

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING JULY 7, 2022**

**CASE NO. 22873**

*CICADA UNIT*

**EDDY COUNTY, NEW MEXICO**



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

**APPLICATION OF CHEVRON U.S.A. INC. FOR AUTHORITY TO VERTICALLY  
EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT TO INCLUDE THE  
BONE SPRING FORMATION AND TO COMMINGLE PRODUCTION AT THE  
SURFACE, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 22873  
(formerly Case 15845)**

**HEARING PACKAGE  
TABLE OF CONTENTS**

- Filed Application
- **CHEVRON Exhibit A:** Affidavit of Gregg Pazer, Landman
  - CHEVRON Exhibit A-1: Unit Agreement
  - CHEVRON Exhibit A-2: NMSLO & BLM approval letters
- **CHEVRON Exhibit B:** Affidavit of Karl Bloor, Geologist
  - CHEVRON Exhibit B-1: Type Log
  - CHEVRON Exhibit B-2: Subsea Structure Map
  - CHEVRON Exhibit B-3: Stratigraphic Cross-Section A-A'
  - CHEVRON Exhibit B-4: Stratigraphic Cross-Section B-B'
- **CHEVRON Exhibit C:** Affidavit of Bradley Hulme, Engineer
  - CHEVRON Exhibit C-1: Map of Surface Facilities
- **CHEVRON Exhibit D:** Notice Affidavit
- **CHEVRON Exhibit E:** Affidavit of Publication

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

**APPLICATION OF CHEVRON U.S.A. INC. FOR AUTHORITY TO VERTICALLY EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT TO INCLUDE THE BONE SPRING FORMATION AND TO COMMINGLE PRODUCTION AT THE SURFACE, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 22873  
15845 (re-opened)**

**APPLICATION**

Chevron U.S.A. Inc. (“Chevron”), through its undersigned attorneys, files this application with the Oil Conservation Division for an order authorizing Chevron to (a) vertically expand the unitized interval of the Cicada Unit to include the Bone Spring formation, and (b) to commingle production at the surface from the Bone Spring and Wolfcamp formations underlying the Cicada Unit. In support of this application, Chevron states:

1. The Cicada Unit is comprised of 6400 acres of the following Federal and State lands situated in Eddy County, New Mexico:

**Township 25 South, Range 27 East, NMPM**

Section 23: All  
Section 26: All  
Section 35: All

**Township 26 South, Range 27 East, NMPM**

Section 1: All  
Section 2: All  
Section 10: All  
Section 11: All  
Section 12: All  
Section 14: All  
Section 15: All

2. The Cicada Unit was initially approved on October 6, 2017, by Division Order R-14459 issued in Case 15845 and subsequently expanded to its current acreage configuration by Order R-20858 issued in Case 15845.

3. The Cicada Unit is a Federal "Resource Development Unit" and is limited to horizontal wells. All pre-existing or future vertical wells are excluded from the agreement.

4. The unitized interval currently includes all oil and gas from the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit Well No. 2 (API No. 30-015-21549) in Unit F, Section 12, Township 26 South, Range 27 East, N.M.P.M.3.

5. Chevron is the designated operator of the Cicada Unit and owns all the working interest in the Wolfcamp and Bone Spring formations underlying the Unit Area. Chevron seeks to expand the unitized interval to include the Bone Spring formation.

6. The expanded unitized interval will be the stratigraphic equivalent of the top of the Bone Spring formation at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API 30-015-21549).

7. Chevron has met with the New Mexico State Land Office and the Bureau of Land Management and received preliminary approval to vertically expand the unitized interval to include the Bone Spring formation.

8. Applicant also seeks approval to surface commingle production from the Bone Spring and Wolfcamp formations underlying the Cicada Unit.

9. There are no ownership differences between the Bone Spring formation and the Wolfcamp formation underlying the Cicada Unit.

10. The API gravity of the oil and BTU content of the produced gas from the Wolfcamp and Bone Spring formations underlying the Cicada Unit are similar and should not present a problem with surface commingling.

11. The Bone Spring formation underlying the Cicada Unit is currently subject to the following three pools: North Hay Hollow: Bone Spring Pool (30216); Delaware River: Bone Spring Pool (16800); and Welch: Bone Spring Pool (64101). The Wolfcamp formation underlying the Cicada Unit is subject to the Purple Sage Wolfcamp (Gas) Pool (98220).

12. The Division's district office has indicated that no change is needed to the existing Bone Spring pools underlying the Cicada Unit.

13. Approving surface pool commingling will allow the efficient use of common facilities for the production, storage, and measurement of production from the unit area; lessen the impact on the surface; and is otherwise in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Chevron U.S.A. Inc. requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on July 7, 2022, and that after notice and hearing this Application be approved.

Respectfully submitted,

HOLLAND & HART LLP

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**ATTORNEYS FOR CHEVRON U.S.A. INC.**

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

APPLICATION OF CHEVRON U.S.A. INC. FOR AUTHORITY TO VERTICALLY  
EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT TO INCLUDE THE  
BONE SPRING FORMATION AND TO COMMINGLE PRODUCTION AT THE  
SURFACE, EDDY COUNTY, NEW MEXICO.

CASE NO. 22873  
(Formerly Case 15845)

AFFIDAVIT OF GREGG PAZER, LANDMAN

Gregg Pazer, being of lawful age and duly sworn, states the following:

1. My name is Gregg Pazer and I am employed by Chevron U.S.A., Inc. ("Chevron") as a Landman. 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.

2. I am familiar with the application filed by Chevron in this matter and the status of the lands in the subject area.

3. Since this application seeks the expansion of a previously approved voluntary unit, I do not expect any opposition at the hearing.

4. Chevron seeks an order to (a) vertically expand the unitized interval of the Cicada Unit to include the Bone Spring formation, and (b) to commingle production at the surface from the Bone Spring and Wolfcamp formations underlying the Cicada Unit.

5. The Cicada Unit is comprised of 6400 acres of the following Federal and State lands situated in Eddy County, New Mexico:

Township 25 South. Range 27 East, NMPM

Section 23: All

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A  
Submitted by: Chevron U.S.A. Inc.  
Hearing Date: July 7, 2022  
Case No. 22873

Section 26: All  
Section 35: All

**Township 26 South, Range 27 East, NMPM**

Section 1: All  
Section 2: All  
Section 10: All  
Section 11: All  
Section 12: All  
Section 14: All  
Section 15: All

6. The Cicada Unit was initially approved on October 6, 2017, by Division Order R-14459 issued in Case 15845 and subsequently expanded to its current acreage configuration by Order R-20858 issued in Case 15845.

7. The Cicada Unit is a Federal “Resource Development Unit” and is limited to horizontal wells. All pre-existing or future vertical wells are excluded from the agreement.

8. The unitized interval currently includes all oil and gas from the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit Well No. 2 (API No. 30-015-21549) in Unit F, Section 12, Township 26 South, Range 27 East, N.M.P.M.3.

9. Chevron is the designated operator of the Cicada Unit and owns all the working interest in the Wolfcamp and Bone Spring formations underlying the Unit Area. Chevron seeks to expand the unitized interval to include the Bone Spring formation.

10. The expanded unitized interval will be the stratigraphic equivalent of the top of the Bone Spring formation at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the



Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API 30-015-21549).

11. **Chevron Exhibit A-1** is a copy of the revised Unit Agreement to include the Bone Spring formation within the unitized interval along with the Exhibits A, B and C. Exhibit A to the Unit Agreement outlines the boundary of the Unit Area and identifies the tracts of land within the proposed Unit, which have not changed. Exhibit B to the Unit Agreement shows the ownership breakdown by tract for the Unit Area, which also has not changed. Exhibit C to the Unit Agreement is a revised type-log showing the expanded unitized interval.

12. Chevron has met with the New Mexico State Land Office and the Bureau of Land Management and received preliminary approval to vertically expand the unitized interval to include the Bone Spring formation. Attached as **Chevron Exhibit A- 2** are the approval letters from these agencies.

13. Chevron also seeks approval to surface commingle production from the Bone Spring and Wolfcamp formations underlying the Cicada Unit.

14. There are no ownership differences between the Bone Spring formation and the Wolfcamp formation underlying the Cicada Unit.

15. The Bone Spring formation underling the Cicada Unit is currently subject to the following three pools: North Hay Hollow: Bone Spring Pool (30216); Delaware River: Bone Spring Pool (16800); and Welch: Bone Spring Pool (64101). The Wolfcamp formation underlying the Cicada Unit is subject to the Purple Sage Wolfcamp (Gas) Pool (98220).

16. The Division's district office has informed me that no change is required to the existing Bone Spring pools underlying the Cicada Unit to accommodate the proposed expansion.

