

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

**APPLICATION OF TEXLAND PETROLEUM,
L.P. FOR STATUTORY UNITIZATION OF
THE KNOWLES GARRETT UNIT,
AUTHORIZATION TO INJECT INTO THE
MURPHY #1 WELL AND THE V COOK 1Y
WELL, AND TO QUALIFY FOR THE
RECOVERED OIL TAX RATE, LEA
COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Texland Petroleum, L.P. ("Texland") (OGRID No. 186838) through its undersigned attorneys, hereby files this application with the Oil Conservation Division for an order approving statutory unitization of all mineral interests in its proposed Knowles Garrett Unit for purposes of implementing a waterflood project (the "Project") within the Drinkard formation, Garrett; Drinkard Pool. Texland also seeks authority to convert its Murphy #1 and V Cook 1Y wells to injection to support the Project. In addition, Texland seeks approval to qualify as an enhanced oil recovery project for the recovered oil tax rate pursuant to the New Mexico Enhanced Oil Recovery Act, NMSA 1978, Sections 7-29A-1 through 7-29A-5, and Division regulations 19.15.6 NMAC. In support, Texland states as follows:

1. Applicant is engaged in the business of producing and selling oil and gas as defined in the Statutory Unitization Act, NMSA 1978, Sections 70-7-1 through -21.
2. Applicant is a working interest owner in the proposed Knowles Garrett Unit (the "Unit"), depicted in the plat attached as **Exhibit A**. The Unit Area / Project are will be comprised

of approximately 240.00 acres, more or less, of the following fee lands situated in Lea County,
New Mexico:

TOWNSHIP 16 SOUTH, RANGE 38 EAST, N.M.P.M.

Section 30: SE/4 NW/4, S/2 NE/4

Section 29: SE/4 NW/4, E/2 NW/4

3. The vertical limits of the Unitized Formation to be included within the proposed Unit Area shall mean that stratigraphic interval within the Garrett; Drinkard formation, constituting that continuous interval beginning one hundred feet above the top of the Drinkard formation and continuing to one hundred feet below the base of the Drinkard formation, more particularly described as correlative to the interval between **8,145** feet and **8,748** feet beneath the surface of the ground as shown on the Gamma Ray Compensated Neutron-Density Log in Yates Petroleum's Lazarus ARV No. 1 well, located 2,100 feet from the North line and 990 feet from the East line of Section 30, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico.

4. The reservoir underlying the Unit Area has been reasonably defined by development.

5. The type of operations to be conducted in this Unit initially include secondary recovery by means of waterflooding.

6. Attached to this application as **Exhibit B** and incorporated herein is a copy of the proposed plan of unitization. The plan of unitization is fair, reasonable, and equitable. The participation formula contained therein allocates the produced and saved hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable, and equitable basis.

7. Attached to this application as **Exhibit C** and incorporated herein is a copy of the proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid.

8. The unitized management, operation, and further development of the reservoir in the Unitized Formation underlying the Unit Area is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil and gas therefrom.

9. The proposed unitized methods of operations to be applied to this portion of the Drinkard formation are feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and/or gas from the pool, or unitized portions thereof, than would otherwise be recovered.

10. The estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil recovered plus reasonable profit.

11. Unitization and adoption of unitized methods of operation will benefit the working interest owners and the royalty owners of the oil and gas rights within this portion of the pool.

12. Applicant has made a good-faith effort to secure the voluntary unitization within the portion of the formation affected by this application.

13. Applicant requests that it be named operator of the Unit Area / Project area.

14. Applicant further requests that any order issued in this case include each matter set forth in NMSA 1978, § 70-7-7 and that it specifically provide for carrying any working interest owner on a limited, carried net profits basis, payable out of production, and include a non-consent charge for risk to be charged against carried working interests within the unit area upon such terms and conditions to be determined by the Division as just and reasonable.

15. Statutory unitization of the Knowles Garrett Unit Area, and the unitized operation and management of the Unit, are in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

16. Texland also seeks authority to convert its **Murphy #1 Well** (API 30-025-37372) and its **V Cook 1Y Well** (API 30-025-37888) to injection to support the Project. A copy of Texland's Form C-108 is attached hereto as **Exhibit B**.

17. The Murphy #1 Well is located 1,705 feet from the north line and 2,220 feet from the east line of Section 30, Township 16 South, Range 38 East, Lea County, New Mexico. The injection of produced water will occur in the Drinkard formation, Garrett; Drinkard Pool, within the unitized interval at a depth of approximately 8,212 feet to 8,451 feet deep. The maximum proposed daily injection rate will be 750 barrels per day with an average daily injection rate of 300 barrels per day. The average surface injection pressure will be 1,500 psig, and the maximum surface injection pressure will be 1,642 psig.

18. The V Cook 1Y Well is located 1,858 feet from the north line and 579 feet from the west line of Section 29, Township 16 South, Range 38 East, Lea County, New Mexico. The injection of produced water will occur in the Drinkard formation, Garrett; Drinkard Pool, within the unitized interval at a depth of approximately 8,242 feet to 8,347 feet deep. The maximum proposed daily injection rate will be 750 barrels per day with an average daily injection rate of 300 barrels per day. The average surface injection pressure will be 1,500 psig, and the maximum surface injection pressure will be 1,648 psig.

19. Notice of this application has been provided to the owners of the surface of the lands on which the proposed injection wells are to be located and to each affected party within one-half mile of the proposed injection, as required by Division rules.

20. Applicant further requests that the Project be qualified for the recovered oil tax rate pursuant to the New Mexico Enhanced Oil Recovery Act, NMSA 1978, Sections 7-29A-1 through 7-29A-5, and Division regulations 19.15.6 NMAC. Applicant will present production data including graphs, charts and other supporting data showing the production history and production forecasts from the Unit Area / Project area at hearing.

21. Project data includes the following:

- | | |
|---|-----------------------------|
| a. Number of initial producing wells: | 3 |
| b. Number of initial injection wells: | 2 |
| c. Number of injection wells at full development: | 2 |
| d. Capital cost of initial additional facilities: | \$83,000 |
| e. Estimated total injection project cost: | \$474,000 |
| f. Estimated value of incremental production: | \$4,700,000 |
| g. Estimated injection commencement date: | January 2020 |
| h. Type of injected fluid: | Produced water |
| i. Anticipated injection volumes: | 300 BWPD/well (average) |
| | 750 BWPD/well (maximum) |
| | 650 Million Barrels (total) |

22. The Unit Area / Project area has been so depleted that it is prudent to apply waterflood techniques to maximize the ultimate recovery of oil.

WHEREFORE, Texland requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on November 14, 2019, and that after notice and hearing as required by law, the Division enter its order granting this Application.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert

Adam G. Rankin

Julia Broggi

Kaitlyn A. Luck

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

mfeldewert@hollandhart.com

agrarkin@hollandhart.com

jbroggi@hollandhart.com

kaluck@hollandhart.com

ATTORNEYS FOR TEXLAND PETROLEUM, L.P.

VERIFICATION

STATE OF Texas)
) ss
COUNTY OF Tarrant)

I, Clayton Scott, hereby verify and attest that I am an engineer employed by Texland Petroleum, L.P. and am authorized to make this verification on its behalf. I have read the foregoing application and know the contents thereof and that the same is true and correct to the best of my knowledge, information, and belief.


Clayton Scott

SUBSCRIBED AND SWORN TO before me this 15 day of October,
2019, by Clayton Scott.


Notary Public

My commission expires:

7-14-22



CASE _____: **Application of Texland Petroleum, L.P. for Statutory Unitization of the Knowles Garrett Unit, Authorization to Inject into the Murphy #1 Well and the V Cook 1Y Well, and to Qualify for the Recovered Oil Tax Rate, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order approving statutory unitization of all mineral interests in the Drinkard formation, Garrett; Drinkard Pool, within its proposed Knowles Garrett Unit for the purposes of conducting waterflood operations underlying approximately 240.00 acres, more or less, of the following fee lands situated in Lea County, New Mexico:

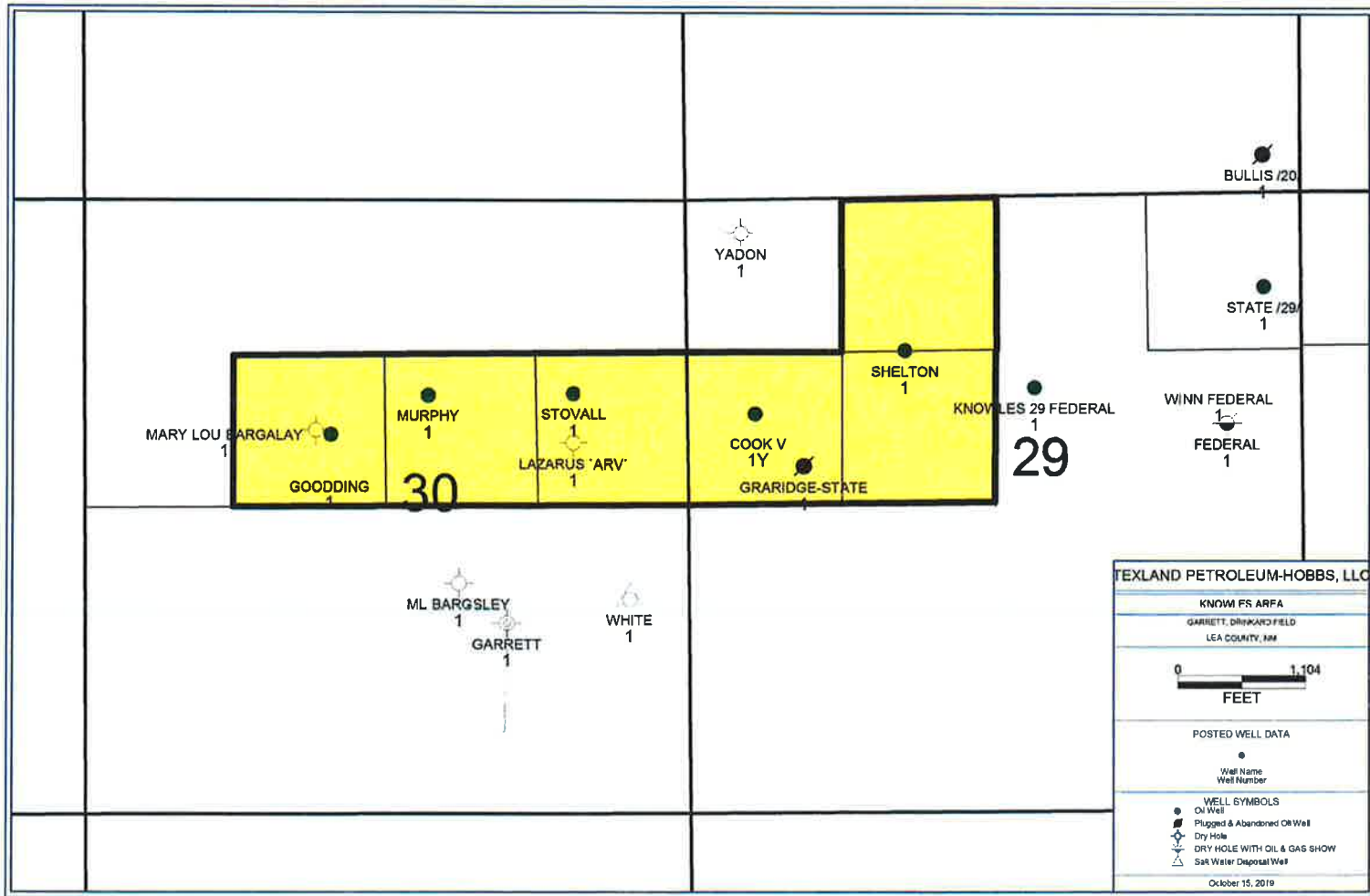
TOWNSHIP 16 SOUTH, RANGE 38 EAST, N.M.P.M.

