



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>



MAR 10 2021

In Reply Refer To:

NMNM141286

3105.2 (NM920)

Reference:

Communitization Agreement

Frizzle Fry 15 WA Fed Com 2H

Section 15: W2

Section 22: W2

T. 22 S., R. 32 E., N.M.P.M.

Lea County, NM

Marathon Oil Permian LLC

5555 San Felipe

Houston, TX 77056

Mr. Prewett:

Enclosed is an approved copy of Communitization Agreement NMNM141286 involving 320 acres of Federal land in lease NMNM 027805, 320 acres of Federal land in lease NMNM 077058, Lea County, New Mexico, which comprise a 640 acre well spacing unit.

The agreement communitizes all rights to all producible oil and gas from the Wolfcamp formation beneath the W2 of Sec. 15 and the W2 of Sec. 22, T. 22 S., R. 32 E., NMPM, Lea County, NM, and is effective October 23, 2019. 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 at 1-800-525-9167 or 303-231-3504.

INTERIOR REGION 5 · MISSOURI BASIN

Kansas, Most of Montana, North Dakota,
Nebraska, South Dakota

**INTERIOR REGION 6 · ARKANSAS-
RIO GRANDE-TEXAS GULF**

Oklahoma, Texas

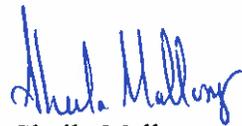
**INTERIOR REGION 7 · UPPER
COLORADO BASIN**

Colorado, New Mexico, Utah, Wyoming

If you have any questions regarding this approval, please contact Elizabeth Rivera at (505) 954-2162.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,



Sheila Mallory
Deputy State Director
Division of Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

NM Taxation & Revenue Dept. (Revenue Processing Div.)

NMOCD

NM (9200)

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. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

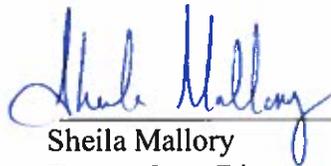
- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. 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.

- B. Approve the attached Communitization Agreement covering the W2 of sec. 15 and the W2 of sec. 22, T. 22 S., R. 32 E., NMPM, as to all producible hydrocarbons from the Wolfcamp formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved:

MAR 10 2021



Sheila Mallory
Deputy State Director
Division of Minerals

Effective: October 23, 2019

Contract No.: Com. Agr. NMNM141286

Travis Prewett
Senior Land Professional



Marathon Oil Permian, LLC
5555 San Felipe Street
Houston, Texas 77056
Telephone: (713) 296 - 3696
THPrewett@marathonoil.com

BLM-NMSO
JAN:8:2020 12:47:52
RECEIVED

January 3, 2020

Bureau of Land Management
Land Law Examiner – Lauren Leib
New Mexico State Office
301 Dinosaur Trail
Santa Fe, NM 87508

NM NM
141 286

Re: **Communitization Agreements**
Frizzle Fry Federal well
Section 15 and 22, T22S-R32E
Lea County, New Mexico

3002545890

Dear Lauren:

Please find enclosed six (6) executed Federal Communitization Agreements, three (3) for the Wolfcamp Formation and three (3) for the Bone Spring formation, that need to be filed on behalf of Marathon Oil Permian, LLC.

In addition, a copy of the Order of the Division, Order Nos. R-20697 (Amended R-20762) and R-20695 (Amended R-20761), has been attached to each respective copy of the Communitization Agreements in place of the signatures of Working Interest Owners included in the communitized area.

Once the filing process is complete, please mail a copy back to:

Marathon Oil Permian LLC
Attn: Travis Prewett
5555 San Felipe
Houston, TX 77056

Should you have any questions or need additional information, please do not hesitate to contact me at the above listed number or THPrewett@marathonoil.com

Sincerely,

Travis Prewett
Land Professional – Permian Asset

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 70-024-45890	² Pool Code 98123	³ Pool Name WC-015 G-08 S233120C (WOLFCAMP OIL)
⁴ Property Code	⁵ Property Name FRIZZLE FRY 15 WA FED COM	⁶ Well Number 2H
⁷ OGRID No. 372098	⁸ Operator Name MARATHON OIL PERMIAN LLC	⁹ Elevation 3790'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	15	22S	32E		273	NORTH	762	WEST	LEA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	22	22S	32E		100	SOUTH	330	WEST	LEA

¹² Dedicated Acres 640.0	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

Corner Coordinates NAD 83, SPCS NM EAST

A - X: 745721.08' / Y: 509489.99'
 B - X: 748363.08' / Y: 509530.24'
 C - X: 748434.94' / Y: 498968.38'
 D - X: 745791.02' / Y: 498936.87'

Corner Coordinates NAD 27, SPCS NM EAST

A - X: 704538.75' / Y: 509439.40'
 B - X: 707181.35' / Y: 509489.65'
 C - X: 707252.31' / Y: 498908.07'
 D - X: 704608.41' / Y: 498876.37'

Surface Hole Location
 273' FNL 762' FWL, SECTION 15
 NAD 83, SPCS NM EAST
 X: 748484.43' / Y: 509238.09'
 LAT: 32.39820543N / LON: 103.66866126W
 NAD 27, SPCS NM EAST
 X: 705302.09' / Y: 509175.51'
 LAT: 32.39808263N / LON: 103.66817380W

Kick Off Point
 100' FNL 330' FWL, SECTION 15
 NAD 83, SPCS NM EAST
 X: 746051.73' / Y: 509403.77'
 LAT: 32.39887370N / LON: 103.67005973W
 NAD 27, SPCS NM EAST
 X: 704869.40' / Y: 509343.18'
 LAT: 32.39855081N / LON: 103.66957221W

First Take Point
 100' FNL 330' FWL, SECTION 15
 NAD 83, SPCS NM EAST
 X: 746051.73' / Y: 509403.77'
 LAT: 32.39887370N / LON: 103.67005973W
 NAD 27, SPCS NM EAST
 X: 704869.40' / Y: 509343.18'
 LAT: 32.39855081N / LON: 103.66957221W

Last Take Point/Bottom Hole Location
 100' FSL 330' FWL, SECTION 22
 NAD 83, SPCS NM EAST
 X: 746120.33' / Y: 4989040.83'
 LAT: 32.37018785N / LON: 103.67004586W
 NAD 27, SPCS NM EAST
 X: 704937.72' / Y: 498880.33'
 LAT: 32.37008485N / LON: 103.66955919W

" OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well as this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Jennifer Van Curen 6/12/18
 Signature Date

