) | Pmpq Equip (PEQ) | Revision | Total           |
|--|------|--------------|--------------------|-----------------|-----------------|------------------------|------------------|----------|-----------------|
| <b>Intangible Costs</b>                          |      |              |                    |                 |                 |                        |                  |          |                 |
| D-Bit and Mill                                   | M620 |              |                    | \$ 82,025.00    |                 |                        |                  | \$ -     | \$ 82,025.00    |
| D-Lost in Hole (DBR DP WBM)                      | M690 |              |                    | \$ -            |                 |                        |                  | \$ -     | \$ -            |
| D-Fuel & Lubricant                               | M710 |              |                    | \$ 62,974.80    |                 |                        |                  | \$ -     | \$ 62,974.80    |
| D-Water  | M720 |              |                    | \$ 64,235.35    |                 |                        |                  | \$ -     | \$ 64,235.35    |
| D-Mud & Chemicals                                | M741 |              |                    | \$ 174,338.40   |                 |                        |                  | \$ -     | \$ 174,338.40   |
| D-Drilling Overhead                              | O110 |              |                    | \$ 25,585.00    |                 |                        |                  | \$ -     | \$ 25,585.00    |
| D-Daywork Contract                               | O120 |              |                    | \$ 44,030.00    |                 |                        |                  | \$ -     | \$ 44,030.00    |
| D-Field Office and Trailer                       | O320 |              |                    | \$ 26,180.00    |                 |                        |                  | \$ -     | \$ 26,180.00    |
| D-Permit, Fee and License                        | O400 |              |                    | \$ 36,125.00    |                 |                        |                  | \$ -     | \$ 36,125.00    |
| D-Environmental, Health and Safety Service       | S160 |              |                    | \$ 107,058.35   |                 |                        |                  | \$ -     | \$ 107,058.35   |
| D-Drilling Rig                                   | S210 |              |                    | \$ 558,845.25   |                 |                        |                  | \$ -     | \$ 558,845.25   |
| D-Drilling Rig Mob/Demob                         | S211 |              |                    | \$ 231,200.00   |                 |                        |                  | \$ -     | \$ 231,200.00   |
| D-Pipe, Tubing, Casing Running and Handling      | S220 |              |                    | \$ 38,250.00    |                 |                        |                  | \$ -     | \$ 38,250.00    |
| D-Directional Drilling, MWD/LWD, Motor           | S230 |              |                    | \$ 177,437.50   |                 |                        |                  | \$ -     | \$ 177,437.50   |
| D-Solid Control                                  | S250 |              |                    | \$ 38,318.00    |                 |                        |                  | \$ -     | \$ 38,318.00    |
| D-Mud Logging, GeoSteering, PVT                  | S272 |              |                    | \$ 28,050.00    |                 |                        |                  | \$ -     | \$ 28,050.00    |
| D-Cementing Service                              | S281 |              |                    | \$ 131,529.00   |                 |                        |                  | \$ -     | \$ 131,529.00   |
| D-Cementing & Casing Eqpt and Accessories        | S283 |              |                    | \$ 59,500.00    |                 |                        |                  | \$ -     | \$ 59,500.00    |
| D-Other Specialized Service                      | S470 |              |                    | \$ 54,400.00    |                 |                        |                  | \$ -     | \$ 54,400.00    |
| D-Site Preparation and Road Work                 | S511 |              |                    | \$ 197,200.00   |                 |                        |                  | \$ -     | \$ 197,200.00   |
| D-Land Freight                                   | S710 |              |                    | \$ 61,176.20    |                 |                        |                  | \$ -     | \$ 61,176.20    |
| D-Downhole Drilling Tools and Eqpt Rental        | S820 |              |                    | \$ 53,550.00    |                 |                        |                  | \$ -     | \$ 53,550.00    |
| D-Surface Drilling Tools and Eqpt Rental         | S830 |              |                    | \$ 68,782.00    |                 |                        |                  | \$ -     | \$ 68,782.00    |
| D-Wellhead and Tree Rental Services              | S860 |              |                    | \$ 17,000.00    |                 |                        |                  | \$ -     | \$ 17,000.00    |
| C-Completions Fluids & Other Chemicals           | 304  |              |                    | \$ -            | \$ 24,427.71    |                        |                  | \$ -     | \$ 24,427.71    |
| C-Lcfn/Pits/Roads                                | 305  |              |                    | \$ -            | \$ 7,270.15     |                        |                  | \$ -     | \$ 7,270.15     |
| C-DST & Production Testing                       | 306  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Frac Equipment                                 | 307  |              |                    | \$ -            | \$ 657,803.30   |                        |                  | \$ -     | \$ 657,803.30   |
| C-Frac Chemicals                                 | 308  |              |                    | \$ -            | \$ 182,626.20   |                        |                  | \$ -     | \$ 182,626.20   |
| C-Frac Proppant                                  | 309  |              |                    | \$ -            | \$ 524,614.13   |                        |                  | \$ -     | \$ 524,614.13   |
| C-Land Based Transport                           | 310  |              |                    | \$ -            | \$ 26,172.55    |                        |                  | \$ -     | \$ 26,172.55    |
| C-Fuel Delivery & Services                       | 311  |              |                    | \$ -            | \$ 167,504.29   |                        |                  | \$ -     | \$ 167,504.29   |
| C-Water  | 312  |              |                    | \$ -            | \$ 236,716.13   |                        |                  | \$ -     | \$ 236,716.13   |
| C-Drilling / Compl Surface Equip Rental w/ Oper  | 315  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Drilling / Compl Surface Equip Rental w/o Oper | 325  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Bits & Mills                                   | 326  |              |                    | \$ -            | \$ 2,326.45     |                        |                  | \$ -     | \$ 2,326.45     |
| C-Wellhead & Tree Service (Labor Only)           | 327  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Coiled Tubing Services                         | 329  |              |                    | \$ -            | \$ 99,455.67    |                        |                  | \$ -     | \$ 99,455.67    |
| C-Perf/Wireline Svc                              | 331  |              |                    | \$ -            | \$ 168,667.51   |                        |                  | \$ -     | \$ 168,667.51   |
| C-Fishing, Milling Services                      | 337  |              |                    | \$ -            | \$ 33,151.89    |                        |                  | \$ -     | \$ 33,151.89    |
| C-Other Miscellaneous Services & Consumables     | 339  |              |                    | \$ -            | \$ 14,540.30    |                        |                  | \$ -     | \$ 14,540.30    |
| C-Pump / Kill Truck                              | 343  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| C-Wellsite Contract Labor & Supervisor           | 345  |              |                    | \$ -            | \$ 66,303.78    |                        |                  | \$ -     | \$ 66,303.78    |
| C-Permits, Fees, Surface Damages                 | 346  |              |                    | \$ -            | \$ 2,908.06     |                        |                  | \$ -     | \$ 2,908.06     |
| C-Company and Consultant Supervision             | 347  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| TB-Damages/Right of Way                          | 351  |              |                    | \$ -            | \$ -            | \$ 1,229.41            |                  | \$ -     | \$ 1,229.41     |
| TB-Location/Pits/Roads                           | 353  |              |                    | \$ -            | \$ -            | \$ 40,570.69           |                  | \$ -     | \$ 40,570.69    |
| TB-Contract Labor                                | 356  |              |                    | \$ -            | \$ -            | \$ 223,753.52          |                  | \$ -     | \$ 223,753.52   |
| PEQ-Contract Labor                               | 374  |              |                    | \$ -            | \$ -            | \$ -                   | \$ 65,716.86     | \$ -     | \$ 65,716.86    |
| PEQ-Water Disposal                               | 387  |              |                    | \$ -            | \$ -            | \$ -                   | \$ 303,805.81    | \$ -     | \$ 303,805.81   |
| PEQ-HRZ Well Offset Frac                         | 391  |              |                    | \$ -            | \$ -            | \$ -                   | \$ 31,242.44     | \$ -     | \$ 31,242.44    |
| <b>Total Intangible Costs</b>                    |      | \$ -         | \$ -               | \$ 2,337,789.85 | \$ 2,559,965.73 | \$ 265,553.63          | \$ 400,765.12    | \$ -     | \$ 5,564,074.33 |

|  |      |      |      |               |               |               |               |      |                 |
|--|------|------|------|---------------|---------------|---------------|---------------|------|-----------------|
| <b>Tangible Costs</b>                          |      |      |      |               |               |               |               |      |                 |
| PEQ-Flowback Crews & Equip                     | 392  |      |      |               |               |               | \$ 182,068.02 | \$ - | \$ 182,068.02   |
| D-Surface Casing                               | M521 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Intermed Csg                                 | M523 |      |      | \$ 254,150.00 |               |               |               | \$ - | \$ 254,150.00   |
| D-Production Casing/Liner                      | M531 |      |      | \$ 325,550.00 |               |               |               | \$ - | \$ 325,550.00   |
| D-Wellhead Equip, X-Mas Tree and Associated Eq | E100 |      |      | \$ 36,550.00  |               |               |               | \$ - | \$ 36,550.00    |
| D-Telecommunication Equipment                  | E600 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Conductor                                    | M510 |      |      | \$ 27,200.00  |               |               |               | \$ - | \$ 27,200.00    |
| C-Tubing                                       | 504  |      |      | \$ 55,253.15  |               |               |               | \$ - | \$ 55,253.15    |
| C-Wellhead Equip                               | 505  |      |      | \$ 34,896.73  |               |               |               | \$ - | \$ 34,896.73    |
| TB-Tanks                                       | 510  |      |      |               | \$ 72,535.48  |               |               | \$ - | \$ 72,535.48    |
| TB-Flowlines/Pipelines                         | 511  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Htr Trtr/Seprtr                             | 512  |      |      |               | \$ 229,900.60 |               |               | \$ - | \$ 229,900.60   |
| TB-Electrical System/Equipment                 | 513  |      |      |               | \$ 141,382.72 |               |               | \$ - | \$ 141,382.72   |
| C-Pckrs/Anchors/Hgrs                           | 514  |      |      | \$ 68,630.23  |               |               |               | \$ - | \$ 68,630.23    |
| TB-Couplings/Fittings/Valves                   | 515  |      |      |               | \$ 240,965.33 |               |               | \$ - | \$ 240,965.33   |
| TB-Pumps-Surface                               | 521  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Instrumentation/SCADA/POC                   | 522  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Miscellaneous                               | 523  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Meters/Lacts                                | 525  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Flares/Combusters/Emission                  | 526  |      |      |               | \$ 39,341.28  |               |               | \$ - | \$ 39,341.28    |
| C-Gas Lift/Compression                         | 527  |      |      | \$ 26,754.16  |               |               |               | \$ - | \$ 26,754.16    |
| PEQ-Wellhead Equipment                         | 531  |      |      |               |               |               | \$ 65,716.86  | \$ - | \$ 65,716.86    |
| <b>Total Tangible Costs</b>                    |      | \$ - | \$ - | \$ 691,050.00 | \$ 185,534.27 | \$ 869,196.37 | \$ 247,784.88 | \$ - | \$ 1,993,565.52 |

