

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING JUNE 2, 2022**

**CASE No. 22854**

*HAYNES CANYON UNIT*

**RIO ARRIBA COUNTY, NEW MEXICO**



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

**APPLICATION OF ENDURING  
RESOURCES, LLC FOR APPROVAL  
OF THE HAYNES CANYON UNIT,  
RIO ARriba COUNTY, NEW  
MEXICO.**

**CASE NO. 22854**

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

**APPLICATION OF ENDURING  
RESOURCES, LLC FOR APPROVAL OF  
THE HAYNES CANYON UNIT, RIO  
ARRIBA COUNTY, NEW MEXICO.**

**CASE NO. 22854**

**APPLICATION**

Enduring Resources, LLC, ("Enduring") (OGRID No. 372286) through its undersigned attorneys, files this application with the Oil Conservation Division for an order approving the proposed Haynes Canyon Unit. In support of its application, Enduring states:

1. The proposed Unit Area consists of approximately 4,201.98-acres of the following Federal, State Trust, and Patented lands situated in Rio Arriba County, New Mexico:

**Township 23 North, Range 6 West, N.M.P.M.**

Section 2: NW/4  
Section 3: ALL  
Section 4: ALL  
Section 9: E/2, S/2 NW/4, S/2 SW/4, NE/4 SW/4  
Section 10: ALL  
Section 11: ALL  
Section 12: W/2 W/2  
Section 15: ALL  
Section 16: NE/4

2. Enduring is the designated operator under the proposed Unit Agreement and the unitized interval is defined as the stratigraphic equivalent of the top of the Mancos formation at a measured depth of 4,538 feet beneath the surface to the base of the Gallup formation at a measured depth of 5,620 feet beneath the surface as seen on the log in the WPX Enchilada 002X Well (API#

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A  
Submitted by: Enduring Resources, LLC  
Hearing Date: June 2, 2022  
Case No. 22854**

3003931194), which is located in Section 16, Township 23 North, Range 6 West, Rio Arriba County, New Mexico.

3. The proposed Haynes Canyon Unit Agreement (“Unit Agreement”) applies to horizontal and multi-lateral wells only, and all existing vertical wells within the Unit Area producing from the Mancos-Gallup formation are excluded from the terms of the Unit Agreement. A copy of the proposed Unit Agreement is attached as **Exhibit A**.

3. Enduring expects to obtain approval of the proposed Unit Agreement by a sufficient percentage of the interest owners to provide effective control of unit operations.

4. Enduring has met with the Bureau of Land Management and received a letter recognizing the proposed unit area as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act.

5. The Unit Agreement, and the unitized operation and management of the Unit Area, are in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Enduring requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on June 2, 2022, and that after notice and hearing as required by law, the Division enter its order granting this Application.

Respectfully submitted,

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**ATTORNEYS FOR ENDURING RESOURCES, LLC**

**CASE \_\_\_\_\_:**      **Application of Enduring Resources, LLC for Approval of the Haynes Canyon Unit, Rio Arriba County, New Mexico.** Applicant seeks an order approving the proposed Haynes Canyon Unit. The proposed Haynes Canyon Unit includes Federal, State Trust, and Patented Fee lands situated in all or parts of Sections 2 through 4, and 9 through 12, and 15 and 16, all in Township 23 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico. The proposed unitized interval includes all oil and gas in the interval from the stratigraphic equivalent of the top of the Mancos formation at a measured depth of 4,538 feet beneath the surface to the base of the Gallup formation at a measured depth of 5,620 feet beneath the surface as seen on the log in the WPX Enchilada 002X Well (API# 3003931194), which is located in Section 16, Township 23 North, Range 6 West, Rio Arriba County, New Mexico. The proposed Haynes Canyon Unit Agreement applies to horizontal and multi-lateral wells only, and all existing vertical wells within the Unit Area producing from the Mancos-Gallup formation are excluded from the terms of the Unit Agreement. The subject acreage is located approximately 2 miles north of Counselor, New Mexico.

## EXHIBIT A

This is the Model Form for an onshore unit agreement as  
found in 43 CFR 3186, with  
modifications currently being used.

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UNIT AGREEMENT  
FOR DEVELOPMENT AND OPERATION  
OF THE  
HAYNES CANYON UNIT AREA COUNTY  
OF RIO ARRIBA  
STATE OF NEW MEXICO  
NO. NMNM 142111X

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_ 2022, by and  
between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties  
hereto,"

WITNESSETH:

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

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

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

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

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

**1. ENABLING ACT AND REGULATIONS.** The Mineral Leasing Act of February 25,  
1920, as amended, supra, and all valid pertinent regulations including operating and unit plan regulations  
and State of New Mexico leases and rules and regulations, heretofore issued thereunder or valid,  
pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this  
agreement as to Federal and State of New Mexico lands, provided such regulations are not inconsistent  
with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in  
effect as of the effective date hereof governing drilling and producing operations, not inconsistent with  
the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted  
and made a part of this agreement.

**2. UNIT AREA.** The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing **4,201.98 acres**, more or less.

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

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

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

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO, Land Commissioner, and the Division, evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders. After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO and Land Commissioner, become effective as of the date prescribed in the notice thereof or such other appropriate date.

(d) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on

unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90-days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities and developed to the satisfaction of the AO by diligent drilling operations under an approved plan of development after the aforesaid five-year period shall become participating in the same manner as during said first five-year period. However, when such diligent drilling operations cease, all nonparticipating lands not then entitled to be in a participating area shall be automatically eliminated effective as of the 91<sup>st</sup> day thereafter.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant extension of the 10-year period specified in this subsection, a single extension of not to exceed two years may be accomplished by consent of the owners of 90 percent of the working interest in the current nonparticipating unitized lands and the owners of 60 percent of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the AO and Land Commissioner, provided such extension application is submitted not later than 60 days prior to the expiration of said 10-year period.

**3. UNITIZED LAND AND UNITIZED SUBSTANCES.** All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in the Mancos formation of the unitized lands, defined as the stratigraphic equivalent of the top of the Mancos formation at a measured depth of 4,538 feet beneath the surface to the base of the Gallup formation at a measured depth of 5,620 feet beneath the surface as seen on the log in the WPX Enchilada 002X Well (API# 3003931194), located in Section 16, Township 23 North, Range 6 West, Rio Arriba County, New Mexico, are unitized under the terms of this agreement and herein are called "unitized substances"; provided, however, that it is the specific intent of the parties hereto not to cause or effectuate any horizontal segregation of any Federal or State lease committed hereto as a consequence of the aforementioned depth limitations of the unitized land. The Haynes Canyon Unit Area applies to horizontal and multi-lateral wells only, and all existing vertical wells within the Unit Area producing from the Mancos-Gallup formation shall be excluded from the terms of this agreement, including the following wells:

Dugan Production Corp. Enniskillen #1, A.P.I. #30039228360000;  
 Dugan Production Corp. Buddy COM #1, A.P.I. #30039230320000;  
 Dugan Production Corp. Strawberry #1, A.P.I. #30039230760000;  
 Dugan Production Corp. Strawberry COM #2, A.P.I. #30039231350000;  
 Dugan Production Corp. Fahrenheit #1, A.P.I. #30039233210000;  
 Dugan Production Corp. Enniskillen #2, A.P.I. #30039234230000;  
 Dugan Production Corp. Fahrenheit #2, A.P.I. #30039234240000;  
 Enduring Resources, LLC Yarborough #1, A.P.I. #30039051610001;  
 Enduring Resources, LLC Yarborough-Federal B#1, A.P.I. #30039051270001;  
 Enduring Resources, LLC Glenmorangie #1, A.P.I. #30039228930000;  
 Enduring Resources, LLC Theodore Zink COM #1, A.P.I. 3003922923;

Enduring Resources, LLC Annie #1, A.P.I. #30039230430000.

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

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

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

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

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

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

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

- (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and
- (b) the selection shall have been approved by the AO and Land Commissioner.

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

**7. ACCOUNTING PROVISIONS AND UNIT OPERATION AGREEMENT.** If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two (2) copies of the unit operating agreement, executed pursuant to this section shall be filed in the proper BLM office and one (1) true copy with the Land Commissioner prior to approval of this unit agreement.

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

**9. DRILLING TO DISCOVERY.** Within six months after the effective date hereof, the Unit Operator shall commence to drill an adequate horizontal test well at a location approved by the AO if on Federal lands, or by the Division if on State or Fee, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the Mancos formation has been tested with at least a 1-mile horizontal well which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO and Land Commissioner that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a length in excess of a measured depth of 9,400 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than six months between the completion of one well and the commencement

of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO and Land Commissioner or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

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

Until the establishment of a participating area, the failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within the time allowed including any extension of time granted by the AO and Land Commissioner, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO and Land Commissioner may, after 15 days' notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the unit agreement approval being declared invalid ab initio by the AO. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the unit agreement approval being declared invalid ab initio by the AO and Land Commissioner.

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

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area, and for the diligent drilling necessary for determination of the area or areas capable of producing unitized substances in paying quantities in the unitized formation. This plan shall be as complete and adequate as the AO and Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources in the unitized area and shall:

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

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO and Land Commissioner

are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of the initial plan of development and operation where such action is justified because of unusual conditions or circumstances.

Upon failure by the Unit Operator to timely submit or adhere to an approved plan of development or operation without prior written authorization, the Land Commissioner, at its discretion, shall provide written notice, by certified mail, return receipt requested, to the post office address of Unit Operator as shown by its records, to the Unit Operator of such failure or default and of its intention to eliminate by subdivisions (as defined in Section 2(e) hereof) all State lands not then entitled to be in a participating area. Such written notice shall state that Unit Operator shall have a period of sixty (60) days from receipt of the notice within which to correct such failure or default. If Unit Operator does not correct such failure or default within the 60-day period, the Land Commissioner may issue an order to eliminate State lands not then included or entitled to be included in a participating area, effective as of the first day of the next month following the expiration of the 60 days.