Section 30: SE/4 NW/4, S/2 NE/4

Section 29: SE/4 NW/4, E/2 NW/4

The vertical limits of the Unitized Formation will be the stratigraphic interval within the Garrett; Drinkard Pool, constituting that continuous interval beginning one hundred feet above the top of the Drinkard formation and continuing to one hundred feet below the base of the Drinkard formation, more particularly described as correlative to the interval between 8,145 feet and 8,748 feet beneath the surface of the ground as shown on the Gamma Ray Compensated Neutron-Density Log in Yates Petroleum's Lazarus ARV No. 1 well, located 2,100 feet from the North line and 990 feet from the East line of Section 30, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico. Among the matters to be considered at the hearing, pursuant to the New Mexico Statutory Unitization Act, NMSA 1978 §§70-7-1 through -21, will be the necessity of unit operations; the designation of a unit operator; the designation of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a non-consent charge for risk to be charged against carried working interests within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Texland also seeks authority to convert its **Murphy #1 Well** (API 30-025-37372) and its **V Cook 1Y Well** (API 30-025-37888) to injection to support the Project. The Murphy #1 Well is located 1,705 feet from the north line and 2,220 feet from the east line of Section 30, Township 16 South, Range 38 East, Lea County, New Mexico. The injection of

produced water will occur in the Drinkard formation, Garrett; Drinkard Pool, within the unitized interval at a depth of approximately 8,212 feet to 8,451 feet deep. The maximum proposed daily injection rate will be 750 barrels per day with an average daily injection rate of 300 barrels per day. The average surface injection pressure will be 1,500 psig, and the maximum surface injection pressure will be 1,642 psig. The V Cook 1Y Well is located 1,858 feet from the north line and 579 feet from the west line of Section 29, Township 16 South, Range 38 East, Lea County, New Mexico. The injection of produced water will occur in the Drinkard formation, Garrett; Drinkard Pool, within the unitized interval at a depth of approximately 8,242 feet to 8,347 feet deep. The maximum proposed daily injection rate will be 750 barrels per day with an average daily injection rate of 300 barrels per day. The average surface injection pressure will be 1,500 psig, and the maximum surface injection pressure will be 1,648 psig. The subject acreage is located approximately 8 miles northwest of Hobbs, New Mexico.



PETRA 10/15/2019 11:08:35 AM

EXHIBIT A

UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the ____ day of _____, 2018, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto,

Recitals

In the interest of public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from the Garrett; Drinkard formation, in Lea County, New Mexico, and to protect the rights of the owners of interest therein, it is deemed necessary and desirable to enter into this agreement to unitize the oil and gas rights in and to the Unitized Formation in order to conduct Unit operations as herein provided:

Agreement

THEREFORE, in consideration of the premises and of the mutual agreements herein contained, it is agreed as follows:

ARTICLE 1 DEFINITIONS

As used in this agreement,

1.1 Unit Area is the land described by Tracts in Exhibit A and shown on Exhibit B as to which this agreement becomes effective or to which it may be extended as herein provided.

1.2. Unitized Formation is the subsurface portion of the Unit Area described as the Garrett; Drinkard formation, constituting that continuous interval beginning one hundred feet above the top of the Drinkard formation and continuing to one hundred feet below the base of the Drinkard formation. This interval is further described as that interval correlative to the interval between **8,145** feet and **8,748** feet beneath the surface of the ground as shown on the Gamma Ray Compensated Neutron-Density Log in Yates Petroleum's Lazarus ARV No. 1 well, located 2,100 feet from the North line and 990 feet from the East line of Section 30, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico.

1.3 Unitized Substances are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons other than Outside Substances within or produced from the Unitized Formation.

1.4 Working Interest is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, the owner of which interest is obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense; however, Oil and Gas Rights that are free of lease or other instrument creating a Working

EXHIBIT B

Interest in another shall be regarded as a Working Interest to the extent of seven-eighths (7/8) of such interest in Unitized Substances, and as a Royalty Interest with respect to the remaining one-eighth (1/8) interest therein. A Royalty Interest created out of a Working Interest subsequent to the execution of this agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this agreement and the Unit Operating Agreement.

1.5 Royalty Interest is a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.6 Royalty Owner is a party hereto who owns a Royalty Interest.

1.7 Working Interest Owner is a party hereto who owns a Working Interest

1.8 Tract is the land described as such and given a Tract number in Exhibit A.

1.9 Unit Operating Agreement is the agreement entered into by Working Interest Owners, having the same Effective Date as this agreement, entitled "Unit Operating Agreement, _____, Lea County, New Mexico."

1.10 Unit Operator is the Working Interest Owner or other party designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not as a Working Interest Owner.

1.11 Tract Participation is the percentage shown on Exhibit A for allocating Unitized Substances to a Tract.

1.12 Unit Participation of a Working Interest Owner is the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract that qualifies for inclusion within the Unit Area, by the Tract Participation of such tract.

1.13 Outside Substances are all substances obtained for a consideration from any source other than the Unitized Formation and injected into the Unitized Formation.

1.14 Oil and Gas Rights are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.15 Unit Operations are all operations conducted pursuant to this agreement and the Unit Operating Agreement.

1.16 Unit Equipment is all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations

EXHIBIT B

1.17 Unit Expense is all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

1.18 Effective Date is the time and date this agreement becomes effective as provided in Section 17.1.

ARTICLE 2 EXHIBITS

2.1 Exhibits. The following exhibits, which are attached hereto, are incorporated herein by reference:

2.1.1 Exhibit A is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.1.2 Exhibit B is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.1.3 Exhibit C is a form of Indemnity Agreement required under the provisions of Section 9.1.3 hereof

2.2 Reference to Exhibits. When reference is made to any exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

2.3 Exhibits Considered Correct. Exhibits A and B shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date, should have been divided into more than one Tract, or that any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of Working Interest Owners, shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective at 7:00 A.M. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised Unit Operator shall execute an appropriate instrument with the revised exhibit attached and file the same for record in the county or counties in which this agreement is filed.

EXHIBIT B

ARTICLE 3
CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. All Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit A, and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all Royalty Owners, as Lessors, in favor of all Working Interest Owners, as lessees, and as if the lease contained all the provisions of this agreement.

3.2 Personal Property Excepted. All lease and well equipment materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working Interest Owners are set forth in the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Interests. Production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, or other Unit Operations shall be considered as production from or operations upon each Tract, and such production or operations shall continue in effect each lease or term mineral or royalty interest as to all lands and formations covered thereby just as if such operations were conducted on and as if a well were producing from each Tract.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party or to Unit Operator.

3.6 Injection Rights. Royalty Owners hereby grant Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, together with the right to drill, use, and maintain injection wells on the Unit Area and to use for injection purposes any non-producing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formation.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from any obligation to develop reasonably as a whole the lands and leases committed hereto.

EXHIBIT B

ARTICLE 4
PLAN OF OPERATIONS

4.1 Unit Operator. Working Interest Owners are concurrently herewith entering into the Unit Operating Agreement, designating **TEXLAND PETROLEUM, L.P.**, as Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this agreement and the Unit Operating Agreement. If there is any conflict between such agreements, this agreement shall govern.

4.2 Method of Operation. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, as soon as practicable after the Effective Date hereof, make necessary arrangements for commencement of improved recovery operations in the Unitized Formation and the use or construction of necessary plants and facilities therefor, in order that such operations may be initiated within a reasonable time after such facilities are ready for operation.

4.3 Change of Method of Operation. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

ARTICLE 5
TRACT PARTICIPATIONS

5.1 Tract Participations. The Tract Participation of each Tract is shown in Exhibit A and was determined and approved by the Working Interest Owners as follows:

Phase I:

Tract Participation Percentage = $100 (50\%A + 50\%B)$

Where A = Ratio of the estimated remaining primary oil reserves from the Tract to the total estimated Primary oil recovery in the Unit Area as of January 1, 2018.

B = Ratio of actual oil production attributed to the Tract from October to December 2017 to the total actual oil production in the Unit Area from October to December 2017.

It is estimated that 38,864 barrels of oil remain in primary reserves across the Unit Area. Phase I shall apply until 38,864 barrels have been recovered after January 1, 2018. Upon reaching such level of production, Phase II shall apply as follows:

EXHIBIT B

Phase II:

Tract Participation Percentage = $100 (10\%A + 10\%B + 80\%C)$

Where A = Ratio of acreage of the Tract to total acreage in the Unit Area

B = Ratio of number of wells attributed to the Tract to the total number of wells in the Unit Area

C = Ratio of cumulative historical oil production as of January 1, 2018 from the Tract to the total oil production from the Unit Area as of January 1, 2018

5.2 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

ARTICLE 6 ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether the amount is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof; had this agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract. Any royalty or other payment which depends upon per well production or pipeline runs from well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing such Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall, for the purpose of this determination, be deemed to have one such well thereon.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with Unit

EXHIBIT B

Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the owner of such portion. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

6.4. Failure to Take in Kind. If any party fails to take in kind or separately dispose of such party's share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the party owning the share, to purchase or sell to others such share; however, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners of each affected Tract or a party designated by such Working Interest Owners who shall distribute such proceeds to the parties entitled thereto.

6.5 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract shall be responsible for the payment of all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances, and shall indemnify all parties hereto, including Unit Operator, against any liability for such payment.

6.6 Royalty on Outside Substances. If any, Outside Substance consisting of natural gases is injected into the Unitized Formation, fifty percent (50%) of any like substance contained in Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be a part of the Outside Substance so injected until the total volume deemed to be such Outside Substance equals the total volume of such Outside Substance so injected. If any Outside Substance which prior to injection is liquefied petroleum gas or other liquid hydrocarbons is injected into the Unitized Formation, ten percent (10%) of all Unitized Substances produced and sold after one year from the time the injection of such Outside Substance was commenced shall be deemed to be a part of the Outside Substance so injected until the total value of the production deemed to be such Outside Substance equals the total cost of the Outside Substance so injected. Such ten percent (10%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered for natural gases as hereinabove provided, if both liquefied petroleum gas or other liquid hydrocarbons and natural gases are injected. No payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances.

ARTICLE 7 PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil or Liquid Hydrocarbons in Lease Tanks. Unit Operator shall gauge or otherwise determine the amount of merchantable oil or other liquid hydrocarbons produced from the Unitized Formation that are in lease and power-oil tanks as of 7:00 A.M. on the Effective Date. Oil or other liquid hydrocarbons in treating vessels, separation equipment, and below pipeline

EXHIBIT B

connections shall not be considered to be merchantable. Any merchantable oil or other liquid hydrocarbons that are a part of or attributable to the prior allowable of the wells from which they were produced shall remain the property of the parties entitled thereto as if this agreement had not been entered into. Any such merchantable oil or other liquid hydrocarbons not promptly removed may be sold by Unit Operator for the account of the Working Interest Owners entitled thereto who shall pay all royalty due thereon under the provisions of applicable lease or other contracts. Any oil or liquid hydrocarbons in excess of that attributable to the prior allowable of the wells from which they were produced shall be regarded as Unitized Substances produced after the Effective Date.

7.2 Overproduction. If, as of the Effective Date, any Tract is overproduced with respect to the allowable of the wells on that Tract, and if the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the Effective Date and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

ARTICLE 8 USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use or consume Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

8.2 Royalty Payments. No royalty, overriding royalty, production, or other payments shall be payable on account of Unitized Substances used, lost or consumed in Unit Operations.

ARTICLE 9 TRACTS TO BE INCLUDED IN UNIT

9.1 Qualification of Tracts. On and after the Effective Date and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in Exhibit A that corner or have a common boundary (Tracts separated only by a public highway or a railroad right-of-way shall be considered to have a common boundary), and that otherwise qualify as follows:

9.1.1 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning seventy-five percent (75%) or more of the Royalty Interest have become parties to this agreement.

9.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest have become parties to this agreement, and as to which (a) all Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (b) Working Interest Owners having ninety-five percent (95%) or more of the combined voting interests in all Tracts that meet the requirements of Section 9.1.1 have voted in favor of the inclusion of such Tract.

EXHIBIT B

For the purpose of this Section 9.1.2, the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 9.1.1 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 9.1.1.

