

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

**APPLICATIONS OF COLGATE OPERATING, LLC
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case Nos. 23149-56

HARTMAN'S RESPONSE TO COLGATE MOTION TO QUASH

Doyle and Margaret Hartman (Hartman), by and through undersigned counsel, serve this Response in opposition to Colgate's Motion to Quash Hartman's Subpoena Duces Tecum. The Motion is without merit and should be denied.

1. Introduction

Colgate filed these cases seeking orders pooling Hartman's record title interest into units created by orders R-22277, 22278, 22279, 22280, 22281, 22282, 22283 and 22284 (Prior orders) and subjecting Hartman to the terms of those Prior orders. The Prior orders involve sections 18 and 19, Township 20 South, Range 34 East, Lea County. They were entered September 26, 2022. Colgate now disputes Hartman's ownership of operating rights in the lands at issue even though it recognized Hartman as a "Affected Operator/Lessee/WI Owner" in its letter of February 2, 2022, attached as Exhibit A.

Colgate did not provide Hartman with notice of OCD case Nos. 22788-95 which resulted in entry of the Prior orders in violation of applicable rules and black letter due process requirements. 19.15.4.12(A) NMAC; *Uhdén v. New Mexico Oil Conservation Comm'n*, 1991-NMSC-089, ¶ 10,112 N.M. 528, 530, 817 P.2d 721, 723; *AA Oilfield Service, Inc. v. New Mexico State Corp. Com'n*, 1994-NMSC-085, ¶ 14, 881 P.2d 18 (generally order entered without notice is void and subject to collateral attack).

Hartman objects to the OCD's authority to force pool the lands at issue based on the due process violation and because the lands are subject to existing operating agreements. He objects to the terms of the Prior orders but will not press those issues given Colgate's assurance that it is not seeking to force pool any working interest Hartman owns. Hartman served a subpoena on Colgate seeking copies of a 1941¹ and 1949 operating agreement and documents related to Colgate's communications with the Bureau of Land Management (BLM) which reflect the efforts Colgate has undertaken to develop the properties.

2. Hartman is entitled to challenge the Prior orders.

A record title interest is not meaningless. It represents a lessee's interest in a lease with certain obligations to the federal government. 43 CFR § 3100-5 (c), copy attached as Exhibit C. The argument underlying Colgate's motion, and its position in these cases, is that because Colgate is only attempting to force pool Hartman's record title interest, Hartman has no standing to challenge either the validity of the Prior orders or the terms of those orders. According to Colgate, a record title owner has no right to do anything but submit to force pooling applications. No authority is offered for this novel and erroneous theory which flies in the face of applicable due process protections.

An owner of record title in a federal lease owns both operating rights and record title unless they have been severed. 43 CFR 3100-5(j). Here, they have not been severed. If the OCD is authorized to entertain a request to force pool Hartman's interest, Hartman has a due process right to challenge jurisdiction and the terms of the orders. Hartman's challenge is not solely dependent on his working interest ownership.

¹ Hartman originally requested the 1941 operating agreement, but has since located a complete copy, attached as Exhibit B.

These cases represent Hartman's first opportunity to challenge the entry of the Prior orders. Due process demands that he be given that opportunity.

3. Colgate has not established that the lands have not been pooled by agreement.

New Mexico follows the rule of liberal discovery to allow the parties access to evidence that is relevant to the dispute. *United Nuclear Corp. v. General Atomic Co.*, 96 N.M. 155, 170, 629 P.2d 231, 246 (1980). A party claiming confidentiality or privilege to resist discovery has the burden of supporting that claim. *Id.* at 217, 294.

NMSA 1978 § 70-2-17(C) provides that force pooling is only available where the parties have not voluntarily agreed to pool their interests; *Application of Hartman*, OCD Case No. 8606, Order No. R-8013 (Hartman case). Hartman's subpoena seeks production of two agreements that pertain to the acreage at issue in the units created by the Prior Orders: a November 25, 1941 Operating Agreement and an Agreement dated May 16, 1949 which amended the 1941 agreement. Both agreements are known to Colgate, apply to the lands at issue in these cases, and are referenced in a Drilling and Division Order title opinion prepared for Colgate. A partial copy of the heavily redacted title opinion produced by Colgate is attached as Exhibit D.

Colgate offers several feeble arguments against production of the agreements. First, it complains that Hartman is not a party to the agreements. It ignores that Hartman is a successor in interest to R. Olsen Oil Co., a party to the agreements. Established principles of contract law bind successors in interest to the terms of an agreement where, as here, the agreement expressly provides that "the terms, covenants, and conditions hereof shall run in favor of and be binding upon the parties hereto, their successors and assigns, and shall run with said leases and leaseholds and be capable of specific

performance.” See 1941 Operating Agreement, p. 4. Moreover, Hartman’s conveyance from Sun in 1986 expressly provides that the conveyance is subject to the 1941 operating agreement and the 1949 agreement which amended the 1941 agreement. See partial copy of Sun assignment attached as Exhibit E.

Next, Colgate contends that force pooling is available where only part, but not all the lands subject to the force pooling application are covered by an existing operating agreement. Colgate implies that that is the case here: “existing agreements may address portions of the acreage at issue.” Motion, p. 4. However, the statement is not true. All of sections 18 and 19 are covered by the 1941 Operating Agreement. See Exhibit B, page 1. No lands outside sections 18 and 19 are included as part of the units Colgate seeks to form. Thus, this case falls squarely within the rule enunciated by the Division in the Hartman case that force pooling is not available where all the lands are covered by an existing operating agreement. See also *Application of Matador Production Co.*, OCD Case No. 15433, Order R-14140 (citing the Hartman case as good authority on this point). The cases relied upon by Colgate are inapposite because each involves facts where only part of the lands in the proposed units were covered by existing agreements. Colgate cannot establish the inapplicability of the 1941 and 1949 agreements.

Colgate implies that because the BLM requires a signed communitization agreement—or an order pooling record title interests, Hartman’s complaint is with the BLM. Motion, p. 4. This argument completely misses the point. The fact that the BLM requires that Hartman’s record title interest be joined does not relieve Colgate or the OCD of the obligation to comply with applicable rules and statutes on force pooling.

Finally, Colgate argues that Hartman is attempting to use discovery in these force pooling cases to support a quiet title action involving the parties' dispute as to Hartman's ownership of a working interest in the acreage. That argument is specious. The 1941 and 1949 agreements are relevant to the question of whether the OCD has authority to force pool the acreage at issue, thus are relevant to the question of whether Hartman can be bound by those Prior orders whether Hartman owns both working and record title interests as he contends, or only record title interests as Colgate contends.

4. The requested BLM documents are discoverable.

Hartman has subpoenaed documents that reflect Colgate's communications with the BLM concerning the Batman wells in sections 18 and 19 and the Robin wells in sections 17 and 20. The Robin wells were the subject of force pooling orders entered in OCD cases 22861-68 and are part of Colgate's development plans for the lands at issue. Hartman requested documents to see whether Colgate has permitted the Batman and Robin wells and, if not, why not. Hartman anticipates that Colgate will argue in support of its applications that Hartman is unduly delaying their operations on the lands at issue, and the requested documents may be relevant to rebut that contention.

Colgate recognizes the relevance of BLM records when it admits that it has brought these applications because "the BLM requires a signed communitization agreement—or an order pooling record title interests—before Colgate can produce the wells." Motion, p. 4. It states in its motion that it filed APDs with the BLM on May 11, 2022 and plans to spud the Batman wells on January 17, 2023.

BLM rules require that notice of the APD be given to all parties that may be affected by the APD, which would include record title owners. See BLM's Process for APD, Drilling

Island, and Development Area Review in the DPA, online at <https://www.blm.gov> Review Process in DPA, attached as Exhibit F. While Hartman received the February 2, 2022 letter from Colgate advising that it would file APDs, Hartman never received notice of the APDs when they were filed. Some, if not all of these wells will be drilled on drilling islands. A drilling island proposal must be given to all affected parties, which would include record title owners. See Exhibit F. Again, while the Colgate February 2 letter mentions drilling islands, Hartman never received notice of the drilling island proposals which were submitted to the BLM. Hartman is entitled to documents providing notice of APDs and drilling island proposals that Colgate was required but failed to give.

Additionally, Hartman requests that Colgate provide documents showing whether the APDs have been approved, and if not why not, and documents that reflect the API numbers for the wells. If Colgate will agree to produce these documents, and the notice documents for the APDs and drilling island proposals, Hartman will withdraw any additional request for BLM-related documents.

If Colgate will not agree, the referenced discrete documents should be ordered produced. Colgate has not demonstrated that it will suffer any undue burden in producing these documents. Documents that show the API numbers for the wells are not confidential. With respect to Colgate's claim of confidentiality for APDs, the referenced BLM statement says only that APDs "may" contain protected information. This does not establish a legitimate basis for an objection to production. Even if the APDs do contain confidential information, that information can be segregated in any number of ways, including redaction of the confidential information. This is done all the time, and in fact Colgate followed the redaction procedure in producing a partial copy of its title opinion.

Colgate complains that the subpoena does not allow 14 days for response. Hartman informally requested the complete 1941 and 1949 agreements on November 3, 2022. A follow-up email was sent on November 10. Colgate counsel did not respond to either request. Hartman served the subpoena on November 17, 2022.

It is now December 5. By the time Colgate will produce any documents pursuant to the subpoena, more than 14 days will have passed. Timing objections do not support non-production. If additional time is necessary, the Division should continue the December 15 hearing to allow Colgate sufficient time to honor its production obligations.

CONCLUSION

Hartman requests that the Division order production of the requested documents.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By /s/ J.E. Gallegos
J.E. GALLEGOS
MICHAEL J. CONDON
460 St. Michael's Drive, Bldg. 300
Santa Fe, New Mexico 87505
(505) 983-6686
jeg@gallegoslafirm.net
mjc@gallegoslafirm.net

Attorneys for Hartman

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail this 5th day of December 2022.

/s/ J.E. Gallegos
J.E. Gallegos



February 2, 2022

Sent Via Certified Mail & Email

TO: Affected Parties of the Batman Development Area & Fallen Wallen Drill Islands

Re: **Batman Development Area & Fallen Wallen Drill Islands**
All of Sections 18 and 19, Township 20 South, Range 34 East, N.M.P.M.
Lea County, New Mexico

To Whom it May Concern:

Colgate Operating, LLC as operator for Colgate Production, LLC ("Colgate") has proposed a Development Area that falls within the U.S. Secretary of Interior's Potash Area in the captioned lands that may affect your leasehold and/or surface estate/permit. Furthermore, to prudently develop the area, the presently nominated Fallen Wallen Drill Islands (the "DI's") are required to be extended an additional 200' to the South into Section 18 at a minimum to account for existing infrastructure. Please see the Enclosed plats for the locations of the pad sites, Colgate's proposed Batman Development Area, and Colgate's initial development wells. It is important to note that any final location of the DI(s) is subject to BLM review and may be modified further.