**Total Gross Cost** \$ - \$ - \$ 3,028,839.85 \$ 2,745,500.00 \$ 1,134,750.00 \$ 648,550.00 \$ - \$ 7,557,639.85

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

By: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

We approve:  
\_\_\_\_\_  
% Working Interest

COG Operating LLC  
By: \_\_\_\_\_

Company:  
By: \_\_\_\_\_

Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
Drill & Complete**

**Well Name** Campana Fed Com 901H  
**SHL** 440' FEL 1302' FNL SECTION 2-24S-26E  
**BHL** 200' FWL & 380' FNL SECTION 2-24S-26E  
**Formation** WCC  
**Legal** N2 2-24S-26E AND NE 3-24S-26E  
**AFE Numbers** TBD

**Prospect** HELLFIRE 2426  
**State & County** Eddy NM  
**Objective** D&C  
**Depth** 9400'  
**MD** 14380'

| Cost Description                                 | Code | PreSpud (PS) | Pre-Set Casing(PC) | Drilling (DR)   | Completions (C) | Tank Btty Constrcn(TB) | Pmpq Equip (PEQ) | Revision | Total           |
|--|------|--------------|--------------------|-----------------|-----------------|------------------------|------------------|----------|-----------------|
| <b>Intangible Costs</b>                          |      |              |                    |                 |                 |                        |                  |          |                 |
| D-Bit and Mill                                   | M620 |              |                    | \$ 111,006.82   |                 |                        |                  | \$ -     | \$ 111,006.82   |
| D-Lost in Hole (DBR DP WBM)                      | M690 |              |                    | \$ -            |                 |                        |                  | \$ -     | \$ -            |
| D-Fuel & Lubricant                               | M710 |              |                    | \$ 62,974.80    |                 |                        |                  | \$ -     | \$ 62,974.80    |
| D-Water  | M720 |              |                    | \$ 104,350.51   |                 |                        |                  | \$ -     | \$ 104,350.51   |
| D-Mud & Chemicals                                | M741 |              |                    | \$ 358,585.63   |                 |                        |                  | \$ -     | \$ 358,585.63   |
| D-Drilling Overhead                              | O110 |              |                    | \$ 25,585.00    |                 |                        |                  | \$ -     | \$ 25,585.00    |
| D-Daywork Contract                               | O120 |              |                    | \$ 44,030.00    |                 |                        |                  | \$ -     | \$ 44,030.00    |
| D-Field Office and Trailer                       | O320 |              |                    | \$ 26,180.00    |                 |                        |                  | \$ -     | \$ 26,180.00    |
| D-Permit, Fee and License                        | O400 |              |                    | \$ 36,125.00    |                 |                        |                  | \$ -     | \$ 36,125.00    |
| D-Environmental, Health and Safety Service       | S160 |              |                    | \$ 166,833.63   |                 |                        |                  | \$ -     | \$ 166,833.63   |
| D-Drilling Rig                                   | S210 |              |                    | \$ 558,845.25   |                 |                        |                  | \$ -     | \$ 558,845.25   |
| D-Drilling Rig Mob/Demob                         | S211 |              |                    | \$ 231,200.00   |                 |                        |                  | \$ -     | \$ 231,200.00   |
| D-Pipe, Tubing, Casing Running and Handling      | S220 |              |                    | \$ 38,250.00    |                 |                        |                  | \$ -     | \$ 38,250.00    |
| D-Directional Drilling, MWD/LWD, Motor           | S230 |              |                    | \$ 196,327.42   |                 |                        |                  | \$ -     | \$ 196,327.42   |
| D-Solid Control                                  | S250 |              |                    | \$ 38,318.00    |                 |                        |                  | \$ -     | \$ 38,318.00    |
| D-Mud Logging, GeoSteering, PVT                  | S272 |              |                    | \$ 28,050.00    |                 |                        |                  | \$ -     | \$ 28,050.00    |
| D-Cementing Service                              | S281 |              |                    | \$ 171,452.91   |                 |                        |                  | \$ -     | \$ 171,452.91   |
| D-Cementing & Casing Eqpt and Accessories        | S283 |              |                    | \$ 59,500.00    |                 |                        |                  | \$ -     | \$ 59,500.00    |
| D-Other Specialized Service                      | S470 |              |                    | \$ 54,400.00    |                 |                        |                  | \$ -     | \$ 54,400.00    |
| D-Site Preparation and Road Work                 | S511 |              |                    | \$ 197,200.00   |                 |                        |                  | \$ -     | \$ 197,200.00   |
| D-Land Freight                                   | S710 |              |                    | \$ 78,176.20    |                 |                        |                  | \$ -     | \$ 78,176.20    |
| D-Downhole Drilling Tools and Equipmt Rental     | S820 |              |                    | \$ 53,550.00    |                 |                        |                  | \$ -     | \$ 53,550.00    |
| D-Surface Drilling Tools and Equipmt Rental      | S830 |              |                    | \$ 68,782.00    |                 |                        |                  | \$ -     | \$ 68,782.00    |
| D-Wellhead and Tree Rental Services              | S860 |              |                    | \$ 17,000.00    |                 |                        |                  | \$ -     | \$ 17,000.00    |
| C-Completions Fluids & Other Chemicals           | 304  |              |                    | \$ -            | \$ 24,427.71    |                        |                  | \$ -     | \$ 24,427.71    |
| C-Lctn/Pits/Roads                                | 305  |              |                    | \$ -            | \$ 7,270.15     |                        |                  | \$ -     | \$ 7,270.15     |
| C-DST & Production Testing                       | 306  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Frac Equipment                                 | 307  |              |                    | \$ -            | \$ 657,803.30   |                        |                  | \$ -     | \$ 657,803.30   |
| C-Frac Chemicals                                 | 308  |              |                    | \$ -            | \$ 182,626.20   |                        |                  | \$ -     | \$ 182,626.20   |
| C-Frac Proppant                                  | 309  |              |                    | \$ -            | \$ 524,614.13   |                        |                  | \$ -     | \$ 524,614.13   |
| C-Land Based Transport                           | 310  |              |                    | \$ -            | \$ 26,172.55    |                        |                  | \$ -     | \$ 26,172.55    |
| C-Fuel Delivery & Services                       | 311  |              |                    | \$ -            | \$ 167,504.29   |                        |                  | \$ -     | \$ 167,504.29   |
| C-Water  | 312  |              |                    | \$ -            | \$ 236,716.13   |                        |                  | \$ -     | \$ 236,716.13   |
| C-Drilling / Compl Surface Equip Rental w/ Oper  | 315  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Drilling / Compl Surface Equip Rental w/o Oper | 325  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Bits & Mills                                   | 326  |              |                    | \$ -            | \$ 2,326.45     |                        |                  | \$ -     | \$ 2,326.45     |
| C-Wellhead & Tree Service (Labor Only)           | 327  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Coiled Tubing Services                         | 329  |              |                    | \$ -            | \$ 99,455.67    |                        |                  | \$ -     | \$ 99,455.67    |
| C-Perf/Wireline Svc                              | 331  |              |                    | \$ -            | \$ 168,667.51   |                        |                  | \$ -     | \$ 168,667.51   |
| C-Fishing, Milling Services                      | 337  |              |                    | \$ -            | \$ 33,151.89    |                        |                  | \$ -     | \$ 33,151.89    |
| C-Other Miscellaneous Services & Consumables     | 339  |              |                    | \$ -            | \$ 14,540.30    |                        |                  | \$ -     | \$ 14,540.30    |
| C-Pump / Kill Truck                              | 343  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| C-Wellsite Contract Labor & Supervisor           | 345  |              |                    | \$ -            | \$ 66,303.78    |                        |                  | \$ -     | \$ 66,303.78    |
| C-Permits, Fees, Surface Damages                 | 346  |              |                    | \$ -            | \$ 2,908.06     |                        |                  | \$ -     | \$ 2,908.06     |
| C-Company and Consultant Supervision             | 347  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| TB-Damages/Right of Way                          | 351  |              |                    | \$ -            | \$ -            | \$ 1,229.41            |                  | \$ -     | \$ 1,229.41     |
| TB-Location/Pits/Roads                           | 353  |              |                    | \$ -            | \$ -            | \$ 40,570.69           |                  | \$ -     | \$ 40,570.69    |
| TB-Contract Labor                                | 356  |              |                    | \$ -            | \$ -            | \$ 223,753.52          |                  | \$ -     | \$ 223,753.52   |
| PEQ-Contract Labor                               | 374  |              |                    | \$ -            | \$ -            | \$ -                   | \$ 65,716.86     | \$ -     | \$ 65,716.86    |
| PEQ-Water Disposal                               | 387  |              |                    | \$ -            | \$ -            | \$ -                   | \$ 303,805.81    | \$ -     | \$ 303,805.81   |
| PEQ-HRZ Well Offset Frac                         | 391  |              |                    | \$ -            | \$ -            | \$ -                   | \$ 31,242.44     | \$ -     | \$ 31,242.44    |
| <b>Total Intangible Costs</b>                    |      | \$ -         | \$ -               | \$ 2,726,723.16 | \$ 2,559,965.73 | \$ 265,553.63          | \$ 400,765.12    | \$ -     | \$ 5,953,007.64 |

|  |      |      |      |               |               |               |               |      |                 |
|--|------|------|------|---------------|---------------|---------------|---------------|------|-----------------|
| <b>Tangible Costs</b>                          |      |      |      |               |               |               |               |      |                 |
| PEQ-Flowback Crews & Equip                     | 392  |      |      |               |               |               | \$ 182,068.02 | \$ - | \$ 182,068.02   |
| D-Surface Casing                               | M521 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Intermed Csg                                 | M523 |      |      | \$ 289,000.00 |               |               |               | \$ - | \$ 289,000.00   |
| D-Production Casing/Liner                      | M531 |      |      | \$ 406,300.00 |               |               |               | \$ - | \$ 406,300.00   |
| D-Wellhead Equip, X-Mas Tree and Associated Eq | E100 |      |      | \$ 36,550.00  |               |               |               | \$ - | \$ 36,550.00    |
| D-Telecommunication Equipment                  | E600 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Conductor                                    | M510 |      |      | \$ 27,200.00  |               |               |               | \$ - | \$ 27,200.00    |
| C-Tubing                                       | 504  |      |      | \$ 55,253.15  |               |               |               | \$ - | \$ 55,253.15    |
| C-Wellhead Equip                               | 505  |      |      | \$ 34,896.73  |               |               |               | \$ - | \$ 34,896.73    |
| TB-Tanks                                       | 510  |      |      |               | \$ 72,535.48  |               |               | \$ - | \$ 72,535.48    |
| TB-Flowlines/Pipelines                         | 511  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Htr Trtr/Seprtr                             | 512  |      |      |               | \$ 229,900.60 |               |               | \$ - | \$ 229,900.60   |
| TB-Electrical System/Equipment                 | 513  |      |      |               | \$ 141,382.72 |               |               | \$ - | \$ 141,382.72   |
| C-Pckrs/Anchors/Hgrs                           | 514  |      |      | \$ 68,630.23  |               |               |               | \$ - | \$ 68,630.23    |
| TB-Couplings/Fittings/Valves                   | 515  |      |      |               | \$ 240,965.33 |               |               | \$ - | \$ 240,965.33   |
| TB-Pumps-Surface                               | 521  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Instrumentation/SCADA/POC                   | 522  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Miscellaneous                               | 523  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Meters/Lacts                                | 525  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Flares/Combusters/Emission                  | 526  |      |      |               | \$ 39,341.28  |               |               | \$ - | \$ 39,341.28    |
| C-Gas Lift/Compression                         | 527  |      |      | \$ 26,754.16  |               |               |               | \$ - | \$ 26,754.16    |
| PEQ-Wellhead Equipment                         | 531  |      |      |               |               |               | \$ 65,716.86  | \$ - | \$ 65,716.86    |
| <b>Total Tangible Costs</b>                    |      | \$ - | \$ - | \$ 806,650.00 | \$ 185,534.27 | \$ 869,196.37 | \$ 247,784.88 | \$ - | \$ 2,109,165.52 |

|                         |      |      |                 |                 |                 |               |      |                 |
|-------------------------|------|------|-----------------|-----------------|-----------------|---------------|------|-----------------|
| <b>Total Gross Cost</b> | \$ - | \$ - | \$ 3,533,373.16 | \$ 2,745,500.00 | \$ 1,134,750.00 | \$ 648,550.00 | \$ - | \$ 8,062,173.16 |
|-------------------------|------|------|-----------------|-----------------|-----------------|---------------|------|-----------------|

