

## Federal Communitization Agreement

Contract No. \_\_\_\_\_

THIS AGREEMENT entered into as of the 1st day of March, 2020 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 19 South, Range 29 East, N.M.P.M**

**S/2 of Section 32 and**

**SW/4 of Section 33**

**Eddy County, New Mexico**

Containing **480.00** acres, and this agreement shall include only the Bone Spring Formation underlying said lands and the oil and gas hereafter referred to as "communitized substances," producible from such formation(s).

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit "A", a plat designating the communitized area and, Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. The Operator of the communitized area shall be Devon Energy Production Company, L.P., 333 W Sheridan Avenue, Oklahoma City, OK 73102. 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 March 1, 2020, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their

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

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

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

**Operator, Record Title and Operating Rights Owner**

Devon Energy Production Company, L.P.

9/9/2020  
Date

By: Catherine Lebsack  
Catherine Lebsack, Vice President

KFH

**ACKNOWLEDGEMENT**

STATE OF OKLAHOMA )  
 ) ss.  
COUNTY OF OKLAHOMA )

This instrument was acknowledged before me on September 9th, 2020, by Catherine Lebsack, as Vice President of Devon Energy Production Company, L.P., an Oklahoma limited partnership, on behalf of said limited partnership.

(SEAL)



Kami Carroll  
Notary Public

8/7/22  
My Commission Expires

**Record Title Owner**

Colgate Production, LLC

8/27/20  
Date

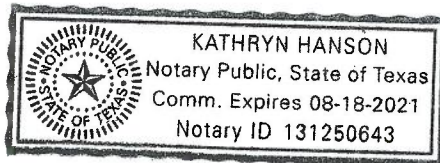
By: [Signature] men  
B

**ACKNOWLEDGEMENT**

STATE OF Texas )  
 ) ss.  
COUNTY OF Midland )

This instrument was acknowledged before me on August 27, 2020, by  
Brandon Gaynor, as Senior Vice President of Colgate Production, LLC,  
a Delaware limited liability company.

(SEAL)



Kathryn Hanson  
Notary Public  
8/18/21  
My Commission Expires



**Record Title Owner**

OXY USA WTP LIMITED PARTNERSHIP  
By: Occidental Permian Manager LLC,  
Its General Partner

6/29/2020  
Date

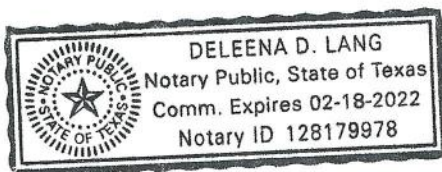
By: [Signature]  
Name: John V. Schneider  
Attorney-in-Fact

**ACKNOWLEDGEMENT**

STATE OF Texas )  
 ) ss.  
COUNTY OF Harris )

This instrument was acknowledged before me on June 29, 2020, by  
John V. Schneider, ATTORNEY-IN-FACT of OCCIDENTAL PERMIAN MANGER LLC,  
a Delaware limited liability company, on behalf of OXY USA WTP LIMITED PARTNERSHIP,  
a Delaware limited partnership.

(SEAL)



[Signature]  
Notary Public

02/18/2022  
My Commission Expires

**Record Title Owner**

Strata Production Co

8-18-20  
Date

By: [Signature]

**ACKNOWLEDGEMENT**

STATE OF New Mexico )  
COUNTY OF Chavez ) ss.

This instrument was acknowledged before me on August 18<sup>th</sup>, 2020, by  
Mark Murphy, as President of Strata Production Co  
, a New Mexico Corporation, on behalf of said Corporation.

(SEAL)