This letter serves as notice of the proposed action. You have thirty (30) calendar days from the receipt of this letter to contact the BLM if you would like to express interest in collaborating with the proposal or protesting the proposal. If you would like to collaborate with or protest the establishment of the Batman Development Area, please respond to James Rutley (jrutley@blm.gov) at the BLM, Carlsbad Field Office, 620 E. Greene Street, Carlsbad, NM 88220.

Please be aware that once a Development Area has been established it could affect your operating rights. Your timely participation in this process is required. If you have any questions or concerns, please do not hesitate to contact me via email at tmacha@colgateenergy.com or by phone at 432.400.1037.

Respectfully,

Travis Macha
Senior Landman

Enclosures

DOYLE HASTMAN
SUPERVISOR
RECEIVED
MAR 04 2022

Cc:
BLM
NM State Land Office
NM Oil Conservation Division

300 N. Marienfeld St., Suite 1000, Midland, Texas 79701
P: (432) 695-4222 | F: (432) 695-4063
www.ColgateEnergy.com

Exhibit A

Colgate's Development Plan:

Colgate is in the process of preparing APD's for the following nineteen (19) wells to drill as soon as possible dependent upon right-of-approvals, drill islands, market conditions, and rig/equipment availability.

Important note for Reference: All surface hole locations (SHLs) and first take points (FTPs) in the below fall within section 18. All bottom hole locations (BHLs) and last take points (LTPs) will fall within section 19. Furthermore, all locations are further subject to BLM and APD approval.

FIRST BONE SPRING FORMATION:

1. **Batman Federal Com 111H**
SHL: 1,190' FWL & 700' FNL
FTP: 330' FWL & 100' FNL
LTP: 330' FWL & 100' FSL
BHL: 330' FWL & 10' FSL
Standard Spacing Unit: Section 18: W2W2, Section 19: W2W2
TVD: 9,454'
TMD: 19,739'
2. **Batman Federal Com 112H**
SHL: 1,945' FWL & 200' FNL
FTP: 2310' FWL & 100' FNL
LTP: 2310' FWL & 100' FSL
BHL: 2310' FWL & 10' FSL
Standard Spacing Unit: Section 18: E2W2, Section 19: E2W2
TVD: 9,454'
TMD: 19,739'
3. **Batman Federal Com 113H**
SHL: 985' FEL & 200' FNL
FTP: 990' FEL & 100' FNL
LTP: 990' FEL & 100' FSL
BHL: 990' FEL & 10' FSL
Standard Spacing Unit: Section 18: E2E2, Section 19: E2E2
TVD: 9,454'
TMD: 19,739'

SECOND BONE SPRING FORMATION:

1. **Batman Federal Com L121H**
SHL: 1,220' FWL & 700' FNL
FTP: 330' FWL & 100' FNL
LTP: 330' FWL & 100' FSL
BHL: 330' FWL & 10' FSL
Standard Spacing Unit: Section 18: W2W2, Section 19: W2W2
TVD: 10,349'
TMD: 20,634'

2. **Batman Federal Com L123H**
SHL: 1,885' FWL & 200' FNL
FTP: 1650' FWL & 100' FNL
LTP: 1650' FWL & 100' FSL
BHL: 1650' FWL & 10' FSL
Standard Spacing Unit: Section 18: E2W2, Section 19: E2W2
TVD: 10,349'
TMD: 20,634'
3. **Batman Federal Com L125H**
SHL: 1,975' FEL & 200' FNL
FTP: 2310' FEL & 100' FNL
LTP: 2310' FEL & 100' FSL
BHL: 2310' FEL & 10' FSL
Standard Spacing Unit: Section 18: W2E2, Section 19: W2E2
TVD: 10,349'
TMD: 20,634'
4. **Batman Federal Com L127H**
SHL: 925' FEL & 200' FNL
FTP: 990' FEL & 100' FNL
LTP: 990' FEL & 100' FSL
BHL: 990' FEL & 10' FSL
Standard Spacing Unit: Section 18: E2E2, Section 19: E2E2
TVD: 10,349'
TMD: 20,634'
5. **Batman Federal Com U122H**
SHL: 1,310' FWL & 700' FNL
FTP: 990' FWL & 100' FNL
LTP: 990' FWL & 100' FSL
BHL: 990' FWL & 10' FSL
Standard Spacing Unit: Section 18: W2W2, Section 19: W2W2
TVD: 9,964'
TMD: 20,249'
6. **Batman Federal Com U124H**
SHL: 1,975' FWL & 200' FNL
FTP: 2310' FWL & 100' FNL
LTP: 2310' FWL & 100' FSL
BHL: 2310' FWL & 10' FSL
Standard Spacing Unit: Section 18: E2W2, Section 19: E2W2
TVD: 9,964'
TMD: 20,249'

7. **Batman Federal Com U126H**
SHL: 1,915' FEL & 200' FNL
FTP: 1650' FEL & 100' FNL
LTP: 1650' FEL & 100' FSL
BHL: 1650' FEL & 10' FSL
Standard Spacing Unit: Section 18: W2E2, Section 19: W2E2
TVD: 9,964'
TMD: 20,249'
8. **Batman Federal Com U128H**
SHL: 865' FEL & 200' FNL
FTP: 330' FEL & 100' FNL
LTP: 330' FEL & 100' FSL
BHL: 330' FEL & 10' FSL
Standard Spacing Unit: Section 18: E2E2, Section 19: E2E2
TVD: 9,964'
TMD: 20,249'

THIRD BONE SPRING FORMATION:

1. **Batman Federal Com 131H**
SHL: 1,250' FWL & 700' FNL
FTP: 330' FWL & 100' FNL
LTP: 330' FWL & 100' FSL
BHL: 330' FWL & 10' FSL
Standard Spacing Unit: Section 18: W2W2, Section 19: W2W2
TVD: 10,944'
TMD: 21,229'
2. **Batman Federal Com 132H**
SHL: 1,915' FWL & 200' FNL
FTP: 1650' FWL & 100' FNL
LTP: 1650' FWL & 100' FSL
BHL: 1650' FWL & 10' FSL
Standard Spacing Unit: Section 18: E2W2, Section 19: E2W2
TVD: 10,944'
TMD: 21,229'
3. **Batman Federal Com 133H**
SHL: 1,945' FEL & 200' FNL
FTP: 2310' FEL & 100' FNL
LTP: 2310' FEL & 100' FSL
BHL: 2310' FEL & 10' FSL
Standard Spacing Unit: Section 18: W2E2, Section 19: W2E2
TVD: 10,944'
TMD: 21,229'

4. **Batman Federal Com 134H**
SHL: 955' FEL & 200' FNL
FTP: 990' FEL & 100' FNL
LTP: 990' FEL & 100' FSL
BHL: 990' FEL & 10' FSL
Standard Spacing Unit: Section 18: E2E2, Section 19: E2E2
TVD: 10,944'
TMD: 21,229'

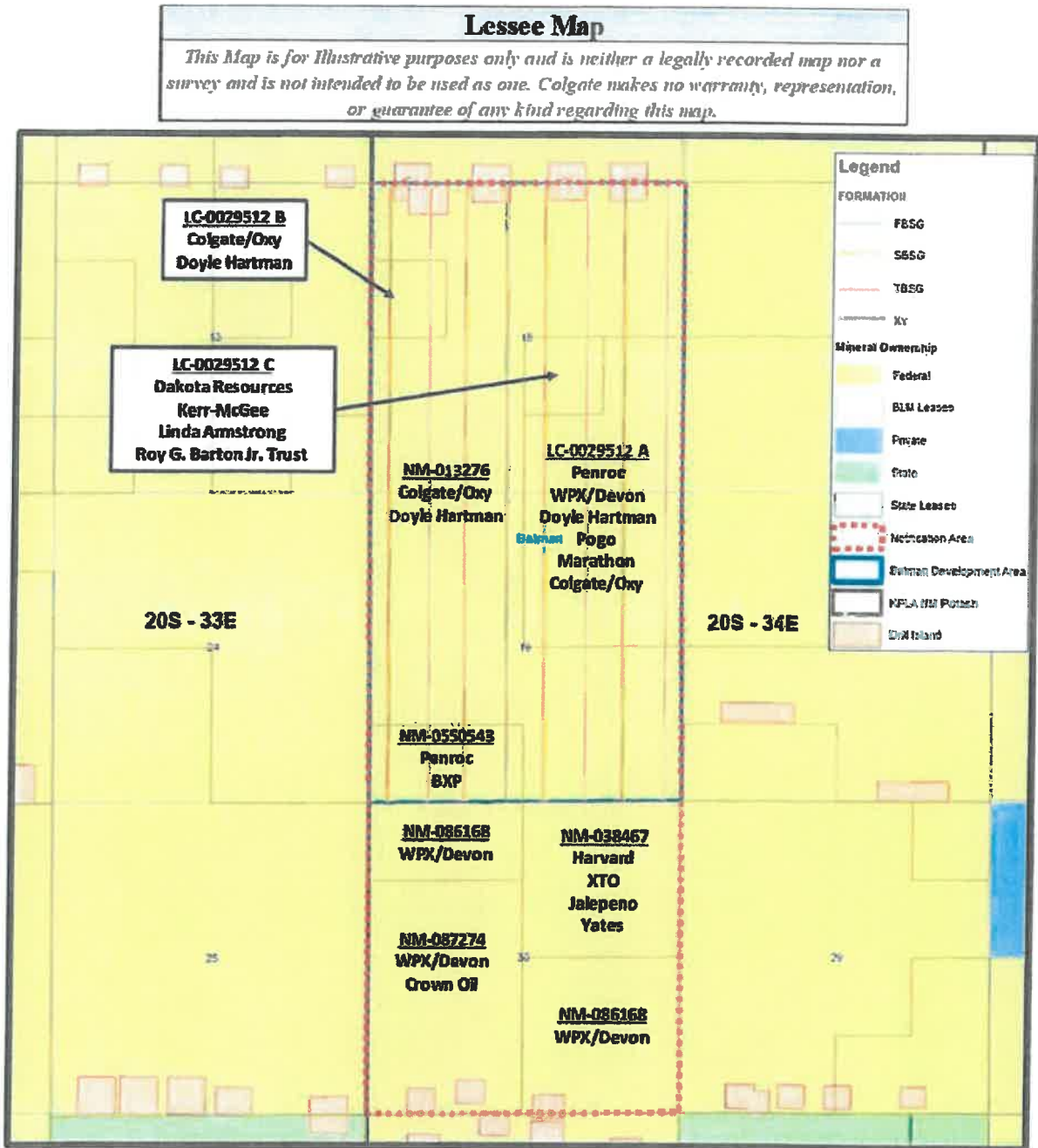
WOLFCAMP XY FORMATION:

