

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING OCTOBER 5, 2023**

**CASE No. 23794**

*PADRON STATE UNIT*

**EDDY COUNTY, NEW MEXICO**



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

**APPLICATION OF EOG RESOURCES, INC. FOR APPROVAL  
OF THE PADRON STATE BS-WC UNIT,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 23794**

**HEARING PACKAGE  
TABLE OF CONTENTS**

- Filed Application
- **EOG Exhibit A:** Self-affirmed Statement of Riker Everett, Landman
  - EOG Exhibit A-1: Unit Agreement
  - EOG Exhibit A-2: State Land Office Letter
- **EOG Exhibit B:** Affidavit of Brandon Swain, Geologist
  - EOG Exhibit B-1: Subsea Structure Map
  - EOG Exhibit B-2: Stratigraphic Cross Section
- **EOG Exhibit C:** Notice Affidavit
- **EOG Exhibit D:** Affidavit of Publication

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

APPLICATION OF EOG RESOURCES, INC. FOR  
APPROVAL OF THE PADRON STATE BS-WC UNIT,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 23794

APPLICATION

EOG Resources, Inc. (“EOG”) files this application for an order approving the proposed Padron State BS-WC Unit. In support of its application, EOG states:

1. The proposed Unit Area consists of approximately 10,874.14-acres of the following state and fee lands situated in Eddy County, New Mexico:

**Township 24 South, Range 27 East, N.M.P.M.**

- Section 14: ALL
- Section 22: ALL
- Section 23: ALL
- Section 26: ALL
- Section 27: ALL
- Section 34: ALL
- Section 35: ALL
- Section 36: ALL

**Township 25 South, Range 27 East, N.M.P.M.**

- Section 1: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2
- Section 2: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2
- Section 3: Lot 1, Lot 2, Lot 3, Lot 4 S2N2, S2
- Section 9: ALL
- Section 10: ALL
- Section 11: ALL
- Section 14: ALL
- Section 15: ALL
- Section 22: ALL

2. EOG is the designated operator under the proposed Unit Agreement and the unitized interval includes the Bone Spring and Wolfcamp formations below the proposed unit area.

3. The following existing Bone Spring and Wolfcamp wells will be excluded from the proposed Unit:

API	Well Name & No.	Twp-Rng-Sec	Prod Formation	Spud Date
30-015-40162	BULLSEYE 22 STATE COM #001H	24S-27E-22	BONE SPRING	7/16/2012
30-015-37555	CHEROOT BPF STATE COM #001H	25S-27E-3	BONE SPRING	2/1/2010
30-015-23221	HUMIDOR BML STATE COM #002	24S-27E-26	BONE SPRING	10/5/2005
30-015-42755	HUMIDOR BML STATE COM #005H	24S-27E-23	BONE SPRING	10/28/2014
30-015-41359	IRRITABLE 22 STATE COM #002H	25S-27E-22	BONE SPRING	2/7/2015
30-015-37500	JERICO BKJ STATE COM #002H	25S-27E-15	BONE SPRING	2/1/2010
30-015-42893	MACANUDO BTE STATE COM #001H	24S-27E-23	BONE SPRING	1/29/2015
30-015-37537	MADURO BOZ STATE COM #001H	25S-27E-10	BONE SPRING	2/1/2010
30-015-36130	MUNNYNTHABANK STATE #001H	24S-27E-34	BONE SPRING	12/9/2008
30-015-40622	MUNNYNTHABANK STATE #002H	24S-27E-34	BONE SPRING	1/13/2013
30-015-37463	PERFECTO BOX STATE COM #001H	25S-27E-14	BONE SPRING	2/26/2010
30-015-36305	STOGEY BLG STATE COM #001H	24S-27E-36	BONE SPRING	7/19/2008
30-015-37495	TORPEDO BOW STATE COM #001H	25S-27E-11	BONE SPRING	2/26/2010
30-015-25812	HARKEY 35 STATE #001	24S-27E-35	WOLFCAMP	10/17/1987
30-015-34960	SWISHER BJE STATE #001	24S-27E-34	WOLFCAMP	6/30/2006

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

5. EOG has met with the New Mexico State Land Office and had received preliminary approval of the proposed unit.

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

WHEREFORE, EOG requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on October 5, 2023, and that after notice and hearing as required by law, the Division enter its order granting this Application.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

---

Michael H. Feldewert  
Adam G. Rankin  
Paula M. Vance  
Post Office Box 2208  
Santa Fe, NM 87504  
505-988-4421  
mfeldewert@hollandhart.com  
agrarkin@hollandhart.com  
pmvance@hollandhart.com

**ATTORNEYS FOR EOG RESOURCES, INC.**

CASE \_\_\_\_\_:

**Application of EOG Resources, Inc. For Approval of The Padron State BS-WC Unit, Eddy County, New Mexico.** Applicant seeks approval of the Padron State BS-WC Unit consisting of approximately 10,874.14 acres of the following state and fee lands situated in Eddy County, New Mexico:

**Township 24 South, Range 27 East, N.M.P.M.**

- Section 14: ALL
- Section 22: ALL
- Section 23: ALL
- Section 26: ALL
- Section 27: ALL
- Section 34: ALL
- Section 35: ALL
- Section 36: ALL

**Township 25 South, Range 27 East, N.M.P.M.**

- Section 1: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2
- Section 2: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2
- Section 3: Lot 1, Lot 2, Lot 3, Lot 4 S2N2, S2
- Section 9: ALL
- Section 10: ALL
- Section 11: ALL
- Section 14: ALL
- Section 15: ALL
- Section 22: ALL

The unitized interval includes the Bone Spring and Wolfcamp formations below the proposed unit area. Certain existing Bone Spring and Wolfcamp wells identified in the filed application will be excluded from the proposed Unit. The subject acreage is located approximately 15 miles south of Carlsbad, New Mexico.

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

APPLICATION OF EOG RESOURCES, INC. FOR APPROVAL OF THE  
PADRON STATE BS-WC UNIT, EDDY COUNTY, NEW MEXICO.

CASE NO. 23794

SELF-AFFIRMED STATEMENT OF RIKER EVERETT, LANDMAN

1. My name is Riker Everett and I am employed by EOG Resources, Inc. (“EOG”) as a Land Specialist. I am the landman responsible for the formation of the proposed unit, familiar with the application filed by EOG in this matter and the status of the lands in the subject area.

2. This is my first time testifying before the New Mexico Oil Conservation Division. I graduated from the University of Texas in December of 2009. I have been employed by EOG Resources for 6 years and I have been working as a landman for 13 years.

3. Since this application seeks approval of a voluntary unit, I do not expect opposition at the hearing.

4. EOG seeks an order approving the Padron State BS-WC Unit, a voluntary unit consisting of approximately 10,874.14-acres of the following state and fee lands located in Eddy County, New Mexico:

Township 24 South, Range 27 East, N.M.P.M.

- Section 14: ALL
- Section 22: ALL
- Section 23: ALL
- Section 26: ALL
- Section 27: ALL
- Section 34: ALL
- Section 35: ALL
- Section 36: ALL

Township 25 South, Range 27 East, N.M.P.M.

Section 1: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2  
 Section 2: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2  
 Section 3: Lot 1, Lot 2, Lot 3, Lot 4 S2N2, S2  
 Section 9: ALL  
 Section 10: ALL  
 Section 11: ALL  
 Section 14: ALL  
 Section 15: ALL  
 Section 22: ALL

5. EOG is the designated operator under the proposed Unit Agreement and the unitized interval is the Bone Spring and Wolfcamp formations below the proposed unit area.

6. The following existing Bone Spring and Wolfcamp wells will be excluded from the proposed Unit:

API	Well Name & No.	Twp-Rng-Sec	Prod Formation	Spud Date
30-015-40162	BULLSEYE 22 STATE COM #001H	24S-27E-22	BONE SPRING	7/16/2012
30-015-37555	CHEROOT BPF STATE COM #001H	25S-27E-3	BONE SPRING	2/1/2010
30-015-23221	HUMIDOR BML STATE COM #002	24S-27E-26	BONE SPRING	10/5/2005
30-015-42755	HUMIDOR BML STATE COM #005H	24S-27E-23	BONE SPRING	10/28/2014
30-015-41359	IRRITABLE 22 STATE COM #002H	25S-27E-22	BONE SPRING	2/7/2015
30-015-37500	JERICO BKJ STATE COM #002H	25S-27E-15	BONE SPRING	2/1/2010
30-015-42893	MACANUDO BTE STATE COM #001H	24S-27E-23	BONE SPRING	1/29/2015
30-015-37537	MADURO BOZ STATE COM #001H	25S-27E-10	BONE SPRING	2/1/2010
30-015-36130	MUNNYNTHABANK STATE #001H	24S-27E-34	BONE SPRING	12/9/2008
30-015-40622	MUNNYNTHABANK STATE #002H	24S-27E-34	BONE SPRING	1/13/2013
30-015-37463	PERFECTO BOX STATE COM #001H	25S-27E-14	BONE SPRING	2/26/2010
30-015-36305	STOGEY BLG STATE COM #001H	24S-27E-36	BONE SPRING	7/19/2008
30-015-37495	TORPEDO BOW STATE COM #001H	25S-27E-11	BONE SPRING	2/26/2010
30-015-25812	HARKEY 35 STATE #001	24S-27E-35	WOLFCAMP	10/17/1987
30-015-34960	SWISHER BJE STATE #001	24S-27E-34	WOLFCAMP	6/30/2006

7. With the approval of the New Mexico State Land Office, these existing wells are being excluded from the proposed unit because EOG was not the original operator of these wells, and these wells are vintage, short-lateral, or vertical well designs that utilized completion techniques no longer employed by EOG or modern operators.