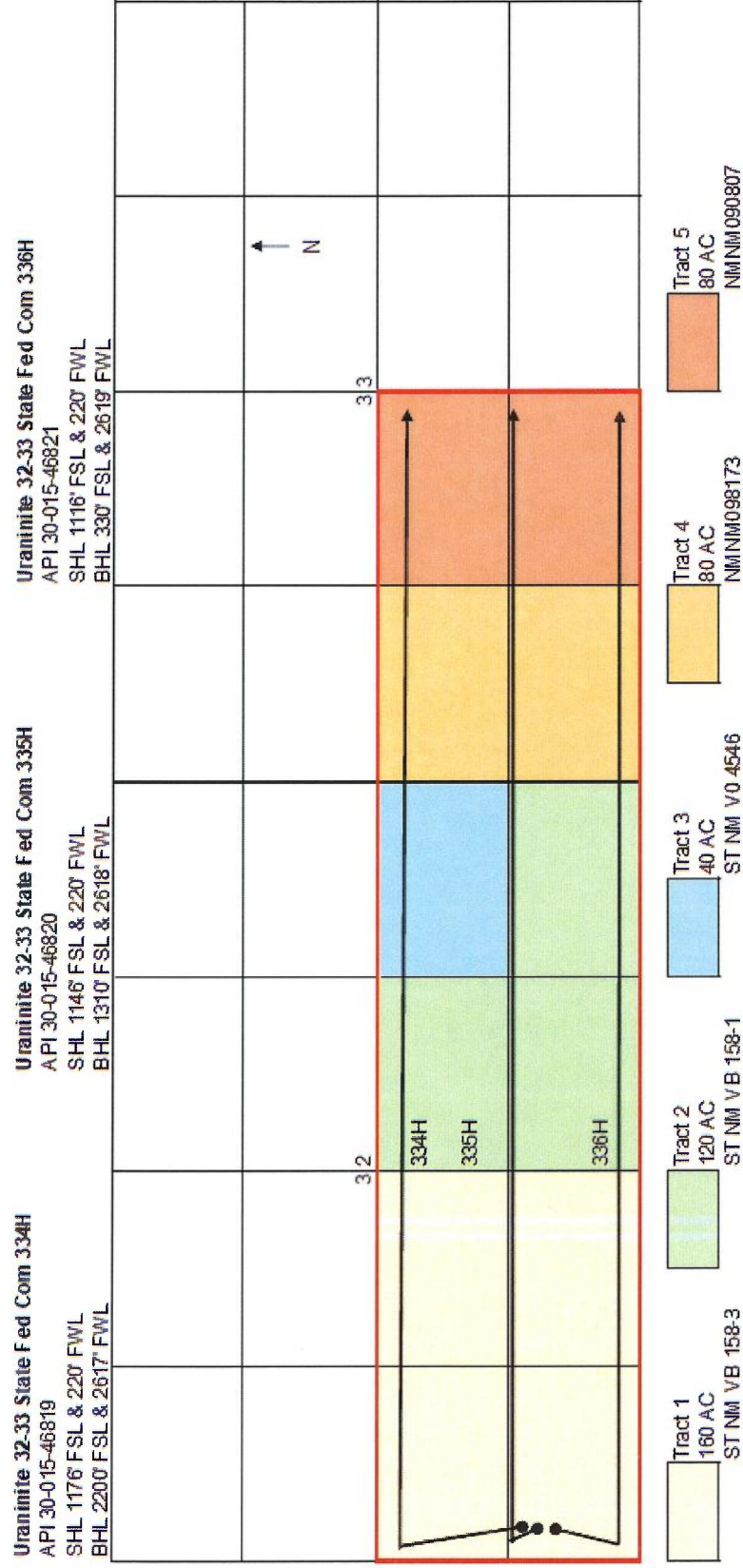


[Signature]  
Notary Public  
01-31-22  
My Commission Expires



# EXHIBIT "A"

To Communitization Agreement dated March 1, 2020, covering 480.00 acres in S/2 of Section 32 and SW/4 of Section 33, Township 19 South, Range 29 East, N.M.P.M, Eddy County, New Mexico



## **EXHIBIT "B"**

To Communitization Agreement dated March 1, 2020, covering 480.00 acres in S/2 of Section 32 and SW/4 of Section 33, Township 19 South, Range 29 East, N.M.P.M, Eddy County, New Mexico

