



# 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>

**APR 23 2021**

In Reply Refer To:

NMNM140537

3105.2 (NM920)

### Reference:

Communitization Agreement

Pavo Frio 29-28 B2GH Fed Com 1H

Section 28: S2N2

Section 29: S2NE4

T. 18 S., R. 29 E., N.M.P.M.

Eddy County, NM

Mewbourne Oil Company

Fasken Center

500 West Texas, Suite 1020

Midland, Texas 79701

Gentlemen:

This letter is to correct a lease number sent out on previous letter dated March 17, 2021. Enclosed is an approved copy of Communitization Agreement NMNM140537 involving 80 acres of Federal land in lease NMNM056428, 40 acres of Federal land in lease NMNM0030752, and 120 acres of Federal land in lease NMLC0067348, Eddy County, New Mexico, which comprise a 240 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the S2N2 of Sec. 28 and the S2NE4 of Sec. 29, T. 18 S., R. 29 E., NMPM, Eddy County, NM, and is effective November 1, 2018. 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.

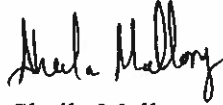
Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is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

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 S2N2 of Sec. 28 and the S2NE4 of Sec. 29, T. 18 S., R. 29 E., NMPM, Eddy County, NM, as to all producible hydrocarbons from the Bone Spring formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

Approval also requires operator to submit copies of sundries or any other documentation regarding activity with this well to the Bureau of Land Management (BLM), Carlsbad Field Office pursuant to Item 9 of the approved Communitization Agreement.

- 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:

**APR 23 2021**



\_\_\_\_\_  
Sheila Mallory  
Deputy State Director  
Division of Minerals

Effective: November 1, 2018

Contract No.: Com. Agr. NMNM140537



# United States Department of the Interior



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

In Reply Refer To:

**MAR 17 2021**

NMNM140537  
3105.2 (NM920)

Reference:  
Communitization Agreement  
Pavo Frio 29-28 B2GH Fed Com 1H  
Section 28: S2N2  
Section 29: S2NE4  
T. 18 S., R. 29 E., N.M.P.M.  
Eddy County, NM

Mewbourne Oil Company  
Fasken Center  
500 West Texas, Suite 1020  
Midland, Texas 79701

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM140537 involving 80 acres of Federal land in lease NMNM056428, 40 acres of Federal land in lease NMNM030752, and 120 acres of Federal land in lease NMLC 0673458, Eddy County, New Mexico, which comprise a 240 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Bone Spring formation beneath the S2N2 of Sec. 28 and the S2NE4 of Sec. 29, T. 18 S., R. 29 E., NMPM, Eddy County, NM, and is effective November 1, 2018. 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

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

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- 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.

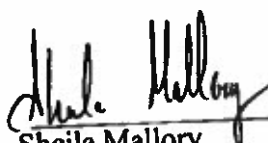
- B. Approve the attached Communitization Agreement covering the S2N2 of Sec. 28 and the S2NE4 of Sec. 29, T. 18 S., R. 29 E., NMPM, Eddy County, NM, as to all producible hydrocarbons from the Bone Spring formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

Approval also requires operator to submit copies of sundries or any other documentation regarding activity with this well to the Bureau of Land Management (BLM), Carlsbad Field Office pursuant to Item 9 of the approved Communitization Agreement.

- 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 17 2021

  
Sheila Mallory  
Deputy State Director  
Division of Minerals

Effective: November 1, 2018

Contract No.: Com. Agr. NMNM140537

**MEWBOURNE OIL COMPANY**

FASKEN CENTER  
500 WEST TEXAS, SUITE 1020  
MIDLAND, TX 79701

TELEPHONE (432) 682-3715

July 16, 2019

**RECEIVED**

**JUL 17 2019**

**BLM, NMSO  
SANTA FE**

Bureau of Land Management  
301 Dinosaur Trail  
Santa Fe, New Mexico 87508  
Attention: Margie Dupre

NM NM 140537

**Re: Communitization Agreement**  
**Pavo Frio 29-28 B2GH Fed Com #1H**  
S2NE4 of Section 28 & S2N2 of Section 29  
T18S, R29E, Eddy County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company, as Operator, has drilled the Pavo Frio 29-28 B2GH Fed Com #1H as a horizontal oil well in the Bone Spring formation in a 240-acre communitized unit comprised of the S2NE4 of Section 28 and the S2N2 of Section 29 referenced above.