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

By: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

We approve:  
 \_\_\_\_\_  
 % Working Interest

COG Operating LLC  
 By: \_\_\_\_\_

Company: \_\_\_\_\_  
 By: \_\_\_\_\_  
 Printed Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
Drill & Complete**

**Well Name** Campana Fed Com 902H  
**SHL** 440' FEL 1342' FNL SECTION 2-24S-26E  
**BHL** 200' FWL & 1700' FNL SECTION 2-24S-26E  
**Formation** WCC  
**Legal** N2 2-24S-26E AND NE 3-24S-26E  
**AFE Numbers** TBD

**Prospect** HELLFIRE 2426  
**State & County** Eddy NM  
**Objective** D&C  
**Depth** 9400'  
**MD** 14380'

| Cost Description                                 | Code | PreSpud (PS) | Pre-Set Casing(PC) | Drilling (DR)   | Completions (C) | Tank Btty Constrcn(TB) | Pmpq Equip (PEQ) | Revision | Total           |
|--|------|--------------|--------------------|-----------------|-----------------|------------------------|------------------|----------|-----------------|
| <b>Intangible Costs</b>                          |      |              |                    |                 |                 |                        |                  |          |                 |
| D-Bit and Mill                                   | M620 |              |                    | \$ 111,006.82   |                 |                        |                  | \$ -     | \$ 111,006.82   |
| D-Lost in Hole (DBR DP WBM)                      | M690 |              |                    | \$ -            |                 |                        |                  | \$ -     | \$ -            |
| D-Fuel & Lubricant                               | M710 |              |                    | \$ 62,974.80    |                 |                        |                  | \$ -     | \$ 62,974.80    |
| D-Water  | M720 |              |                    | \$ 104,350.51   |                 |                        |                  | \$ -     | \$ 104,350.51   |
| D-Mud & Chemicals                                | M741 |              |                    | \$ 358,585.63   |                 |                        |                  | \$ -     | \$ 358,585.63   |
| D-Drilling Overhead                              | O110 |              |                    | \$ 25,585.00    |                 |                        |                  | \$ -     | \$ 25,585.00    |
| D-Daywork Contract                               | O120 |              |                    | \$ 44,030.00    |                 |                        |                  | \$ -     | \$ 44,030.00    |
| D-Field Office and Trailer                       | O320 |              |                    | \$ 26,180.00    |                 |                        |                  | \$ -     | \$ 26,180.00    |
| D-Permit, Fee and License                        | O400 |              |                    | \$ 36,125.00    |                 |                        |                  | \$ -     | \$ 36,125.00    |
| D-Environmental, Health and Safety Service       | S160 |              |                    | \$ 166,833.63   |                 |                        |                  | \$ -     | \$ 166,833.63   |
| D-Drilling Rig                                   | S210 |              |                    | \$ 558,845.25   |                 |                        |                  | \$ -     | \$ 558,845.25   |
| D-Drilling Rig Mob/Demob                         | S211 |              |                    | \$ 231,200.00   |                 |                        |                  | \$ -     | \$ 231,200.00   |
| D-Pipe, Tubing, Casing Running and Handling      | S220 |              |                    | \$ 38,250.00    |                 |                        |                  | \$ -     | \$ 38,250.00    |
| D-Directional Drilling, MWD/LWD, Motor           | S230 |              |                    | \$ 196,327.42   |                 |                        |                  | \$ -     | \$ 196,327.42   |
| D-Solid Control                                  | S250 |              |                    | \$ 38,318.00    |                 |                        |                  | \$ -     | \$ 38,318.00    |
| D-Mud Logging, GeoSteering, PVT                  | S272 |              |                    | \$ 28,050.00    |                 |                        |                  | \$ -     | \$ 28,050.00    |
| D-Cementing Service                              | S281 |              |                    | \$ 171,452.91   |                 |                        |                  | \$ -     | \$ 171,452.91   |
| D-Cementing & Casing Eqpt and Accessories        | S283 |              |                    | \$ 59,500.00    |                 |                        |                  | \$ -     | \$ 59,500.00    |
| D-Other Specialized Service                      | S470 |              |                    | \$ 54,400.00    |                 |                        |                  | \$ -     | \$ 54,400.00    |
| D-Site Preparation and Road Work                 | S511 |              |                    | \$ 197,200.00   |                 |                        |                  | \$ -     | \$ 197,200.00   |
| D-Land Freight                                   | S710 |              |                    | \$ 78,176.20    |                 |                        |                  | \$ -     | \$ 78,176.20    |
| D-Downhole Drilling Tools and Eqpt Rental        | S820 |              |                    | \$ 53,550.00    |                 |                        |                  | \$ -     | \$ 53,550.00    |
| D-Surface Drilling Tools and Eqpt Rental         | S830 |              |                    | \$ 68,782.00    |                 |                        |                  | \$ -     | \$ 68,782.00    |
| D-Wellhead and Tree Rental Services              | S860 |              |                    | \$ 17,000.00    |                 |                        |                  | \$ -     | \$ 17,000.00    |
| C-Completions Fluids & Other Chemicals           | 304  |              |                    | \$ -            | \$ 24,427.71    |                        |                  | \$ -     | \$ 24,427.71    |
| C-Lcfn/Pits/Roads                                | 305  |              |                    | \$ -            | \$ 7,270.15     |                        |                  | \$ -     | \$ 7,270.15     |
| C-DST & Production Testing                       | 306  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Frac Equipment                                 | 307  |              |                    | \$ -            | \$ 657,803.30   |                        |                  | \$ -     | \$ 657,803.30   |
| C-Frac Chemicals                                 | 308  |              |                    | \$ -            | \$ 182,626.20   |                        |                  | \$ -     | \$ 182,626.20   |
| C-Frac Proppant                                  | 309  |              |                    | \$ -            | \$ 524,614.13   |                        |                  | \$ -     | \$ 524,614.13   |
| C-Land Based Transport                           | 310  |              |                    | \$ -            | \$ 26,172.55    |                        |                  | \$ -     | \$ 26,172.55    |
| C-Fuel Delivery & Services                       | 311  |              |                    | \$ -            | \$ 167,504.29   |                        |                  | \$ -     | \$ 167,504.29   |
| C-Water  | 312  |              |                    | \$ -            | \$ 236,716.13   |                        |                  | \$ -     | \$ 236,716.13   |
| C-Drilling / Compl Surface Equip Rental w/ Oper  | 315  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Drilling / Compl Surface Equip Rental w/o Oper | 325  |              |                    | \$ -            | \$ 151,219.15   |                        |                  | \$ -     | \$ 151,219.15   |
| C-Bits & Mills                                   | 326  |              |                    | \$ -            | \$ 2,326.45     |                        |                  | \$ -     | \$ 2,326.45     |
| C-Wellhead & Tree Service (Labor Only)           | 327  |              |                    | \$ -            | \$ 8,724.18     |                        |                  | \$ -     | \$ 8,724.18     |
| C-Coiled Tubing Services                         | 329  |              |                    | \$ -            | \$ 99,455.67    |                        |                  | \$ -     | \$ 99,455.67    |
| C-Perf/Wireline Svc                              | 331  |              |                    | \$ -            | \$ 168,667.51   |                        |                  | \$ -     | \$ 168,667.51   |
| C-Fishing, Milling Services                      | 337  |              |                    | \$ -            | \$ 33,151.89    |                        |                  | \$ -     | \$ 33,151.89    |
| C-Other Miscellaneous Services & Consumables     | 339  |              |                    | \$ -            | \$ 14,540.30    |                        |                  | \$ -     | \$ 14,540.30    |
| C-Pump / Kill Truck                              | 343  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| C-Wellsite Contract Labor & Supervisor           | 345  |              |                    | \$ -            | \$ 66,303.78    |                        |                  | \$ -     | \$ 66,303.78    |
| C-Permits, Fees, Surface Damages                 | 346  |              |                    | \$ -            | \$ 2,908.06     |                        |                  | \$ -     | \$ 2,908.06     |
| C-Company and Consultant Supervision             | 347  |              |                    | \$ -            | \$ 12,795.47    |                        |                  | \$ -     | \$ 12,795.47    |
| TB-Damages/Right of Way                          | 351  |              |                    |                 | \$ -            | \$ 1,229.41            |                  | \$ -     | \$ 1,229.41     |
| TB-Location/Pits/Roads                           | 353  |              |                    |                 | \$ -            | \$ 40,570.69           |                  | \$ -     | \$ 40,570.69    |
| TB-Contract Labor                                | 356  |              |                    |                 | \$ -            | \$ 223,753.52          |                  | \$ -     | \$ 223,753.52   |
| PEQ-Contract Labor                               | 374  |              |                    |                 |                 | \$ -                   | \$ 65,716.86     | \$ -     | \$ 65,716.86    |
| PEQ-Water Disposal                               | 387  |              |                    |                 |                 | \$ -                   | \$ 303,805.81    | \$ -     | \$ 303,805.81   |
| PEQ-HRZ Well Offset Frac                         | 391  |              |                    |                 |                 | \$ -                   | \$ 31,242.44     | \$ -     | \$ 31,242.44    |
| <b>Total Intangible Costs</b>                    |      | \$ -         | \$ -               | \$ 2,726,723.16 | \$ 2,559,965.73 | \$ 265,553.63          | \$ 400,765.12    | \$ -     | \$ 5,953,007.64 |