8. **EOG Exhibit A-1** is a copy of the proposed Unit Agreement with Exhibits A, B and C. Exhibit A to the Unit Agreement outlines the boundary of the Unit Area and identifies the 33 tracts of land comprising the proposed Unit. Tract 17 is 80-acres of fee land and the remaining tracts consist of state leases.

9. Exhibit B-1 to the Unit Agreement identifies the ownership breakdown by tract for the Bone Spring formation underlying the unit area, while Exhibit B-2 identifies the ownership in the Wolfcamp formation. EOG owns eighty-seven percent (87%) of the working interest in the Bone Spring and Wolfcamp formations underlying the proposed Unit, and over eighty-seven percent (87%) of the total working interest is currently committed to the proposed Unit.

10. EOG has been in contact with the remaining working interest owners and anticipates ratification of a sufficient percentage of the working interest to have effective control of Unit operations. EOG has also sought ratification of the Unit Agreement from royalty and overriding royalty interest owners not otherwise contractually committed to unitization.

11. If any working, royalty or overriding royalty interest owners do not ratify the Unit Agreement, they will be paid on a spacing unit basis upon development of lands subject to their interests.

12. EOG has met with the New Mexico State Land Office regarding the proposed unitized area and the Unit Agreement. **EOG Exhibit A-2** is a copy of the preliminary approval letter from the State Land Office supporting the proposed unit area and Unit Agreement.

13. In my opinion, the Unit Agreement, and the unitized operation and management of the Unit Area, are in the best interests of conservation, the prevention of waste and the protection of correlative rights.

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

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

  
\_\_\_\_\_  
Riker Everett

9/28/23  
Date

30575351\_v1

**ONLINE VERSION**

STATE/FEE  
EXPLORATORY UNIT

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

\_\_\_\_\_ UNIT AREA

\_\_\_\_\_ County(ies),

NEW MEXICO

**ONLINE VERSION**

**STATE/FEE  
EXPLORATORY UNITS**  
Revised February 12, 2004

**UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE**

\_\_\_\_\_ UNIT AREA  
\_\_\_\_\_ COUNTY(IES), NEW MEXICO

**TABLE OF CONTENTS by Sections**

**SECTION**

- 1. UNIT AREA
- 2. UNITIZED SUBSTANCES
- 3. UNIT OPERATOR
- 4. RESIGNATION OR REMOVAL OF UNIT OPERATOR
- 5. SUCCESSOR UNIT OPERATOR
- 6. ACCOUNTING PROVISIONS
- 7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR
- 8. DRILLING TO DISCOVERY
- 9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES
- 10. PARTICIPATION AFTER DISCOVERY
- 11. ALLOCATION OF PRODUCTION
- 12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES
- 13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA
- 14. CONSERVATION
- 15. DRAINAGE
- 16. COVENANTS RUN WITH LAND
- 17. EFFECTIVE DATE AND TERM
- 18. RATE OF PRODUCTION
- 19. APPEARANCES
- 20. NOTICES
- 21. LOSS OF TITLE
- 22. SUBSEQUENT JOINDER
- 23. COUNTERPARTS
- EXHIBIT "A". MAP OF UNIT AREA
- EXHIBIT "B". SCHEDULE OF OWNERSHIP
- EXHIBIT "C". SCHEDULE OF TRACT PARTICIPATION
- EXHIBIT \_\_\_\_\_
- EXHIBIT \_\_\_\_\_

ONLINE VERSION ..... STATE/FEE

EXPLORATORY UNITS

Revised February 12, 2004

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE

UNIT AREA
COUNTY(IES), NEW MEXICO

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes 1978 Annotated), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. N. M. Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_ 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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area: [Attach another page if you need more space.]

Township \_\_\_\_\_, Range \_\_\_\_\_, N.M.P.M.
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Containing \_\_\_\_\_ total acres, more or less, in County(ies) \_\_\_\_\_ New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map 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 on said map or schedule as owned by such party. Exhibit "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: \_\_\_\_\_,
whose address is \_\_\_\_\_ is hereby designated as
unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to

ONLINE VERSION ..... STATE/FEE

EXPLORATORY UNITS

Revised February 12, 2004

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE

UNIT AREA
COUNTY(IES), NEW MEXICO

THIS AGREEMENT, entered into as of the day of 20, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes 1978 Annotated), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. N. M. Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the 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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area: [Attach another page if you need more space.]

Township, Range, N.M.P.M.
Section Subdivisions:
Section Subdivisions:
Section Subdivisions:
Section Subdivisions:
Containing total acres, more or less, in County(ies) New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map 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 on said map or schedule as owned by such party. Exhibit "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: whose address is is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to

ONLINE VERSION ..... STATE/FEE

EXPLORATORY UNITS

Revised February 12, 2004

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE

UNIT AREA
COUNTY(IES), NEW MEXICO

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes 1978 Annotated), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. N. M. Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_ 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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area: [Attach another page if you need more space.]

Township \_\_\_\_\_, Range \_\_\_\_\_, N.M.P.M.
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Containing \_\_\_\_\_ total acres, more or less, in County(ies) \_\_\_\_\_ New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map 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 on said map or schedule as owned by such party. Exhibit "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: \_\_\_\_\_,
whose address is \_\_\_\_\_ is hereby designated as
unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to

ONLINE VERSION STATE/FEE EXPLORATORY UNITS Revised February 12, 2004

UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE

UNIT AREA COUNTY(IES), NEW MEXICO

THIS AGREEMENT, entered into as of the day of 20, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes 1978 Annotated), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. N. M. Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the 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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area: [Attach another page if you need more space.]

Township, Range, N.M.P.M. Section Subdivisions: Section Subdivisions: Section Subdivisions: Section Subdivisions: Containing total acres, more or less, in County(ies) New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map 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 on said map or schedule as owned by such party. Exhibit "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: whose address is is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to



ONLINE VERSION ..... STATE/FEE

EXPLORATORY UNITS

Revised February 12, 2004

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE

UNIT AREA
COUNTY(IES), NEW MEXICO

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes 1978 Annotated), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. N. M. Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_ 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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area: [Attach another page if you need more space.]

Township \_\_\_\_\_, Range \_\_\_\_\_, N.M.P.M.
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Section \_\_\_\_\_ Subdivisions: \_\_\_\_\_
Containing \_\_\_\_\_ total acres, more or less, in County(ies) \_\_\_\_\_ New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map 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 on said map or schedule as owned by such party. Exhibit "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: \_\_\_\_\_,
whose address is \_\_\_\_\_ is hereby designated as
unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to

accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests 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 when such an interest is owned by it.

4. **RESIGNATION OR REMOVAL OF UNIT OPERATOR:** Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

The resignation or removal of the unit operator under this agreement shall not terminate his 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 equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. **SUCCESSOR UNIT OPERATOR:** Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election, with notice to the Division, may declare this unit agreement terminated.

6. **ACCOUNTING PROVISIONS:** The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such 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 "Operating Agreement". No such 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 inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. **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 said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. **DRILLING TO DISCOVERY:** The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to attain the top of the \_\_\_\_\_ formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of \_\_\_\_\_ feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. **OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:** Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event, the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator

and the lessees or record in the manner prescribed by (Sec. 19-10-20 N.M. Statutes 1978 Annotated), of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes 1978 Annotated), and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this agreement unless at the expiration of five (5) years after the first day of the month following the effective date of this agreement diligent drilling operations are in progress on said tracts.

10. **PARTICIPATION AFTER DISCOVERY:** Upon completion of a well capable of producing unitized substances in paying quantities the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. **ALLOCATION OF PRODUCTION:** All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.

12. **PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:** The respective lease owners in accordance with the terms of their leases shall pay all rentals due to the State of New Mexico.

All royalties due to the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty share in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practices; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. **LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:** The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform to the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offset to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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

lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

14. **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 laws or regulations.

15. **DRAINAGE:** In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. **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 leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder to the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photo static, or certified copy of the instrument of transfer.

17. **EFFECTIVE DATE AND TERM:** This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in five (5) years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to the Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

18. **RATE OF PRODUCTION:** All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Division, and in conformity with all applicable laws and lawful regulations.

19. **APPEARANCES:** Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby, before the Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceedings.

20. **NOTICES:** All notices, demands, or statements required hereunder to be given or rendered to the parties hereto, shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses, set forth in connection with the signatures hereto or to the ratification or consent hereof, or to such other address as any such party may have furnished in writing to party sending the notice, demand, or statement.

21. **LOSS OF TITLE:** In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

22. **SUBSEQUENT JOINDER:** Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

[Note – Signature pages follow.]

