

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING DECEMBER 21, 2023**

CASE No. 23953

COUSIN EDDY UNIT

EDDY & LEA COUNTIES, NEW MEXICO



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

**APPLICATION OF MEWBOURNE OIL COMPANY FOR
APPROVAL OF THE COUSIN EDDY FEDERAL UNIT,
EDDY & LEA COUNTIES, NEW MEXICO.**

CASE NO. 23953

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EDDY & LEA COUNTIES, NEW MEXICO.**

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APPLICATION

Mewbourne Oil Company (“Mewbourne”) files this application for an order approving the proposed Cousin Eddy Federal Unit. In support of its application, Mewbourne states:

1. The proposed Unit Area consists of approximately 9,612.52 acres of the following state and federal lands situated in Eddy & Lea Counties, New Mexico:

Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico

- Section 13: All
- Section 14: All
- Section 21: All
- Section 22: All
- Section 23: All
- Section 24: All
- Section 25: All
- Section 26: All
- Section 27: All
- Section 28: All
- Section 33: N2
- Section 34: N2
- Section 35: N2
- Section 36: N2

Township 21 South, Range 32 East, NMPM, Lea County, New Mexico

- Section 8: All
- Section 17: All
- Section 18: All

2. Mewbourne is the designated operator under the proposed Unit Agreement and the unitized interval includes all depths below the top of the Bone Spring formation.

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

5. Mewbourne has met with the New Mexico State Land Office and the Bureau of Land Management and has 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, MEWBOURNE requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on December 7, 2023, and that after notice and hearing as required by law, the Division enter its order granting this Application.

Respectfully submitted,

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ATTORNEYS FOR MEWBOURNE OIL COMPANY

CASE _____: **Application of Mewbourne Oil Company for Approval of the Cousin Eddy Federal Unit, Eddy & Lea Counties, New Mexico.** Applicant seeks approval of the Cousin Eddy Federal Unit consisting of approximately 9612.52 acres of the following state and federal lands situated in Eddy & Lea Counties, New Mexico:

Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico

- Section 13: All
- Section 14: All
- Section 21: All
- Section 22: All
- Section 23: All
- Section 24: All
- Section 25: All
- Section 26: All
- Section 27: All
- Section 28: All
- Section 33: N2
- Section 34: N2
- Section 35: N2
- Section 36: N2

Township 21 South, Range 32 East, NMPM, Lea County, New Mexico

- Section 8: All
- Section 17: All
- Section 18: All

The unitized interval includes all depths below the top of the Bone Spring formation. The subject acreage is located approximately 27 miles east of Carlsbad, New Mexico.

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
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**APPLICATION OF MEWBOURNE OIL COMPANY FOR
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SELF-AFFIRMED STATEMENT OF ADRIANA SALGADO, LANDMAN

1. My name is Adriana Salgado and I am employed by Mewbourne Oil Company (“Mewbourne”) as a Landman. I am the landman responsible for the formation of the proposed unit, familiar with the application filed by Mewbourne in this matter and the status of the lands in the subject area.

2. I have previously testified before the New Mexico Oil Conservation Division as an expert in petroleum land matters and my credentials have been made a matter of public record.

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

4. Mewbourne seeks an order approving the Cousin Eddy Federal Unit consisting of approximately 9612.52 acres of the following state and federal lands situated in Eddy & Lea Counties, New Mexico:

Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico

- Section 13: All
- Section 14: All
- Section 21: All
- Section 22: All
- Section 23: All
- Section 24: All
- Section 25: All
- Section 26: All
- Section 27: All
- Section 28: All

Section 33: N2
Section 34: N2
Section 35: N2
Section 36: N2

Township 21 South, Range 32 East, NMPM, Lea County, New Mexico

Section 8: All
Section 17: All
Section 18: All

5. Mewbourne is the designated operator under the proposed Unit Agreement and the unitized interval includes all depths below the top of the Bone Spring formation.

6. **Mewbourne Exhibit A-1** is a copy of the proposed Unit Agreement with Exhibits A, B, C and D. Exhibit A to the Unit Agreement outlines the boundary of the Unit Area and identifies the tracts of land comprising the proposed Unit.

7. Exhibit B to the Unit Agreement identifies the ownership breakdown by tract for the proposed unitized interval. Mewbourne owns approximately 59% of the working interest in the proposed unitized interval, and over 74% of the total working interest is currently committed to the proposed Unit. There are two outstanding working interest owners that we are currently negotiating with and we are confident we will get both of their support. One of those working interest owners is routing paperwork for signature in order to fulfill their formal approval procedures.

8. Exhibit C is the type log referenced in the Unit Agreement that identifies the anticipated target intervals for initial development.

9. Exhibit D is the Initial Plan of Development and Operation for the proposed Unit.

10. Mewbourne has collected ratifications to obtain the sufficient percentage of working interest to have effective control of Unit operations. Mewbourne will continue to work with the remaining working interest owner and anticipates their participation in the Unit as well.

Mewbourne has also sought ratification of the Unit Agreement from overriding royalty interest owners that are not otherwise contractually committed to unitization.

11. Mewbourne has met with the New Mexico State Land Office and the Bureau of Land Management regarding the proposed unitized area and the Unit Agreement. **Mewbourne Exhibit A-2** is a copy of the preliminary approval letter from the State Land Office supporting the proposed unit area and Unit Agreement. **Mewbourne Exhibit A-3** is a copy of the logical designated letter from the Bureau of Land Management supporting the proposed unit area and Unit Agreement.

12. **Mewbourne Exhibit A-4** is a list of the working interest owners that have not yet committed to proposed unit. I have instructed our attorneys at Holland & Hart to provide notice of the hearing on this application to these uncommitted interest owners.

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. Mewbourne Exhibits A-1 through A-4 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.

Asalgado 12/13/23
Adriana Salgado Date

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EXHIBIT A-1

UNIT AGREEMENT
FOR DEVELOPMENT AND OPERATION
OF THE
COUSIN EDDY UNIT AREA
COUNTY OF EDDY & LEA
STATE OF NEW MEXICO
NO. NMNM 106306061

THIS AGREEMENT, entered into as of the 1ST day of August 2023, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the “parties hereto,”

WITNESSETH:

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

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

WHEREAS, 19-10-45, 46, 47 NM Statutes 1978 Annotated, authorizes the Commissioner of Public Lands of the State of New Mexico to consent to and approve the development or operation of State lands under cooperative agreements made by lessees of State land jointly or severally with other lessees of State lands, with lessees of the United States or with others in agreements collectively adopting and operating under a unit plan of development or operations of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the oil and gas resources of the State; and

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

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

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations including operating and unit plan regulations and State of New Mexico leases and rules and regulations, heretofore issued thereunder

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-1

April 2019

Submitted by: Mewbourne Oil Company

Hearing Date: December 21, 2023

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 9,612.52 acres, more or less.

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

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

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

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO, Land Commissioner, and the Division, evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with

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the Unit Operator, together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders.

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90-days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities and developed to the satisfaction of the AO by diligent drilling operations under an approved plan of development after the aforesaid five-year period shall become participating in the same manner as during said first five-year period. However, when such diligent drilling operations cease, all nonparticipating lands not then entitled to be in a participating area shall be automatically eliminated effective as of the 91st day thereafter.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in all formations below the top of the Bone Spring formation of the unitized lands, defined as the stratigraphic equivalent of the top of the Bone Spring formation found at a measured depth of 8,110 feet beneath the surface, as seen on the Dual Laterolog in the Federal #1 well (API: 3001523045), located at 1,980 feet FNL and 1,980 feet FWL in Section 26, Township 21 South, Range 31 East, Eddy County, New Mexico, are unitized

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under the terms of this agreement and herein are called “unitized substances”; provided, however, that it is the specific intent of the parties hereto not to cause or effectuate any horizontal segregation of any Federal or State lease committed hereto as a consequence of the aforementioned depth limitations of the unitized land. A Type Log has been provided as Exhibit “C” of this Unit Agreement.

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

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

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

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected to be used for the purpose of conducting unit operations hereunder.

Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

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

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been approved by the AO.

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

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

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

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agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location determined by the AO and Land Commissioner, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the Bone Spring formation has been tested with at least a 1-mile horizontal well which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO and Land Commissioner that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a horizontal length in excess of 5,280 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than six months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO and Land Commissioner or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

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

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

9a. Multiple well requirements¹. Notwithstanding anything in this unit agreement to the contrary, except Section 25, UNAVOIDABLE DELAY, 4 wells shall be drilled with not more than six-months' time elapsing between the completion of the first well and commencement of drilling operations for the second well and with not more than six-months' time elapsing between

¹ Provision to be included only when a multiple well obligation is required.

completion of the second well and the commencement of drilling operations for the third well, . . . regardless of whether a discovery has been made in any well drilled under this provision. Both the initial well and the second well must be drilled in compliance with the above specified formation or depth requirements in order to meet the dictates of this section; and the second well must be located a minimum of 0 miles from the initial well and in the formation designated by the AO and Land Commissioner in order to be accepted by the AO and Land Commissioner as the second unit test well, within the meaning of this section. The third test well shall be diligently drilled, at a location determined by the AO and Land Commissioner, to test the Wolfcamp formation or to a depth of 25,000 feet, whichever is the lesser, and must be located a minimum of 0 miles from both the initial and the second test wells. Nevertheless, in the event of the discovery of unitized substances in paying quantities by any well, this unit agreement shall not terminate for failure to complete the 4-well program, but the unit area shall be contracted automatically, effective the first day of the month following the default, to eliminate by subdivisions (as defined in Section 2(e) hereof) all lands not then entitled to be in participating area. The four obligation wells will be as listed in the table below:

Name	Target	FTP	BHL	Est Spud
Cousin Eddy Fed Unit #1H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #2H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #3H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #4H	WFMP	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024

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

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

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

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO and Land Commissioner is authorized to grant a reasonable extension of the six-month period herein prescribed for submission of the initial plan of development and operation where such action is justified because of unusual conditions or circumstances.