|  |      |      |      |               |               |               |               |      |                 |
|--|------|------|------|---------------|---------------|---------------|---------------|------|-----------------|
| <b>Tangible Costs</b>                          |      |      |      |               |               |               |               |      |                 |
| PEQ-Flowback Crews & Equip                     | 392  |      |      |               |               |               | \$ 182,068.02 | \$ - | \$ 182,068.02   |
| D-Surface Casing                               | M521 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Intermed Csg                                 | M523 |      |      | \$ 289,000.00 |               |               |               | \$ - | \$ 289,000.00   |
| D-Production Casing/Liner                      | M531 |      |      | \$ 406,300.00 |               |               |               | \$ - | \$ 406,300.00   |
| D-Wellhead Equip, X-Mas Tree and Associated Eq | E100 |      |      | \$ 36,550.00  |               |               |               | \$ - | \$ 36,550.00    |
| D-Telecommunication Equipment                  | E600 |      |      | \$ 23,800.00  |               |               |               | \$ - | \$ 23,800.00    |
| D-Conductor                                    | M510 |      |      | \$ 27,200.00  |               |               |               | \$ - | \$ 27,200.00    |
| C-Tubing                                       | 504  |      |      | \$ 55,253.15  |               |               |               | \$ - | \$ 55,253.15    |
| C-Wellhead Equip                               | 505  |      |      | \$ 34,896.73  |               |               |               | \$ - | \$ 34,896.73    |
| TB-Tanks                                       | 510  |      |      |               | \$ 72,535.48  |               |               | \$ - | \$ 72,535.48    |
| TB-Flowlines/Pipelines                         | 511  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Htr Trtr/Seprtr                             | 512  |      |      |               | \$ 229,900.60 |               |               | \$ - | \$ 229,900.60   |
| TB-Electrical System/Equipment                 | 513  |      |      |               | \$ 141,382.72 |               |               | \$ - | \$ 141,382.72   |
| C-Pckrs/Anchors/Hgrs                           | 514  |      |      | \$ 68,630.23  |               |               |               | \$ - | \$ 68,630.23    |
| TB-Couplings/Fittings/Valves                   | 515  |      |      |               | \$ 240,965.33 |               |               | \$ - | \$ 240,965.33   |
| TB-Pumps-Surface                               | 521  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Instrumentation/SCADA/POC                   | 522  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Miscellaneous                               | 523  |      |      |               | \$ 24,588.30  |               |               | \$ - | \$ 24,588.30    |
| TB-Meters/Lacts                                | 525  |      |      |               | \$ 31,964.79  |               |               | \$ - | \$ 31,964.79    |
| TB-Flares/Combusters/Emission                  | 526  |      |      |               | \$ 39,341.28  |               |               | \$ - | \$ 39,341.28    |
| C-Gas Lift/Compression                         | 527  |      |      | \$ 26,754.16  |               |               |               | \$ - | \$ 26,754.16    |
| PEQ-Wellhead Equipment                         | 531  |      |      |               |               | \$ 65,716.86  |               | \$ - | \$ 65,716.86    |
| <b>Total Tangible Costs</b>                    |      | \$ - | \$ - | \$ 806,650.00 | \$ 185,534.27 | \$ 869,196.37 | \$ 247,784.88 | \$ - | \$ 2,109,165.52 |

|                         |      |      |                 |                 |                 |               |      |                 |
|-------------------------|------|------|-----------------|-----------------|-----------------|---------------|------|-----------------|
| <b>Total Gross Cost</b> | \$ - | \$ - | \$ 3,533,373.16 | \$ 2,745,500.00 | \$ 1,134,750.00 | \$ 648,550.00 | \$ - | \$ 8,062,173.16 |
|-------------------------|------|------|-----------------|-----------------|-----------------|---------------|------|-----------------|

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

By: \_\_\_\_\_

Date Prepared: \_\_\_\_\_

We approve:  
\_\_\_\_\_  
% Working Interest

COG Operating LLC  
By: \_\_\_\_\_

Company:  
By: \_\_\_\_\_

Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.



SEC. 3 / 24S / 26E

SEC. 2 / 24S / 26E

CAMPANA STATE COM 901H

CAMPANA STATE COM 701H

CAMPANA STATE COM 902H

CAMPANA STATE COM 702H

EXISTING PIPELINE

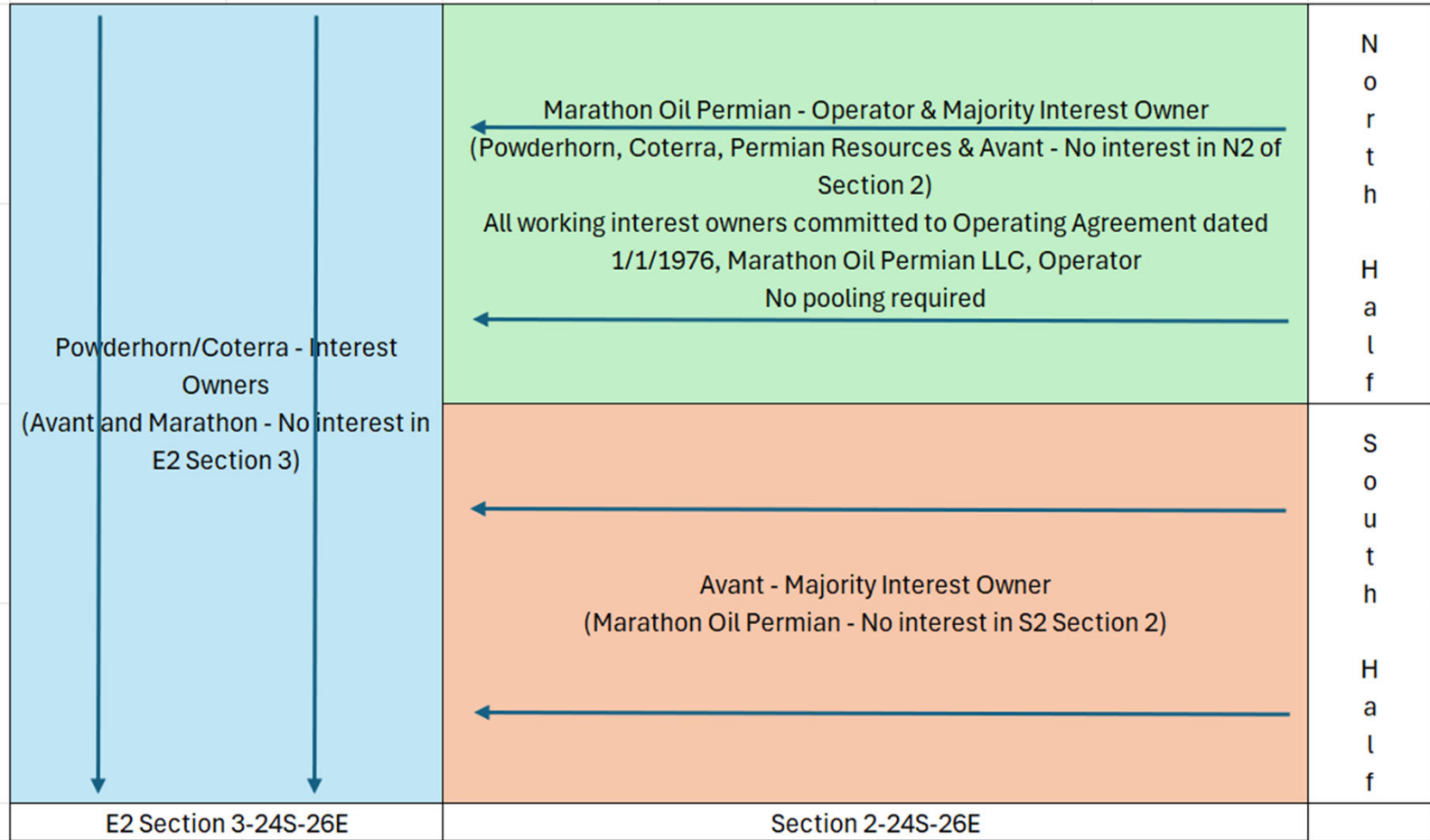
PROPOSED CTB



# CAMPANA STATE COM - WELL PAD & CTB

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A-7  
Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026  
Powderhorn Case No. 25610

# Campana State Com; Super Hornet State Com, Casino Queen State Com 3-Way "Split the baby" Option



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

**APPLICATIONS OF COTERRA ENERGY  
OPERATING CO. FOR APPROVAL OF  
STANDARD HORIZONTAL SPACING  
UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**CASE NOS. 25980, 25981, & 25982**

**APPLICATIONS OF POWDERHORN OPERATING, LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**CASE NOS. 25610, 25753 & 25754**

**APPLICATIONS OF AVANT OPERATING II,  
LLC FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NOS. 25873 & 25874**

**SELF-AFFIRMED STATEMENT OF PRESTON DUPREE**

1. My name is Preston Dupree, and I am a Geologist with Marathon Oil Permian, LLC (“Marathon”), now a wholly-owned subsidiary of ConocoPhillips Company. My responsibilities include the Permian Basin of New Mexico.

2. I have not previously testified before the New Mexico Oil Conservation Division (“Division”) as an expert witness in petroleum geology. My resume, providing an overview of my education and experience as a petroleum geologist, is attached as **MRO Exhibit B-1**. I believe my credentials qualify me to testify as an expert in petroleum geology.

3. I am familiar with Marathon’s plan of development in this case and the competing application filed by Powderhorn Operating, LLC in Case No. 25610 and have conducted a geologic study of the lands in the subject area.

4. **MRO Exhibit B-2** is a locator map depicting Marathon’s acreage in yellow for the Wolfcamp formation within the proposed spacing unit that is subject to a Joint Operating

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026  
Powderhorn Case No. 25610**

Agreement covering the N/2 of irregular Section 2, Township 24 South, Range 26 East, Eddy County, New Mexico. Marathon's proposed wells are identified with blue or green dashed lines, representing Wolfcamp Sand and Wolfcamp C targets, respectively. Proposed surface and bottom hole locations are also identified, as indicated by the Map Legend. Existing producing Wolfcamp formation wells in the targeted intervals are represented by solid lines in the color indicated by the Map Legend.

5. Marathon and Powderhorn are targeting the same intervals within the Wolfcamp formation with the same number of wells, the same well orientation, and similar well spacing. The only difference is that Powderhorn proposes 1.5-mile wells that include the E/2 of irregular Section 3 and the S/2 of irregular Section 2 while Marathon proposes 1-mile wells within only the N/2 of irregular Section 2 where it is the designated operator under an existing Joint Operating Agreement, as addressed in Shelley Klinger's testimony. In my opinion, there is no substantial geological difference between the development plan proposed by Powderhorn and the development plan proposed by Marathon.

6. **MRO Exhibit B-3** is a subsea structure map that I prepared for the top of the Wolfcamp formation, with contour intervals of 50 feet. The approximate wellbore paths for the proposed wells are again depicted with dashed lines. This map shows that the formation is gently dipping to the east in this area. I do not observe any faulting, pinchouts, or other geologic impediments to developing the targeted intervals with horizontal wells in this area.

7. **MRO Exhibit B-4** overlays a cross-section line consisting of two wells penetrating the Wolfcamp formation that I used to construct a stratigraphic cross section from A to A'. I consider these well logs to be representative of the geology in the area.