9.1.3 Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (a) Working Interest Owners owning ninety-five percent (95%) or more of the Working Interest in the Tract, including the Working Interest Owner who operates the Tract, who have become parties to this agreement, have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered or have obligated themselves to execute and deliver an indemnity agreement identical in form to the agreement attached hereto as Exhibit C indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement, and which arise out of the inclusion of the Tract in the Unit Area; and as to which (b) Working Interest Owners having ninety-five percent (95%) or more of the combined voting interest in all Tracts that meet the requirements of Sections 9.1.1 and 9.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section 9.1.3, the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Sections 9.1.1 and 9.1.2 bears to the total Unit Participation of all Working Interest Owners attributable to all tracts that qualify under Sections 9.1.1 and 9.1.2. Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the non-subscribing owners of Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed, in proportion to their respective Working Interests in such Tract, to the Working Interest Owners in the Tract who have executed indemnity agreements.

9.2 Commitment of Interests to Unit. The execution of this agreement by a party shall commit all interests owned or controlled by such party as of the date of execution and additional interest acquired before the Effective Date. After the Effective Date the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest.

9.3 Revision of Exhibits. If any of the Tracts described in Exhibit A fail to qualify for inclusion in the Unit Area, Unit Operator shall recompute the Tract Participation of each of the qualifying Tracts using the original basis of computation and shall revise Exhibits A and B accordingly. Such revised exhibits shall be effective as of 7:00 A.M. on the Effective Date.

ARTICLE 10 TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 9 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area

EXHIBIT B

effective as of 7:00 A.M. on the first day of the calendar month in which the failure of title is finally determined unless within ninety (90) days after the date of final determination of the failure of title, the Tract qualifies under a Section of Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of 7:00 A.M. on the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Interest Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

10.5 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

10.6 Payment of Taxes to Protect Title. The owner of surface rights to lands within the Unit Area, or severed mineral interests or Royalty Interests in such lands, or lands outside the Unit Area on which Unit Equipment is located, is responsible for the payment of any ad valorem taxes on all such rights, interests, or property, unless such owner and Working Interest Owners otherwise agree. If any ad valorem taxes are not paid by or for such owner when due, Unit Operator may, with approval of Working Interest Owners, at any time prior to tax sale; or expiration of period of redemption after tax sale, pay the tax, redeem such rights, interests, or property, and discharge the tax lien. Any such payment shall be an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due any delinquent taxpayer an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to Working Interest Owners. Such withholding shall be without prejudice to any other remedy available to Unit Operator or Working Interest Owners.

EXHIBIT B

EXHIBIT B

ARTICLE 11
EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area.

11.2 Use of Water. Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner.

11.3 Surface Damages. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements and structures on the Unit Area that result from Unit Operations.

ARTICLE 12
ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may be enlarged to include acreage reasonably proved to be productive upon such terms as may be determined by Working Interest Owners including, but not limited to, the following:

12.1.1 Qualification of Acreage. The acreage shall qualify under a Section of Article 9.

12.1.2 Participation. The participation to be allocated to the acreage shall be fair and reasonable, considering all available information.

12.1.3 Adjustments. There shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

12.2 Determination of Tract Participation. Unit Operator, subject to Section 5.2, shall determine the Tract Participation of each Tract within the Unit Area as enlarged, and shall revise Exhibits A and B accordingly.

12.3 Effective Date. The effective date of any enlargement of the Unit Area shall be 7:00A.M. on the first day of the calendar month following compliance with conditions for enlargement as specified by Working Interest Owners, and the filing for record of Revised Exhibits A and B in Lea County, New Mexico.

EXHIBIT B

ARTICLE 13
CHANGE OF TITLE

13.1 Successors and Assigns. This agreement shall extend to, be binding upon, and inure to the benefit of parties hereto, their respective heirs, devisees, legal representatives, successors, and assigns and shall constitute a covenant running with the lands, leases, and interests covered hereby.

13.2 Transfer of Title. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding upon the Unit Operator, or upon any party hereto other than the party so transferring, until 7:00 A.M. the first day of the calendar month next succeeding the date of receipt by Unit Operator of a photocopy, or a certified copy, of the recorded instrument evidencing such change in ownership.

13.3 Waiver of Rights to Partition. Each party hereto agrees that, during the existence of this agreement, it will not resort to any action to partition the Unitized Formation or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

ARTICLE 14
RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party shall be individually responsible for its own obligations as herein provided.

14.2 No Joint Refining or Marketing. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any joint refining or marketing of Unitized Substances.

14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is otherwise so obligated.

14.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

ARTICLE 15
LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement shall be subject to all applicable federal, state, and municipal laws, rules, regulations, and orders.

EXHIBIT B

ARTICLE 16
FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a labor dispute, fire, war, civil disturbance, act of God; by federal, state, or municipal laws; by inability to secure materials; or by any other cause or causes whether similar or dissimilar, beyond reasonable control of the party. No party shall be required against its will to adjust or settle any labor dispute. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 17
EFFECTIVE DATE

17.1 Effective Date. This agreement shall become binding upon each party as of the date such party signs the instrument by which it becomes a party hereto, and, unless sooner terminated as provided in Section 17.2, shall become effective as to qualified Tracts at the time and date as determined by Working Interest Owners owning ninety-five percent (95%) or more of the combined Unit Participation in all the qualified Tracts, only after Tracts comprising seventy-five percent (75%) or more of the Unit Area as shown on the original Exhibit B have qualified under the provisions of Article 9; at least one counterpart of this agreement has been filed for record by Unit Operator in Lea County, New Mexico; and this agreement has been approved by the New Mexico Oil Conservation Division.

17.2 Ipsa Facto Termination. If the requirements of Section 17.1 are not accomplished on or before December 31, 2019, this agreement shall ipso facto terminate on that date (hereinafter called "Termination Date") and thereafter be of no further effect, unless prior thereto Working Interest Owners that own a combined Unit Participation of at least ninety-five percent (95%) have become parties to this agreement and have decided to extend the termination date for a period not to exceed twelve (12) months. If the termination date is so extended and the requirements of Section 17.1 are not accomplished on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this section, Unit Participation shall be as calculated on the basis of Tract Participations shown on the original Exhibit A.

17.3 Certificate of Effectiveness. Unit Operator shall file for record in Lea County, New Mexico, a certificate stating the Effective Date.

ARTICLE 18
TERM

18.1 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities or other Unit Operations are conducted without a cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

EXHIBIT B

18.2 Termination by Working Interest Owners. This agreement may be terminated by Working Interest Owners owning a combined Unit Participation of at least ninety percent (90%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 Effect of Termination. Upon termination of this agreement the further development and operation of the Unitized Formation as a unit shall be abandoned, and Unit Operations shall cease. Unless a longer period is provided therein, each oil and gas lease and other agreement covering lands within the Unit Area shall remain in force for sixty (60) days after the date on which this agreement terminates, and for such further period as is provided by the lease or other agreement.

18.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

18.5 Certificate of Termination. Upon termination of this agreement, Unit Operator Shall file for record in Lea County, New Mexico, a certificate declaring that this agreement has terminated and its termination date.

ARTICLE 19 EXECUTION

19.1 Original, Counterpart, or Other Instrument. An owner of Oil and Gas Rights may become a party to this agreement by signing the original of this instrument, a counterpart hereof, or other instrument agreeing to become a party hereto. The signing of any such instrument shall have the same effect as if all parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such party.

ARTICLE 20 GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners.

20.2 Action by Working Interest Owners. Except as otherwise provided in this agreement, any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

20.3 Lien and Security Interest of Unit Operator. Unit Operator shall have a lien upon and a security interest in the interests of Working Interest Owners in the Unit Area as provided in the Unit Operating Agreement.

EXHIBIT B

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

EXHIBIT B
ATTACHED TO AND MADE A PART OF THE UNIT AGREEMENT
UNIT
LEA COUNTY, NEW MEXICO

Tract Description and Participation Factors

Tract 1: 40 acres, more or less, being the SE/4NW/4 of Section 30, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico [Goodding Lease]

Phase I Participation Factor: 0.17212527

Phase II Participation Factor: 0.18700260

Tract 2: 40 acres, more or less, being the SW/4NE/4 of Section 30, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico [Murphy Lease]

Phase I Participation Factor: 0.10718882

Phase II Participation Factor: 0.24380020

Tract 3: 40 acres, more or less, being SE/4NE/4 of Section 30, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico [Stovall Lease]

Phase I Participation Factor: 0.40047115

Phase II Participation Factor: 0.27660090

Tract 4: 40 acres, more or less, being the SW/4NW/4 of Section 29, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico [V. Cook Lease]

Phase I Participation Factor: 0.03113325

Phase II Participation Factor: 0.13621450

Tract 5: 80 acres, more or less, being the E/2NW/4 of Section 29, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico [Shelton Lease]

Phase I Participation Factor: 0.28908151

Phase II Participation Factor: 0.15638180

EXHIBIT B
ATTACHED TO AND MADE A PART OF THE UNIT AGREEMENT
UNIT
LEA COUNTY, NEW MEXICO

Plat

EXHIBIT B

EXHIBIT C
ATTACHED TO AND MADE A PART OF THE UNIT AGREEMENT
UNIT
LEA COUNTY, NEW MEXICO

INDEMNITY AGREEMENT

Section 9.1.3 of that certain Unit Agreement, _____ Unit, Lea County, New Mexico, dated _____, 2018, provides that under certain circumstances and conditions therein stated a Tract that fails to qualify for inclusion in the Unit Area may be included if the requisite Working Interest Owners in the Tract as specified in said Section request the inclusion of the Tract in the Unit Area and execute and deliver, or obligate themselves to execute and deliver, an indemnity agreement.

Tract _____ described in the Unit Agreement is such a Tract, and the undersigned are owners of Working Interest in such Tract and have become parties to the Unit Agreement and the Unit Operating Agreement and desire the inclusion of the Tract in the Unit Area.

NOW THEREFORE, in consideration of and conditioned upon said Tract meeting the other requirements of the aforesaid Section of the Unit Agreement and its inclusion in the Unit Area the undersigned hereby request the inclusion of the above Tract in the Unit Area and agree, together with other owners of Working Interest in the Tract who execute and deliver, or who obligate themselves to execute and deliver, like indemnity agreements, to indemnify and hold harmless all other Working Interest Owners in the Unit Area against all claims and demands required by said Section to be the subject of such indemnity. Any liability arising hereunder shall be borne by the undersigned and other Working Interest Owners in the tract who are committed to like indemnity agreements in the proportion that the Working Interest of each in the Tract bears to the total Working Interest therein of all the owners of Working Interest in the Tract committed to such indemnity agreement.

This indemnity shall become void with respect to all claims and demands based upon occurrences subsequent to the time when the conditions are met that would have initially qualified such Tract for inclusion in the Unit Area without this indemnity.

This agreement shall be binding upon and inure to the benefit of the heirs, devisees, legal representatives~ successors, and assigns of the respective parties initially bound or benefited by the provisions hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the date opposite its signature.

[Signature Blocks]

13690686_v1

EXHIBIT B

**UNIT OPERATING AGREEMENT
KNOWLES GARRETT UNIT
LEA COUNTY, NEW MEXICO**

This Unit Operating Agreement (this “Agreement”) is entered into as of the 1st day of _____, 2018, by and between the undersigned parties who have signed the original of this instrument, a counterpart thereof, or other agreement to be bound by the provisions hereof.

Recitals

The parties hereto are the present Working Interest Owners as defined under that certain agreement entitled Unit Agreement, Knowles Garrett Unit, Lea County, New Mexico, dated _____, 2018, executed contemporaneously with this Agreement (the “Unit Agreement”). The Unit Agreement provides for a separate agreement to be entered into by Working Interest Owners to provide for the development and operation of the Unit Area as therein defined. The undersigned parties desire to set forth the parameters for future Unit Operations in the Unit Area.

Agreement

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

**ARTICLE I
CONFIRMATION OF UNIT AGREEMENT**

1.1 CONFIRMATION OF UNIT AGREEMENT. The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

1.2 AMENDMENT OF JOINT OPERATING CONTRACTS AND OTHER AGREEMENTS. The provisions of existing Joint Operating Contracts and other agreements pertaining to Unitized Substances or the Unitized Formation or operations with respect to either, are amended to the extent necessary to make them conform to the provisions of this Agreement, but otherwise shall remain in effect.