After completion of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO and Land Commissioner, shall be drilled except in accordance with an approved plan of development and operation.

**11. PARTICIPATION AFTER DISCOVERY.** Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Unit Operator shall submit for approval by the AO, a schedule, based on subdivision of the public land survey or aliquot parts thereof, of all land within the technically defined drainage area(s) of said well(s), then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area.

A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO.

The participating area or areas so established shall be revised from time to time, subject to the approval of the AO, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as not reasonably proved to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions

of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area known or reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

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

The Unit Operator shall use its best efforts to include State lands in a participating area established for a well or wells drilled from the second well pad within the Unit.

Whenever it is determined, subject to the approval of the AO and Land Commissioner, that a well drilled under this agreement is not capable of production of unitized substances in paying quantities and inclusion in a participating area of the land on which it is situated is unwarranted, production from such well shall, for the purpose of settlement among all parties other than working interest owners, be allocated to the land on which the well is located, unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the unit operating agreement.

**12. ALLOCATION OF PRODUCTION.** All unitized substances produced from a participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating and other production or development purposes, for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal or State land, if any, included in the participating area established for such production. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land and unleased Federal or State land, if any, included in said participating area. There shall be allocated to the working interest owner(s) of each tract of unitized land in said participating area, in addition, such percentage of the production attributable to the unleased Federal and State land within the participating area as the number of acres of such unitized tract included in said participating area bears to the total acres of unitized land in said participating area, for the payment of the compensatory royalty specified in Section 17 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under Section 17, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another

participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement, shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

**13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.** Any operator may with the approval of the AO and Land Commissioner, at such party's sole risk, costs, and expense, drill a well on the unitized land to test any formation provided the well is outside any participating area established for that formation, unless within 90 days of receipt of notice from said party of his intention to drill the well, the Unit Operator elects and commences to drill the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled under this section by a non-unit operator results in production of unitized substances in paying quantities such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with terms of this agreement and the unit operating agreement.

If any well drilled under this section by a non-unit operator that obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, such well may be operated and produced by the party drilling the same, subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

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

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

Royalty due the United States shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized

Federal land as provided in Section 12 at the rates specified in the respective Federal leases, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

**15. RENTAL SETTLEMENT.** Rental or minimum royalties due on leases committed hereto shall be paid by the appropriate parties under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the responsible parties of the land from their respective obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States or State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the United States or State unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until some portion of such land is included within a participating area.

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

**17. DRAINAGE.**

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

(b) Whenever a participating area approved under Section 11 of this agreement contains unleased Federal or State lands, the value of 12-1/2 percent of the production that would be allocated to such Federal lands under Section 12 of this agreement, if such lands were leased, committed and entitled to participation and the appropriate State of New Mexico royalty rate, shall be payable as compensatory royalties to the Federal and State Governments. Parties to this agreement holding working interests in committed leases within the applicable participating area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal and State lands to their unitized tracts under Section 12. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR Part 206 and the terms of the State of New Mexico leases, rules and regulations. Payment of compensatory royalties on the production reallocated from unleased Federal and State land to the committed tracts within the participating area shall fulfill the Federal and State royalty obligation for such production, and said production shall be subject to no further Federal royalty assessment under Section 14 of this agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the participating area that includes unleased Federal and State lands receive a production allocation, and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal or State lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue

from the date the Federal or State lands become unleased. Payment due under this provision shall end when the unleased Federal or State tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

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

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

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

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(m) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784) (30 U.S.C. 226(m)):

"Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

Any lease embracing lands of the State of New Mexico of which only a portion is committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as two separate leases as to such segregated portions, commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced within the unitized area and committed to this agreement, in accordance with the terms of this agreement. If oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease which part is committed to this agreement at the expiration of the fixed term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto upon which oil and gas, or either of them, has been discovered is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the fixed term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

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

**20. EFFECTIVE DATE AND TERM.** This agreement shall become effective upon approval by the AO and Commissioner of Public Lands and shall automatically terminate five years from said effective date unless:

- (a) Upon application by the Unit operator such date of expiration is extended by the AO and Commissioner of Public Lands,

or

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

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

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

If the public interest requirement is not satisfied, the approval of this unit by the AO shall be invalid.

**21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.** The AO is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal or State law, or do not conform to any Statewide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

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

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

**23. NOTICES.** All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or

parties, or sent by postpaid registered or certified mail, to the last-known address of the party or parties.

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

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

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

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

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

**28. NONJOINDER AND SUBSEQUENT JOINDER.** If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper BLM office and the Unit Operator prior to the approval of this agreement by the AO. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a nonworking interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such nonworking interest. A nonworking interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement.

Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

**29. COUNTERPARTS.** This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described unit area.

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

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

- (a) Accept those working interest rights subject to this agreement and the unit operating agreement; or
- (b) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or
- (c) Provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

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

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within 30 days.

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

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

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

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

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

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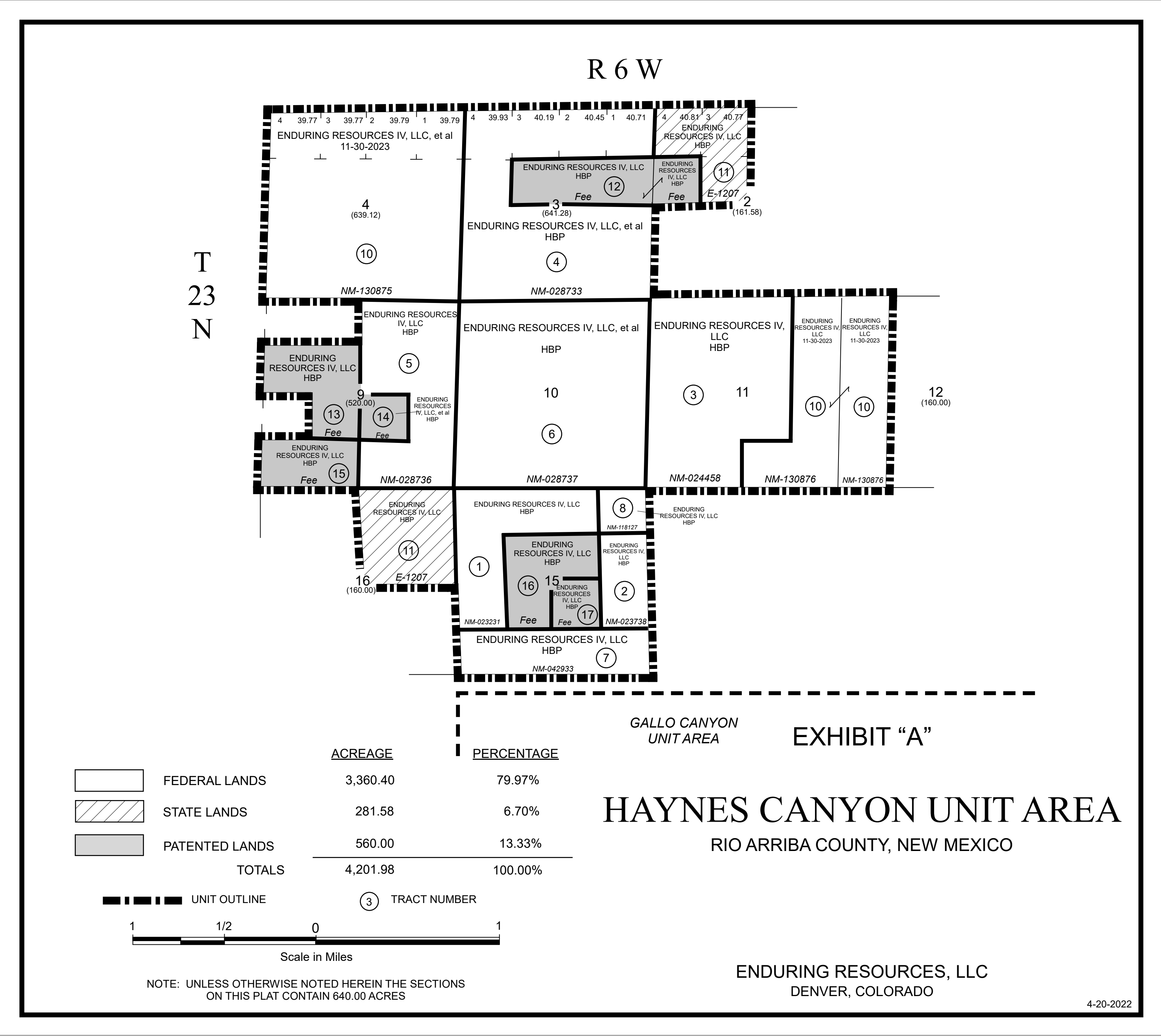
Unit Operator

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Working Interest Owners

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Other Interest Owners



**EXHIBIT "B"**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS**  
**HAYNES CANYON UNIT AREA**  
**RIO ARriba COUNTY, NEW MEXICO**

From the stratigraphic equivalent of the top of the Mancos Formation at a depth of 4,538 feet down to the stratigraphic equivalent of the base of the Gallup Formation at a depth of 5,620 feet as encountered in the WPX Enchilada 002X well in Section 16, Township 23 North, Range 6 West, N.M.P.M.

