

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION TO
CONSIDER:**

**CASE NO. 20447
ORDER NO. R-20703**

**APPLICATION OF OXY USA INC FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 13, 2019, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 22nd day of July 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

- (1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.
- (2) Applicant seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit, as that unit is described in the attached Exhibit "A".
- (3) Applicant seeks to dedicate the Proposed Well(s) detailed in Exhibit "A" to the Unit.
- (4) No other party appeared or otherwise opposed this application.
- (5) Applicant appeared at the hearing through counsel and presented evidence to the effect that:
 - (a) All completed well locations are expected to be standard or Applicant will apply administratively for approval of location exceptions.
 - (b) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance

instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.

- (c) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(6) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(7) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(8) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(9) There are interest owners in the Unit that have not agreed to pool their interests.

(10) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the pooled depth interval within the Unit.

(11) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(12) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(13) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional reasonable charge [see Exhibit "A"] for the risk involved in drilling the Well(s).

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the spacing unit (or the portion thereof within the pooled vertical extent) described in Exhibit "A" are hereby pooled. Exhibit "A" hereto is incorporated herein by this reference and made a part of this order for all purposes.

(2) The Unit shall be dedicated to the proposed "Well(s)".

(3) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(4) The operator of the Unit shall commence drilling the Well(s) on or before the end of the month corresponding to the date of this order, in the year following the date of issuance of this order and shall thereafter continue drilling the Well(s) with due diligence to test the pooled formation or pooled vertical depths. The Well(s) shall be drilled approximately to the proposed true vertical and measured depths.

(5) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(6) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(7) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(8) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(9) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the

Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, the percent (shown in Exhibit "A") of the above costs.

(15) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs"

reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(16) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(17) Reasonable charges for supervision (combined fixed rates) are hereby fixed at the rates shown in Exhibit "A" per month, per well, while drilling and while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(18) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

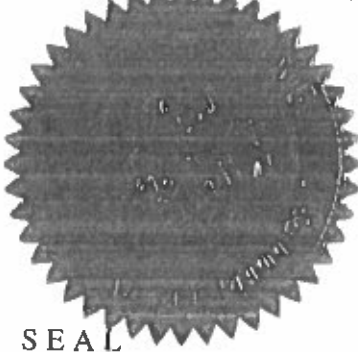
(19) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(20) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(21) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(22) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to be 'AS' or 'Adrienne Sandoval'.

ADRIENNE SANDOVAL
Director

Exhibit "A"

Applicant: OXY USA Inc
Operator: OXY USA Inc (OGRID 16696)

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter section equivalents
Unit Size: 613.28 acres (more or less)
Orientation of Unit: North to South

Unit Description: W/2 of Section 30 and W/2 of Section 31, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation, limited depths as follows:
From 9100 feet to 10591 feet in equivalent depths as defined in the Type Log for the Red Tank 31 State 5H Pilot 30-025-41885.

Pool: Red Tank; Bone Spring, East (Pool code 51687)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts: W/2 W/2 of Sections 30 and 31 as encroached by the completed interval of the Avogato 30 31 State Com Well No. 12H.

Monthly charge for supervision: While drilling: \$7500 While producing: \$750
As the charge for risk, 200 percent of reasonable well costs.

There are 3 Proposed Well(s):

Avogato 30 31 State Com Well No. 11H, API No. 30-025-45956

SHL: 160 feet from the North line and 885 feet from the West line,
(Lot 1 or Unit D) of Section 30, Township 22 South, Range 33 East, NMPM.
BHL: 22 feet from the South line and 500 feet from the West line,
(Lot 4 or Unit M) of Section 31, Township 22 South, Range 33 East, NMPM.

Avogato 30 31 State Com Well No. 12H, API No. 30-025-45957

SHL: 160 feet from the North line and 920 feet from the West line,
(Lot 1 or Unit D) of Section 30, Township 22 South, Range 33 East, NMPM.
BHL: 21 feet from the South line and 1310 feet from the West line,
(Unit N) of Section 31, Township 22 South, Range 33 East, NMPM.

Avogato 30 31 State Com Well No. 13H, API No. 30-025-45958

SHL: 160 feet from the North line and 2375 feet from the East line,
(Unit B) of Section 30, Township 22 South, Range 33 East, NMPM.