JENNIFER VAN CUREN
 Printed Name

E-mail Address

"SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

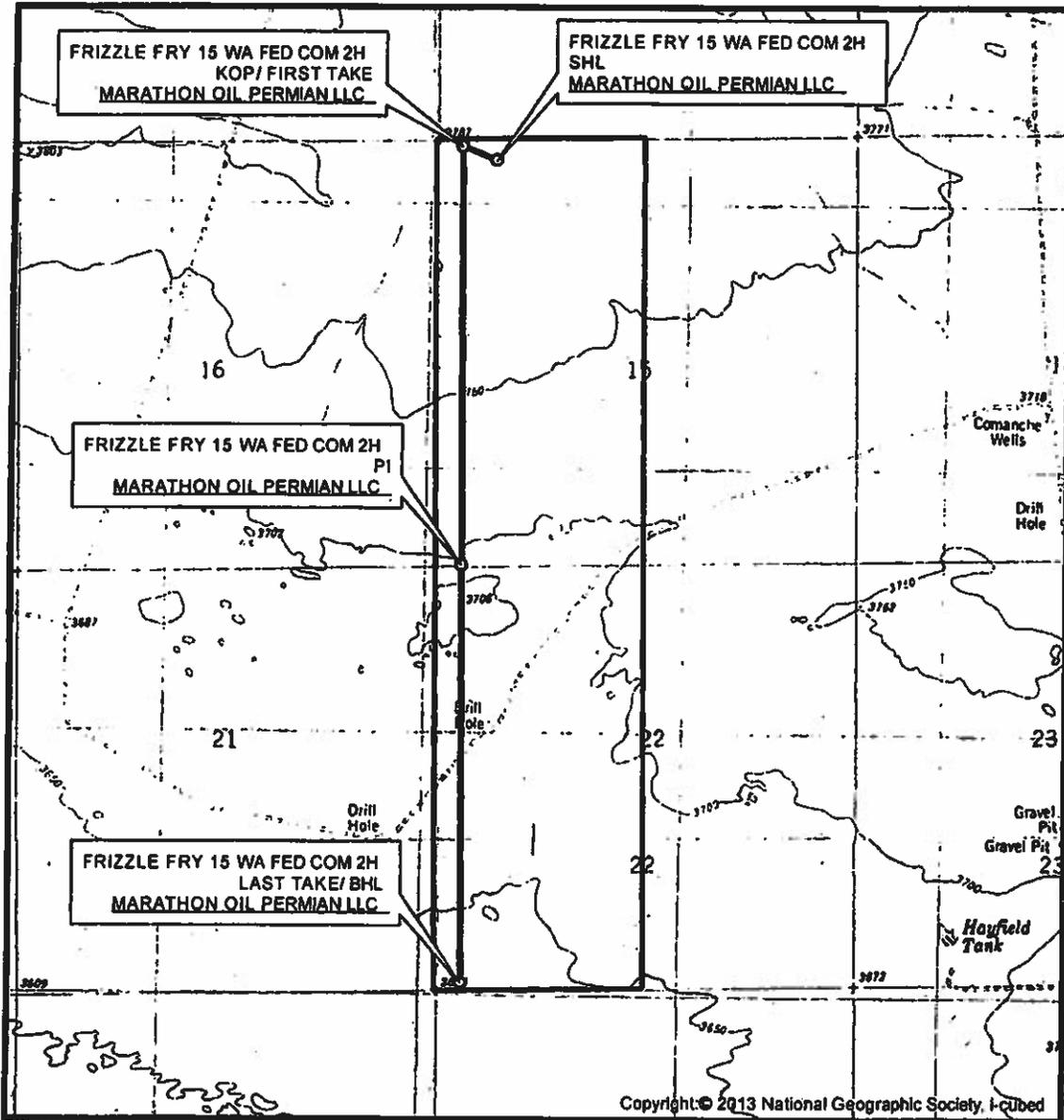
JUNE 10, 2019
 Date of Survey

Lloyd P. Short
 Signature and Seal of Professional Surveyor

Certificate Number
LLOYD P. SHORT 21653

Distances/areas relative to NAD 83 Combined Scale Factor: 0.999957308 Convergence: 00°21'22.36285"

LOCATION VERIFICATION MAP



SEC. 15 TWP. 22-S RGE. 32-E
 SURVEY: N.M.P.M.
 COUNTY: LEA
 OPERATOR: MARATHON OIL PERMIAN LLC
 DESCRIPTION: 273' FNL & 762' FWL
 ELEVATION: 3790'
 LEASE: FRIZZLE FRY 15 FED COM
 U.S.G.S. TOPOGRAPHIC MAP: THE DIVIDE, NM.

Copyright © 2013 National Geographic Society, i-Cubed

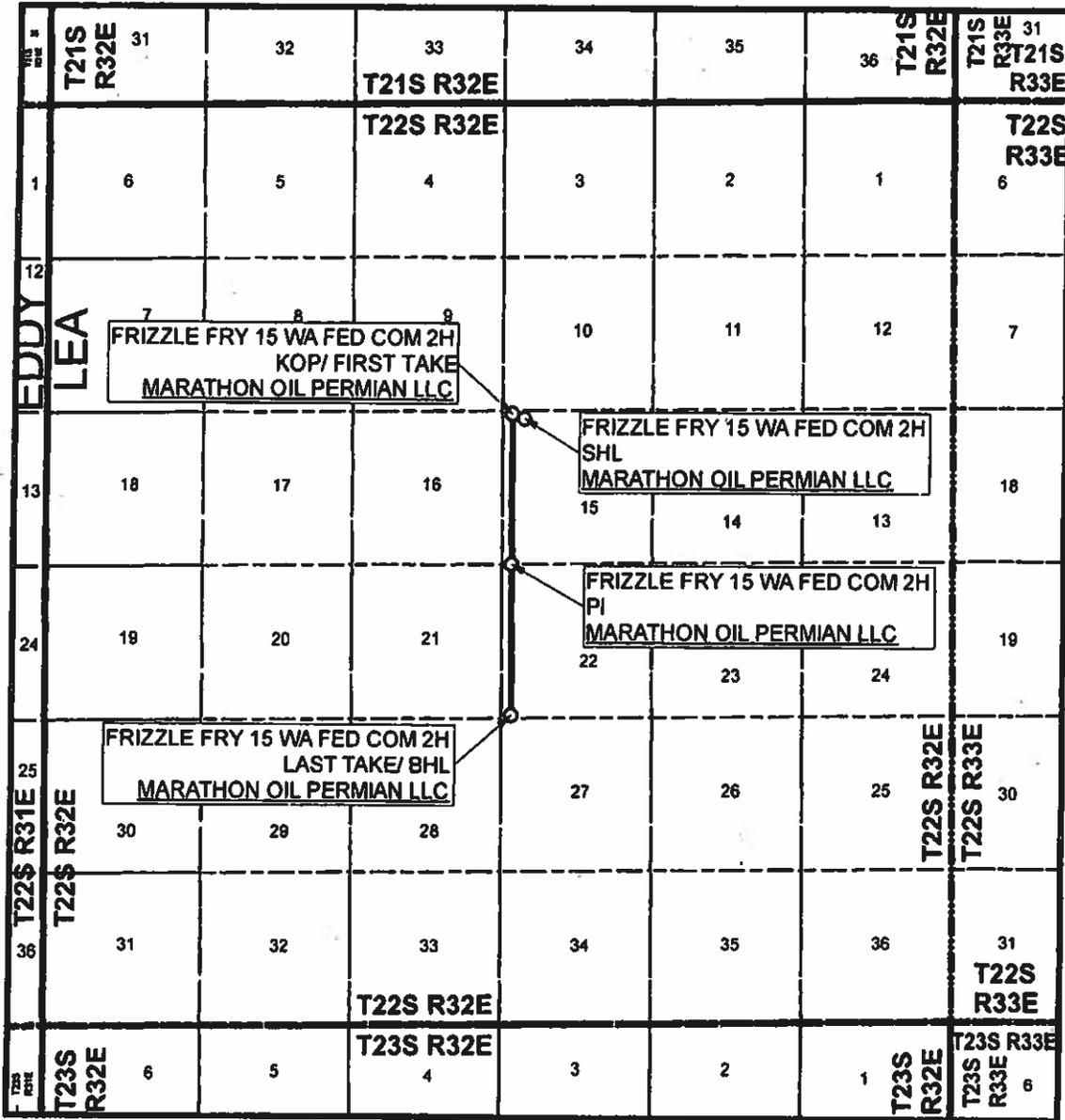
1" = 2,000'
 CONTOUR INTERVAL = 10'



SHEET 2 OF 3

PREPARED BY:
 R-SQUARED GLOBAL, LLC
 1309 LOUISVILLE AVENUE, MONROE, LA 71201
 318-323-8800 OFFICE
 JOB No. R3833_062

VICINITY MAP



SEC. 15 TWP. 22-S RGE. 32-E
 SURVEY: N.M.P.M.
 COUNTY: LEA
 OPERATOR: MARATHON OIL PERMIAN LLC
 DESCRIPTION: 273' FNL & 762' FWL
 ELEVATION: 3790'
 LEASE: FRIZZLE FRY 15 FED COM
 U.S.G.S. TOPOGRAPHIC MAP: THE DIVIDE, NM.

1" = 1 MILE



SHEET 3 OF 3

PREPARED BY:
 R-SQUARED GLOBAL, LLC
 1309 LOUISVILLE AVENUE, MONROE, LA 71201
 318-323-6900 OFFICE
 JOB No. R3633_002

Federal Communitization Agreement

Contract No. NMNM 141286

THIS AGREEMENT, entered into as of the 23rd of October 2019, 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 advantages 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 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico:
Section 15: W/2
Section 22: W/2

Containing 640.00 acres, more or less, and this agreement shall include only the Wolfcamp Formation underlying said lands and the natural gas and associated liquid hydrocarbons or oil hereinafter referred to as "communitized substances," producible from such formation.

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 Marathon Oil Permian LLC, 5555 San Felipe St., Houston, TX, 77056. All matters of operation 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 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 therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal or Indian lands included within the CA area are to be paid into the appropriate Unleased Lands Account or Indian Trust Account by the designated operator until the land is leased or ownership is established.

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 October 23, 2019 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 interest 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 lands 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 of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.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 written and have set opposite their respective names the date of execution.

LESSEE OF RECORD

12/12/19
Date

^{BW}
^{DA} By: Edwin S. Ryan Jr.

Name: Edwin S. Ryan Jr.

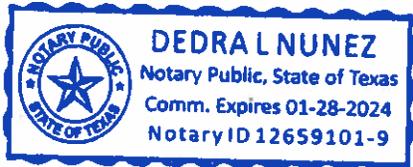
Title: Agent and Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS)
COUNTY OF Harris ss.