UNIT OPERATOR AND WORKING INTEREST OWNER

\_\_\_\_\_  
BUSINESS ENTITY By \_\_\_\_\_  
SIGNATURE OF OFFICER

Address \_\_\_\_\_ Date of Execution \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

**Acknowledgment in an Individual Capacity**

This instrument was acknowledged before me on \_\_\_\_\_ Date

by \_\_\_\_\_  
Name(s) of Person(s)

(Seal)

\_\_\_\_\_  
Signature of Notarial Officer

My commission expires: \_\_\_\_\_

**Acknowledgment in a Representative Capacity**

This instrument was acknowledged before me on \_\_\_\_\_ Date

by \_\_\_\_\_  
Name(s) of Person(s)

as \_\_\_\_\_ of \_\_\_\_\_  
Type of authority, e.g., officer, trustee, etc Name of party on behalf of whom instrument was executed

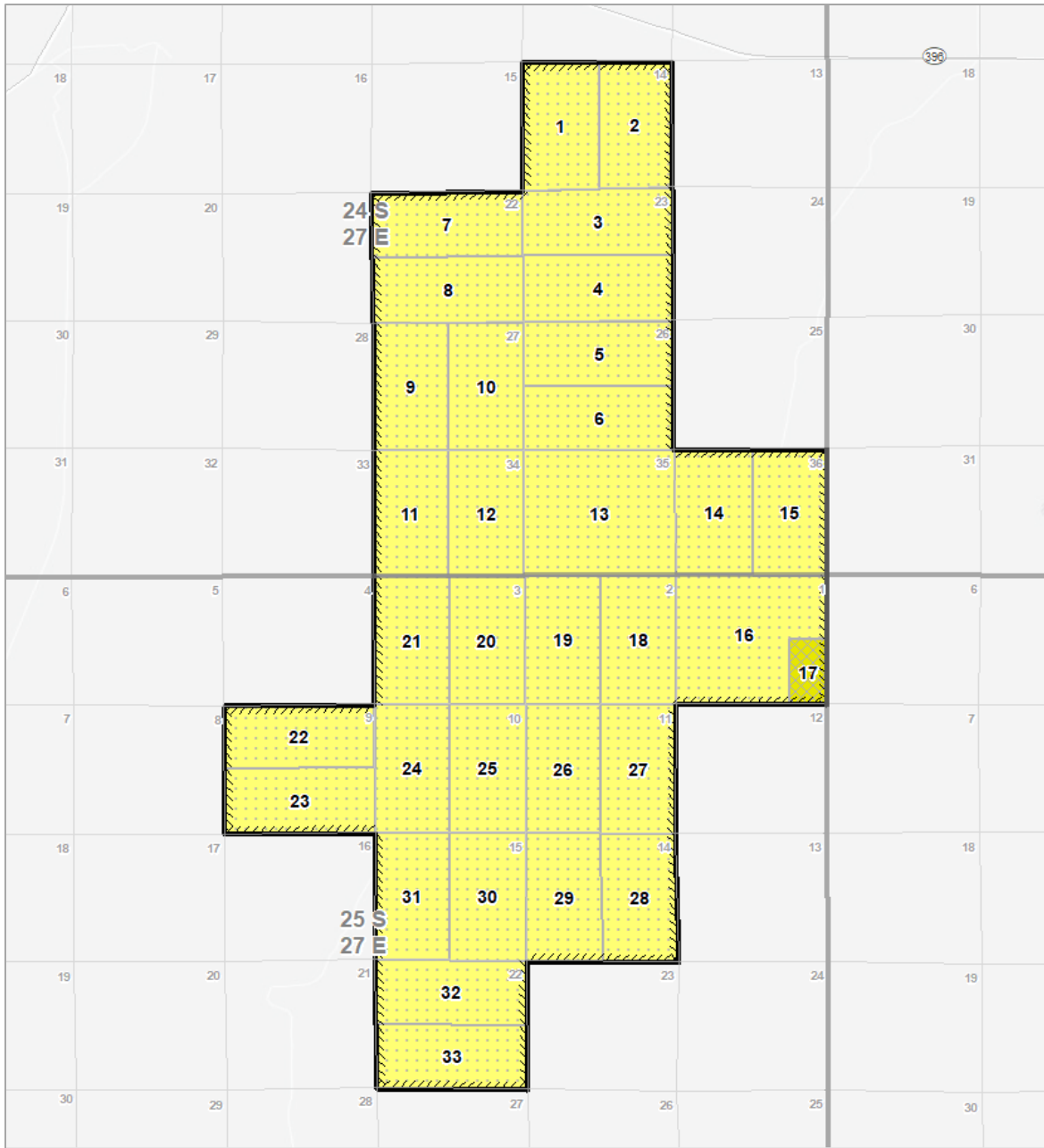
(Seal)

\_\_\_\_\_  
Signature of Notarial Officer





My commission expires: \_\_\_\_\_

**Exhibit A**  
**Map of Unit Area**

Padron State BS-WC Unit  
Eddy County, New Mexico



**LEGEND**

	Unit Boundary	
	Federal Lease	0.00 ac
	State Lease	10,794.14
	Fee Lease	80.00 ac
<b>Unit Total:</b>		<b>10,874.14</b>

**EXHIBIT B-1**  
**Schedule of Ownership**  
 Bone Spring Formation

Tract Number	Description of Lands			Acres	Serial Number & Expiration Date	Royalty	Lessee of Record	Overriding Royalty & Percentage		Working Interest & Percentage	
	Twp-Rng	Sec	QQ								
1	24S-27E	14	W2	320.00	ST NM V0-5866-1 7/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
2	24S-27E	14	E2	320.00	ST NM VB-0545-1 7/1/2005 - HBP	18.75% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
3	24S-27E	23	N2	320.00	ST NM VA-1851-1 11/1/2003 - HBP	12.50% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
4	24S-27E	23	S2	320.00	ST NM VA-1856-1 11/1/2003 - HBP	12.50% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
5	24S-27E	26	N2	320.00	ST NM V0-5392-1 11/1/2003 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
6	24S-27E	26	S2	320.00	ST NM VA-1835-1 10/1/2003 - HBP	12.50% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
7	24S-27E	22	N2	320.00	ST NM VB-1534-1 12/1/2013 - HBP	18.75% State of New Mexico - All	COG Production, LLC	Malaga EF7 LLC Malaga Royalty LLC	0.750750% 0.499250%	EOG Resources, Inc.	100.000000%
8	24S-27E	22	S2	320.00	ST NM VB-1547 12/1/2013 - HBP	18.75% State of New Mexico - All	COG Production, LLC	Malaga EF7 LLC Malaga Royalty LLC	0.750750% 0.499250%	EOG Resources, Inc.	100.000000%
9	24S-27E	27	W2	320.00	ST NM V0-6514-1 1/1/2007 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	EOG Resources, Inc.	2.250000%	EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	72.500000% 20.000000% 7.500000%
10	24S-27E	27	E2	320.00	ST NM V0-6443-1 11/1/2006 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	EOG Resources, Inc.	2.250000%	EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	72.500000% 20.000000% 7.500000%
11	24S-27E	34	W2	320.00	ST NM VA-2499-1 7/1/2006 - HBP	12.50% State of New Mexico - All	EOG Resources Inc	EOG Resources, Inc.	2.250000%	EOG Resources, Inc. OXY Y-1 Company Vladin, LLC	77.500000% 20.000000% 2.500000%
12	24S-27E	34	E2	320.00	ST NM VB-1036-1 11/1/2011 - HBP	18.75% State of New Mexico - All	Concho Oil & Gas LLC/COG Operating LLC	Nestegg Energy Corporation	0.488750%	EOG Resources, Inc.	100.000000%
13	24S-27E	35	All	640.00	ST NM V0-1578-2 9/1/1990 - HBP	16.67% State of New Mexico - All	Dominion Expl. & Prod. & Chevron Midcon LP			EOG Resources, Inc.	100.000000%
14	24S-27E	36	W2	320.00	ST NM V0-6886-4 9/1/2008 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	LIA Charitable Investments LLC Hayes Revocable Trust	3.000000% 2.000000%	EOG Resources, Inc. OXY Y-1 Company	95.000000% 5.000000%
15	24S-27E	36	E2	320.00	ST NM V0-6885-1 9/1/2008 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company	95.000000% 5.000000%



Tract Number	Description of Lands			Acres	Serial Number & Expiration Date	Royalty	Lessee of Record	Overriding Royalty & Percentage		Working Interest & Percentage	
	Twp-Rng	Sec	QQ					<u>Lots 1-4, S2N2 (N2)</u>		<u>Lots 1-4, S2N2 (N2)</u>	
16	25S-27E	1	Lot 1 (39.95ac), Lot 2 (39.85ac), Lot 3 (39.75ac), Lot 4 (39.65ac), S2N2, SW, W2SE	559.20	ST NM V0-5769-1 4/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				
									<u>SW</u>		<u>SW</u>
											<u>W2SE</u>
17	25S-27E	1	E2SE	80.00	Fee Lease(s) 1/13/2008 - HBP	20.00% Devon Energy Production Company, LP - All					
18	25S-27E	2	Lot 1 (39.56ac), Lot 2 (39.49ac), S2NE, SE	319.05	ST NM V0-7315-3 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				
									<u>NE</u>		<u>NE</u>
											<u>SE</u>
19	25S-27E	2	Lot 3 (39.47ac), Lot 4 (39.34ac), S2NW, SW	318.81	ST NM V0-7289-1 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				
											<u>NW</u>
											<u>SW</u>
20	25S-27E	3	Lot 1 (39.29ac), Lot 2 (39.25ac), S2NE, SE	318.54	ST NM V0-7316-2 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				
									<u>NE</u>		<u>NE</u>
											<u>SE</u>