Enclosed for approval by the Bureau of Land Management are two (2) originals and one (1) copy of the Communitization Agreement dated November 1, 2018 prepared by Mewbourne Oil Company, communitizing the acreage. Also included is communication with parties that would not sign the agreement. Numerous phone call and email searches were executed trying to get all parties to sign the agreement.

Upon approval by the Bureau of Land Management, please furnish the approvals to my attention at the above address.

Very truly yours,



Tyler Jolly  
Landman



RECEIVED

JUL 17 2019

BLM, NMSO  
SANTA FE

Federal Communitization Agreement

Contract No. NmNm/40537

THIS AGREEMENT entered into as of the 1st day of November, 2018, 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 18 South, Range 29 East, N.M.P.M.  
S/2NE/4 of Section 29 and S/2N/2 of Section 28  
Eddy County, New Mexico

Containing 240.00 acres, and this agreement shall include only the Bone Spring Formation underlying said lands and the oil and associated casinghead gas hereafter 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 Mewbourne Oil Company, P.O. Box 7698, Tyler, Texas 75711. All matters of operations shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced there from shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

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 November 1, 2018, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates and any grant, transfer, or

conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

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

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

**MEWBOURNE OIL COMPANY**

(Operator and Working Interest Owner)

Date: 11-8-2018

By: 

Typed Name: Drew Robison

Title: Attorney-in-Fact

*cm PH*

## ACKNOWLEDGEMENT

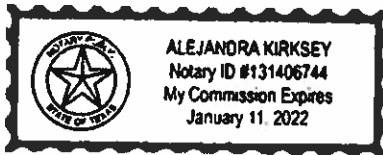
STATE OF TEXAS )  
 ) ss.  
COUNTY OF MIDLAND )

On this 8th day of November, 2018, before me, a Notary Public for the State of Texas, personally appeared Drew Robison, Attorney-in-Fact of Mewbourne Oil Company, a Delaware corporation on behalf of said corporation.

(SEAL)

January 11, 2022  
My Commission Expires

Alejandra Kirksey  
Notary Public



**WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD**

May 23, 2019  
Date

**SHIRLEY DUGGAN MCGEHEARTY**  
(Record Title and ORRI Owner)

By: Shirley Duggan McGehearty  
Title: Record Title and ORRI Owner

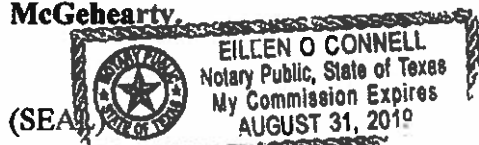
**ACKNOWLEDGEMENT**

STATE OF TEXAS )

) ss.

COUNTY OF MATAGORDA )

This instrument was acknowledged before me on May 23 2019, by **Shirley Duggan McGehearty**.



August 31, 2019  
My Commission Expires

Eileen O Connell  
Notary Public

PAVO FRIO 29/28 BZGH FED. Com #14

**WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD**

11/19/18  
Date

ROSS DUNCAN PROPERTIES LLC  
(Working Interest Owner)  
By: [Signature]  
Title: Manager

**ACKNOWLEDGEMENT**

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF EDDY )

This instrument was acknowledged before me on 11/19/ 2018, by **Ross Duncan**, as **Manager** of Ross Duncan Properties LLC, a New Mexico limited liability company on behalf of said limited liability company.

(SEAL)

6/25/2021  
My Commission Expires

Andrea Watts  
Notary Public

PAVO FRIO 29/28 DZGH FED Com #14

WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD

11/19/18  
Date

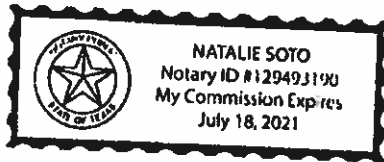
<sup>E JAH</sup>  
VIRGIL WESLEY HOPP  
(Record Title and ORRI Owner)  
By: Virgil Wesley Hopp  
Title: \_\_\_\_\_

ACKNOWLEDGEMENT

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss.