On this 12th day of December, 2019, before me, a Notary Public for the State of Texas, personally appeared Edwin S. Ryan Jr., known to me to be Agent and Attorney-in-Fact of **XTO Holdings LLC**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)



1/28/24
My Commission Expires

Dedra L Nunez
Notary Public

WORKING INTEREST OWNER

10/28/19
Date

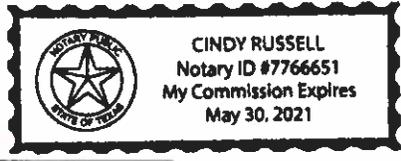
By: *Ben Kinney*
Name: Benjamin K. Kinney,
V.P., Tiltex Co., L.L.C.
Title: Managing Partner

ACKNOWLEDGEMENT

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

On this 28 day of October, 2019, before me, a Notary Public for the State of Texas, personally appeared Ben Kinney, known to me to be V.P. for **Roden Participants, Ltd.**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)



5-30-21
My Commission Expires

Cindy Russell
Notary Public

WORKING INTEREST OWNER

10-29-19

Date

By: Betty R. Young

Name: Betty R. Young *MC*

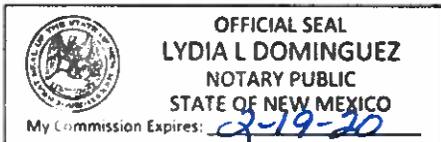
Title: Executive VP

ACKNOWLEDGEMENT

STATE OF New Mexico)
) SS.
COUNTY OF Chaves)

On this 29th day of October, 2019, before me, a Notary Public for the State of ~~Texas~~ ^{New Mexico}, personally appeared Betty R. Young, known to me to be Executive VP for **Read & Stevens, Inc.**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)

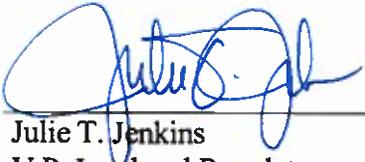


My Commission Expires

Lydia L. Dominguez
Notary Public

WORKING INTEREST OWNER

HighPoint Operating Corporation

By: 
Julie T. Jenkins
V.P. Land and Regulatory BD
.Bm

Date: 1/2/2020

STATE OF COLORADO)
CITY AND) §
COUNTY OF DENVER)

On the 2nd day of January, 2020, before me, a Notary Public in and for said State and County, personally appeared Julie T. Jenkins, known to me to be the V.P. Land and Regulatory of HighPoint Operating Corporation, a Delaware Corporation, the corporation that executed the above instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

BRYCE DOTY
Notary Public
State of Colorado
Notary ID # 20174002931
My Commission Expires 01-19-2021


Notary Public

WORKING INTEREST OWNER

11-12-19
Date

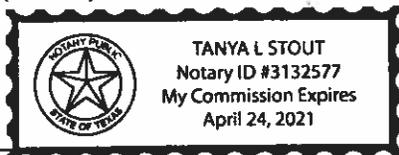
By: Francis Hill Hudson
Francis Hill Hudson
Trustee of Lindy's Living Trust

ACKNOWLEDGEMENT

STATE OF TEXAS)
COUNTY OF Tarrant) ss.

On this 12 day of November, 2019, before me, a Notary Public for the State of Texas, personally appeared Francis Hill Hudson, known to me to be Trustee of **Lindy's Living Trust u/t/a July 8, 1994**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)



My Commission Expires

Tanya L Stout
Notary Public

EXHIBIT "A"

Attached to the Communitization Agreement dated October 23, 2019.

Plat of communitized area covering 640 acres in Township 22 South, Range 32 East, N.M.P.M.,
Lea County, New Mexico,
Section 15: W/2
Section 22: W/2

WELL NAME/ NO.

- Frizzle Fry 15 WA Fed Com 2H

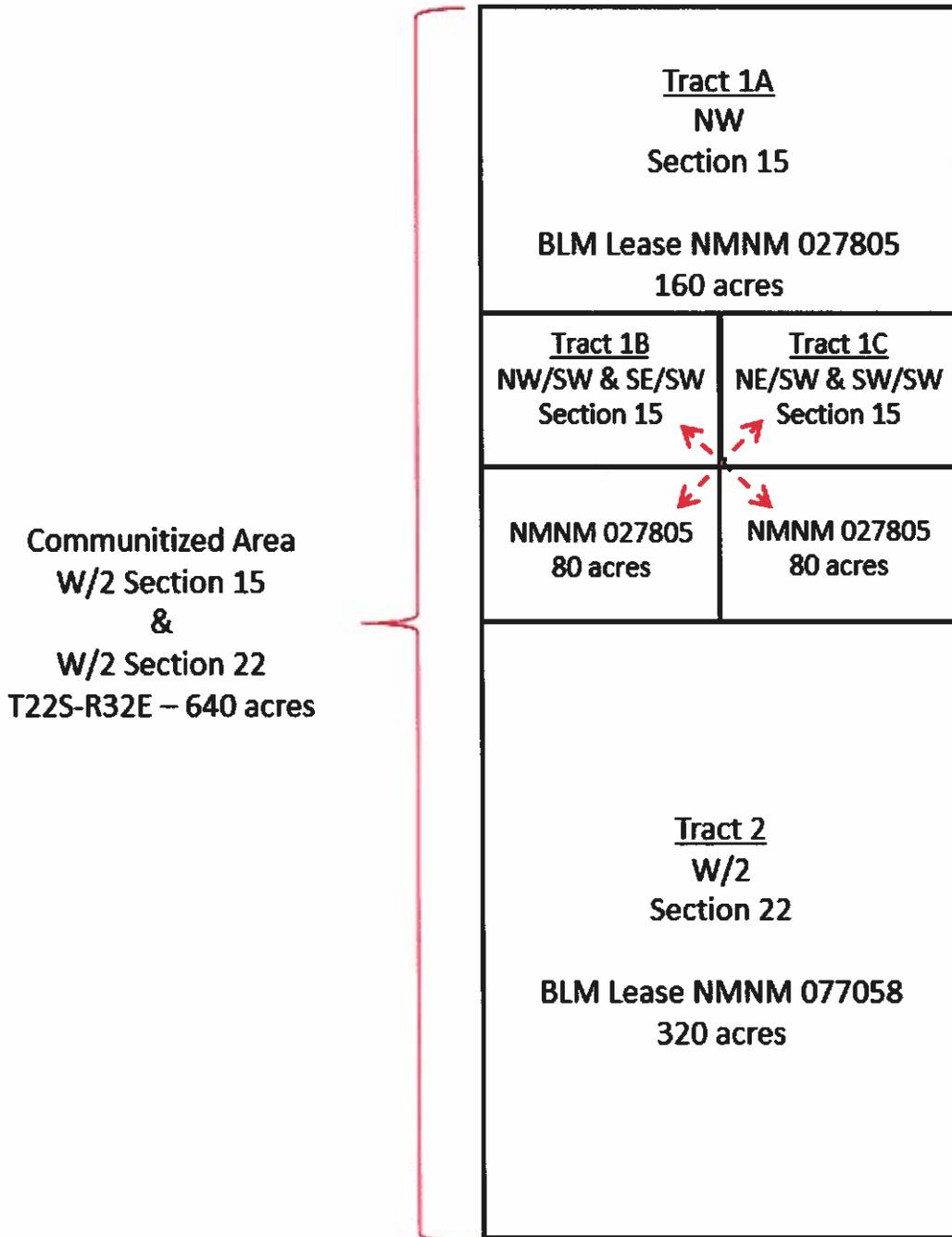


EXHIBIT "B"

Attached to the Communitization Agreement dated October 23, 2019 embracing the W/2 of Section 15 and the W/2 of Section 22, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

OPERATOR OF COMMUNITIZED AREA:

Marathon Oil Permian LLC

DESCRIPTION OF LEASES COMMITTED

Tract No. 1A

Lease Serial No.:	NMNM 027805
Lessor:	Bureau of Land Management
Name of Lessee of Record:	XTO Holdings, LLC
Description of Land Committed:	<u>Township 22 South, Range 32 East, N.M.P.M.</u> Section 15: NW Lea County, New Mexico
Number of Acres:	160.00
Name of Working Interest Owners:	Marathon Oil Permian LLC.....57.69293% HighPoint Operating Corporation.....17.18750% Warwick Energy Group.....12.50000% EOG Resources Inc.....4.807070% Read & Stevens, Inc.3.125000% MCM Permian, LLC1.171875% Francis Hill Hudson, Trustee of Lindy's Living Trust...1.171875% Andes Energy, LLC.....0.781255% Zorro Partners, Ltd.....0.781247% Javelina Partners0.781248% 100.000000%
Name of ORRI Owners:	Henry Mazorow.....1.500000% Dennis Susaeta.....0.875000% Wendy Susaeta.....0.875000% Howard L. Mathie.....1.000000% States Royalty Limited Partnership.....0.250000% Alan Jochimsen.....0.250000% Monthy D. McLane.....0.250000% XTO Holdings, LLC.....3.634655%