1. **Batman Federal Com 201H**
SHL: 1,280' FWL & 700' FNL
FTP: 990' FWL & 100' FNL
LTP: 990' FWL & 100' FSL
BHL: 990' FWL & 10' FSL
Standard Spacing Unit: Section 18: W2W2, Section 19: W2W2
TVD: 11,054'
TMD: 21,339'
2. **Batman Federal Com 202H**
SHL: 2,005' FWL & 200' FNL
FTP: 2310' FWL & 100' FNL
LTP: 2310' FWL & 100' FSL
BHL: 2310' FWL & 10' FSL
Standard Spacing Unit: Section 18: E2W2, Section 19: E2W2
TVD: 11,054'
TMD: 21,339'
3. **Batman Federal Com 203H**
SHL: 1,885' FEL & 200' FNL
FTP: 1650' FEL & 100' FNL
LTP: 1650' FEL & 100' FSL
BHL: 1650' FEL & 10' FSL
Standard Spacing Unit: Section 18: W2E2, Section 19: W2E2
TVD: 11,054'
TMD: 21,339'
4. **Batman Federal Com 204H**
SHL: 895' FEL & 200' FNL
FTP: 330' FEL & 100' FNL
LTP: 330' FEL & 100' FSL
BHL: 330' FEL & 10' FSL
Standard Spacing Unit: Section 18: E2E2, Section 19: E2E2
TVD: 11,054'
TMD: 21,339'

Drill Island Surface Type

This Map is for illustrative purposes only and is neither a legally recorded map nor a survey and is not intended to be used as one. Colgate makes no warranty, representation, or guarantee of any kind regarding this map.





Note: The above map is representative of lessees of record for the Batman Notification Area for the. Due to the large number of working interest owners, please see the following pages for the layout by lease number.

Batman Notification Area Lease Ownership

PLEASE NOTE: Owners listed here also include depths outside of the landing zones of Colgate's Initial Development Wells

Lease Number	Working Interest Owner
LC-0029512 A	Colgate Production, LLC
	XTO Holdings, LLC
	Davis Land & Minerals, Inc.
	Quanah Exploration, LLC
	John H. Hendrix Corp.
	Michael L. Klein
	Larry Nermyr
	Jack Fletcher
	Penroc Oil Corp.
	Ruth Sutton
	Mizel Resources, A Trust
	Yalch Operating
	Yosemite Creek Oil & Gas, LLC
	Marathon Oil Permian, LLC
	Culbertson Management Trust
	BXP Operating, LLC
Dakota Resources, Inc.	
MJK Partners, Ltd	

Lease Number	Working Interest Owner
LC-0029512 B	Davis Land & Minerals
	Desert Rainbow, LLC
	John H. Hendrix Corp.
	Quanah Exploration, LLC
	Fasken Land & Minerals, Ltd.
	Mizel Resources, A Trust
	XTO Holdings, LLC
	MJK Partners, Ltd
	Larry Nermyr
	Wake Energy Partners, LLC
	Ruth Sutton
	Yalch Operating
	J Cleo Thompson & James C. Cleo Jr.
	Paw Prints Oil & Gas, Ltd.
Yosemite Creek Oil & Gas, LLC	

Lease Number	Working Interest Owner
LC-0029512 C	BXP Operating, LLC
	Davis Land & Minerals
	Quanah Exploration, LLC
	John H. Hendrix Corp.
	Michael L. Klein
	Larry Nermyr
	Jack Fletcher
	Penroc Oil Corp.
	Ruth Sutton
	Yalch Operating
	Yosemite Creek Oil & Gas, LLC
	Dakota Resources, Inc.
	Marathon Oil Permian, LLC

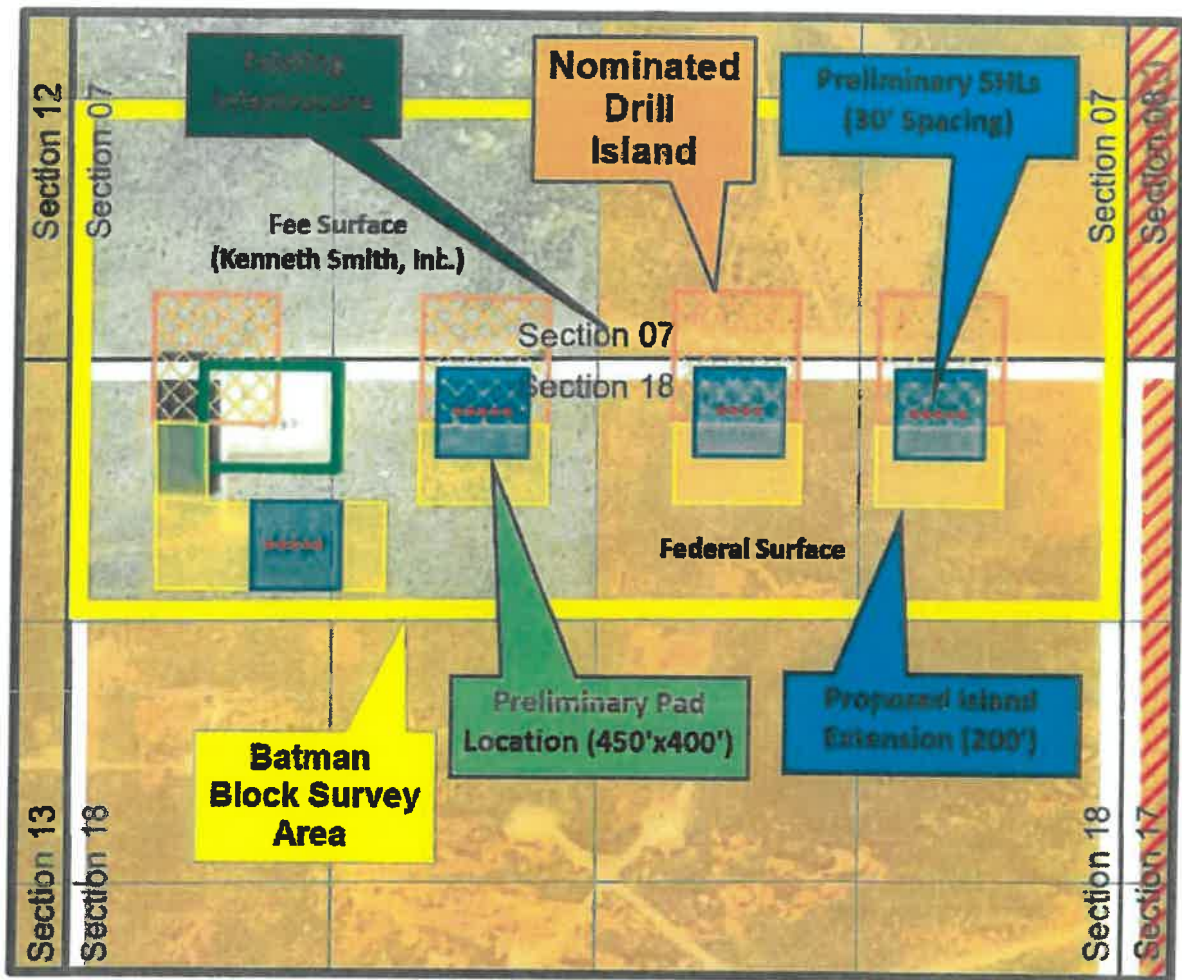
Lease Number	Working Interest Owner
NM-013276	Colgate Production, LLC
	BXP Operating, LLC
	Davis Land & Minerals
	Quanah Exploration, LLC
	John H. Hendrix Corp.
	Michael L. Klein
	Larry Nermyr
	Desert Rainbow, LLC
	Jack Fletcher
	Mizel Resources, A Trust
	Penroc Oil Corp.
	Fasken Land & Minerals, Ltd.
	Ruth Sutton
	J Cleo Thompson & James C. Cleo Jr.
	Wake Energy Partners, LLC
	Yalch Operating
	Yosemite Creek Oil & Gas, LLC
	XTO Holdings, LLC
	MJK Mineral Partners, Ltd.
	Bob Blundell, Jr.
Dakota Resources, Inc.	
Driftwood Oil, LLC	

Lease Number	Working Interest Owner
NM-013276 Cont.	Driftwood Oil, LLC
	Arrowhead Energy Development 1979
	Harvard & Lemay Exploration Co.
	Jalapeno Corp.
	MRC Spiral Resources, LLC
	Nadel & Gussman Capital, LLC
	Prudential-Bache
	Thermal Exploration, Inc.
	Viking Oil & Gas Exploration Co.
	Yates Energy Corp.
Devon Energy Production Co, LP	

Lease Number	Working Interest Owner
NM-0550543	Marathon Oil Permian, LLC
	Penroc Oil Corp.
	BXP Operating, LLC
NM-086168	Marathon Oil Permian, LLC
	XTO Holdings, LLC
	WPX/Devon Energy Production Co. LP
NM-087274	Marathon Oil Permian, LLC
	XTO Holdings, LLC
	WPX/Devon Energy Production Co. LP
NM-038467	Dan C. Berry
	Harvard Petroleum Corp.
	XTO Holdings, LLC
	Yates Energy Corp.
	Crump Energy Partners II LLC
	Crown Oil Partners V LP
	Jalapeno Corp

End of Lease Ownership Section

Preliminary SHL Map



Please Note: The above map is for illustrative purposes only. Any location is contingent on APD and BLM approval. Additionally, Colgate reserves the right to alter development plans based on environmental, economic, and administrative concerns or restraints.