Tract Number	Description of Lands			Acres	Serial Number & Expiration Date	Royalty	Lessee of Record	Overriding Royalty & Percentage		Working Interest & Percentage	
	Twp-Rng	Sec	QQ					NW	SW	NW	SW
21	25S-27E	3	Lot 3 (39.27ac), Lot 4 (39.27ac), S2NW, SW	318.54	ST NM V0-7290-1 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				
								NW			EOG Resources, Inc. 100.000000%
								SW	8.333333%		EOG Resources, Inc. 83.359375% Sharbro Energy, LLC 1.640625% The Allar Company 15.000000%
22	25S-27E	9	N2	320.00	ST NM V0-5740-1 3/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				EOG Resources, Inc. 90.001777% OXY Y-1 Company 9.998223%
23	25S-27E	9	S2	320.00	ST NM V0-5735-1 3/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				EOG Resources, Inc. 90.001777% OXY Y-1 Company 9.998223%
24	25S-27E	10	W2	320.00	ST NM V0-7291-1 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				
								NW			EOG Resources, Inc. 100.000000%
								SW	8.333333%		EOG Resources, Inc. 51.618578% The Allar Company 9.676870% COG Operating LLC 38.704552%
25	25S-27E	10	E2	320.00	ST NM V0-7317-2 2/1/2010 - HBP	16.67% State of New Mexico - All	COG Operating LLC				EOG Resources, Inc. 82.425849% MRC Permian Company 1.298356% The Allar Company 16.275795%
26	25S-27E	11	W2	320.00	ST NM V0-7330-1 3/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				EOG Resources, Inc. 82.425849% MRC Permian Company 1.298356% The Allar Company 16.275795%
27	25S-27E	11	E2	320.00	ST NM V0-7347-1 3/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				EOG Resources, Inc. 82.425849% MRC Permian Company 1.298356% The Allar Company 16.275795%
28	25S-27E	14	E2	320.00	ST NM V0-7331-2 3/1/2010 - HBP	16.67% State of New Mexico - All	Concho Oil & Gas LLC/COG Operating LLC				EOG Resources, Inc. 82.425849% MRC Permian Company 1.298356% The Allar Company 16.275795%
29	25S-27E	14	W2	320.00	ST NM V0-7348-2 3/1/2010 - HBP	16.67% State of New Mexico - All	Concho Oil & Gas LLC/COG Operating LLC				EOG Resources, Inc. 82.425849% MRC Permian Company 1.298356% The Allar Company 16.275795%
30	25S-27E	15	E2	320.00	ST NM V0-7318-2 2/1/2010 - HBP	16.67% State of New Mexico - All	COG Operating LLC				EOG Resources, Inc. 82.425849% MRC Permian Company 1.298356% The Allar Company 16.275795%
31	25S-27E	15	W2	320.00	ST NM V0-7319-2 2/1/2010 - HBP	16.67% State of New Mexico - All	COG Operating LLC				EOG Resources, Inc. 82.425849% MRC Permian Company 1.298356% The Allar Company 16.275795%
32	25S-27E	22	N2	320.00	ST NM VB-1779-2 1/1/2015 - HBP	18.75% State of New Mexico - All	EOG Resources Inc				EOG Resources, Inc. 100.000000%
33	25S-27E	22	S2	320.00	ST NM VB-1780-2 1/1/2015 - HBP	18.75% State of New Mexico - All	EOG Resources Inc				EOG Resources, Inc. 100.000000%

RECAPITULATION		
10,794.14	Acres of State of New Mexico Lands	99.26%
80.00	Acres of Fee Lands	0.74%
<b>10,874.14</b>	<b>Total Acres</b>	<b>100.00%</b>

**EXHIBIT B-2**  
**Schedule of Ownership**  
 Wolfcamp Formation

Tract Number	Description of Lands			Acres	Serial Number & Expiration Date	Royalty	Lessee of Record	Overriding Royalty & Percentage		Working Interest & Percentage	
	Twp-Rng	Sec	QQ								
1	24S-27E	14	W2	320.00	ST NM V0-5866-1 7/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
2	24S-27E	14	E2	320.00	ST NM VB-0545-1 7/1/2005 - HBP	18.75% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
3	24S-27E	23	N2	320.00	ST NM VA-1851-1 11/1/2003 - HBP	12.50% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
4	24S-27E	23	S2	320.00	ST NM VA-1856-1 11/1/2003 - HBP	12.50% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
5	24S-27E	26	N2	320.00	ST NM V0-5392-1 11/1/2003 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
6	24S-27E	26	S2	320.00	ST NM VA-1835-1 10/1/2003 - HBP	12.50% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	86.884923% 7.222220% 5.892857%
7	24S-27E	22	N2	320.00	ST NM VB-1534-1 12/1/2013 - HBP	18.75% State of New Mexico - All	COG Production, LLC	Malaga EF7 LLC Malaga Royalty LLC	0.750750% 0.499250%	EOG Resources, Inc.	100.000000%
8	24S-27E	22	S2	320.00	ST NM VB-1547 12/1/2013 - HBP	18.75% State of New Mexico - All	COG Production, LLC	Malaga EF7 LLC Malaga Royalty LLC	0.750750% 0.499250%	EOG Resources, Inc.	100.000000%
9	24S-27E	27	W2	320.00	ST NM V0-6514-1 1/1/2007 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	EOG Resources, Inc.	2.250000%	EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	72.500000% 20.000000% 7.500000%
10	24S-27E	27	E2	320.00	ST NM V0-6443-1 11/1/2006 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	EOG Resources, Inc.	2.250000%	EOG Resources, Inc. OXY Y-1 Company Sharbro Energy, LLC	72.500000% 20.000000% 7.500000%
11	24S-27E	34	W2	320.00	ST NM VA-2499-1 7/1/2006 - HBP	12.50% State of New Mexico - All	EOG Resources Inc	EOG Resources, Inc.	2.250000%	EOG Resources, Inc. OXY Y-1 Company Vladin, LLC	77.500000% 20.000000% 2.500000%
12	24S-27E	34	E2	320.00	ST NM VB-1036-1 11/1/2011 - HBP	18.75% State of New Mexico - All	Concho Oil & Gas LLC/COG Operating LLC	Nestegg Energy Corporation	0.488750%	EOG Resources, Inc.	100.000000%
13	24S-27E	35	All	640.00	ST NM V0-1578-2 9/1/1990 - HBP	16.67% State of New Mexico - All	Dominion Expl. & Prod. & Chevron Midcon LP			EOG Resources, Inc.	100.000000%
14	24S-27E	36	W2	320.00	ST NM V0-6886-4 9/1/2008 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	LIA Charitable Investments LLC Hayes Revocable Trust	3.000000% 2.000000%	EOG Resources, Inc. OXY Y-1 Company	95.000000% 5.000000%
15	24S-27E	36	E2	320.00	ST NM V0-6885-1 9/1/2008 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc. OXY Y-1 Company	95.000000% 5.000000%

Tract Number	Description of Lands			Acres	Serial Number & Expiration Date	Royalty	Lessee of Record	Overriding Royalty & Percentage		Working Interest & Percentage	
	Twp-Rng	Sec	QQ					<u>Lots 1-4, S2N2 (N2)</u>		<u>Lots 1-4, S2N2 (N2)</u>	
16	25S-27E	1	Lot 1 (39.95ac), Lot 2 (39.85ac), Lot 3 (39.75ac), Lot 4 (39.65ac), S2N2, SW, W2SE	559.20	ST NM V0-5769-1 4/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	<u>Lots 1-4, S2N2 (N2)</u>		<u>Lots 1-4, S2N2 (N2)</u>	
								Crownrock Minerals, LP	0.116252%	EOG Resources, Inc.	82.425849%
								EOG Resources, Inc.	2.250000%	MRC Permian Company	1.298356%
								Cornerstone Family Trust	0.116252%	The Allar Company	16.275795%
								<u>SW</u>		<u>SW</u>	
								Crownrock Minerals, LP	0.116252%	EOG Resources, Inc.	82.425849%
								EOG Resources, Inc.	2.250000%	MRC Permian Company	1.298356%
								Cornerstone Family Trust	0.116252%	The Allar Company	16.275795%
								Nestegg Energy Corporation	0.093080%		
								OXY Y-1 Company	0.528986%		
								<u>W2SE</u>		<u>W2SE</u>	
								EOG Resources, Inc.	2.250000%	COG Operating LLC	23.477166%
								Nestegg Energy Corporation	0.093080%	Devon Energy Production Company, LP	30.472329%
								OXY Y-1 Company	0.088164%	EOG Resources, Inc.	46.050505%
17	25S-27E	1	E2SE	80.00	Fee Lease(s) 1/13/2008 - HBP	20.00% Devon Energy Production Company, LP - All		Occidental Permian, LTD	0.468500%	COG Operating LLC	23.477166%
										Devon Energy Production Company, LP	30.472329%
										EOG Resources, Inc.	46.050505%
18	25S-27E	2	Lot 1 (39.56), Lot 2 (39.49), S2NE, SE	319.05	ST NM V0-7315-3 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	<u>NE</u>		<u>NE</u>	
								Crownrock Minerals, LP	0.116252%	EOG Resources, Inc.	91.854421%
								EG3, Inc. (Allar)	0.188347%	The Allar Company	8.145579%
								Cornerstone Family Trust	0.116252%		
								<u>SE</u>		<u>SE</u>	
								Crownrock Minerals, LP	0.116252%	EOG Resources, Inc.	82.425849%
								EG3, Inc. (Allar)	0.188347%	MRC Permian Company	1.298356%
								Cornerstone Family Trust	0.116252%	The Allar Company	16.275795%
								Nestegg Energy Corporation	2.418118%		
19	25S-27E	2	Lot 3 (39.47ac), Lot 4 (39.34ac), S2NW, SW	318.81	ST NM V0-7289-1 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			<u>NW</u>	
										EOG Resources, Inc.	91.854421%
										The Allar Company	8.145579%
										<u>SW</u>	
										EOG Resources, Inc.	100.000000%
20	25S-27E	3	Lot 1 (39.29ac), Lot 2 (39.25ac), S2NE, SE	318.54	ST NM V0-7316-2 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc	<u>NE</u>		<u>NE</u>	
								Crownrock Minerals, LP	0.312500%	EOG Resources, Inc.	87.500000%
								EG3, Inc. (Allar)	0.208333%	The Allar Company	12.500000%
								Cornerstone Family Trust	0.312500%		
								<u>SE</u>		<u>SE</u>	
								Crownrock Minerals, LP	0.312500%	EOG Resources, Inc.	83.359375%
								EG3, Inc. (Allar)	0.117188%	Sharbro Energy, LLC	1.640625%
								EOG Resources, Inc.	6.062500%	The Allar Company	15.000000%
								The Allar Company	0.265625%		
								Cornerstone Family Trust	0.312500%		