ARTICLE II EXHIBITS

2.1 EXHIBITS. The following exhibits are incorporated herein by reference:

2.1.1 EXHIBITS A, B, and C of the Unit Agreement.

2.1.2 EXHIBIT D, attached hereto, which is a schedule showing the Working Interest of each Working Interest Owner in each Tract, the percentage of total Unit Participation attributable to each such interest, and the total Unit Participation of each Working Interest Owner. EXHIBIT D, or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of Working Interest Owners for purposes of this Agreement until shown to be in error and revised as herein authorized.

2.1.3 EXHIBIT E, attached hereto is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and EXHIBIT E, this Agreement shall govern.

2.1.4 EXHIBIT F, attached hereto, contains insurance provisions applicable to Unit Operations.

2.2 REVISION OF EXHIBITS. Whenever EXHIBITS A and B are revised, EXHIBIT D shall be revised accordingly and be effective as of the same date. Unit Operator shall also revise EXHIBIT D from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

2.3 REFERENCE TO EXHIBITS. When reference is made herein to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

ARTICLE III SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 OVERALL SUPERVISION. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this Agreement and the Unit Agreement. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 SPECIFIC AUTHORITY AND DUTIES. The matters with respect to which Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 METHOD OF OPERATION. The method of operation, including the type or types of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.2.2 DRILLING OF WELLS. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 WELL RECOMPLETIONS AND CHANGE OF STATUS. The recompletion, abandonment, or change of status of any well, or the use of any well for injection, salt water disposal, or other purposes, or the acquisition of wells for Unit Operations.

3.2.4 EXPENDITURES. The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00) for any single item, project, or installation; provided that approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping the same, including necessary flow lines, separators, and lease tankage and, provided further, that no separate approval shall be required of any expenditure authorized as part of some other expenditure. It is understood and agreed that prior approval by Working Interest Owners for a particular Unit Operation or project will obligate the Working Interest Owners to pay their proportionate share of the actual costs incurred by the Unit Operator in conducting said operation or project, and that their liability will not be limited to the amount stated in any estimate or proposed AFE circulated by the Unit Operator prior to completion of such project or operation. However, in the event Unit Operator becomes aware that actual costs of a project or operation will exceed the approved AFE of such project or operation by more than ten percent (10%), Unit Operator will submit an additional AFE in relation to such additional cost.

3.2.5 DISPOSITION OF UNIT EQUIPMENT. The selling or otherwise disposing of any major item of surplus Unit Equipment, if the current price of new equipment similar thereto is Fifty Thousand Dollars (\$50,000.00) or more.

3.2.6 APPEARANCE BEFORE A COURT OR REGULATORY AGENCY. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; however, such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf and at its own expense.

3.2.7 AUDITS. The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; however, the audits shall (a) not be conducted more than once each year except upon resignation or removal of Unit Operator, and (b) be made at the expense of those Working Interest Owners requesting such audit, and (c) be made upon not less than thirty (30) days' written notice to Unit Operator.

3.2.8 INVENTORIES. The taking of periodic inventories under the terms of EXHIBIT E.

3.2.9 TECHNICAL SERVICES. The authorizing of charges to the joint account of all Working Interest Owners for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by EXHIBIT E.

3.2.10 TECHNICAL CONSULTANTS. The employment of independent consultants as necessary.

3.2.11 ASSIGNMENTS TO COMMITTEES. The appointment of committees to study any problems in connection with Unit Operations.

3.2.12 THE REMOVAL OF UNIT OPERATOR. The removal of Unit Operator and the selection of a successor.

3.2.13 THE ADJUSTMENT AND READJUSTMENT OF INVESTMENTS. The adjustment and readjustment of investments.

3.2.14 THE TERMINATION OF THE UNIT AGREEMENT. The termination of the Unit Agreement.

3.2.15 OUTSIDE AGREEMENTS. The approval or disapproval of any arrangements or agreements for coordinating Unit Operations hereunder with operations of a similar nature upon lands outside the Unit Area.

ARTICLE IV MANNER OF EXERCISING SUPERVISION

4.1 DESIGNATION OF REPRESENTATIVES. Each Working Interest Owner shall in writing inform Unit Operator of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 MEETINGS. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total Unit Participation of not less than fifteen percent (15%). No meeting shall be called on less than fourteen (14) days advance written notice with agenda for the meeting attached or ten (10) days email or telephone notice. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting. Meetings may be held telephonically. The Unit Operator shall provide prompt notice in writing to the Working Interest Owners of the results of telephonically conducted meetings.

4.3 VOTING PROCEDURE. Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 VOTING INTEREST. Each Working Interest Owner shall have a voting interest equal to its Unit Participation at the time of the vote.

4.3.2 VOTE REQUIRED GENERALLY. Unless otherwise provided herein or in the Unit Agreement, all matters shall be decided by an affirmative vote of three (3) or more Working Interest Owners having a combined voting interest of sixty-five percent (65%) or more; however, should there be any Working Interest Owner having more than thirty-five percent (35%) voting interest, its negative vote or failure to vote shall not defeat a motion; such motion shall pass if approved by Working Interest Owners having a majority voting interest unless Working Interest

Owners having a combined voting interest of at least five percent (5%) likewise vote against the motion or fail to vote.

4.3.3 VOTE AT MEETING BY NONATTENDING WORKING INTEREST OWNER. Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter or email addressed to the representative of Unit Operator if its vote is received prior to the vote at the meeting.

4.3.4 POLL VOTES. Working Interest Owners may vote on and decide, by letter or email, any matter submitted in writing to Working Interest Owners. If a meeting is not requested, as provided in Section 4.2, within fourteen (14) days after a written proposal is sent to Working Interest Owners, the vote taken by letter or email shall become final. Unit Operator will give prompt notice of the results of such voting to all Working Interest Owners.

ARTICLE V INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 RESERVATION OF RIGHTS. Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this Agreement and the Unit Agreement.

5.2 SPECIFIC RIGHTS. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 ACCESS TO UNIT AREA. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 REPORTS. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

5.3 TAKING UNITIZED SUBSTANCES IN KIND. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained, and operated as not to interfere with Unit Operations and are constructed and maintained in accordance with all valid statutes and regulations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of Unitized Substances shall be borne by the owner of such portion. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of Unitized Substances.

5.4 FAILURE TO TAKE IN KIND. If any party fails to take in kind or separately dispose of such party's share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the party owning the share, to purchase or sell

to others such share; however, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners of each affected Tract or a party designated by such Working Interest Owners shall distribute such proceeds to the parties entitled thereto. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale.

5.5 RESPONSIBILITY FOR ROYALTY SETTLEMENTS. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract shall be responsible for the payment of all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances, and shall indemnify all parties hereto, including Unit Operator, against any liability for such payment. In all cases where arrangements have been made by Working Interest Owners to have Unit Operator make any of the above referred to payments for their accounts, each such Working Interest Owner agrees to pay Unit Operator each month a sum of money sufficient to cover all such payments made in its behalf and to furnish Unit Operator with complete information upon which Unit Operator may base such payments, including, if requested to do so, complete abstracts of title to the lands covered by its Working Interest.

ARTICLE VI UNIT OPERATOR

6.1 INITIAL UNIT OPERATOR. **Texland Petroleum, L.P.** is hereby designated as the Unit Operator.

6.2 RESIGNATION OR REMOVAL. Unit Operator may resign at any time. Unit Operator may be removed at any time by the concurring vote of a majority of the Working Interest Owners having a combined voting interest of more than seventy-five percent (75%) after excluding the vote and the voting interest of Unit Operator, if any. Such resignation or removal shall not become effective for a period of three (3) months after the resignation or removal, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period. It is understood and agreed that Texland Petroleum, L.P. shall continue as the Unit Operator even if Texland assigns all of its ownership in the Unit Area to Schumacher Partners II, L.P., James H. Wilkes (or associated entity Wilkes Family Partnership, LLC), and others. However, Texland Petroleum, L.P. shall be deemed to have resigned if Schumacher Partners II, L.P. or James H. Wilkes (or associated entity Wilkes Family Partnership, LLC) collectively assign and convey all of their interests in the Unit Area to one or more parties who are not owned, controlled, managed, or employed by Texland Petroleum or one or more of said individuals

6.3 SELECTION OF SUCCESSOR. Upon the resignation or removal of a Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator shall be selected by the concurring vote of two (2) or more Working Interest Owners having a combined voting interest of fifty-one percent (51%) or more after excluding the vote and the voting interest of the Unit Operator.

ARTICLE VII AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1 **EXCLUSIVE RIGHT TO OPERATE UNIT.** Subject to the provisions of this Agreement and to instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 **WORKMANLIKE CONDUCT.** Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

7.3 **LIENS AND ENCUMBRANCES.** Unit Operator shall endeavor to keep the lands and leases in the Unit Area and Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except the lien and security interest of Unit Operator and Working Interest Owners granted hereunder.

7.4 **EMPLOYEES.** The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

7.5 **RECORDS.** Unit Operator shall keep correct books, accounts, and records of Unit Operations.

7.6 **REPORTS TO WORKING INTEREST OWNERS.** Unit Operator shall furnish Working Interest Owners periodic reports of Unit Operations.

7.7 **REPORTS TO GOVERNMENTAL AUTHORITIES.** Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 **ENGINEERING AND GEOLOGICAL INFORMATION.** Unit Operator shall furnish to a Working Interest Owner, upon written request, a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations subsequent to the effective date hereof.

7.9 **EXPENDITURES.** Unit Operator is authorized to make single expenditures not in excess of Fifty Thousand Dollars (\$50,000.00) without prior approval of Working Interest Owners. Notwithstanding any other provision of this Agreement to the contrary in case of an emergency, Unit Operator may immediately take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 WELLS DRILLED BY UNIT OPERATOR. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the usual rates prevailing in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

7.11 BORDER AGREEMENTS. Unit Operator may, after approval by Working Interest Owners, enter into border agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

7.12 MATHEMATICAL ERRORS. It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the exhibits to this Agreement.

7.13 INDEMNITIES. As to any contract executed by Unit Operator with an independent contractor concerning operation or service to be performed in connection with Unit Operations, Unit Operator shall require that any indemnification provision in favor of Unit Operator contained therein shall extend to and inure to the benefit of Working Interest Owners in the same manner as Unit Operator.

ARTICLE VIII TAXES

8.1 AD VALOREM TAXES. Beginning with the first calendar year after the Effective Date, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities covering all real and personal property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and be charged to the joint account; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of a one-eighth (1/8) royalty, such Working Interest Owner shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for the reduction in taxes paid resulting therefrom. At any time or times when the assessment for ad valorem tax purposes of each Working Interest Owner's interest is valued upon the current price such Working Interest Owner receives for its share of Unitized Substances, Unit Operator shall pay all such ad valorem taxes based upon such assessment, and bill separately each Working Interest Owner for its share of such taxes in that proportion which the value for tax purposes which is attributable to each party's Working Interest bears to the total value for tax purposes of all Working Interests.

8.2 OTHER TAXES. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

ARTICLE IX INSURANCE

9.1 INSURANCE. Unit Operator, with respect to Unit Operations, shall:

- (a) comply with the Workman's Compensation Laws of the State of New Mexico,
- (b) carry employer's liability and other insurance required by the laws of the State of Mexico, and
- (c) comply with all bond and insurance requirements set out under all applicable statutes and regulations.

ARTICLE X ADJUSTMENT OF INVESTMENTS

[This Paragraph Deleted]

ARTICLE XI UNIT EXPENSE

11.1 BASIS OF CHARGE TO WORKING INTEREST OWNERS. Unit Operator initially shall pay all Unit Expense. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expense.

11.2 ADVANCE BILLINGS. Unit Operator shall have the right, without prejudice to other rights or remedies, to require Working Interest Owners to advance their respective shares of estimated Unit Expense by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within thirty (30) days after receipt of the estimate, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly.

11.3 COMMINGLING OF FUNDS. Funds received by Unit Operator under this Agreement need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.4 LIEN AND SECURITY INTEREST. Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract, and a security interest in its share of Unitized Substances when extracted and its interest in all Unit Equipment, to secure payment of its share of Unit Expenses, together with interest thereon at the rate set out in EXHIBIT E, but not to exceed the maximum rate allowed by law. Unit Operator grants a like lien and security interest to Working Interest Owners to secure payment of Unit Operator's proportionate share of Unit Expense. Unit Operator shall have the right to bring suit to enforce collection of such indebtedness with or without seeking foreclosure of the lien. To the extent that Unit Operator has a security interest under the Texas Business and Commerce Code as enacted by the State of Texas, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien

rights or security interest as security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default. Working Interest Owners, by execution of this Agreement, hereby release purchaser from any cause of action that they may have based upon purchaser's payment to Unit Operator of Working Interest owner's share of the proceeds in reliance upon Unit Operator's written statement concerning the amount of Working Interest Owner's default and covenant not to sue purchaser on any such cause of action.