SEE ATTACHED MAP IN FILE 111-A-ENTIRENESS 00257, 0258, 0259, 0260, 0261, 0262, 0263, 0264, 0265, 0266, 0267, 0268, 0269, 0270, 0271, 0272, 0273, 0274, 0275, 0276, 0277, 0278, 0279, 0280, 0281, 0282, 0283, 0284, 0285, 0286, 0287, 0288, 0289, 0290, 0291, 0292, 0293, 0294, 0295, 0296, 0297, 0298, 0299, 0300, 0301, 0302, 0303, 0304, 0305, 0306, 0307, 0308, 0309, 0310, 0311, 0312, 0313, 0314, 0315, 0316, 0317, 0318, 0319, 0320, 0321, 0322, 0323, 0324, 0325, 0326, 0327, 0328, 0329, 0330, 0331, 0332, 0333, 0334, 0335, 0336, 0337, 0338, 0339, 0340, 0341, 0342, 0343, 0344, 0345, 0346, 0347, 0348, 0349, 0350, 0351, 0352, 0353, 0354, 0355, 0356, 0357, 0358, 0359, 0360, 0361, 0362, 0363, 0364, 0365, 0366, 0367, 0368, 0369, 0370, 0371, 0372, 0373, 0374, 0375, 0376, 0377, 0378, 0379, 0380, 0381, 0382, 0383, 0384, 0385, 0386, 0387, 0388, 0389, 0390, 0391, 0392, 0393, 0394, 0395, 0396, 0397, 0398, 0399, 0400, 0401, 0402, 0403, 0404, 0405, 0406, 0407, 0408, 0409, 0410, 0411, 0412, 0413, 0414, 0415, 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5	T23N-R6W N.M.P.M. Sec. 9: NE/4, NE/4SE/4, S/2SE/4	280.00	NMNM-28736 Effective 11/1/1976  HBP	U.S.A. - All (Royalty rate: 12.5%-25%)	Hilcorp San Juan LP	100.00000%	Hilcorp San Juan LP	12.50000%	Enduring Resources IV LLC	100.00000%
6	T23N-R6W N.M.P.M. Sec. 10: All	640.00	NMNM-28737 Effective 11/1/1976  HBP	U.S.A. - All (Royalty rate: 12.5%-25%)	Hilcorp San Juan LP	100.00000%	As to Sec. 10: NE/4: None	As to Sec. 10: NE/4: Enduring Resources IV LLC Hilcorp San Juan LP TOTAL	75.00000% 25.00000% 100.00000%	
							As to Sec. 10: SE/4: Hilcorp San Juan LP	As to Sec. 10: SE/4: Enduring Resources IV LLC	100.00000%	
							As to Sec. 10: SW/4: None	As to Sec. 10: SW/4: Enduring Resources IV LLC Hilcorp San Juan LP TOTAL	75.00000% 25.00000% 100.00000%	
							As to Sec. 10: NW/4: None	As to Sec. 10: NW/4: Enduring Resources IV LLC	100.00000%	
7	T23N-R6W N.M.P.M. Sec. 15: S/2S/2	160.00	NMNM-42933 Effective 5/1/1973  HBP	U.S.A. - All (12.5% royalty)	EOG Resources Inc. Read & Stevens Inc. TOTAL	87.50000% 12.50000% 100.00000%	As to Sec. 15: S/2SW/4: EOG Resources Inc. Robert B. and Nada S. Gates Trust TOTAL	3.32500% 3.00000% 6.32500%	Enduring Resources IV LLC	100.00000%
8	T23N-R6W N.M.P.M. Sec. 15: NE/4NE/4	40.00	NMNM-118127 Effective 6/1/2007  HBP	U.S.A. - All (12.5% royalty)	DJR Nominee Corporation	100.0000000%	As to Sec. 15: S/2SE/4: EOG Resources Inc. Robert B. and Nada S. Gates Trust Westway Petro TOTAL	8.31250% 3.00000% 1.18750% 12.50000%	Enduring Resources IV LLC	100.00000%
9	T23N-R6W N.M.P.M. Sec. 4: Lots 1, 2, 3, 4, S/2N/2, S/2	639.12	NMNM-130875 Effective 12/1/2013 Expires 11/30/2023	U.S.A. - All (12.5% royalty)	Enduring Resources IV LLC	100.0000000%	Coleman Oil & Gas, Inc.	0.32858%	Enduring Resources IV LLC Coleman Oil and Gas, Inc. JMJ Land and Mineral Company TOTAL	86.9526% 9.0474% 4.0000% 100.0000%
10	T23N-R6W N.M.P.M. Sec. 11: E/2E/2, SW/4SE/4 Sec. 12: W/2W/2	360.00	NMNM-130876 Effective 12/1/2013 Expires 11/30/2023	U.S.A. - All (12.5% royalty)	Enduring Resources IV LLC	100.0000000%	None	None	Enduring Resources IV LLC	100.00000%

10	FEDERAL TRACTS	TOTALING	3,360.40	ACRES	OR	75.97%	OF	UNIT	AREA
STATE LANDS									
11	T23N-R6W N.M.P.M. Sec. 2: Lots 3, 4, SE4NW/4, Sec. 16: NE/4	281.58	EO-1207 Effective 5/1/1973	State of New Mexico (12.5% Royalty)		100.0000%	DJR Assets, LLC		Enduring Resources IV, LLC 100.0000%
As to Section 2, Lots 3, 4, SE4NW/4:									
From the top of the Mancos Fm to the top of the Gallup Fm									
Goldeneye Energy Inc. 4.6777%									
Dugan Production Corp. 2.5535%									
RKC Inc. 2.0215%									
Terra Firma, LLC 1.2500%									
Petrox Resources, Inc. 0.7813%									
Alpine Resources, Inc. 0.7813%									
Roemer Oil Co. 0.4348%									
TOTAL 12.5000%									
From the top of the Gallup to the base of the Gallup Formation:									
Goldeneye Energy Inc. 4.6777%									
The Clarksons Group 2.8125%									
Dugan Production Corp. 2.5535%									
RKC Inc. 2.0215%									
Terra Firma, LLC 1.2500%									
Roemer Oil Co. 0.4348%									
TOTAL 13.7500%									
As to Section 16: NE/4:									
From the top of the Mancos Fm to the top of the Gallup Fm									
Goldeneye Energy Inc. 4.6777%									
RKC Inc. 2.0215%									
Mexia Holdings LP 1.4942%									
Monarch Resources LLC 1.4942%									
Terra Firma, LLC 1.2500%									
Petrox Resources, Inc. 0.7813%									
Alpine Resources, Inc. 0.7813%									
TOTAL 12.5000%									
From the top of the Gallup to the base of the Gallup Formation:									
Goldeneye Energy Inc. 4.6777%									
The Clarksons Group 2.8125%									
RKC Inc. 2.0215%									
Mexia Holdings LP 1.4942%									
Monarch Resources LLC 1.4942%									
TOTAL 12.5000%									
1	STATE TRACT	TOTALING	281.58	ACRES	OR	6.70%	OF	UNIT	AREA