This instrument was acknowledged before me on November 19, 2018, by Virgil Wesley Hopp.

(SEAL)



July 18, 2021  
My Commission Expires

[Signature]  
Notary Public

PAVO FRIO 29/28 BZGH FED. Com #1H



**WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD**

11-29-2018  
Date

TODD E. WESTMORELAND

(Working Interest Owner)

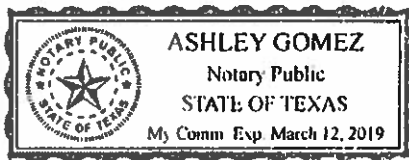
By: Todd E. Westmoreland  
Title: Owner

**ACKNOWLEDGEMENT**

STATE OF TEXAS )  
 ) ss.  
COUNTY OF MIDLAND )

This instrument was acknowledged before me on November 29, 2018, by **Todd E. Westmoreland.**

(SEAL)



March 12, 2019  
My Commission Expires

Ashley Gomez  
Notary Public

PAVO FRIO 29/28 B2GH Fed. Com #1 H

**WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD**

SANTO LEGADO, LLC  
(Record Title and Working Interest Owner)

11/26/2018  
Date

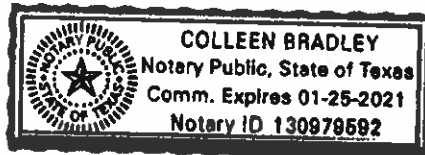
By: [Signature]  
Title: Owner

**ACKNOWLEDGEMENT**

STATE OF TEXAS )  
 ) ss.  
COUNTY OF HARRIS )

This instrument was acknowledged before me on November 26, 2018, by **Hanson Yates**, as Vice President of Santo Legado, LLC, a New Mexico limited liability company.

(SEAL)



1/25/2021  
My Commission Expires

[Signature]  
Notary Public

PAVO FR10 29/28 BZGH FED. COM #1H

**WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD**

JALAPENO CORPORATION  
(Record Title and Working Interest Owner)

3/5/19  
Date

By: [Signature]  
Title: President Vice President

**ACKNOWLEDGEMENT**

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF BERNALILLO )

*it* This instrument was acknowledged before me on March 5, <sup>2019</sup>~~2018~~, by Harvey E. Yates, III,  
President of Jalapeno Corporation, a New Mexico corporation on behalf of said corporation.

(SEAL)



May 7, 2022  
My Commission Expires

[Signature]  
Notary Public

PAYO FRIO 29/28 BZG/H FED. Com #1H

WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD

J&F INVESTMENTS, LLC  
(Working Interest Owner)

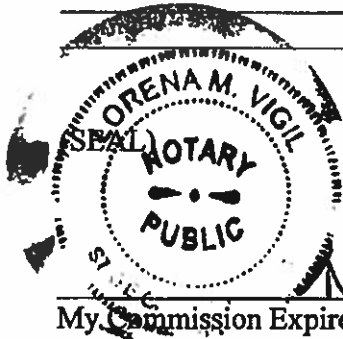
June 24, 2019  
Date

By: Frank Lilley  
Title: Owner

ACKNOWLEDGEMENT

STATE OF NEW MEXICO  
COUNTY OF CHAVES ) ss.

This instrument was acknowledged before me on June 24 2019, by FRANK LILLEY



Lorena M. Vigil  
Notary Public

**WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD**

SHARBRO ENERGY, LLC  
(Record Title and Working Interest Owner)

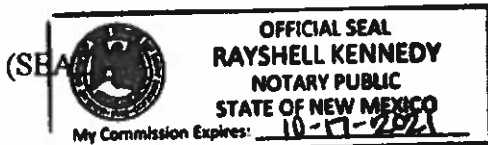
6/14/19  
Date

By: Elizabeth Baker  
Title: Attorney-in-Fact

**ACKNOWLEDGEMENT**

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF EDDY )

This instrument was acknowledged before me on June 14 <sup>9</sup> 2018, by  
Elizabeth Baker, as Attorney-in-Fact of Sharbro Energy, LLC, a New Mexico  
limited liability company on behalf of said limited liability company.



