

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF VENDERA RESOURCES III, LP,
VENDERA MANAGEMENT III, LLC AND HIGHMARK
OPERATING, LLC TO APPROVE A FORM C-145
NAMING HIGHMARK ENERGY OPERATING, LLC
AS THE SUCCESSOR OPERATOR OF THE CENTRAL
VACUUM UNIT, LEA COUNTY, NEW MEXICO.**

Case No. _____

AMENDED APPLICATION

Vendera Resources III, LP and Vendera Management III, LLC (collectively "Vendera") and Highmark Energy Operating, LLC ("Highmark") apply for an order approving a Form C-145 naming Highmark as successor unit operator of the Central Vacuum Unit (the "CVU") and removing the current unit operator, and in support thereof, states:

1. The CVU was approved by Division Order No. R-5496, and covers 3,046.20 acres of State and fee lands in Lea County described in the order. The order is attached hereto as Exhibit A and is incorporated herein by reference. The unitized formation is the Vacuum-Grayburg-San Andres. The CVU was statutorily unitized, and thus there is 100% commitment of working and royalty interests in the CVU.

2. The Unit Agreement and Unit Operating Agreement (the "Agreements") named Texaco Inc. as operator of the CVU. Chevron U.S.A. Inc. ("Chevron") is the successor to Texaco Inc. Significantly, the Agreements were approved by the Division and incorporated into the order. The Division has the right to enforce its orders.

3. Section 7 of the Unit Agreement provides that "the Unit Operator may be removed at any time by the affirmative vote of Working Interest Owners having ninety percent (90%) or more of the Voting Interest remaining after excluding the voting interest of the Unit

Operator.” Moreover, such removal shall be effective upon notice to the Commissioner of Public Lands.

4. The unit operator may be removed for any valid cause, or for no cause at all. A sufficient percentage of Working Interest Owners believed Chevron should be removed and voted accordingly to remove and replace Chevron.

5. Although no reason is needed to remove the unit operator, there were valid reasons to remove Chevron. Vendera first acquired its interest almost three years ago because it thought the CVU had opportunities to increase cash flow, benefitting all interest owners. It contacted Chevron many, many times to discuss improvements in unit operations, but Chevron was unresponsive, to say the least; and the attempts to work with Chevron continued for two years, to no avail.

6. With the 2020 Saudi-Russia price war and the onset of the pandemic, resulting in historically low oil prices, Chevron continued to negligently and wastefully produce the CVU reserves, which lowered the economic life of the CVU properties. During that same time period, and as a direct result of Chevron’s excessively high-cost operations, the CVU experienced negative cash flow and wasted reserves. Thus, Chevron’s actions harmed the working interest owners, and the State of New Mexico as a royalty owner, thus impairing the correlative rights of the interest owners.

7. Despite Vendera’s attempts to communicate with Chevron to address the waste and harm Chevron was committing, Chevron refused to respond to Vendera. This culminated in Vendera and the other working interest owners exercising their rights under the Agreements to protect their interests, and properly removing Chevron as unit operator and replacing it with Highmark. However Chevron would not sign the Form C-145.

8. If these issues or other unforeseeable negative effects on commodity prices persist, the high-cost operations and unavailable nature of Chevron as the unit operator could lead to dissolution of the CVU due to lack of production in paying quantities. That would cause waste, which is what Vendera is trying to avoid by removing Chevron and replacing it with Highmark. Highmark is a low-cost efficient operator, which is ready, willing, and able to take over operations of the CVU to protect the correlative rights of the interest owners.

9. Vendera organized a vote to remove Chevron as unit operator. Sufficient votes were cast to replace Chevron as unit operator under Section 7 of the Unit Agreement, and the Commissioner of Public Lands (as well as Chevron) was so notified. However, Chevron has refused to step down as operator.

10. Information on Paragraphs 5 through 9 is set forth in a September 2020 letter to the working interest owners, a form copy of which is attached hereto as Exhibit B, and in a technical study prepared by Vendera, attached hereto as Exhibit C.