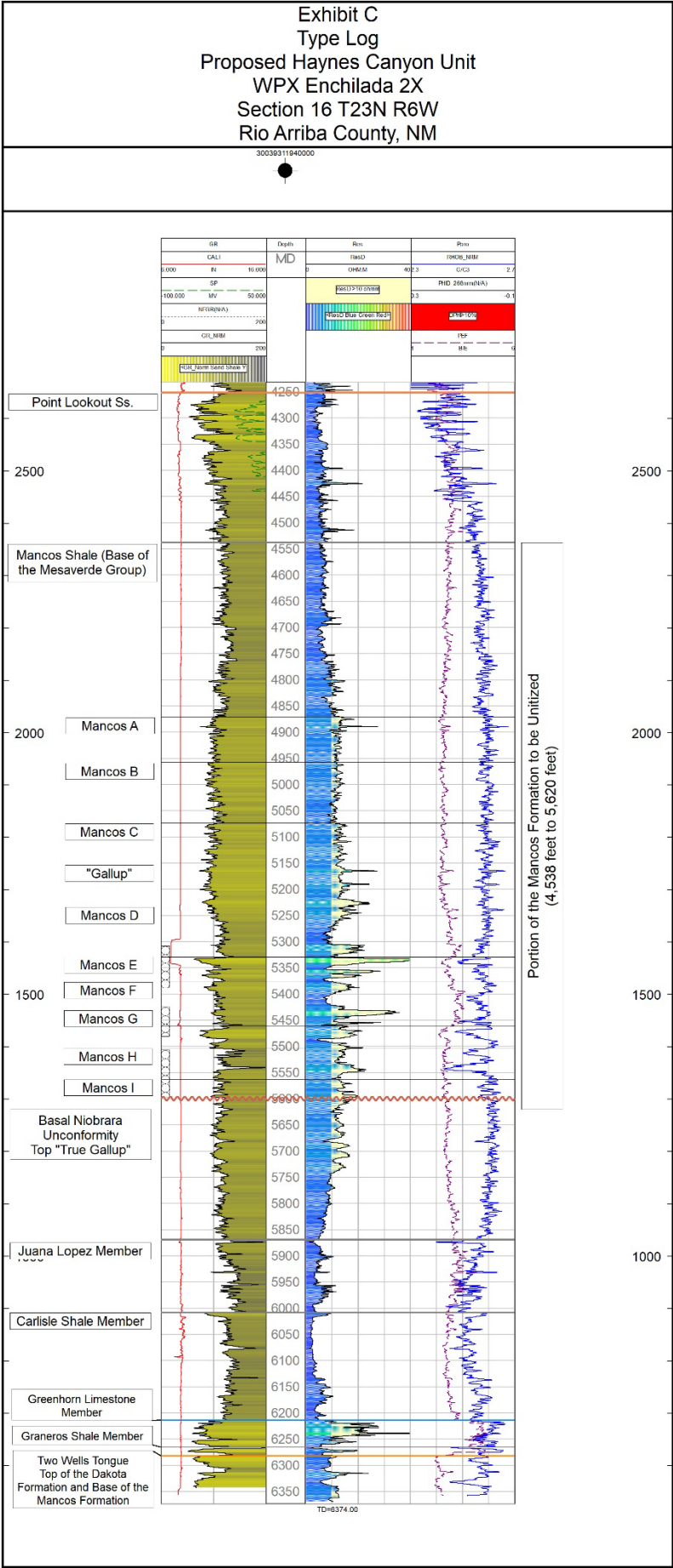
FEE LANDS

12	<u>T23N-R6W N.M.P.M.</u> Sec. 2: SW/4NW/4 Sec. 3: SE/4NW/4, S2NE/4	160.00	HBP	Estate of Helen Haynes Mayer	50.0000%	1/6 LOR	From the Strat. Equiv. of top of Mancos at 4,538 feet in WPX Enchilada 002X down to base of Gallup Fm	Enduring Resources IV LLC	100.0000%	From the Strat. Equiv. of top of Mancos at 4,538 feet in WPX Enchilada 002X down to base of Gallup Fm	50.0000%
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13	T23N-R6W N.M.P.M. Sec. 9: S2NW/4, NE4SW/4	HBP	Thomas W. McElvain	50.0000% 1/6 LOR	From the Strat. Equiv. of top of Mancos at 4,538 feet in WPX Enchilada 002X down to base of Gallup Fm	Enduring Resources IV LLC	100.0000%	None	From the Strat. Equiv. of top of Mancos at 4,538 feet in WPX Enchilada 002X down to base of Gallup Fm	Enduring Resources IV LLC	50.0000% 100.0000%
		HBP	Merrion Oil & Gas Corporation	35.5486%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	35.5486%		
		HBP	Donald J. Merrion Trust	17.1528%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	17.1528%		
		HBP	Diana Merrion	17.1528%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	17.1528%		
		HBP	WM Trust	12.5000%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	12.5000%		
		HBP	Merrion Oil & Gas Corporation	12.5000%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	12.5000%		
		HBP	Merrion Investment Company	5.1458%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	5.1458%		
			TOTAL	100.0000%				TOTAL	100.0000%		
14	T23N-R6W N.M.P.M. Sec. 9: NW4SE/4	40.00	From Strat. Eq. of top of Mancos at 4538' down to Top of Gallup Fm	From the Strat. Eq. of top of Mancos at 4538' down to Top of the Gallup Fm				From the Strat. Eq. of top of Mancos at 4538' down to Top of the Gallup Fm			
		HBP	Merrion Oil & Gas Corporation (171-491)	35.5486%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	35.5486%		
		HBP	Donald J. Merrion Trust	17.1528%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	17.1528%		
		HBP	Diana Merrion	17.1528%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	17.1528%		
		HBP	WM Trust	12.5000%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	12.5000%		
		HBP	Merrion Oil & Gas Corporation	12.5000%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	12.5000%		
		HBP	Merrion Investment Company	5.1458%	Enduring Resources IV LLC	100.0000%	None	Enduring Resources IV LLC	5.1458%		
			TOTAL	100.0000%				TOTAL	100.0000%		

15	T23N-R6W-N1/4-P1/4 Sec. 9, S/2SW/4	80.00	HBP	Corporation	Resource Development Technology, LLC	5.0000%	Resource Development Technology, LLC	0.6250%
				Meriton Investment Company TOTAL	Enduring Resources IV LLC Resource Development Technology, LLC	95.0000% 5.0000%	Enduring Resources IV LLC Resource Development Technology, LLC TOTAL	4.8865% 0.2573% 100.0000%
			HBP	El Barranco, LLC	Enduring Resources IV LLC	100.0000%	MorningStar Operating LLC	7.5000% 31.66667%
			HBP	Mary Ellen Burns Boyett	Enduring Resources IV LLC	100.0000%	MorningStar Operating LLC	7.5000% 18.33333%
			HBP	Patricia Burns Glenn	Enduring Resources IV LLC	100.0000%	MorningStar Operating LLC	7.5000% 18.33333%
			HBP	E. Patrick Barton, Jr.	Enduring Resources IV LLC	100.0000%	MorningStar Operating LLC	7.5000% 10.55556%
			HBP	Andrew W. Barton	Enduring Resources IV LLC	100.0000%	MorningStar Operating LLC	7.5000% 10.55556%
			HBP	John Kevin Barton TOTAL	Enduring Resources IV LLC	100.0000%	MorningStar Operating LLC TOTAL	7.5000% 10.55556% 100.0000%
16	T23N-R6W-N1/4-P1/4 Sec. 15, SW/4NE/4, SE/4NW/4, NE/4SW/4	120.00			From the Strat. Eq. of top of Mancos Fm at 4358' down to Base of Gallup at 5620' In WPX Enchilada 002X	From the Strat. Eq. of top of Mancos Fm at 4358' down to Base of Gallup at 5620' In WPX Enchilada 002X	From the Strat. Eq. of top of Mancos Fm at 4358' down to Base of Gallup at 5620' In WPX Enchilada 002X	
			HBP	Merrion Oil & Gas Corporation	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	35.5486%
			HBP	Donald J. Merrion Trust	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	17.1528%
			HBP	Diana Merrion	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	17.1528%
			HBP	WM Trust	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	12.5000%
			HBP	Merrion Oil & Gas Corporation	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	12.5000%
			HBP	Meriton Investment Company TOTAL	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC TOTAL	5.1458% 100.0000%
17	T23N-R6W-N1/4-P1/4 Sec. 15, NW/4SE/4	40.00			From the Strat. Eq. of the top of Mancos Fm at 4358' down to Top of Gallup Fm	From the Strat. Eq. of the top of Mancos Fm at 4358' down to Top of Gallup Fm	From the Strat. Eq. of the top of Mancos Fm at 4358' down to Top of Gallup Fm	
			HBP	Merrion Oil & Gas Corporation	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	35.5486%
			HBP	Donald J. Merrion Trust	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	17.1528%
			HBP	Diana Merrion	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	17.1528%
			HBP	WM Trust	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	12.5000%
			HBP	Merrion Oil & Gas	Enduring Resources IV LLC	100.0000%	Enduring Resources IV LLC	12.5000%

6	FEE	TRACTS	TOTALING	580.00	ACRES	OR	13.33%	OF	UNIT	AREA	
17	TRACTS	TOTALING	4,201.98	ACRES	IN	UNIT	AREA				
Corporation											
HBP					Merrion Investment Company (171-491)		5.1458%		Enduring Resources IV LLC	100.0000%	None
					TOTAL		100.0000%				Enduring Resources IV LLC
					As to the Gallup Formation:						TOTAL
											5.1458%
											100.0000%
HBP					Merrion Oil & Gas Corporation		35.5486%		Enduring Resources IV LLC	100.0000%	None
HBP					Donald J. Merrion Trust		17.1528%		Enduring Resources IV LLC	100.0000%	None
HBP					Diana Merrion		17.1528%		Enduring Resources IV LLC	100.0000%	None
HBP					WM Trust		12.5000%		Enduring Resources IV LLC	100.0000%	None
HBP					Merrion Oil & Gas Corporation		12.5000%		Enduring Resources IV LLC	100.0000%	None
HBP					Merrion Investment Company (153-111)		5.1458%		Enduring Resources IV LLC	100.0000%	None
					TOTAL		100.0000%				TOTAL
											5.1458%
											100.0000%
					As to the Gallup Formation:						TOTAL
											5.1458%
											100.0000%



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

**APPLICATION OF ENDURING  
RESOURCES, LLC FOR  
APPROVAL OF THE HAYNES  
CANYON UNIT, RIO ARRIBA  
COUNTY, NEW MEXICO.**

**CASE NO. 22854**

**AFFIDAVIT OF ANITA ASHLAND**

Anita Ashland, being of lawful age and duly sworn, states the following:

1. My name is Anita Ashland and have been employed by Enduring Resources, LLC (“Enduring”) as a Senior Landman since February 2020.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters and my credentials have been accepted by the Division and made a matter of record.
3. I am the landman responsible for the formation of the proposed unit and I am familiar with the application filed by Enduring in this matter and the status of the lands in the subject area.
4. Because this application seeks approval of a voluntary unit, I do not expect opposition at the hearing.
5. Enduring seeks an order creating the proposed Haynes Canyon Unit, a voluntary unit consisting of approximately 4,201.98-acres comprised of the following Federal, State Trust, and Patented lands situated in Rio Arriba County, New Mexico:

**Township 23 North, Range 6 West, N.M.P.M.**

Section 2: NW/4  
Section 3: ALL

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: Enduring Resources, LLC  
Hearing Date: June 2, 2022  
Case No. 22854

Section 4: ALL  
Section 9: E/2, S/2 NW/4, S/2 SW/4, NE/4 SW/4  
Section 10: ALL  
Section 11: ALL  
Section 12: W/2 W/2  
Section 15: ALL  
Section 16: NE/4

6. Enduring is the designated operator under the proposed Unit Agreement and the unitized interval is defined as the stratigraphic equivalent of the top of the Mancos formation at a measured depth of 4,538 feet beneath the surface to the base of the Gallup formation at a measured depth of 5,620 feet beneath the surface as seen on the log in the WPX Enchilada 002X Well (API# 3003931194), which is located in Section 16, Township 23 North, Range 6 West, Rio Arriba County, New Mexico.

7. **Enduring Exhibit B-1** is a general location map showing the location of the proposed Unit Area.

8. Attached to **Enduring Exhibit A** is a copy of the proposed Unit Agreement with attached Exhibits A, B, C, and D. Exhibit A to the Unit Agreement outlines the boundary of the Unit Area and identifies all tracts of land within the proposed Unit. Federal lands comprise more than 79% of the proposed Unit. Approximately 6.7% is state lands and the remainder is patented lands.