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Unit Operator shall submit for approval by the AO and Land Commissioner, a schedule, based on subdivision of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO and Land Commissioner, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established and shall govern the allocation of production commencing with the effective date of the participating area. A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO and Land Commissioner. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO and Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO and Land Commissioner, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as not

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reasonably proved to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO and Land Commissioner. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

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

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from a participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating and other production or development purposes, for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal or State land, if any, included in the participating area established for such production. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land and unleased Federal or State land, if any, included in said participating area. There shall be allocated to the working interest owner(s) of each tract of unitized land in said participating area, in addition, such percentage of the production attributable to the unleased Federal and State land

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within the participating area as the number of acres of such unitized tract included in said participating area bears to the total acres of unitized land in said participating area, for the payment of the compensatory royalty specified in Section 17 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under Section 17, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement, shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

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

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

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

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

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for the payment of any royalties due under their leases.

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

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

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

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

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

17. DRAINAGE.

(a) The Unit Operator shall take such measures as the AO deems appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this

agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO.

(b) Whenever a participating area approved under Section 11 of this agreement contains unleased Federal or State lands, the value of 16.67 percent of the production that would be allocated to such Federal lands under Section 12 of this agreement, if such lands were leased, committed and entitled to participation and the appropriate State of New Mexico royalty rate, shall be payable as compensatory royalties to the Federal and State Governments. Parties to this agreement holding working interests in committed leases within the applicable participating area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal and State lands to their unitized tracts under Section 12. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR Part 206 and the terms of the State of New Mexico leases, rules and regulations. Payment of compensatory royalties on the production reallocated from unleased Federal and State land to the committed tracts within the participating area shall fulfill the Federal and State royalty obligation for such production and said production shall be subject to no further Federal royalty assessment under Section 14 of this agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the participating area that includes unleased Federal and State lands receive a production allocation and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal or State lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal or State lands become unleased. Payment due under this provision shall end when the unleased Federal or State tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

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

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

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of

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unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

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

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

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

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

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

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

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

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(h) Any lease, other than a Federal lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

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

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

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

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

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

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

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

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

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

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

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

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

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

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of section 202 (1) to (7)

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inclusive, of Executive Order 11246 (30 FR 12319), as amended, which are hereby incorporated by reference in this agreement.

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

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

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

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

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

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

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

(a) Accept those working interest rights subject to this agreement and the unit operating agreement; or

(b) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or

(c) Provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

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

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

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

31. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each

tract shall and may charge the proper proportion of said taxes to royalty owners having interests in said-tract and may currently retain and deduct a sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or to the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

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

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

34: EXISTING WELLBORES. There is one existing wellbore that is currently producing from the unitized formation. That well is the North Bilbrey 18 Federal #1 (API 30-025-27373) operated by Matador. This well will not be brought into the unit and will continue to produce on a lease basis.

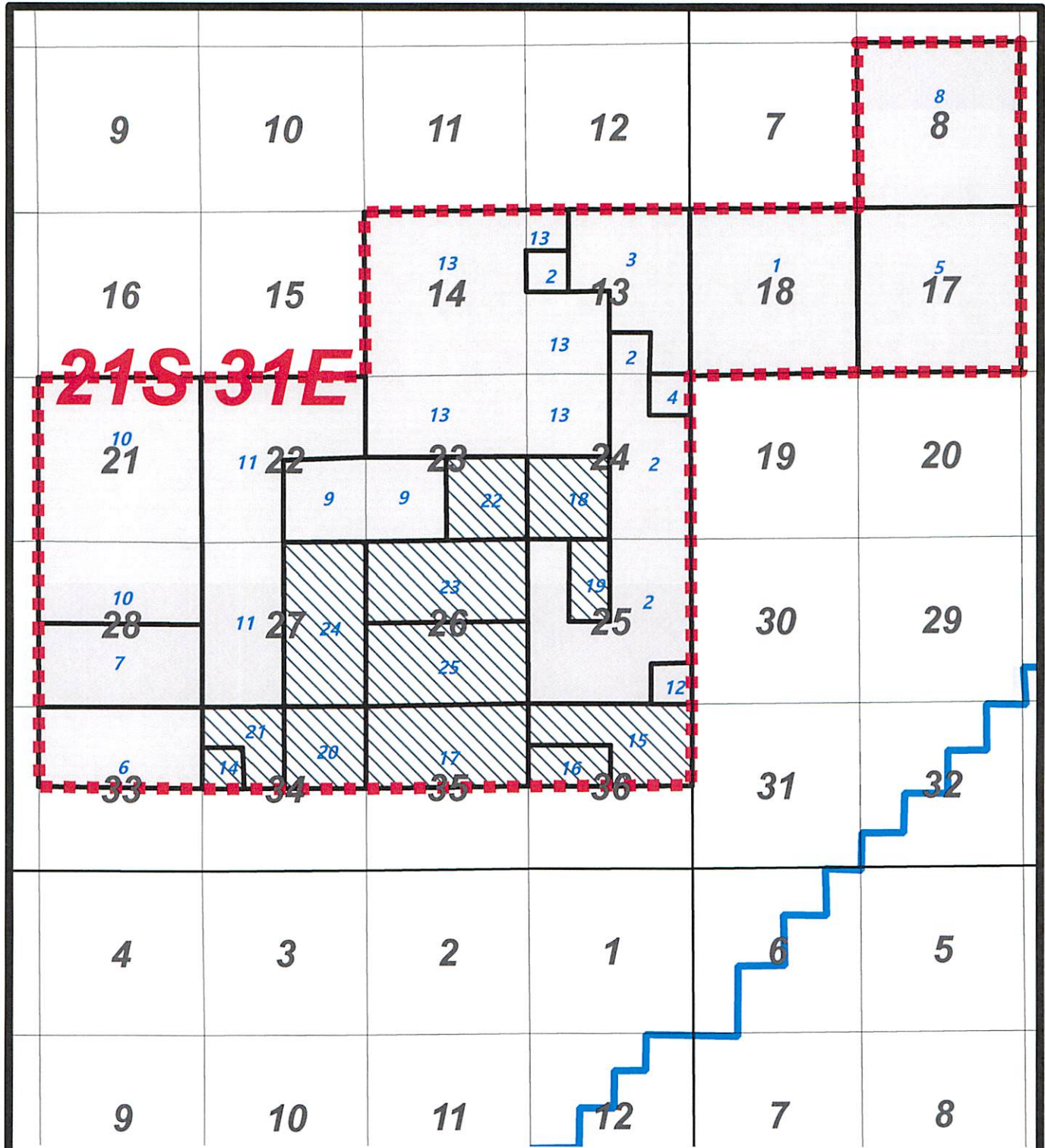
IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

Mewbourne Oil Company
Unit Operator

Working Interest Owners

Other Interest Owners

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21S-31E

Proposed Cousin Eddy Federal Unit

Federal Acreage

Potash Boundary

State Acreage

	Acreage	Percent
Federal Lands	7292.52	76%
State Lands	2320.00	24%
TOTAL	9612.52	100%

MOC Mewbourne Oil Company

*Exhibit A
Cousin Eddy Federal Unit
Unit Outline
List of Tracts*

5/31/2023	Eddy/Lea Counties	New Mexico
		N.Cless

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF THE OIL AND GAS INTERESTS
COUSIN EDDY UNIT AREA
EDDY COUNTY & LEA COUNTY, NEW MEXICO

OWNERSHIPS REFLECTED HEREIN COVERS THOSE FORMATIONS COVERING ALL DEPTHS
BELOW THE TOP OF THE BONE SPRING FORMATION

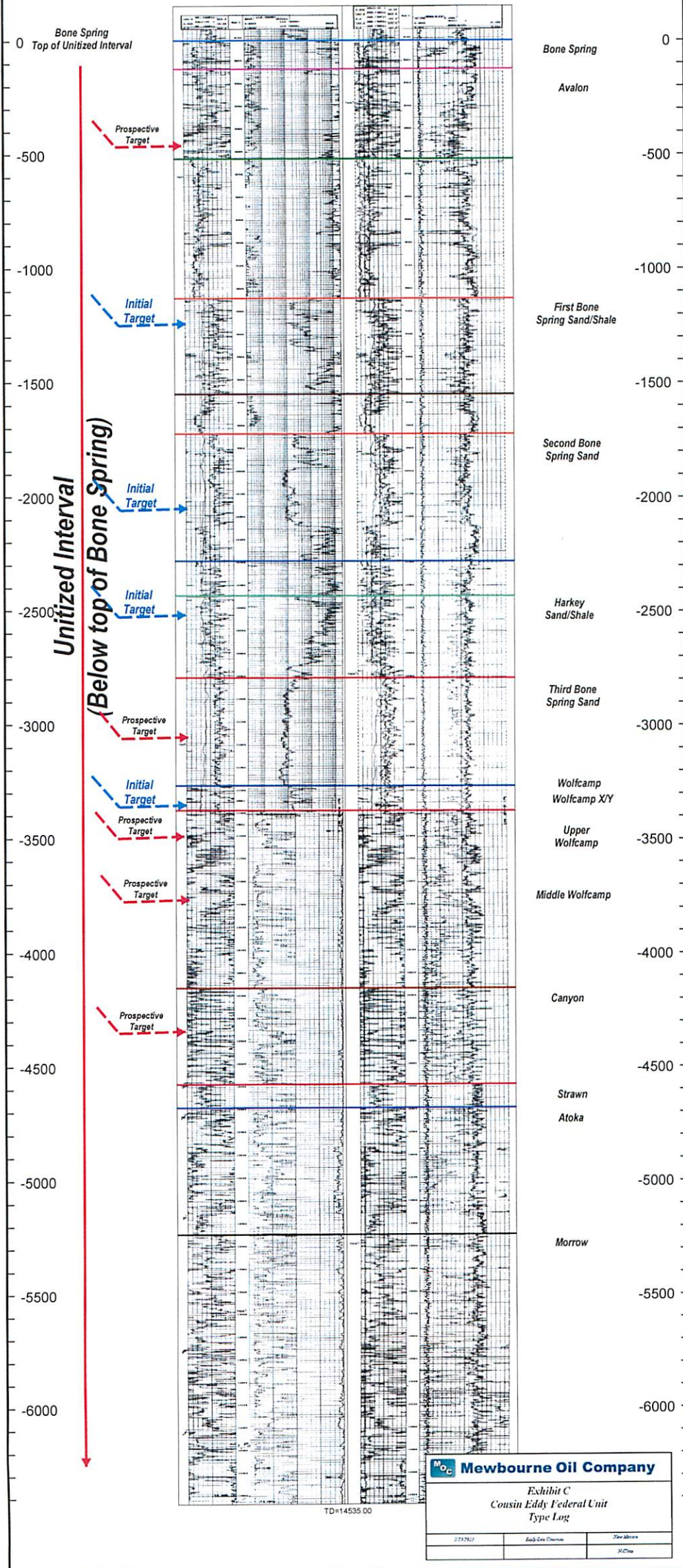
Table with columns: Unit Tract No., Township, Range, Section, Qtr/Qtr, Total Lease Acres, Lease Acreage Inside Unit Boundary, Lease Acreage Outside Unit Boundary, Number of Committed Acres, Number of Uncommitted Acres, Unit Percent of Tract Participation, Serial No., Expiration Date, Lessee (s) of Record, Overriding Royalty Owner (s), ORRI %, Working Interest Owner(s), WI %