**Operator of Communitized Area: Devon Energy Production Company, L.P.**

### **DESCRIPTION OF LEASES COMMITTED**

#### **Tract No. 1**

Lease Serial Number:	ST of NM VB-0158-0003
Lease Date:	November 1, 1987
Lease Term:	5 years
Lessor:	State of New Mexico
Original Lessee:	Manzano Oil Corporation
Description of Land Committed:	SW/4 of Section 32, Township 19 South, Range 29 East, N.M.P.M Eddy County, New Mexico
Number of Acres:	160.00
Current Lessee of Record:	Devon Energy Production Company, L.P.
Royalty Rate:	3/16
Name of Working Interest Owners:	Devon Energy Production Company, L.P. – 79.00% Valko, LLC – 1.417% Eako, LLC – 3.583% Slash Exploration Limited Partnership – 10.0% G.G.& P., A New Mexico Partnership – 1.0% Calvin R. Kimbrough, Trustee of Ann Kimbrough Irrevocable Trust Share of Calvin and Ann Kimbrough Revocable Trust – 5.0%
ORRI Owners:	Innoventions, Inc. Stephen T. Mitchell Kenneth Barbe Jr. Duane Brown, whose wife is Pilar Vaile Sealy Hutchings Cavin, Inc. Hutchings Oil Company Robert W. Eaton, whose wife is Kathryn B. Eaton Scott Exploration, Inc.

Charles I. Wellborn & J.D. Wellborn, Trustees of the  
Charles I. Wellborn and J.D. Wellborn Revocable Trust  
UTA dated 10/1/2009  
Gross Family Limited Partnership  
Peter Balog, Trustee of the Balog Family Trust UTA  
dated 8/15/2002  
Bane Bigbie, whose wife is Melanie Bigbie  
Wade P. Carrigan and wife, Beth Carrigan  
T. Calder Ezzell Jr.  
Stephen T. Mitchell, whose wife is Rosa Mitchell  
Daniel G. Lusk, Succ. Trustee of the James K. Lusk and  
Martha L. Lusk Trust UTA 4/29/1992  
Long, LLC  
Radmacher Family Trust  
Strata Production Company  
Valorie F. Walker, Trustee of the Jack V. Walker  
Revocable Trust U/T/A dated 5/21/81  
Don E Wenner, whose wife is Laurie P. Wenner  
Winn Investment, Inc.

**Tract No. 2**

Lease Serial Number:	ST of NM VB-0158-0001
Lease Date:	November 1, 1987
Lease Term:	5 years
Lessor:	State of New Mexico
Original Lessee:	Manzano Oil Corporation
Description of Land Committed:	NW/4SE/4 and S/2SE/4 of Section 32, Township 19 South, Range 29 East, N.M.P.M Eddy County, New Mexico
Number of Acres:	120.00
Current Lessee of Record:	Strata Production Co
Royalty Rate:	3/16
Name of Working Interest Owners:	Devon Energy Production Company, L.P. – 100.00%
ORRI Owners:	Innoventions, Inc. Stephen T. Mitchell Kenneth Barbe Jr. Duane Brown, whose wife is Pilar Vaile Sealy Hutchings Cavin, Inc. Hutchings Oil Company

Robert W. Eaton, whose wife is Kathryn B. Eaton  
Permian Basin Investment Corporation  
Long, LLC  
Leonard Legacy Royalty LLC  
LML Properties LLC  
Jack's Peak, LLC  
Scott Exploration, Inc.  
Charles I. Wellborn & J.D. Wellborn, Trustees of the  
Charles I. Wellborn and J.D. Wellborn Revocable Trust  
UTA dated 10/1/2009  
Slash Exploration Limited Partnership  
Estate of Wynell Gross  
Marvin C. Gross and Reba Diane Coston, Co-Trustees of  
the Marvin C. Gross Trust  
Dutch-Irish Oil, Inc.  
David Essex  
George H. McGee  
Qualia Interests, LLC  
Estate of Wynell Gross  
Gross Family Limited Partnership

**Tract No. 3**

Lease Serial Number:	ST of NM V0-4546-0001
Lease Date:	January 1, 1995
Lease Term:	5 years
Lessor:	State of New Mexico
Original Lessee:	Energex Co.
Description of Land Committed:	NE/4SE/4 of Section 32, Township 19 South, Range 29 East, N.M.P.M Eddy County, New Mexico
Number of Acres:	40.0
Current Lessee of Record:	OXY USA WTP Limited Partnership
Royalty Rate:	1/6
Name of Working Interest Owners:	Devon Energy Production Company, L.P. – 100%
ORRI Owners:	Estate of Wynell Gross Marvin C. Gross and Reba Diane Coston, Co-Trustees of the Marvin C. Gross Trust Innoventions, Inc. Southwest Petroleum Land Services, LLC Mitchell Exploration, Inc.