Batman Development Area & Fallen Wallen Drill Islands - Colgate

Recipient	Owner Type	Mailing	City	State	Zip
Acrosshead Energy Development 1979	Affected Operator/Lessee/WI Owner	300 Holly Sugar Bldg.	Colorado Springs	CO	80903
Bob Blandell, Jr	Affected Operator/Lessee/WI Owner	7924 Colfax Ave.	Fueblo	CO	81008
Bureau of Land Management	Affected Surface Grazing Lease Owner	630 East Grease St.	Carlsbad	NM	88220
BXP Operating, LLC	Affected Operator/Lessee/WI Owner	11757 Katy Freeway, Suite 475	Houston	TX	77079
BXP Partners V, LP	Affected Operator/Lessee/WI Owner	11757 Katy Freeway, Suite 475	Houston	TX	77079
Crown Oil Partners V LP	Affected Operator/Lessee/WI Owner	P.O. Box 50820	Midland	TX	79710
Crump Energy Partners II LLC	Affected Operator/Lessee/WI Owner	P.O. Box 50820	Midland	TX	79710
Colbertson Management Trust	Affected Operator/Lessee/WI Owner	P.O. Box 1918	Midland	TX	79702
Dalton Resources, Inc.	Affected Operator/Lessee/WI Owner	4914 North Midriff Road	Midland	TX	79705
Dalton Resources, Inc.	Affected Operator/Lessee/WI Owner	4319 South Ross Dr	Midland	TX	79705
Danny C. Berry, et ux	Affected Operator/Lessee/WI Owner	P.O. Box 160	Eufaula	NM	88231
Danny C. Berry, et ux	Affected Operator/Lessee/WI Owner	Main Highway 176	Eufaula	NM	88231
Danny C. Berry, et ux	Affected Operator/Lessee/WI Owner	2345 South Blvd. SE, Suite C-1	Rio Rancho	NM	87124
Davis Land & Minerals	Affected Operator/Lessee/WI Owner	P.O. Box 79188	Houston	TX	77279
Desert Rainbow, LLC	Affected Operator/Lessee/WI Owner	P.O. Box 1837	Roswell	NM	88202
Devon Energy Production, LLC (WPN)	Affected Operator/Lessee/WI Owner	333 West Sheridan Ave.	Oklahoma City	OK	73102
Doyle Hartman	Affected Operator/Lessee/WI Owner	P.O. Box 10436	Midland	TX	79702
Driehorn Oil, LLC	Affected Operator/Lessee/WI Owner	500 North Main Street, #2	Midland	TX	79701
Estate of James Davidson	Affected Operator/Lessee/WI Owner	P.O. Box 1124	Jol	NM	88252
Estate of Ronnie H. Westbrook	Affected Operator/Lessee/WI Owner	P.O. Box 494	Midland	TX	79702
Estate of Ronnie H. Westbrook	Affected Operator/Lessee/WI Owner	P.O. Box 371	Midland	TX	79702
Fusion Land & Minerals, Ltd.	Affected Operator/Lessee/WI Owner	4700 East Cherrywood Ct.	Midland	TX	79702
Harvard & Leasing Exploration Co.	Affected Operator/Lessee/WI Owner	6101 Holiday Hill Road	Midland	TX	79707
Harvard Petroleum Corp.	Affected Operator/Lessee/WI Owner	P.O. Box 936	Roswell	NM	88202
Interpud Polish - New Mexico, LLC	Affected Polish Lessee	P.O. Box 936	Roswell	NM	88202
Interpud Polish - New Mexico, LLC	Affected Polish Lessee	1996 Polish Mines Road	Carlsbad	NM	88220
Interpud Polish - New Mexico, LLC	Affected Polish Lessee	1001 17th Street	Denver	CO	80202
J Cleo Thompson & James C. Clio Jr., LP	Affected Polish Lessee	707 17th Street	Denver	CO	80202
Jack Fletcher	Affected Polish Lessee	325 North St. Paul, Suite 4300	Dallas	TX	75201
Juipano Corp	Affected Operator/Lessee/WI Owner	5801 Kellogg Drive	Yorba Linda	CA	97886
John E. Hendrix Corp.	Affected Operator/Lessee/WI Owner	P.O. Box 1608	Albuquerque	NM	87103
John E. Hendrix Corp.	Affected Operator/Lessee/WI Owner	P.O. Box 3040	Midland	TX	79702
Kenneth Smith, Inc.	Affected Operator/Lessee/WI Owner	110 North Mainfield, Suite 400	Midland	TX	79702
Kerr McGee Oil & Gas Onshore LP	Affected Surface Grazing Lease Owner	267 South Ranch Road	Hobbs	NM	88240
Larry Nemyr	Affected Operator/Lessee/WI Owner	P.O. Box 173779	Denver	CO	80217
Linda Armstrong	Affected Operator/Lessee/WI Owner	5 Greenway Plaza, Suite 110	Houston	TX	77046
Marathon Oil Permian, LLC	Affected Operator/Lessee/WI Owner	900 33 Avenue SW, Apartment 15	Minot	ND	58701
Merit Energy Partners	Affected Operator/Lessee/WI Owner	P.O. Box 1112	Hobbs	NM	88241
Merit Energy Partners D-III	Affected Operator/Lessee/WI Owner	Marathon Oil Tower, 555 San Felipe Street	Houston	TX	77056
Merit Energy Partners III	Affected Operator/Lessee/WI Owner	13727 Noel Road, Suite 1200, Tower 2	Dallas	TX	75240
Michael L. Klein	Affected Operator/Lessee/WI Owner	13727 Noel Road, Suite 1200, Tower 2	Dallas	TX	75240
Mizel Resources, A Trust, Attn: Carole De Leon	Affected Operator/Lessee/WI Owner	13727 Noel Road, Suite 1200, Tower 2	Dallas	TX	75240
MJK Partners, Ltd	Affected Operator/Lessee/WI Owner	500 West Texas, Suite 1200	Midland	TX	79701
MRC Special Resources, LLC	Affected Operator/Lessee/WI Owner	100 North Mainfield, Suite 906	Denver	CO	80237
Nadel & Gusman Company, LLC	Affected Operator/Lessee/WI Owner	5400 LBJ Freeway, Suite 1200	Midland	TX	79701
	Affected Operator/Lessee/WI Owner	First National Bank Building, 15 E 5th St., #3300	Dallas	TX	75240
			Toluca	OK	74103

Batman Development Area & Fallen Wallen Drill Islands - Colgate

Recipient	Owner Type	Mailing	City	State	Zip
Oxy USA VIP, LP	Current RT Owner/Colgate Predecessor (Assigning)	5 Greenway Plaza, Suite 110	Houston	TX	77046
Paw Prints Oil & Gas, Ltd.	Affected Operator/Lessee/WI Owner	1500 4 Mile Lane	Canon City	CO	81212
Petree Oil Corporation	Affected Operator/Lessee/WI Owner	151 Calle Sur, Suite 174	Hobbs	NM	88240
Pogo Resources, LLC	Affected Operator/Lessee/WI Owner	4809 Cole Ave., Suite 108	Dallas	TX	75205
Prudential-Bache Energy Income Protection VP-38	Affected Operator/Lessee/WI Owner	1209 Orange Street	Wilmington	DE	19801
Roy G Barton Jr Trust	Affected Operator/Lessee/WI Owner	P.O. Box 978	Hobbs	NM	88240
Ruth Sabin	Affected Operator/Lessee/WI Owner	3226 Moss	Midland	TX	79705
State of New Mexico, Commissioner of Public Lands	State of New Mexico	310 Old Santa Fe Trail	Santa Fe	NM	87501
T Over V Ranch, LHP	Affected Surface/Grazing Lease Owner	P.O. Box 160	Emice	NM	88231
Thermal Exploration, Inc.	Affected Operator/Lessee/WI Owner	1609 Schuman Lane	Bedford	TX	76022
Viking Oil & Gas Explorations Company	Affected Operator/Lessee/WI Owner	P.O. Box 1267	Minneapolis	MIN	55440
Waka Energy Partners, LLC	Affected Operator/Lessee/WI Owner	P.O. Box 684	Pecos	TX	79772
Waka Energy Partners, LLC	Affected Operator/Lessee/WI Owner	110 West 5th Street	Pecos	TX	79772
WEX Energy Permision LLC	Affected Operator/Lessee/WI Owner	333 West Sheridan Ave.	Oklahoma City	OK	73102
XTO Holdings, LLC	Affected Operator/Lessee/WI Owner	22777 Springwoods Village Pkwy.	Spring	TX	77389
Yalek Operating	Affected Operator/Lessee/WI Owner	P.O. Box 2171	Midland	TX	79702
Yates Energy Corp.	Affected Operator/Lessee/WI Owner	P.O. Box 2323	Roswell	NM	88202
Yosemite Creek Oil & Gas, LLC (LHP)	Affected Operator/Lessee/WI Owner	4350 South Monaco Street, 5th Floor	Denver	CO	80237

CGT_B-17



Doyle Hartman
Affected Operator/Lessee/WI Owner
P.O. Box 10426
Midland, TX 79702

A G R E E M E N T

THIS AGREEMENT Made this 25th day of November, 1941, by and between THE W-K ROYALTY COMPANY, a Kansas corporation with offices at Wichita, Kansas, hereinafter called "Royalty Company", and R. OLSEN OIL COMPANY, a Delaware corporation with offices at Oklahoma City, Oklahoma, hereinafter called "Oil Company", and CITIES SERVICE OIL COMPANY, a Delaware corporation with offices at Bartlesville, Oklahoma, hereinafter called "Cities Service";

W I T N E S S E T H:

WHEREAS, the Royalty Company represents it owns an undivided 3/5 of 2/12; the Oil Company represents it owns an undivided 2/5 of 2/12; Cities Service represents it owns an undivided 3/12; and the parties hereto represent that E. A. Culbertson owns an undivided 2/12 interest in and under two certain oil and gas leases made by the United States of America through the Secretary of the Interior, one covering the following described land:

242030-545
Auto Fed. # 1
NW SE 1/4 18-20S-34E
Sold 4/1/77 to E. A. Culbertson
and Wallace W. Irwin
FFE 91506
MS

The Southwest Quarter of Section 17; ^{NM-J-553}
The Southeast Quarter of Section 18; ^{NM-J-545 & 553}
The Northeast Quarter of Section 19; ^{NM-J-553}
and the Northwest Quarter of Section 20; ^{NM-J-553}
all in Township 20 South, Range 34 East, N.M.P.M., containing 640 acres, more or less;

and the other covering the following described land:

The East Half and the Northwest Quarter of Section 17; the Northeast Quarter, and the East Half of West Half, and Lots 1, 2, 3, and 4, all of Section 18; and the East Half of West Half, and Lots 1, 2, 3, and 4, and the Southeast Quarter of Section 19; and the East Half and Southwest Quarter of Section 20; all in Township 20 South, Range 34 East, N.M.P.M., containing 1920.32 acres, more or less; ²⁰³⁰⁻⁵⁵⁴

all situated in Lea County, State of New Mexico; and

WHEREAS, the parties hereto and said E. A. Culbertson's

rights in the development and operation of said leaseholds are subject to a certain Contract dated the 3rd day of October, 1928, between Henderson-Dexter-Blair, Incorporated, a New Mexico corporation, and Empire Gas and Fuel Company, a Maine corporation, to which reference is hereby made for all purposes hereof; and

WHEREAS, Cities Service and said E. A. Culbertson desire to drill a well in the center of the Southeast Quarter of Southwest Quarter of Southwest Quarter of said Section 17, but the Royalty Company and the Oil Company, being unwilling to advance or pay their proportionate part of the cost thereof, have each sold to Cities Service an undivided one-half of its interest in and under said leases and leaseholds except as to the Southeast Quarter of Southeast Quarter of said Section 18.