Tract No. 1B

Lease Serial No.: NMNM 027805

Lessor: Bureau of Land Management

Name of Lessee of Record: XTO Holdings, LLC

Description of Land Committed: Township 22 South, Range 32 East, N.M.P.M.
Section 15: NW/SW and SE/SW
Lea County, New Mexico

Number of Acres: 80.00

Name of Working Interest Owners:

Marathon Oil Permian LLC.....	38.993752%
RKI Exploration & Production, LLC.....	34.324178%
HighPoint Operating Corporation.....	17.187500%
EOG Resources Inc.....	4.086009%
MCM Permian LLC	1.171875%
Francis Hill Hudson, Trustee of Lindy's Living Trust...1.171875%	
Andes Energy, LLC.....	0.781255%
Zorro Partners, Ltd.....	0.781247%
Javelina Partners	0.781248%
Roden Participants, Ltd.....	0.600884%
Roden Associates, Ltd.....	0.120177%
	100.000000%

Name of ORRI Owners:

Michael S. Richardson.....	0.250000%
Dennis Susaeta.....	0.875000%
Wendy Susaeta.....	0.875000%
Howard L. Mathie.....	1.000000%
States Royalty Limited Partnership.....	0.250000%
Alan Jochimsen.....	0.250000%
Monthy D. McLane.....	0.250000%
Susan S. Murphy, Trustee of Susan S. Murphy Trust.....	2.170452%
Mark B. Murphy, Trustee of Mark B. Murphy Irr Trust...2.170452%	
Frank S. Morgan and Robin L. Morgan.....	1.160067%
Hutchings Oil Company.....	0.374214%
Colony Resources, Inc.	0.353743%
Unknown successor of B&B Oil Ventures, Inc..1.518953%	
Strata Production Company.....	1.028756%
Peter Balog, Trustee of Balog Family Trust.....	0.026425%
Bane Bigbie and Melanie Bigbie.....	0.026425%
Duane Brown and wife, Pilar Vaile.....	0.050735%
Wade P. Carrigan and Beth Carrigan.....	0.046030%
James K. Lusk and Martha L. Lusk Trust.....	0.013212%
Scott-Winn LLC.....	0.026425%
Winn Investments, Inc.	0.101470%
Drusilla Cieszinski, Trustee of J.E. Cieszinski Trust...0.025367%	
Sealy Hutchings Cavin, Inc.	0.052850%
Warwick Energy Group.....	0.937500%
Westway Petro, Texas JV.....	0.234375%

Tract No. 1C

Lease Serial No.: NMNM 027805

Lessor: Bureau of Land Management

Name of Lessee of Record: XTO Holdings, LLC

Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 15: NE/SW and SW/SW
Lea County, New Mexico

Number of Acres: 80.00

Name of Working Interest Owners:

Marathon Oil Permian LLC.....	73.317930%
HighPoint Operating Corporation.....	17.187500%
EOG Resources Inc.....	4.086009%
MCM Permian LLC	1.171875%
Francis Hill Hudson, Trustee of Lindy's Living Trust...1.171875%	
Andes Energy, LLC.....	0.781255%
Zorro Partners, Ltd.....	0.781247%
Javelina Partners	0.781248%
Roden Participants, Ltd.....	0.600884%
Roden Associates, Ltd.....	0.120177%
	100.000000%

Name of ORRI Owners:

Michael S. Richardson.....	0.250000%
Dennis Susaeta.....	0.875000%
Wendy Susaeta.....	0.875000%
Howard L. Mathie.....	1.000000%
States Royalty Limited Partnership.....	0.250000%
Alan Jochimsen.....	0.250000%
Monthy D. McLane.....	0.250000%
Susan S. Murphy, Trustee of Susan S. Murphy Trust....	0.853830%
Mark B. Murphy, Trustee of Mark B. Murphy Irr Trust...0.853830%	
Frank S. Morgan and Robin L. Morgan.....	0.456356%
Hutchings Oil Company.....	0.147211%
Colony Resources, Inc.	0.353743%
Strata Production Company.....	2.860025%
Peter Balog, Trustee of Balog Family Trust.....	0.046599%
Bane Bigbie and Melanie Bigbie.....	0.046599%
Duane Brown and wife, Pilar Vaile.....	0.089469%
Wade P. Carrigan and Beth Carrigan.....	0.081172%
James K. Lusk and Martha L. Lusk Trust.....	0.023299%
Scott-Winn LLC	0.046599%
Winn Investments, Inc.	0.178938%
Drusilla Cieszinski, Trustee of J.E. Cieszinski Trust...0.044734%	
Sealy Hutchings Cavin, Inc.	0.093198%
Warwick Energy Group.....	0.937500%
Westway Petro, Texas JV.....	0.234375%

Tract No. 2

Lease Serial No.: NMNM 077058
Lessor: Bureau of Land Management
Name of Lessee of Record: XTO Holdings, LLC
Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 22: W/2
Lea County, New Mexico
Number of Acres: 320.00
Name of Working Interest Owners: Marathon Oil Permian LLC.....100.000000%
Name of ORRI Owners: XTO Holdings, LLC.....10.305255%

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No. 1A	<u>160.00</u>	<u>25.0000%</u>
Tract No. 1B	<u>80.00</u>	<u>12.5000%</u>
Tract No. 1C	<u>80.00</u>	<u>12.5000%</u>
Tract No. 2	<u>320.00</u>	<u>50.0000%</u>
Total	640.00	100.0000%

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**CASE NO. 20057
ORDER NO. R-20762
(Nunc Pro Tunc to Order No. R-20697)**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 15, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

On July 12, 2019, the Division Director issued Order No. R-20697 in this case.

NOW, on this 8th day of August, 2019, the Division Director

FINDS THAT:

(1) Exhibit A attached to Order No. R-20697 contains a clerical error, in that the well number within the legal description of the Frizzle Fry Federal Com 223215 WXY Well No. 7H proposed well was inadvertently stated incorrectly.

IT IS THEREFORE ORDERED THAT:

(1) Exhibit A's description of the Frizzle Fry Federal Com 223215 WXY Well No. 7H issued in Case No. 20057 on July 12, 2019, is hereby amended, *nunc pro tunc*, effective as of the date of this order, with the following correction:

“Frizzle Fry Federal Com 223215 WXY Well No. 2H” is hereby corrected to read
“Frizzle Fry Federal Com 223215 WXY Well No. 7H”

(2) In all other respects, Order No. R-20697 shall remain in full force and effect as originally written.

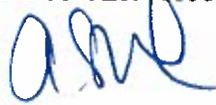
(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
Director

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

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

**CASE NO. 20057
ORDER NO. R-20697**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 15, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 12th day of July 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

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

- (b) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.
- (c) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

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

(7) The request for approval of a Spacing Unit is no longer needed under the new horizontal well rules and should be dismissed.

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

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

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

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

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

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

(14) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable

well costs plus an additional reasonable charge [see Exhibit "A"] for the risk involved in drilling the Well(s).

IT IS THEREFORE ORDERED THAT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for

supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

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

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

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

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

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

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

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Adrienne Sandoval in blue ink.

ADRIENNE SANDOVAL
Director

Exhibit "A"

Applicant: Marathon Oil Permian LLC
Operator: Marathon Oil Permian LLC (OGRID 372098)

Combined Cases: 20055, 20056, 20057. Separate orders being issued for each case.

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter section equivalents
Unit Size: 640-acres (more or less)
Orientation of Unit: North/South

Unit Description:

W/2 of Sections 15 and 22,
Township 22 South, Range 32 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Upper Wolfcamp Formation
Depth Severance? (Yes/No): No

Pool: Wildcat; Upper Wolfcamp (Pool code 98166)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts: None Included
Proximity Defining Well: None

Monthly charge for supervision: While drilling: \$8000 While producing: \$800
As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

Frizzle Fry Federal Com 223215 WA Well No. 2H, API No. 30-025-45890

SHL: 273 feet from the North line and 792 feet from the West line,
(Unit D) of Section 15, Township 22 South, Range 32 East, NMPM.
BHL: 100 feet from the South line and 660 feet from the West line,
(Unit M) of Section 22, Township 22 South, Range 32 East, NMPM.

Completion Target:

Wolfcamp "A" at approx 12213 feet TVD and 22404 feet MD.
Well Orientation: North to South
Completion Location expected to be: standard

Frizzle Fry Federal Com 223215 WXY Well No. 2H, API No. 30-025-45892

SHL: 274 feet from the North line and 852 feet from the West line,

Case No. 20057

Order No. R-

Page 8 of 8

**(Unit D) of Section 15, Township 22 South, Range 32 East, NMPM.
BHL: 100 feet from the South line and 1332 feet from the West line,
(Unit N) of Section 22, Township 22 South, Range 32 East, NMPM.**

Completion Target:

Wolfcamp "XY" at approx 12106 feet TVD and 22297 feet MD.

