

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

**APPLICATION OF ALLAR DEVELOPMENT, LLC TO REOPEN DEVON ENERGY  
CASE NOS. 21119, 21120, 21121, 21122, and 21123 EDDY COUNTY, NEW MEXICO.**

**CASE NOS. 21119, 21120, 21121,  
21122, and 21123**

**APPLICATION TO REOPEN**

ALLAR DEVELOPMENT, LLC, through its attorney Ernest L. Padilla, Padilla Law Firm, P.A., pursuant to NMAC 19.15.13.13, for a determination of whether Applicant was an uncommitted party in the captioned cases. In support of this application, Allar Development, LLC states:

1. By application for compulsory pooling in OCD Cases Nos. 21119, 21120, 21121, 21122, and 21123 (hereinafter “the Cases”), Devon Energy Production Company LP (“Devon”) sought orders pooling all uncommitted interests in the Section 23 and 26, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico.

2. The Cases came on for hearing before the Oil Conservation Division on March 5, 2020, were consolidated, and presented through affidavits, and orders subsequently issued by the Division. The Cases applied for the drilling of the following wells:

**Case No. 21119**

Hot Potato 26-23 Fed 333H Well

**Case No. 21120**

Hot Potato 26-23 Fed 399H Well

Hot Potato 26-23 Fed 332H Well

**Case No. 21121**

Hot Potato 26-23 Fed 331H Well

**Case No. 21122**

Hot Potato 26-23 Fed 622H Well

Hot Potato 26-23 Fed 712H Well

**Case No. 21123**

Hot Potato 26-23 Fed 621H Well

Hot Potato 26-23 Fed 711H Well

3. Applicant is the owner of oil and gas working interests underlying the lands which were the subject of the Cases, and which arise from Federal Oil and Gas Lease No. NMNM 103603 (hereinafter “NM 103603”).

4. On July 1, 1999 Kukui, Inc., original lessee under NM 103603, and The Allar Group, Applicant’s predecessor in title, entered into an Exploration Agreement which incorporated a Joint Operating Agreement (JOA).

5. Since entry of the Exploration Agreement and the JOA, the lands covered by the Cases have been committed to the terms of the Exploration Agreement and the JOA, which have been kept in force by subsequent and current operations.

6. At the time that Devon made application for the Cases, it knew or should have known, that the lands covered by the applications were subject to the Exploration Agreement and JOA.

7. Instead Devon, which took its interest subject to the Exploration Agreement and JOA, chose to circumvent the Exploration Agreement and JOA, by bringing the compulsory pooling applications (the Cases). In fact, by Assignment of Oil and Gas Leases, effective as of June 30, 2017, took its interest from OXY USA, Inc. specifically subject to the Exploration Agreement and JOA. A copy of the Assignment of Oil and Gas Leases is attached hereto as Exhibit A.

8. Because Applicant is bound by the Exploration Agreement and JOA it is not an “uncommitted” working interest owner as Devon inaccurately represented at the hearing.

9. Both Devon and applicant were bound by a voluntary agreement, the Exploration

Agreement and JOA, which was in place at the time that Devon made its applications for the Cases.

10. Pursuant to NMSA 1978, § 70-2-17 (C) and NMAC 19-15-13, et seq. compulsory pooling is improper where a working interest owner has consented to pooling through a voluntary agreement.

11. In the Cases Applicant was not an uncommitted working interest owner, and therefore, the orders entered in the Case are ineffective as against Applicant's interest.

**WHEREFORE**, Applicant requests that the Division reopen Cases Nos. 21119, 21120, 21121, 21122, and 21123 and set for hearing, after notice, to determine whether Applicant is an uncommitted working interest owner under the order issued by the Division.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

/s/ Ernest L. Padilla

Ernest L. Padilla

Attorney for Allar Development, LLC

PO Box 2523

Santa Fe, New Mexico 87504

Telephone: 505-988-7577

Fax: 505-988-7592

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**ASSIGNMENT OF OIL AND GAS LEASES**

STATE OF NEW MEXICO §  
 COUNTY OF EDDY §

This Assignment of Oil and Gas Leases (the "**Assignment**"), effective as of June 30, 2017 at 7:00 a.m. Central Time (the "**Effective Date**"), is from **OXY USA Inc.**, a Delaware corporation, and **OXY Y-1 Company**, a New Mexico corporation, whose mailing address is 5 Greenway Plaza, Suite 110, Houston, Texas 77046-0521 (collectively, hereinafter "**Assignor**") to **Devon Energy Production Company, L.P.**, an Oklahoma limited partnership, whose mailing address is 333 West Sheridan Avenue, Oklahoma City, Oklahoma 73102 (hereinafter "**Assignee**"). Assignor and Assignee may be referred to herein individually as a "**Party**" and collectively as the "**Parties**".