11.5 UNPAID UNIT EXPENSE. If any Working Interest Owner fails to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, each Working Interest Owner agrees, upon request by Unit Operator, to pay its proportionate part of Unit Expense of the defaulting Working Interest Owner. Working Interest Owners that pay the share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past due amount collected from the defaulting Working Interest Owner. Such Working Interest Owner shall also share in the production of such defaulting Working Interest Owner in proportion to the portion of such defaulting Working Interest Owner's share of Unit Expense paid by such Working Interest Owners. Any Working Interest Owner so paying a defaulting Working Interest Owner's share of Unit Expense shall, to obtain reimbursement thereof, be subrogated to the lien and other rights herein granted Unit Operator.

11.6 CARVED-OUT INTEREST. If any Working Interest Owner shall, after executing this Agreement, create an overriding royalty, production payment, net profits interest, carried interest, or any other interest out of its Working Interest, such carved-out interest shall be subject to the terms and provisions of this Agreement, specifically including, but without limitation, Section 11.5 hereof. If the Working Interest Owner creating such carved-out interest (a) fails to pay any Unit Expense chargeable to such Working Interest Owner under this Agreement, and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for the purpose, or (b) withdraws from this Agreement under the terms and provisions of ARTICLE XVII hereof, the carved-out interest shall be chargeable with a pro rata portion of all Unit Expense incurred hereunder, the same as though such carved-out interest were a Working Interest, and Unit Operator shall have the right to enforce against such carved-out interest, the lien and all other rights granted in Section 11.5 for the purpose of collecting the Unit Expense chargeable to the carved-out interest.

11.7 UNCOMMITTED ROYALTY. Should an owner of a Royalty Interest in any Tract fail to become party to the Unit Agreement, and, as a result thereof, the actual Royalty Interest payments with respect to production from such Tract are more or less than the Royalty Interest payments computed on the basis of the Unitized Substances that are allocated to such Tract under the Unit Agreement, the difference shall be borne by or inure to the benefit of Working Interest Owners, in proportion to their respective Unit Participations at the time the Unitized Substances were produced; however, the difference to be borne by or inure to the benefit of

Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the Tract. Such adjustments shall be made by charges and credits to the Joint Account.

ARTICLE XII NONUNITIZED FORMATIONS

12.1 **RIGHT TO OPERATE.** Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas or other minerals, from a formation underlying the Unit Area other than the Unitized Formation, shall have the right to do so subject to the terms of the Production Payment Agreement, notwithstanding this Agreement or the Unit Agreement. In exercising the right, however, such Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that the production of Unitized Substances will not be adversely affected. If any Working Interest Owner has a well drilled to a non-unitized interval and plans to plug and abandon such well, the other Working Interest Owners shall have the option to take over the well in exchange for salvage value net of plugging and abandonment expense.

ARTICLE XIII TITLES

13.1 **WARRANTY AND INDEMNITY.** Each Working Interest Owner represents and warrants that it is the owner of the respective working Interests set forth opposite its name in EXHIBIT D, and agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of titles arising because of Unit Operations; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 a.m. on the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of a title failure.

13.2 **FAILURE BECAUSE OF UNIT OPERATIONS.** The failure of title to any Working Interest in any Tract because of Unit Operations, including nonproduction from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failure.

ARTICLE XIV LIABILITY, CLAIMS, AND SUITS

14.1 **INDIVIDUAL LIABILITY.** The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners.

14.2 **SETTLEMENTS.** Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Fifty Thousand Dollars (\$50,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, Working Interest Owners shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Unit Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

ARTICLE XV INTERNAL REVENUE PROVISION

15.1 **INTERNAL REVENUE PROVISION.** Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulations promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulation 1.761-1(a). Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State of New Mexico, or any future income tax laws of the United States contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the parties hereto hereby states that the income derived by such party from the operations under this Agreement can be adequately determined with the computation of partnership taxable income.

ARTICLE XVI NOTICES

16.1 NOTICES. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with ARTICLE IV.

ARTICLE XVII WITHDRAWAL OF WORKING INTEREST OWNER

17.1 WITHDRAWAL. A Working Interest Owner may withdraw from this Agreement by transferring, with special warranty of title only, either express or implied, to the other Working Interest Owners who do not wish to withdraw, all its Oil and Gas Rights in the Unitized Formation, together with its interest in all Unit Equipment and in all personal property used in Unit Operations. The instrument of transfer may be delivered to Unit Operator for the transferees. Such transfer shall not relieve said Working Interest Owner from any obligation or liability incurred prior to the date of the delivery of the instrument of transfer. The interest transferred shall be owned by the transferees in proportion to their respective Unit Participations. The transferees, in proportion to the respective interests so acquired, shall pay transferor the net salvage value of the Unit Equipment. After the date of delivery of the instrument of transfer, the withdrawing Working Interest Owner shall be relieved from all further obligations and liability hereunder and under the Unit Agreement, and the rights of such Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

ARTICLE XVIII ABANDONMENT OF WELLS

18.1 RIGHTS OF FORMER OWNERS. If the Working Interest Owners decide to permanently abandon any well within the Unit Area as to the Unitized Interval prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to all of the Working Interest Owners and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within thirty (30) days after the Working Interest Owners have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the amount determined by Working Interest Owners to be the net salvage value of any such casing and equipment. By taking over the well, such Working Interest Owners agree to seal off the Unitized Formation, and upon abandonment to plug the well in compliance with applicable laws, regulations and ordinances. The Working Interest Owners who take over the well under this provision shall immediately file the necessary forms showing the change in operation with the appropriate City, State and Federal agencies.

18.2 PLUGGING. If no Working Interest Owners elect to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws, regulations, and ordinances at Unit expense. Any salvage value, including the salvage value of casing, shall be credited to Working Interest Owners on the basis of their respective Unit Participation.

ARTICLE XIX
EFFECTIVE DATE AND TERM

19.1 **EFFECTIVE DATE.** This Agreement shall be and become binding on each party as of the date of execution or ratification of same by such party but shall not become effective for the purpose of conducting Unit Operations hereunder until the effective date of the Unit Agreement, which date shall also be the effective date of this Agreement.

19.2 **TERM.** This Agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with ARTICLE XX; (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; and (c) there has been a final accounting, which shall be rendered within sixty (60) days after the sale of the Unit Equipment.

ARTICLE XX
ABANDONMENT OF OPERATIONS

20.1 **TERMINATION.** Upon termination of the Unit Agreement, the following will occur:

20.1.1 **OIL AND GAS RIGHTS.** Oil and Gas Rights in and to each separate Tract shall no longer be affected by this Agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, joint operating contracts, and other contracts and instruments affecting the separate Tracts.

20.1.2 **RIGHT TO OPERATE.** Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator the net salvage value of the Unit Equipment and all personal property separately owned by other Working Interest Owners in and on the wells taken over and by agreeing to plug properly each well at such time as it is abandoned.

20.1.3 **SALVAGING WELLS.** Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws, regulations and ordinances.

20.1.4 **COST OF SALVAGING.** Working Interest Owners shall share the cost of salvaging, liquidation or other distribution of assets and properties used in Unit Operations and not taken over by Working Interest Owners of separate Tracts, in proportion to their respective Unit Participation.

20.1.5 **COST OF ABANDONMENT.** The cost of abandonment of Unit Operations shall be Unit Expense.

20.1.6 **DISTRIBUTION OF ASSETS.** Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participations.

ARTICLE XXI EXECUTION

21.1 ORIGINAL, COUNTERPART, OR OTHER INSTRUMENT. A party may become a party to this Agreement by signing the original of this instrument, a counterpart thereof, a ratification or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all parties had signed the same instrument.

ARTICLE XXII SUCCESSORS AND ASSIGNS

22.1 SUCCESSORS AND ASSIGNS. The provisions hereof shall be covenants running with the lands, leases, units and interests covered hereby, and shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto.

ARTICLE XXIII CHANGES OF OWNERSHIP PRIOR TO EXECUTION

23.1 CHANGES OF OWNERSHIP PRIOR TO EXECUTION. In view of the diverse character of the ownership of the Working Interest it is possible, though not contemplated, that the Working Interest, Tract Participation and Unit Participation as shown on EXHIBIT E may have been incorrectly established or may change as the result of conveyance or deaths occurring between the time of the preparations of this Agreement and the time of its execution by all parties. In either of such events, Unit Operator is authorized to revise EXHIBIT E to conform to the facts. The revisions shall not include any change in the Working Interest, Tract Participation or Unit Participation of any party who has previously executed this Agreement, except (1) authorized in the Unit Agreement, (2) to conform with changes with the consent of all parties affected by such changes or (3) on authority of a certified copy of a properly executed and recorded conveyance.

ARTICLE XXIV AMENDMENT

24.1 AMENDMENT. This Agreement may be amended by the affirmative vote of the Working Interest Owners as set forth in Section 4.3.2 hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date evidenced by their certificates of acknowledgment hereof.

WORKING INTEREST OWNERS

[SIGNATURE BLOCKS]

Exhibit D
Working Interest Ownership of Unit Area

Exhibit E
Accounting Procedure for Unit Area

See attached COPAS

Exhibit F Insurance Provisions

Operator shall carry insurance in no less than the following amounts to cover its operations under the terms of this Agreement:

- A. Worker's Compensation and Employer's Liability Insurance meeting the statutory requirements of the State of New Mexico
- B. General Liability Insurance with combined single limits not less than \$1,000,000 for property damage and bodily injury.
- C. Umbrella Liability Insurance with limits not less than \$5,000,000.
- D. Automobile Liability Insurance for owned, non-owned, and hired vehicles with combined single limits not less than \$1,000,000 for property damage and bodily injury.
- E. Operator's Cost of Control and Extra Expenses with limits not less than \$5,000,000 for drilling wells and limits not less than \$3,000,000 for producing wells.
- F. Pollution Liability Insurance with limited of not less than \$1,000,000 per incident.

All insurance coverage required above shall be carried at the joint unit expense. However, premiums for automobile, worker's compensation and employer's liability shall not be charged directly to the joint interest, but shall be covered by per diem charges assessed for the use of personnel and vehicles employed on the joint property.

The Unit Operator may call additional insurance as may be specified in an Authorization for Expenditure (AFE) issued for an operation conducted pursuant to the terms of this Agreement.

In the event each Non-Operator has not been automatically included in the definition as an "insured" in the General Liability Insurance Policy, the Auto Liability Policy and the Umbrella / Excess Liability policy(ies), each of these policies shall name the Non-Operators as Additional Insureds and contain a waiver of subrogation with respect to Non-Operators. It is understood that should the insured or additional insured endorsement(s) contained in any of the policies included in this Exhibit purport to limit the non-operator coverage to any minimum limits or coverage amounts required by written contract, it is agreed that the minimum limits and or coverage required under this Exhibit shall automatically be amended to conform to the maximum limits and coverage of Operator's insurance policies.