17. I have provided the law firm of Holland & Hart with a list of the working interest owners, royalty owners and overriding royalty owners within the Cicada Unit and instructed that they be notified of this application and hearing.

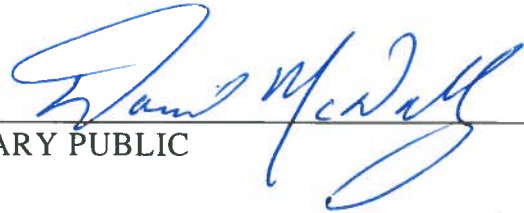
18. Chevron Exhibits A-1 through A-2 were prepared by me or compiled under my direction from company business records.

FURTHER AFFIANT SAYETH NAUGHT

  
Gregg Pazer

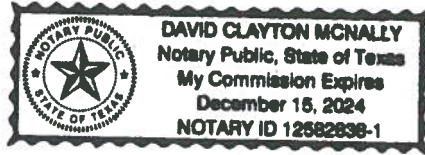
STATE OF TEXAS )  
                                  )  
COUNTY OF HARRIS )

SUBSCRIBED and SWORN to before me this 29 day of June 2022 by Gregg Pazer.

  
NOTARY PUBLIC

My Commission Expires:

12/15/2024  
19111277\_v1



FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE CICADA UNIT AREA COUNTY OF EDDY STATE OF NEW MEXICO (AS AMENDED EFFECTIVE JULY 1, 2022)

TABLE OF CONTENTS

Table with 2 columns: Section Number and Page. Includes sections like 1. ENABLING ACT AND REGULATIONS, 2. UNIT AREA, 3. UNITIZED LAND AND UNITIZED SUBSTANCES, etc., up to 32. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Also lists EXHIBIT "A", EXHIBIT "B", and EXHIBIT "C".

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. A1 Submitted by: Chevron U.S.A. Inc. Hearing Date: July 7, 2022 Case No. 22873

CICADA DEVELOPMENT  
UNIT

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

(AS AMENDED EFFECTIVE JULY 1, 2022)

COUNTY OF EDDY  
STATE OF NEW MEXICO

NO. NMNM 137168X

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

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

WITNESSETH:

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

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

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

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

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

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

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

1. **ENABLING ACT AND REGULATIONS.** The Acts of March 3, 1909 and of February 25, 1920. as amended, supra, and all valid pertinent regulations including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and

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

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

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

Section 23: All

Section 26: All

Section 35: All

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

Section 1: All

Section 2: All

Section 10: All

Section 11: All

Section 12: All

Section 14: All

Section 15: All

Eddy County, New Mexico

containing, **6,400.00** acres, more or less.

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

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

- (a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, or the Land Commissioner (after preliminary concurrence by the AO and Land Commssioner) shall prepare a Notice of Proposed Expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, any plans for additional drilling, and the proposed effective date of the expansion, preferably the first day of a month subsequent to the date of notice.
- (b) Said notice shall be delivered to the proper Bureau of Land Management office, the Land Commissioner, and the Division, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interest(s) are affected, advising that 30 days will be allowed for submission to the Unit

Operator of any objections.

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

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

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

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

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

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

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

**3. UNITIZED LAND AND UNITIZED SUBSTANCES.** All land now or hereafter committed to this agreement shall constitute land referred to herein as "unit area", "unitized land" or "land subject to this agreement". All oil and gas from the stratigraphic equivalent of the top of the **BONE SPRING** formation encountered at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the bottom of the **WOLFCAMP** formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API #30-015-21549), are unitized under the terms of this agreement and herein are called "unitized substances" (see type log attached as Exhibit "C") subject to the limitation in the second

paragraph of this Agreement.

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

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

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

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

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

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

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

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

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

**7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.**

If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of any unit operating agreement executed pursuant to this section shall be filed in the proper Bureau of Land Management office and one true copy with the Land Commissioner, and one true copy with the Division prior to approval of this Unit Agreement. If any Party to this Unit Agreement currently owns either no interest, or only an overriding royalty interest in, the unitized area, or said formation, or those lands covered by leases described on Exhibit "B", then such Party shall have no obligations whatsoever, whether monetary or otherwise, to the other Parties or to the Operator, at any time or in the future.

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

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



The **Cicada Unit 51H (30-015-49001) well** with a surface location in the SW/4 SW/4 of Section 3, Township 26 South, Range 27 East, N.M.P.M., and a 9,500-foot horizontal lateral in the BONE SPRING GROUP shall hereby be initially designated as the obligation well necessary to validate this Resource Development Unit Agreement as to the Bone Spring formation. **Said well must be commenced no later than December 31, 2022 and continue such drilling diligently to a total horizontal distance of 9,500 feet unless Unit Operator shall at any time establish to the satisfaction of the AO that further drilling of said well would be unwarranted or impracticable.** Unit Operator shall, approximately six (6) months after completing this obligation well, submit a paying well determination to the AO and the Land Commissioner to determine if this well produces in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit). The paying well determination shall include at least 6 months of actual production. If the well is not capable of producing in paying quantities, then the Unit Operator shall continue drilling one well at a time, allowing not more than six (6) months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing in paying quantities is completed to the satisfaction of the AO if it be on Federal, or of the Land Commissioner if on State land, or the Division if on Fee land, or until it is reasonably proved that the unitized land is incapable of producing in paying quantities in the formations drilled hereunder. If the well is determined to be capable of producing in paying quantities, the well shall hereby be approved by the AO and the Land Commissioner as the obligation well necessary to validate this Resource Development Unit Agreement. All other wells are to be drilled as prescribed in Section 10. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

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

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

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

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

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

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

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

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

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

effective date of the revision of the participating area.

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

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

**12. ALLOCATION OF PRODUCTION.** All unitized substances produced under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal land, if any, included in the Unit Area. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract bears to the total acres of unitized land and unleased Federal land, if any. There shall be allocated to the working interest owners(s) of each tract of unitized land in said Unit Area, in addition, such percentage of the production attributable to the unleased Federal land within the unitized area as the number of acres of such unitized tract included in said unitized area bears to the total acres of unitized land in said unitized area, for the payment of the compensatory royalty specified in section 16 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under section 16, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. It is hereby agreed that production of unitized substances from the Unit Area shall be allocated as provided herein, regardless or whether any wells are drilled on any particular part or tract of the Unit Area.

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

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

approved plan of development and operation or as may otherwise be consented to by the AO, the Land Commissioner, and the Division as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

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

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

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

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

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

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

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

following the calendar month of actual production. If leased Federal lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

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

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

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

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

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

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

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 78 I-784)(30 U.S.C. 226 (m)): "Any (Federal) lease heretofore or hereafter committed to any such (Unit) plan embracing lands that are in part within and in part outside the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided, however that any such lease as to non-unitized portion shall continue in force and effect for the term thereof, but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

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

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

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

**19. EFFECTIVE DATE AND TERM.** This agreement shall become effective when approved by the AO and the Land Commissioner or their duly authorized representative and shall automatically terminate ten (10) years from said effective date unless:

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

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

(c) A valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in

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

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

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

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

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

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

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

**24. UNAVOIDABLE DELAY.** All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while the

Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

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

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

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

27. **NON-JOINDER AND SUBSEQUENT JOINDER.** If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office, the Land Commissioner, the Division and the Unit Operator prior to the approval of this agreement by the AO and the Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest, is a working interest, by the owner of such interest only subscribing to the unit operating agreement.

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

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

29. **SURRENDER.** Nothing in this agreement shall prohibit the exercise by any



working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

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

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

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

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

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

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

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

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

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

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

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

**Signature:**

\_\_\_\_\_

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

**Title:** Attorney-in-Fact \_\_\_\_\_

**ADDRESS FOR NOTICES:**

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

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

**Signature:**

\_\_\_\_\_

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

**Title:** Attorney-in-Fact \_\_\_\_\_

**ADDRESS FOR NOTICES:**

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

**ACKNOWLEDGMENTS**

STATE OF TEXAS       §  
                                  §  
COUNTY OF HARRIS   §

This instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 2022, by K. R. McNally, Attorney-in-Fact for Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public for the State of Texas

My Commission Expires:

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

\_\_\_\_\_

STATE OF TEXAS       §  
                                  §  
COUNTY OF HARRIS   §

This instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 2022, by K. R. McNally, Attorney-in-Fact for Chevron Midcontinent Operations LLC, a Delaware limited liability company, as General Partner of Chevron Midcontinent, L.P. a Texas limited partnership, on behalf of said limited partnership.