**WITNESSETH:**

WHEREAS, Assignor has agreed to convey and assign certain properties and assets to Assignee pursuant to that certain Lease Exchange Agreement, dated effective as of the Effective Date, by and between Assignor and Assignee (the "**Exchange Agreement**");

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00), and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Assignor does hereby assign, transfer, convey and deliver unto Assignee, effective as of the Effective Date, all of Assignor's right, title and interest in and to the following, less and except the "Excluded Wells," (as hereinafter defined):

A. The oil and gas leases and the OXY Contractual WI Interest described or referred to in Exhibit "A", attached hereto (the "**Leases**"), insofar as the Leases cover and relate to the lands and depths also described in Exhibit "A" (the "**Lands**"), along with any and all renewals, extensions, ratifications, and amendments of such Leases, together with all rights incidental thereto, including without limitation all right, title and interest derived from (i) any contract or agreement, including operating, exploration, farmout, pooling, unitization and communitization agreements, to the extent primarily related to the Leases or Lands, including without limitation, the associated contracts and agreements described or referred to in Exhibit "A", and (ii) all or any portion of the Leases or Lands being included in any unit formed under order, regulation, rule or other official act of any governmental authority having jurisdiction ; and

B. To the extent assignable or transferable, all surface and subsurface easements, rights-of-way, easements, usage rights, licenses, permits, surface leases, and rights of ingress and egress to the extent appurtenant to and primarily related to the Leases and Lands.

DEVON ENERGY CORP  
 ATTN LAUREN TOLLISON  
 333 WEST SHERIDAN AVE  
 OKLAHOMA CITY, OK 73102-9841

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All of Assignor's right, title and interest in and to the above described properties, interests, and rights specified in the foregoing subparagraphs (A) and (B) are hereinafter collectively referred to as the "**Subject Interests**".

**EXCEPTING AND RESERVING** to Assignor the oil and/or gas wells described on Exhibit "B", attached hereto, (the "**Excluded Wells**" and each individually, an "**Excluded Well**"), including the incidental rights, contracts, leasehold equipment and other personal property to the extent associated with or used or obtained in connection with the operation of such Excluded Wells, and limited to the subsurface interval or intervals open to the wellbore of each Excluded Well, by perforation or otherwise, as of the Effective Date as noted on Exhibit "B" (the "**Open Interval(s)**"). The interest reserved by Assignor in each Excluded Well is a wellbore interest only limited to rights incident and necessary to the operation and production from such wellbore as to the Open Interval(s). For clarity, such retained limited rights in a wellbore include performing workovers, repairs, stimulations, and other operations necessary to maintain, restore, or enhance production from the Open Interval(s), but in no event will Assignor have the right to drill out, deepen, or extend the existing wellbore, or recompleat such wellbore in other intervals that are not open to production as of the Effective Date.

**TO HAVE AND TO HOLD** the Subject Interests unto Assignee, its successors and assigns, forever subject to the terms and provisions hereof.

1. **Special Warranty of Title.** Assignor covenants and agrees that it will WARRANT and DEFEND title to the Subject Interests unto Assignee, its successors and assigns, against all persons claiming or to claim the whole or any part thereof, by, through or under Assignor, but not otherwise. Further, this Assignment is made by Assignor with the right of full substitution and subrogation of Assignee in and to all covenants and warranties heretofore given or made by others with respect to the Subject Interests. **ANY COVENANTS OR WARRANTIES IMPLIED BY STATUTE OR LAW OR BY THE USE OF THE WORD "ASSIGN," "TRANSFER," "CONVEY" OR OTHER WORDS OF GRANT ARE HEREBY EXPRESSLY WAIVED AND DISCLAIMED BY THE PARTIES.**