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars paid each to the Royalty Company and the Oil Company by Cities Service and other good and valuable considerations, receipt whereof is hereby acknowledged, the parties agree as follows:

FIRST: The Royalty Company and the Oil Company each hereby sells and agrees to assign to Cities Service an undivided one-half of its undivided interest in, to and under said leases and leaseholds, except as to the Southeast Quarter of Southeast Quarter of said Section 18, all their rights to which are retained, and to execute all documents incident to such assignments and the approval thereof by the Secretary of the Interior of the United States of America and to request said Secretary to approve said assignments.

SECOND: Cities Service agrees to commence within thirty (30) days from the date hereof operations for the drilling of a well at a location in the center of the Southeast Quarter of Southwest Quarter of Southwest Quarter of said Section 17 and to prosecute such operations in a workmanlike manner with diligence and to complete said well within one hundred twenty (120) days from the date hereof and subject to the provisions hereof to bear

the part of the costs of said well that would be borne under said agreement described in the second WHEREAS provision hereof by the Royalty Company and the Oil Company but for the terms of this agreement, and to save the Royalty Company and the Oil Company and their property free and clear of and from all costs, expenses, and liens incurred in or growing out of the drilling and equipping of said well. Cities Service will provide any tanks necessary to receive the oil from said well, and if pumping equipment is necessary in the delivery of the oil into the tanks when said well is completed, such equipment. If said well when completed is saved as a producer of oil, gas, or other minerals, the Royalty Company and the Oil Company will own the same undivided interest in such tanks and equipment that they then own in said leases. If said well when completed results in a dry hole or a well incapable of producing enough oil, gas, or other minerals to justify saving and producing, all of the equipment used in the drilling of said well, except that owned by E. A. Culbertson, will be and remain the property of Cities Service. If said well is saved as a producer of oil, gas and/or other minerals, all expense in connection with the operation thereof shall be paid by the owners on the basis of their undivided ownership in said leases. However, in the event the Secretary fails or refuses to approve the assignments aforesaid, said well shall be considered as a "disapproved well" under the terms of sub-paragraph (b) of paragraph Eighth, beginning with the word "It" after the first period on page 8 of said contract dated October 3, 1928; and in such event it is agreed that said assignments shall be null and void, and on request from them, Cities Service agrees to re-convey and re-assign to the Royalty Company and the Oil Company the interests described in said assignments.

THIRD: Said agreement described in the second WHEREAS provision hereof, except as hereby modified, shall continue in full force and effect.

FOURTH: The terms, covenants, and conditions hereof shall run in favor of and be binding upon the parties hereto, their successors and assigns, and shall run with said leases and leaseholds and be capable of specific performance.

IN WITNESS WHEREOF, the parties hereto have hereunto caused their names to be signed and their corporate seals to be affixed the day and year first above written.

Attest: C C Chapin
Asst. Secretary

THE W-K ROYALTY COMPANY
By David C. Cook
President

Attest: R. Howell
Secretary

R. OLSEN OIL COMPANY
By M. Olsen
President

Attest: E. B. G. G. G.
Asst. Secretary

CITIES SERVICE OIL COMPANY
By T. T. T.
Vice President

 Displaying title 43, up to date as of 11/16/2022. Title 43 was last amended 10/01/2022.

Title 43 - Public Lands: Interior

Subtitle B - Regulations Relating to Public Lands

Chapter II - Bureau of Land Management, Department of the Interior

Subchapter C - Minerals Management (3000)

Part 3100 - Oil and Gas Leasing

Subpart 3100 - Onshore Oil and Gas Leasing: General

§ 3100.0-5 Definitions.

As used in this part, the term:

- (a) **Operator** means any person or entity, including, but not limited to, the lessee or operating rights owner, who has stated in writing to the authorized officer that it is responsible under the terms and conditions of the lease for the operations conducted on the leased lands or a portion thereof.
- (b) **Unit operator** means the person authorized under the agreement approved by the Department of the Interior to conduct operations within the unit.
- (c) **Record title** means a lessee's interest in a lease which includes the obligation to pay rent, and the rights to assign and relinquish the lease. Overriding royalty and operating rights are severable from record title interests.
- (d) **Operating right (working interest)** means the interest created out of a lease authorizing the holder of that right to enter upon the leased lands to conduct drilling and related operations, including production of oil or gas from such lands in accordance with the terms of the lease.
- (e) **Transfer** means any conveyance of an interest in a lease by assignment, sublease or otherwise. This definition includes the terms: *Assignment* which means a transfer of all or a portion of the lessee's record title interest in a lease; and *sublease* which means a transfer of a non-record title interest in a lease, i.e., a transfer of operating rights is normally a sublease and a sublease also is a subsidiary arrangement between the lessee (sublessor) and the sublessee, but a sublease does not include a transfer of a purely financial interest, such as overriding royalty interest or payment out of production, nor does it affect the relationship imposed by a lease between the lessee(s) and the United States.
- (f) **National Wildlife Refuge System Lands** means lands and water, or interests therein, administered by the Secretary as wildlife refuges, areas for the protection and conservation of fish and wildlife that are threatened with extinction, wildlife management areas or waterfowl production areas.
- (g) **Actual drilling operations** includes not only the physical drilling of a well, but the testing, completing or equipping of such well for production.
- (h)
 - (1) **Primary term** of lease subject to section 4(d) of the Act prior to the revision of 1960 (30 U.S.C. 226-1(d)) means all periods of the life of the lease prior to its extension by reason of production of oil and gas in paying quantities; and
 - (2) **Primary term** of all other leases means the initial term of the lease. For competitive leases, except those within the National Petroleum Reserve - Alaska, this means 5 years and for noncompetitive leases this means 10 years.
- (i) **Lessee** means a person or entity holding record title in a lease issued by the United States.
- (j) **Operating rights owner** means a person or entity holding operating rights in a lease issued by the United States. A lessee also may be an operating rights owner if the operating rights in a lease or portion thereof have not been severed from record title.
- (k) **Bid** means an amount of remittance offered as partial compensation for a lease equal to or in excess of the national minimum acceptable bonus bid set by statute or by the Secretary, submitted by a person or entity for a lease parcel in a competitive lease sale.

[48 FR 33662, July 22, 1983, as amended at 53 FR 17352, May 16, 1988; 53 FR 22836, June 17, 1988]

Exhibit "A"

STEVEN S. TOEPPICH & ASSOCIATES, PLLC

ATTORNEYS AND COUNSELORS

1201 LOUISIANA STREET • SUITE 1000
HOUSTON, TEXAS 77002
(713) 874-2401
(713) 528-0877 FACSIMILE

WWW.TOEPPICHLAW.COM

REBEKKA L. PELTZMAN
Licensed in Texas, New Mexico, & Wyoming
PHONE: (713) 874-2401
DIRECT: (713) 737-8246
EMAIL: rpeltzman@toeppichlaw.com

June 14, 2022

ORIGINAL DRILLING AND DIVISION ORDER TITLE OPINION

Colgate Energy, LLC
300 N. Marienfeld St., Suite 1000
Midland, TX 79701

Attn: Travis Macha
Senior Landman

State: New Mexico.
County: Lea.
Property: All of Section 17 and NW/4,
E/2 and N/2SW/4 of Section
20, Township 20 South,
Range 34 East, New Mexico
Principal Meridian.
Unit: Robin.
Acreage: 1200.00 acres of land, more or
less.
Federal
Lease Nos: NMLC 029512 A;
NMNM 13276.

RE: Title to 1200.00 acres of land, more or less, being all of Section 17 and the Northwest Quarter (NW/4), the East Half (E/2), and the North Half of the Southwest Quarter (N/2SW/4) of Section 20, Township 20 South, Range 34 East, New Mexico Principal Meridian, Lea County, New Mexico, LIMITED TO those certain depths below five thousand feet (5,000') subsurface, and being comprised of the following four (4) tracts:

CGE: 000006

Exhibit D

2. Rights-of-Way, Easements, and Permits dated November 12, 1937, [REDACTED]
[REDACTED]
[REDACTED]
 3. Right-of-Way dated March 21, 1962, notice of which is recorded in [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
 4. Right-of-Way dated January 28, 2000, recorded in [REDACTED]
[REDACTED]
[REDACTED]
 5. Right-of-Way dated May 30, 1997, recorded in [REDACTED]
[REDACTED]
[REDACTED]
 6. Permit dated March 29, 1957, recorded in [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- D. Agreements:**
1. Unrecorded Operating Agreement dated September 25, 1928, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
 2. Unrecorded Operating Agreement dated November 25, 1941, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]

3. Unrecorded Agreement dated May 16, 1949, by and [REDACTED]
[REDACTED]
[REDACTED]
4. Lease dated July 1, 1957, recorded in [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
5. Casinghead Gas Contract dated December 6, 1976, [REDACTED]
[REDACTED]
[REDACTED]
6. Trust Agreement effective December 31, 1982, [REDACTED]
[REDACTED]
7. Unrecorded Operating Agreement dated February 1, 1989, [REDACTED]
[REDACTED]
[REDACTED]
8. Unrecorded Agreement dated December 10, 1992, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
9. Operating Agreement dated February 1, 1993, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
10. Unrecorded Operating Agreement dated August 10, 1994, [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

7/3

THIS CONVEYANCE from SUN OPERATING LIMITED PARTNERSHIP by SUN EXPLORATION AND PRODUCTION COMPANY, its Managing General Partner, and SUN EXPLORATION AND PRODUCTION COMPANY (herein collectively called "Sun"), to DOYLE HARTMAN, JAMES A. DAVIDSON, MICHAEL L. KLEIN and JOHN H. HENDRIX CORPORATION, a Texas corporation, (herein called "Hartman", whether one or more) and AGREEMENT by and between Sun and Hartman in connection therewith, which is delivered and effective at 7:00 A.M. local time at the location of the Subject Interests (as hereinafter defined), respectively, on January 2, 1986 (the "Effective Date");