Tract Number	Description of Lands			Acres	Serial Number & Expiration Date	Royalty	Lessee of Record	Overriding Royalty & Percentage		Working Interest & Percentage	
	Twp-Rng	Sec	QQ					<u>NW</u>		<u>NW</u>	
21	25S-27E	3	Lot 3 (39.27ac), Lot 4 (39.27ac), S2NW, SW	318.54	ST NM V0-7290-1 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			EOG Resources, Inc.	100.000000%
								<u>SW</u>		EOG Resources, Inc.	83.333333%
22	25S-27E	9	N2	320.00	ST NM V0-5740-1 3/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			Nestegg Energy Corporation	0.166440%
23	25S-27E	9	S2	320.00	ST NM V0-5735-1 3/1/2005 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			Nestegg Energy Corporation	0.166440%
24	25S-27E	10	W2	320.00	ST NM V0-7291-1 2/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc				
								<u>NW</u>		EOG Resources, Inc.	100.000000%
								<u>SW</u>		EOG Resources, Inc.	83.333333%
25	25S-27E	10	E2	320.00	ST NM V0-7317-2 2/1/2010 - HBP	16.67% State of New Mexico - All	COG Operating LLC			Crownrock Minerals, LP	0.116252%
										EG3, Inc. (Allar)	0.188347%
										Cornerstone Family Trust	0.116252%
										Nestegg Energy Corporation	0.093080%
26	25S-27E	11	W2	320.00	ST NM V0-7330-1 3/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			Crownrock Minerals, LP	0.116252%
										Cornerstone Family Trust	0.116252%
										Nestegg Energy Corporation	0.093080%
										OXY Y-1 Company	0.581304%
27	25S-27E	11	E2	320.00	ST NM V0-7347-1 3/1/2010 - HBP	16.67% State of New Mexico - All	EOG Resources Inc			Crownrock Minerals, LP	0.116252%
										Cornerstone Family Trust	0.116252%
										Nestegg Energy Corporation	0.093080%
										OXY Y-1 Company	0.581304%
28	25S-27E	14	E2	320.00	ST NM V0-7331-2 3/1/2010 - HBP	16.67% State of New Mexico - All	Concho Oil & Gas LLC/COG Operating LLC			Crownrock Minerals, LP	0.116252%
										Cornerstone Family Trust	0.116252%
										Nestegg Energy Corporation	0.093080%
										OXY Y-1 Company	0.581304%
29	25S-27E	14	W2	320.00	ST NM V0-7348-2 3/1/2010 - HBP	16.67% State of New Mexico - All	Concho Oil & Gas LLC/COG Operating LLC			Crownrock Minerals, LP	0.116252%
										Cornerstone Family Trust	0.116252%
										Nestegg Energy Corporation	0.093080%
										OXY Y-1 Company	0.581304%
30	25S-27E	15	E2	320.00	ST NM V0-7318-2 2/1/2010 - HBP	16.67% State of New Mexico - All	COG Operating LLC			Crownrock Minerals, LP	0.116252%
										EG3, Inc. (Allar)	0.188347%
										Cornerstone Family Trust	0.116252%
										Nestegg Energy Corporation	0.093080%
31	25S-27E	15	W2	320.00	ST NM V0-7319-2 2/1/2010 - HBP	16.67% State of New Mexico - All	COG Operating LLC			Crownrock Minerals, LP	0.116252%
										EG3, Inc. (Allar)	0.188347%
										Cornerstone Family Trust	0.116252%
										Nestegg Energy Corporation	0.093080%
32	25S-27E	22	N2	320.00	ST NM VB-1779-2 1/1/2015 - HBP	18.75% State of New Mexico - All	EOG Resources Inc				
33	25S-27E	22	S2	320.00	ST NM VB-1780-2 1/1/2015 - HBP	18.75% State of New Mexico - All	EOG Resources Inc				

RECAPITULATION		
10,794.14	Acres of State of New Mexico Lands	99.26%
80.00	Acres of Fee Lands	0.74%
<b>10,874.14</b>	<b>Total Acres</b>	<b>100.00%</b>

Schedule of Tract Participation

Bone Spring Formation

Tract Number	Tract Gross Acres	Number of Acres Committed	Unit Participation Percentage
1	320.00	278.03	86.8849%
2	320.00	278.03	86.8849%
3	320.00	278.03	86.8849%
4	320.00	278.03	86.8849%
5	320.00	278.03	86.8849%
6	320.00	278.03	86.8849%
7	320.00	320.00	100.0000%
8	320.00	320.00	100.0000%
9	320.00	232.00	72.5000%
10	320.00	232.00	72.5000%
11	320.00	248.00	77.5000%
12	320.00	320.00	100.0000%
13	640.00	640.00	100.0000%
14	320.00	304.00	95.0000%
15	320.00	304.00	95.0000%
16	559.20	380.32	68.0109%
17	80.00	39.07	48.8391%
18	319.05	277.98	87.1261%
19	318.81	305.87	95.9424%
20	318.54	272.10	85.4202%
21	318.54	291.92	91.6416%
22	320.00	288.01	90.0018%
23	320.00	288.01	90.0018%
24	320.00	242.59	75.8093%
25	320.00	263.76	82.4258%
26	320.00	263.76	82.4258%
27	320.00	263.76	82.4258%
28	320.00	263.76	82.4258%
29	320.00	263.76	82.4258%
30	320.00	263.76	82.4258%
31	320.00	263.76	82.4258%
32	320.00	320.00	100.0000%
33	320.00	320.00	100.0000%
<b>10,874.14</b>	<b>9,460.38</b>	<b>86.9989%</b>	

Wolfcamp Formation

Tract Number	Tract Gross Acres	Number of Acres Committed	Unit Participation Percentage
1	320.00	278.03	86.8849%
2	320.00	278.03	86.8849%
3	320.00	278.03	86.8849%
4	320.00	278.03	86.8849%
5	320.00	278.03	86.8849%
6	320.00	278.03	86.8849%
7	320.00	320.00	100.0000%
8	320.00	320.00	100.0000%
9	320.00	232.00	72.5000%
10	320.00	232.00	72.5000%
11	320.00	248.00	77.5000%
12	320.00	320.00	100.0000%
13	640.00	640.00	100.0000%
14	320.00	304.00	95.0000%
15	320.00	304.00	95.0000%
16	559.20	431.83	77.2219%
17	80.00	36.84	46.0505%
18	319.05	277.98	87.1261%
19	318.81	305.87	95.9424%
20	318.54	272.10	85.4202%
21	318.54	291.92	91.6416%
22	320.00	288.01	90.0018%
23	320.00	288.01	90.0018%
24	320.00	242.59	75.8093%
25	320.00	263.76	82.4258%
26	320.00	263.76	82.4258%
27	320.00	263.76	82.4258%
28	320.00	263.76	82.4258%
29	320.00	263.76	82.4258%
30	320.00	263.76	82.4258%
31	320.00	263.76	82.4258%
32	320.00	320.00	100.0000%
33	320.00	320.00	100.0000%
<b>10,874.14</b>	<b>9,509.66</b>	<b>87.4521%</b>	



Stephanie Garcia  
Richard  
COMMISSIONER

*State of New Mexico  
Commissioner of Public  
Lands*

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

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

August 27, 2023

EOG Resources, Inc.  
Attn: Mr. Riker Everett  
5509 Champions Drive  
Midland, TX 79706

Re: Preliminary Approval  
Padron Unit  
Eddy County, New Mexico

Dear Mr. Everett,

This office has received the unexecuted copy of the unit agreement that you have submitted for the proposed Padron Unit BS WC Unit area, Eddy County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases until final approval and an effective date have been given.