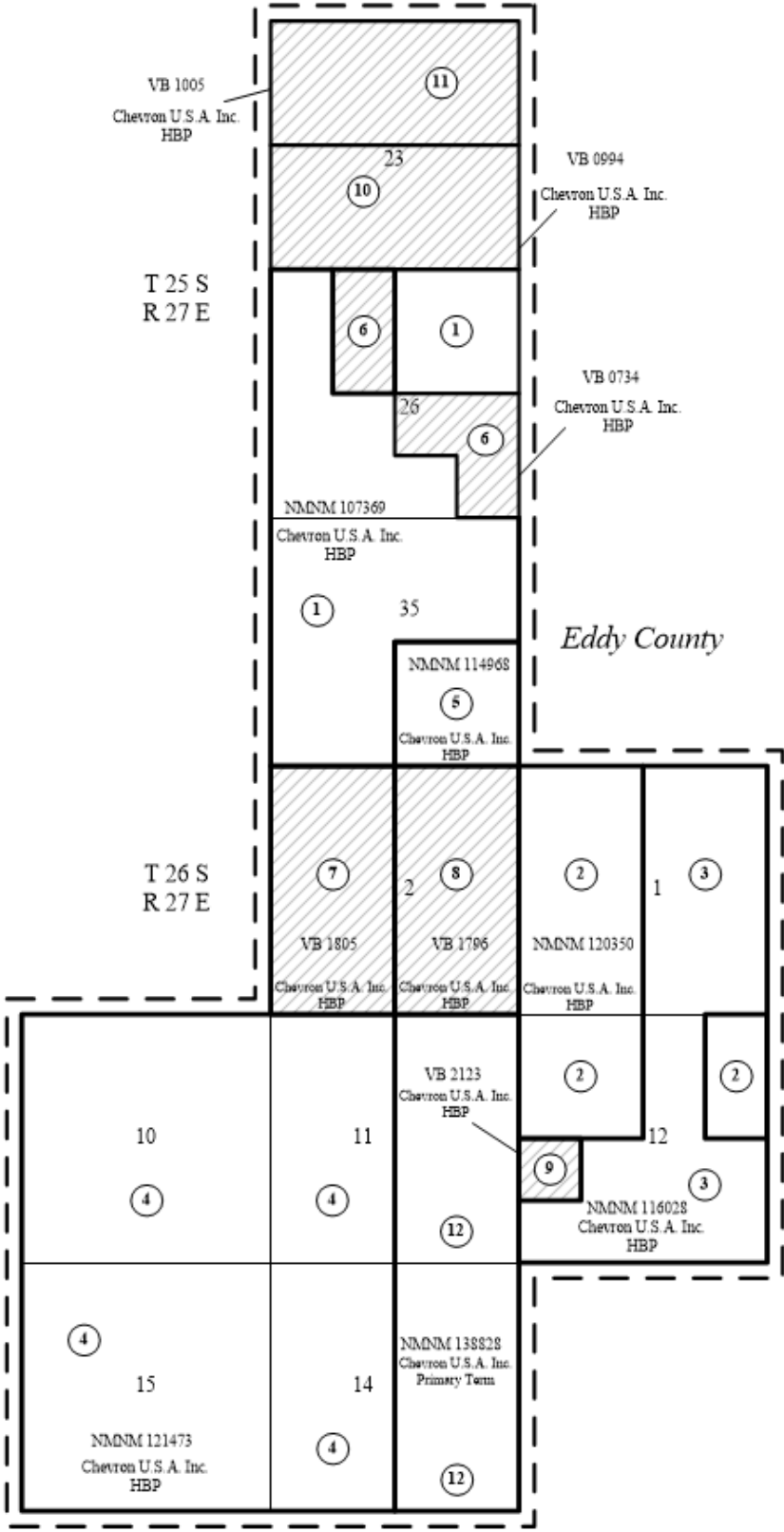
\_\_\_\_\_  
Notary Public for the State of Texas

My Commission Expires:

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

\_\_\_\_\_

**Exhibit "A"**  
**CICADA UNIT AREA**  
 Eddy County, New Mexico  
  
 Chevron U.S.A. Inc. - Operator



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

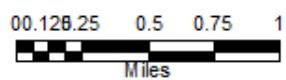


Exhibit "B"  
Schedule Showing the Percentage and Ownership of Oil and Gas Interests  
Cicada Unit Area  
Eddy County, New Mexico

Ownership reflected herein covers those formations lying below the stratigraphic equivalent of the top of the Bone Spring formation encountered at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API #30-015-21549)

TRACT NUMBER	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & LEASE EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
1	<u>Federal Lands</u> <u>T25S, R27E, N.M.P.M</u>  Section 26: NE/4, SW/4SE/4, W/2NW/4, SW/4  Section 35: N/2, SW/4	920	NMNM 107369  Effective December 1, 2001  HBP	12.5% Royalty U.S.A. - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%
2	<u>Federal Lands</u> <u>T26S, R27E, N.M.P.M</u>  Section 1: W/2  Section 12: E/2NE/4, NW/4	560	NMNM 120350  Effective August 1, 2008  HBP	12.5% Royalty U.S.A. - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%
3	<u>Federal Lands</u> <u>T26S, R27E, N.M.P.M</u>  Section 1: E/2 Section 12: W/2NE/4, SE/4, NE/4SW/4, S/2SW/4	680	NMNM 116028  Effective July 1, 2006  HBP	12.5% Royalty U.S.A. - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%

TRACT NUMBER	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & LEASE EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
4	<u>Federal Lands</u> T26S, R27E, N.M.P.M	1920	NMNM 121473  Effective January 1, 2009  HBP	12.5% Royalty U.S.A. - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%
5	<u>Federal Lands</u> T25S, R27E, N.M.P.M	160	NMNM 114968  Effective November 20, 2005  HBP	12.5% Royalty U.S.A. - All	Mewbourne Oil Co. 66.66% Oxy Y-1 Company 33.34%	Oxy Y-1 Company 4.1675% EOG Resources, Inc. 3.3333%	Chevron U.S.A. 100%
6	<u>State Lands</u> T25S, R27E, N.M.P.M	200	VB-0734  Effective August 1, 2005  HBP	18.75% Royalty State of New Mexico - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%

TRACT NUMBER	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & LEASE EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE	
7	<u>State Lands</u> T26S, R27E, N.M.P.M	320	VB-1805	18.75% Royalty State of New Mexico - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%	
	Section 2: W/2		Effective February 1, 2010					
			HBP					
8	<u>State Lands</u> T26S, R27E, N.M.P.M	320	VB-1796	18.75% Royalty State of New Mexico - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%	
	Section 2: E/2		Effective February 1, 2010					
			HBP					
9	<u>State Lands</u> T26S, R27E, N.M.P.M	40	VB-2123	18.75% Royalty State of New Mexico - All	Chevron U.S.A. Inc. 100%	Horton Royalty, LLC John and Theresa Hillman Family Properties, LP Robert G. Shelton Doug Schutz	0.9479% 0.9479% 0.9479% 0.4063%	Chevron U.S.A. 100%
	Section 12: NW/4SW/4		Effective January 1, 2012					
			Primary Term					

TRACT NUMBER	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & LEASE EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
10	<u>State Lands</u> T25S, R27E, N.M.P.M Section 23: S/2	320	VB-0994 Effective September 1, 2006  HBP	18.75% Royalty State of New Mexico - All	Chevron U.S.A. Inc. 100%	Chevron U.S.A. Inc. 6.2500%	Chevron U.S.A. 100%
11	<u>State Lands</u> T25S, R27E, N.M.P.M Section 23: N/2	320	VB-1005 Effective September 1, 2006  HBP	18.75% Royalty State of New Mexico - All	Chevron U.S.A. Inc. 100%	Chevron U.S.A. Inc. 6.2500%	Chevron U.S.A. 100%
12	<u>Federal Lands</u> T26S, R27E, N.M.P.M Section 11: E/2 Section 14: E/2	640	NMNM 138828 Effective November 1, 2018  Primary Term	12.5% Royalty U.S.A. - All	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. 100%