W I T N E S S E I H:

Sun for the amount of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and subject to the terms and provisions hereof, by these presents does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER and DELIVER unto Hartman all of Sun's right, title and interest in and to the following:

A. The oil, gas and other mineral leases, interests, rights and properties which are specifically described in Schedule A (hereinafter called "Subject Interests") attached hereto and made A PART HEREOF FOR ALL PURPOSES INCLUDING ALL EXTENSIONS AND RENEWALS THEREOF: SUBJECT (to the extent and only to the extent that the same are valid and subsisting) to all restrictions, exceptions, reservations, conditions, limitations, interests, burdens, contracts, agreements, instruments and other matters (including, but not limited to, oil and gas sales, purchase, exchange and processing contracts, operating agreements and pooling, unitization or communitization agreements, declarations and orders and other contracts, agreements and instruments), which relate to any of such properties, including, without limitation, all such matters, if any, as set forth in the specific descriptions of such properties in Schedule A; provided, however, that the parties hereto recognize that certain interests in such properties may have expired or been released, and that Sun, and its predecessors in interest, have, from time to time, conveyed all or portions of their interests in certain

2L61/HARTMAN CONVEYANCE - (1)

JAN 17 1986

* TRACT 26 - GREGORY OIL LEASE

An undivided one-half (1/2) of the operating rights under the

Northeast Quarter of the Northwest Quarter (NE/4 NW/4) of Section 33, Township 25 South, Range 37 East, Lea County, New Mexico, to a depth of 3500 feet below the surface,

said operating rights being created under and by virtue of that certain Operating Agreement, dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company insofar as said Operating Agreement relates to the following described lease:

Oil Exchange Lease, issued in exchange for an "a" lease, dated March 1, 1950, issued by the Secretary of the Interior of the United States to Anderson-Prichard Oil Corporation and Stanolind Oil and Gas Company, recorded in Book 111, Page 83 of the Oil and Gas Records in the office of the County Clerk of Lea County, New Mexico, said lease bearing Serial No. Las Cruces 054667, formerly a part of Serial No. Las Cruces 032510(a),

subject to the following:

- (1) A permittee overriding royalty of 7 1/2% of all oil and gas produced, saved and marketed from said lands.
- (2) Contract, dated July 16, 1936, between Stanolind Oil and Gas Company, as grantor, and Uscon Oil Company and Anderson-Prichard Oil Corporation, as grantees, wherein Stanolind reserves a \$500,000.00 oil payment, payable out of 1/16th of total production, as amended by
- (3) Contract dated November 16, 1938, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company, and The W-K Royalty Company, as parties of the first part, and Stanolind Oil and Gas Company, as party of the second part, as amended by Amendment to Contract dated May 31, 1939, between the same parties.

The fractional share of the gross oil, casinghead gas, and other liquid hydrocarbons produced from the above described land above 3500 feet owned by Assignor is .36875.

* TRACT 27 - HUDGENS - FEDERAL LEASE

An undivided 6/300ths interest in and to the following described lease:

Exchange Oil and Gas Lease, being lease issued in exchange for an "a" lease, dated February 1, 1951, issued by the United States of America to Cities Service Oil Company, E. A. Culbertson and R. Olsen Oil Company, recorded in Book 99, Page 546 of the Oil and Gas Records in the office of the County Clerk of Lea County, New Mexico, said lease bearing Serial No. Las Cruces 029512(c),

operator as said lease covers the following described land:

Northwest Quarter of the Southeast Quarter (NW/4 SE/4) of Section 18, Township 20 South, Range 34 East, Lea County, New Mexico,

subject to the following:

- (1) The proportionate part attributable to the interest of an overriding royalty of 7 1/2% of the total production to the original permittee.

- (b) Operating Agreement, dated November 25, 1941, between The W-K Royalty Company, R. Olsen Oil Company and Cities Service Oil Company, as amended by Agreement dated May 16, 1949, between R. Olsen Oil Company, E. A. Culbertson and Cities Service Oil Company providing for operation of the leasehold estate by Cities Service Oil Company.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .0165.

* TRACT 28 - JAL 3 LEASE

An undivided one-half (1/2) interest in the following described lease:

Oil and Gas Lease, dated November 1, 1935, being a "b" lease issued by the Secretary of the Interior of the United States to Anderson-Prichard Oil Corporation and R. Olsen Oil Company bearing Serial No. Las Cruces 032511(d),

insofar as said lease covers the following described land:

North Half of the Northeast Quarter (N/2 NE/4) of Section 11, Township 25 South, Range 37 East, Lea County, New Mexico, to a depth of 4000 feet below the surface of the soil,

subject to the following:

- (1) Overriding royalty interest of 1/64th of all oil, casinghead gas and similar hydrocarbon substances except dry gas and residue gas in favor of A. K. Barnes.
- (2) Gas Operating and Development Contract, dated November 6, 1939, between R. Olsen Oil Company and Anderson-Prichard Oil Corporation, as oil operators, and El Paso Natural Gas Company, as gas operator, by which, among other things, El Paso Natural Gas Company is granted the right to purchase and thereafter own and operate, any well upon the above described land, and other lands capable of producing gas only.
- (3) Operating Agreement dated June 25, 1942, between The Atlantic Refining Company, R. Olsen Oil Company and Anderson-Prichard Oil Corporation by the terms of which Atlantic Refining Company was granted all operating rights as to depths below 4000 feet below the surface as to the N/2 NE/4 of Section 11, Township 25-South, Range 37 East.
- (4) Contract dated July 16, 1936, between Stanolind Oil and Gas Company, grantor, and Uscan Drilling Company and Anderson-Prichard Oil Corporation, grantees, as amended by Contract dated November 16, 1938 between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as parties of the first part, and Stanolind Oil and Gas Company, as party of the second part, providing, among other things, for payment to Stanolind Oil and Gas Company of \$500,000.00 from 1/16th of the production from said land and other lands.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from said land to a depth of 4000 feet owned by Assignor is .3984375.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land owned by Assignor is .721875.

* TRACT 37 - JEWETT McDONALD LEASE

An undivided 20/300ths interest in and to the following described lease:

Oil and Gas Lease, dated February 1, 1951, being issued in exchange for an "a" lease, issued by the Secretary of the Interior of the United States to Cities Service Oil Company; E. A. Culbertson; and E. Olsen Oil Company, recorded in Book 90, Page 546, of the Oil and Gas Records in the office of the County Clerk of Lea County, New Mexico, said lease bearing Serial No. Las Cruces 029512(a),

insofar as said lease covers the following described land:

Southeast Quarter of the Southeast Quarter (SE/4 SE/4) of Section 18, Township 20 South, Range 34 East, Lea County, New Mexico,

and an undivided 6/300ths interest in and to the aforesaid lease insofar as said lease covers the following described land:

Southwest Quarter (SW/4) of Section 17, and the Northeast Quarter of the Southeast Quarter (NE/4 SE/4) and the Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of Section 18, and the Northeast Quarter (NE/4) of Section 19, and the Northwest Quarter (NW/4) of Section 20, all in Township 20 South, Range 34 East, Lea County, New Mexico,

subject to the following:

- (1) The proportionate part attributable to the interest of an overriding royalty of 7% of the original permittee.
- (2) Operating Agreement, dated November 25, 1941, between The W-K Royalty Company, E. Olsen Oil Company and Cities Service Oil Company, as amended by Agreement dated May 16, 1949, between E. Olsen Oil Company; E. A. Culbertson and Cities Service Oil Company, providing for operation of the leasehold estates by Cities Service Oil Company.

The fractional share of the gross oil, gas and other hydrocarbons produced from the SE/4 SE/4 of said Section 18, owned by Assignor is .055; and the fractional share thereof, as to the remainder of the land above described, owned by Assignor is .016.

TRACT 37-A - JEWETT McDONALD LEASE

An undivided 5/300ths interest in and to the following described lease:

Oil and Gas Exchange Lease dated November 1, 1959, issued by the United States of America to Cities Service Oil Company and Olsen Oils, Inc., said lease bearing Serial No. Las Cruces 029512(b),

insofar as said oil and gas lease covers the following described land:

East Half (E/2) and the Northwest Quarter (NW/4) of Section 17, and the Northeast Quarter (NE/4) and the East Half of the West Half (E/2 W/2) and Lots One (1), Two (2), Three (3) and Four (4) of Section 18, and

Lots 1, 2 and 3 and the East Half of the Northwest Quarter (NE/2 SW/4) and the Northwest Quarter of the Southwest Quarter (NE/4 SW/4) and the Southeast Quarter (SE/4) of Section 19 and the East Half (E/2) and the North Half of the Southwest Quarter (N/2 SW/4) of Section 20, all in Township 20 South, Range 34 East, Lea County, New Mexico,

subject to the following:

- (1) Operating Agreement dated November 25, 1941, between The W-K Royalty Company, R. Olsen Oil Company and Cities Service Oil Company, as amended by Agreement dated May 16, 1949 between R. Olsen Oil Company, E. A. Culbertson and Cities Service Oil Company, providing for operation of the leasehold estates by Cities Service Oil Company.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .0175.

TRACT 38 - MCKINNEY - STATE LEASE

All interest in and to oil and gas lease No. E-2388, dated January 10, 1949, from the State of New Mexico to Western Natural Gas Company, insofar as said lease covers the following described land:

Northeast Quarter of the Northeast Quarter (NE/4 NE/4) and the West Half of the Southwest Quarter (W/2 SW/4) of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico,

down to a depth of 4000 feet, and subject to the following, to-wit:

- (1) An overriding royalty of 1/16th of total production of gas and 1/8th of total production of oil, which is reduced to 1/16th of total production of oil when wells are placed on artificial lifts.

- (2) Assignment, dated April 8, 1949, from Western Natural Gas Company to R. Olsen Oil Company.

The fractional share of the gross oil, gas and other minerals produced from the above described land above the depth of 4000 feet owned by Assignor is .75, but as to high pressure gas and liquid hydrocarbons .8125.