When submitting your agreement for final approval, please include the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 19.2.100.51, a statement of facts showing that:
  - a. The agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
  - b. Under the proposed unit operation, the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas in place under its lands in the proposed unit area.
  - c. Each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. A-2  
Submitted by: EOG Resources, Inc.  
Hearing Date: October 5, 2023  
Case No. 23794

- d. The unit agreement is in other respects for the best interest of the Trust.
- 3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
- 4. Approval order from the New Mexico Oil Conservation Division. State Land Office approval is conditioned upon approval by the New Mexico Oil Conservation Division.
- 5. One copy of the Unit Operating Agreement.
- 6. EOG Resources requested eliminating the existing Bone Spring Wells form the unit and provided the following statement:

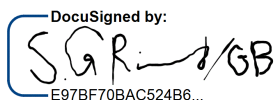
“EOG was not the original operator of these wells which are vintage, short-lateral, or vertical well designs utilizing completion techniques no longer employed by EOG or modern operators. These wells were completed between 1987-2015 and utilized a maximum of 1400#/ft of proppant which results in a reduced drainage area. Modern completions in this target exhibit much stronger performance and use average proppant concentration of 2200#/ft which creates a larger drainage area and yields a higher ultimate recovery.”

The State Land Office will exclude the existing short lateral Bone Spring wells from the unit.

- 7. The applicable filing fee. Please consult the most recent schedule of fees.
- 8. The final unit agreement must be submitted on the final unit form that has yet to be published. The current form, on which the preliminary approval was based, was approved solely for EOG to take to NMOCD hearing and is not the form on which final approval will be granted.

If you have any questions or if we may be of further assistance, please contact Units Manager, Baylen Lamkin at 505-827-6628 or [blamkin@slo.state.nm.us](mailto:blamkin@slo.state.nm.us)

Respectfully,

DocuSigned by:  
  
 E97BF70BAC524B6...

Stephanie Garcia Richard  
 Commissioner of Public Lands

SGR/bl

cc: NMOCD – Attn: Mr. Leonard Lowe  
 SLORMD – Attn: Ms. Jeri Birge  
 BLM – Attn: Mr. Kyle Paradis, Mr. Ed Fernandez, Mr. Chris Walls

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

**APPLICATION OF EOG RESOURCES, INC. FOR APPROVAL OF THE  
PADRON STATE BS-WC UNIT, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 23794**

**SELF-AFFIRMED STATEMENT OF BRANDON SWAIN, GEOLOGIST**

1. My name is Brandon Swain and I am employed by EOG Resources, Inc. (“EOG”) as a geologist. I am familiar with the application filed by EOG in this case and have conducted a geologic study of the proposed unit area.

2. This is my first time testifying before the New Mexico Oil Conservation Division. I graduated with a Master of Science degree in Geology from The University of Oklahoma in December of 2014, and have continuously worked with EOG Resources Inc. since graduation as a geologist for more than 8.5 years.

3. The unitized interval for the proposed Padron BS-WC Unit is the Bone Spring and Wolfcamp formations.

4. **EOG Exhibit B-1** contain subsea structure plats that I prepared for the Bone Spring and Wolfcamp formations with contour intervals at one-hundred feet (100’). The proposed unit area is outlined in blue on each plat. These plats demonstrate that the proposed unit area structure dips gently to the northeast. I do not observe any faults, pinch outs, or other geologic impediments to efficiently and effectively developing the Bone Spring and Wolfcamp formations under the proposed unit area with horizontal wells and a unitized plan of operation.

5. EOG Exhibit B-1 also identifies the location of the wells utilized to create west-east stratigraphic cross-sections for the Bone Spring and Wolfcamp formations. I choose these

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. B  
Submitted by: EOG Resources, Inc.  
Hearing Date: October 5, 2023  
Case No. 23794**



wells because they contain good gamma ray, caliper, resistivity, neutron porosity and density porosity logs. In my opinion these well logs are representative of the geology underlying the unit area.

6. **EOG Exhibit B-2** contain the west-east stratigraphic cross-sections for the Bone Spring and Wolfcamp formations using the wells depicted on Exhibit B-1. I have identified on the cross sections various intervals starting with the top of the Bone Spring formation (reflected as the “Bone Spring Top” dark line) to the base of the Wolfcamp formation located above the “Penn/Cisco” dark line. These cross sections demonstrate that the expected productive intervals in the Bone Spring and Wolfcamp formations are continuous across the unitized area.