19	215	31E	23 E2NW/4	80	80	0	72	8	0.749023%	VO-3718	HBP	EOG Resources, Inc.	State of New Mexico	16.666667%	Member Oil Company	90.000000%
20	215	31E	34 NE/4	280	160	120	144	16	1.488046%	VO-3K50	HBP	Member Oil Company	State of New Mexico	16.666667%	Member Oil Company	90.000000%
21	215	31E	34 N/2NW/4 & SE/4NW/4	280	120	160	108	12	1.123535%	VO-4100	HBP	EOG Resources, Inc.	State of New Mexico	16.666667%	Member Oil Company	90.000000%
22	215	31E	23 SE/4	160	160	0	128	32	1.311971%	VO-3746	6/1/2024	Member Oil Company	State of New Mexico	16.666667%	Member Oil Company	80.000000%
23	215	31E	26 N/2	320	320	0	0	320	0.000000%	VO-3747	HBP	OXY USA Inc.	State of New Mexico	16.666667%	OXY USA Inc.	100.000000%
24	215	31E	27 E/2	320	320	0	320	0	3.328992%	VO-3748	HBP	Devon Energy Production Company LP	State of New Mexico	16.666667%	Member Oil Company	100.000000%
25	215	31E	26 S/2	320	320	0	0	320	0.000000%	VO-3760	HBP	OXY USA Inc.	State of New Mexico	16.666667%	OXY USA Inc.	100.000000%
RECAPITULATION																
				11492.52	9612.52	1880.00	5658.10	3954.42	58.961778%							

Land Type	Percentage of Unit Area	Unit Tract Acres	Number of Committed Acres	Number of Uncommitted Acres	Unit Percent of Tract Participation
Federal	75.864810%	7292.52	4616.10	2676.42	48.021747%
State	24.135190%	2320.00	1042.00	1278.00	10.840023%
Patented	0.000000%	0.00	0.00	0.00	0.000000%
Total Unit Acres	100.000000%	9612.52	5658.10	3954.42	58.961778%