9. Exhibit B to the Unit Agreement shows the ownership breakdown by tract for the Unit Area. Enduring owns approximately 94.27% of the total working interest in the proposed Unit. Enduring, as operator, has been in contact with the remaining working interest owners and anticipates ratification of a sufficient percentage of the working interests to have effective control of Unit operations.

10. Enduring has met with the Bureau of Land Management regarding the proposed unitized area and the Unit Agreement. **Enduring Exhibit B-2** is a copy of the logical designation letter from the Bureau of Land Management.

11. The proposed Unit Agreement applies to horizontal and multi-lateral wells only, and all existing vertical wells within the Unit Area producing from the Mancos-Gallup formation are excluded from the terms of the Unit Agreement.

12. Enduring has been informed that there are two Division-designated pools for the Mancos-Gallup formation within the unitized area: the Counselors Gallup-Dakota pool (Pool Code 13379) and the Basin Mancos Pool (Pool Code 97232). Enduring intends to file a subsequent application with the Division seeking contraction of the Basin Mancos Pool outside of the Unit Area and expansion of the Counselors Gallup-Dakota pool within the Unit Area. The requested pool changes will result in the Counselors Gallup-Dakota pool being the only Division-designated pool within the Unit Area and will simplify administrative management and reporting of unit production.

13. In my opinion, the unitized interval for the proposed Haynes Canyon Unit can be efficiently and effectively developed under a common plan of development, and approval of this application is in the best interests of conservation, prevention of waste, and the protection of correlative rights.

14. **Enduring Exhibits B-1 through B-2** were prepared by me or compiled under my direction from company business records.

FURTHER AFFIANT SAYETH NAUGHT.

Anita Ashland  
ANITA ASHLAND

STATE OF COLORADO     )  
  )  
COUNTY OF DENVER     )

SUBSCRIBED and SWORN to before me this 31ST day of MAY 2022 by  
Anita Ashland

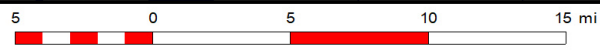
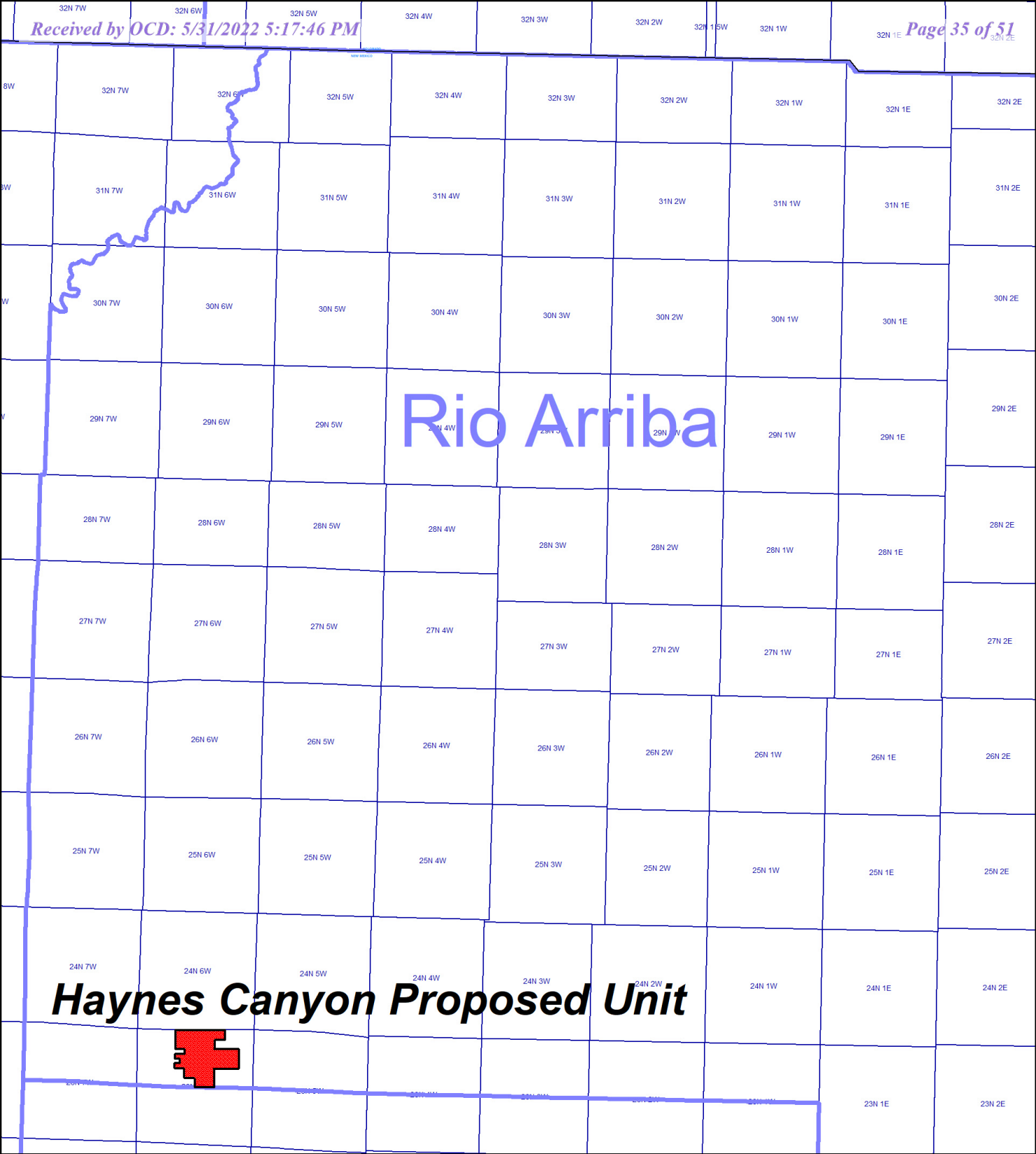
Travis Whitham  
NOTARY PUBLIC

My Commission Expires:

05-10-2025

18941218\_v1

TRAVIS WHITHAM  
Notary Public  
State of Colorado  
Notary ID # 20174020100  
My Commission Expires 05-10-2025





**Enduring Resources LLC**

**San Juan Basin**  
**Rio Arriba Co., New Mexico**

**Proposed Haynes Canyon Location Plat**

Author: ESW	Date: 31 May 2022
----------------	----------------------

**BEFORE THE OIL CONSERVATION DIVISION**  
**Santa Fe, New Mexico**  
**Exhibit No. B1**  
**Submitted by: Enduring Resources, LLC**  
**Hearing Date: June 2, 2022**  
**Case No. 22854**



## United States Department of the Interior

### BUREAU OF LAND MANAGEMENT

New Mexico State Office

301 Dinosaur Trail

Santa Fe, New Mexico 87508

<https://www.blm.gov/new-mexico>



In Reply Refer To:  
3180 (NM62500)  
NMNM142111X

#### Reference:

Application and Request for Designation  
Haynes Canyon Federal Exploratory Unit  
NMNM 142111X

Anita Ashland  
Enduring Resources, LLC  
6300 S. Syracuse Way  
Suite 525  
Centennial, CO 80111

Dear Anita Ashland:

Your application of February 12, 2020, filed with the Bureau of Land Management (BLM) New Mexico State Office (NMSO), requests the designation of the Haynes Canyon Federal Exploratory Unit area, embracing 4,201.98 acres, more or less, in Rio Arriba County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to public interest requirements and unit plan regulations at 43 CFR 3180, the land requested, as outlined on your plat marked Exhibit "A", Haynes Federal Exploratory Unit Area, Rio Arriba County, New Mexico, was hereby designated as a logical unit area by letter dated June 22, 2020 and has been assigned agreement number NMNM 142111X. This unit designation is for all oil and gas in the Mancos formation, as defined in Section 3 of the Unit Agreement, and is valid for a period of one year from the date of this letter which ended on June 22, 2021.

Pursuant to public interest requirements and the current economic climate the attached letter dated June 22, 2020, which designates the Haynes Canyon Federal Exploratory Unit as a logical unit area is hereby valid for a period of two years from the date of June 22, 2020 or by this letter is valid until June 22, 2022.

**BEFORE THE OIL CONSERVATION DIVISION**

**Santa Fe, New Mexico**

**Exhibit No. B2**

**Submitted by: Enduring Resources, LLC**

**Hearing Date: June 2, 2022**

**Case No. 22854**

**INTERIOR REGION 5 · MISSOURI BASIN**

Kansas, Most of Montana, North Dakota,  
Nebraska, South Dakota

**INTERIOR REGION 6 · ARKANSAS-**

**RIO GRANDE-TEXAS GULF**

Oklahoma, Texas

**INTERIOR REGION 7 · UPPER**

**COLORADO BASIN**

Colorado, New Mexico, Utah, Wyoming

If you have any questions, please contact Edward Fernandez at efernand@blm.gov.

Sincerely,

KYLE  
PARADIS

Digitally signed by  
KYLE PARADIS  
Date: 2021.11.05  
10:46:46 -06'00'

Kyle Paradis  
Branch Chief - Reservoir Management  
Division of Minerals

Enclosures

6-22-20\_ Haynes Canyon Unit Designation Letter

8-4-21\_FINAL\_BLM-SLO\_Approved\_Haynes Canyon Unit Agreement

cc: NMFO111, FFO  
NMSLO, Scott Dawson  
NM9250, Jordan

Page 38 of 51

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

**APPLICATION OF  
ENDURING RESOURCES,  
LLC FOR APPROVAL OF  
THE HAYNES CANYON  
UNIT, RIO ARriba COUNTY,  
NEW MEXICO.**

**CASE NO. 22854**

**AFFIDAVIT OF RAFFAELLO SARCEDOTI**

Raffaello Sacerdoti, of lawful age and being first duly sworn, declares as follows:

1. My name is Raffaello Sacerdoti and I am employed by Enduring Resources, LLC. ("Enduring") as a geologist. I am familiar with the application filed by Enduring in this case and have conducted a geologic study of the proposed unit area.