BHL: 22 feet from the South line and 2190 feet from the West line,
(Unit N) of Section 31, Township 22 South, Range 33 East, NMPM.

Completion Target: Bone Spring at approx 9500 feet TVD.

Well Orientation: North to South

Completion Locations expected to be: Standard

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION TO
CONSIDER:**

**CASE NO. 20448
ORDER NO. R-20704**

**APPLICATION OF OXY USA INC FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 02, 2019, at Santa Fe, New Mexico, before Examiner Scott A. Dawson.

NOW, on this 22nd day of July 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

- (1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.
- (2) Applicant seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit, as that unit is described in the attached Exhibit "A".
- (3) Applicant seeks to dedicate the Proposed Well(s) detailed in Exhibit "A" to the Unit.
- (4) No other party appeared or otherwise opposed this application.
- (5) Applicant appeared at the hearing through counsel and presented evidence to the effect that:
 - (a) All completed well locations are expected to be standard or Applicant will apply administratively for approval of location exceptions.
 - (b) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance

instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.

- (c) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(6) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(7) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(8) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(9) There are interest owners in the Unit that have not agreed to pool their interests.

(10) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the pooled depth interval within the Unit.

(11) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(12) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(13) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional reasonable charge [see Exhibit "A"] for the risk involved in drilling the Well(s).

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the spacing unit (or the portion thereof within the pooled vertical extent) described in Exhibit "A" are hereby pooled. Exhibit "A" hereto is incorporated herein by this reference and made a part of this order for all purposes.

(2) The Unit shall be dedicated to the proposed "Well(s)".

(3) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(4) The operator of the Unit shall commence drilling the Well(s) on or before the end of the month corresponding to the date of this order, in the year following the date of issuance of this order and shall thereafter continue drilling the Well(s) with due diligence to test the pooled formation or pooled vertical depths. The Well(s) shall be drilled approximately to the proposed true vertical and measured depths.

(5) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(6) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(7) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(8) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(9) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the

Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

- (a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, the percent (shown in Exhibit "A") of the above costs.

(15) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs"

reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(16) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(17) Reasonable charges for supervision (combined fixed rates) are hereby fixed at the rates shown in Exhibit "A" per month, per well, while drilling and while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(18) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

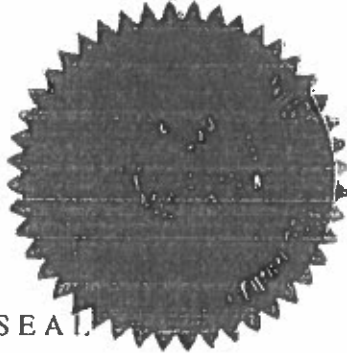
(19) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(20) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(21) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(22) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Adrienne Sandoval".

ADRIENNE SANDOVAL
Director

Exhibit "A"

Applicant: OXY USA Inc
Operator: OXY USA Inc (OGRID 16696)

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter section equivalents
Unit Size: 613.28 acres (more or less)
Orientation of Unit: North to South

Unit Description:

W/2 of Section 30 and W/2 of Section 31,

Township 22 South, Range 33 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation, depths as follows:

From equivalent depths of 10592 feet to 12088 (base of the Bone Spring) as shown in the Red Tank 31 State 5H Pilot (API No. 30-025-41885).

Pool: Red Tank; Bone Spring, East (Pool code 51687)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts:

The W/2 W/2 of Sections 30 and 31 as encroached by Well No.'s 22H and 32H

Monthly charge for supervision: While drilling: \$7500 While producing: \$750

As the charge for risk, 200 percent of reasonable well costs.

There are 6 Proposed Well(s):

Avogato 30 31 State Com Well No. 21H, API No. 30-025-45924

SHL: 420 feet from the North line and 1350 feet from the West line,
(Unit C) of Section 30, Township 22 South, Range 33 East, NMPM.

BHL: 21 feet from the South line and 500 feet from the West line,
(Lot 4 or Unit M) of Section 31, Township 22 South, Range 33 East, NMPM.