300152304500
POGO PRODUCING CO
FEDERAL 1
Reference=KB
Datum=3551.00
1980 FNU/1980 FWL
TWP. 21 S - Range 31 E - Sec. 26

Cousin Eddy Type Log

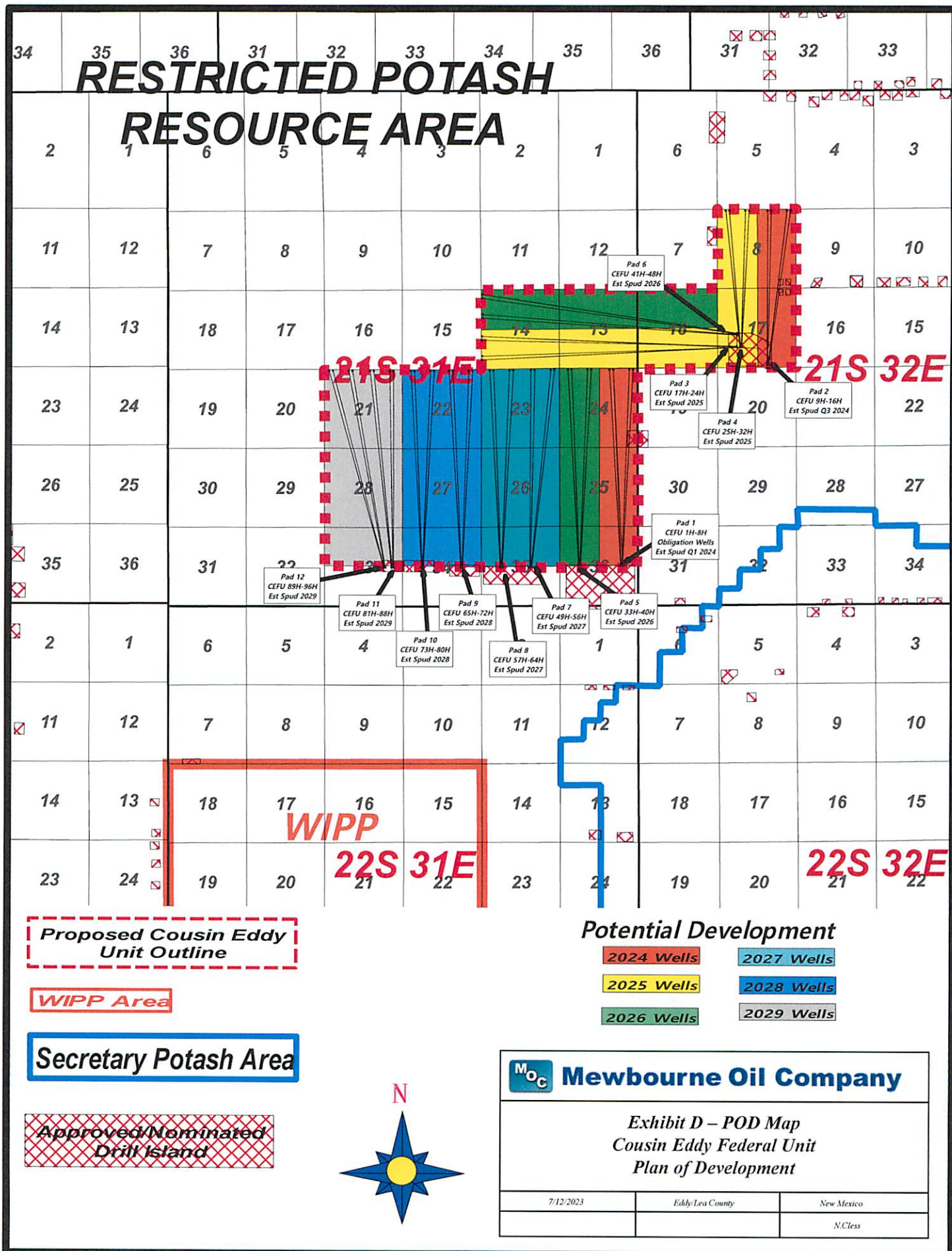


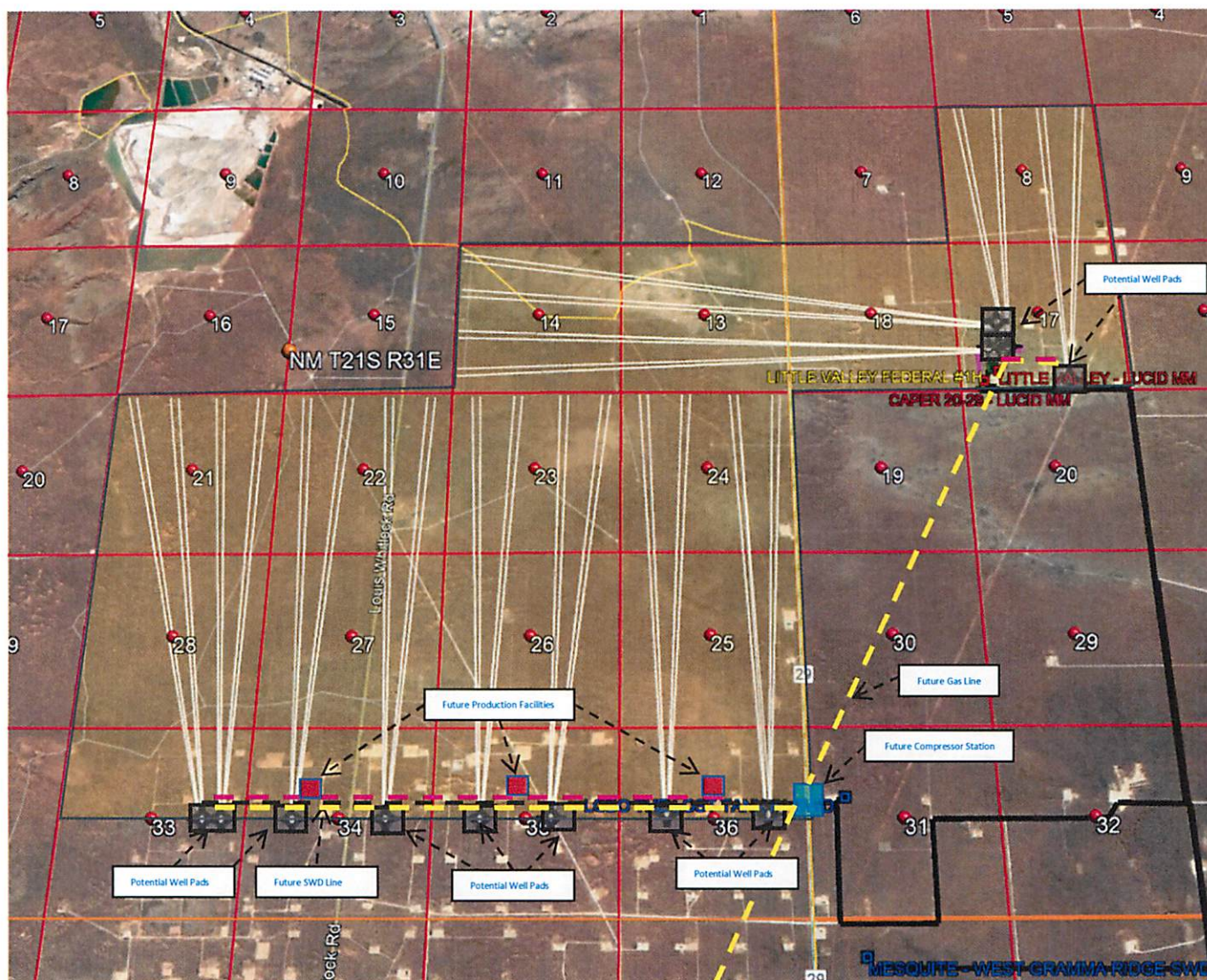
**EXHIBIT D OF UNIT AGREEMENT
INITIAL PLAN OF DEVELOPMENT AND OPERATION**

1. The Unit Operator shall be required to drill four (4) Obligation Wells on Pad 1 as follows.

Name	Target	FTP	BHL	Est Spud
Cousin Eddy Fed Unit #1H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #2H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #3H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #4H	WFMP	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024

2. The initial Obligation Wells shall be used to validate the Unit acreage as “HBP”, and to do so, the well must be drilled and on production in order to meet the public interest requirement of this agreement, subject to extension as a result of force majeure or as otherwise agreed to by the AO. Permissible extensions will be given for scheduling difficulties with third parties due to current economic climate. However, to qualify for an extension, the operator must show that, taken as a whole, they have exercised reasonable diligence to getting the well/wells on production.
3. See the complete Plan of development on the following map (Exhibit D – POD). An infrastructure map (Exhibit D – Infrastructure Map) of the area shows our existing and future infrastructure plans. Mewbourne has current operations and infrastructure in place on the eastern side of the proposed unit. Drilling pads 2, 3, 4, & 6 (Exhibit D - POD) would be drilled off the same drilling island as our Caper 20-29 wells. The Caper wells are tied into SWD pipelines, oil pipelines, and gas pipelines. Mewbourne is currently working with our midstream partners to tie in the wells on pads 2, 3, 4, & 6 to these gathering/takeaway systems. Pads 1, 5, & 7-12 will be drilled from the south side of the unit. Mewbourne is working with our midstream partners to bring gathering systems to these pads. A water disposal line connecting these southern pads will be laid that will tie into a third-party disposal system. Oil takeaway pipelines will also be laid. This will avoid the need to haul oil off site. Gas lines will be laid that connect all the Cousin Eddy Federal Unit pads to a central compressor station to get the gas to market. We are still finalizing the locations of our production facilities for the southern pads. Centralized production facilities will be used to accommodate wells from multiple pads.
4. The Unit Operator will have the option to revise the Plan of Development (POD) as necessary due to substantial change in economic conditions, force majeure, or Unavoidable Delays relating to the Unit Operator’s the-existing plan. All these changes and revisions will be evaluated by the AO. The AO can recommend additional changes, approval or denied the POD. The intent here is to work with the operator to identify obstacles and provide extension if necessary.
5. Unit Operator shall provide to the AO the following information upon request:
- Geological structure maps of the proposed target formation
 - Any cross section of wells in the area
 - A geological write-up
 - A Reservoir Engineering review with estimated reserves and economics
 - Map of the area showing the proposed surface locations and Federal leases
 - Timeline when work is expected to get started, APDs, drilling, pipeline infrastructure, etc.
 - The surface location should include if the surface is Fee, Federal, or Forest Service
 - Summary of operations and detailed well status list
 - Additional information as deemed necessary by the AO





Cousin Eddy
Federal Unit

Well Pad

Compressor Station

Production Facilities

SWD Lines

Gas Lines

Flow Lines

Existing Lines (Solid)

Future Lines (Dash)

Exhibit D – Infrastructure Map Cousin Eddy Federal Unit		
7/12/2023	Eddy/Lea County	New Mexico
		N.Clegg

EXHIBIT A-2



Stephanie Garcia Richard
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

July 14, 2023

Mewbourne Oil Company
ATTN: Ms. Adriana Selgado
500 W. Texas Avenue
Midland, TX 79701

Re: Preliminary Approval
Cousin Eddy Unit
Lea and Eddy Counties, New Mexico

Dear Ms. Selgado,

We have received your e-mail dated July 10, 2023 and the unexecuted copy of the unit agreement that you submitted for the proposed Cousin Eddy Unit area, Lea and Eddy Counties, New Mexico. This agreement meets the general requirements of the New Mexico State Land Office, and you have this date been granted preliminary approval as to form and 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.
 - d. The unit agreement is in other respects for the best interest of the Trust.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-2

Submitted by: Mewbourne Oil Company

Hearing Date: December 21, 2023

Case No. 23953

Mewbourne Oil Co.
July 14, 2023
Page 2

3. All ratifications from the Lessees of Record and Working Interest Owners. The documents must contain original signatures that are acknowledged by a notary.
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. Final approval letter from the Bureau of Land Management.
6. One copy of the Unit Operating Agreement.
7. A \$1,700.00 total filing fee. The filing fee is \$100 for each section or partial section included in the unit, whether federal, state, or privately owned.

If you have any questions or if we may be of further assistance, please contact the Units Manager, Scott Dawson at 505.827.5791 or sdawson@slo.state.nm.us.

Respectfully,



Stephanie Garcia Richard
Commissioner of Public Lands

SGR/sd

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

EXHIBIT A-3



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
 New Mexico State Office
 301 Dinosaur Trail
 Santa Fe, New Mexico 87508
<https://www.blm.gov/new-mexico>

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Exhibit No. A-3
 Submitted by: Mewbourne Oil Company
 Hearing Date: December 21, 2023
 Case No. 23953

In Reply Refer To:
 3180 (NM92500)
 NMNM106306061

Reference:
 Application and Request for Designation
 Cousin Eddy Federal Exploratory Unit
 NMNM106306061

Mewbourne Oil Co.
 Attn: Adriana Salgado
 500 West Texas, Suite 1020
 Midland, Texas 79701

Gentlemen:

Your application dated June 21, 2023, filed with the Bureau of Land Management (BLM) New Mexico State Office (NMSO), requests the designation of the **Cousin Eddy Federal Exploratory Unit** area, embracing **9,612.52 acres**, more or less, in Lea and Eddy County, New Mexico, (75.8648% Federal minerals and 24.1352% Stated lands) as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to public interest requirements and unit plan regulations at 43 CFR 3180, the land requested, as outlined on your plat marked Exhibit "A", **Cousin Eddy Exploratory Unit Area**, Lea and Eddy County, New Mexico, is hereby designated as a logical unit area and has been assigned a pending agreement number **NMNM106306061**. This unit designation is for all oil and gas in all depths below the top of the Bone Spring formation, as defined in Section 3 of the Unit Agreement, and is valid for a period of one year from the date of this letter.

The unit agreement submitted for the area designated will provide for the drilling of four (4) Obligation Wells on Pad 1 by the Unit Operator as follows.

Name	Target	FTP	BHL	Est Spud
Cousin Eddy Fed Unit #1H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #2H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
Cousin Eddy Fed Unit #3H	BS	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024

Cousin Eddy Fed Unit #4H	WFMP	SENE Sec 36/T21S/R31E	NENE Sec 24/T21S/R31E	Q1 2024
-----------------------------	------	--------------------------	--------------------------	---------

All Unit wells will be required to have the Unit name, such as "Cousin Eddy Unit No. 1H" with consecutive well numbers. All unit wells shall be operated by the Unit Operator. As stated in Section 3 in the unit agreement, unitized substances are as follows:

"All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in all formations below the top of the Bone Spring formation of the unitized lands, defined as the stratigraphic equivalent of the top of the Bone Spring formation found at a measured depth of 8,110 feet beneath the surface, as seen on the Dual Laterolog in the Federal #1 well (API: 3001523045), located at 1,980 feet FNL and 1,980 feet FWL in Section 26, Township 21 South, Range 31 East, Eddy County, New Mexico, are unitized under the terms of this agreement and herein are called "unitized substances."; provided, however, that it is the specific intent of the parties hereto not to cause or effectuate any horizontal segregation of any Federal or State lease committed hereto as a consequence of the aforementioned depth limitations of the unitized land. A Type Log has been provided as Exhibit C of this Unit Agreement."

The use of the model form for a Bureau of Land Management (BLM) New Mexico State Office (NMSO) Federal Exploratory Unit, modified as shown in your application, will be accepted with BLM NMSO revisions. If conditions arise such that further modifications of said standard form are proposed, two (2) copies of the proposed modifications with appropriate justification must be re-submitted to this office for preliminary approval.

In the event where a suspension or extension is needed, the unit operator must submit the application for a suspension or extension, prior to the expiration date, with thorough and detailed documentation of reasons for requesting a suspension or extension. An initial detailed Plan of Development shall be submitted as well as supporting documentation. Once the unit tracts are unitized, Suspensions of Federal oil and gas leases are outlined in 43 CFR 3103.4-4 and 43 CFR 3165.1. Federal oil and gas lease extensions are outlined in 43 CFR 3105.5-4 and 43 CFR 3107.

Any producible wells producing from the unitized interval that exist in the unit area prior to unitization will not be considered for recognition as unit wells until after establishment of an initial participating area based on the aforementioned obligation wells. If a well is commenced and penetrated the geologic formation specified in Section 9 of the unit agreement prior to final unit approval, it cannot be considered as a unit obligation well. In such event, the unit obligation well still must be drilled.