10/17/2021  
My Commission Expires

Rayshell Kennedy  
Notary Public

WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD

THE AMSLER YOUNG PRIDDY IRR TRUST  
(Working Interest Owner)

\_\_\_\_\_  
Date

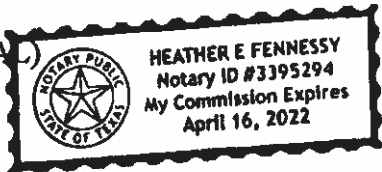
By: Amsler Young Priddy  
Title: Trustee

ACKNOWLEDGEMENT

STATE OF TEXAS )  
 ) ss.  
COUNTY OF DALLAS )

This instrument was acknowledged before me on June 25th 2019, by Amsler Young Priddy, Trustee of The Amsler Young Priddy Trust

(SEAL)



4/16/2022  
My Commission Expires

Heather E Fennessy  
Notary Public

WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD

THE 2012 DCB3 SOUTHWESTERN IRR TRUST  
(Working Interest Owner)

\_\_\_\_\_  
Date

By: [Signature]

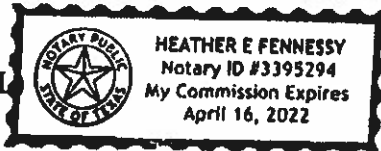
Title: Trustee

ACKNOWLEDGEMENT

STATE OF TEXAS )  
 ) ss.  
COUNTY OF DALLAS )

This instrument was acknowledged before me on June 25th 2019, by Don C. Bell, III, Trustee of the 2012 DCB3 Southwestern Irrigation Trust.

(SEAL)



4/16/2022  
My Commission Expires

[Signature]  
Notary Public



WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD

BANK OF AMERICA, N.A., AGENT FOR  
JOANN SIVLEY RUPPERT, TRUSTEE OF  
THE JOANN SIVLEY RUPPERT TRUST  
(Record Title Owner)

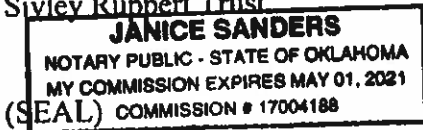
7/11/19  
Date

By: [Signature]  
Title: Vice President

ACKNOWLEDGEMENT

STATE OF OKLAHOMA    )  
                                  ) ss.  
COUNTY OF TULSA     )

This instrument was acknowledged before me on July 11 2019, by Melissa A Rickman, Vice President of Bank of America, as Agent for JoAnn Sivley Ruppert, Trustee of the JoAnn Sivley Ruppert Trust



5/01/2021  
My Commission Expires

[Signature]  
Notary Public

WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD

BANK OF AMERICA, N.A., AGENT FOR  
THOMAS RAY SIVLEY, TRUSTEE OF  
THE THOMAS RAY SIVLEY TRUST  
(Record/Title Owner)

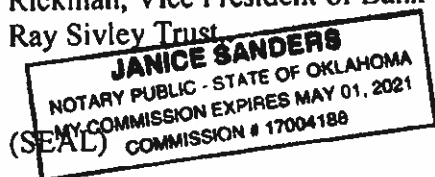
7/11/19  
Date

By: [Signature]  
Title: Vice President

ACKNOWLEDGEMENT

STATE OF OKLAHOMA    )  
                                  ) ss.  
COUNTY OF TULSA     )

This instrument was acknowledged before me on July 11 2019, by Melissa A Rickman, Vice President of Bank of America, as Agent for Thomas Ray Sivley, Trustee of the Thomas Ray Sivley Trust.



5/01/2021  
My Commission Expires

[Signature]  
Notary Public

**WORKING INTEREST OWNERS  
AND/OR LESSEES OF RECORD**

PATSY HEUGLER  
(Working Interest Owner)

July 10, 2019  
Date

By: Patsy Heugler  
Title: \_\_\_\_\_

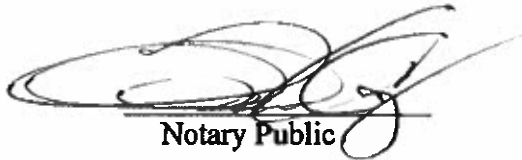
**ACKNOWLEDGEMENT**

STATE OF NEW MEXICO)  
COUNTY OF CHAVES) ss.