11. A Form C-145 has been prepared and signed by Highmark as the duly elected successor unit operator. Chevron has refused to execute the Form C-145.

12. NMAC 19.15.9 provides that changes of operator should be jointly signed and submitted by the current and successor operator. However, NMAC 19.15.9.B allows the Division to approve a Form C-145 not signed by the current operator of record if that operator is “unavailable.” Chevron’s actions prove that it is unavailable. As a result, the Division should approve the Form C-145 even though not signed by Chevron.

13. Regardless of NMAC 19.15.9, the Division has independent authority to remove Chevron as operator of the CVU, in order to prevent waste and protect correlative rights, as set

forth in NMSA 1978 §70-2-11 and in the Statutory Unitization Act, NMSA 1978 §§70-7-1 *et seq.*

14. Despite being voted out as operator of the CVU, Chevron still took surreptitious steps to dilute all non-operated working interest owners by purportedly assigning all of its right, title and interest in the CVU, except for 1%, as follows: On November 30, 2020, just days after being notified of its removal, Chevron attempted to convey all but 1% of its ownership in the CVU to Chevron Midcontinent, L.P., an affiliated entity, attempting to make it virtually impossible for the non-operated working interest owners to remove Chevron as the unit operator unless Chevron Midcontinent, L.P. chose to remove its own affiliate as the unit operator. Chevron has made clear that would not happen. Why would Chevron do this if it was confident it had not and could not be removed?

Interestingly, in its haste to dilute its partners, of which Chevron conveniently did not notify them, Chevron forgot to attach a property exhibit to the conveyance and therefore had to amend its furtive conveyance on January 21, 2021 to include a description of the CVU. Chevron purported to assign this interest, and did so in secret, to conceal it from its partners in a blatantly transparent attempt to stack the deck against them and become removal-proof regardless of how egregious its actions and operations are. Chevron's deceit and concealment against its own partners is consistent with its past practice of being a deficient and unreasonable operator, and is exactly why more than 90% of the voting interest voted Chevron out. It should be noted that at the same time Chevron was stacking the deck against the CVU partners, it was doing the same thing to its partners in at least one other unit, something which Chevron has never done in its record history.

15. Vendera will provide further evidence of its allegations at the hearing in this matter.

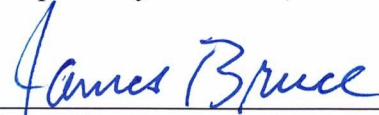
16. This application amends and supplements the application filed by Vendera and Highmark in Case No. 21704.

17. The granting of this application is in the interests of conservation and the prevention of waste, and will protect correlative rights.

WHEREFORE, applicants request that, after notice and hearing, the Division enter its order:

- A. Approve the Form C-145 naming Highmark as successor unit operator of the CVU, and removing Chevron as operator; and
- B. Granting such further relief as the Division deems proper.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Vendera Resources III, LP and
Vendera Management III, LLC and
Highmark Energy Operating, LLC

VACUUM-GRAYBURG-SAN ANDRES POOL
(Central Vacuum Unit)
Lea County, New Mexico

Order No. R-5496, Approving for Statutory Unitization the Central Vacuum Unit, Vacuum-Grayburg-San Andres Pool, Lea County, New Mexico, August 9, 1977.

Application of Texaco Inc. for Statutory Unitization and Pressure Maintenance, Vacuum-Grayburg-San Andres Pool, Lea County, New Mexico.

CASE NO. 5970
Order No. R-5496

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on June 22, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of August, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Texaco Inc., seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 65-14-1 through 65-14-21, NMSA, 1953 Compilation, of 3,046.2 acres, more or less, of State and fee lands, being a portion of the Vacuum-Grayburg-San Andres Pool, Lea County, New Mexico, and approval of the plan of unitization and the proposed operating plan.