In the absence of any type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny final approval of any executed agreement submitted that, in our opinion, does not serve the public interest or does not have

the full commitment of sufficient lands to afford effective control of operations in the unit area.

Inasmuch as this unit area contains State of New Mexico lands, we are sending a copy of this letter to the New Mexico State Land Office, and we hereby request that you contact the State promptly in connection with this letter before soliciting joinders. The designation of this unit by BLM shall only become valid and effective upon official like designation by the New Mexico State Land Commissioner.

Please include the latest status of all acreage along with a separate recapitulation table of the latest commitment status of the interests in each tract when the executed agreement is submitted for final approval.

In preparing Exhibits "A" and "B", the format of the included sample exhibits of the model form shall be followed with the NMSO revisions. A minimum of three (3) copies of the executed agreement shall be submitted with your request for final approval.

Participating areas within the unit shall encompass only those lands that lie within the productive drainage areas of individual unit wells as determined by reasonable and established geologic and reservoir engineering analysis methods. This is commonly known as a "divided" unit. Such wells must be capable of production of unitized substances in paying quantities.

As provided in 43 CFR 3165.3(b), you may request an administrative review of this decision before the State Director. Per 43 CFR 3165.4, you may appeal any instructions, orders, or decisions issued by the BLM New Mexico State Office directly to the Interior Board of Land Appeals pursuant to the regulations found at 43 CFR 4. A copy of Form 1842-1, *Information on Taking Appeals to the Interior Board of Land Appeals*, is enclosed.

Please contact Edward G Fernandez, Petroleum Engineer, at efernand@blm.gov if you have any questions.

Sincerely,

**KYLE
PARADIS**

Digitally signed by KYLE PARADIS
Date: 2023.08.09 11:01:44 -06'00'

Kyle Paradis
Branch Chief of Reservoir Management
Division of Minerals

Enclosures

- 1 – Mewbourne Cousin Eddy Application for Preliminary Approval
- 2 - Form 1842-1

cc: w/enclosure

NMP0220, CFO Chris Walls

NMP0220, CFO Jim Rutley

NM92500, Unit File

New Mexico State Land Office (Scott Dawson)

sdawson@slo.state.nm.us

EXHIBIT A-4

UNCOMMITTED OWNERS IN THE PROPOSED COUSIN EDDY FEDERAL UNIT

WORKING INTEREST OWNERS

MRC Hat Mesa, LLC
One Lincoln Centre
5400 LBJ Freeway, Suite 1500
Dallas, Texas 75240

OXY USA Inc.
OXY Y-1 Company
5 Greenway Plaza, Suite 110
Houston, Texas 77046

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

**APPLICATION OF MEWBOURNE OIL COMPANY FOR
APPROVAL OF THE COUSIN EDDY FEDERAL UNIT,
EDDY & LEA COUNTIES, NEW MEXICO.**

CASE NO. 23953

SELF-AFFIRMED STATEMENT OF NATHAN CLESS, GEOLOGIST

1. My name is Nathan Cless and I am employed by Mewbourne Oil Company (“Mewbourne”) as a geologist. I am familiar with the application filed by Mewbourne in this case and have conducted a geologic study of the proposed unit area.

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

3. The unitized interval for the proposed Cousin Eddy Federal Unit is comprised of all depth below the top of the Bone Spring formation. The anticipated targets for initial development are intervals within the Bone Spring and Wolfcamp formations.

4. Mewbourne Exhibits B-1 and B-2 contain subsea structure maps that I prepared for the Bone Spring and Wolfcamp formations with contour intervals at 50 feet. The proposed unit area is outlined in red on each map. These maps demonstrate that the structure dips at a uniform rate from northwest to southeast across the unit area. I do not observe any faults, pinch outs, or other geologic impediments to efficiently and effectively developing the unit area with horizontal or vertical wells and a unitized plan of operation.

5. Mewbourne Exhibits B-1 and B-2 also identify the location of the wells utilized to create cross-sections showing the Bone Spring, Wolfcamp, and Pennsylvanian formations. I choose these wells because they contain quality log data and they are the only wells deep enough

**BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B
Submitted by: Mewbourne Oil Company
Hearing Date: December 21, 2023
Case No. 23953**

to show the Bone Spring, Wolfcamp, and Pennsylvanian formations directly around the unit area. In my opinion these well logs are representative of the geology underlying the unit area.

6. Mewbourne Exhibits B-3, B-4, and B-5 are the stratigraphic cross-sections showing the Bone Spring, Wolfcamp, and Pennsylvanian formations using the wells depicted on Exhibits B-1 and B-2. On the cross sections, I have identified on the various intervals for initial development. These intervals include the First Bone Spring, Second Bone Spring, Harkey, and Upper Wolfcamp formations. These intervals are indicated by the dashed blue arrows. Secondary intervals for development are indicated by the dashed red arrows. These cross sections demonstrate that the expected productive intervals are continuous across the unitized area.

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

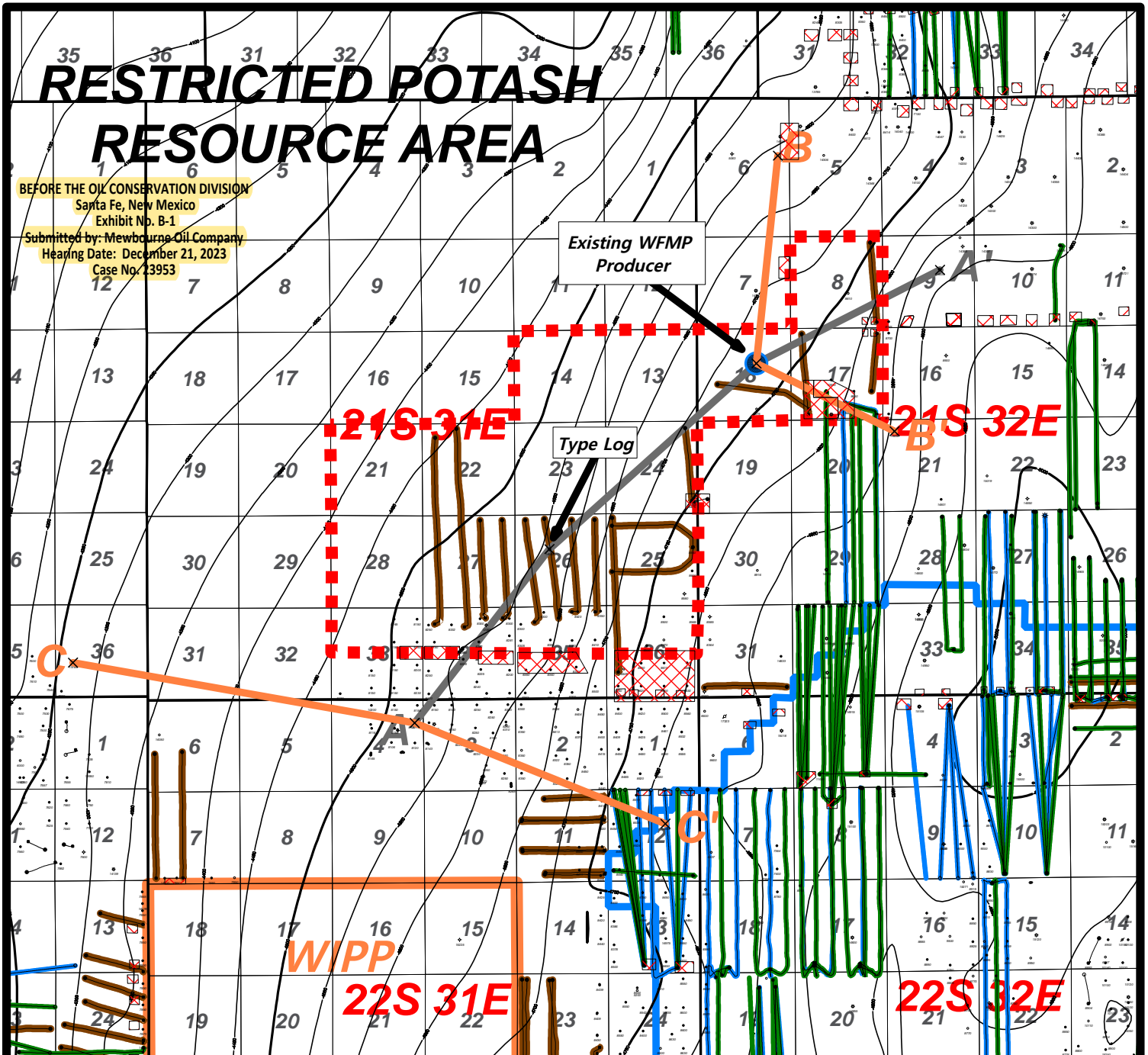
8. Mewbourne Exhibits B-1 through B-5 were either prepared by me or compiled under my direction and supervision.

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.