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology and my credentials have been accepted by the Division and made a matter of record.

3. The Unitized Interval will be defined as all oil and gas in the interval from the stratigraphic equivalent of the top of the Mancos formation at a measured depth of 4,538 feet beneath the surface to the base of the Gallup formation at a measured depth of 5,620 feet beneath the surface as seen on the log in the WPX Enchilada 002X Well (API# 3003931194), which is located in Section 16, Township 23 North, Range 6 West, Rio Arriba County, New Mexico.

4. The development objectives are an interval of porous reservoir rocks commonly referred to as the Gallup, which is made up of sandstones, siltstones and mudstones that interfinger with the Mancos Shale within the lower portion of the Mancos Formation.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: Enduring Resources, LLC  
Hearing Date: June 2, 2022  
Case No. 22854

5. **Enduring Exhibit C-1** is a type log of the WPX Enchilada 002X Well (API# 3003931194) with the unitized interval marked at the top of the Mancos Formation at approximately 4,538 feet measured depth and the base of the proposed unitized interval at 5,620 feet. The initial target interval is identified with green color shading.

6. **Enduring Exhibit C-2** is a subsea-level structure map on the top of the Mancos Formation with contours at 25 feet intervals and data points provided in red. This exhibit demonstrates that the surface gently dips into the basin to the northeast. I do not observe any faults, pinch outs, or other geologic impediments to efficiently and effectively developing this formation under the proposed unit area with a unitized plan of operation. The proposed Haynes Canyon Unit is outlined in red. The locations for the type log well and cross section lines are shown on these maps in addition to where existing horizontal and vertical wells are located. Wells in these cross sections were chosen because they contain good gamma ray, resistivity, and density porosity logs and are representative of the geology underlying the unit area.

7. **Enduring Exhibit C-3** is a north-south stratigraphic cross-section using the wells depicted in Exhibit C-2 from A to A'. I have identified on the cross section the top and bottom of the unitized interval, as well as the initial target interval. This cross section demonstrates that the targeted interval is continuous across the unitized area from a north to south direction.

8. **Enduring Exhibit C-4** is a west-east stratigraphic cross-section using the wells depicted in Exhibits C-2 from B to B'. I have identified on the cross section the top and bottom of the unitized interval, as well as the initial target interval. This cross section demonstrates that the targeted interval is continuous across the unitized area from a west to east direction.

9. In my opinion, approval of this unit is in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

10. Enduring Exhibits C-1 through C-4 were either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NAUGHT.

*Raffaello Sacerdoti*  
RAFFAELLO SACERDOTI

STATE OF COLORADO       )  
COUNTY OF ARAPAHOE    )

SUBSCRIBED and SWORN to before me this 27<sup>th</sup> day of MAY 2022 by  
Raffaello Sacerdoti.

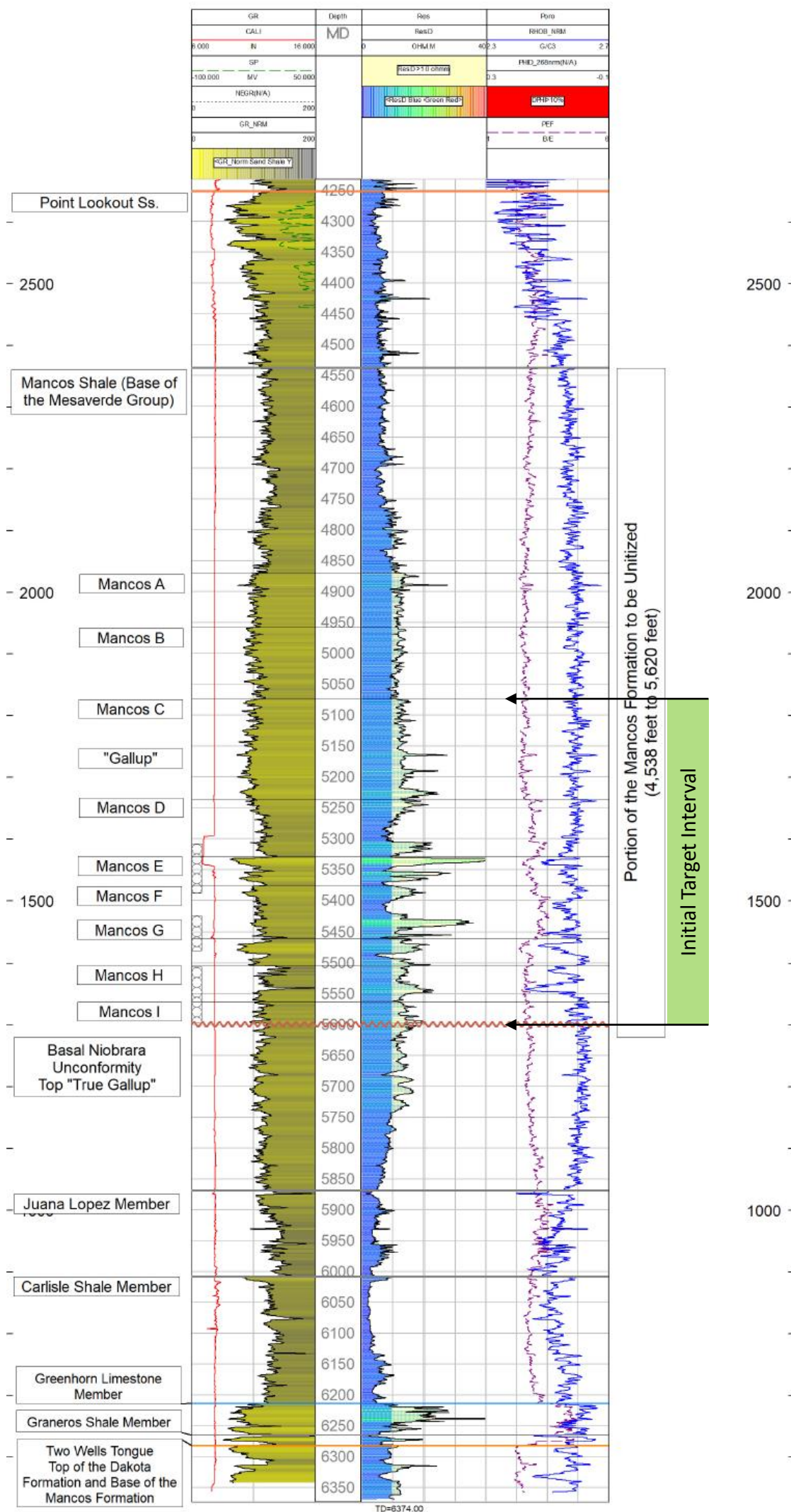
*Travis Witham*  
NOTARY PUBLIC

My Commission Expires:  
05-10-2025

TRAVIS WHITHAM  
Notary Public  
State of Colorado  
Notary ID # 20174020100  
My Commission Expires 05-10-2025

Proposed Haynes Canyon Unit  
WPX Enchilada 2X  
Section 16 T23N R6W  
Rio Arriba County, NM

30039311940000



Chaco CA

Haynes Canyon  
Proposed Unit

Point 1  
Point 2  
Point 3

0 10 miles

North

# Type Log

Initial Well HCU 220H

***Gallo Canyon***

***Unit***

# Exhibit A

## Proposed Haynes Canyon Unit

### Mancos Formation

### Structure

C.I. = 25'

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C2  
Submitted by: Enduring Resources, LLC  
Hearing Date: June 2, 2022  
Case No. 22854

**BEFORE THE OIL CONSERVATION DIVISION**  
**Santa Fe, New Mexico**  
**Exhibit No. C2**  
**Submitted by: Enduring Resources, LLC**  
**Hearing Date: June 2, 2022**  
**Case No. 22854**