(3) That the proposed unit area would be designated the Central Vacuum Unit Area; that the vertical limits of said unit area would be the subsurface formation commonly known as the Grayburg-San Andres formation identified between the depths of 3858 feet (plus 144 feet sub-sea) and 4858 feet (minus 856 feet sub-sea) on the Welex Acoustic Velocity Log, run on November 15, 1963, in Texaco's State of New Mexico "O" (NCT-1) Well No. 23, located in the SW/4 SE/4 of Section 36, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, and is to include all subsurface points throughout the Unit area correlative to those identified depths, and that the unit area would comprise the following described lands:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 25: S/2 and SE/4 NE/4
Section 36: All

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 30: All
Section 31: N/2, SW/4, and SW/4 SE/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 12: N/2 NE/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 6: All
Section 7: NW/4 and NW/4 NE/4

(4) That the portion of the Vacuum-Grayburg-San Andres Pool proposed to be included in the aforesaid Central Vacuum Unit Area has been reasonably defined by development.

(5) That the applicant proposes to institute a pressure maintenance project for the secondary recovery of oil and gas in the proposed unit area.

(6) That the unitized management, operation and further development of the subject portion of the Vacuum-Grayburg-San Andres Pool, as proposed, is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the pool.

(7) That the proposed unitized method of operation as applied to the Central Vacuum Unit Area is feasible, will prevent waste, and will result with reasonable probability in the increased recovery of substantially more oil from the pool than would otherwise be recovered.

(8) That the estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(9) That such unitization and adoption of the proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Central Vacuum Unit Area.

(10) That the applicant has made a good faith effort to secure voluntary unitization within the Vacuum Grayburg-San Andres Pool.

(11) That the participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis, and protects the correlative rights of all owners of interest within the unit area.

(12) That applicant's Exhibits Nos. 8 and 9 in this case, being the Unit Agreement and the Unit Operating Agreement should be incorporated by reference into this order.

(13) That the Statutory Unitization of the Central Vacuum Unit Area, in conformance to the above findings, will prevent waste and protect correlative rights and should be approved.

IT IS THEREFORE ORDERED:

(1) That the Central Vacuum Unit Agreement, covering 3,046.2 acres, more or less, of State and fee lands in the Vacuum-Grayburg-San Andres Pool, Lea County, New Mexico, is hereby approved for statutory unitization pursuant to the Statutory Unitization Act, Sections 65-14-1 through 65-14-21, NMSA, 1953 Compilation.

(2) That the lands covered by said Central Vacuum Unit Agreement shall be designated the Central Vacuum Unit Area and shall comprise:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 25: S/2 and SE/4 NE/4
Section 36: All

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 30: All
Section 31: N/2, SW/4, and SW/4 SE/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 12: N/2 NE/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM
Section 6: All
Section 7: NW/4 and NW/4 NE/4

(VACUUM-GRAYBURG-SAN ANDRES (CENTRAL VACUUM UNIT) POOL - Cont'd.)

(3) That the vertical limits of the Central Vacuum Unit Area shall be the Grayburg-San Andres formation identified between the depths of 3858 feet (plus 144 feet sub-sea) and 4858 feet (minus 856 feet sub-sea) on the Welx Acoustic Velocity Log, run on November 15, 1963, in Texaco's State of New Mexico "O" (NCT-1) Well No. 23, located in the SW/4 SE/4 of Section 36, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, and is to include all subsurface points throughout the Unit area correlative to those identified depths.

(4) That applicant's Exhibit No. 8 in this case, being the Central Vacuum Unit Agreement, is hereby incorporated by reference into this order.

(5) That applicant's Exhibit No. 9 in this case, being the Central Vacuum Unit Operating Agreement, is hereby incorporated by reference into this order.

(6) That the Central Vacuum Unit Agreement and the Central Vacuum Unit Operating Agreement provide for unitization and unit operation of the subject portion of the Vacuum-Grayburg-San Andres Pool upon terms and conditions that are fair, reasonable and equitable and include:

an allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area and is saved, being the production that is not used in the conduct of operations on the unit area or not unavoidably lost;

a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;

a provision governing how the costs of unit operations including capital investments shall be determined and charged to the separately owned tracts and how said costs shall be paid including a provision providing when, how, and by whom the unit production allocated to an owner who does not pay the share of the costs of unit operations charged to such owner, or the interest of such owner, may be sold and the proceeds applied to the payment of such costs;

a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon such terms and conditions determined by the Commission to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, provided that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of its operating rights and working interest in and to the unit until his share of the costs, service charge and interest are repaid to the unit operator;

a provision designating the unit operator and providing for the supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;

a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to its unit participation; and

the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination;

and are therefore hereby adopted.

