



United States Department of the Interior



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

In Reply Refer To:
NMNM106699580
3105.2 (NM920)

Reference:
Communitization Agreement
Avion Fed Com #701H, #702H, #703H, #704H
Section 22: E2;
Section 27: E2;
T. 23 S., R. 32 E., N.M.P.M.
Lea County, NM

COG Operating LLC
600 West Illinois Avenue
Midland, TX 79701

Enclosed is an approved copy of Communitization Agreement NMNM106699580 involving 320.00 acres of Federal land in lease NMNM088163, 320.00 acres of Federal land in lease NMLC0063228, Lea County, New Mexico, which comprise a 640.00 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Wolfcamp formation beneath the E2 of Secs. 22 and 27 of T. 23 S., R. 32 E., NMPM, Lea County, NM, and is effective November 1, 2024. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue. Please direct questions regarding royalty payments and production reports to your primary contacts at the Office of Natural Resources Revenue (ONRR). If unknown, please use ONRR's website, <https://onrr.gov/about/contact>, to identify the correct contact for your company or to find a general contact to get started.

To ensure the BLM ties the wells to the correct associated agreements, the BLM requires you to

INTERIOR REGION 5 · MISSOURI BASIN
Kansas, Most of Montana, North Dakota,
Nebraska, South Dakota

**INTERIOR REGION 6 · ARKANSAS-
RIO GRANDE-TEXAS GULF**
Oklahoma, Texas

**INTERIOR REGION 7 · UPPER
COLORADO BASIN**
Colorado, New Mexico, Utah, Wyoming

submit a letter to the relevant Field Office providing a list of associated producing wells (well name and number, US Well Number, and first production date), which matches each pending Federal oil and gas agreements. **For the Carlsbad Field Office, please submit this information to BLM_NM_CFO_ADJ@blm.gov**

As a reminder, you must also submit a completion report for each well (Federal, State, or private), which will allocate to the pending oil and gas agreement. You cannot report production or royalties or pay royalties until this information is submitted to the BLM in writing.

If you have any questions regarding this approval, please contact Natalia S. Lopez by email at nslopez@blm.gov or by phone (505) 954-2038. Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

KYLE
PARADIS

Digitally signed
by KYLE PARADIS
Date: 2025.06.17
10:18:14 -06'00'

Kyle Paradis
Branch Chief of Reservoir Management
Division of Minerals

1 Enclosure:
1 - Communitization Agreement

cc:
ONRR, Denver
NM Taxation & Revenue Dept. (Revenue Processing Div.)
NMOCD
NM (P0220-CFO, File Room)
NMSO (NM925, File)

DETERMINATION - APPROVAL - CERTIFICATION

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 266(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine and certify that the plan of development and operation contemplated in the attached Communitization Agreement is necessary, advisable, and in the public interest for the purpose of more properly conserving the natural resources.
- B. Approve the attached Communitization Agreement NMNM106699580 involving Federal Lease(s) NMNM088163, NMLC0063228. This Communitization Agreement is in Secs. 22 and 27, T. 23 S., R. 32 E., N.M.P.M., Lea County, New Mexico, for production of oil and gas producible from the Wolfcamp Formation.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said Communitization Agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the Communitization Agreement.

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto. In addition, approval of this agreement does not warrant or certify that the State or Patented land descriptions and acreages are consistent with the latest survey for those lands.

This approval is granted subject to the condition that the requirements of Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982 be satisfied for all wells drilled anywhere within the communitized area.

Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a leases site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells, as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which gas is first measured through permanent metering facilities, whichever first occurs.

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for civil penalties for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3163.2(e)(2).

**KYLE
PARADIS**

Digitally signed by
KYLE PARADIS
Date: 2025.06.17
10:18:46 -06'00'

Kyle Paradis
Branch Chief of Reservoir Management
Division of Minerals

Effective: November 1, 2024
Contract No.: NMNM106699580

RECEIVED

NOV 14 2024

BLM, NMSO
SANTA FE

Federal Communitization Agreement

Contract No. NMNM 106699580

THIS AGREEMENT entered into as of the **1st day of November, 2024**, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

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

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

Township 23 South, Range 32 East, N.M.P.M.

Section 22: E2

Section 27: E2

Lea County, New Mexico

Containing **640.00** acres, and this agreement shall include only the **Wolfcamp** formation underlying said lands and oil and gas hereafter referred to as "communitized substances," producible from such formation(s).