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**APPLICATION FOR AUTHORIZATION
TO INJECT**

**MURPHY #1 & V COOK 1Y
Form C-108**

Texland Petroleum-Hobbs, LLC

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A. Form C-108

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: ☒ Secondary Recovery ☐ Pressure Maintenance ☐ Disposal ☐ Storage
Application qualifies for administrative approval? ☐ Yes ☒ No
- II. OPERATOR: TEXLAND PETROLEUM-HOBBS, LLC
ADDRESS: 777 MAIN STREET SUITE 3200, FORT WORTH, TX 76102
CONTACT PARTY: VICKIE SMITH PHONE: 575-433-8395
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? ☐ Yes ☒ No
If yes, give the Division order number authorizing the project: _____
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.
- NAME: _____ TITLE: _____
SIGNATURE: _____ DATE: _____
E-MAIL ADDRESS: _____
- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

III. WELL DATA

- A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

- B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

INJECTION WELL DATA SHEET

OPERATOR: TEXLAND PETROLEUM-HOBBS, LLCWELL NAME & NUMBER: Murphy #1WELL LOCATION: 1705' FNL & 2220' FEL
FOOTAGE LOCATIONUNIT LETTER G SECTION 30 TOWNSHIP 16S RANGE 38EWELLBORE SCHEMATICWELL CONSTRUCTION DATASurface CasingHole Size: 17-1/2" Casing Size: 13-3/8" 48# H-40Cemented with: 440 sx. or ft³Top of Cement: SURFACE Method Determined: CirculationIntermediate CasingHole Size: 12-1/4" Casing Size: 8-5/8 24/32# J55/N80Cemented with: 1280 sx. or ft³Top of Cement: SURFACE Method Determined: CirculationProduction CasingHole Size: 7-7/8" Casing Size: 5-1/2" 17# N80Cemented with: 890 sx. or ft³Top of Cement: 2,750' Method Determined: CalculationTotal Depth: 8,746'Injection Interval8,212' feet to 8,362' (PERFORATED)

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEET

Tubing Size: 2-3/8" 4.7# J-55 Lining Material: TK-70 IPC

Type of Packer: ARROWSET IX (EPC/IPC)

Packer Setting Depth: +/-8112'

Other Type of Tubing/Casing Seal (if applicable): _____

Additional Data

1. Is this a new well drilled for injection? Yes X No
If no, for what purpose was the well originally drilled? Oil Producer

2. Name of the Injection Formation: DRINKARD

3. Name of Field or Pool (if applicable): GARRETT, DRINKARD

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. _____

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: _____

INJECTION WELL DATA SHEET

OPERATOR: TEXLAND PETROLEUM-HOBBS, LLCWELL NAME & NUMBER: V Cook 1YWELL LOCATION: 1,858' FNL & 579' FWL
FOOTAGE LOCATIONUNIT LETTER E SECTION 29 TOWNSHIP 16S RANGE 38EWELLBORE SCHEMATICWELL CONSTRUCTION DATASurface Casing

Hole Size: 12-1/4" Casing Size: 8-5/8" 24# J55 STC
Cemented with: 950 sx. or ft³
Top of Cement: SURFACE Method Determined: Circulation

Intermediate Casing

Hole Size: Casing Size:
Cemented with: sx. or ft³
Top of Cement: Method Determined:

Production Casing

Hole Size: 7-7/8" Casing Size: 5-1/2" 17# N80
Cemented with: 1900 sx. or ft³
Top of Cement: Surface Method Determined: Circulation
Total Depth: 8,460'

Injection Interval8,242' feet to 8,347' (PERFORATED)

Tubing Size: 2-3/8" 4.7# J-55 Lining Material: TK-70 IPC

Type of Packer: ARROWSET 1X (EPC/IPC)

Packer Setting Depth: +/-8142'

Other Type of Tubing/Casing Seal (if applicable): _____

1. Is this a new well drilled for injection? _____ Yes ☒ No ☐
If no, for what purpose was the well originally drilled? Oil Producer
2. Name of the Injection Formation: DRINKARD
3. Name of Field or Pool (if applicable): GARRETT, DRINKARD
4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. No
5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: _____

B. Section III

i. Murphy #1 Wellbore Schematics

Figure 1: Murphy #1 Current Wellbore Schematic

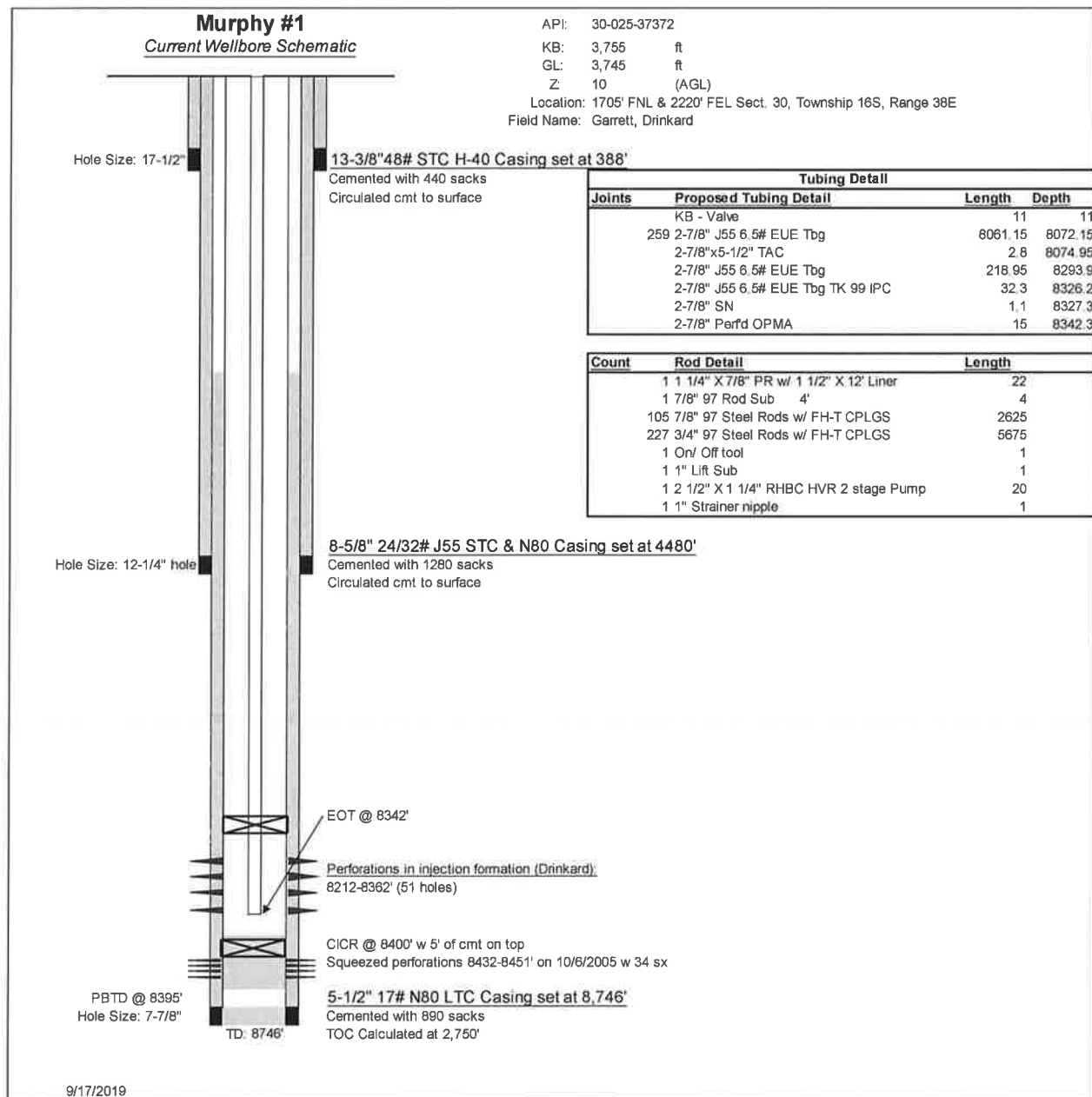
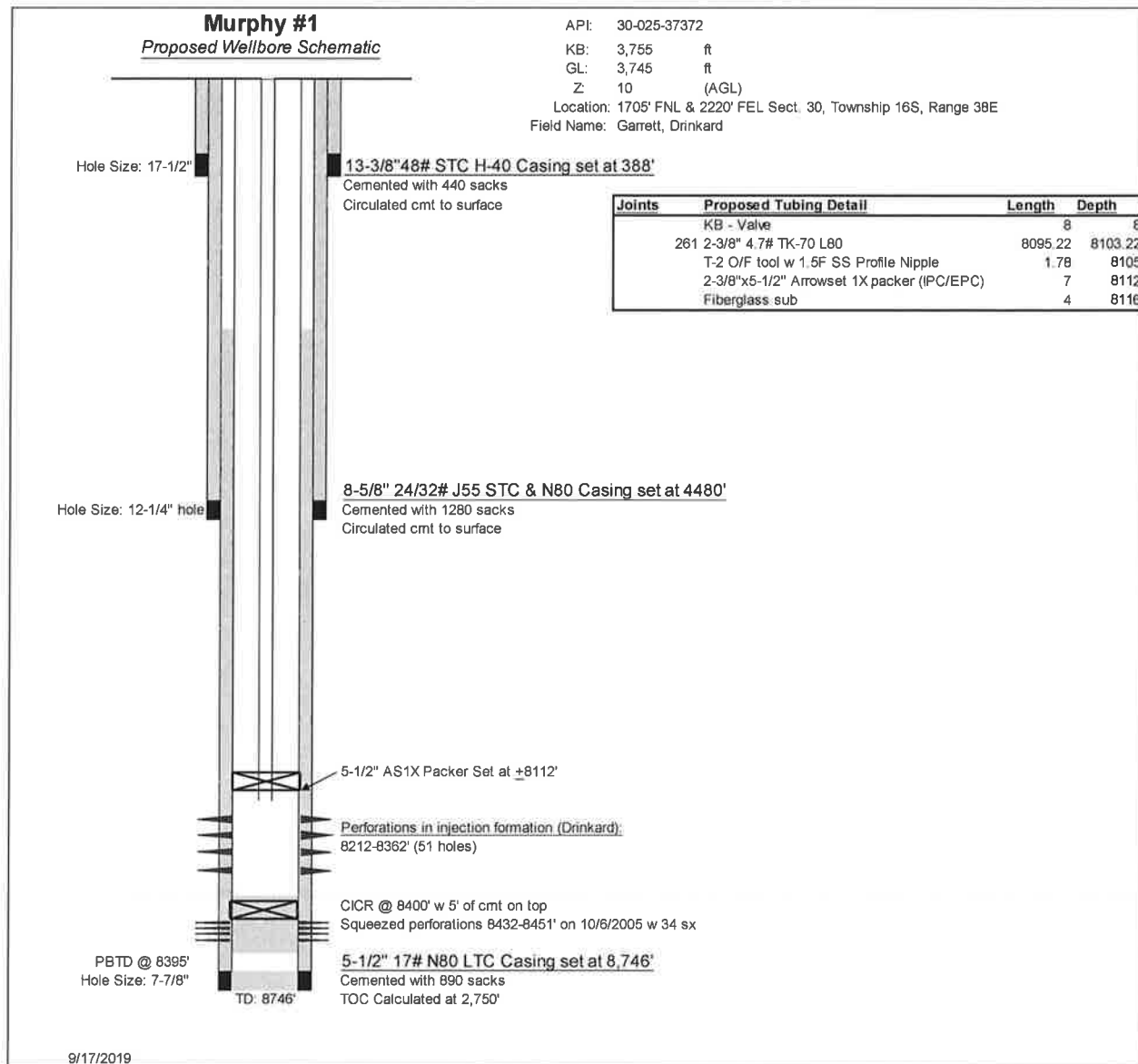