6 FEDERAL TRACTS TOTALING 4,880 ACRES OR 76.25% OF THE UNIT AREA

6 STATE TRACTS TOTALING 1,520 ACRES OR 23.75% OF THE UNIT AREA

12 TRACTS TOTALING 6,400 ACRES IN THE UNIT AREA

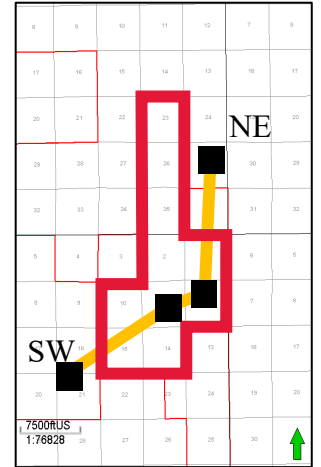
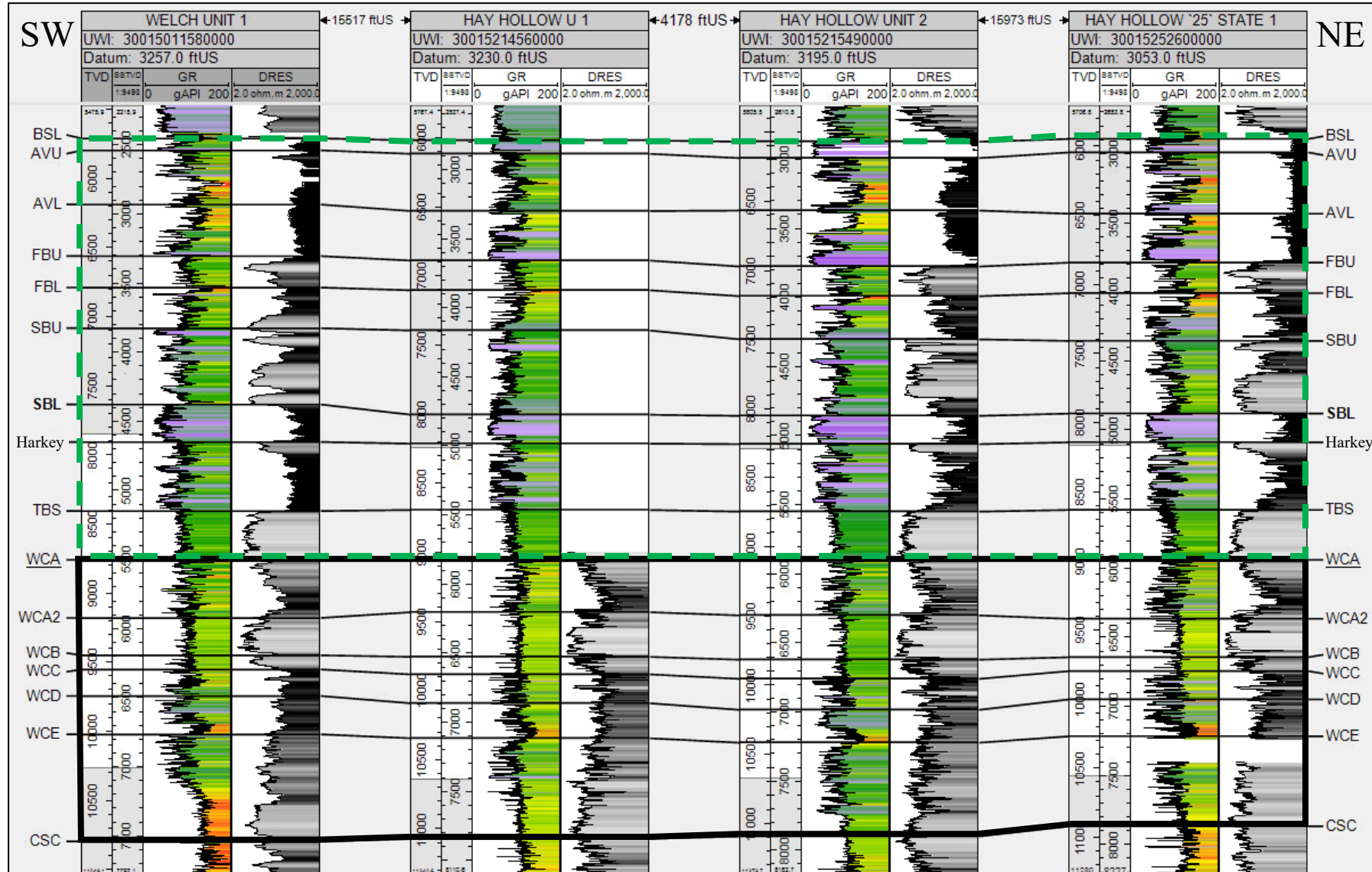


**RECAPITULATION**

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

**End of Exhibit "B"**

# Exhibit "C" – Stratigraphic Type Log Cicada Unit Area Eddy Country, New Mexico



Stratigraphic cross-section from SW to NE across Cicada Unit including the Bone Spring and Wolfcamp formations



**Stephanie Garcia Richard**  
COMMISSIONER

*State of New Mexico*  
**Commissioner of Public Lands**

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

**COMMISSIONER'S OFFICE**  
Phone (505) 827-5760  
Fax (505) 827-5766  
www.nmstatelands.org

April 27, 2022

Chevron U.S.A. Inc.  
ATTN: Mr. Chris Cooper  
1400 Smith Street  
Houston, TX 77022

RE: Preliminary Approval of Unit Expansion to add the Bone Spring Formation  
Cicada Unit  
Eddy County, New Mexico

Dear Mr. Cooper,

Your application letter of March 2, 2022, requests preliminary approval of the proposed expansion of the Cicada Unit, Eddy County, New Mexico. This expansion will add the Bone Spring formation to the existing Wolfcamp formation, resulting in a unit area of 6,400 acres, more or less, covering the Bone Spring and Wolfcamp formations as logically subject to exploration and development. The expansion is acceptable based on the geologic and reservoir information. We hereby concur in the proposed expansion, provided it is accomplished pursuant to Section 2 of the unit agreement. This preliminary approval designation is valid for a period of one year from the date of this letter.

The current unitized interval is the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, (API No. 30-015-21549). The expansion requested is to the stratigraphic equivalent of the top of the Bone Spring formation at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API 30-015-21549).

The expansion of the unit must provide for an obligation well to the Bone Spring formation. The obligation well, Cicada Unit 51H (30-015-49001) well, will be located in the SW/4, SW/4 of Section 3, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. The well must commence drilling operations within 6 months after final approval. Should you fail to meet the drilling obligation for the initial obligation well, this unit will be terminated by the New Mexico State Land Office (NMSLO). This vertical expansion will not add any surface acres to

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
Exhibit No. A2  
Submitted by: Chevron U.S.A. Inc.  
Hearing Date: July 7, 2022  
Case No. 22873

the 6,400-acre unit. The effective date of the proposed expansion will be March 2, 2022, in accordance with your application pursuant to Section 2. A minimum of 2 copies of the application for final approval, accompanied by the appropriate joinders and supplements to Exhibits "A" and "B" should be filed with the NMSLO. Since the Cicada Unit also contains lands administered by the New Mexico Bureau of Land Management (NMBLM), final approval of this expansions by NMSLO will be conditioned on concurrence and final approval from the NMBLM and an approved order from the New Mexico Oil Conservation Division (NMOCD). Please advise all interested parties of this requested unit expansion and its effective date.

If you have any questions or if we may be of further service, please contact Scott Dawson, Geologist, at [sdawson@slo.state.nm.us](mailto:sdawson@slo.state.nm.us).

Respectfully,



Stephanie Garcia Richard  
Commissioner of Public Lands

SGR/sd

cc: NMOCD – Attn: Mr. Leonard Lowe  
RMD – Attn: Ms. Billie Luther  
BLM Santa Fe - Attn: Mr. Kyle Paradis, Ms. Stacey Leichliter, Mr. Chris Walls  
OGMD and Units Reader Files



## 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 (NM92500)  
Cicada Unit NMNM 137168X

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

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

Dear Chris Cooper:

Your application letter of March 2, 2022, requests preliminary approval of the proposed expansion of the Cicada Unit Area NMNM137168X, Eddy County, New Mexico. This expansion will add the Bone Spring formation to the existing Wolfcamp formation, resulting in a unit area of 6,400 acres, more or less, covering the Bone Spring and Wolfcamp formations as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended. The expansion is acceptable based on the geologic and reservoir information. We hereby concur in the proposed expansion, provided it is accomplished pursuant to Section 2 of the unit agreement. This preliminary approval designation is valid for a period of one year from the date of this letter.

The current unitized interval is the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,062 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API 30-015-21549). The expansion requested is to the stratigraphic equivalent of the top of the Bone Spring formation at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API 30-015-21549).

The expansion of the unit must provide for an obligation well to the Bone Spring formation. The obligation well, Cicada Unit 51H (30-015-49001) well, will be located in the SW/4, SW/4 of Section 3, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. The well must commence drilling operations within 6 months after final approval. Said obligation shall be considered the Public Interest Requirement pursuant to 43 CFR 3183.4. Should you fail to meet the Public Interest Requirement, this expansion will be invalidated *ab initio*.

This vertical expansion will not add any surface acres to the 6,400-acre unit. The effective date of the proposed expansion will be March 2, 2022, in accordance with your application pursuant to Section 2.

A minimum of 4 copies of the application for final approval, accompanied by the appropriate joinders and supplements to Exhibits "A" and "B" should be filed with the Authorized Officer.

Sine the Cicada Unit also contains lands administered by the New Mexico State Land Office, final approval of this expansion by BLM will be conditioned on concurrence and final approval from the New Mexico Land Office.