8. **MRO Exhibit B-5** is a stratigraphic cross-section using the representative wells depicted in the previous exhibit. Each well in the cross-section contains gamma ray, resistivity, and porosity logs. The targeted intervals within the Wolfcamp are labeled on the exhibit. The cross-section demonstrates that the targeted intervals are continuous across the proposed spacing unit. Based upon my review and evaluation of the available petrophysical logs for the subject area, I have found no evidence of any obstacles to fracture growth or other subsurface conditions that would impede or restrict fracture propagation between the Wolfcamp XY sand and the Wolfcamp B/C interval. In light of Powderhorn's proposed development plan, under which the Wolfcamp XY interval would be completed and producing prior to the Wolfcamp B/C interval, it is my professional opinion, as well as the professional opinion of Pascal Umekwe, that this development sequence presents a risk of degradation to the Wolfcamp B/C target. As noted, Powderhorn is targeting only the Wolfcamp XY sand for development with its initial wells under its competing proposed development plan.

9. My geologic study indicates the Wolfcamp formation underlying the subject area is suitable for development by horizontal wells and the acreage comprising the proposed horizontal spacing unit will be productive and contribute more or less proportionately to the production from each well.

10. In my opinion, the laydown orientation of the proposed wells is appropriate given the geologic stress in this area, which does not indicate a preferred well orientation, as demonstrated by mix of existing standup and laydown Wolfcamp horizontal wells reflected on MRO Exhibit B-2.

11. In my opinion, denial of Powderhorn’s competing development plan in Case No. 25610 and approval of Marathon’s development plan is in the best interest of conservation, the prevention of waste, and protection of correlative rights.

12. **MRO Exhibits B-1 through B-5** were either prepared by me or compiled under my direction and supervision.

13. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

Preston Dupree

Preston Dupree

03/03/2026

Date

# Preston Dupree

prestondupree@yahoo.com

830-225-4135

Midland, Tx

## Education

**Texas Christian University Fort Worth, Tx**

Dec 2023

Master of Science: Geology

Dr. John Holbrook: Morrison Formation: Distributive Fluvial System

**Texas A&M University College Station, Tx**

Aug 2019

Bachelor of Science: Geology

## Experience

### Geologist

Feb 2025 - Present

**ConocoPhillips – Midland, Texas**

- Planned and executed multi-bench development projects in Eddy County, New Mexico
- Enhanced drilling inventory by evaluating and incorporating secondary benches within the Bone Spring formation, resulting in increased well count, improved economic returns, and expanded development potential across operated acreage
- Geosteered multiple benches using Starsteer, contributing to record-setting drilling performance and earning recognition for the fastest drilling wells in the Delaware Basin

### Graduate Geologist

Feb 2024 - Feb 2025

**ConocoPhillips – Midland, Texas**

- Completed a year-long rotational program with cross-functional exposure to operations, asset development, competitor analysis, and reservoir characterization – establishing a strong foundation in upstream oil and gas workflows
- Leveraged industry-standard software to steer horizontal wells, design well plans, evaluate acquisition opportunities from nearby operators, and model geological and production characteristics across the Permian Basin

### Geoscience Intern

May 2023 - Aug 2023

**ConocoPhillips – Midland, Texas**

- Revised the optimal development plan for the Wolfcamp C in Eddy County based on updated geological and reservoir data
- Generated updated reservoir property maps and refined type curves for the Wolfcamp C formation, directly informing and optimizing development planning by improving subsurface understanding and well performance forecasting
- Developed an integrated geomodel incorporating facies, water saturation, porosity, and hydrocarbon pore volume to support a proposed Wolfcamp C test project in the Sand Dunes area
- Utilized StarSteer to analyze and optimize landing zone selection within the Wolfcamp C formation

### Geoscience Associate

Feb 2022 – May 2023

**U.S Energy Development Corporation – Arlington, Texas**

- Evaluated ballot and wellbore acquisition opportunities in the Delaware and Midland Basins, providing strategic recommendations to senior management on deal participation
- Led execution of development programs for operated acreage and supported technical evaluations of non-operated assets in the Delaware and Midland Basins

### Geoscience Associate

Mar 2021 – Aug 2021

**Finley Resources – Fort Worth, Texas**

- Interpreted well log data using Petra to support subsurface evaluation in the Uinta Basin, culminating in the selection of a final proposed drilling location

### Wellsite Geologist

Aug 2019 – Dec 2020

**Stratagraph – Midland, Tx**

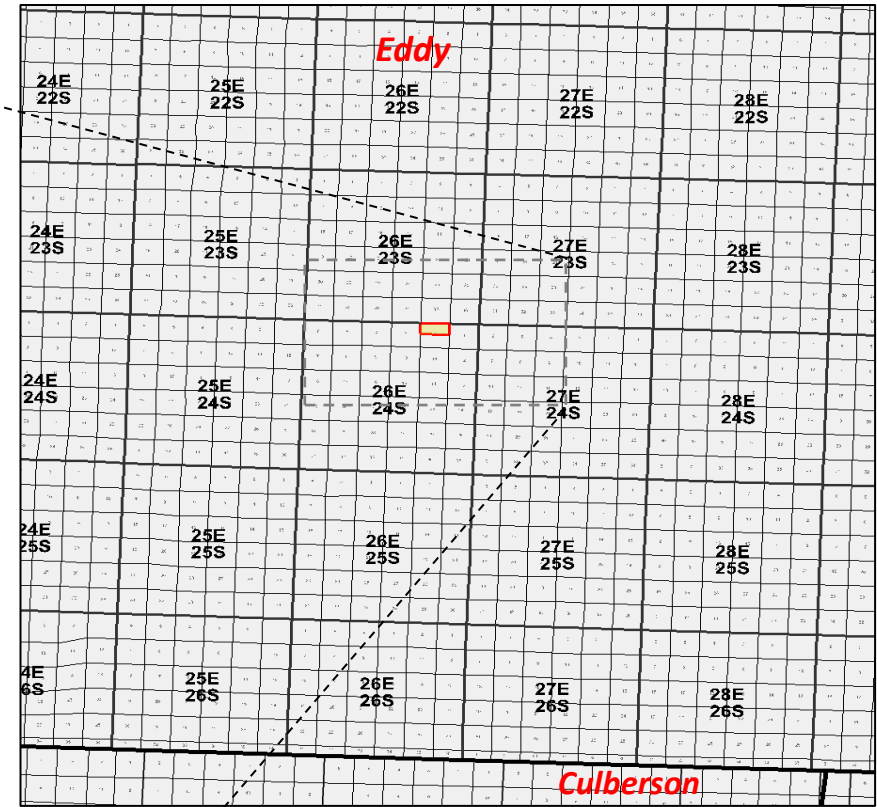
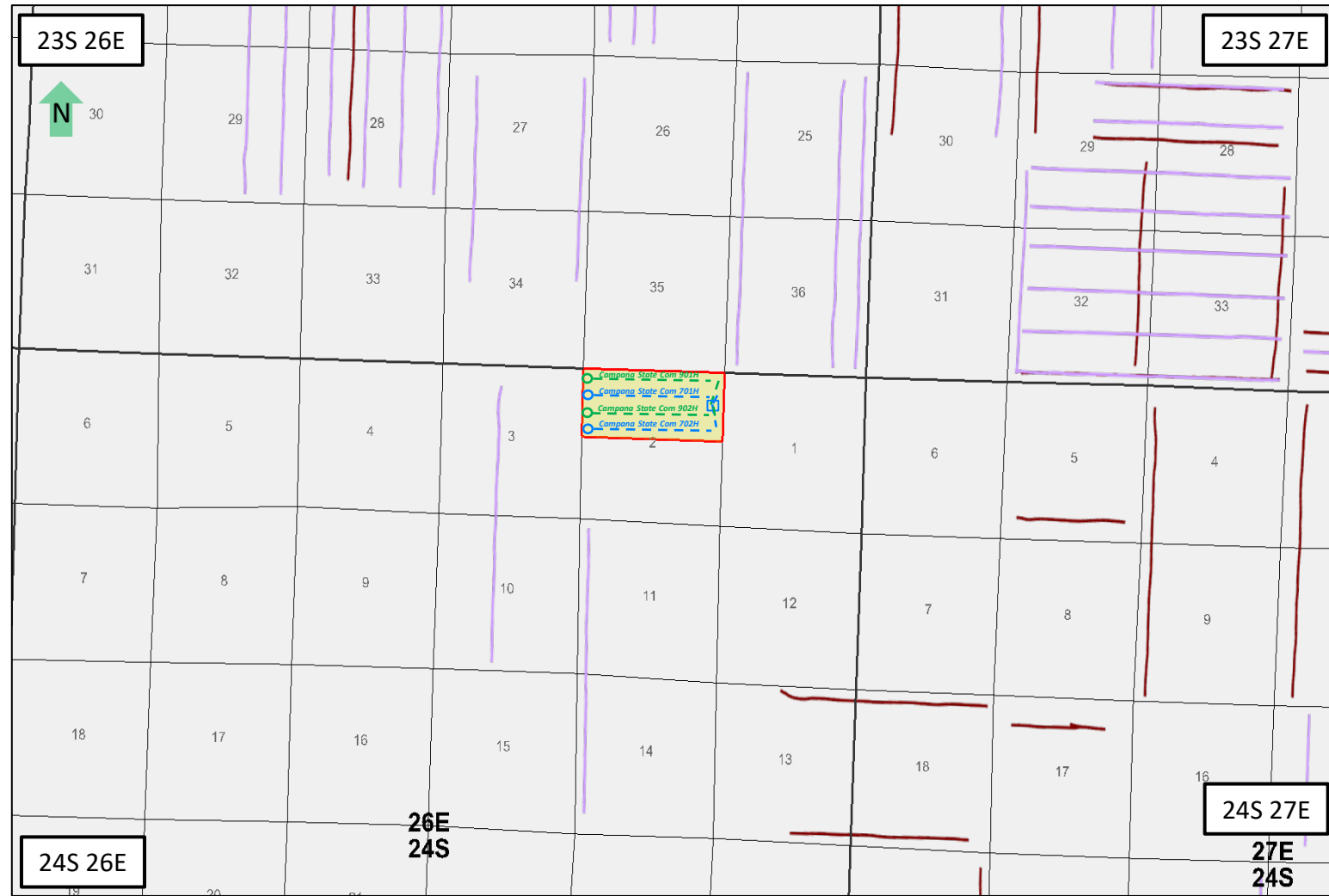
## Software and Skills

- |                 |                  |
|-----------------|------------------|
| ▪ Enverus       | ▪ Starsteer      |
| ▪ Spotfire      | ▪ Geographix     |
| ▪ Petra         | ▪ Petrel         |
| ▪ Microsoft 365 | ▪ Adobe Products |









BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B-1

Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026  
Powderhorn Case No. 25610