Well Orientation: North to South

Completion Location expected to be: standard

Federal Communitization Agreement

Contract No. NmNm141286

THIS AGREEMENT, entered into as of the 23rd of October 2019, 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 advantages 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 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico:
Section 15: W/2
Section 22: W/2

Containing 640.00 acres, more or less, and this agreement shall include only the Wolfcamp Formation underlying said lands and the natural gas and associated liquid hydrocarbons or oil hereinafter referred to as "communitized substances," producible from such formation.

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 Marathon Oil Permian LLC, 5555 San Felipe St., Houston, TX, 77056. All matters of operation 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 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 therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal or Indian lands included within the CA area are to be paid into the appropriate Unleased Lands Account or Indian Trust Account by the designated operator until the land is leased or ownership is established.

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 October 23, 2019 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 interest 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 lands 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 of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.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 written and have set opposite their respective names the date of execution.

WORKING INTEREST OWNER

10/28/19
Date

By: *Ben Kinney*
Name: **Benjamin K. Kinney,**
V.P., Tiltex Co., L.L.C.
Title: **Managing Partner**

ACKNOWLEDGEMENT

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

On this 28 day of OCTOBER, 2019, before me, a Notary Public for the State of Texas, personally appeared Ben Kinney, known to me to be J.P. for **Roden Participants, Ltd.**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)

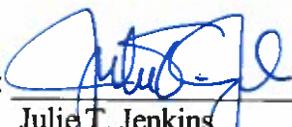


5-30-21
My Commission Expires

Cindy Russell
Notary Public

WORKING INTEREST OWNER

HighPoint Operating Corporation

By: 
Julie T. Jenkins *Bob*
V.P. Land and Regulatory

Date: 1/2/2020

STATE OF COLORADO)
CITY AND) §
COUNTY OF DENVER)

On the 2nd day of January, 2020, before me, a Notary Public in and for said State and County, personally appeared Julie T. Jenkins, known to me to be the V.P. Land and Regulatory of HighPoint Operating Corporation, a Delaware Corporation, the corporation that executed the above instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

BRYCE DOTY
Notary Public
State of Colorado
Notary ID # 20174002931
My Commission Expires 01-19-2021


Notary Public

EXHIBIT "A"

Attached to the Communitization Agreement dated October 23, 2019.

Plat of communitized area covering 640 acres in Township 22 South, Range 32 East, N.M.P.M.,
Lea County, New Mexico,
Section 15: W/2
Section 22: W/2

WELL NAME/ NO.

- Frizzle Fry 15 WA Fed Com 2H

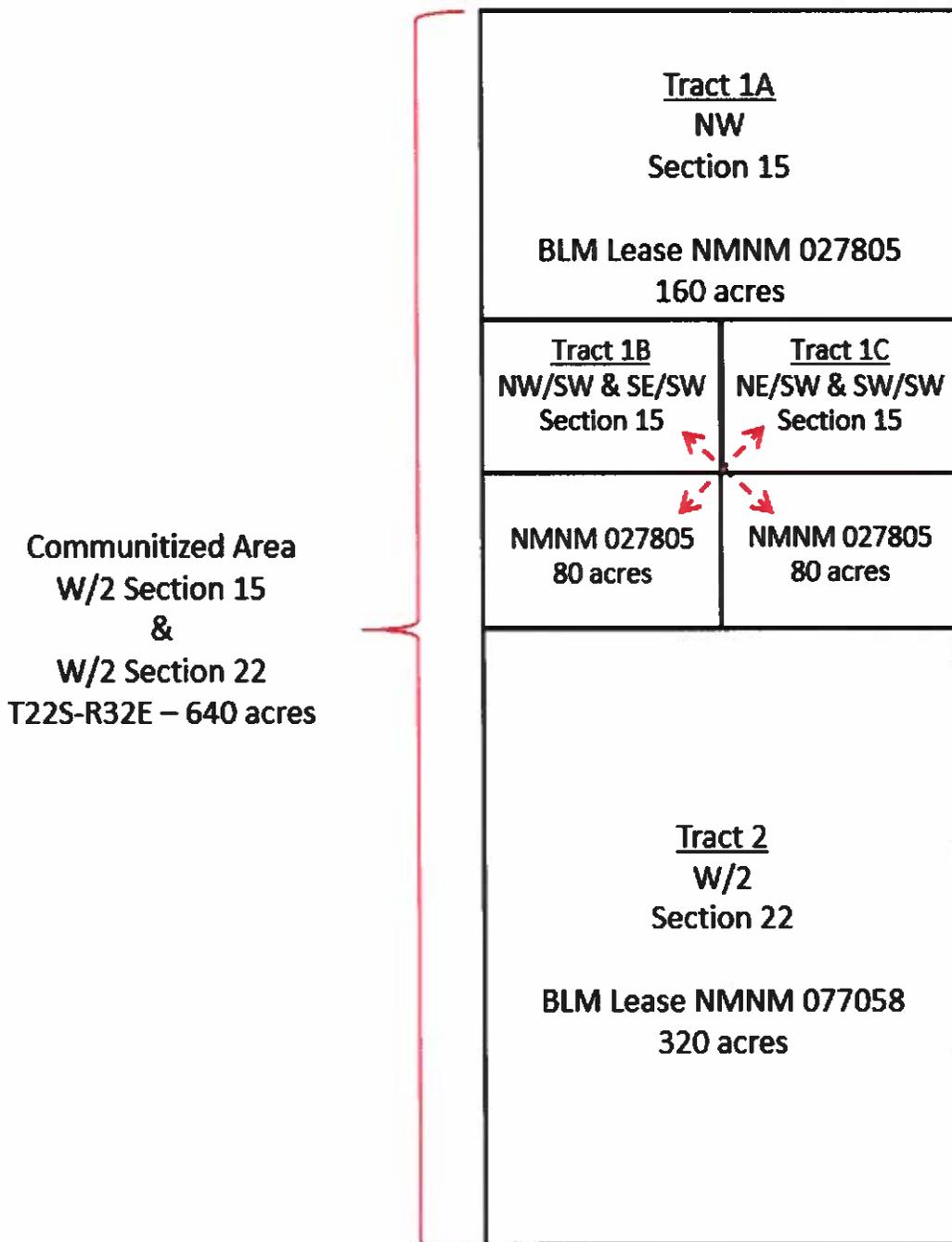


EXHIBIT "B"

Attached to the Communitization Agreement dated October 23, 2019 embracing the W/2 of Section 15 and the W/2 of Section 22, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

OPERATOR OF COMMUNITIZED AREA:

Marathon Oil Permian LLC

DESCRIPTION OF LEASES COMMITTED

Tract No. 1A

Lease Serial No.:	NMNM 027805
Lessor:	Bureau of Land Management
Name of Lessee of Record:	XTO Holdings, LLC
Description of Land Committed:	<u>Township 22 South, Range 32 East, N.M.P.M.</u> Section 15: NW Lea County, New Mexico
Number of Acres:	160.00
Name of Working Interest Owners:	Marathon Oil Permian LLC.....57.69293% HighPoint Operating Corporation.....17.18750% Warwick Energy Group.....12.50000% EOG Resources Inc.....4.807070% Read & Stevens, Inc.3.125000% MCM Permian, LLC1.171875% Francis Hill Hudson, Trustee of Lindy's Living Trust...1.171875% Andes Energy, LLC.....0.781255% Zorro Partners, Ltd.....0.781247% Javelina Partners0.781248% 100.000000%
Name of ORRI Owners:	Henry Mazorow.....1.500000% Dennis Susaeta.....0.875000% Wendy Susaeta.....0.875000% Howard L. Mathie.....1.000000% States Royalty Limited Partnership.....0.250000% Alan Jochimsen.....0.250000% Monthy D. McLane.....0.250000% XTO Holdings, LLC.....3.634655%

Tract No. 1B

Lease Serial No.: NMNM 027805

Lessor: Bureau of Land Management

Name of Lessee of Record: XTO Holdings, LLC

Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 15: NW/SW and SE/SW
Lea County, New Mexico

Number of Acres: 80.00

Name of Working Interest Owners:

Marathon Oil Permian LLC.....	38.993752%
RKI Exploration & Production, LLC.....	34.324178%
HighPoint Operating Corporation.....	17.187500%
EOG Resources Inc.....	4.086009%
MCM Permian LLC	1.171875%
Francis Hill Hudson, Trustee of Lindy's Living Trust...1.171875%	
Andes Energy, LLC.....	0.781255%
Zorro Partners, Ltd.....	0.781247%
Javelina Partners	0.781248%
Roden Participants, Ltd.....	0.600884%
Roden Associates, Ltd.....	0.120177%
	100.000000%