Please advise all interested parties of this requested unit expansion and its effective date. If you have any questions, please contact Stacey Leichter, Geologist, at sleichter@blm.gov.

Sincerely,

Kyle Paradis  
Branch Chief - Reservoir Management  
Division of Minerals

cc:  
Carlsbad Field Office  
New Mexico State Land Office  
Unit File

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

APPLICATION OF CHEVRON U.S.A. INC. FOR AUTHORITY TO  
VERTICALLY EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT  
TO INCLUDE THE BONE SPRING FORMATION AND TO COMMINGLE  
PRODUCTION AT THE SURFACE, EDDY COUNTY, NEW MEXICO.

CASE NO. 22873  
(Formerly Case 15845)

AFFIDAVIT OF KARL BLOOR, GEOLOGIST

Karl Bloor, of lawful age and being first duly sworn, declares as follows:

1. My name is Karl Bloor and I am employed by Chevron U.S.A., Inc. (“Chevron”) as a petroleum geologist. 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. I am familiar with the application filed by Chevron in this matter and have conducted a geologic study of the Bone Spring formation underlying the Cicada Unit.

2. The unitized interval for the Cicada Unit currently includes the Wolfcamp formation. Chevron seeks to expand the unitized interval to include the Bone Spring formation underlying the unitized area.

3. **Chevron Exhibit B-1** is a type-log of Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API 30-015-21549) referenced as Exhibit C to the revised Unit Agreement. It identifies in brackets the current unitized interval in the Wolfcamp formation and the expanded unitized interval that will include the Bone Spring formation.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: Chevron U.S.A. Inc.  
Hearing Date: July 7, 2022  
Case No. 22873

4. **Chevron Exhibit B-2** is a subsea structure map that I prepared for the Bone Spring formation underlying the unitized area. The existing Cicada Unit is outlined in red. The structure map demonstrates that the Bone Spring formation gradually dips to the east in this area. I do not observe any faults, pinch outs or other geologic impediments to the drilling horizontal wells or efficiently developing the Bone Spring formation under the Cicada Unit.


5. Chevron Exhibit B-2 also shows the location of the type logs that I utilized to create two stratigraphic cross sections for the Bone Spring formation underlying the Cicada Unit: An A-A' (west-east) cross-section comprised of three wells depicted with red circles and a B-B' (north-south) cross-section comprised of four wells depicted with yellow circles. In my opinion, the logs from these wells are representative of the geology underlying the Cicada Unit.

6. **Chevron Exhibit B-3** is the A-A' cross section and **Chevron Exhibit B-4** is the B-B' cross using the logs from the representative wells shown on Exhibit B-2. Each well log on the cross-sections contains gamma ray, resistivity, and porosity logs where available. These cross-sections demonstrate that the Bone Spring formation is present and continuous across the Cicada Unit.

7. Based on my geologic study, the Bone Spring formation underlying the Cicada Unit is prospective for the recovery of oil and gas and suitable for development by horizontal wells under a unitized plan of operation.

8. Chevron Exhibits B-1 through B-4 were either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT




---



STATE OF TEXAS )  
 )  
COUNTY OF HARRIS )

SUBSCRIBED and SWORN to before me this 30 day of June 2022 by  
Karl Bloor.

My Commission Expires:

07/11/2025

Brenda L Guerra  
NOTARY PUBLIC

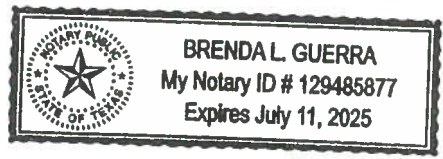
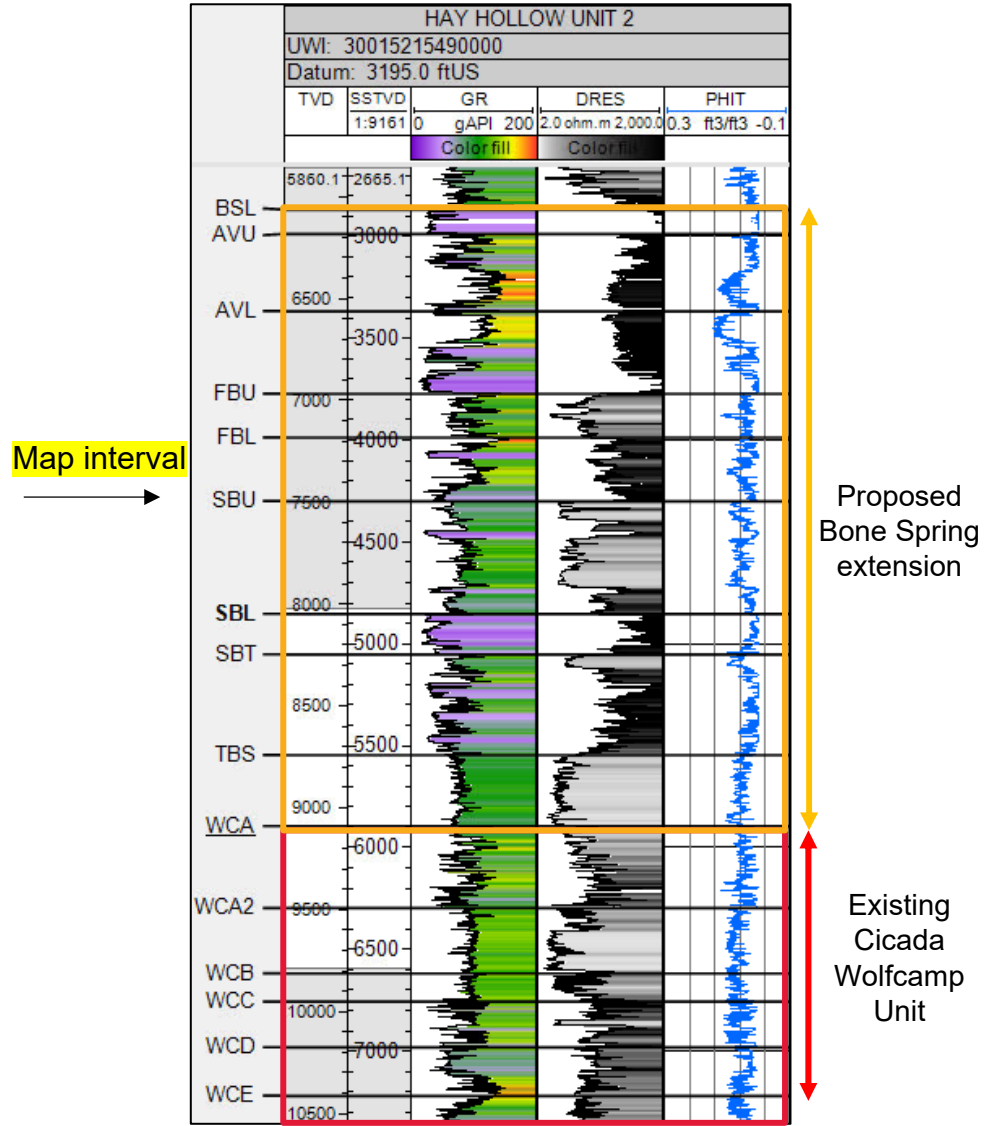


Exhibit B-1

# Type Log for Cicada Unit



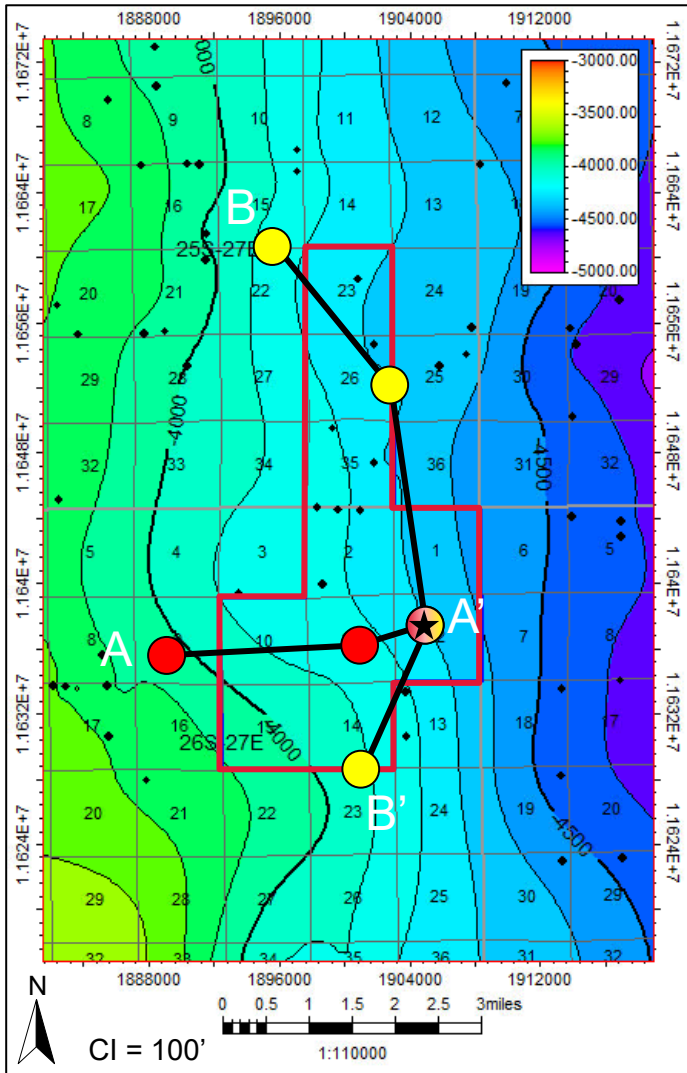
- Type log shows the unitized interval in the Wolfcamp and the expanded unitized interval that will include the Bone Spring formation
- Bone Spring formation starts at the Bone Spring Lime (BSL) and ends at the top of the Wolfcamp A (WCA)