(7) That this order shall not become effective unless and until the appropriate ratification provisions of Section 65-14-8, NMSA, 1953 Compilation, are complied with.

(8) That if the persons owning the required percentage of interest in the unit area as set out in Section 65-14-8 NMSA, 1953 Compilation, do not approve the plan for unit operations within a period of six months from the date of entry of this order, this order shall cease to be of further force and effect and shall be revoked by the Commission, unless the Commission shall extend the time for ratification for good cause shown.

(9) That when the persons owning the required percentage of interest in the unit area have approved the plan for unit operations, the interests of all persons in the unit are unitized whether or not such persons have approved the plan of unitization in writing.

(10) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



VENDERA RESOURCES

Collin Lensing
COO & General Counsel
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September 16, 2020

Via Certified Mail

Breitbart Energy Partners, LP
1111 Bagby St. #166
Houston, TX. 77002

EXHIBIT

B

Re: **Removal of Unit Operator and Selection of Successor Unit Operator**: Central Vacuum Unit ("CVU"), Lea County, New Mexico

Dear Working Interest Owner:

Reference is made to that certain Unit Agreement for the Development and Operation of the Central Vacuum Unit Area, County of Lea, State of New Mexico, entered into on the first day of December 1976, by and between Chevron North America Exploration ("Chevron") or an affiliate thereof's predecessor in interest as Unit Operator and Working Interest Owner and the other parties thereto ("Operating Agreement").

Reference is also made to that certain Unit Agreement of the Central Vacuum Unit, County of Lea, State of New Mexico, entered into on the first day of December 1976, by and between the predecessor in interest to Chevron or an affiliate thereof as Unit Operator and Working Interest Owner and the other parties thereto ("Unit Agreement" and collectively with the Operating Agreement, the "Agreements").

Vendera Resources III, LP and Vendera Management III, LLC (collectively "Vendera") are Working Interest Owners under the Agreements and hold a 33.16% working interest.

Chevron or an affiliate thereof presently serves as the Unit Operator under the Agreements. Pursuant to Section 7 of the Unit Agreement, the Unit Operator may be removed at any time by the affirmative vote of Working Interest Owners having ninety percent (90%) or more of the Voting Interest remaining after excluding the voting interest of the Unit Operator. Further, such removal shall be effective upon notice thereof to the Commissioner.

Vendera acquired its interest in CVU from Marathon Oil Company effective on May 1, 2018 ("Closing Date"). In part, Vendera's rationale for acquiring its interest in CVU was that the asset had incredible value-add opportunities for improvement that could increase cashflow and the value of the properties substantially. Since the Closing Date Vendera's internal asset management, engineering and land teams have contacted Chevron countless times to work with Chevron to improve the production, expense and cashflow profiles of the CVU properties, however Chevron has been unable to realize any such improvements or unwilling to entertain

any such value-add collaborative thought from its working interest partners – Chevron is generally unresponsive to any of Vendera’s communications over the past 2+ years.

Most recently and in response to the COVID-19 pandemic and depressed commodity price environment, Vendera again contacted Chevron on March 25, 2020¹ via a formal email letter because the asset was realizing a negative cashflow to Vendera’s interest in an amount of approximately \$500,000 per month, which in Vendera’s estimation equates to realizing negative \$1,500,000 cashflow at the gross level. In this communication Vendera requested a telephonic meeting with Chevron to discuss maximizing the economic and efficient recovery under the CVU properties and if necessary, proposing an alternative operator that could deliver positive economics for all CVU working interest parties. Chevron did not coordinate any such meeting with Vendera and ignored the request. Instead, Chevron ceased any communication with Vendera and engaged outside legal counsel to intimidate and harass Vendera to suppress its efforts to protect its interest in the CVU properties. In contrast, ConocoPhillips is the operator for the adjacent East Vacuum Unit (where Vendera also owns a non-op working interest) and they have engaged in regular and collaborative discussions with working interest owners, and have taken appropriate action to focus on the profitability of the asset.