TRACT 39 - MEYERS B-1 LEASE

An undivided one-half (1/2) interest in the operating rights, to a depth of 4000 feet below the surface, under the

Northwest Quarter (NW/4) of Section 13, Township 24 South, Range 36 East, Lea County, New Mexico,

said operating rights being created by that certain Operating Agreement dated May 21, 1947 between Anderson-Prichard Oil Corporation and R. Olsen Oil Company, insofar as said Operating Agreement relates to the following described lease:

Oil and Gas Lease dated June 1, 1956, being an exchange lease, issued in exchange for a "b" lease, issued by the Secretary of the Interior of the United States to Anderson-Prichard Oil Corporation and R. Olsen Oil Company, said lease bearing Serial No. Las Cruces 034655 (b), formerly a part of Serial No. Las Cruces 032451 (b),

and an undivided one-half (1/2) interest in and to the above described lease, insofar as said lease covers the above described land as to all depths, subject to the following:

Process for APD, Drilling Island, and Development Area Review in the DPA

I. APD Process

The BLM Carlsbad Field Office will review APDs for locations in the DPA in accordance with the Order and Onshore Oil and Gas Order No. 1.

Upon receipt of an APD for a location within the DPA, the application will be processed by the BLM Carlsbad Field Office in the following manner:

A. Adjudication will date stamp the application as received and route the APD to BLM staff for initial review. The posting and protest period guidelines for an APD are outlined in Onshore Oil and Gas Order No. 1.

B. Initial Review

Once the APD is routed, BLM staff will verify that proper notice was made by the applicant to all parties that may be affected by the APD according to Section 6.e.(7). As a guideline, all affected parties receiving notice for an APD should include:

1. Surface owner(s) affected by a planned surface disturbance contemplated in the application, plan or proposal;
2. All Potash operators and lessee(s) in the DPA; and
3. Owner(s) of oil and gas rights affected by the application, plan, or proposal, defined as lessee and operating rights owners within the leases penetrated by the wellbore and/or any lease that may be affected by a well that does not meet the state's minimum setback requirements.

BLM will not proceed with processing the APD until it receives verification that the applicant gave notice to the parties identified in Section I.B.1-3, above. The notice should be made by the applicant prior to the submission of the APD. The BLM will not authorize any action prior to the proper notice of all affected parties (Sec. 6.e.(7)). If the BLM finds that notice was not given to all affected parties, the BLM will notify the operator and await verification that all affected parties have been properly notified.

C. Once the BLM verifies that all affected parties have been notified, the BLM will review the APD in accordance with Section 6.e.(1). To be considered for approval, the APD surface location must be on:

1. a Drilling Island associated with a Development Area established under the Order or a Drilling Island established under a prior Order (6.e.(1)(a));
2. a Barren Area and the Authorized Officer determines that such operations will not adversely affect active or planned potash mining operations in the immediate vicinity of the proposed drill-site (6.e.(1)(b)); or

3. a Drilling Island, not covered by the first category (6.e.(1)(a)) above, or single well site established under the Order by the approval and in the sole discretion of the Authorized Officer, provided that such site was jointly recommended to the Authorized Officer by the oil and gas lessee(s) and the nearest potash lessee(s) (6.e.(1)(c)).

D. If the APD falls within one of the provisions identified in Section I.C.1-3, above, then it can be processed to the next level of review. BLM will generate a memo confirming receipt of verification that proper notification was made and that the APD meets one of the exceptions in 6.e.(1) and send it to Adjudication. Adjudication will route the APD to Resource Specialists, Fluid Minerals Specialists, and Potash Specialists for the technical review described in Onshore Oil and Gas Order No. 1. The APD will be processed as a normal APD.

1. If the surface location specified in the APD is proposed outside of the areas listed in Section 6.e.(1) of the Order, then the APD should be denied, unless the operator is willing to take one of the following actions:

(a) Move the proposed surface location to an area that falls within Section 6.e.(1)(a) – (c) of the Order. If the operator is willing to move the proposed surface location specified in the APD to a location covered under 6.e.(1), the APD can be revised and will be reviewed at the new location.

(b) Propose a new Drilling Island either at the existing surface location specified in the APD or a new location where the APD can be approved. This Drilling Island proposal may be outside an existing Development Area. If the operator chooses this option, the BLM will process this proposal as described below in this IM in Section II Drilling Island Process, and Section III Development Area Process.

2. Buffer zones as described in Section 6.e.(3) will apply to the proposed well. Please see Section IV, Oil and Gas Well Buffer Zones, below, for the definition of oil and gas wells for determining associated buffer zones. In accordance with Section 6.e.(3) of the Order, the BLM may adjust the buffer zones in an individual case, when the facts and circumstances demonstrate that such adjustment would enhance conservation and would not compromise safety. When reviewing an APD, the BLM will refer to the latest available information provided by the potash companies and verified by the BLM as described in Sec. 6.d. of the Order.

3. A National Environmental Policy Act (NEPA) compliance document will be prepared. The NEPA analysis will document alternatives; alternatives may be generated in response to issues identified during internal and external scoping or by interested parties. The NEPA analysis will document the environmental effects of the proposed action and alternatives and the decision record will document the decision-making process.

4. A memo will be sent from the Potash Specialist to the Field Manager recommending approval or denial of the APD based on the criteria described above.
5. An APD within the DPA cannot be approved without the following items:
 - (a) Potash Memo recommending approval of the APD;
 - (b) A record that all affected parties have been properly notified;
 - (c) Completed NEPA analysis; and
 - (d) Completed technical reviews, as specified in Onshore Oil and Gas Order No. 1, from:
 - i. Resource Specialists,
 - ii. Fluid Minerals Specialists, and
 - iii. Potash Specialists.

II. Drilling Island Process

If a proposal for a Drilling Island affects more than one oil and gas operator, then all oil and gas operators should be encouraged to take part in the proposal. Typically, before any formal notification of a Drilling Island proposal is made to the BLM, proponents for a Drilling Island will notify a Natural Resource Specialist (NRS) of their interest in setting up a Drilling Island. The NRS will conduct a desk review of the proposed Drilling Island and/or perform an onsite inspection of the proposal to identify any site-specific resource concerns that may be encountered on the surface. The NRS will confer with a Potash Specialist to ensure that impacts to potash resources are identified.

- A. Drilling Islands can be established by a proposal from the BLM or industry. Upon receipt of a proposal for a Drilling Island within the DPA, the proposal will be processed by the BLM Carlsbad Field Office in the following manner:
 1. If the BLM proposes a Drilling Island, BLM staff will examine serial register page information for record title holder and operating rights information in order to determine the affected parties as defined below under Section II.B of this IM. Notification will be sent to the affected parties via U.S. mail with certified mail return receipts or other acceptable means of communication to ensure proper notification. A sample notification letter is attached (Attachment 3 – Sample Notification Letter). The BLM will review the proposal in accordance with Sec. 6.e.(2)(d). The proposal will be routed in accordance with Section II.E. of this IM.
 2. If the BLM Carlsbad Field Office receives a proposal for a Drilling Island within the DPA from an outside party, Adjudication will date stamp the proposal as received and route it to BLM staff for initial review.

B. Initial Review

Once the Drilling Island proposal is routed, BLM will verify that the applicant gave proper notice of the Drilling Island proposal to all affected parties, according to Section 6.e.(7) of the Order. As a guideline, affected parties given notice of a Drilling Island proposal should include:

1. Surface owner(s) affected by the planned surface disturbance contemplated in the application, plan or proposal;
2. Grazing permit holders who may be affected by a planned surface disturbance contemplated in the application, plan or proposal. The BLM will make any grazing permit holder information available upon request;
3. All Potash operators and lessee(s) in the DPA; and
4. Owner(s) of oil and gas rights affected by the application, plan, or proposal, defined as lessees and operating rights owners within a distance of the proposed Drilling Island that can be accessed with present-day drilling capabilities. Present-day drilling capabilities in the Permian Basin have allowed wells to be drilled up to 2 miles. Notification of affected parties in the DPA within 2 miles from the boundary of the Drilling Island is required. As technology advances, this distance will be subject to revision as deemed necessary by the Authorized Officer. If the BLM or an outside party finds that oil or gas resources may be stranded, then notification shall include any potentially stranded oil and gas lease holders and operating rights owners, even if those leases are outside the 2-mile radius.

Notice should be made by the applicant prior to the submission of the Drilling Island proposal. The BLM will not authorize any action prior to the proper notification of all affected parties (Sec. 6.e.(7)). If the BLM office finds that notice was not given to all affected parties, the BLM will notify the operator and await verification that all affected parties have been properly notified. U.S. certified mail return receipts may be used as evidence of notice to affected parties.

Section 7.f. of the Order directs the BLM to develop appropriate time-frame guidelines and requirements, as appropriate, to enable timely actions pursuant to the Order. Therefore, the BLM will provide a 30-day time period during which any affected party can notify the BLM of their objections to or concurrence with the proposal via letter or email addressed to the Carlsbad Field Office Field Manager and copied to all affected parties. This 30-day period commences upon the date the affected party received the notification letter, as recorded on the certified mail return receipt associated with the notification letter.

The BLM will not establish a Drilling Island until all affected parties who express interest in or opposition to the proposal have been given the opportunity to meet with the BLM to discuss any concerns. Such meetings can take place individually with the BLM or collectively with other interested parties.

The BLM must address protests in a timely manner so as to enable timely actions pursuant to

the Order. The BLM will provide an opportunity for affected parties to schedule a meeting with the BLM to discuss any protest within 30 days of the BLM's receipt of a protest. Affected parties may request an extension of time to meet with the BLM. The BLM may grant an extension if the requesting party provides adequate justification for the extension. The BLM will apply a presumption that a protest has been waived if the protestant declines to seek an extension supported by an adequate justification or schedule a meeting with the BLM to discuss the protest within 30 days of the BLM's receipt of the protest. When the BLM receives a protest that presents an alternate proposal, the BLM will determine whether it is a reasonable alternative that should be evaluated during the NEPA process. The BLM also will review the Plan of Development and preliminary drilling locations from the proposal to ensure the Drilling Island positioning complies with the Order.

C. The Drilling Island proposal submission should contain the following:

1. A map of the location of the proposed action showing:
 - (a) Township, Range, Section,
 - (b) Surface ownership, and
 - (c) Lease ownership within a distance of the proposed Drilling Island that can be accessed with present-day drilling capabilities, labeled by operator and lease number.
2. Plan of downhole development (description and order of wells being drilled and at what depths, and a map showing the location and direction of each wellbore).
3. Surface use plan.
4. Preliminary plat showing the boundaries of the proposed Drilling Island.
5. For Drilling Island proposals affecting more than one operator, a certification by the proponents that an agreement is in place for those operators who will be drilling on the Drilling Island.
6. A list in table format of all affected parties as referenced above.
7. A narrative of the proposed action.