Figure 2 Murphy #1 Proposed wellbore schematic



ii. V Cook 1Y Proposed Wellbore Schematic

Figure 3: V Cook 1Y Current Wellbore Schematic

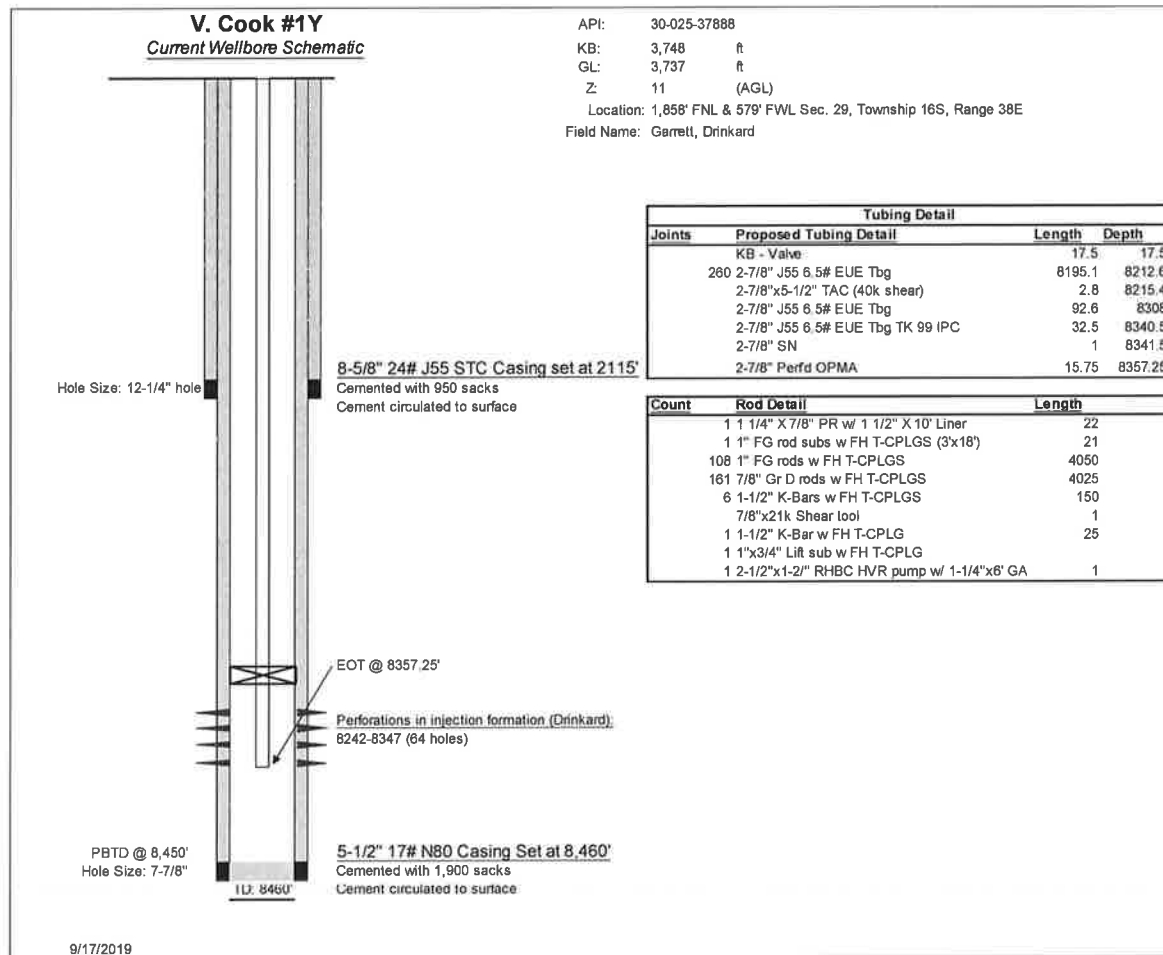
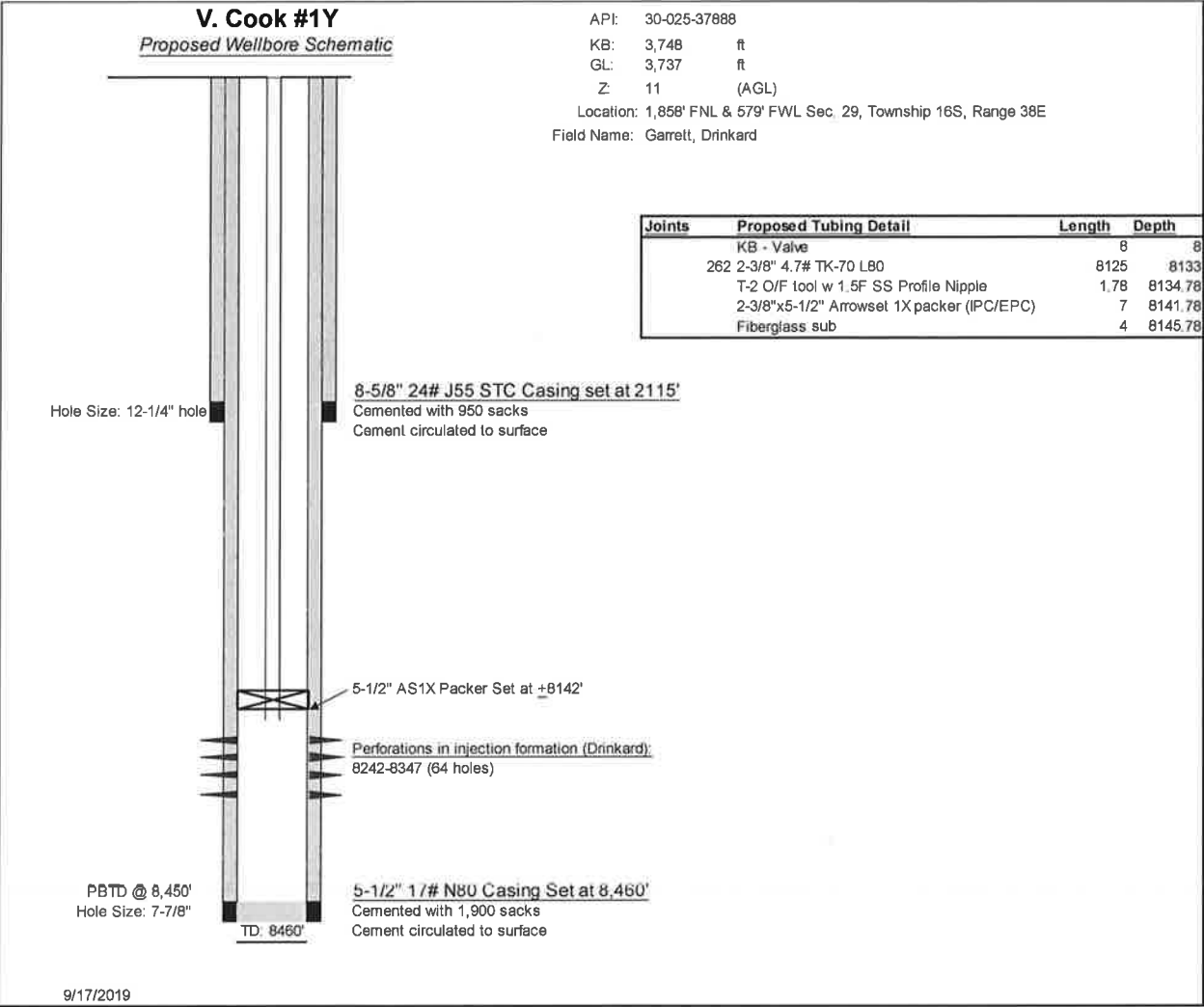


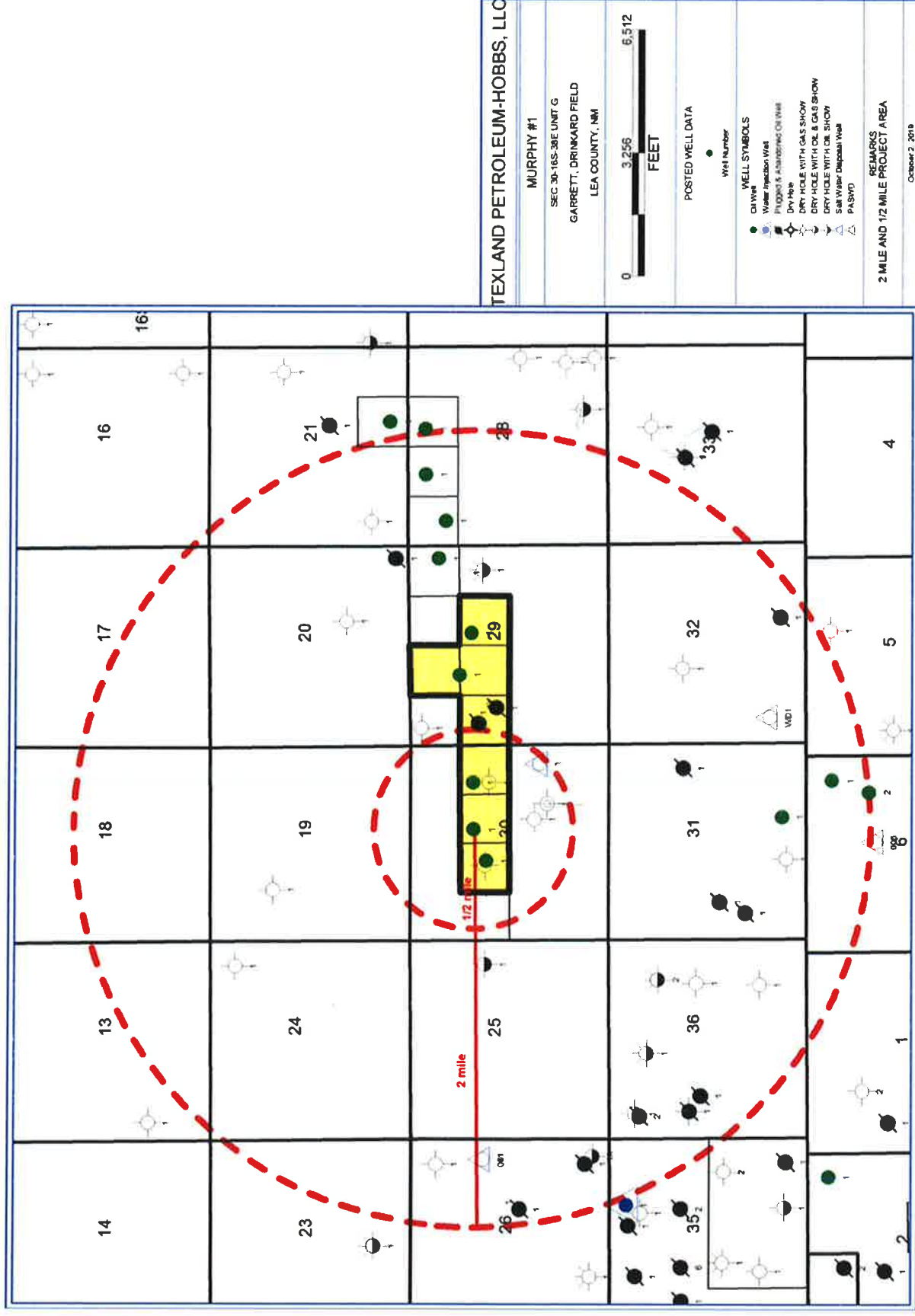
Figure 4 V Cook 1Y Proposed Wellbore Schematic