Name of ORRI Owners:

Michael S. Richardson.....	0.250000%
Dennis Susaeta.....	0.875000%
Wendy Susaeta.....	0.875000%
Howard L. Mathie.....	1.000000%
States Royalty Limited Partnership.....	0.250000%
Alan Jochimsen.....	0.250000%
Monthy D. McLane.....	0.250000%
Susan S. Murphy, Trustee of Susan S. Murphy Trust.....2.170452%	
Mark B. Murphy, Trustee of Mark B. Murphy Irr Trust...2.170452%	
Frank S. Morgan and Robin L. Morgan.....	1.160067%
Hutchings Oil Company.....	0.374214%
Colony Resources, Inc.	0.353743%
Unknown successor of B&B Oil Ventures, Inc..1.518953%	
Strata Production Company.....	1.028756%
Peter Balog, Trustee of Balog Family Trust.....	0.026425%
Bane Bigbie and Melanie Bigbie.....	0.026425%
Duane Brown and wife, Pilar Vaile.....	0.050735%
Wade P. Carrigan and Beth Carrigan.....	0.046030%
James K. Lusk and Martha L. Lusk Trust.....	0.013212%
Scott-Winn LLC.....	0.026425%
Winn Investments, Inc.	0.101470%
Drusilla Cieszinski, Trustee of J.E. Cieszinski Trust...0.025367%	
Sealy Hutchings Cavin, Inc.	0.052850%
Warwick Energy Group.....	0.937500%
Westway Petro, Texas JV.....	0.234375%

Tract No. 1C

Lease Serial No.: NMNM 027805

Lessor: Bureau of Land Management

Name of Lessee of Record: XTO Holdings, LLC

Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 15: NE/SW and SW/SW
Lea County, New Mexico

Number of Acres: 80.00

Name of Working Interest Owners:

Marathon Oil Permian LLC.....	73.317930%
HighPoint Operating Corporation.....	17.187500%
EOG Resources Inc.....	4.086009%
MCM Permian LLC	1.171875%
Francis Hill Hudson, Trustee of Lindy's Living Trust...1.	1.171875%
Andes Energy, LLC.....	0.781255%
Zorro Partners, Ltd.....	0.781247%
Javelina Partners	0.781248%
Roden Participants, Ltd.....	0.600884%
Roden Associates, Ltd.....	0.120177%
	100.000000%

Name of ORRI Owners:

Michael S. Richardson.....	0.250000%
Dennis Susaeta.....	0.875000%
Wendy Susaeta.....	0.875000%
Howard L. Mathie.....	1.000000%
States Royalty Limited Partnership.....	0.250000%
Alan Jochimsen.....	0.250000%
Monthy D. McLane.....	0.250000%
Susan S. Murphy, Trustee of Susan S. Murphy Trust.....	0.853830%
Mark B. Murphy, Trustee of Mark B. Murphy Irr Trust...0.	853830%
Frank S. Morgan and Robin L. Morgan.....	0.456356%
Hutchings Oil Company.....	0.147211%
Colony Resources, Inc.	0.353743%
Strata Production Company.....	2.860025%
Peter Balog, Trustee of Balog Family Trust.....	0.046599%
Bane Bigbie and Melanie Bigbie.....	0.046599%
Duane Brown and wife, Pilar Vaile.....	0.089469%
Wade P. Carrigan and Beth Carrigan.....	0.081172%
James K. Lusk and Martha L. Lusk Trust.....	0.023299%
Scott-Winn LLC	0.046599%
Winn Investments, Inc.	0.178938%
Drusilla Cieszinski, Trustee of J.E. Cieszinski Trust...0.	044734%
Sealy Hutchings Cavin, Inc.	0.093198%
Warwick Energy Group.....	0.937500%
Westway Petro, Texas JV.....	0.234375%

Tract No. 2

Lease Serial No.: NMNM 077058
Lessor: Bureau of Land Management
Name of Lessee of Record: XTO Holdings, LLC
Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 22: W/2
Lea County, New Mexico
Number of Acres: 320.00
Name of Working Interest Owners: Marathon Oil Permian LLC.....100.000000%
Name of ORRI Owners: XTO Holdings, LLC.....10.305255%

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No. 1A	<u>160.00</u>	<u>25.0000%</u>
Tract No. 1B	<u>80.00</u>	<u>12.5000%</u>
Tract No. 1C	<u>80.00</u>	<u>12.5000%</u>
Tract No. 2	<u>320.00</u>	<u>50.0000%</u>
Total	640.00	100.0000%

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**CASE NO. 20057
ORDER NO. R-20762
(Nunc Pro Tunc to Order No. R-20697)**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 15, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

On July 12, 2019, the Division Director issued Order No. R-20697 in this case.

NOW, on this 8th day of August, 2019, the Division Director

FINDS THAT:

(1) Exhibit A attached to Order No. R-20697 contains a clerical error, in that the well number within the legal description of the Frizzle Fry Federal Com 223215 WXY Well No. 7H proposed well was inadvertently stated incorrectly.

IT IS THEREFORE ORDERED THAT:

(1) Exhibit A's description of the Frizzle Fry Federal Com 223215 WXY Well No. 7H issued in Case No. 20057 on July 12, 2019, is hereby amended, *nunc pro tunc*, effective as of the date of this order, with the following correction:

"Frizzle Fry Federal Com 223215 WXY Well No. 2H" is hereby corrected to read "Frizzle Fry Federal Com 223215 WXY Well No. 7H"

(2) In all other respects, Order No. R-20697 shall remain in full force and effect as originally written.

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
Director

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

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

**CASE NO. 20057
ORDER NO. R-20697**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 15, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 12th day of July 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

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

- (b) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.
- (c) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

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

(7) The request for approval of a Spacing Unit is no longer needed under the new horizontal well rules and should be dismissed.

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

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

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

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

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

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

(14) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable

well costs plus an additional reasonable charge [see Exhibit "A"] for the risk involved in drilling the Well(s).

IT IS THEREFORE ORDERED THAT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for

supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

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

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

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

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

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

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

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
Director

Exhibit "A"

Applicant: Marathon Oil Permian LLC
Operator: Marathon Oil Permian LLC (OGRID 372098)

Combined Cases: 20055, 20056, 20057. Separate orders being issued for each case.

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter section equivalents
Unit Size: 640-acres (more or less)
Orientation of Unit: North/South

Unit Description:

W/2 of Sections 15 and 22,
Township 22 South, Range 32 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Upper Wolfcamp Formation
Depth Severance? (Yes/No): No

Pool: Wildcat; Upper Wolfcamp (Pool code 98166)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts: None Included
Proximity Defining Well: None

Monthly charge for supervision: While drilling: \$8000 While producing: \$800
As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

Frizzle Fry Federal Com 223215 WA Well No. 2H, API No. 30-025-45890

SHL: 273 feet from the North line and 792 feet from the West line,
(Unit D) of Section 15, Township 22 South, Range 32 East, NMPM.
BHL: 100 feet from the South line and 660 feet from the West line,
(Unit M) of Section 22, Township 22 South, Range 32 East, NMPM.

Completion Target:

Wolfcamp "A" at approx 12213 feet TVD and 22404 feet MD.
Well Orientation: North to South
Completion Location expected to be: standard

Frizzle Fry Federal Com 223215 WXY Well No. 2H, API No. 30-025-45892

SHL: 274 feet from the North line and 852 feet from the West line,

**(Unit D) of Section 15, Township 22 South, Range 32 East, NMPM.
BHL: 100 feet from the South line and 1332 feet from the West line,
(Unit N) of Section 22, Township 22 South, Range 32 East, NMPM.**

Completion Target:

Wolfcamp "XY" at approx 12106 feet TVD and 22297 feet MD.

Well Orientation: North to South

Completion Location expected to be: standard

Federal Communitization Agreement

Contract No. NMNM141286

THIS AGREEMENT, entered into as of the 23rd of October 2019, 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 advantages 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 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico:
Section 15: W/2
Section 22: W/2

Containing 640.00 acres, more or less, and this agreement shall include only the Wolfcamp Formation underlying said lands and the natural gas and associated liquid hydrocarbons or oil hereinafter referred to as "communitized substances," producible from such formation.

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 Marathon Oil Permian LLC, 5555 San Felipe St., Houston, TX, 77056. All matters of operation 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 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 therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal or Indian lands included within the CA area are to be paid into the appropriate Unleased Lands Account or Indian Trust Account by the designated operator until the land is leased or ownership is established.

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 October 23, 2019 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 interest 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 lands 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 of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.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 written and have set opposite their respective names the date of execution.