Scott Exploration, Inc.  
Worrell Investments  
James L. Schultz  
Dutch-Irish Oil, Inc.  
David Essex  
George H. McGee  
Qualia Interests, LLC  
Estate of Wynell Gross  
Gross Family Limited Partnership

**Tract No. 4**

Lease Serial Number:	NMNM 098173
Lease Date:	March 1, 1997
Lease Term:	10 years
Lessor:	United States of America
Original Lessee:	Penwell Energy Inc
Description of Land Committed:	W/2SW/4 of Section 33, Township 19 South, Range 29 East, N.M.P.M Eddy County, New Mexico
Number of Acres:	80.0
Current Lessee of Record:	Devon Energy Production Company, L.P.
Royalty Rate:	1/8
Name of Working Interest Owners:	Devon Energy Production Company, L.P. – 100.00%
ORRI Owners:	John Kyle Thoma, Trustee of Cornerstone Family Trust Crownrock Minerals LP George Vaught Jr. The Taurus Royalty LLC Rusk Capital Management, LLC Kimbell Royalty Holdings, LLC Kingdom Investments, Ltd. Penwell Employee Royalty Pool Paul R. Barwis Jareed Partners, Ltd.

**Tract No. 5**

Lease Serial Number: NMNM 090807

Lease Date: February 1, 1975

Lease Term: 10 years

Lessor: United States of America

Original Lessee: Hugh R. McAteer

Description of Land Committed: E/2SW/4 of Section 33, Township 19 South, Range 29 East, N.M.P.M Eddy County, New Mexico

Number of Acres: 80.00

Current Lessee of Record: Colgate Production, LLC

Royalty Rate: 1/8

Name of Working Interest Owners: Devon Energy Production Company, L.P. – 81.8%  
Long LLC – 0.40%  
Jose E. Rodriguez – 0.60%  
L. Neil and Marilyn J. Burcham – 0.40%  
Timothy Jennings – 0.40%  
G.E. and E.P. Harrington, Trustees of the Harrington Trust – 0.40%  
Byron Bachschmid – 0.80%  
Robert L. Dale and Patricia Joan Dale, Trustees of Robert Levers Dale and Patricia Joan Dale Trust u/t/a 9/14/78 – 0.80%  
DeVargas Street LLC – 0.80%  
Norton LLC – 1.20%  
NM&T Resources, LLC – 0.80%  
Hanson Operating Company, Inc. – 10.00%  
Drusilla C. Cieszinski, Trustee of The Cieszinski Trust u/t/a 5/15/07 – 0.40%  
Centennial LLC – 1.2%

ORRI Owners: Alan Jochimsen  
Monty D. McLane  
States Royalty Limited Partnership  
Maxine B. Hannifin, Trustee of Robert and Maxine Hannifin Trust u/t/a 02/01/94  
Diane L. Hanley, Succ. Trustee of Delmar Hudson Lewis Living Trust  
Francis Hill Hudson, Trustee of Lindy's Living Trust UTA July 8, 1994  
Ard Oil, Ltd.

Zorro Partners, Ltd.  
Frost Bank, Trustee of Josephine T. Hudson  
Testamentary Trust f/b/o J. Terrell Ard  
Javelina Partners  
K B Limited Partnership  
Cherokee Legacy Minerals, Ltd.  
Kenebrew Minerals, L.P.  
Frannifin, LLC  
Motowi, LLC  
Alan Hannifin  
Michelle R. Hannifin  
John Kyle Thoma, Trustee of Cornerstone Family Trust  
Crownrock Minerals LP  
George Vaught Jr.  
The Taurus Royalty LLC  
Rusk Capital Management, LLC  
Kimbell Royalty Holdings, LLC  
Kingdom Investments, Ltd.  
Penwell Employee Royalty Pool  
Paul R. Barwis  
Jareed Partners, Ltd.  
Colgate Production, LLC  
Penroc Oil Corporation  
NM & T Resources, LLC  
Gene Shumate  
Carol A. Shumate  
Colgate Royalties, L.P.  
Joyco Investments, Inc.  
Babe Development, LLC  
Julie Scott McBride  
Sue Hanson McBride  
Douglas Ladson McBride III



**RECAPITULATION**

<b>TRACT No.</b>	<b>No. of Acres Committed</b>	<b>Percentage of Interest in Communitized Area</b>
Tract No. 1	160.00	33.33334%
Tract No. 2	120.00	25.00000%
Tract No. 3	40.00	8.33333%
Tract No. 4	80.00	16.66666%
Tract No. 5	80.00	16.66667%
Total	480.00	100.0000%