Avogato 30 31 State Com Well No. 22H, API No. 30-025-45925

SHL: 420 feet from the North line and 1385 feet from the West line,
(Unit C) of Section 30, Township 22 South, Range 33 East, NMPM.

BHL: 20 feet from the South line and 1310 feet from the West line,
(Unit N) of Section 31, Township 22 South, Range 33 East, NMPM.

Avogato 30 31 State Com Well No. 23H, API No. 30-025-45926

SHL: 420 feet from the North line and 1420 feet from the West line,

(Unit C) of Section 30, Township 22 South, Range 33 East, NMPM.
BHL: 21 feet from the South line and 2190 feet from the West line,
(Unit N) of Section 31, Township 22 South, Range 33 East, NMPM.

Completion Target for Well No's 21H, 22H, and 23H:
2nd Bone Spring Sand at approximately 10900 feet TVD

Avogato 30 31 State Com Well No. 31H, API No. 30-025-45929

SHL: 240 feet from the North line and 1350 feet from the West line,
(Unit C) of Section 30, Township 22 South, Range 33 East, NMPM.
BHL: 20 feet from the South line and 500 feet from the West line,
(Lot 4 or Unit M) of Section 31, Township 22 South, Range 33 East, NMPM.

Avogato 30 31 State Com Well No. 32H, API No. 30-025-45927

SHL: 240 feet from the North line and 1385 feet from the West line,
(Unit C) of Section 30, Township 22 South, Range 33 East, NMPM.
BHL: 20 feet from the South line and 1310 feet from the West line,
(Unit N) of Section 31, Township 22 South, Range 33 East, NMPM.

Avogato 30 31 State Com Well No. 33H, API No. 30-025-45928

SHL: 240 feet from the North line and 1420 feet from the West line,
(Unit C) of Section 30, Township 22 South, Range 33 East, NMPM.
BHL: 20 feet from the South line and 2190 feet from the West line,
(Unit N) of Section 31, Township 22 South, Range 33 East, NMPM.

Completion Target for Well No's 31H, 32H, and 33H:
3rd Bone Spring Sand at approximately 11800 feet TVD

Well Orientation: North to South
Completion Locations expected to be: standard



Commissioner

Stephanie Garcia Richard

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

Amber Delach
OXY USA Inc
5 Greenway Plaza, Suite 110
Houston, TX 77046

March 27th, 2020

Re: Communitization Agreement Approval
Avogato 30-31 State Com #12,21 & 32H
Vertical Extent: Bone Spring
Township: 22 South, Range 33 East, NMPM
Sect 30: W2
Sect 31: W2
Lea County, New Mexico

Dear Ms Delach,

The Commissioner of Public Lands has this date approved the Avogato 30-31 State Com #12,21 & 32H Communitization Agreement for the Bone Spring formation effective 7/1/2019. Enclosed are three Certificates of Approval.

The agreement shall remain in effect for One Year, and as long thereafter as communitized substances are produced from the communitized area in paying quantities.

Approval of this agreement does not warrant or certify that the operator and/or other working interest owners hold legal or equitable title to the leases which are committed hereto, nor does the Commissioner's approval constitute adjudication of any federal or private interests, or warrant or certify that the information supplied by the operator regarding federal or private interests is accurate.

If we may be of further service, please contact Niranjana Khalsa at (505) 827-6628.

Sincerely,

A handwritten signature in dark ink that reads "Stephanie Garcia Richard" followed by a stylized monogram or initials.

Stephanie Garcia Richard
COMMISSIONER OF PUBLIC LANDS

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

OXY USA Inc
Avogato 30-31 State Com #12,21 & 32H
Vertical Extent: Bone Spring
Township: 22 South, Range: 33 East, NMPM
Section 30: W2
Section 31: W2
Lea County, New Mexico

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement dated July 1, 2019, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That 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 area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 27th Day of March, 2020.

Stephanie Garcia Richardson

COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico

NM State Land Office
Oil, Gas, & Minerals Division

STATE/STATE OR
STATE/FEE
Revised March 2017

COMMUNITIZATION AGREEMENT

ONLINE Version

KNOW ALL MEN BY THESE PRESENTS:

Well Name: Avogato 30-31 State Com #32H

STATE OF NEW MEXICO)
SS)

API #: 30 - 25 - 45927

COUNTY OF **LEA**)

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] is entered into as of **July 1**, 20 **19**, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State Trust Lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Trust Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized areas on an acreage or other basis found by the Commissioner of Public Lands to be fair and equitable.