Vendera again attempted to work with Chevron, through Chevron’s outside counsel, to improve the economics of the CVU properties, however Vendera’s efforts were stone walled and simple data requests have been ignored. Finally, Vendera proposed to buy Chevron out of its interest in the CVU properties, but its offer was rejected. Throughout its ownership of the CVU properties, Vendera has observed an increasing and alarming number of deficiencies in Chevron’s operations of CVU, including but not limited to:

- Non-Core Asset. This is not a core asset to Chevron and as such it is largely orphaned by the company as they have progressively divested from conventional CO2 and waterflood assets to focus on unconventional drilling programs.
- Lack of focus in organizational structure. Chevron does not have a team dedicated to managing the CVU, rather it is piecemeal managed by a broad organization responsible for various fields within Chevron’s portfolio. As demonstrated by ConocoPhillips’ operatorship of the East Vacuum Unit, aligned and focused management is critical to optimize asset value due to the dynamic nature of a CO2 flood.
- High turnover and disjointed operations. There have been multiple instances of personnel turnover since 2018 and it is highly evident that Chevron’s operations, engineering, accounting, and commercial are very disjointed, incredibly inefficient, and are not focused at all on this asset.
- Lack of incentive to optimize vendor costs for CVU. Due to Chevron’s portfolio of assets across the mid-continent and globally, Chevron has not and will not tailor vendor cost solutions for CVU, resulting in a massive expense upcharge to all its working interest partners. For example, a specific case is Chevron’s failure to rebid work for a project after the oil price downturn demonstrated Chevron’s acceptance of the status quo.
- High cost structure will lead to stranded reserves and further lost value. Chevron’s lease operating expenses are significantly higher than market rates; ranging from company labor to preventative maintenance to routine well work, these have all been stagnant.

¹ The March 25, 2020 letter from Vendera to Chevron is attached hereto for reference.

- Lack of transparency with working interest owners. The last general Working Interest Owner meeting per our records was in March 2012 – over 8 years ago, and Chevron has largely ignored Vendera’s requests for the past 2+ years. Again in contrast, ConocoPhillips has conducted annual working interest owners meetings for the East Vacuum Unit and has been transparent in plans and goals for the assets.

Accordingly, in order to protect its interests and the interests of the other working interest partners in the CVU properties, **Vendera proposes to remove Chevron as Unit Operator of CVU pursuant to the Agreements, and nominate a successor operator** being HighMark Energy Operating, LLC (“HEO”), or another successor operator as agreed upon by the non-operated working interest partners. Vendera, through HEO (or another successor operator) proposes at a minimum (i) to institute a focused asset management team that can optimize value for the CVU working interest owners, (ii) an evaluation and rebidding of all vendors to lower expenses to market rates, (iii) insert an operator with a track record of value creation through renegotiations and identifying alternatives for production optimization, and (iv) to relentlessly test the status quo and create value for the working interest owners.

Vendera believes alignment in expectations, objectives, and long-term goals is critical to success of the CVU properties, especially under current commodity price and economic conditions. Chevron has demonstrated its inability or unwillingness to commit to such goals and expectations, and should therefore be removed as operator. If you wish to stop losing money and instead cause the CVU properties to generate positive cashflow, please indicate your desire to remove Chevron as Unit Operator below.

We would appreciate if you would return your proxy to remove Chevron as operator within 14 days of your receipt of this letter – please email your selection to clensing@venderaresources.com. If you should have any questions, please do not hesitate to contact me.

Thank you for your prompt attention,

Collin Lensing
COO & General Counsel

Below please select whether you vote to remove or not to remove Chevron as Unit Operator.