LESSEE OF RECORD

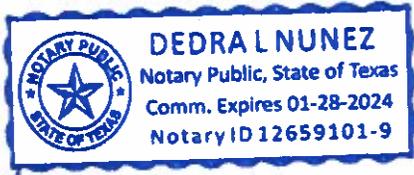
12/12/19
Date

^{BW}
^{BH} By: Edw S. Ryan Jr
Name: Edwin S. Ryan, Jr.
Title: Agent and Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS)
COUNTY OF Harris) ss.

On this 12th day of December, 2019, before me, a Notary Public for the State of Texas, personally appeared Edwin S. Ryan, Jr., known to me to be Agent and Attorney-in-Fact of **XTO Holdings LLC**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL) 

1/28/24
My Commission Expires

Dedra L Nunez
Notary Public

WORKING INTEREST OWNER

10/28/19
Date

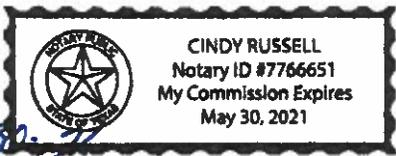
By: *Ben Kinney*
Name: Benjamin K. Kinney,
V.P., Tiltex Co., L.L.C.
Title: Managing Partner

ACKNOWLEDGEMENT

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

On this 28 day of October, 2019, before me, a Notary Public for the State of Texas, personally appeared Ben Kinney, known to me to be V.P. for **Roden Participants, Ltd.**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)



5-30-21
My Commission Expires

Cindy Russell
Notary Public

WORKING INTEREST OWNER

10-29-19

Date

By: Betty R. Young

Name: Betty R. Young

me

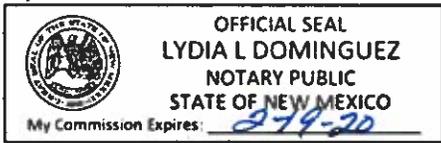
Title: Executive VP

ACKNOWLEDGEMENT

STATE OF New Mexico)
) SS.
COUNTY OF Chaves)

On this 29th day of October, 2019, before me, a Notary Public for the State of ~~Texas~~ ^{New Mexico}, personally appeared Betty R. Young, known to me to be Executive VP for **Read & Stevens, Inc.**, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)

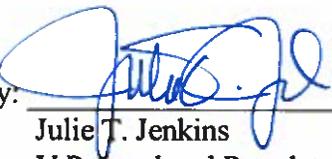


My Commission Expires

Lydia L. Dominguez
Notary Public

WORKING INTEREST OWNER

HighPoint Operating Corporation

By: 
Julie T. Jenkins *BD 30m*
V.P. Land and Regulatory

Date: 1/2/2020

STATE OF COLORADO)
CITY AND) §
COUNTY OF DENVER)

On the 2nd day of January, 2020, before me, a Notary Public in and for said State and County, personally appeared Julie T. Jenkins, known to me to be the V.P. Land and Regulatory of HighPoint Operating Corporation, a Delaware Corporation, the corporation that executed the above instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

BRYCE DOTY
Notary Public
State of Colorado
Notary ID # 20174002931
My Commission Expires 01-19-2021


Notary Public

EXHIBIT "A"

Attached to the Communitization Agreement dated October 23, 2019.

Plat of communitized area covering 640 acres in Township 22 South, Range 32 East, N.M.P.M.,
Lea County, New Mexico,
Section 15: W/2
Section 22: W/2

WELL NAME/ NO.

- Frizzle Fry 15 WA Fed Com 2H

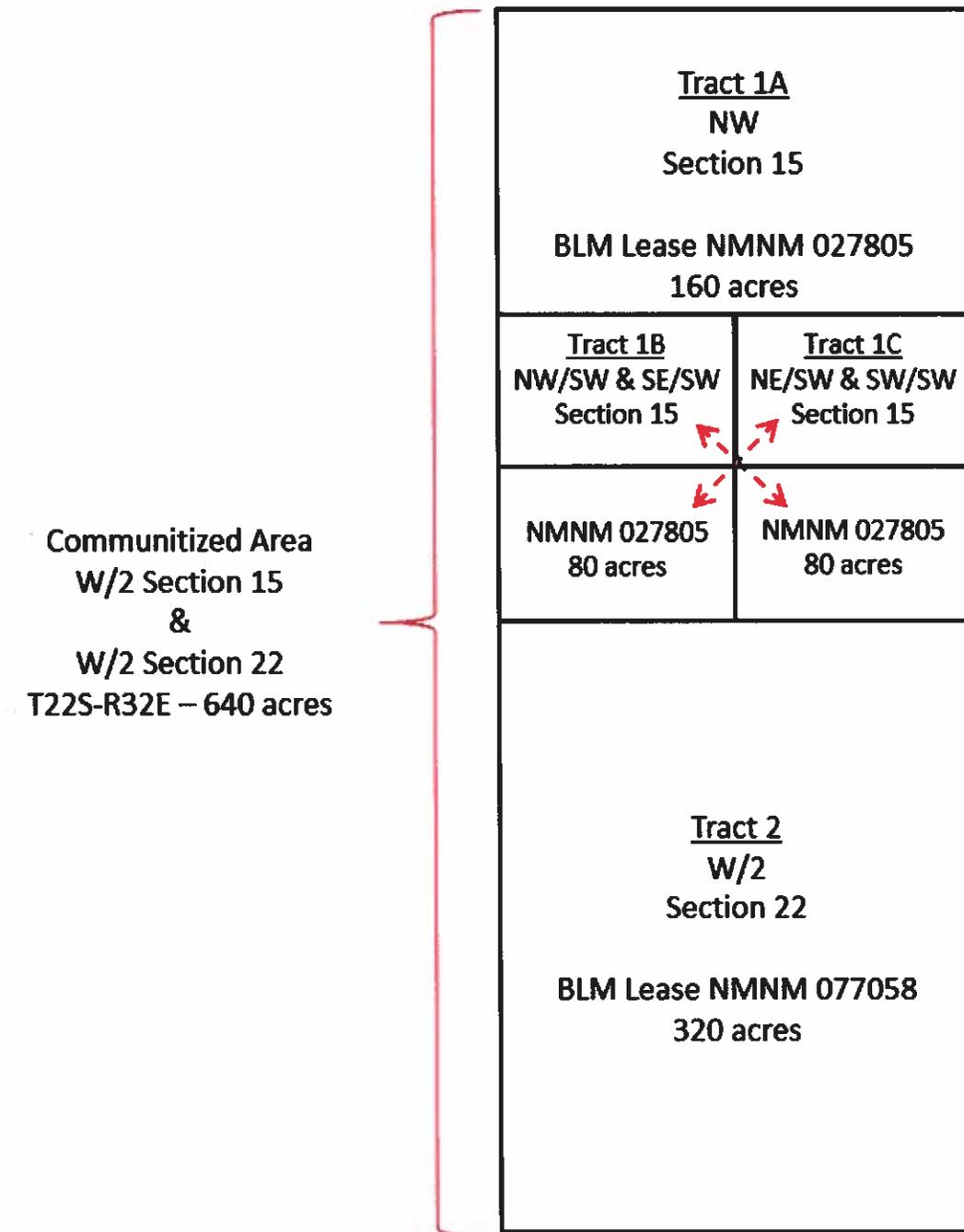


EXHIBIT "B"

Attached to the Communitization Agreement dated October 23, 2019 embracing the W/2 of Section 15 and the W/2 of Section 22, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

OPERATOR OF COMMUNITIZED AREA:

Marathon Oil Permian LLC

DESCRIPTION OF LEASES COMMITTED

Tract No. 1A

Lease Serial No.:	NMNM 027805
Lessor:	Bureau of Land Management
Name of Lessee of Record:	XTO Holdings, LLC
Description of Land Committed:	<u>Township 22 South, Range 32 East, N.M.P.M.</u> Section 15: NW Lea County, New Mexico
Number of Acres:	160.00
Name of Working Interest Owners:	Marathon Oil Permian LLC.....57.69293% HighPoint Operating Corporation.....17.18750% Warwick Energy Group.....12.50000% EOG Resources Inc.....4.807070% Read & Stevens, Inc.3.125000% MCM Permian, LLC1.171875% Francis Hill Hudson, Trustee of Lindy's Living Trust...1.171875% Andes Energy, LLC.....0.781255% Zorro Partners, Ltd.....0.781247% Javelina Partners <u>0.781248%</u> 100.000000%
Name of ORRI Owners:	Henry Mazorow.....1.500000% Dennis Susaeta.....0.875000% Wendy Susaeta.....0.875000% Howard L. Mathie.....1.000000% States Royalty Limited Partnership.....0.250000% Alan Jochimsen.....0.250000% Monthy D. McLane.....0.250000% XTO Holdings, LLC.....3.634655%