This instrument was acknowledged before me on July 10 2019, by \_\_\_\_\_  
Patsy Heugler.

(SEAL)

April 2, 2020  
My Commission Expires

  
Notary Public

## EXHIBIT "A"

Plat of communitized area covering:

S/2NE/4 of Section 29 and S/2N/2 of Section 28, T18S, R29E,  
N.M.P.M., Eddy County, New Mexico, containing 240.00 acres, more or less.

### S/2NE/4 Section 29

|  |
|--|
| <p><u>TRACT NO. 1</u><br/>NM 56428<br/>Mewbourne Oil Company 75%<br/>Trigg Oil &amp; Gas Limited Partnership<br/>25%</p> |
|--|

### SW/4NW/4 Section 28

|   |   |
|---|---|
| <p><u>TRACT NO. 2</u><br/>NM 030752</p> | <p><u>TRACT NO. 3</u><br/>LC 067348</p> |
|---|---|

### SE/4NW/4 and S/2NE/4 Section 28

### S/2NE/4 Section 29

|  |            |
|--|------------|
| <p>SL</p>  | <p>BHL</p> |
|--|------------|

### S/2N/2 Section 28

Well: Pavo Frio 29/28 B2 GH Fed. Com #1H  
2100'FNL & 2500'FWL Section 29 (SL)  
2100'FNL & 100'FEL Section 28 (BHL)  
T18S, R29E, N.M.P.M., Eddy County, New Mexico  
API #30-015-(Pending)

## **EXHIBIT "B"**

To Communitization Agreement Dated November 1, 2018 embracing:

Township 18 South, Range 29 East, N.M.P.M.

Section 29: S/2NE/4

Eddy County, New Mexico

Township 18 South, Range 29 East, N.M.P.M.

Section 28: S/2N/2

Eddy County, New Mexico

Operator of Communitized Area: Mewbourne Oil Company

### **DESCRIPTION OF LEASES COMMITTED:**

#### **TRACT No. 1**

|                      |  |
|----------------------|--|
| Lease Serial Number: | NM 56428   |
| Lease Date:          | February 1, 1950   |
| Recorded:            | Unrecorded in Eddy County  |
| Lessor:              | United States of America   |
| Original Lessee:     | Lloyd Wright   |
| Current Lessee:      | Bank of America, N.A., Trustee of the T.J. and Mary Ray Sivley Trust |

|                                |  |
|--------------------------------|--|
| Description of Land Committed: | <u>Township 18 South, Range 29 East, N.M.P.M.</u><br>Section 29: S/2NE/4 |
|--------------------------------|--|

|                  |       |
|------------------|-------|
| Number of Acres: | 80.00 |
|------------------|-------|

|                     |       |
|---------------------|-------|
| Basic Royalty Rate: | 12 ½% |
|---------------------|-------|

|                               |                                      |
|-------------------------------|--------------------------------------|
| Name and Percent ORRI Owners: | Thomas Ray Sivley Trust, et al 12 ½% |
|-------------------------------|--------------------------------------|

Working Interest Ownership by  
virtue of Operating Agreement

dated 10-1-18 between

Mewbourne Oil Company as

Operator and Jack Knox Operating LLC,

et al as Non-Operators covering the E/2

Section 29 and Section 28, T18S, R29E,

Eddy county, New Mexico:

|                                      |            |
|--------------------------------------|------------|
| Mewbourne Oil Company                | 94.080230% |
| Ross Duncan Properties LLC           | 2.940980%  |
| Jalapeno Corporation                 | 2.500000%  |
| Santo Legado, LLC                    | 0.765250%  |
| J & F Investments, LLC               | 0.694444%  |
| Patsy Huegler                        | 0.694444%  |
| The 2012 DCB3 Southwestern IRR Trust | 0.347221%  |
| The Amsler Young Priddy IRR Trust    | 0.347221%  |

|                      |                    |
|----------------------|--------------------|
| Todd E. Westmoreland | 0.130210%          |
| <b>TOTAL</b>         | <b>100.000000%</b> |