## WFMP Sand 701H, 702H and Wolfcamp C 901H, 902H



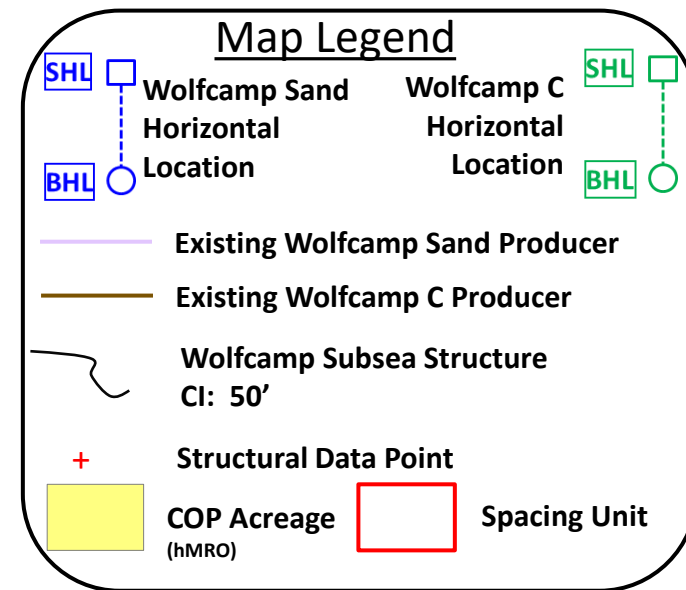
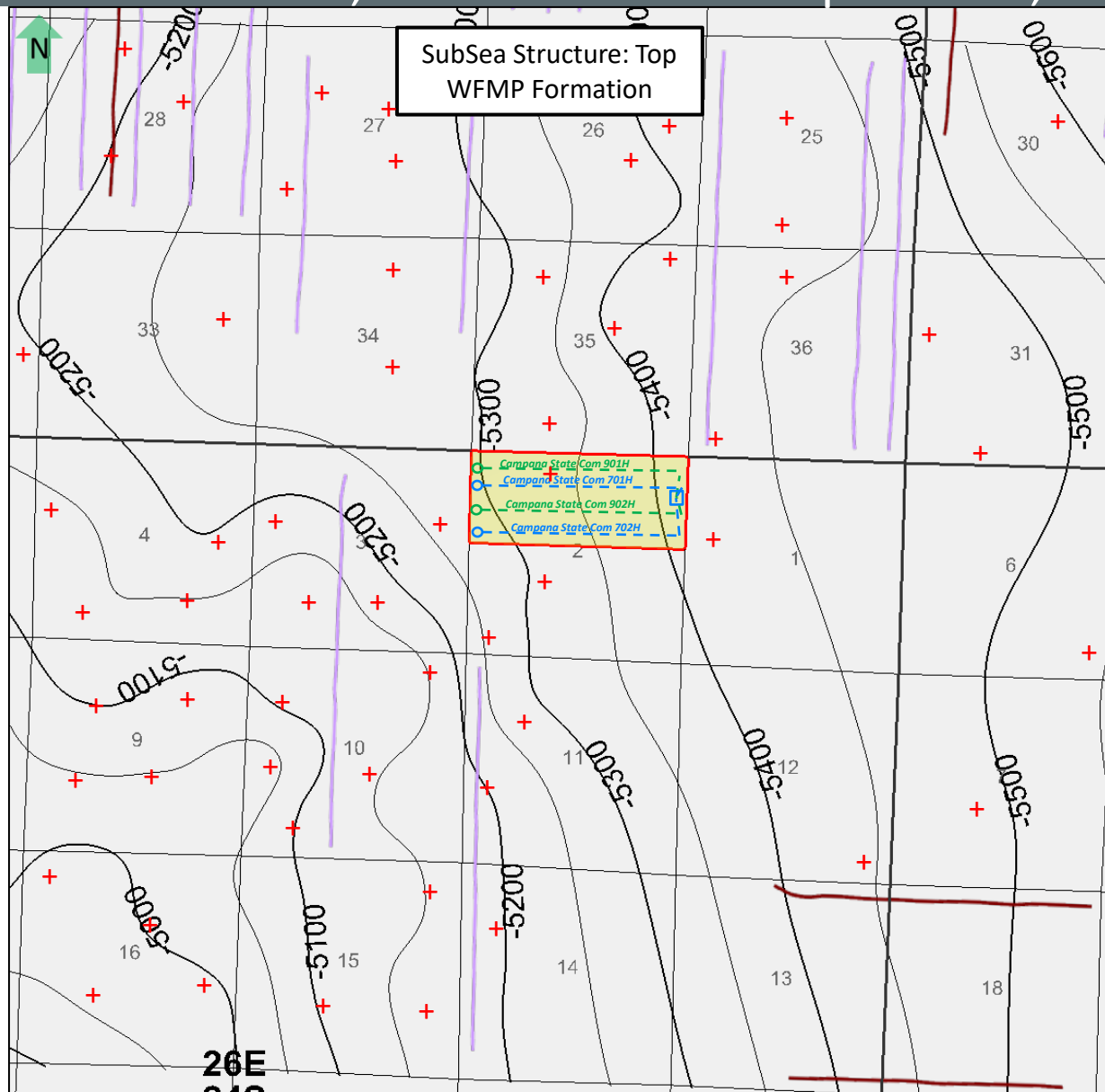
### Map Legend

|   |                                 |   |   |
|---|---------------------------------|---|---|
|  SHL  | Wolfcamp Sand                   | Wolfcamp C  |  SHL  |
|  BHL | Horizontal Location             | Horizontal Location   |  BHL |
|      | Existing Wolfcamp Sand Producer |   |   |
|      | Existing Wolfcamp C Producer    |   |   |
|      | COP Acreage (hmRO)              |  | Spacing Unit  |

# (Exhibit B-3) Campana State Com— Top of Wolfcamp (WFMP) Structure Map:

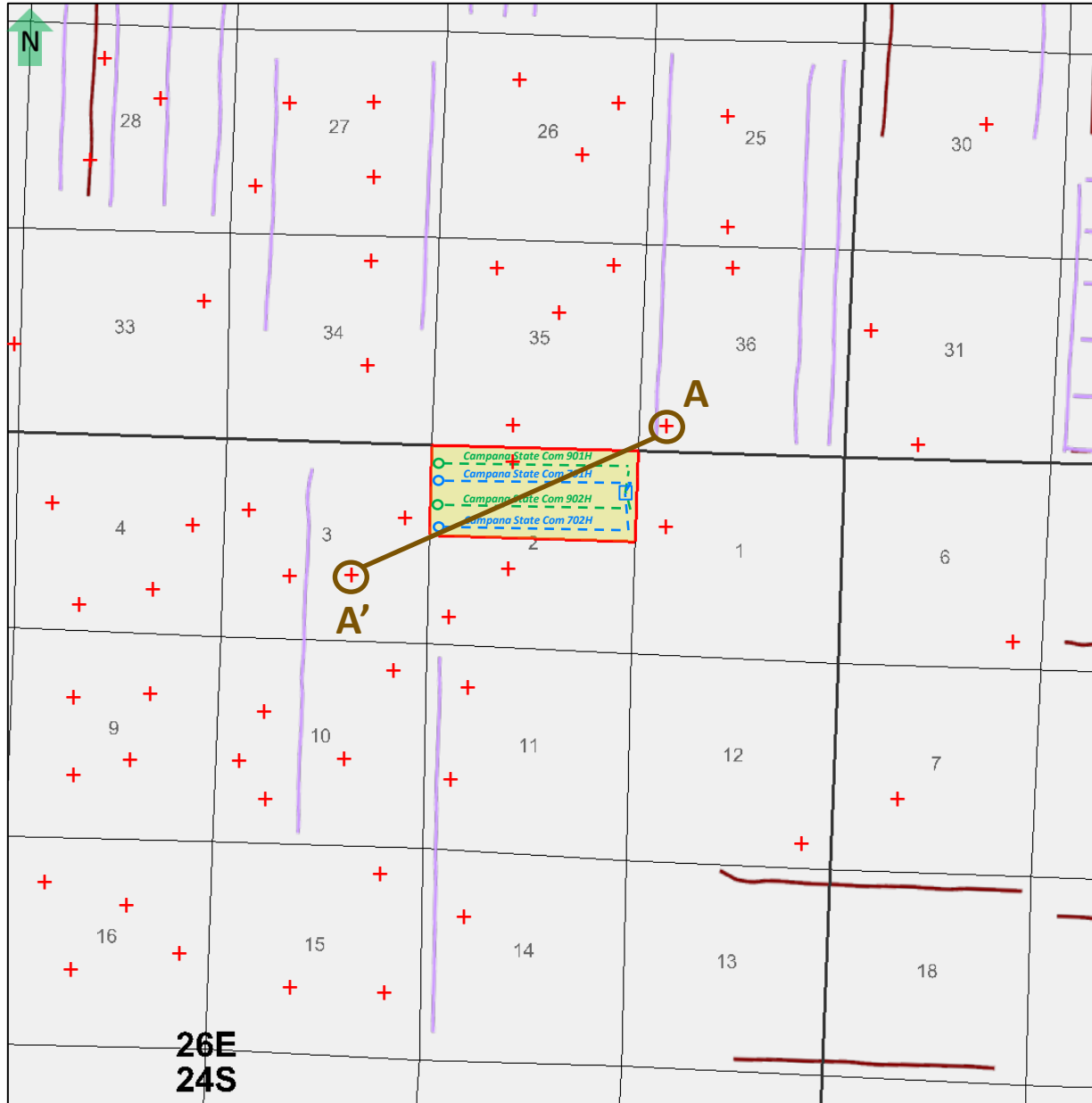
## WFMP Sand 701H, 702H and Wolfcamp C 901H, 902H

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B-3  
 Submitted by: Marathon Oil Permian, LLC  
 Hearing Date: March 10, 2026  
 Powderhorn Case No. 25610



# (Exhibit B-4) Campana State Com— Top of Wolfcamp (WFMP) Cross-Section Map: WFMP Sand 701H, 702H and Wolfcamp C 901H, 902H,