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the **Bone Spring** formation or pool as defined by the NMOCD, as further described on Exhibit "A" (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

Subdivisions

W/2

Of Sect(s) **30 and 31** Twnshp **22 South** Rng **33 East** NMPM **Lea** County, NM

containing **613.4** acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases and/or depths described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "communitized substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit A showing the acreage, depths communitized and ownership (Lessees of Record) of all leases within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.
3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. OXY USA INC. shall be the Operator of the said communitized area and all matters of operation shall be determined and performed by OXY USA INC..

5. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.

6. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

7. The commencement, completion, and continued operation or production of a well or wells of communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

8. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.

9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the Operator to obtain a pipeline connection or to market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this agreement may be

terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to State Trust Lands, written notice of intention to commence such operations shall be filed with the Commissioner of Public Lands within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

13. 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 instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: OXY USA INC.

BY: Bradley S. Dusek
Attorney-in-Fact

Name and Title of Authorized Agent
Bradley S. Dusek
Signature of Authorized Agent

AD
JLS

Acknowledgment in an Individual Capacity

State of **Texas**)
SS)
County of **Harris**)

This instrument was acknowledged before me on

Date

By

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

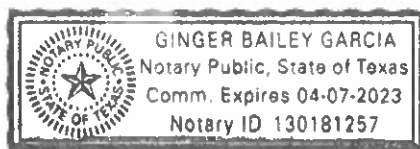
My commission expires: _____

Acknowledgment in an Representative Capacity

State of **Texas**)
SS)
County of **Harris**)

This instrument was acknowledged before me on August 26, 2019 Date
By Bradley S. Dusek, Attorney-in-Fact of Oxy USA Inc., a
Delaware corporation, on behalf of said corporation.

[Signature]
Signature of Notarial Officer



My commission expires: 4/7/23

LEASE #: VB 0374

LESSEE OF RECORD: CAL-MON OIL COMPANY

BY: _____

Name & Title of Authorized Agent

Signature of Authorized Agent

LEASE #: V0 3526-0002

LESSEE OF RECORD: OXY USA INC.

BY: Bradley S. Dusek
Attorney-in-Fact

Name & Title of Authorized Agent

Signature of Authorized Agent

AD
JK JVJ

LEASE #: V0 3527-0002

LESSEE OF RECORD: OXY USA INC.

BY: Bradley S. Dusek
Attorney-in-Fact

Name & Title of Authorized Agent

Signature of Authorized Agent

AD
JK JVJ

LEASE #: _____

LESSEE OF RECORD: _____

BY: _____
Name & Title of Authorized Agent

Signature of Authorized Agent

Acknowledgment in an Individual Capacity

State of _____)
SS)
County of _____)

This instrument was acknowledged before me on _____

Date

By _____

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

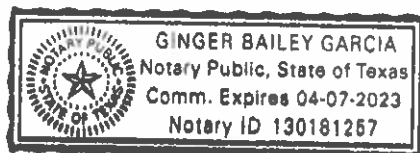
Acknowledgment in an Representative Capacity

State of Texas)
SS)
County of Harris)

This instrument was acknowledged before me on August 26, 2019 Date
By Bradley S. Dusek Attorney-in-Fact of Oxy USA Inc.,
a Delaware corporation, on behalf of said corporation.

Signature of Notarial Officer

My commission expires: 4/7/23



OXY USA INC.

OFFICER'S CERTIFICATE

I, Nancy A. Muchmore, hereby certify that I am a duly elected, qualified and acting Assistant Secretary of OXY USA Inc., a Delaware corporation (the "Company"), and as such, I am familiar with its corporate records. I hereby further certify that the persons below are true and lawful attorneys-in-fact of the Company, and as such, possess the power to enter into and sign all oil and gas leases and any related agreements or certificates in the name of and on behalf of the Company.