2. **Disclaimer of Representations and Warranties.** Notwithstanding anything contained in this Assignment, it is the explicit intent and understanding of each of the Parties that Assignor is not making any representation or warranty whatsoever, oral or written, express or implied, and Assignee is not relying on any other statement, representation or warranty, oral or written, express or implied, made or communicated to such Party. To the extent any portion of the Subject Interests constitute personal property, **THIS ASSIGNMENT IS EXECUTED, DELIVERED AND ACCEPTED WITHOUT ANY REPRESENTATION, WARRANTY, OR COVENANT OF ANY KIND OR NATURE, EXPRESS, IMPLIED OR STATUTORY, INCLUDING WITHOUT LIMITATION WARRANTIES OF MARKETABILITY, MERCHANTABILITY, QUALITY, CONDITION, AND/OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND ASSIGNEE ACCEPTS ALL PERSONAL PROPERTY INCLUDED IN THE SUBJECT INTERESTS IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR. THE PARTIES AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW, RULE, REGULATION OR ORDER TO BE OPERATIVE, THE DISCLAIMERS CONTAINED IN THIS ASSIGNMENT ARE**

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**"CONSPICUOUS" FOR THE PURPOSES OF SUCH APPLICABLE LAW, RULE, REGULATION OR ORDER.**

3. **Retained Liabilities and Obligations.** Assignor hereby retains all of its Liabilities (as hereinafter defined) and obligations related to (i) Assignor's ownership or operation of the Excluded Wells prior to, on and after the Effective Date, and (ii) Assignor's ownership or operation of the Subject Interests prior to the Effective Date. As used in this Assignment, "***Liabilities***" means any and all claims, demands, payments, charges, judgments, assessments, losses, liabilities, damages, penalties, fines, expenses, costs, fees, settlements, and deficiencies, including any reasonable attorneys' fees, legal, and other costs and expenses suffered or incurred in connection therewith.

4. **Assumed Liabilities and Obligations.** Assignee assumes and agrees to perform any and all Liabilities and obligations related to the Subject Interests which arise as a result of the ownership or operation of the Subject Interests by or on behalf of Assignee on and after the Effective Date.

5. **Environmental Condition.** Assignee agrees and acknowledges that the Subject Interests may have been used for oil and gas drilling and production operations, related oil field operations and possibly for the storage and disposal of deleterious substances, and that the Subject Interests may be contaminated with a variety of harmful substances. Physical changes in or under the Subject Interests or adjacent lands may have occurred as a result of such uses. In addition Assignee acknowledges that some oil field production equipment may contain hazardous materials, including asbestos and naturally occurring radioactive material ("***NORM***"). In this regard, Assignee expressly understands that NORM in the form of scale or in other forms may have become dislodged from the inside of wells, materials and equipment and be located on the Subject Interests. Assignee expressly understands that special procedures may be required for the removal and disposal of asbestos, NORM and other deleterious substances from the Subject Interests where they may be found. Assignee represents that, as of the Effective Date, it has satisfied itself as to the physical and environmental condition of the Subject Interests, both surface and subsurface, and in making the decision to acquire the Subject Interests, Assignee has relied solely on the basis of its own independent investigation of the Subject Interests AND ACCEPTS THE SUBJECT INTERESTS IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR..

6. **Further Assurances.** Without additional consideration, Assignor and Assignee agree to take such further actions and execute such further documents as may be reasonably necessary or appropriate for the full and complete enjoyment of the rights herein granted including without limitation all such other additional instruments, notices, division orders, transfer orders and other documents, and to do all such other and further acts and things as may be necessary to more fully and effectively assign, transfer, convey and deliver to Assignee the right, title and interest conveyed hereby or intended to be conveyed.

7. **Proration of Taxes.** All ad valorem taxes, real property taxes, personal property taxes and similar obligations attributable to the Subject Interests for the year in which the Effective Date occurs shall be allocated between Assignor and Assignee as of the Effective Date.

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8. Governing Law. The validity, enforceability, interpretation and construction of this Assignment shall be governed by the laws of the State of New Mexico (without regard to conflict of law rules or principles that might refer to the law of another jurisdiction). All disputes arising from or relating to this Assignment shall be adjudicated in the state or federal courts sitting in the State of New Mexico, and each Party hereby consents to such jurisdiction and venue.

9. Severability. If a court of competent jurisdiction determines that any clause or provision of this Assignment is void, illegal or unenforceable, such determination shall not affect the validity of this Assignment as a whole, and this Assignment shall remain in full force and effect and the clause and/or provision determined to be void, illegal or unenforceable shall be limited so it remains in effect to the extent permissible by law.

10. No Third Party Beneficiaries. Any reference herein to contracts, agreement, burdens, encumbrances or other matters shall not be deemed to ratify or create rights in third parties or merge with, modify or limit the rights of Assignor or Assignee as between themselves. It is the intent of Assignor and Assignee that this Assignment shall not be construed as a third party beneficiary contract.

11. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of the Parties hereto as well as their respective successors and assigns.

12. Counterparts. This Assignment may be executed in any number of original counterparts and each such counterpart shall be deemed to be an original instrument, but all such counterparts shall constitute but one and the same instrument of conveyance. For recording, counterpart signature and acknowledgment pages may be affixed to the body of one original instrument. This Assignment is executed on the date of the respective acknowledgment for each Party, but is effective for all purposes as of the Effective Date.

13. Entire Agreement. This Assignment, the Exchange Agreement, that certain Election Delay Letter Agreement between the Parties dated February 9, 2017, and that certain Mineral Deed from Assignee to Assignor executed contemporaneously with this Assignment, as same may have been amended or extended, embodies the entire agreement and understanding of the Parties with respect to the subject matter contained herein. This Assignment is subject to the Exchange Agreement, and in the event of a conflict, the terms and provisions of the Exchange Agreement shall control; provided, however, third parties may conclusively rely upon this Assignment as evidence of title in and to the Subject Interests vesting in Assignee.

*[Signature and acknowledgment pages follow]*

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IN WITNESS WHEREOF, this Assignment is executed by each Party on the date of such Party's respective acknowledgment below, but is effective for all purposes as of the Effective Date.

**ASSIGNOR:****OXY USA Inc.**

By:   
Name: **Bradley S. Dusek**  
Title: **Attorney-in-fact**

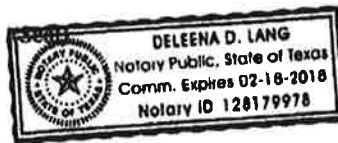
**ACKNOWLEDGMENT**

STATE OF TEXAS §

COUNTY OF Harris §

This instrument was acknowledged before me on the 13<sup>th</sup> day of July, 2017, by Bradley S. Dusek as Attorney-In-Fact of OXY USA Inc., a Delaware corporation, on behalf of such entity.

  
Notary Public

My Commission Expires: 02-18-2018My Commission Number: 128179978

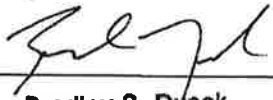
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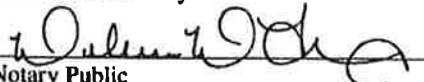
**ASSIGNOR:****OXY Y-1 Company**

By:   
Name: **Bradley S. Dusek**  
Title: **Attorney-in-fact**

**ACKNOWLEDGMENT**

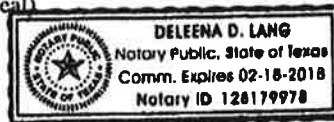
STATE OF TEXAS §  
§  
COUNTY OF Harris §

This instrument was acknowledged before me on the 13<sup>th</sup> day of July, 2017, by Bradley S. Dusek as Attorney-in-Fact of OXY Y-1 Company, a New Mexico corporation on behalf of such entity.

  
Notary Public

My Commission Expires: 02-18-2018My Commission Number: 128179978

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**ASSIGNEE:****Devon Energy Production Company, L.P.**

By: Catherine Lebsack  
Name: Catherine Lebsack  
Title: Vice President

**ACKNOWLEDGMENT**

STATE OF OKLAHOMA §  
§  
COUNTY OF OKLAHOMA §

This instrument was acknowledged before me on the 25<sup>th</sup> day of July, 2017, by Catherine Lebsack as Vice President of Devon Energy Production Company, L.P., on behalf of such entity.

Rachel Gerlach  
Notary Public

My Commission Expires: 6.22.19

My Commission Number: 11005242

(Seal)



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**EXHIBIT "A"**

Attached to and made a part of that certain Assignment of Oil and Gas Leases from OXY USA Inc. and OXY Y-1 Company, as Assignor, to Devon Energy Production Company, L.P., as Assignee.

**LEASES**

Attached to and made a part of that certain Lease Exchange Agreement by and between Devon Energy Production Company, L.P. and OXY.