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

8. EOG Exhibits B-1 through B-2 were either prepared by me or compiled under my direction and supervision.

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

BRANDON SWAIN                      9-29-2023

Brandon Swain

Date



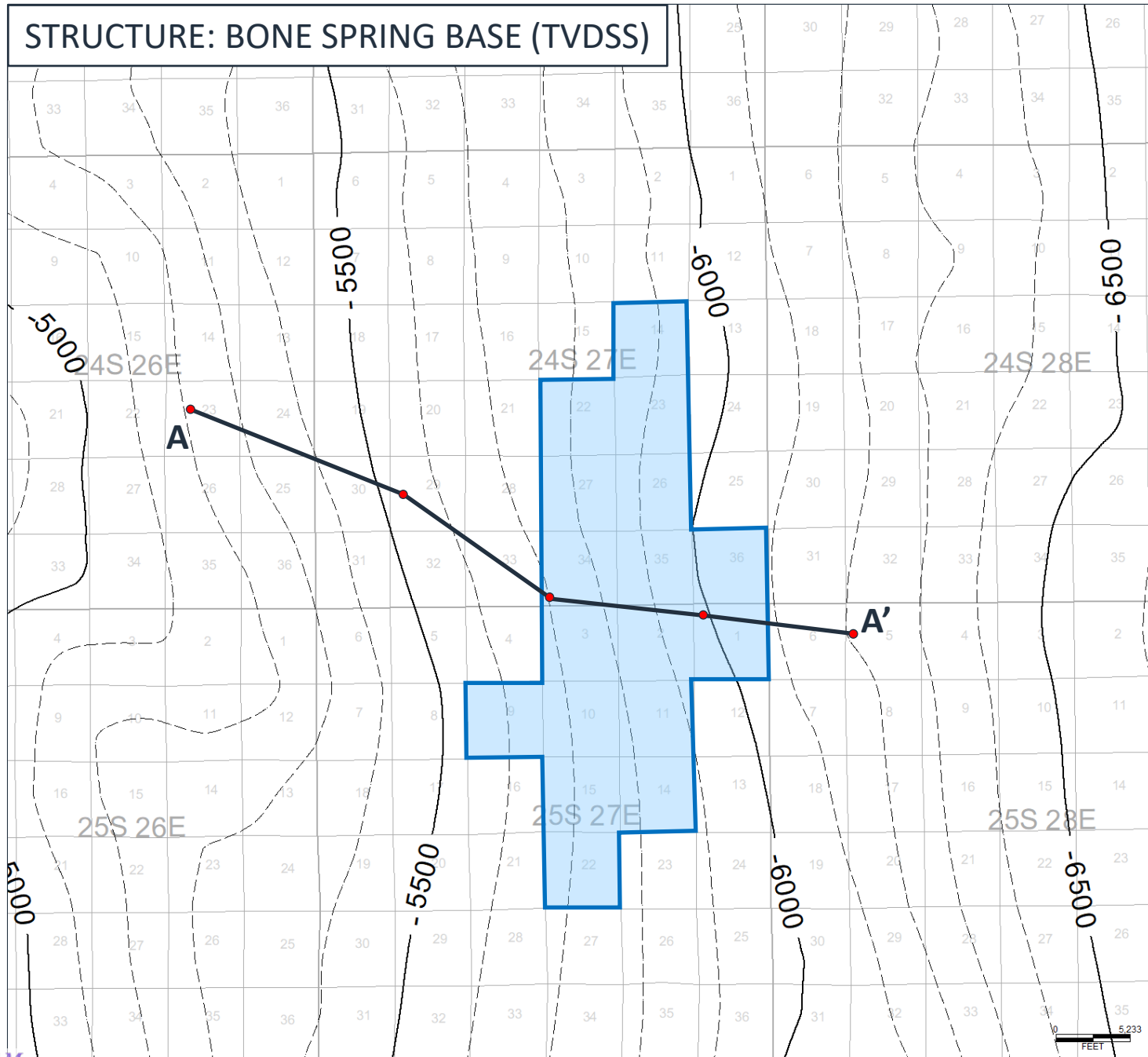
# EOG Padron State BS-WC Unit

—  
OCD Hearing | October 5, 2023

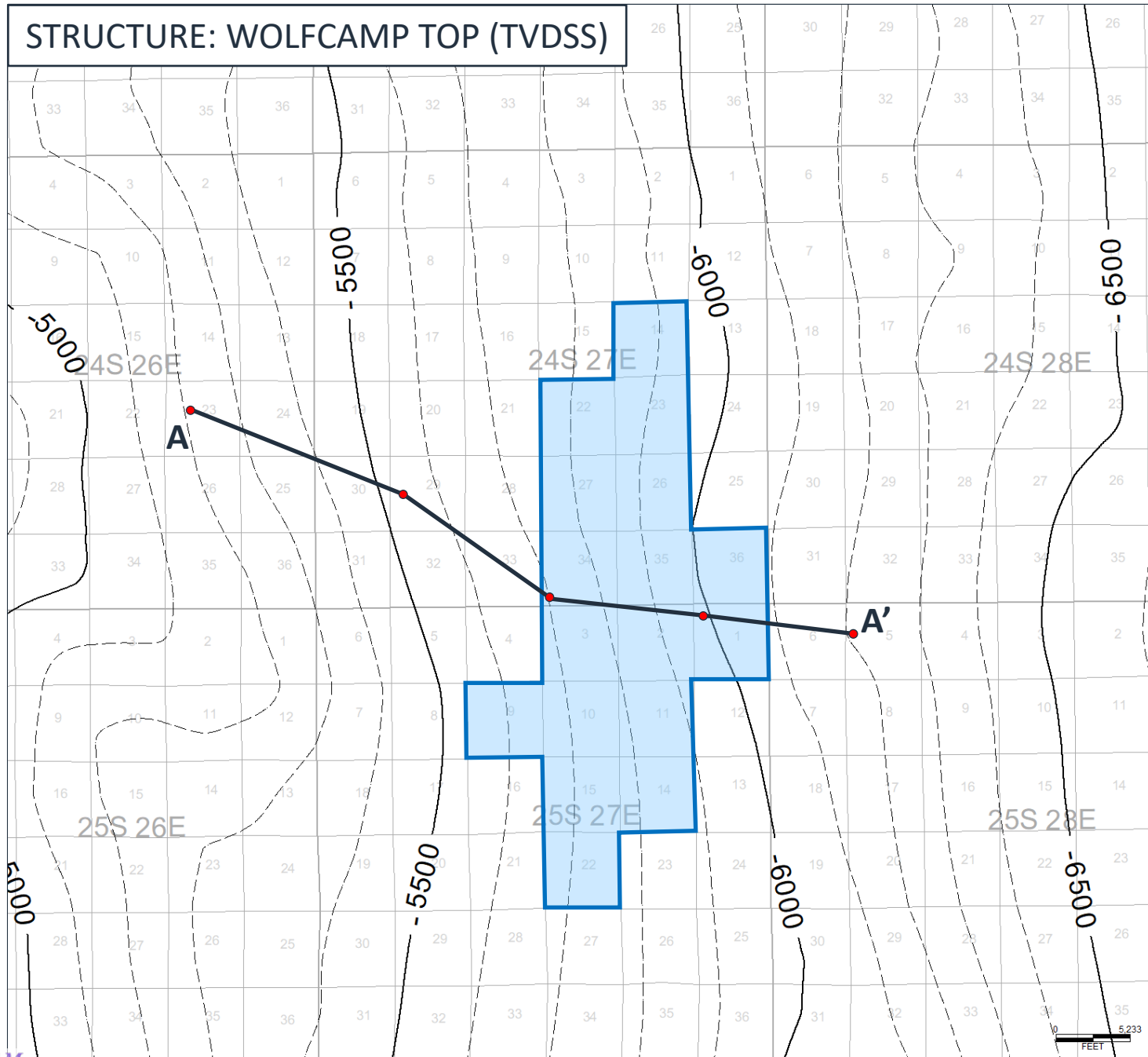
---

Riker Everett, Brandon Swain

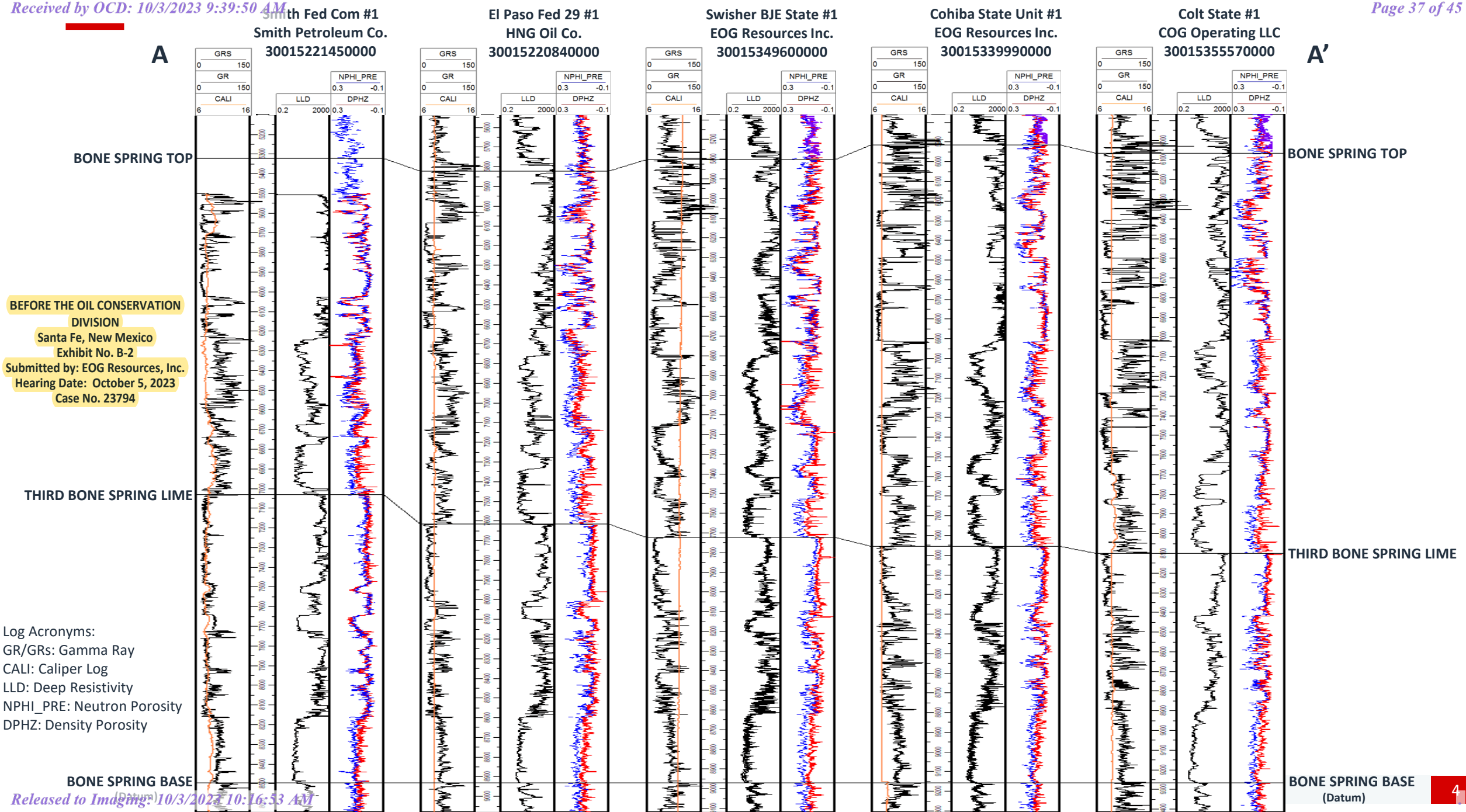
# STRUCTURE: BONE SPRING BASE (TVDSS)



# STRUCTURE: WOLFCAMP TOP (TVDSS)



State Unit



BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. B-2  
 Submitted by: EOG Resources, Inc.  
 Hearing Date: October 5, 2023  
 Case No. 23794

Log Acronyms:  
 GR/GRs: Gamma Ray  
 CALI: Caliper Log  
 LLD: Deep Resistivity  
 NPHI\_PRE: Neutron Porosity  
 DPHZ: Density Porosity

Smith Fed Com #1  
Smith Petroleum Co.  
30015221450000

El Paso Fed 29 #1  
HNG Oil Co.  
30015220840000

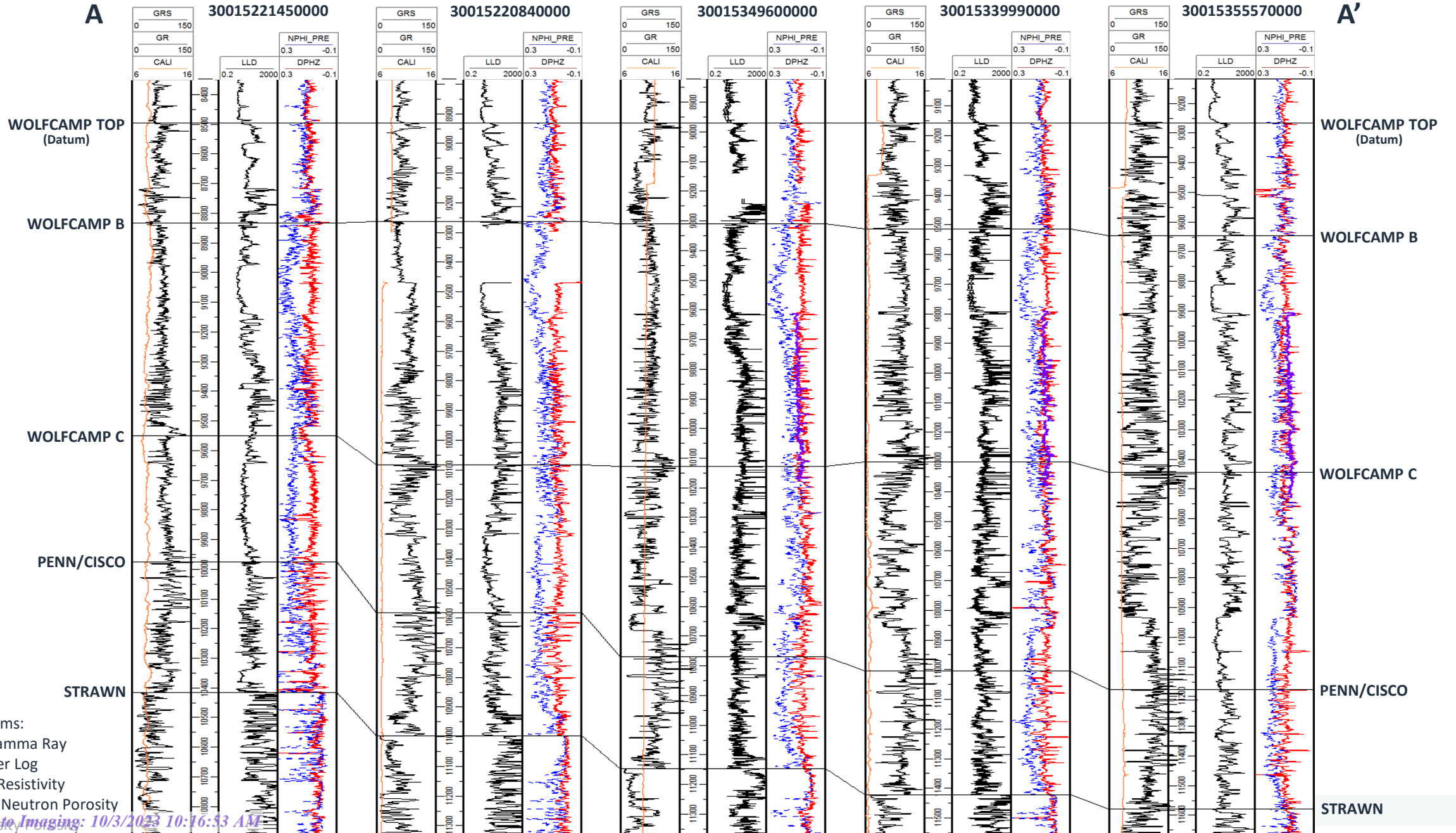
Swisher BJE State #1  
EOG Resources Inc.  
30015349600000