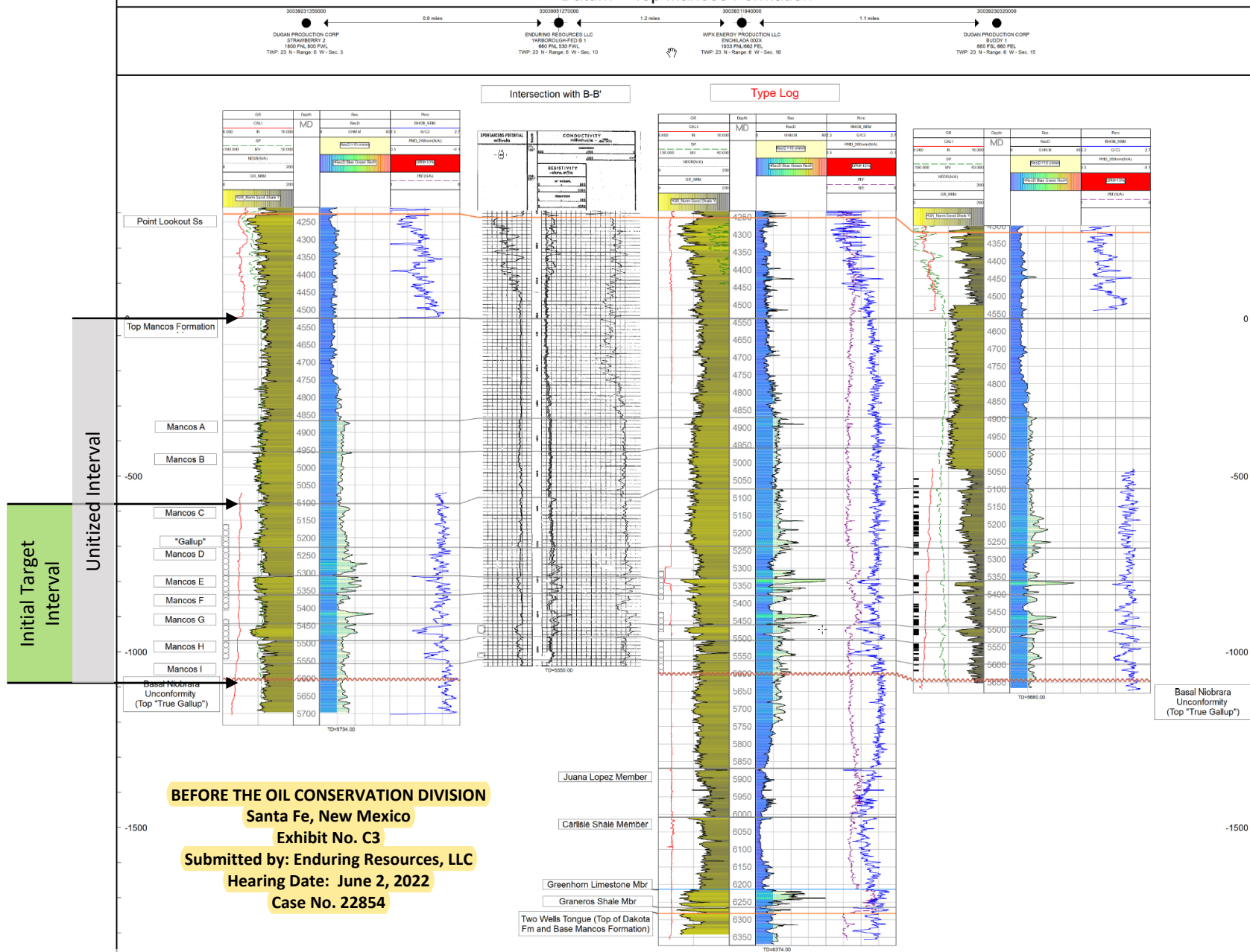
# Stratigraphic Cross Section A-A' (North to South)

## Proposed Haynes Canyon Unit

### Rio Arriba County, NM

#### Datum = Top Mancos Formation

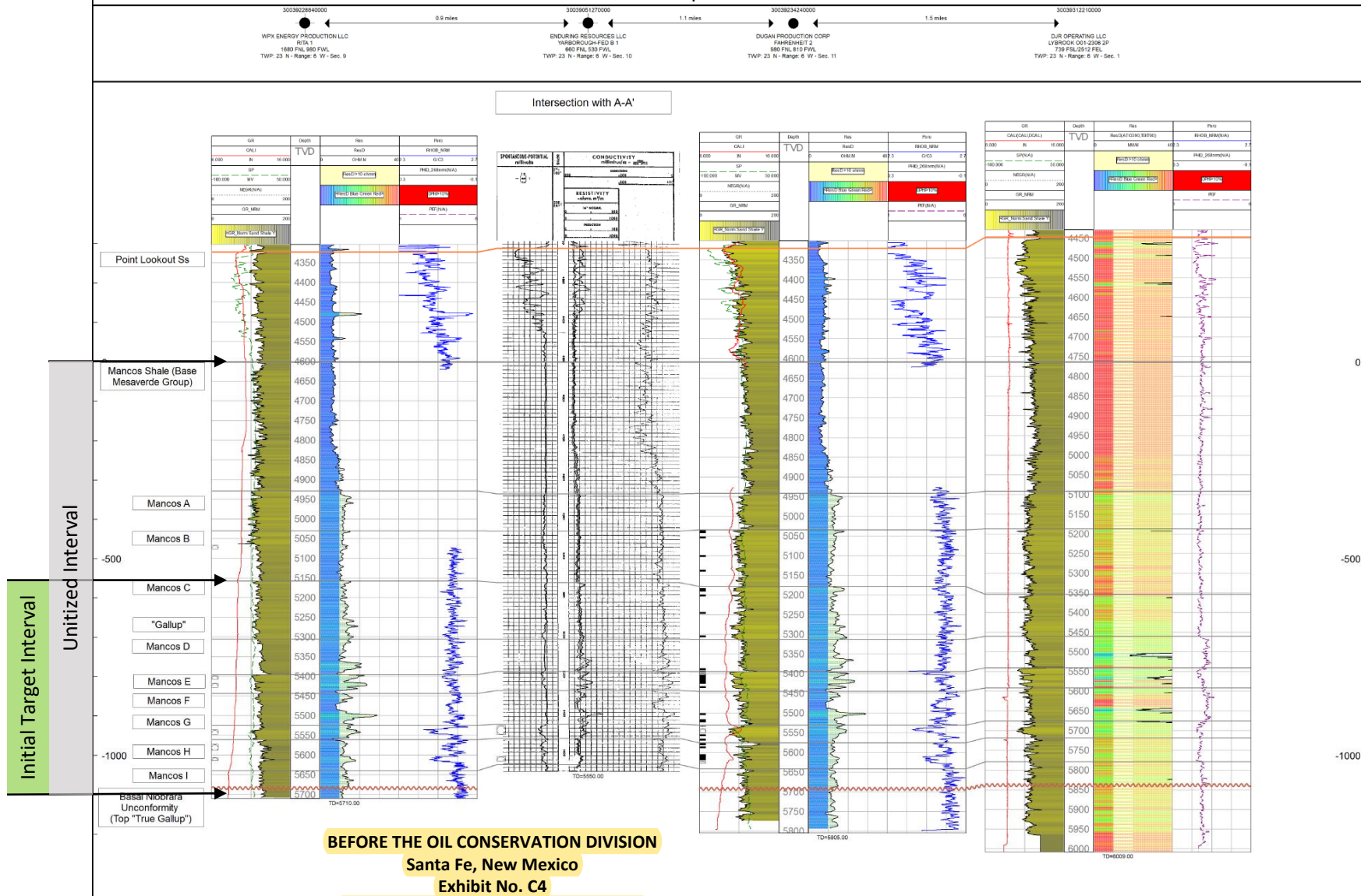
A' (South)



B (West)

Stratigraphic Cross Section B-B' (West to East)  
 Proposed Haynes Canyon Unit  
 Rio Arriba County, NM  
 Datum = Top Mancos Formation

B' (East)



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

**APPLICATION OF ENDURING  
RESOURCES, LLC FOR  
APPROVAL OF THE HAYNES  
CANYON UNIT, RIO ARRIBA  
COUNTY, NEW MEXICO.**

**CASE NO. 22854**

**AFFIDAVIT**

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

Adam G. Rankin, attorney in fact and authorized representative of the Applicant herein,  
being first duly sworn, upon oath, states

1. The above-referenced applications and notice of the hearing on this application was  
sent by certified mail to the affected parties on the date set forth in the letter attached hereto.

2. The spreadsheet attached hereto contains the names of the parties to whom notice was  
provided.

3. The spreadsheet attached hereto contains the information provided by the United States  
Postal Service on the status of the delivery of this notice as of May 24, 2022.

4. I caused a notice to be published to all parties subject to these compulsory pooling  
proceedings on May 12, 2022. An affidavit of publication from the publication's legal clerk with  
a copy of the notice publication is attached as Exhibit E.



Adam G. Rankin

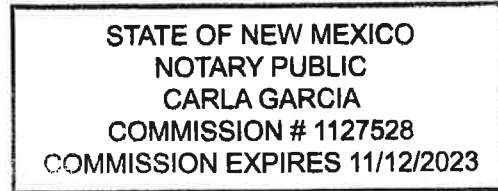
**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. D  
Submitted by: Enduring Resources, LLC  
Hearing Date: June 2, 2022  
Case No. 22854**

SUBSCRIBED AND SWORN to before me this 31st day of May, 2022 by Adam G.  
Rankin.

  
Notary Public

My Commission Expires:

Nov 12, 2023





**Adam G. Rankin**  
**Phone** (505) 988-4421  
**Fax** (505) 819-5579  
AGRankin@hollandhart.com

May 13, 2022

**VIA CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**TO: AFFECTED PARTIES**

**RE: Application of Enduring Resources, LLC for Approval of the Haynes Canyon Unit,  
Rio Arriba County, New Mexico.**

Ladies and Gentlemen:

This letter is to advise you that Enduring Resources, LLC has filed the enclosed application with the New Mexico Oil Conservation Division.

**During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on June 2, 2022 beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <https://www.emnrd.nm.gov/ocd/hearing-info/>.**

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed online or in person at the Division's Santa Fe office and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Anita Ashland at (303) 350-5116 or [aashland@enduringresources.com](mailto:aashland@enduringresources.com).

Sincerely,

A blue ink signature of Adam G. Rankin, consisting of stylized initials and a surname.