 12/15/23

Nathan Cless

Date



Proposed Cousin Eddy Unit Outline

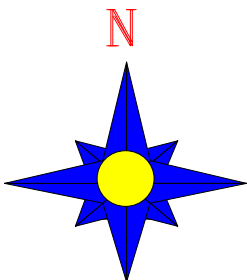
WIPP Area

Secretary Potash Area

Approved/Nominated Drill Island

Existing Wolfcamp Producer

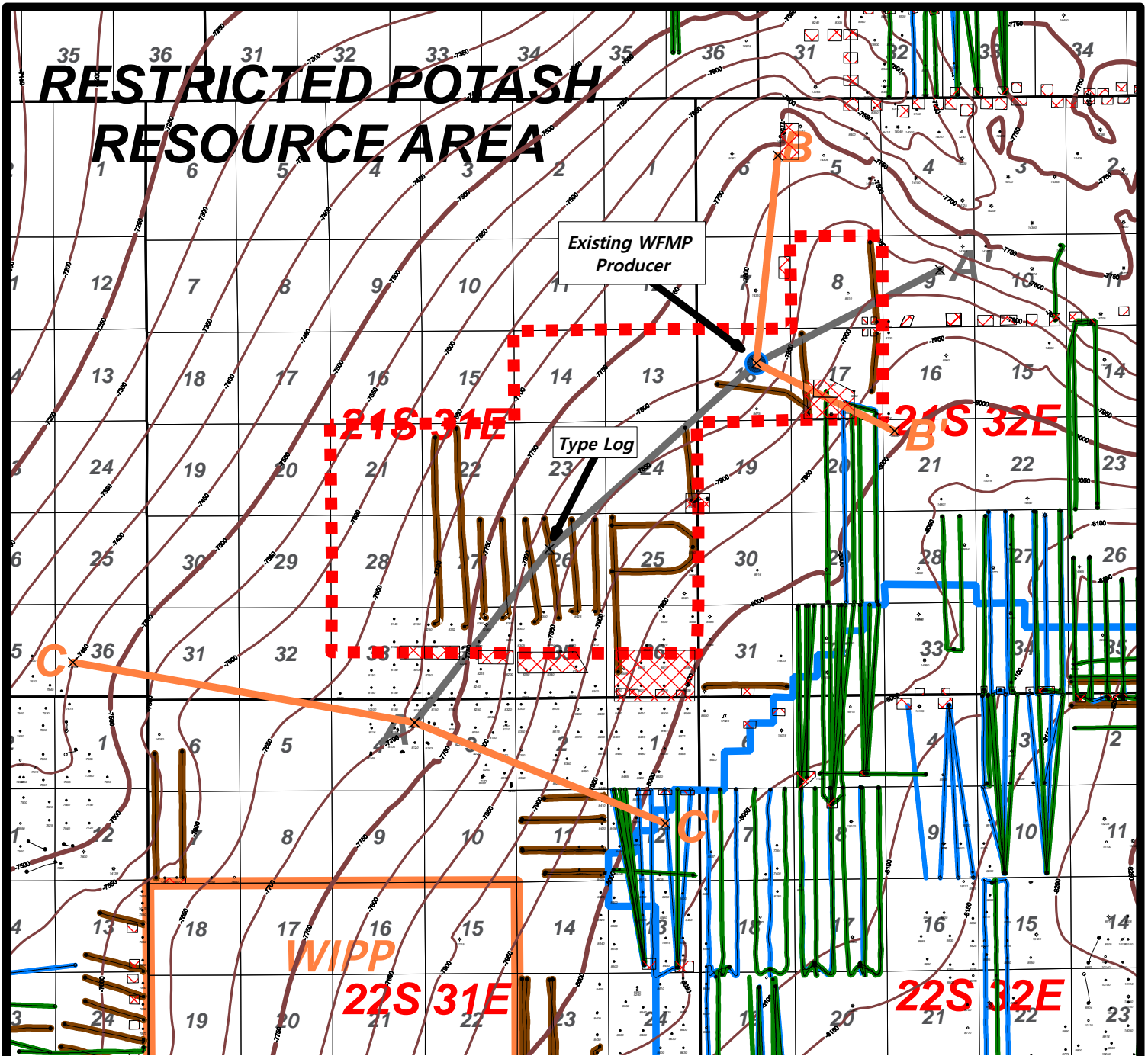
●
TD
WFMP Subsea



Horizontal Activity

- Delaware
- Bone Spring
- Wolfcamp

M_{OC} Mewbourne Oil Company		
Mewbourne Exhibit B-1 Cousin Eddy Federal Unit Structure Map on Top of the Bone Spring Formation (C.I. 50')		
12/12/2023	Eddy/Lea Counties	New Mexico
N.Cless		



Proposed Cousin Eddy Unit Outline

WIPP Area

Secretary Potash Area

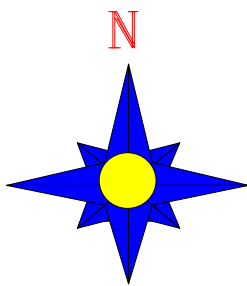
Approved/Nominated Drill Island

Existing Wolfcamp Producer

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Exhibit No. B-2
 Submitted by: Mewbourne Oil Company
 Hearing Date: December 21, 2023
 Case No. 23953

Horizontal Activity

- Delaware
- Bone Spring
- Wolfcamp



MOC Mewbourne Oil Company

*Mewbourne Exhibit B-2
 Cousin Eddy Federal Unit
 Structure Map on Top of the Wolfcamp Formation
 (C.I. 50')*

12/12/2023	Eddy/Lea Counties	New Mexico
		N.Cless

A

A'

300153491800
POGO PRODUCING CO
LOST TANK 4 FEDERAL 20
Reference=KB
Datum=3486.00
NE SE NE
TWP: 22 S - Range: 31 E - Sec. 4

2.4 miles

300152304500
POGO PRODUCING CO
FEDERAL 1
Reference=KB
Datum=3551.00
1980 FNL/1980 FNL
TWP: 21 S - Range: 31 E - Sec. 26

3.0 miles

300252737300
MEADCO PROPERTIES
NORTH BILBREY '18' 1
Reference=KB
Datum=3660.00
1980 FNL/1980 FEL
TWP: 21 S - Range: 32 E - Sec. 18

2.2 miles

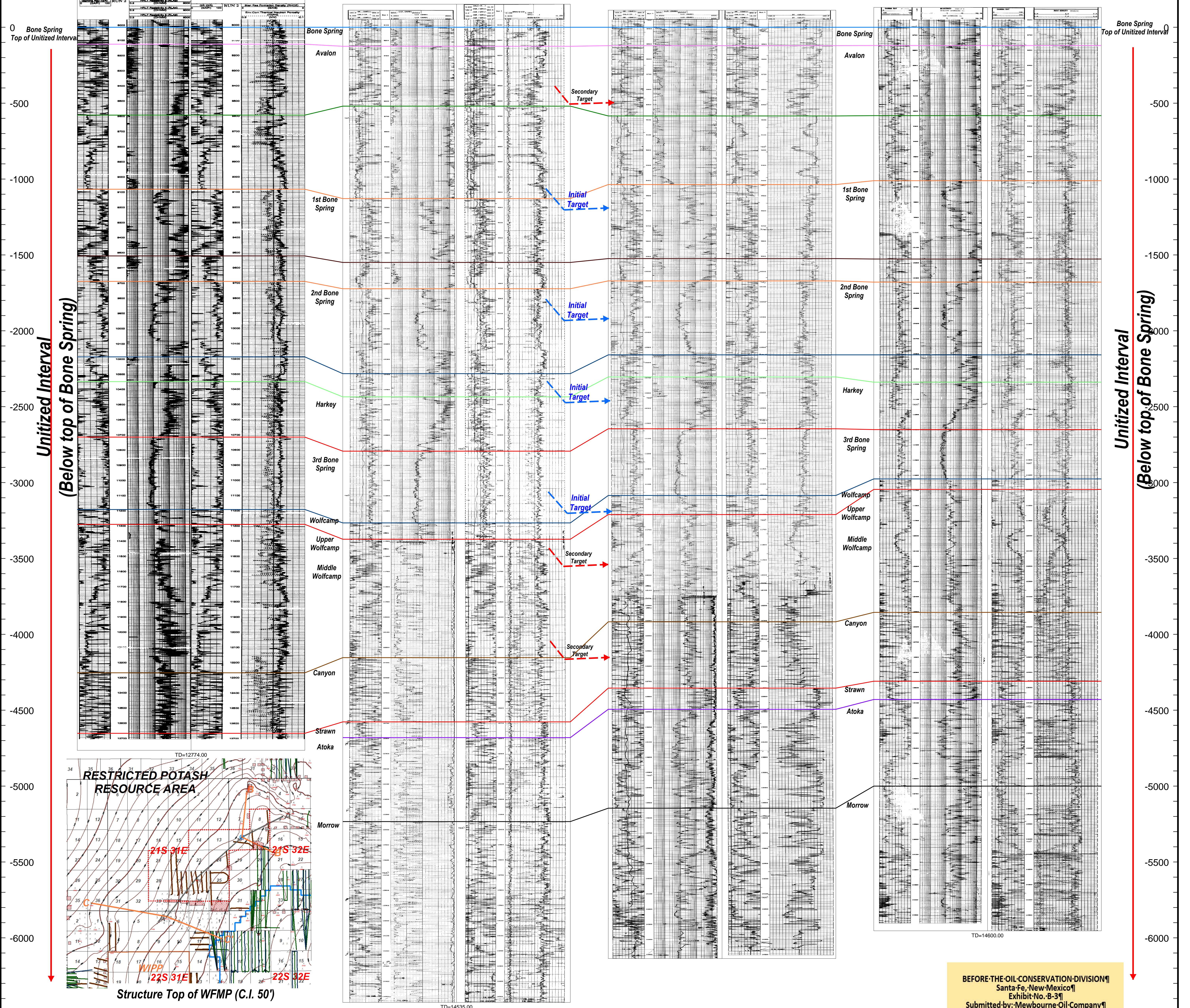
300252593100
UNION OIL
HALFWAY FEDERAL 1
Reference=KB
Datum=3751.00
1980 FNL/1980 FEL
TWP: 21 S - Range: 32 E - Sec. 9

4 H

26 F

18 G

9 G



BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Exhibit No. B-31
 Submitted by: Mewbourne Oil Company
 Hearing Date: December 21, 2023
 Case No. 239532

B

B'

300252661000
SAMSON RESOURCES CO
NM FEDERAL 'G' COM 1
Reference=KB
Datum=3676.00
4650 FSL/660 FEL
TWP: - Range: - Sec.

2.3 miles

300252737300
MEADCO PROPERTIES
NORTH BILBREY '18' 1
Reference=KB
Datum=3660.00
1980 FNL/1980 FEL
TWP: 21 S - Range: 32 E - Sec. 18