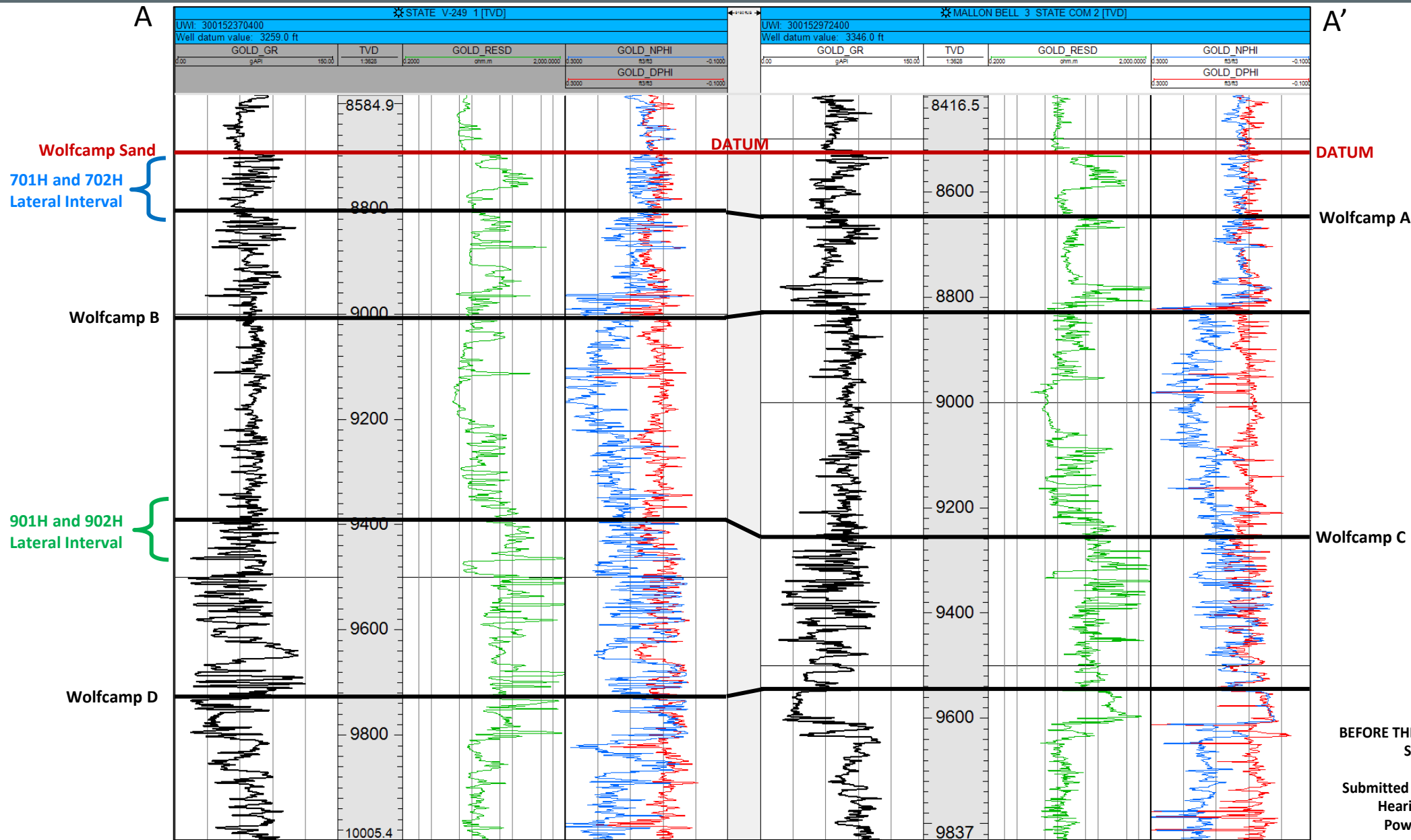
**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
Exhibit No. B-4  
Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026  
Powderhorn Case No. 25610



### Map Legend

|     |                                   |     |                                |
|-----|-----------------------------------|-----|--------------------------------|
| SHL | Wolfcamp Sand Horizontal Location | SHL | Wolfcamp C Horizontal Location |
| BHL |                                   | BHL |                                |
|     | Existing Wolfcamp Sand Producer   |     | Existing Wolfcamp C Producer   |
|     | Cross Section Line                |     |                                |
|     | Structural Data Point             |     |                                |
|     | COP Acreage (hMRO)                |     | Spacing Unit                   |

# (Exhibit B-5) Campana State Com – Wolfcamp (WFMP) Stratigraphic Cross Section A – A'



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B-5  
 Submitted by: Marathon Oil Permian, LLC  
 Hearing Date: March 10, 2026  
 Powderhorn Case No. 25610

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

**APPLICATIONS OF COTERRA ENERGY  
OPERATING CO. FOR APPROVAL OF  
STANDARD HORIZONTAL SPACING  
UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**CASE NOS. 25980, 25981, & 25982**

**APPLICATIONS OF POWDERHORN OPERATING, LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**CASE NOS. 25610, 25753 & 25754**

**APPLICATIONS OF AVANT OPERATING II,  
LLC FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NOS. 25873 & 25874**

**SELF-AFFIRMED STATEMENT OF MADUABUCHI PASCAL UMEKWE**

1. My name is Maduabuchi Pascal Umekwe and I am a petroleum engineer with Marathon Oil Permian, LLC (“Marathon”), now a wholly-owned subsidiary of ConocoPhillips Company. My responsibilities include the Permian Basin of New Mexico.

2. I have not previously testified before the New Mexico Oil Conservation Division (“Division”) as an expert witness in petroleum reservoir engineering. My resume, providing an overview of my education and experience as a petroleum engineer, is attached as **MRO Exhibit C-1**. I believe my credentials qualify me to testify as an expert in petroleum reservoir engineering.

3. I am familiar with Marathon’s plan of development in this case and the competing application filed by Powderhorn Operating, LLC in Case No. 25610 and have conducted an engineering review of the competing development plans.

4. Under its plan of development, Marathon proposes to drill and complete the following proposed wells:

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: Marathon Oil Permian, LLC  
Hearing Date: March 10, 2026  
Powderhorn Case No. 25610**

- **Campana State Com 701H** well, to be drilled from a surface location in the SE/4 NE/4 (Unit H) of irregular Section 2, a first take point in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, to a last take point in Lot 4 (NW/4 NW/4 equivalent) of irregular Section 2;
- **Campana State Com 901H** well, to be drilled from a surface location in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, a first take point in Lot 1 (NE/4 NE/4 equivalent) of irregular Section 2, to a last take point in Lot 4 (NW/4 NW/4 equivalent) of irregular Section 2; and
- **Campana State Com 702H** and **Campana State Com 902H** wells, both to be drilled from surface locations in the SE/4 NE/4 (Unit H) of irregular Section 2, first take points in the SE/4 NE/4 (Unit H) of irregular Section 2, to last take points in the SW/4 NW/4 (Unit E) of irregular Section 2.

5. As noted in Ms. Klingler's statement, Marathon plans to drill and complete all its four proposed Wolfcamp wells at one time through co-development to avoid parent-child effects. Marathon has evaluated the best way to develop the Wolfcamp in this acreage and has determined that drilling the Wolfcamp B or C after first completing wells in the upper Wolfcamp Sand or A interval introduces parent-child degradation that impacts production and performance in subsequent infill Wolfcamp B or C wells.

6. Accordingly, Marathon proposes to drill and complete its four Wolfcamp wells, targeting different intervals within the formation, at the same time to avoid this adverse outcome, thereby capturing incremental resources and preventing waste.

7. In comparison, Powderhorn's plan is to initially drill and complete only the Wolfcamp Sand or Wolfcamp A target in the N/2 of Section 2 with its **Super Hornet State Com**

**401H and 402H wells.** While its well proposal indicates plans to develop both the Wolfcamp Sand/A and Wolfcamp B/C targets in this acreage, Powderhorn is electing to forgo co-development of these intervals and to drill and complete them in a piecemeal fashion. This introduces unnecessary and wasteful degradation into the overall development that a prudent operator would seek to avoid.

8. It is not clear based on its application whether or when Powderhorn intends to develop the Wolfcamp B/C interval. If it decides to come back to drill and complete additional zones in the Wolfcamp, these future wells will experience degradation as a result of Powderhorn's asynchronous development, reducing total ultimate recovery. In my opinion, that will result in waste and impair Marathon's correlative rights.

9. In addition, drilling all four wells in both target zones at one time allows Marathon to capitalize on cost-saving efficiencies through economies of scale that will be forfeited developing this acreage in a piecemeal fashion, as Powderhorn proposes to do.

10. It is my understanding based on Powderhorn's representations to Marathon during negotiations, that it does not have an in-house drilling team in place for this project and would need to outsource that responsibility to a third-party drilling contractor that has not yet been identified. In contrast, Marathon handles all its drilling and completions in-house. Our geologists and engineers, with substantial individual knowledge and experience, supplemented by Marathon's superior institutional knowledge and experience, are intimately involved in the drilling and completions process from start to finish to ensure that our wells target the best intervals and are completed to our exacting standards.

11. We can have no confidence Powderhorn's as-yet undetermined drilling contractor would drill these wells in a prudent manner or to Marathon's standard. Powderhorn has not drilled

a horizontal well in New Mexico yet, so has no track record, and has not identified a drilling contractor so we have no basis to assess their experience or ability.

12. Finally, while Powderhorn proposes 1.5-mile laterals, which are generally recognized as favorable compared to 1-mile wells, multiple factors favor Marathon's 1-mile development approach here. Powderhorn's plan to drill and complete 1.5-mile laterals is riskier than Marathon's 1-mile plan. This is especially true when Powderhorn has never drilled a horizontal well in New Mexico, has no in-house drilling team or track record as a prudent operator, and has not yet identified a reliable, tested outside drilling contractor. These considerations result in elevated risk compared to Marathon's plan.

13. Given these factors, Marathon should not be required to forfeit its substantial working interest and operated acreage to an unproven and untested operator through a force-pooling order.

14. In my opinion, and for the reasons outlined in my statement, denial of Powderhorn's competing development plan in Case No. 25610 and approval of Marathon's development plan is in the best interest of conservation, the prevention of waste, and protection of correlative rights.

15. **MRO Exhibits C-1** was either prepared by me or compiled under my direction and supervision.

16. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

*Pascal Umekwe*

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03/04/2026

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Maduabuchi Pascal Umekwe

Date

Maduabuchi "Pascal" Umekwe, PhD | 907-750-2044; wpascals@gmail.com.

### ECONOMIST / ENGINEER

Experienced Petroleum Reservoir engineer with BS & MS in Petroleum Engineering and PhD in Resource Economics. My areas of experience include the following: oil and gas field development optimization and management, economic analysis/modeling/evaluation, uncertainty analysis, reserve/resource estimation and forecasting, data analytics/visualizations.

### EDUCATION

#### **PhD Petroleum Economics & Policy Management** University of Alaska Fairbanks, AK USA **May 2018**

- *Applied empirical engineering models to oil forecasting in Tight rock plays, conducted econometric analyses to explain the impact of oil price on activities in multiple tight resource plays; conducted economic evaluation of tight oil projects in multiple regions; researched related US/State environmental legislation and tight oil environmental impacts/solutions.*

#### **MS Petroleum Engineering** University of Alaska Fairbanks, AK USA **Aug 2011**

- *Optimizing CO2 EOR and Sequestration in 21 Light, Medium and Viscous oil fields in Alaska*

#### **B. Eng. Petroleum Engineering** Federal University of Technology Owerri, Nigeria. **Dec. 2007**

- *Drilling fluid design and engineering for down hole drilling solutions*

### PROFESSIONAL EXPERIENCE

#### **ConocoPhillips Inc, Midland Texas, USA**

Staff Reservoir Engineer – Delaware Basin [Permian Basin]

**Aug 2022 – Present**

Core duties/skills:

- Conducting engineering and economic evaluations to support COP field development programs in the Delaware Basin.
- Performing production and completion optimization analyses to identify variables impacting well performance and inform spacing, stacking, sequencing, and development strategies in tight sand and unconventional shale plays
- Recommending pilots and data acquisition programs to identify strategies that optimize reservoir performance, ultimate recovery, and financial performance, and preserve competitiveness of the organization's Permian asset position.