TRACT No. 2

|                                |   |                 |
|--------------------------------|---|-----------------|
| Lease Serial Number:           | NM 030752   |                 |
| Lease Date:                    | August 1, 1957                                    |                 |
| Recorded:                      | Unrecorded in Eddy County                         |                 |
| Lessor:                        | United States of America                          |                 |
| Original Lessee:               | Howard Jennings                                   |                 |
| Current Lessee:                | Trigg Oil & Gas Limited Partnership ½             |                 |
|                                | EOG Y Resources Inc.                              | 3/8             |
|                                | Wells Fargo Bank, N.A. Trustee of                 |                 |
|                                | the Wynn Living Trust and the                     |                 |
|                                | Wynn Survivor Trust                               | 1/8             |
| Description of Land Committed: | <u>Township 18 South, Range 29 East, N.M.P.M.</u> |                 |
|                                | Section 28: SW/4NW/4                              |                 |
| Number of Acres:               | 40.00   |                 |
| Basic Royalty Rate:            | 12 ½%   |                 |
| Name and Percent ORRI Owners:  | Nancy J. Allen, et al                             | 5.0%            |
|                                | Petroyates, Inc.                                  | 1.25%           |
|                                | <u>Harry B. Hinkle</u>                            | <u>0.46875%</u> |
|                                |   | 6.71875%        |

Working Interest Ownership by  
virtue of Operating Agreement  
dated 10-1-18 between  
Mewbourne Oil Company as  
Operator and Jack Knox Operating, LLC,  
et al as Non-Operators covering the E/2  
Section 29 and Section 28, T18S, R29E,  
Eddy county, New Mexico:

Same as Tract No. 1

TRACT No. 3

|                      |                             |            |
|----------------------|-----------------------------|------------|
| Lease Serial Number: | LC 067348                   |            |
| Lease Date:          | July 1, 1949                |            |
| Recorded:            | Unrecorded in Eddy County   |            |
| Lessor:              | United States of America    |            |
| Original Lessee:     | Dixon & Yates Oil Company   |            |
| Current Lessee:      | EOG Y Resources Inc.        | 40.833333% |
|                      | EOG Resources Assets LLC    | 3.333333%  |
|                      | Sharbro Energy LLC          | 10.000000% |
|                      | Jalapeno Corporation        | 5.000000%  |
|                      | Forest Church Miller, Dec'd | 6.250000%  |
|                      | John William Miller, Dec'd  | 6.250000%  |

|                              |            |
|------------------------------|------------|
| Evelyn Dorothy Miller, Dec'd | 6.25000%   |
| Glenn G. McKinney            | 3.12500%   |
| Ann M. Newman, Dec'd         | 3.12500%   |
| Santo Legado, LLC            | 1.66667%   |
| Marigold, LLC                | 1.66667%   |
| Tulipan, LLC                 | 1.66667%   |
| Shirley Nell McGehearty      | 5.38194%   |
| Gladys Anne Koontz           | 2.95139%   |
| Vergil O. Hopp               | 2.50000%   |
|                              | 100.00000% |

Description of Land Committed:

**Township 18 South, Range 29 East, N.M.P.M.**

Section 28: SE/4NW/4 and S/2NE/4

Number of Acres:

120.00

Basic Royalty Rate:

12 ½%

Name and Percent ORRI Owners:

Yates Brothers, et al 12 ½%

Working Interest Ownership by  
virtue of Operating Agreement  
dated 10-1-18 between

Mewbourne Oil Company as  
Operator and Jack Knox Operating, LLC  
et al as Non-Operators covering the E/2  
Section 29 and Section 28, T18S, R29E,  
Eddy county, New Mexico:

Same as Tract No. 1

## **RECAPITULATION**



| <u>Tract No.</u> | <u>No. of Acres Committed</u> | <u>Percentage of Interest<br/>in Communitized Area</u> |
|------------------|-------------------------------|--|
| 1                | 80.00                         | 33.333%  |
| 2                | 40.00                         | 16.667%  |
| 3                | 120.00                        | 50.000%  |
| Total            | 240.00                        | 100.00%  |

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SANTA FE

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:

AMENDED CASE NO. 16207  
ORDER NO. R-20644

APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 4, 2019 at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 24<sup>th</sup> day of June 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 of the subject matter.
- (2) Mewbourne Oil Company ("Mewbourne" or "Applicant"), seeks to compulsory pool additional parties not subject to the initial Division Order No. R-14805, issued on August 1, 2018.
- (3) The spacing unit is comprised of the S/2 N/2 of Section 28, and the S/2 NE/4 of Section 29, all in Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico.
- (4) The Unit will be dedicated to the Pavo Frio 29 28 B2GH Federal Com Well No. 1H ("Subject Well"; API No. 30-015-45404), a horizontal well drilled from a surface location, 2100 feet from the North line and 2500 feet from the West line (Unit F) of Section 29, to a terminus 2100 feet from the North line and 330 feet from the East line (Unit H) of Section 28, all in Township 18 South, Range 29 East. The completed interval of the Subject Well will be at an orthodox location.
- (5) The Subject Well is within the Palmillo; Bone Spring, East Pool (pool code 49553) and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from

the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of six adjacent quarter-quarter sections oriented west to east.

(6) EOG Resources, Inc. made a pre-hearing statement, and an appearance through counsel at the hearing, but otherwise did not object to granting this application. No other party appeared at the hearing, or otherwise opposed the granting of this application.

(7) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) Applicant is seeking to compulsory pool additional interests not subject to the initial order;
- (b) The Subject Well has been drilled but not completed;
- (c) Applicant stated that reasonable charges for supervision (combined fixed rates) should be identical to the Original Order per month, per well, while drilling and identical to the Original Order per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*";
- (d) Applicant requested reasonable charges for supervision (combined fixed rates) should be fixed at \$8,000 per month, per well, while drilling and \$800 per month per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*";
- (e) 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.
- (f) 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 concludes that:

(8) This is an amended Order for Division Order No. R-14805, issued on August 1, 2018 to compulsory pool additional affected parties not subject to the original Order.

(9) All provisions of the Original Order should remain in full force and effect unless otherwise noted.

(10) Applicant's request for reasonable charges for supervision (combined fixed rates) should be fixed at \$8,000 per month, per well, while drilling and \$800 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*" should not be approved. To ensure protection of correlative rights, all parties subject to the compulsory pooling should be charged identical rates.

(11) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*."

**IT IS THEREFORE ORDERED THAT:**

(1) All uncommitted interests, whatever they may be, in the oil and gas within the following described spacing unit ("the Unit") are hereby pooled:

A Horizontal Spacing Unit comprising 240 acres (more or less) within the Palmillo; Bone Spring, East (Pool Code 49553) and all other pools hereafter defined within the Bone Spring formation underlying the S/2 N/2 of Section 28, and the S/2 NE/4 of Section 29, all in Township 18 South, Range 29 East, NMPM, in Eddy County, New Mexico.

(2) The Unit shall be dedicated to the Proposed Pavo Frio 29 28 B2GH Federal Com Well No. 1H ("Subject Well"; API No. 30-015-45404), a horizontal well drilled from a surface location, 2100 feet from the North line and 2500 feet from the West line (Unit F) of Section 29, to a terminus 2100 feet from the North line and 330 feet from the East line (Unit H) of Section 28, all in Township 18 South, Range 29 East. The Subject Well has been drilled but not completed.

(3) This is an amended Order for Division Order No. R-14805, issued on August 1, 2018 to compulsory pool additional affected parties not subject to the original Order.

(4) All provisions of Division Order No. R-14805, issued on August 1, 2018 shall remain in full force and effect unless otherwise noted or stated herein.

(5) The operator shall notify each pooled working interest owner for whom it has a valid address before it files with the Division any request for extension of the time to commence completion and shall certify its compliance with this requirement in its request for extension. The Division may grant an extension at its discretion after 20-days from receipt of the request if no objection is received. Otherwise, the Division shall not grant the extension without a hearing.

(6) Should the Subject Well not be completed within 120 days after commencement thereof, then Ordering Paragraph (1) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence.

(7) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month while drilling and \$750 per month while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not more than what are reasonable, attributable to pooled working interest owners.

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



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. 16207  
ORDER NO. R-14805**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD  
OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on June 14, 2018 at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 1<sup>st</sup> day of August 2018, 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 of the subject matter.