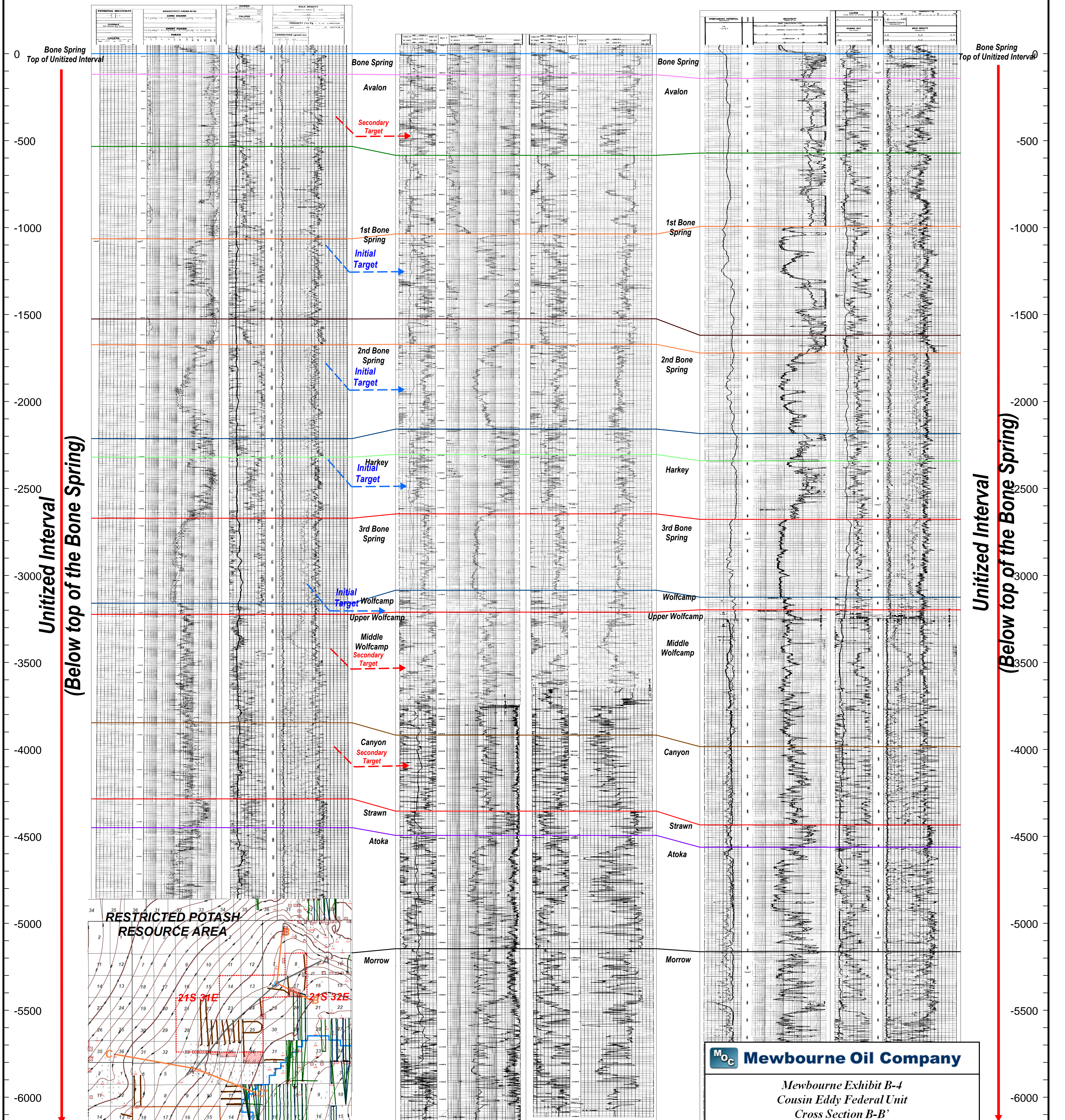
1.7 miles

300252466300
SKELLY OIL COMPANY
SALT LAKE SOUTH UNIT 1
Reference=KB
Datum=3679.00
660 FNL/660 FWL
TWP: 21 S - Range: 32 E - Sec. 21

6 H

18 G

21 D



Unitized Interval
(Below top of the Bone Spring)

Unitized Interval
(Below top of the Bone Spring)

MOC Mewbourne Oil Company

Mewbourne Exhibit B-4
Cousin Eddy Federal Unit
Cross Section B-B'

12/12/2023	Eddy/Lea Counties	New Mexico
		N.Cleaz

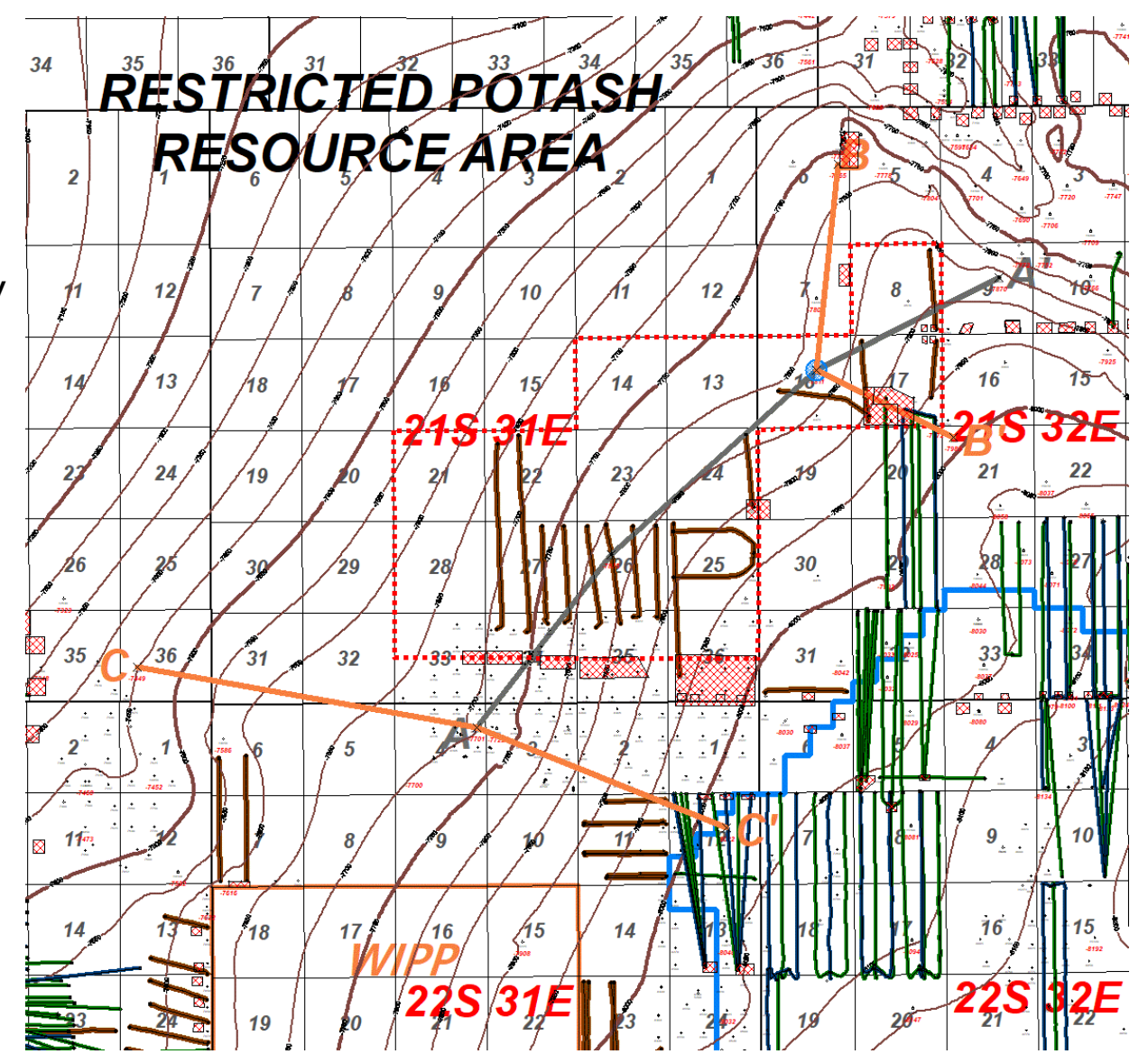
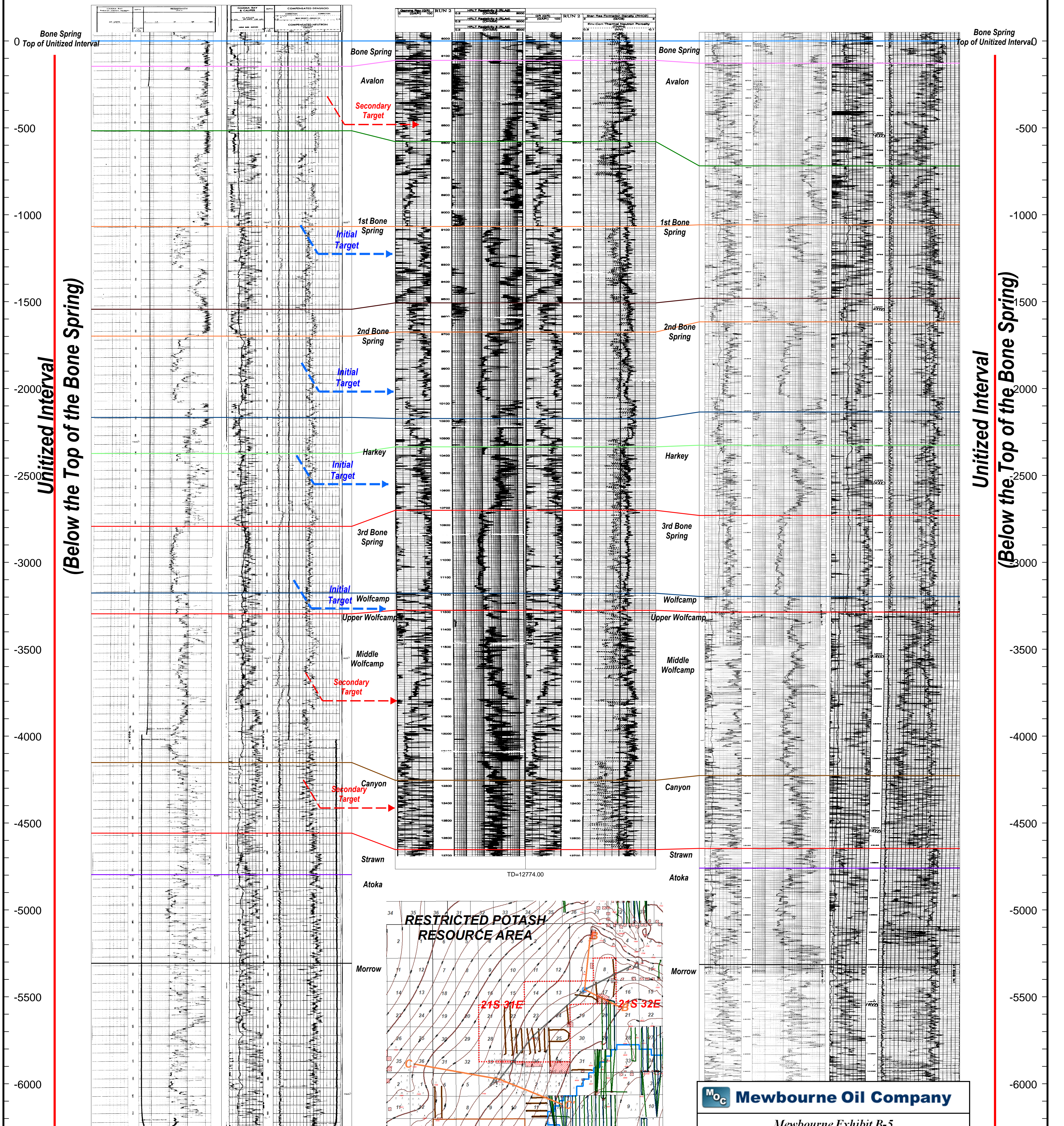
BEFORE-THE-OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B-4
Submitted by: Mewbourne Oil Company
Hearing Date: December 21, 2023
Case No. 23953R