D. Pursuant to 6.e.(1), a Drilling Island can only be established such that any proposed drilling will occur:

- (a) within an associated Development Area (specifically reviewed under Section 6.e.(2)(d) of the Order) (Section 6.e.(1)(a));
- (b) within a Barren Area and the Authorized Officer determines that such operations will not adversely affect active or planned potash mining operations in the immediate vicinity of the proposed drill-site (Section 6.e.(1)(b));. or

(c) outside of a Development Area or Barren Area as described above, provided that the Drilling Island was jointly recommended to the Authorized Officer the oil and gas lessee(s) and the nearest potash lessee(s) (Section 6.e.(1)(c)).

E. A BLM interdisciplinary team will review the Drilling Island proposal in accordance with Section 6.e.(1) of the Order. Members of this team shall include:

1. Fluid Minerals Staff,
2. Solid Minerals Staff,
3. NRS Staff with or without preliminary onsite notes of the proposed action, and
4. Other resources staff as necessary.

F. A National Environmental Policy Act (NEPA) compliance document will be prepared. The NEPA analysis will document alternatives; alternatives may be generated in response to issues identified during internal and external scoping or by interested parties. The NEPA analysis will document the environmental effects of the proposed action and alternatives and the decision record will document the decision-making process.

G. At this point in the review process, the Drilling Island may be approved, denied, or modified. If modifications are made, then the BLM must grant the applicant an opportunity to provide notice to affected parties prior to approval. Notice should be made by the applicant prior to the submission of the Drilling Island proposal. The BLM will not authorize any action prior to the proper notification of all affected parties of the changes (Sec. 6.e.(7)). If the BLM office finds that notice was not given to all affected parties, the BLM will notify the applicant and await verification that all affected parties have been properly notified. U.S. certified mail return receipts may be used as evidence of notice to affected parties.

The BLM will provide a 30-day time period during which any affected party can notify the BLM of their objections to or concurrence with the changes to the proposal via letter or email addressed to the Carlsbad Field Office Field Manager and copied to all affected parties. This 30-day period commences upon the date the affected party received the notification letter, as recorded on the certified mail return receipt associated with the notification letter.

H. If the proposed Drilling Island is approved, then a Notice to Lessee (NTL) will be issued in the form of an approval letter according to Section 6.e.(2)(b) of the Order to all affected parties, as defined above in Section II.B.4. of this IM. The NTL letter will contain the location and boundary of the Drilling Island. The approval of a Drilling Island does not grant the operator permission to drill a well. Approval to drill on the Drilling Island may only be granted through an approved APD. The BLM will process any APDs associated with the Drilling Island proposal as provided in Section I, above.

III. Development Area Process

If a proposal for a Development Area affects more than one oil and gas operator, then the BLM should encourage all interested parties to make a joint proposal.

A. Development Areas can be established by a proposal from the BLM or industry, as specified below. Upon receipt of a proposal for a Development Area within the DPA, the proposal will be processed by the BLM Carlsbad Field Office in the following manner:

1. If the BLM proposes a Development Area, BLM staff will examine serial register page information for record title holder and operating rights information in order to determine the parties affected as defined below under Section III.B of this IM. Notification will be sent to the affected parties via certified return receipts or other acceptable means of communication to verify proper notification. A sample letter of notification is attached (Attachment 3 – Sample Notification Letter). The BLM will review the proposal in accordance with Sec. 6.e.(2)(d).
2. If the BLM Carlsbad Field Office receives a proposal for a Development Area within the DPA from an outside party, Adjudication will date stamp the proposal as received and route it to BLM staff for initial review.

B. Initial Review

Once the Development Area proposal is routed, BLM will verify that the applicant gave proper notice of the Development Area proposal to all affected parties, according to Section 6.e.(7). As a guideline, all affected parties receiving notice for a Development Area should include:

1. Surface owner(s) affected by a planned surface disturbance contemplated in the application, plan or proposal;
2. All Potash operators and lessee(s) in the DPA; and
3. All owners of oil and gas rights affected by the application, plan, or proposal, defined as lessees and operating rights owners within and adjacent to the proposed Development Area.

Notice should be made by the applicant prior to the submission of the Development Area proposal. The BLM will not authorize any action prior to the proper notification of all affected parties (Section 6.e.(7)). If the BLM finds that notice was not given to all affected parties, the BLM will notify the proponent and await verification that all affected parties have been properly notified. U.S. certified mail return receipts may be used as evidence of notice to affected parties.

Section 7.f. of the Order directs the BLM to develop appropriate time-frame guidelines and requirements, as appropriate, to enable timely actions pursuant to the Order. Therefore, the BLM will provide a 30-day time period during which any affected party may notify the BLM of their objections to or concurrence with the proposal via letter or email addressed to CFO Field Manager and copied to all affected parties. This 30-day period commences upon the date the affected party received the notification letter, as recorded on the certified mail return

receipt associated with the notification letter.

The BLM will not establish a Development Area until all affected parties who express interest in or opposition to the proposal have been given the opportunity to meet with the BLM to discuss any concerns. Such meetings can take place individually with the BLM or collectively with other interested parties.

The BLM must address protests in a timely manner so as to enable timely actions pursuant to the Order. The BLM will provide an opportunity for affected parties to schedule a meeting with the BLM to discuss any protest within 30 days of the BLM's receipt of a protest. Affected parties may request an extension of time to meet with the BLM. The BLM may grant an extension if the requesting party provides adequate justification for the extension. The BLM will apply a presumption that a protest has been waived if the protestant declines to seek an extension supported by an adequate justification or schedule a meeting with the BLM to discuss the protest within 30 days of the BLM's receipt of the protest. When the BLM receives a protest that presents an alternate proposal, the BLM will determine whether it is a reasonable alternative that should be evaluated during the NEPA process.

The BLM will also review the Plan of Development and preliminary drilling locations from the proposal to ensure the full development of leases.

C. The Development Area proposal submission should contain the following:

1. A map of the location of the Development Area showing:
 - (a) Township, Range, Section
 - (b) Surface ownership
 - (c) Lease ownership within a distance of the proposed Drilling Island that can be accessed with present-day drilling capabilities, labeled by operator and lease number.
2. Plan of downhole development (description and order of wells being drilled and at what depths, and a map showing the location and direction of each wellbore).
3. Map of the associated Drilling Island.
4. A list in table format of all affected parties as referenced above in this section.
5. A narrative of the proposed action.

The Development Area shall be accessible to oil and gas operators from a Drilling Island. If there is not a Drilling Island associated with the Development Area proposal, a new Drilling Island should be proposed at a location described in Section 6.e.(1) of the Order. The new Drilling Island proposal will be processed according to Section II of this IM. If no Drilling Islands exist within close proximity to the proposed Development Area, the BLM will work with the proponent(s) to find a suitable Drilling Island location. If a Drilling Island providing access to the Development Area for oil and gas operators cannot be established under the

provisions of the Order, the Development Area cannot be approved as proposed.

D. A BLM interdisciplinary team will review the Development Area proposal in accordance with Section 6.e.(2) of the Order. Members of this team shall include:

1. Fluid Minerals Staff
2. Solid Minerals Staff
3. NRS Staff
4. Other resources staff as necessary

E. A National Environmental Policy Act (NEPA) compliance document will be prepared. The NEPA analysis will document alternatives; alternatives may be generated in response to issues identified during internal and external scoping or by interested parties. The NEPA analysis will document the environmental effects of the proposed action and alternatives and the decision record will document the decision-making process.

F. At this point in the review process, the Drilling Island may be approved, denied, or modified. If modifications are made, then the BLM must grant the applicant an opportunity to provide notice to affected parties prior to approval. Notice should be made by the applicant prior to the submission of the Drilling Island proposal. The BLM will not authorize any action prior to the proper notification of all affected parties of the changes (Sec. 6.e.(7)). If the BLM office finds that notice was not given to all affected parties, the BLM will notify the applicant and await verification that all affected parties have been properly notified. U.S. certified mail return receipts may be used as evidence of notice to affected parties.

The BLM will provide a 30-day time period during which any affected party can notify the BLM of their objections to or concurrence with the changes to the proposal via letter or email addressed to the Carlsbad Field Office Field Manager and copied to all affected parties. This 30-day period commences upon the date the affected party received the notification letter, as recorded on the certified mail return receipt associated with the notification letter.

G. If the proposed Development Area is approved, then a Notice to Lessee (NTL) will be issued in the form of an approval letter in accordance with Section 6.e.(2)(b) of the Order, to all affected parties as defined above in Section III.B.3. of this IM. The NTL letter will contain the location and boundary of the Development Area and the associated Drilling Island. The approval of a Development Area or Drilling Island does not give the operator approval to drill. Approval to drill within a Development Area or Drilling Island may only be granted through an approved APD.

IV. Oil and Gas Well Buffer Zones

BLM staff should apply the following definitions within the Designated Potash Area:

Oil well: An oil well within the Designated Potash Area is a well with a total depth above the base of the 2nd Bone Spring Sandstone member of the Bone Spring Formation. The base of the 2nd Bone Spring Sandstone is defined as the marker encountered at a depth of 10585' in the Devon Energy – Todd 14K Federal #1, API No. 30-015-20298

Located in the NE/4 of SW/4 Section 14, T23S, R31E. An oil well shall be given a ¼-mile buffer, until such time as revised distances are adopted by the BLM or in an individual case when the facts and circumstances demonstrate that such adjustment would enhance conservation and would not compromise safety, as referenced in Section 6.e.(3) of the Order.

Gas well: A gas well within the Designated Potash Area is a well penetrating the base of the 2nd Bone Spring Sandstone member of the Bone Spring Formation. A gas well shall be given a ½-mile buffer, until such time as revised distances are adopted by the BLM or in an individual case when the facts and circumstances demonstrate that such adjustment would enhance conservation and would not compromise safety, as referenced in Section 6.e.(3) of the Order.

See Attachment 4 - Cross-section of the Bone Spring Formation in the DPA for a more descriptive geological marker.

At this time, the Authorized Officer may approve an oil well with a pilot hole drilled no deeper than 50 feet below the base of the 2nd Bone Spring Sandstone, as described above, for the purposes of geophysical logging. A pilot hole will provide more certainty that the wellbore will be drilled and completed in the proposed target zone. Such pilot holes may be authorized only on condition that they shall not be stimulated and must be plugged with cement isolating the wellbore from deeper zones, to the satisfaction of the Authorized Officer, prior to drilling the lateral.

V. Appeal Process

All decision documents issued by the BLM Carlsbad Field Office will notify applicants of their appeal rights.