Breitburn Energy Partners, LP

Date:

Vote in favor to remove Chevron as Unit Operator of CVU

Vote not in favor to remove Chevron as Unit Operator of CVU

By:
Title:



VENDERA RESOURCES

VENDERARESOURCES.COM
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Dallas, Texas • 75204

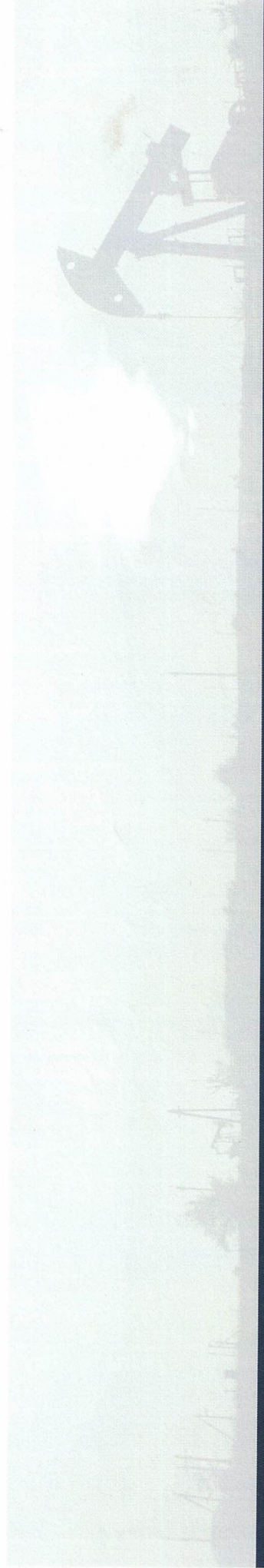
EXHIBIT

Confidential



VENDERA RESOURCES

Central Vacuum Unit
Removal of Chevron as Unit Operator
Working Interest Owners Ballot



Opportunity to Re-focus on the Central Vacuum Unit



Rationale for adding value through a new operator

- The Central Vacuum Unit is no longer a core position in Chevron's ("CVX") portfolio
 - CVX Permian focus is short cycle projects in unconventional development
 - Organizational structure is reducing CO2/EOR dedicated operations and development teams
 - CVX has pursued divestments of other conventional assets and stated intent to "high-grade" portfolio
 - Upcoming close of the Noble Energy acquisition may accelerate CVX's divestment plans
- CVX is not willing to engage in transparent conversations with non-op partners
 - Last Working Interest Owner's meeting of record was in 2012
 - CVX has repeatedly delayed or denied requests for regular transparency in operations
 - 'Red tape' and non-communicative operatorship limits productive conversations for true value add opportunities
- Central Vacuum is a long-life asset with a large reserves base, but requires efficient operations to be monetized
 - Last 12-month average breakeven cash flow was \$44.12/bbl, resulting in a profit of \$3.76/bbl oil produced
 - A 10% reduction in cost structure from 12-month average would imply a 100% increase in profits
 - March-May 2020 average gross cash flow was approximately -\$1.2 mm/month
 - Vendera reached out to discuss actions considering fall in prices, but no change in operations was observed
- Vendera Resources is seeking to be elected as operator to add value for all working interest owners
 - Focus on conventional production, profit margins, and extending economic life of the asset
 - Ability to re-evaluate every aspect of operations to test status quo
 - Lower cost structure to enable reserves growth projects
 - Track record of reducing costs 30-50% through historical acquisitions of operated properties