OXY File Ref. No.	Lessor	Original Lessee	Effective Date	Recordation	OXY Working Interest Delivered	OXY Net Revenue Interest Delivered	OXY Net RI/ORRI Reservation	Legal Description	County	State
6-3000414	The United States of America	Yates Petroleum Corporation, et al	9/1/2000	N/A	0.3200000	0.2800000	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers all depths in the W/2 of Section 12, T24S-R29E (NM-105213).	Eddy	NM
6-3024514	The United States of America	Echo Production Inc.	12/1/1999	N/A	0.5250000	0.4265625	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers the depths from the surface to the base of the Bone Spring in Sections 23 & 26, T23S-R29E (NM-103603).	Eddy	NM

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OXY File Ref. No.	Lessor	Original Lessee	Effective Date	Recordation	OXY Working Interest Delivered	OXY Net Revenue Interest Delivered	OXY Net RI/ORRI Reservation	Legal Description	County	State
6-3024514	The United States of America	Echo Production Inc.	12/1/1999	N/A	0.3000000	0.2437500	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers the depths below the base of the Bone Spring in Sections 23 & 26, T23S-R29E (NM-103603).	Eddy	NM
6-3006527	The United States of America	Douglas W. Ferguson	10/1/2015	N/A	1.0000000	0.8750000	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers all depths in the NW/4 of the NE/4 of Section 35, T23S-R29E (NM-134869).	Eddy	NM

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OXY File Ref. No.	Lessor	Original Lessee	Effective Date	Recordation	OXY Working Interest Delivered	OXY Net Revenue Interest Delivered	OXY Net RI/ORRI Reservation	Legal Description	County	State
6-3023817	The United States of America	Echo Production Inc.	12/1/1999	N/A	0.3000000	0.2437500	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers all depths in the SE/4, the S/2 of the SW/4, the NE/4 of the NW/4, the NE/4 of the NE/4 of Section 35, T23S-R29E (NM-103604).	Eddy	NM
16935000	The United States of America	Echo Production Inc.	12/6/1999	N/A	0.3000000	0.2437500	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers all depths in the NW/4 of the NW/4, the S/2 of the N/2 and the N/2 of the SW/4 of Section 35, T23S-R29E (NM-103141).	Eddy	NM

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OXY File Ref. No.	Lessor	Original Lessee	Effective Date	Recordation	OXY Working Interest Delivered	OXY Net Revenue Interest Delivered	OXY Net RI/ORRI Reservation	Legal Description	County	State
6-3024513	The United States of America	Echo Production Inc.	12/1/2000	N/A	0.3000000	0.2437500	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers the depths below the base of the Bone Spring in Section 27, T23S-R29E (NM-105557).	Eddy	NM
6-3024513	The United States of America	Echo Production Inc.	12/1/2000	N/A	0.5250000	0.4265625	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers depths from the surface to the base of the Bone Spring in Section 27, T23S-R29E less and except the SE/4 SW/4 and the S/2 SE/4 (NM-105557).	Eddy	NM

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OXY File Ref. No.	Lessor	Original Lessee	Effective Date	Recordation	OXY Working Interest Delivered	OXY Net Revenue Interest Delivered	OXY Net RI/ORRI Reservation	Legal Description	County	State
6-3024513	The United States of America	Echo Production Inc.	12/1/2000	N/A	0.6000000	0.4875000	0.0000000	INSOFAR AND ONLY INSOFAR, as the lease covers the depths from the surface to the base of the Bone Spring in the SE/4 SW/4 of Section 27, T23S-R29E (NM-105557).	Eddy	NM

The leases and lands above are subject to the following:

1. Joint Operating Agreement dated 1/1/1978 between Yates Petroleum Corporation, Operator and MYCO Industries, Inc., et al, Non-Operators covering the W/2 of Section 12, T24S-R29E, Eddy County, New Mexico and additional lands not included in this trade.
2. Communitization Agreement dated 5/11/2009 the Bone Spring formation in the proration unit comprising the W/2 of Section 35, T23S-R29E, Eddy County New Mexico.
3. Exploration Agreement dated 7/1/1999 between KUKUI, Inc. and The Allar Company, et al covering Sections 23, 26, 27, and 35, T23S-R29E, Eddy County New Mexico and additional lands not included in this trade.
4. Exploration Agreement dated July 18, 2003 between Pure Resources, LP and Saga Petroleum Corp covering multiple tracts in Eddy and Lea Counties, New Mexico.

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5. Compensatory Royalty Agreement dated 1/10/2000 between Echo Production Company and the United States of America covering NW/4 NW/4, S/2 N/2 and N/2 SW/4 of Section 35, T23S-R29E, Eddy County, New Mexico.
6. Amendment of Compensatory Royalty Agreement dated 1/10/2000 between Echo Production Company and the United States of America covering NW/4 NW/4, S/2 N/2 and N/2 SW/4 of Section 35, T23S-R29E, Eddy County, New Mexico.
7. Joint Operating Agreement dated 8/26/1985 between Santa Fe Energy Company, Operator and Pogo Producing Company, Non-Operator covering the W/2 of Section 5 and all of Section 6, T23S-R32E, Eddy County, New Mexico and additional lands not included in this trade.