300152150100 3.8 miles 300153491800 2.9 miles 300152423200

GRACE CORINE
LIVINGSTON RIDGE U 1X
Reference=KB
Datum=3256.00
E NW SW
TWP: 21 S - Range: 30 E - Sec. 36

POGO PRODUCING CO
LOST TANK 4 FEDERAL 20
Reference=KB
Datum=3486.00
NE SE NE
TWP: 22 S - Range: 31 E - Sec. 4

POGO PRODUCING CO
FEDERAL 'SCL' 2
Reference=KB
Datum=3642.00
1980 FNL/1980 FEL
TWP: - Range: - Sec.



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B-5
Submitted by: Mewbourne Oil Company
Hearing Date: December 21, 2023
Case No. 23953

MOC Mewbourne Oil Company

Mewbourne Exhibit B-5
Cousin Eddy Federal Unit
Cross Section C-C'

12/12/2023	Eddy/Lea Counties	New Mexico
		N. Clegg

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

APPLICATION OF MEWBOURNE OIL COMPANY FOR
APPROVAL OF THE COUSIN EDDY FEDERAL UNIT,
EDDY & LEA COUNTIES, NEW MEXICO.

CASE NO. 23953

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 December 15, 2023.

4. I caused a notice to be published to all parties affected by this application on November 22, 2023 (Eddy County) and November 23, 2023 (Lea County). Affidavits 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: Mewbourne Oil Company

Hearing Date: December 21, 2023

State of New Mexico)

County of Santa Fe)

SUBSCRIBED AND SWORN to before me this 18th day of December, 2023 by
Michael H. Feldewert.



Notary Public

My Commission Expires:

6/28/26

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



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

November 17, 2023

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL AFFECTED PARTIES

Re: Application of Mewbourne Oil Company for Approval of the Cousin Eddy Federal Unit, Eddy & Lea Counties, New Mexico: *Cousin Eddy Federal Unit*

Greetings:

This letter is to advise you that Mewbourne Oil Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on December 7, 2023, and the status of the hearing can be monitored through the Division’s website at <http://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 Adriana Jimenez-Salgado at (432) 682-3715, or at asalgado@mewbourne.com.

Sincerely,

Michael H. Feldewert
ATTORNEY FOR MEWBOURNE OIL COMPANY

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: 505.983.6043
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.

MOC - Cousin Eddy Unit - Case no. 23953
Postal Delivery Report

9414811898765498241113	OXY USA INC./OXY Y-1 Company	5 Greenway Plz Ste 110	Houston	TX	77046-0521	Your item has been delivered to an agent for final delivery in HOUSTON, TX 77046 on November 25,
9414811898765498241151	MRC Hat Mesa, LLC	Once Lincoln Centre5400 Lbj Freeway, Suite 1500	Dallas	TX	75240	Your item was delivered to an individual at the address at 10:17 am on November 27, 2023 in DALLAS, TX
9414811898765498241168	Advance Energy Partners Hat Mesa LLC	Once Lincoln Centre5400 Lbj Freeway, Suite 1500	Dallas	TX	75240	Your item was delivered to an individual at the address at 10:18 am on November 27, 2023 in DALLAS, TX
9414811898765498241120	Coert Agent I Co Inc.	20 Horseneck Ln	Greenwich	CT	06830-6300	Your item has been delivered to an agent for final delivery in GREENWICH, CT 06830 on
9414811898765498241106	Devon Energy Production Co, LP	333 W Sheridan Ave	Oklahoma City	OK	73102-5010	Your package will arrive later than expected, but is still on its way. It is currently in transit to the
9414811898765498241144	Sam L. Shackelford	1096 Mechem Dr	Ruidoso	NM	88345-7067	This is a reminder to arrange for redelivery of your item or your item will

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
November 23, 2023
and ending with the issue dated
November 23, 2023.



Publisher

Sworn and subscribed to before me this
23rd day of November 2023.



Business Manager

My commission expires
January 29, 2027

(Seal) STATE OF NEW MEXICO
NOTARY PUBLIC
GUSSIE RUTH BLACK
COMMISSION # 1087526
COMMISSION EXPIRES 01/29/2027

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said publication has been made.

LEGAL NOTICE
November 23, 2023

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

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following cases. The hearings will be conducted remotely on Thursday, December 7, 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 Sheila Apodaca, at Sheila.Apodaca@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 Sheila Apodaca at Sheila.Apodaca@emnrd.nm.gov, or the New Mexico Relay Network at 1-800-659-1779, no later than November 27, 2023.

Persons may view and participate in the hearings through the following link: <https://nmemnrd.webex.com/nmemnrd/j.php?MTID=m8e2efa70128b8314f91bf0542ac8df6c>

Webinar number: 2497 742 0771

Join by video system: 24977420771@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: 2497 742 0771
Panelist password: b2WcDzPF47 (22923973 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: OXY USA INC./OXY Y-1 Company; MRC Hat Mesa, LLC; Advance Energy Partners Hat Mesa LLC; Coert Agent I Co Inc.; Devon Energy Production Co, LP, and Sam L. Shackelford.

Case No. 23953: Application of Mewbourne Oil Company for Approval of the Cousin Eddy Federal Unit, Eddy & Lea Counties, New Mexico. Applicant seeks approval of the Cousin Eddy Federal Unit consisting of approximately 9612.52 acres of the following state and federal lands situated in Eddy & Lea Counties, New Mexico:

Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico:

- Section 13: All
- Section 14: All
- Section 21: All
- Section 22: All
- Section 23: All
- Section 24: All
- Section 25: All
- Section 26: All
- Section 27: All
- Section 28: All
- Section 33: N2
- Section 34: N2
- Section 35: N2
- Section 36: N2

Township 21 South, Range 32 East, NMPM, Lea County, New Mexico:

- Section 8: All
- Section 17: All
- Section 18: All

The unitized interval includes all depths below the top of the Bone Spring formation. The subject acreage is located approximately 27 miles east of Carlsbad, New Mexico.
#00285087

HOLLAND & HART LLC
PO BOX 2208
SANTA FE, NM 87504-2208

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. D
Submitted by: Mewbourne Oil Company
Hearing Date: December 21, 2023
Case No. 23953

Carlsbad Current Argus.

PART OF THE USA TODAY NETWORK

Affidavit of Publication

Ad # 0005860063

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HOLLAND AND HART
PO BOX 2208

SANTA FE, NM 87504-2208

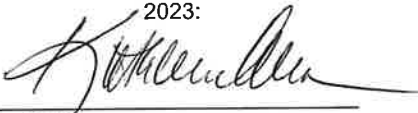
I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements 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:

11/22/2023

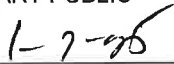


Legal Clerk

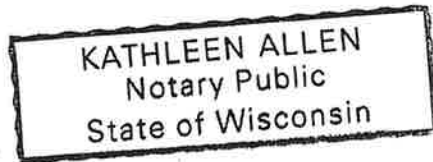
Subscribed and sworn before me this November 22,
2023:



State of WI, County of Brown
NOTARY PUBLIC



My commission expires



Ad # 0005860063
PO #: 23953
of Affidavits 1

This is not an invoice

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

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Access code: 2497 742 0771
Panelist password:
b2WcDzPF647 (22923973 from phones and video systems)

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

To: All affected interest owners, including: OXY USA INC./OXY Y-1 Company; MRC Hat Mesa, LLC; Advance Energy Partners Hat Mesa LLC; Coert Agent 1 Co Inc.; Devon Energy Production Co, LP, and Sam L. Shackelford.

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- Section 28: All
- Section 33: N2

Section 34: N2
Section 35: N2
Section 36: N2
Township 21 South, Range 32
East, NMPM, Lea County, New
Mexico:
Section 8: All
Section 17: All
Section 18: All

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#586063, Current Argus,
November 22, 2023