Adam G. Rankin  
**ATTORNEY FOR ENDURING RESOURCES, LLC**

T 505.988.4421 F 505.983.6043  
110 North Guadalupe, Suite 1, Santa Fe, NM 87501-1849  
Mail to: P.O. Box 2208, Santa Fe, NM 87504-2208  
[www.hollandhart.com](http://www.hollandhart.com)

Alaska  
Colorado  
Idaho

Montana  
Nevada  
New Mexico

Utah  
Washington, D.C.  
Wyoming

Enduring\_Haynes Canyon Unit  
Case No. 22854 Postal Delivery Report

TrackingNo	ToName	DeliveryAddress	City	State	Zip	USPS_Status
9414811898765879353022	Floyd W. Baumgardner	3231 Galvin Rd	Centralia	WA	98531-9061	Your item arrived at our SEATTLE WA DISTRIBUTION CENTER destination facility on May 23, 2022 at 3:30 pm. The item is currently in transit to the destination.
9414811898765879353428	Alpine Resources LLC	789 N Sherman St Ste 130	Denver	CO	80203-3539	Your item was delivered to an individual at the address at 2:29 pm on May 16, 2022 in DENVER, CO 80203.
9414811898765879353497	The Clarksons Group	12222 Merit Dr Ste 360	Dallas	TX	75251-3211	Your item was delivered to the front desk, reception area, or mail room at 11:15 am on May 17, 2022 in DALLAS, TX 75251.
9414811898765879353480	Dugan Production Corp.	709 E Murray Dr	Farmington	NM	87401-6649	This is a reminder to arrange for redelivery of your item or your item will be returned to sender.
9414811898765879353435	Goldeneye Energy Inc.	4742 Post Oak Timber Dr Unit 41	Houston	TX	77056-2239	Your item was delivered to an individual at the address at 1:18 pm on May 19, 2022 in HOUSTON, TX 77056.
9414811898765879353473	Mexia Holdings, L.P.	4993 North Illinois no 130	Olney	IL	62450	Your item was picked up at the post office at 1:20 pm on May 19, 2022 in OLNEY, IL 62450.
9414811898765879353510	Monarch Resources L.L.C. Attn. Chet Collier	PO Box 720070	Oklahoma City	OK	73172-0070	Your item was picked up at the post office at 9:45 am on May 19, 2022 in OKLAHOMA CITY, OK 73162.
9414811898765879353558	Petrox Resources, Inc.	12600 W Colfax Ave Ste C440	Lakewood	CO	80215-3759	Your item was delivered to the front desk, reception area, or mail room at 1:08 pm on May 16, 2022 in DENVER, CO 80215.
9414811898765879353565	RKC, Inc.	7029 E Briarwood Cir	Centennial	CO	80112-1152	Your item was picked up at the post office at 1:57 pm on May 23, 2022 in ENGLEWOOD, CO 80112.
9414811898765879353527	Roemer Oil Company	35 N Wynden Dr	Houston	TX	77056-2507	Your package will arrive later than expected, but is still on its way. It is currently in transit to the next facility.
9414811898765879353503	Terra Firma, LLC	8950 S Warhawk Rd	Conifer	CO	80433-9605	Your item was delivered to an individual at the address at 9:56 am on May 16, 2022 in CONIFER, CO 80433.
9414811898765879353008	Clarence R. Chandler - Deceased	PO Box 874	Midland	TX	79702-0874	This is a reminder to arrange for redelivery of your item or your item will be returned to sender.
9414811898765879353541	Bureau of Land Management	301 Dinosaur Trl	Santa Fe	NM	87508-1560	Your item was delivered to an individual at the address at 2:28 pm on May 17, 2022 in SANTA FE, NM 87508.
9414811898765879353589	Bureau of Land Management	620 E Greene St	Carlsbad	NM	88220-6292	Your item was delivered to an individual at the address at 3:25 pm on May 17, 2022 in CARLSBAD, NM 88220.
9414811898765879353534	New Mexico State Land Office	PO Box 1148	Santa Fe	NM	87504-1148	Your item was picked up at a postal facility at 7:45 am on May 20, 2022 in SANTA FE, NM 87501.
9414811898765879353091	William S. Marshall Family Trust	PO Box 50880	Midland	TX	79710-0880	Your item was picked up at a postal facility at 9:59 am on May 20, 2022 in MIDLAND, TX 79705.
9414811898765879353084	Charles G. Rice	30 River Creek Way	Sugar Land	TX	77478-4036	Your item was delivered to an individual at the address at 2:40 pm on May 17, 2022 in SUGAR LAND, TX 77478.
9414811898765879353039	Robert H. Ritchie	2804 Callaway Dr	Midland	TX	79707-5034	Your item was delivered to an individual at the address at 12:05 pm on May 16, 2022 in MIDLAND, TX 79707.
9414811898765879353077	George E. Watters	PO Box 594	Silverhill	AL	36576-0594	Your item was picked up at the post office at 9:34 am on May 18, 2022 in SILVERHILL, AL 36576.
9414811898765879353411	Dominion Energy F/K/A Questar Gas Company	PO Box 45601	Salt Lake City	UT	84145-0601	Your item was delivered at 7:05 am on May 17, 2022 in SALT LAKE CITY, UT 84101.
9414811898765879353459	Robert B. Gates and Nada S. Gates, Trustees of the Robert B. and Nada S. Gates Trust UTA dated June 8, 1984	219 Windridge Cir	Midland	TX	79705-3006	This is a reminder to arrange for redelivery of your item or your item will be returned to sender.
9414811898765879353466	Westway Petro, a Texas Joint Venture	4514 Cole Ave	Dallas	TX	75205-5412	Your item departed our USPS facility in ALBUQUERQUE, NM 87101 on May 23, 2022 at 9:27 pm. The item is currently in transit to the destination.

## Affidavit of Publication

State of New Mexico  
County of Rio Arriba

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. E

Submitted by: Enduring Resources, LLC

Hearing Date: June 2, 2022

Case No. 22854

## Publisher's Bill

190 lines one time at \$ 152.00

\_\_\_\_\_ lines \_\_\_\_\_ times at \_\_\_\_\_

Affidavit \$ 5.00

Subtotal \$ 157.00

Tax \$ 14.03

Total \$ 171.03

Payment received at **Rio Grande SUN**Date 5/9/22By Cristal V. [Signature]

I, Richard L. Connor, being first duly sworn, declare and say I

am the Publisher of the **Rio Grande SUN**, a weekly newspaper published in the English language and having a general circulation in the County of Rio Arriba, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937. The publication, a copy of which is hereto attached, was published in said paper once each week for

1 consecutive weeks and on the same day of each week in the regular issue of the paper during the time of publication and the notice was published in the newspaper proper, and not in any supplement. The first publication being on the

12 day of May 2022

and the last publication on the 12 day of May 2022. Payment for said advertisement has been duly made, or assessed as court costs. The undersigned has personal knowledge of the matters and things set forth in this affidavit.

[Signature] Publisher

Subscribed and sworn to before me this 12 day of May A.D. 2022

[Signature]  
Maria V. Lopez Garcia /Notary Public  
My commission expires 13 July 2025

STATE OF NEW MEXICO  
NOTARY PUBLIC  
MARIA V. LOPEZ-GARCIA  
COMMISSION # 1083974  
EXPIRES JULY 13, 2025

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

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following case. During the COVID-19 Public Health Emergency, state buildings are closed to the public and Division hearings will be conducted remotely. The public hearing for the following case will be electronic and conducted remotely. The hearing will be conducted

**Fax: 753-214**

**Rio Grande SUN, Thursday**

hearing will be conducted on Thursday, June 2, 2022, beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted below. The docket may be viewed at <https://www.emnrd.nm.gov/ocd/hearing-info/> or obtained from Marlene Salvidrez, at [Marlene.Salvidrez@state.nm.us](mailto:Marlene.Salvidrez@state.nm.us). Documents filed in the case may be viewed at <https://ocdimage.emnrd.nm.gov/Imaging/Default.aspx>. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact Marlene Salvidrez at [Marlene.Salvidrez@state.nm.us](mailto:Marlene.Salvidrez@state.nm.us), or the New Mexico Relay Network at 1-800-659-1779, no later than May 22, 2022. Persons may view and participate in the hearings through the following link:

<https://nmemnrd.webex.com/nmemnrd/onstage/g.php?MTID=e5d4dc968d44b04fb315a668f626e0591>  
Event number: 2481 803 6002

Event password: : 5vuQUIw73bi

Join by video: 24818036002@nmemnrd.webex.com

You can also dial 173.243.2.68 and enter your meeting number  
Numeric Password: 156446

Join by audio: 1-844-992-4726 United States Toll Free

Access code: 2481 803 6002

**STATE OF NEW  
MEXICO TO:**

**All named parties and persons  
having any right, title,  
interest  
or claim in the  
following case**

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

**To: All affected parties, including: Floyd W. Baumgardner, his heirs and devisees; Clarence R. Chandler - Deceased, his heirs and devisees; William S. Marshall Family Trust; Charles G. Rice, his heirs and devisees; Robert H. Ritchie, his heirs and devisees; George E. Waters, his heirs and devisees; Dominion Energy F/K/A Questar Gas Company; Robert B. Gates and Nada S. Gates, Trustees of the Robert B. and Nada S. Gates Trust UTA dated June 8, 1984; Westway Petro, a Texas Joint Venture; Alpine Resources LLC; The Clarksons Group; Dugan Production Corp.; Goldeneye Energy Inc.; Mexia Holdings, L.P.; Monarch Resources L.L.C.; Petrox Resources, Inc.; RKC, Inc.; Roemer Oil Company; Terra Firma, LLC; New Mexico State Land Office; and Bureau of Land Management.**

**Case No. 22854: Application of Enduring Resources, LLC for Approval of the Haynes Canyon Unit, Rio Arriba County, New Mexico.**

Applicant seeks an order approving the proposed Haynes Canyon Unit. The proposed Haynes Canyon Unit includes Federal, State Trust, and Patented Fee lands situated in all or parts of Sections 2 through 4, and 9 through 12, and 15 and 16, all in Township 23 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico. The proposed unitized interval includes all oil and gas in the interval from the stratigraphic equivalent of the top of the Mancos formation at a measured depth of 4,538 feet beneath the surface to the base of the Gallup formation at a measured depth of 5,620 feet beneath the surface as seen on the log in the WPX Enchilada 002X Well (API# 3003931194), which is located in Section 16, Township 23 North, Range 6 West, Rio Arriba County, New Mexico. The

proposed Haynes Canyon Unit Agreement applies to horizontal and multi-lateral wells only, and all existing vertical wells within the Unit Area producing from the Mancos-Gallup formation are excluded from the terms of the Unit Agreement. The subject acreage is located approximately 2 miles north of Counselor, New Mexico.  
(Published May 12th, 2022)

**0 email: rgsunc**