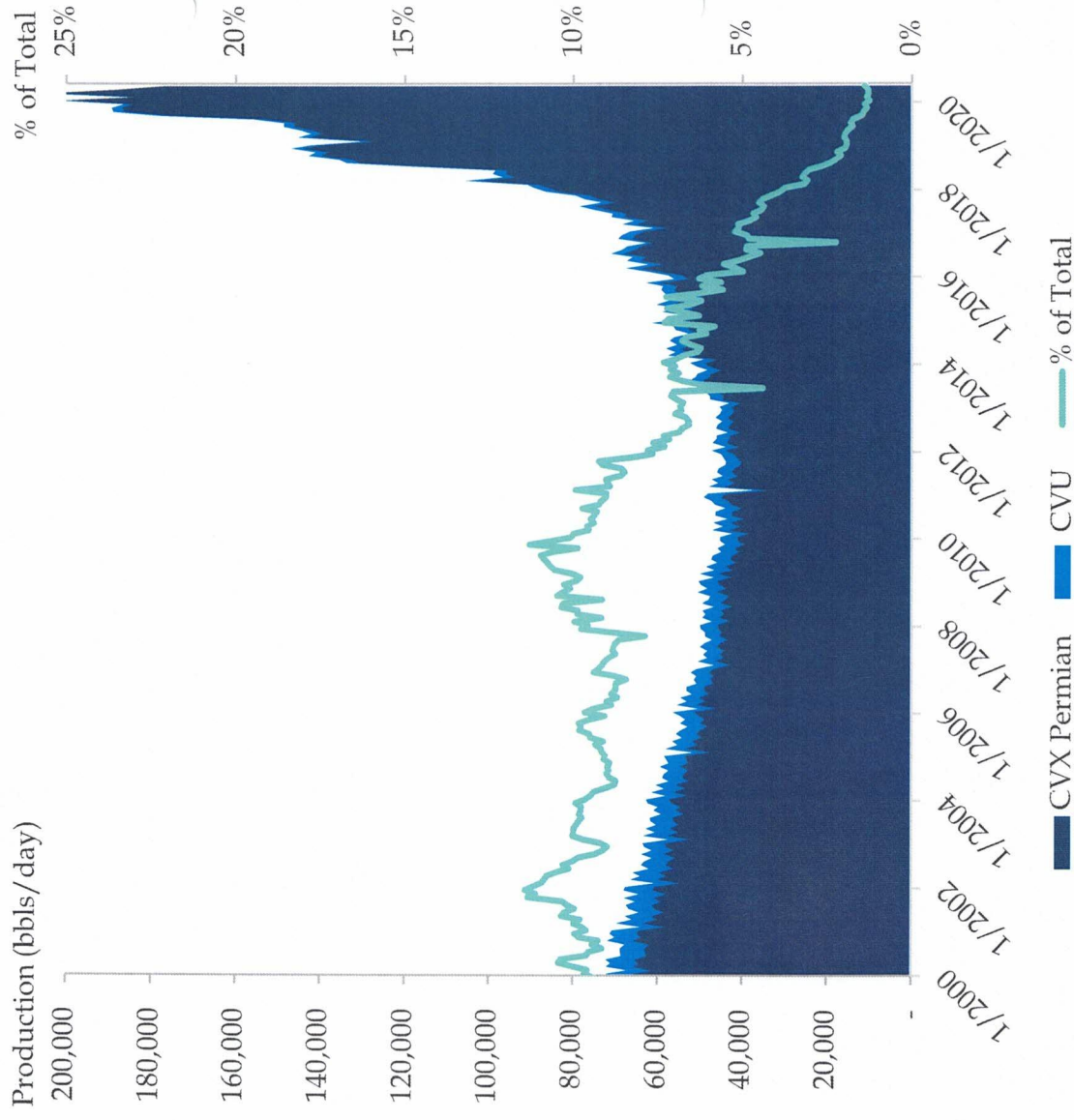
Central Vacuum is Increasingly Immaterial to CVX's Permian Portfolio



Changing focus through the years away from Central Vacuum

- 2000-2010
 - Central Vacuum accounted for 10% of CVX total Permian production
 - CO₂ and EOR projects were a focal point of reserves growth
- 2010-2016
 - Central Vacuum accounted for ~7% of CVX total Permian production
 - Shift in focus to unconventional resources grew in the Permian Basin and CO₂ and EOR projects were deferred
- 2016-2020
 - Central Vacuum currently accounts for ~1.5% of CVX total Permian production
 - Divestment programs of “non-core” assets, with notable divestments in CO₂ and waterflood assets
 - Reorganization of CO₂/Waterfloods teams further shift focus to growth areas in unconventional development