Cohiba State Unit #1  
EOG Resources Inc.  
30015339990000

Colt State #1  
COG Operating LLC  
30015355570000

A

A'





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

APPLICATION OF EOG RESOURCES, INC. FOR  
APPROVAL OF THE PADRON STATE BS-WC UNIT,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 23794

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.

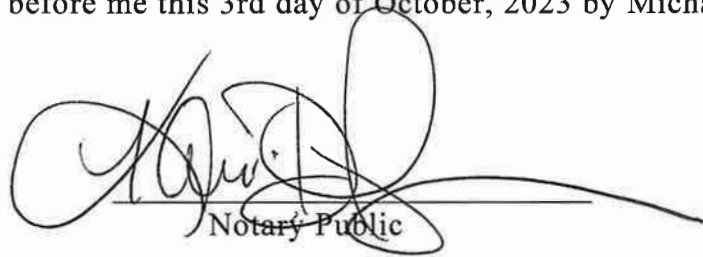
3. The spreadsheet attached hereto contains the information provided by the United States Postal Service on the status of the delivery of this notice as of October 2, 2023.

4. I caused a notice to be published to all parties on September 19, 2023. An affidavit of publication from the publication's legal clerk with a copy of the notice publication is attached as Exhibit D.

  
Michael H. Feldewert

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C  
Submitted by: EOG Resources, Inc. Hearing  
Date: October 5, 2023  
Case No. 23794

SUBSCRIBED AND SWORN to before me this 3rd day of October, 2023 by Michael H. Feldewert.



Notary Public

My Commission Expires:

06/28/26

STATE OF NEW MEXICO  
NOTARY PUBLIC  
KARI D PEREZ  
COMMISSION # 1138272  
COMMISSION EXPIRES 06/28/2026





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

September 15, 2023

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

**TO: AFFECTED OVERRIDING ROYALTY INTEREST OWNERS**

**Re: Application of EOG Resources, Inc. for Approval of the Pardon State BS-WC Unit, Eddy County, New Mexico.**

Ladies & Gentlemen:

This letter is to advise you that EOG Resources, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on October 5, 2023, and the status of the hearing can be monitored through the Division’s website at <https://www.emnrd.nm.gov/ocd/>.

**Due to the remodeling of the state building where the New Mexico Oil Conservation Division is located, 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 Riker Everett at 432-247-6324 or [Riker\\_Everett@eogresources.com](mailto:Riker_Everett@eogresources.com).

Sincerely,

**Michael H. Feldewert**  
**ATTORNEY FOR EOG RESOURCES, INC.**

**Location**  
110 North Guadalupe, Suite 1  
Santa Fe, NM 87501-1849

**Mailing Address**  
P.O. Box 2208  
Santa Fe, NM 87504-2208

**Contact**  
p: 505.988.4421 | f: 595.983.6043  
[www.hollandhart.com](http://www.hollandhart.com)

Holland & Hart LLP Anchorage Aspen Billings Boise Boulder Cheyenne Denver Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C.

EOG - Padron State Unit - Case no. 23794  
Postal Delivery Report

9414811898765413394719	Cornerstone Family Trust, John Kyle Thomas Trustee	PO Box 558	Peyton	CO	80831-0558	Your item was delivered at 9:17 am on September 20, 2023 in PEYTON, CO 80831.
9414811898765413394757	Crownrock Minerals, LP	PO Box 51933	Midland	TX	79710-1933	Your item was delivered at 11:14 am on September 21, 2023 in MIDLAND, TX 79705.
9414811898765413394764	Hayes Revocable Trust, Kathryn and Michael D Hayes, Trustees	3608 Meadowridge Ln	Midland	TX	79707-4543	Your package will arrive later than expected, but is still on its way. It is currently in transit to the next
9414811898765413394726	LJA Charitable Investments LLC	1717 West Loop S Ste 1800	Houston	TX	77027-3049	Your item was delivered to the front desk, reception area, or mail room at 2:53 pm on September 22, 2023 in HOUSTON, TX 77027.
9414811898765413394702	Malaga EF7 LLC	PO Box 731287	Dallas	TX	75373-1287	Your item has been delivered and is available at a PO Box at 4:02 am on September 21, 2023 in DALLAS, TX
9414811898765413394740	Malaga Royalty LLC	PO Box 2064	Midland	TX	79702-2064	Your item was delivered to the front desk, reception area, or mail room at 11:04 am on September 25, 2023 in MIDLAND, TX 79701.
9414811898765413394788	Nestegg Energy Corporation	2308 Sierra Vista Rd	Artesia	NM	88210-9409	Your item was delivered to an individual at the address at 12:37 pm on September 22, 2023 in

# Carlsbad Current Argus.

PART OF THE USA TODAY NETWORK

## Affidavit of Publication

Ad # 0005826299

This is not an invoice

HOLLAND AND HART  
PO BOX 2208


SANTA FE, NM 87504-2208


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:

09/19/2023

  
Legal Clerk

Subscribed and sworn before me this September 29, 2023:

  
State of WI, County of Brown  
NOTARY PUBLIC

  
My commission expires

RYAN SPELLER  
Notary Public  
State of Wisconsin

Ad # 0005826299  
PO #: 23794  
# of Affidavits: 1

This is not an invoice

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. D  
Submitted by: EOG Resources, Inc.  
Hearing Date: October 5, 2023  
Case No. 23794

STATE OF NEW MEXICO  
ENERGY, MINERALS AND  
NATURAL RESOURCES DE-  
PARTMENT OIL CONSERVA-  
TION 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 cases. The hearings will be conducted remotely on Thursday, October 5, 2023, beginning at 8:15 a.m. To participate in the hearings, 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@emnrd.nm.gov](mailto:Marlene.Salvidrez@emnrd.nm.gov). Documents filed in these cases 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@emnrd.nm.gov](mailto:Marlene.Salvidrez@emnrd.nm.gov), or the New Mexico Relay Network at 1-800-659-1779, no later than September 25, 2023.

Persons may view and participate in the hearings through the following link: <https://nmemnrd.webex.com/nmemnrd/j.php?MTID=m020a671a1f0dca6e32980a60729bbb0f>

Webinar number: 2488 867 1311

Join by video system: 248886 71311@nmemnrd.webex.com You can also dial 173.243.2.68 and enter your webinar number

Join by phone: 1-844-992-4726 United States Toll Free +1-408-418-9388 United States Toll

Access code: 2488 867 1311  
Panelist password:  
EiMmNJYA667 (34666592  
from phones and video systems)

**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 interest owners, including: Cornerstone Family Trust, John Kyle Thomas Trustee; Crownrock Minerals, LP; Hayes Revocable Trust, Kathryn and Michael D Hayes, Trustees; LJA Charitable Investments LLC; Malaga EF7 LLC; Malaga Royalty LLC, and Nestegg Energy Corporation.

Case No. 23794: Application of EOG Resources, Inc. For Approval of The Padron State BS-WC Unit, Eddy County, New Mexico. Applicant seeks approval of the Padron State BS-WC Unit consisting of approximately

consisting of approximately 10,874.14 acres of the following state and fee lands situated in Eddy County, New Mexico:  
**Township 24 South, Range 27 East, N.M.P.M.**

Section 14: ALL  
Section 22: ALL  
Section 23: ALL  
Section 26: ALL  
Section 27: ALL  
Section 34: ALL  
Section 35: ALL  
Section 36: ALL

**Township 25 South, Range 27 East, N.M.P.M.**

Section 1: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2  
Section 2: Lot 1, Lot 2, Lot 3, Lot 4, S2N2, S2  
Section 3: Lot 1, Lot 2, Lot 3, Lot 4 S2N2, S2  
Section 9: ALL  
Section 10: ALL  
Section 11: ALL  
Section 14: ALL  
Section 15: ALL  
Section 22: ALL

The unitized interval includes the Bone Spring and Wolfcamp formations below the proposed unit area. Certain existing Bone Spring and Wolfcamp wells identified in the filed application will be excluded from the proposed Unit. The subject acreage is located approximately 15 miles south of Carlsbad, New Mexico.  
#5826299, Current Argus, September 19, 2023