Robbie Abraham

Bradley S. Dusek

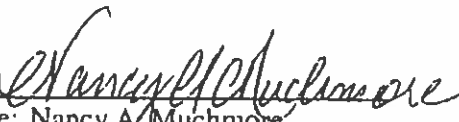
William C. Irons

Thomas A. Janiszewski

David Woest

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 20th day of February, 2019.

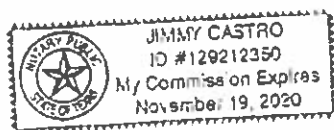
OXY USA INC.
a Delaware corporation

By: 
Name: Nancy A. Muchmore
Title: Assistant Secretary

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Before me, a Notary Public, personally appeared Nancy A. Muchmore, Assistant Secretary of OXY USA Inc., known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that she executed the same.

Given under my hand and seal of office this 20th day of February, 2019.



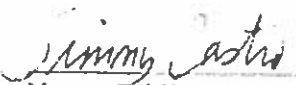

Notary Public

EXHIBIT A

Attached to and made a part of that Communitization Agreement dated **July 1, 2019**

by and between **OXY USA INC.** company and **Cal-Mon Oil Company,**

OXY USA INC. OXY USA INC.

the Subdivisions **W/2**,

Sect **30 and 31**, Twnshp **22 South**, Rnge **33 East**, NMPM **Lea** County, NM

Limited in depth from **10,592** ft to **12,088** ft. (enter here what is granted in pooling order if applicable)

OPERATOR of Communitized Area: **OXY USA INC.**

DESCRIPTION OF LEASES COMMITTED:

TRACT NO. 1

Lessor: **State of New Mexico**

Lessee of Record: **Cal-Mon Oil Company**

Serial No. of Lease: **VB 0374** Date of Lease: **February 1, 1990**

Description of Lands Committed:

Subdivisions: **Lot 1, Lot 2, NE/4NW/4, SE/4NW/4**

Sect **30** Twnshp **22 South** Rng **33 East** NMPM **Lea** County NM

No. of Acres: **153.3**

TRACT NO. 2

Lessor: **State of New Mexico**

Lessee of Record: **OXY USA INC.**

Serial No. of Lease: **V0 3526-0002** Date of Lease: **December 1, 1990**

Description of Lands Committed:

Subdivisions: **Lot 3, Lot 4, NE/4SW/4, SE/4SW/4**

Sect **30** Twnshp **22 South** Rng **33 East** NMPM **Lea** County NM

No. of Acres: **153.42**

TRACT NO. 3

Lessor:

State of New MexicoLessee of Record: **OXY USA INC.**Serial No. of Lease: **VO 3527-0002** Date of Lease: **December 1, 1990**

Description of Lands Committed:

Subdivisions: **E/2W/2, Lots 1-4**Sect **31** Twnshp **22 South** Rng **33 East** NMPM **Lea** County NMNo. of Acres: **306.72****TRACT NO. 4**

Lessor:

Lessee of Record:

Serial No. of Lease: Date of Lease:

Description of Lands Committed:

Subdivisions:

Sect Twnshp Rng NMPM County NM

No. of Acres:

RECAPITULATION

Tract number	Number of Acres Committed	Percentage of Interest in Communitized Area
No. 1	153.3	24.99%
No. 2	153.4	25.01%
No. 3	306.7	50.00%
No. 4		
TOTAL	613.4	100%



PATRICK H. LYONS
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

02/09/10

OXY USA INC.
P.O. BOX 27570
HOUSTON, TX 77227-7570

RE: Assignment of Lease No. V0-3526 0001

Dear Lessee:

We have approved the assignment of the following land to
Lease No. V0-3526-0002 , totalling 473.42 acres:

Township	Range	Section	Land Description
22S	33E	30	LOT(S) 3, 4
22S	33E	30	NE4, E2SW4, SE4

Please note that, before you commence exploration or drilling operations on the leased lands, all surface improvement damage bond requirements must be met. Failure to do so may result in possible cancellation of your lease. Thank you, if you have already complied with this requirement.

If you should need additional bond information, please contact us at (505) 827-5714.

Very truly yours,

Patrick H. Lyons
COMMISSIONER OF PUBLIC LANDS

By:
Cami Bailey, Director
Oil, Gas & Minerals Division
(505) 827-5744

PL/jb

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University