Major Accomplishments:

- Led development of the ACE tool for smarter completions pilot designs and portfolio optimization leading to \$2B savings in Delaware Basin Long Range Plan.
- Developed tool for strategic Asset Management during negative gas price periods resulting from offtake constraints.
- Designed pilot developments to understand and manage parent child degradation in sequential top-down Wolfcamp A/C developments.

#### **University of Texas Permian Basin, Alaska Pacific University; University of Alaska Anchorage**

Adjunct Faculty

**May 2016 – 2025**

Teaching courses in microeconomics, macroeconomics, managerial economics, Global Energy Business in multiple Business Schools (MBA Programs)

- University of Texas Permian Basin: **Global Energy Business '24:** Upstream (Leasing/Development/Financing/LNG/Natural Gas), Midstream (Transportation), Downstream (Refining/Petrochemicals/Oil and Gas Marketing)
- Alaska Pacific University: **Managerial Economics:** Strategy/Risk/Pricing and Price Discrimination/Budgeting/Modelling/Forecasting; **Business Analytics:** Statistical Inference/ visualization/ probability distribution/data modelling; **Macroeconomic:** Inflation, Unemployment, Fiscal and Monetary Policy, Market Cycles, Static Models of the Economic System; **Microeconomics:** Demand/Supply, economic profits, market efficiency, production costs.
- University of Alaska Anchorage USA: **Microeconomics:** Demand/Supply, economic profits, market efficiency, production costs.

Maduabuchi “Pascal” Umekwe, PhD | 907-750-2044; wpascals@gmail.com.

### **Division of Oil & Gas, State of Alaska, USA**

Manager- Resource Evaluation Section

**Feb 2022 – Aug 2022**

Core duties/skills:

- Developed policy framework to incentivize Gas development in the Cook Inlet Basin and crafting outlines for legislation on Carbon Capture Utilization and Storage
- Supervising sourcing and contracts/contract renewals, support for Oil & Gas technical litigation
- Managed a team of professionals providing subsurface technical regulatory oversight over ~35 oil and gas assets contributing over half a million barrels of oil per day and 200 million scf/day of gas
- Provided mentorship/coaching/staff evaluations and managing a team of 16 technical staff comprising Engineers/Geologists/Geophysicists/Natural Resource Technicians and Specialists
- Optimized organizational GG&E processes to implement Oil and Gas Policy for the State of Alaska
- Provided state legislative briefings and expert testimonies.
- Continuous development and maintenance of Microsoft Power BI Dashboards on the State's Oil and Gas assets, pipeline network, gas storage assets management.

### Reservoir Engineering Supervisor

**Sept 2019 – Jan 2022**

Team lead on State of Alaska's oil production forecasting and delivering legislative testimonies.

Provided engineering oversight on multiple light, medium, viscous oil, condensate fields in the North Slope of Alaska that yield over 300,000 barrels of oil per day, as well as gas assets within the Cook Inlet Basin in Alaska.

- Generated the State's official oil production forecast from over 30 pools and future projects across North Slope and Cook Inlet basins. Forecast includes PDP and PUD reserves, as well as contingent resources from fields in early development/appraisal.
- Conducted pressure transient analysis and production test analysis to verify company announcements on production potential of fields in appraisal and early development.
- Lead engineer for the following Alaska North Slope fields with detailed understanding of applications of multiple recovery techniques
  - Greater Prudhoe Bay Unit: Gravity drainage, Waterflood, gas stripping, gas cap water injection for pressure maintenance, facility constraint optimization techniques
  - Milne Point Unit: Water flood, polymer flood on viscous oil techniques
  - North Star Unit: Waterflood optimization
  - Point Thomson Gas Condensate Field: High-pressured-gas cycling and condensate liquid stripping
  - Endicott Unit: Waterflood optimization
  - North Fork/West McArthur River gas fields: Water-standoff gas production optimization techniques
- Reviewed operator plans of exploration, as well as plans of development to ensure overall field production is maximized for the long term.
- Leveraged reservoir development best practices across large, medium, small operators of oil and gas fields and projects at different levels of maturity (appraisal, development, re-development projects) to drive value across petroleum assets within the State

Major Accomplishments:

- Developed novel technique for regional oil production forecasting incorporating time uncertainty
- Applied novel techniques in probabilistic natural gas liquids forecasts based on yield/facility constraints
- Pioneering within the Division the use of Power BI data analytic techniques in the management of Alaska's oil and gas fields, and gas storage assets.

Maduabuchi "Pascal" Umekwe, PhD | 907-750-2044; wpascals@gmail.com.

---

**Division of Oil & Gas, State of Alaska, USA**

Commercial Analyst/Petroleum Economist

**Jan 2016 – Aug 2019**

Designed probabilistic oil production forecasting methodology for the State of Alaska for the purposes of State revenue forecasting, and provided economic modelling and other analysis support to inform decisions on operator applications, negotiations, and oil and gas policy decisions.

- Worked as the State's commercial lead representative for the following oil fields: Prudhoe Bay Unit, Kuparuk River Unit, Colville River Unit, Oooguruk Unit, Point Thomson Unit.
- Alaska LNG Project: Conducted Prudhoe Bay oil production and operating cost impact assessment due to gas withdrawal for a \$42 billion AKLNG Project
- Built cash flow models to assess the impact of changes in oil and gas tax policy on development of new fields
- Led and supported facility sharing and other negotiations on diverse issues with E&P companies
- Developed reserve redetermination models for equitable allocation of net revenue interests across mineral and working interest owners
- Structured Decommissioning Removal and Restoration as well as Financial Assurances Agreements with multinational companies to secure asset retirement obligations.

**Accomplishments:**

- Delivering expert testimonies on State production outlook to Alaska State Legislature, and presenting to industry groups and public forums.
- Designed and implemented new probabilistic oil production forecasting methodology for the State of Alaska. Successfully conducting bi-annual forecast cycles for the State of Alaska since 2016.
- Built web-accessible North Slope field development economic models for use by the public and new entrants to Alaska's oil industry

**ConocoPhillips Alaska Inc. USA**

Development Drillsite Petroleum Engineer

**Feb 2013 – Nov. 2015**

Developed targets for coil-tubing-drilled multilateral wells in highly compartmentalized Kuparuk oil field. I provided production surveillance and optimization, analytical/empirical reservoir modelling, drilling concept development skills to multi-disciplinary reservoir development team. I also performed cross functional assignments as Production Engineer.

- Identified candidates for development using comprehensive geological and engineering analysis: logs, production history, well pattern interaction and surveillance data.
- Developed probabilistic production forecasts and recommended wellwork and completion redesign for multilateral well drilling
- Conducted pattern health reviews, field screening to high-grade drilling opportunities.
- Recommended drilling concepts and developed pressure management plans to address drilling and reservoir risks.
- Supported field drilling capital budget, long range development plans and reserve booking.
- Directly monitored production performance and conducted well test allocations for over 200 wells as cross-functional production engineer
- Conducted well sorts to optimize production under water/gas handling constraints.

**Accomplishments:**

- Developed and progressed drilling concepts for over 30 multilateral wellbores. Supported drilling activities totaling CAPEX of \$30MM generating NPV of over \$120 MM.
- Using data analysis techniques, mined and analyzed 15 years of drilling data to re-align project requirements/risk with performance at different field drill sites.
- Developed and optimized diverse portfolio of over 20 drilling targets to increase flexibility of company drilling program for different oil price regimes.

Maduabuchi “Pascal” Umekwe, PhD | 907-750-2044; wpascals@gmail.com.

- Handled production-impaired hydrate/rock production problems effectively saving ~300 bbl/d of production.
- Supported commissioning of cross-country pipelines affecting over 150 wells and reduced production impact by 3,000 bbl/d.

### **Baker Hughes Inc. North Dakota, USA**

**2012 – 2013**

#### Drilling and Formation Evaluation Logging-While-Drilling Field Engineer II

Delivered front-line technical services for drilling tight oil wells in the Bakken and Three-Forks formations in the Williston Basin.

- Recommended drilling parameter modifications to maximize ROP and minimize downtime
- Provided geosteering support through formation logs interpretation and dynamic drilling data investigation to achieve drilling objectives.

#### Accomplishments:

- Led jobs after six months of hire, saving two days of drilling time on average per well.
- With understanding of basin, formation characteristics, tool specification ranges, delivered wells at and under AFE budgets.

### RELEVANT CERTIFICATIONS / TRAININGS

- **UT Austin** – Data Science and Business Analytics Certification - 2023
- **London School of Economics** - Risk and Crisis Management - 2022
- **Stanford University** - Economics of Clean Energy Transition – 2022
- **Harvard Kennedy School** - Behavioral Insights and Public Policy - 2022
- **Van Meurs Energy** - Oil and Gas Fiscal System - 2021
- **Project Management Professional Certification** - 2020
- **Harvard Business School Online** - Credential of Readiness (CORE) [Business Analytics, Economics for Managers, Financial Accounting] - 2019
- **EUCI** - Petroleum Economics & Petroleum Accounting – 2017 (Colorado)
- **ConocoPhillips Alaska**
  - Decision Analysis and Facilitation - 2014 (Anchorage Alaska)
  - Pressure Transient Analysis - 2014 (Anchorage Alaska)
  - Conformance Engineering – 2015 (Anchorage Alaska)
- **William Cobb** – Advanced Reservoir Engineer - 2013 (Anchorage Alaska)
- **Measurement while Drilling** School - 2012 (Baker Hughes - Houston)

### AWARDS

- Nominee Alaska Governor’s Denali Awards:
  - 2017: Oil production Forecasts Projects
  - 2018: Production facility sharing negotiations
- Second Place Winner, SPE Western Regional Student Paper Contest, Anchorage, May 2011.
- Second Place Winner, Toastmasters International World Taped Speech contest for 2014.

### PUBLICATIONS

Reynolds, D. B., **Umekwe, P.**, (2019) Shale-Oil Development Prospects: The Role of Shale-Gas in Developing Share-Oil. Energies 2019, 12, 3331; doi:10.3390/en12173331

Munisteri and **Umekwe** (2016) Alaska’s 10-year Oil Production Outlook and Potential Future Developments. Division of Oil and Gas Alaska. Retrieval from <http://dog.dnr.alaska.gov/ResourceEvaluation/Documents/20170209-ForecastAndScenariosReport.pdf>

**Umekwe, P.**, Mongrain, J., Ahmadi, M., Hanks, C. (2012) Assessment of Alaska’s North Slope Oil Field Capacity to Sequester CO<sub>2</sub>. Natural Resource Research Journal. March 2013, Vol. 22. Issue 1. Pp 45-58

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**Umekwe, P.**, Baik, J. (2017) Do Oil Prices Really Matter to US Shale Oil Production? Energy Sources, Part B: Economics, Planning and Policy Journal

**Umekwe, P.**, Baik, J. (2017) The Impact of Oil Prices on Major US Tight Oil Plays: An Econometric Analysis. Energy Sources, Part B: Economics, Planning and Policy Journal