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit "A", a plat designating the communitized area and, Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. The Operator of the communitized area shall be **COG Operating LLC, As Operator, 600 W. Illinois Avenue, Midland, Texas 79701**. All matters of operations shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced there from shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

If the communitized area approved in this Agreement contains unleased Federal lands, the value of 1/8th or 12 ½ percent for the Federal lands, of the production that would be allocated to such Federal lands, described above, if such lands were leased, committed and entitled to participation, shall be payable as compensatory royalties to the Federal government. The remaining 7/8th should be placed into an escrow account set up by the operator. Parties to the Agreement holding working interest in committed leases within the applicable communitized area are responsible for such royalty payments on the volume of the production reallocated from the unleased Federal lands to their communitized tracts as set forth in Exhibit "B" attached hereto. The value of such production subject to the payment of said royalties shall be determined pursuant to the method set forth in 30 CFR Part 1206 for the unleased Federal lands. Payment of compensatory royalties on the production reallocated from the unleased Federal lands to the committed tracts within the communitized area shall fulfill the Federal royalty obligation for such production. Payment of compensatory royalties, as provided herein, shall accrue from the date the committed tracts in the communitized area that includes unleased Federal land receive a production allocation, and shall be due and payable by the last day of the calendar month next following the calendar month of actual production. Payment due under this provision shall end when the Federal tract is leased or when production of communitized substances ceases within the communitized area and the Communitization Agreement is terminated, whichever occurs first.

Any party acquiring a Federal lease of the unleased Federal lands included in the communitized area established hereunder, will be subject to this Agreement as of the effective date of the Federal leases to said party (ies). Upon issuance of the Federal lease and payment of its proportionate cost of the well, including drilling, completing and equipping the well, the acquiring party (ies) shall own the working interest described in the Tract, as described on Exhibit "B", and shall have the rights and obligations of said working interest as to the effective date of the Federal Lease.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as

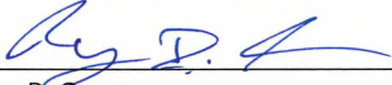
- to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
 8. The commencement, completion, continued operation, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
 9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.
 10. The date of this agreement is **November 1, 2024**, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2- year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
 11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

- 12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all Fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occur in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
- 13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

**OPERATOR:
COG OPERATING LLC**

Date: 11-11-24

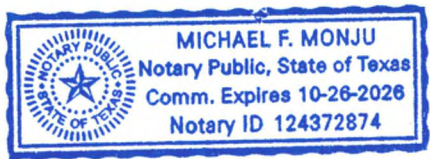
By: 
Ryan D. Owen
Attorney-in-fact *MM*
SM

ACKNOWLEDGEMENT

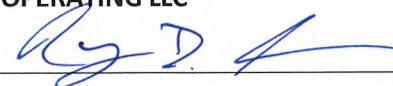
STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

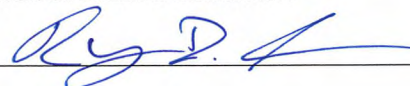
The instrument was acknowledged before me on November 11, 2024, by Ryan D. Owen, as attorney-in-fact of **COG Operating LLC**, a Delaware limited liability company, on behalf of said limited liability company.


NOTARY PUBLIC in and for the State of Texas



WORKING INTEREST OWNERS AND/OR LESSEES OF RECORD

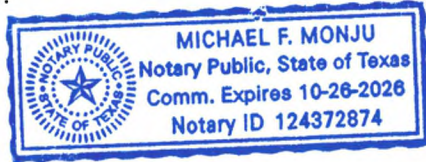
Date: 11-11-24 By: 
 COG OPERATING LLC
 Ryan D. Owen
 Attorney-in-fact *MM SM*

Date: 11-11-24 By: 
 CONOCOPHILLIPS COMPANY
 Ryan D. Owen
 Attorney-in-fact *MM SM*

ACKNOWLEDGEMENT

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

The instrument was acknowledged before me on November 11, 2024, by Ryan D. Owen, as attorney-in-fact of **COG OPERATING LLC**, a Delaware limited liability company, on behalf of said limited liability company.



[Handwritten Signature]

NOTARY PUBLIC in and for the State of Texas

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

The instrument was acknowledged before me on November 11, 2024, by Ryan D. Owen, as attorney-in-fact of **CONOCOPHILLIPS COMPANY**, a Delaware corporation, on behalf of said limited liability company.



[Handwritten Signature]

NOTARY PUBLIC in and for the State of Texas

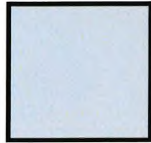
EXHIBIT "A"

Plat of communitized area covering **640.00** acres in E/2 of Section 22, Township 23 South, Range 32 East and E/2 of Section 27, Township 23 South, Range 32 East N.M.P.M., Lea County, New Mexico.