Tract No. 1B

Lease Serial No.: NMNM 027805

Lessor: Bureau of Land Management

Name of Lessee of Record: XTO Holdings, LLC

Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 15: NW/SW and SE/SW
Lea County, New Mexico

Number of Acres: 80.00

Name of Working Interest Owners:

Marathon Oil Permian LLC.....	38.993752%
RKI Exploration & Production, LLC.....	34.324178%
HighPoint Operating Corporation.....	17.187500%
EOG Resources Inc.....	4.086009%
MCM Permian LLC	1.171875%
Francis Hill Hudson, Trustee of Lindy's Living Trust...	1.171875%
Andes Energy, LLC.....	0.781255%
Zorro Partners, Ltd.....	0.781247%
Javelina Partners	0.781248%
Roden Participants, Ltd.....	0.600884%
Roden Associates, Ltd.....	0.120177%
	100.000000%

Name of ORRI Owners:

Michael S. Richardson.....	0.250000%
Dennis Susaeta.....	0.875000%
Wendy Susaeta.....	0.875000%
Howard L. Mathie.....	1.000000%
States Royalty Limited Partnership.....	0.250000%
Alan Jochimsen.....	0.250000%
Monthy D. McLane.....	0.250000%
Susan S. Murphy, Trustee of Susan S. Murphy Trust.....	2.170452%
Mark B. Murphy, Trustee of Mark B. Murphy Irr Trust...	2.170452%
Frank S. Morgan and Robin L. Morgan.....	1.160067%
Hutchings Oil Company.....	0.374214%
Colony Resources, Inc.	0.353743%
Unknown successor of B&B Oil Ventures, Inc..	1.518953%
Strata Production Company.....	1.028756%
Peter Balog, Trustee of Balog Family Trust.....	0.026425%
Bane Bigbie and Melanie Bigbie.....	0.026425%
Duane Brown and wife, Pilar Vaile.....	0.050735%
Wade P. Carrigan and Beth Carrigan.....	0.046030%
James K. Lusk and Martha L. Lusk Trust.....	0.013212%
Scott-Winn LLC.....	0.026425%
Winn Investments, Inc.	0.101470%
Drusilla Cieszinski, Trustee of J.E. Cieszinski Trust...	0.025367%
Sealy Hutchings Cavin, Inc.	0.052850%
Warwick Energy Group.....	0.937500%
Westway Petro, Texas JV.....	0.234375%

Tract No. 1C

Lease Serial No.: NMNM 027805

Lessor: Bureau of Land Management

Name of Lessee of Record: XTO Holdings, LLC

Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 15: NE/SW and SW/SW
Lea County, New Mexico

Number of Acres: 80.00

Name of Working Interest Owners:

Marathon Oil Permian LLC.....	73.317930%
HighPoint Operating Corporation.....	17.187500%
EOG Resources Inc.....	4.086009%
MCM Permian LLC	1.171875%
Francis Hill Hudson, Trustee of Lindy's Living Trust...	1.171875%
Andes Energy, LLC.....	0.781255%
Zorro Partners, Ltd.....	0.781247%
Javelina Partners	0.781248%
Roden Participants, Ltd.....	0.600884%
Roden Associates, Ltd.....	0.120177%
	100.000000%

Name of ORRI Owners:

Michael S. Richardson.....	0.250000%
Dennis Susaeta.....	0.875000%
Wendy Susaeta.....	0.875000%
Howard L. Mathie.....	1.000000%
States Royalty Limited Partnership.....	0.250000%
Alan Jochimsen.....	0.250000%
Monthy D. McLane.....	0.250000%
Susan S. Murphy, Trustee of Susan S. Murphy Trust....	0.853830%
Mark B. Murphy, Trustee of Mark B. Murphy Irr Trust...	0.853830%
Frank S. Morgan and Robin L. Morgan.....	0.456356%
Hutchings Oil Company.....	0.147211%
Colony Resources, Inc.	0.353743%
Strata Production Company.....	2.860025%
Peter Balog, Trustee of Balog Family Trust.....	0.046599%
Bane Bigbie and Melanie Bigbie.....	0.046599%
Duane Brown and wife, Pilar Vaile.....	0.089469%
Wade P. Carrigan and Beth Carrigan.....	0.081172%
James K. Lusk and Martha L. Lusk Trust.....	0.023299%
Scott-Winn LLC	0.046599%
Winn Investments, Inc.	0.178938%
Drusilla Cieszinski, Trustee of J.E. Cieszinski Trust...	0.044734%
Sealy Hutchings Cavin, Inc.	0.093198%
Warwick Energy Group.....	0.937500%
Westway Petro, Texas JV.....	0.234375%

Tract No. 2

Lease Serial No.: NMNM 077058
Lessor: Bureau of Land Management
Name of Lessee of Record: XTO Holdings, LLC
Description of Land Committed: **Township 22 South, Range 32 East, N.M.P.M.**
Section 22: W/2
Lea County, New Mexico
Number of Acres: 320.00
Name of Working Interest Owners: Marathon Oil Permian LLC.....100.000000%
Name of ORRI Owners: XTO Holdings, LLC.....10.305255%

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No. 1A	<u>160.00</u>	<u>25.0000%</u>
Tract No. 1B	<u>80.00</u>	<u>12.5000%</u>
Tract No. 1C	<u>80.00</u>	<u>12.5000%</u>
Tract No. 2	<u>320.00</u>	<u>50.0000%</u>
Total	640.00	100.0000%

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**CASE NO. 20057
ORDER NO. R-20762
(Nunc Pro Tunc to Order No. R-20697)**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 15, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

On July 12, 2019, the Division Director issued Order No. R-20697 in this case.

NOW, on this 8th day of August, 2019, the Division Director

FINDS THAT:

(1) Exhibit A attached to Order No. R-20697 contains a clerical error, in that the well number within the legal description of the Frizzle Fry Federal Com 223215 WXY Well No. 7H proposed well was inadvertently stated incorrectly.

IT IS THEREFORE ORDERED THAT:

(1) Exhibit A's description of the Frizzle Fry Federal Com 223215 WXY Well No. 7H issued in Case No. 20057 on July 12, 2019, is hereby amended, *nunc pro tunc*, effective as of the date of this order, with the following correction:

"Frizzle Fry Federal Com 223215 WXY Well No. 2H" is hereby corrected to read "Frizzle Fry Federal Com 223215 WXY Well No. 7H"

(2) In all other respects, Order No. R-20697 shall remain in full force and effect as originally written.

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature in blue ink.

ADRIENNE SANDOVAL
Director

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

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

**CASE NO. 20057
ORDER NO. R-20697**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
SPACING UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 15, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 12th day of July 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

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

- (b) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.
- (c) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

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

(7) The request for approval of a Spacing Unit is no longer needed under the new horizontal well rules and should be dismissed.

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

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

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

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

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

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

(14) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable

well costs plus an additional reasonable charge [see Exhibit "A"] for the risk involved in drilling the Well(s).

IT IS THEREFORE ORDERED THAT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for

supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

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

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

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

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

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

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

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
Director

Exhibit "A"

Applicant: Marathon Oil Permian LLC
Operator: Marathon Oil Permian LLC (OGRID 372098)

Combined Cases: 20055, 20056, 20057. Separate orders being issued for each case.

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter section equivalents
Unit Size: 640-acres (more or less)
Orientation of Unit: North/South

Unit Description:

W/2 of Sections 15 and 22,
Township 22 South, Range 32 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Upper Wolfcamp Formation
Depth Severance? (Yes/No): No

Pool: Wildcat; Upper Wolfcamp (Pool code 98166)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts: None Included
Proximity Defining Well: None

Monthly charge for supervision: While drilling: \$8000 While producing: \$800
As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

Frizzle Fry Federal Com 223215 WA Well No. 2H, API No. 30-025-45890

SHL: 273 feet from the North line and 792 feet from the West line,
(Unit D) of Section 15, Township 22 South, Range 32 East, NMPM.
BHL: 100 feet from the South line and 660 feet from the West line,
(Unit M) of Section 22, Township 22 South, Range 32 East, NMPM.

Completion Target:

Wolfcamp "A" at approx 12213 feet TVD and 22404 feet MD.
Well Orientation: North to South
Completion Location expected to be: standard

Frizzle Fry Federal Com 223215 WXY Well No. 2H, API No. 30-025-45892

SHL: 274 feet from the North line and 852 feet from the West line,

(Unit D) of Section 15, Township 22 South, Range 32 East, NMPM.
BHL: 100 feet from the South line and 1332 feet from the West line,
(Unit N) of Section 22, Township 22 South, Range 32 East, NMPM.

Completion Target:

Wolfcamp "XY" at approx 12106 feet TVD and 22297 feet MD.

Well Orientation: North to South

Completion Location expected to be: standard