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B1  
 Submitted by: Chevron U.S.A. Inc.  
 Hearing Date: July 7, 2022  
 Case No. 22873



Exhibit B-2

# Structure Map (TVDss)



- Map of Second Bone Upper (SBU, middle of Bone Spring)
- Structure dipping gently to the east

- SBU control points
- ▭ Cicada Unit
- ★ Location of type well (Hay Hollow Unit 2)
- A-A' Cross section wells
- B-B' Cross section wells

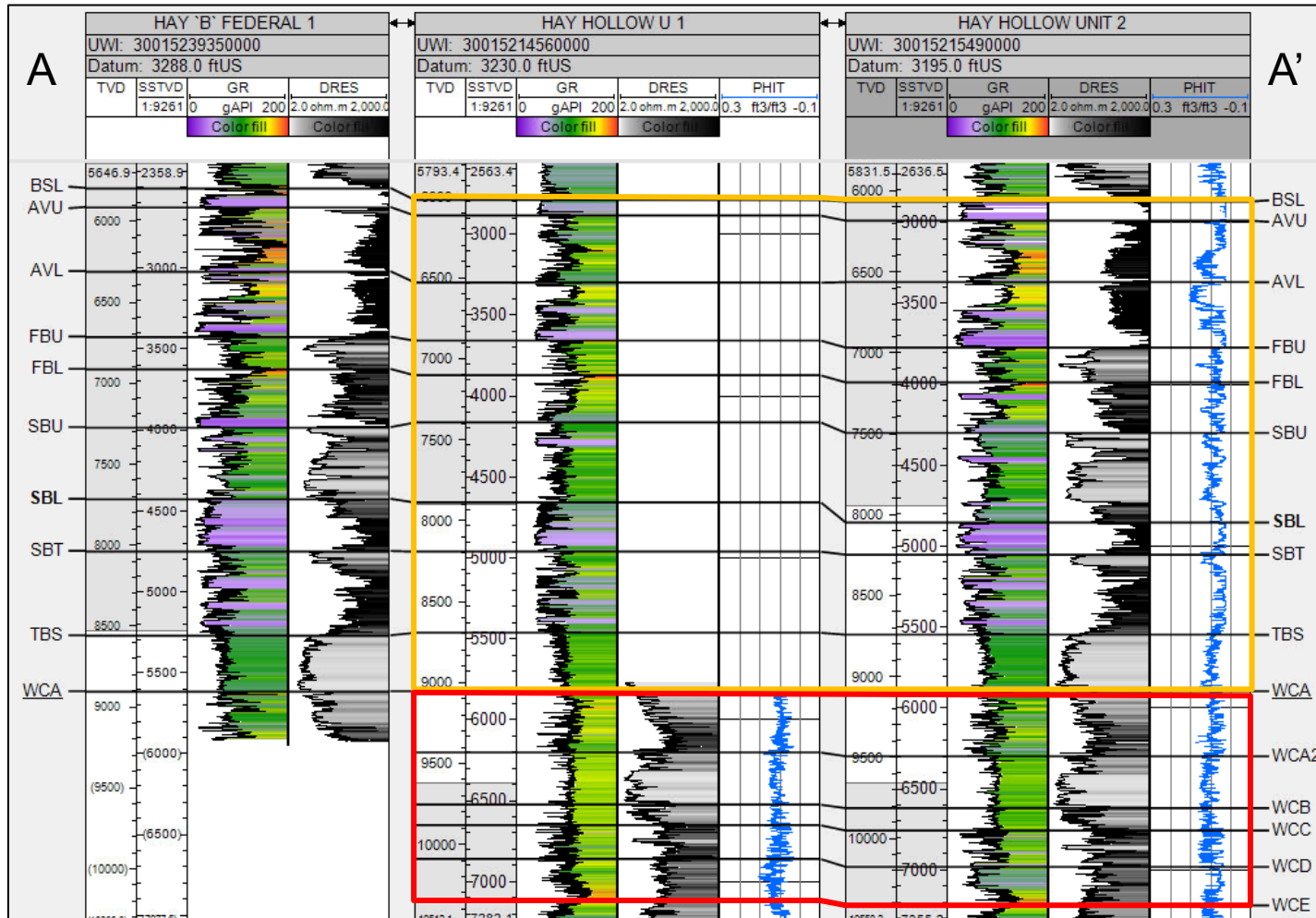
BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B2  
 Submitted by: Chevron U.S.A. Inc.  
 Hearing Date: July 7, 2022  
 Case No. 22873



Exhibit B-3

# Stratigraphic Cross-Section A-A' Flattened on WCA

- Bone Spring Formation is continuous across the existing Cicada Unit
- Logs included: Gamma Ray, Deep Resistivity, Porosity where available



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B3  
 Submitted by: Chevron U.S.A. Inc.  
 Hearing Date: July 7, 2022  
 Case No. 22873



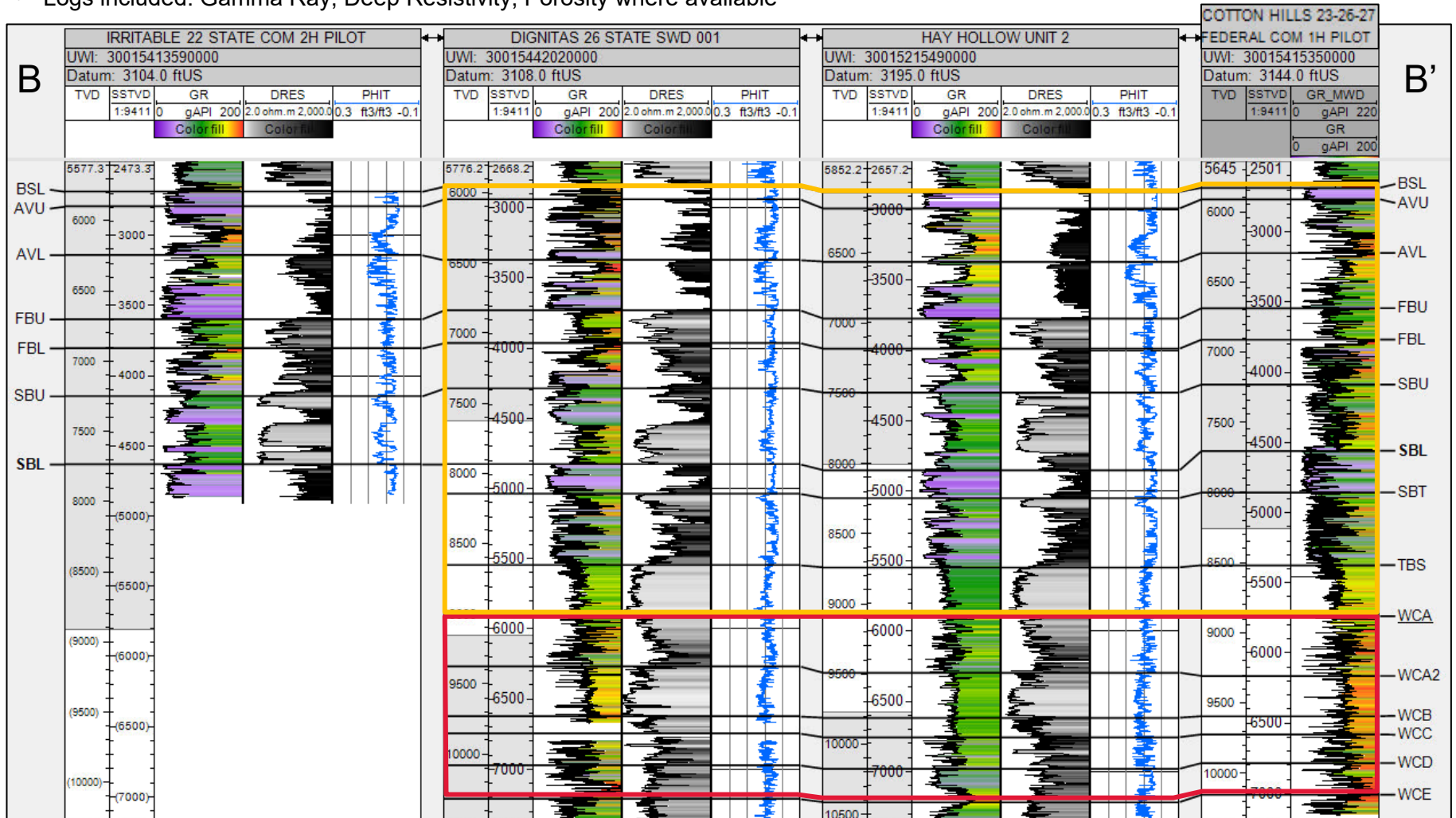
- Existing Cicada Wolfcamp Unit
- Proposed Bone Spring extension