AVION FED COM WC

AVION FED COM 701H
AVION FED COM 702H
AVION FED COM 703H
AVION FED COM 704H

Tract 1:
Sec 22: E2
NMNM088163



Tract 2:
Sec 27: E2
NMLC0063228

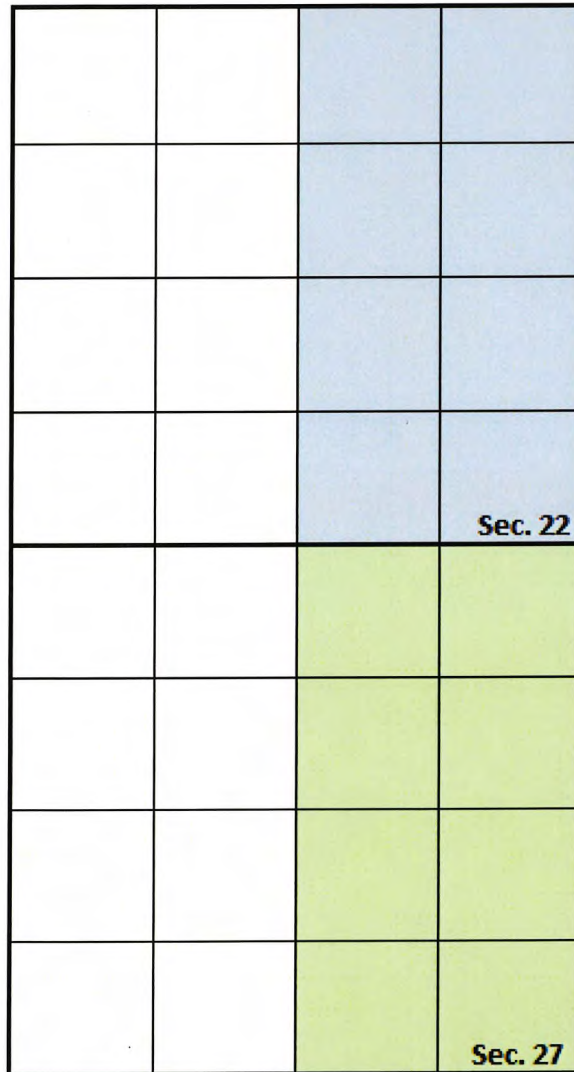


EXHIBIT "B"

Leases covering communitized area covering the E/2 of Section 22, Township 23 South, Range 32 East and E/2 of Section 27, Township 23 South, Range 32 East N.M.P.M., Lea County, New Mexico.

Operator of Communitized Area: COG Operating LLC

TRACT 1:

Lease Serial No.: **NMNM-088163**
 Lease Date: March 1, 1992
 Lease Term: Five (5) Years
 Recordation: Unrecorded
 Lessor: State of New Mexico
 Original Lessee: Strata Production Company
 Current Lessee: COG Operating LLC
 Description: Insofar and only insofar as said lease covers:
Township 23 South, Range 32 East
 Section 22: E2
 Lea County, New Mexico
 Number of Acres: 320.00
 Royalty Rate: 12.50%
 WI Owners Names & Interests: COG Operating LLC 100.000000%
 ORRI Owners: Of Record.

TRACT 2:

Lease Serial No.: **NMLC-0063228**
 Lease Date: June 1, 1951
 Lease Term: Five (5) Years
 Recordation: Unrecorded
 Lessor: United States of America
 Original Lessee: ConocoPhillips Company
 Current Lessee: ConocoPhillips Company
 Description: Insofar and only insofar as said lease covers:
Township 23 South, Range 32 East
 Section 27: E2
 Lea County, New Mexico
 Number of Acres: 320.00
 Royalty Rate: 12.50%
 WI Owners Names & Interests: ConocoPhillips Company 100.000000%
 ORRI Owners: Of Record.

RECAPITULATION

TRACT NUMBER	NUMBER OF ACRES COMMITTED	PERCENTAGE OF INTEREST IN COMMUNITIZED AREA
1	320.00	50.0000%
2	320.00	50.0000%
TOTAL	640.00	100.0000%

Sante Fe Main Office
Phone: (505) 476-3441

General Information
Phone: (505) 629-6116

Online Phone Directory
<https://www.emnrd.nm.gov/ocd/contact-us>

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

CONDITIONS

Action 591232

CONDITIONS

Operator: COG OPERATING LLC 600 W Illinois Ave Midland, TX 79701	OGRID: 229137
	Action Number: 591232
	Action Type: [IM-SD] Admin Order Support Doc (ENG) (IM-AAO)

CONDITIONS

Created By	Condition	Condition Date
sarah.clelland	None	6/2/2026