**OXY Contractual WI Interest**

<b>Contractual Working Interest</b>	<b>Property Description</b>
0.28633960	All of Section 6 and the West half of Section 5 T23S-R32E.

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**EXHIBIT "B"**

Attached to and made a part of that certain Assignment of Oil and Gas Leases from OXY USA Inc. and OXY Y-1 Company, as Assignor, to Devon Energy Production Company, L.P., as Assignee.

**EXCLUDED WELLS**

Less and except the wellbore and production from the Goodnight 35 Federal #2H well, API # 30-015-36373, located in Section 35, T23S-R29E as to the currently producing interval of the 1st Bone Spring.

Less and except the wellbore and production from the Goodnight 27 Federal #1H well, API # 30-015-22157, located in Section 27, T23S-R29E as to the currently producing interval of the 1st Bone Spring.

Less and except the wellbore and production from the Goodnight 27 Federal #2H Well, API # 30-015-36137, located Section 27, T23S-R29E as to the currently producing interval of the 1<sup>st</sup> Bone Spring.

Less and except the wellbore and production from the Goodnight 27 Federal #3H well, API # 30-015-39220, located in Section 27, T23S-R29E as to the currently producing interval of the 1st Bone Spring.

**The 1st Bone Spring interval as produced in the certain wells referenced above is the stratigraphic equivalent of 7,960' MD to 8,282' MD beneath the surface as defined in the Gamma Ray log ran in the Goodnight 35 Fed #1 (API: 30-015-31096) located in Section 35, T23S-R29E.**

Less and except the wellbore and production from the Goodnight 26 Federal #1H well, API # 30-015-40007, located in Section 26, T23S-R29E as to the currently producing interval of the 2nd Bone Spring.

**The 2nd Bone Spring interval as produced in the certain well referenced above is the stratigraphic equivalent of 8,766' MD to 8,282' MD beneath the surface as defined in the Gamma Ray log ran in the Goodnight 35 Fed #1 (API: 30-015-31096) located in Section 35, T23S-R29E.**

Less and except the wellbore and production from the Goodnight 27 Federal #4H well, API # 30-015-39142, located in Section 27,

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T23S-R29E as to the currently producing interval of the Brushy Canyon.

Less and except the wellbore and production from the Goodnight 27 Federal #5H well, API # 30-015-39431, located in Section 27, T23S-R29E as to the currently producing interval of the Brushy Canyon.

*The Brushy Canyon interval currently produced in the certain wells referenced above is the stratigraphic equivalent of 5,347' MD to 6,890' MD beneath the surface as defined in the Gamma Ray log ran in the Goodnight 35 Fed #1 (API: 30-015-31096) located in Section 35, T23S-R29E.*

Less and except the wellbore and production from the Boundary Raider 6 Fed #2H well, API # 30-025-41884, located in Section 7, T23S-R32E as to the currently producing interval of the 2nd Bone Spring.

*The 2nd Bone Spring interval currently produced in the certain well referenced above is the stratigraphic equivalent of 10,023' MD to 10,526' MD beneath the surface as defined in the Gamma Ray log ran in the Livingston Ridge 36 #1 (API: 30-015-34644) located in Section 36, T22S-R31E.*

Less and except the wellbore and production from the Jester BFJ Federal #1 well, API # 30-015-34275, located in Section 12, T24S-R29E as to the currently producing interval of the Brushy Canyon, 1<sup>st</sup> Bone Spring, and 2<sup>nd</sup> Bone Spring.

*The Brushy Canyon interval currently produced in the certain well referenced above is the stratigraphic equivalent of 5389' MD to 6992' MD as defined in the Gamma Ray log ran in the Corral Draw AQH Federal #2 (API:30-015-34257) located in Section 13, T24S-R29E.*

*The 1<sup>st</sup> Bone Spring interval currently produced in the certain well referenced above is the stratigraphic equivalent of 6992' MD to 8306' MD as defined in the Gamma Ray log ran in the Corral Draw AQH Federal #2 (API:30-015-34257) located in Section 13, T24S-R29E.*

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The 2<sup>nd</sup> Bone Spring interval currently produced in the certain well referenced above is the stratigraphic equivalent of 8306' MD to 9142' MD as defined in the Gamma Ray log ran in the Corral Draw AOH Federal #2 (API:30-015-34257) located in Section 13, T24S-R29E.