Exhibit B-4

# Stratigraphic Cross-Section B-B'

## Flattened on WCA

- Bone Spring Formation is continuous across the existing Cicada Unit
- Logs included: Gamma Ray, Deep Resistivity, Porosity where available



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B4  
 Submitted by: Chevron U.S.A. Inc.  
 Hearing Date: July 7, 2022  
 Case No. 22873



- Existing Cicada Wolfcamp Unit
- Proposed Bone Spring extension

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

**APPLICATION OF CHEVRON U.S.A. INC. FOR AUTHORITY TO  
VERTICALLY EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT  
TO INCLUDE THE BONE SPRING FORMATION AND TO COMMINGLE  
PRODUCTION AT THE SURFACE, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 22873  
(Formerly Case 15845)**

**AFFIDAVIT OF BRADLEY HULME, ENGINEER**

Bradley Hulme, of lawful age and being first duly sworn, declares as follows:

1. My name is Bradley Hulme and I am employed by Chevron U.S.A., Inc. ("Chevron) as a petroleum engineer. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum engineering and my credentials have been accepted by the Division and made a matter of record.

2. I am familiar with the application filed by Chevron in this matter and have examined the nature of the expected oil and gas production from the Bone Spring and Wolfcamp formations underlying the Cicada Unit area.

3. The following chart identifies the BTU content of the gas and API gravity of the oil from wells completed in the Wolfcamp and Bone Spring formations within or near the Cicada Unit:

<b>Well</b>	<b>Location</b>	<b>API14</b>	<b>Formation</b>	<b>Wellhead BTU/MCF</b>	<b>Oil Gravity</b>
SKEEN 2-4-H	T26S-R27E S2	30015411180001	Second Bone Spring	N/A	48
SKEEN 2-H	T26S-R27E S2	30015410470001	Second Bone Spring	1248	46
HH SO 8 P2 021H	T26S-R27E S8/5	30015439270000	Wolfcamp A	1379	48

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: Chevron U.S.A. Inc.  
Hearing Date: July 7, 2022  
Case No. 22873**

CICADA UNIT 4H	T26S-R27E S10/15	30015439360001	Wolfcamp C	1331	53
CICADA UNIT 2H	T26S-R27E S10/15	30015439300001	Wolfcamp D	1351	N/A

4. The production information identified in this chart is representative of the BTU content of the gases and the API gravity of the oil expected from wells within the Cicada Unit completed in the Bone Spring and the Wolfcamp formations.

5. The production information identified in this chart demonstrates that the API gravity of the oil and the BTU content of the gases from both formations are similar and should not present a problem with the surface commingling of Bone Spring and Wolfcamp production within the Cicada Unit.

6. **Exhibit C-1** is a map of the surface facilities for the Cicada Unit created by Chevron’s facilities engineering group. Chevron intends to surface commingle production at the three Central Tank Batteries (CTBs) identified with yellow stars at the following locations:

- CTB 10: T26S-R27E Sec 10
- CTB 35: T25S-R27E Sec 35
- CTB 12: T26S-R27E Sec 12 (under construction)

7. Chevron intends to allocate production from the Bone Spring and Wolfcamp formations using well tests conducted monthly.

8. Approval of Chevron’s request for commingling using the well test method will avoid unnecessary surface disturbance without negatively impacting the rights or revenues received by the mineral interest owners.

FURTHER AFFIANT SAYETH NOT




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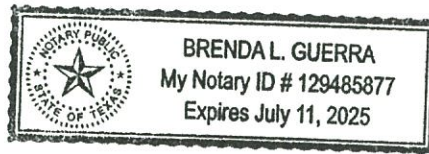
STATE OF TEXAS )  
 )  
COUNTY OF HARRIS )

SUBSCRIBED and SWORN to before me this 30 day of June 2022 by  
Bradley Holme.

Brenda L Guerra  
NOTARY PUBLIC

My Commission Expires:

07/11/2025



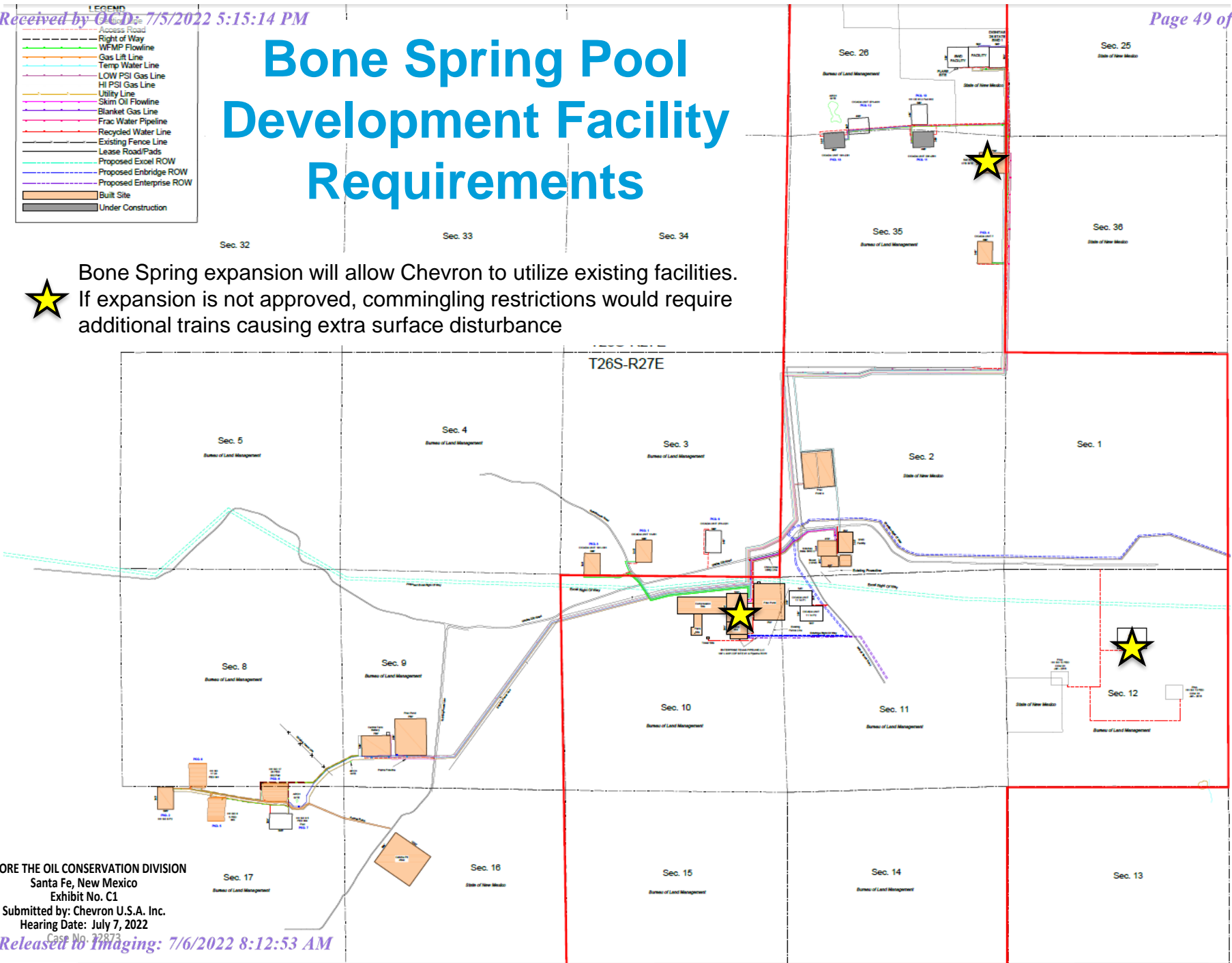


**LEGEND**

- Access Road
- - - Right of Way
- WFMP Flowline
- Gas Lift Line
- Temp Water Line
- LOW PSI Gas Line
- HI PSI Gas Line
- Utility Line
- Skim Oil Flowline
- Blanket Gas Line
- Frac Water Pipeline
- Recycled Water Line
- Existing Fence Line
- Lease Road/Pads
- Proposed Excel ROW
- Proposed Enbridge ROW
- Proposed Enterprise ROW
- Built Site
- Under Construction

# Bone Spring Pool Development Facility Requirements

★ Bone Spring expansion will allow Chevron to utilize existing facilities. If expansion is not approved, commingling restrictions would require additional trains causing extra surface disturbance



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. C1  
 Submitted by: Chevron U.S.A. Inc.  
 Hearing Date: July 7, 2022

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

APPLICATION OF CHEVRON U.S.A. INC. FOR AUTHORITY TO VERTICALLY EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT TO INCLUDE THE BONE SPRING FORMATION AND TO COMMINGLE PRODUCTION AT THE SURFACE, EDDY COUNTY, NEW MEXICO.