CVU as % of CVX Permian Production⁽¹⁾

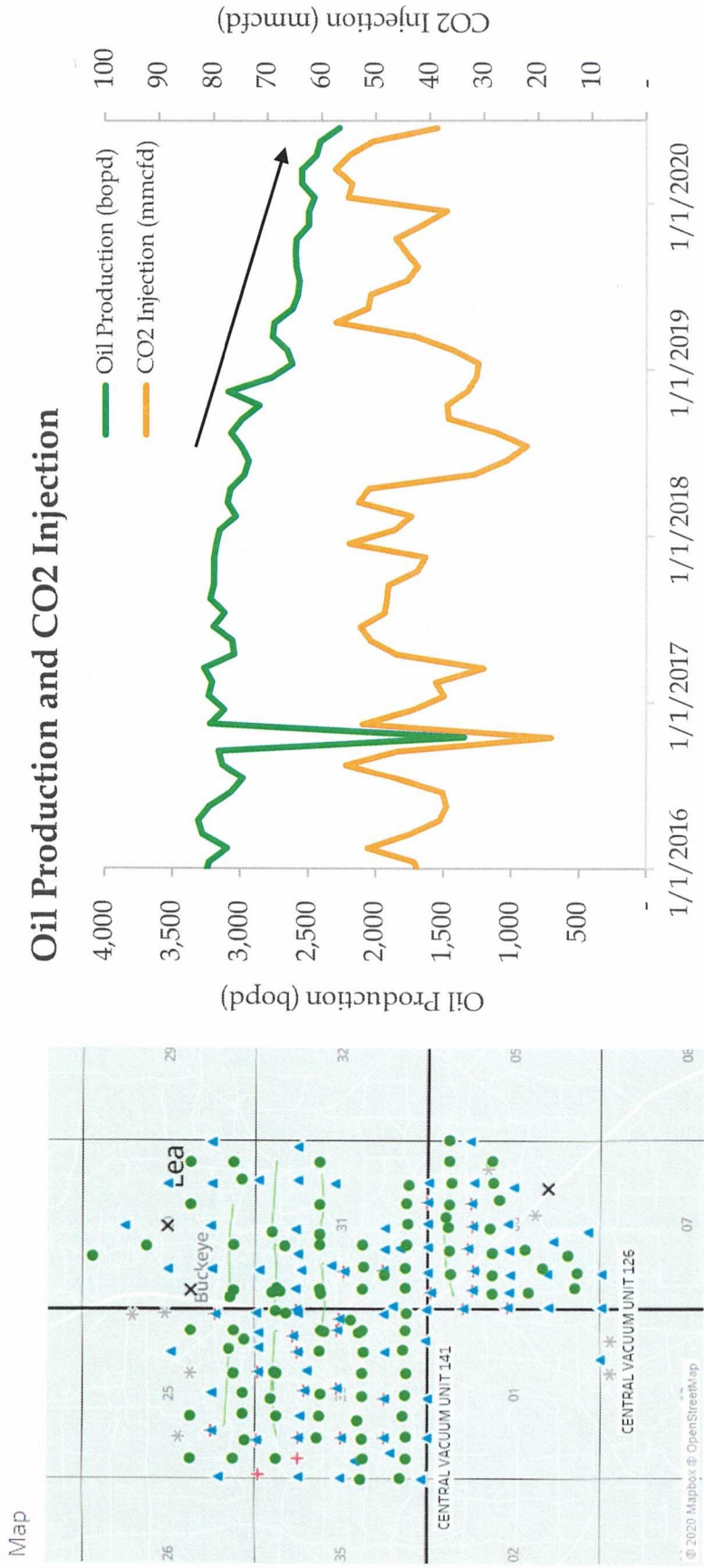


(1) Sourced from Enverus Drilling Info as of 8/2020.



Production Performance has Deteriorated in Recent Years

After years of flat declines, slow reactions have resulted in oil production falling 25% since 2018



- 60% drop in CO2 injection after 10+ injectors failed mechanical integrity test in 1H 2018
- Rig delays due to other CVX owned properties being prioritized led to ~9 months of significantly lower CO2 injection
- Pattern dynamics were altered due to operational downtime and field production has had observable trend in worsening declines