(2) Mewbourne Oil Company ("Mewbourne" or "Applicant"), seeks approval of a non-standard 240-acre, oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation, Palmillo; Bone Spring, East Pool (Pool Code 49553) underlying the S/2 N/2 of Section 28, and the S/2 NE/4 of Section 29, all in Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests within the Unit in the Bone Spring formation.

(3) The Unit will be dedicated to the Pavo Prio 29 28 B2GH Federal Com Well No. 1H (API No. 30-015-Pending), a horizontal well to be drilled from a surface location, 2100 feet from the North line and 2500 feet from the West line (Unit F) of Section 29, to a terminus 2100 feet from the North line and 330 feet from the East line (Unit H) of Section 28, all in Township 18 South, Range 29 East. The completed interval of the proposed well will be at an orthodox location.

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(4) The proposed oil well will be within the Palmillo; Bone Spring, East Pool (pool code 49553) and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of six adjacent quarter-quarter sections oriented west to east.

(5) EOG Resources, Inc., EOG Y Resources, Inc., EOG A Resources, Inc., EOG Assets, LLC, and EOG M Resources, Inc. made a pre-hearing statement and cross-examined the witnesses at hearing.

(6) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) the Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal wells from west to east is appropriate for the Unit;
- (c) all quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that the Unit as requested will not impair correlative rights;
- (d) 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 instruments.

(7) EOG Resources, Inc., EOG Y Resources, Inc., EOG A Resources, Inc., EOG Assets, LLC, and EOG M Resources, Inc. made a pre-hearing statement, and an appearance through counsel at the hearing, but otherwise did not object to granting this application. No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(8) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(9) 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.



(10) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

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

(12) 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 its 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 Bone Spring formation within the Unit.

(13) Mewbourne Oil Company should be designated the operator of the proposed well and of the Unit.

(14) To ensure protection of correlative rights, any pooled working interest owner whose address is known should be notified and have an opportunity to protest before the Division grants any extension of the time provided herein for commencing drilling.

(15) 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.

(16) Any pooled working interest owner who does not pay its share of estimated well costs for any well in advance should have withheld from production its share of reasonable well costs of such well plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Job Operations."

**IT IS THEREFORE ORDERED THAT:**

(1) A non-standard 240-acre oil spacing and proration unit and project area ("the Unit") is hereby established for oil and gas production from the Bone Spring formation, Palmillo; Bone Spring, East (Pool Code 49553) underlying the S/2 N/2 of Section 28, and the S/2 NE/4 of Section 29, all in Township 18 South, Range 29 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of Mewbourne Oil Company, all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to the Proposed Pavo Frio 29 28 B2GH Federal Com Well No. 1H (API No. 30-015-Pending), a horizontal well which will be drilled from a surface location, 2100 feet from the North line and 2500 feet from the West line (Unit F) of Section 29, to a terminus 2100 feet from the North line and 330 feet from the East line (Unit H) of Section 28, all in Township 18 South, Range 29 East. The completed interval of the proposed well shall be at an orthodox location.

(4) The operator of the Unit shall commence drilling the proposed well on or before August 31, 2019, and shall thereafter continue drilling the well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling the proposed well on or before August 31, 2019, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) The operator shall notify each pooled working interest owner for whom it has a valid address before it files with the Division any request for extension of the time to commence drilling and shall certify its compliance with this requirement in its request for extension. The Division may grant an extension at its discretion after 20-days from receipt of the request if no objection is received. Otherwise, the Division shall not grant the extension without a hearing.

(7) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence.

(8) Upon final plugging and abandonment of the proposed well 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) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and the Unit.

(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 an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right 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, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs 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 within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, 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 after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs 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 exceed its share of reasonable well costs.

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

- (a) the proportionate share of reasonable well costs attributable to each such owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

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

(16) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month while drilling and \$750 per month while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not more than what are reasonable, attributable to pooled working interest owners.

(17) Except as provided above, all proceeds from production from the proposed well 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 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).

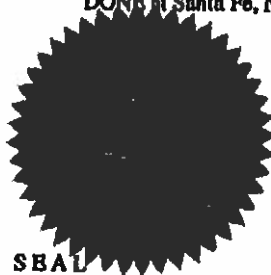
(18) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working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

(19) 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.

(20) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(21) 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

*Heather Riley*  
HEATHER RILEY  
Director