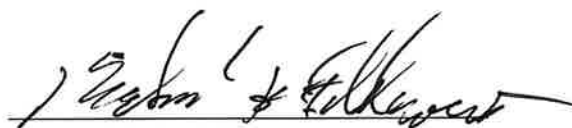
CASE NO. 22873  
(formerly Case 15845)

AFFIDAVIT

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

Michael H. Feldewert, attorney in fact and authorized representative of the Applicant herein, being first duly sworn, upon oath, states

1. The above-referenced application 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 June 28, 2022
4. I caused a notice to be published to all parties subject to these compulsory pooling proceedings on June 19, 2022. An affidavit of publication from the publication's legal clerk with a copy of the notice publication is attached as Exhibit E.



Michael H. Feldewert

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. D  
Submitted by: Chevron U.S.A. Inc.  
Hearing Date: July 7, 2022  
Case No. 22873

SUBSCRIBED AND SWORN to before me this 5th day of July, 2022 by Michael H.  
Feldewert.

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

My Commission Expires:

Nov. 12, 2023

STATE OF NEW MEXICO  
NOTARY PUBLIC  
CARLA GARCIA  
COMMISSION # 1127528  
MISSION EXPIRES 11/12/2023



Michael H. Feldewert  
Partner  
Phone (505) 988-4421  
mfeldewert@hollandhart.com

June 17, 2022

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

**TO: AFFECTED PARTIES**

**Re: Application of Chevron U.S.A. Inc. For Approval to Vertically Expand the Unitized Interval of the Cicada Unit to Include the Bone Spring Formation and to Commingle Production at the Surface, Eddy County, New Mexico.**

This letter is to advise you that Chevron U.S.A. Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on July 7, 2022, and the status of the hearing can be monitored through the Division’s website at <http://www.emnrd.state.nm.us/ocd/>.

**During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely 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 to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Gregg Pazer, at 713-392-9915 or at [gpazer@chevron.com](mailto:gpazer@chevron.com).

Sincerely,

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

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	Montana	Utah
Colorado	Nevada	Washington, D.C.
Idaho	New Mexico	Wyoming

Chevron - Cicada Unit Vertical Expansion  
Case No. 22873

TrackingNo	ToName	DeliveryAddress	City	State	Zip	USPS_Status
9414811898765878898272	Mewbourne Oil Company	500 W Texas Ave Ste 1020	Midland	TX	79701-4279	We attempted to deliver your package at 11:39 am on June 21, 2022 in MIDLAND, TX 79701 but could not access the delivery location. We will redeliver on the next business day.
9414811898765878898715	New Mexico State Land Office	PO Box 1148	Santa Fe	NM	87504-1148	Your item was picked up at a postal facility at 9:18 am on June 21, 2022 in SANTA FE, NM 87501.
9414811898765878898753	Bureau of Land Management	620 E Greene St	Carlsbad	NM	88220-6292	Your item was delivered to an individual at the address at 3:59 pm on June 21, 2022 in CARLSBAD, NM 88220.
9414811898765878898852	OXY Y-1 Company	5 Greenway Plz Ste 110	Houston	TX	77046-0521	Your item has been delivered to an agent for final delivery in HOUSTON, TX 77046 on June 21, 2022 at 1:05 pm.
9414811898765878898869	EOG Resources, Inc.	5509 Champions Dr	Midland	TX	79706-2843	Your item was picked up at a postal facility at 7:32 am on June 22, 2022 in MIDLAND, TX 79701.
9414811898765878898821	Horton Royalty, LLC	PO Box 50938	Midland	TX	79710-0938	This is a reminder to pick up your item before July 5, 2022 or your item will be returned on July 6, 2022. Please pick up the item at the MIDLAND, TX 79710 Post Office.
9414811898765878898807	John and Theresa Hillman Family Properties, LP	PO Box 1981	Midland	TX	79702-1981	Your item arrived at the MIDLAND, TX 79702 post office at 4:20 pm on June 27, 2022 and is ready for pickup.
9414811898765878898890	Robert G. Shelton	2200 N L St	Midland	TX	79705-8636	Your item has been delivered to an agent for final delivery in MIDLAND, TX 79705 on June 21, 2022 at 1:12 pm.
9414811898765878898845	Doug Shultz	PO Box 973	Santa Fe	NM	87504-0973	Your item was refused by the addressee at 9:27 am on June 23, 2022 in SANTA FE, NM 87501 and is being returned to the sender.
9414811898765878898883	Bureau of Land Management	301 Dinosaur Trl	Santa Fe	NM	87508-1560	Your item was delivered to the front desk, reception area, or mail room at 2:52 pm on June 21, 2022 in SANTA FE, NM 87508.
9414811898765878898838	New Mexico State Land Office	310 Old Santa Fe Trl	Santa Fe	NM	87501-2708	Your item was picked up at a postal facility at 9:18 am on June 21, 2022 in SANTA FE, NM 87501.

**Carlsbad Current Argus.**

**Affidavit of Publication**

Ad # 0005304437

**This is not an invoice**

**HOLLAND AND HART**  
POBOX 2208


**SANTA FE, NM 87504**

I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof in editions dated as follows:

06/19/2022

  
Legal Clerk

Subscribed and sworn before me this June 19, 2022:

  
State of WI, County of Brown  
NOTARY PUBLIC

  
My commission expires

**KATHLEEN ALLEN**  
Notary Public  
State of Wisconsin

Ad # 0005304437  
PO #: Case No. 22873  
# of Affidavits 1

**This is not an invoice**

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
Exhibit No. E  
Submitted by: Chevron U.S.A. Inc.  
Hearing Date: July 7, 2022  
Case No. 22873

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 on Thursday, July 7, 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 June 27, 2022.

Persons may view and participate in the hearings through the following link:

<https://nmemnrd.webex.com/nmemnrd/onstage/g.php?MTID=e29a55db1164da76e4e10ed24585779e8>

Event number: 2498 639 5029  
Event password: K3bNFEdM98

Join by video: 24986395029@nmemnrd.webex.com  
You can also dial 173.243.2.68 and enter your meeting number  
Numeric Password: 507711

Join by audio: 1-844-992-4726 United States Toll Free  
Access code: 2498 639 502

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: Mewbourne Oil Company; OXY Y-1 Company; EOG Resources, Inc.; Horton Royalty, LLC; John

and Theresa Dinnari Family Properties, LP; Robert G. Shelton, his heirs and devisees; Doug Shultz, his heirs and devisees; Bureau of Land Management, and New Mexico State Land Office.

Case No. 22873: Case No.15845 (re-opened): Application of Chevron U.S.A. Inc. For Approval to Vertically Expand the Unitized Interval of the Cicada Unit to Include the Bone Spring Formation and to Commingle Production at the Surface, Eddy County, New Mexico. Applicant seeks approval to vertically expand the unitized interval of the Cicada Unit to include the Bone Spring formation and for approval to commingle production at the surface from the Bone Spring formation and the Wolfcamp formation underlying the Cicada Unit. The Cicada Unit is comprised of 6400 acres of the following Federal and State lands situated in Eddy County, New Mexico:  
Township 25 South, Range 27 East, NMPM  
Section 23: All  
Section 26: All  
Section 35: All  
Township 26 South, Range 27 East, NMPM  
Section 1: All  
Section 2: All  
Section 10: All  
Section 11: All  
Section 12: All  
Section 14: All  
Section 15: All

The expanded unitized interval will be the stratigraphic equivalent of the top of the Bone Spring formation at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well in Section 12, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico (API 30-015-21549). The subject area is approximately 17 miles south of Loving, New Mexico.  
#5304437, Current Argus, June 19, 2022