C. Section V

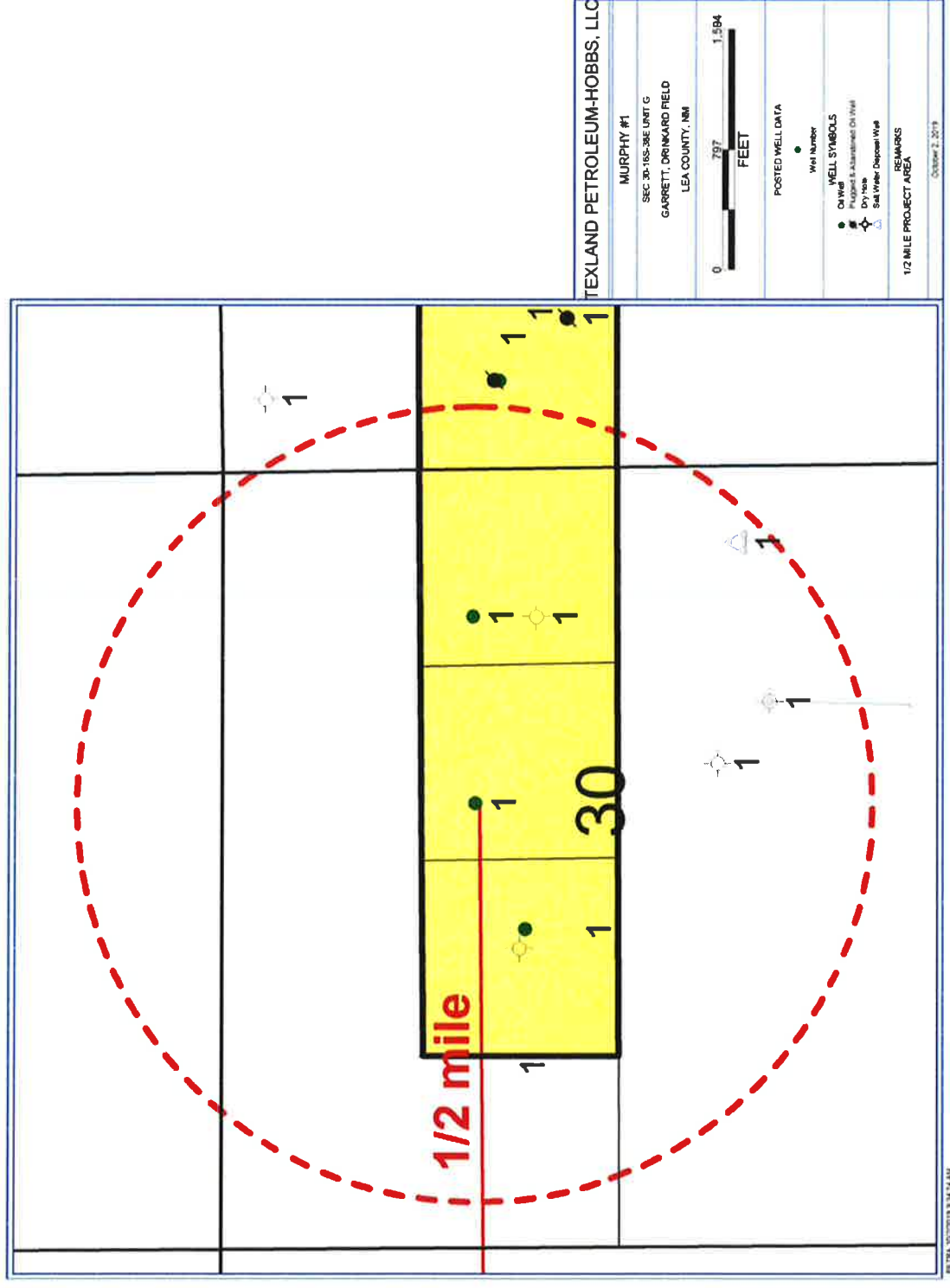
- i. Murphy #1 2 mile radius map

Figure 5: Murphy #1 2 mile radius map

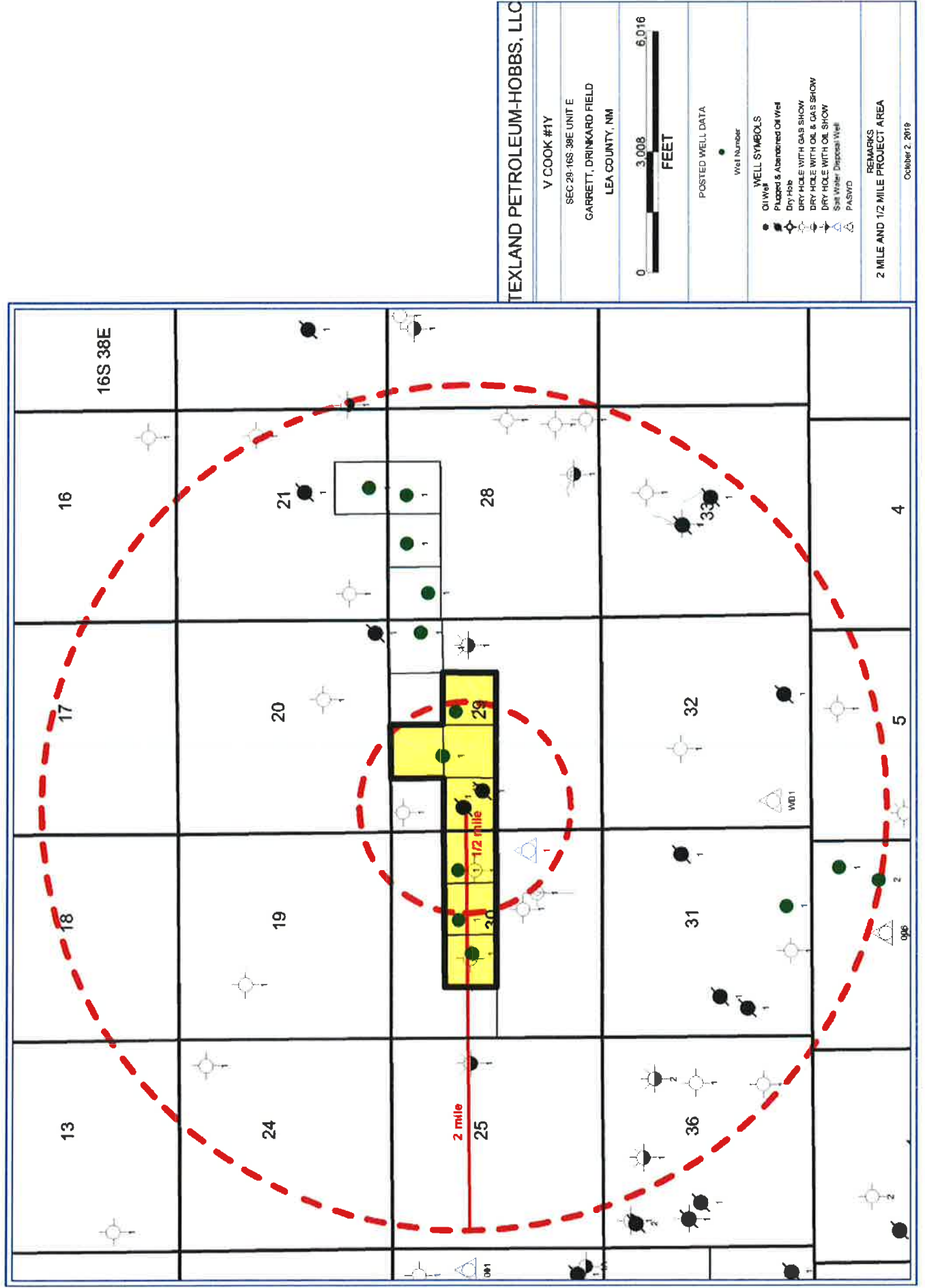


ii. Murphy #1 1/2 mile radius map (Area of review)

Figure 6: Murphy #1 1/2 Mile Radius (Area of Review)

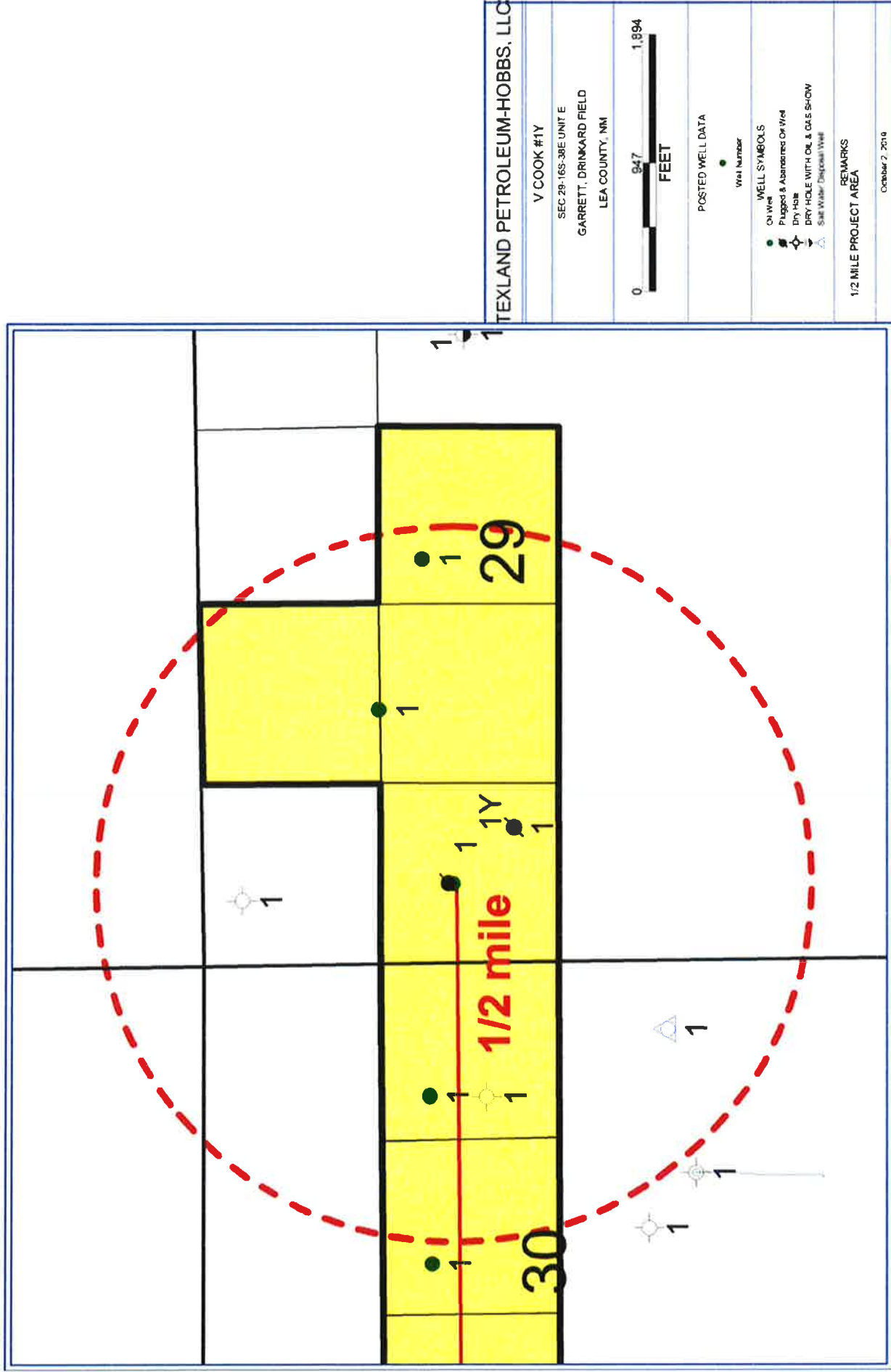


iii. V Cook 1Y 2 mile radius map
 Figure 7: V Cook 1Y 2 Mile Radius Map



iv. V Cook 1Y 1/2 mile radius map (Area of review)

Figure 8: V Cook 1Y 1/2 Mile Map (Area of Review)



D. Section VI.

Tabulation of Data in Area of Review

API #	Well Name	Operator	TD	Well Status	Well Type	Construction	Spud Date	Section	Township	Range	Record of Completion
30-025-38614	KNOWLES 29 FEDERAL #001	Texland Petroleum- Hobbs, LLC	8,400	Active	Oil	Vertical	11/30/2007	29	16S	38E	Drinkard
30-025-38435	SHELTON #001	Texland Petroleum- Hobbs, LLC	8,419	Active	Oil	Vertical	6/21/2007	29	16S	38E	Drinkard
30-025-37584	STOVALL #001	Texland Petroleum- Hobbs, LLC	8,495	Active	Oil	Vertical	3/1/2006	30	16S	38E	Drinkard
30-025-36958	GOODDING #001	Texland Petroleum- Hobbs, LLC	8,635	Active	Oil	Vertical	12/13/2004	30	16S	38E	Drinkard
30-025-41497	GARRETT #001	Primero Operating Inc	13,169	P&A	Oil	Directional	1/3/2004	30	16S	38E	Dry Hole
30-025-20383	M.L. BARGELEY #1	Gulf Oil Corporation	13,306	P&A	Oil	Vertical	7/24/1963	30	16S	38E	Dry Hole
30-025-24885	YADON #1	Michaelson producing Co.	8,650	P&A/WSW	Oil	Vertical	11/4/1974	29	16S	38E	Dry Hole
30-025-07284	AUSTIN COOK #1	Gulf Oil Corporation	9,100	P&A	Oil	Vertical	4/9/1960	29	16S	38E	San Andres
30-025-37746	WHITE #001	Texland Petroleum- Hobbs, LLC	8,662	Active	SWD	Vertical	3/20/2006	30	16S	38E	Drinkard/San Andres
30-025-07068	Mary Lou Bargsley #1	Gulf Oil Corporation	5,800	P&A	Oil	Vertical	8/13/1960	30	16S	38E	Dry Hole
30-025-34159	Lazarus ARV #1	EOG Y Resources, INC.	8,800	P&A	Oil	Vertical	10/17/1997	30	16S	38E	Dry Hole

i. P&A Wellbore Schematics within Area of Review

Figure 9: Garrett #1 Wellbore Schematic

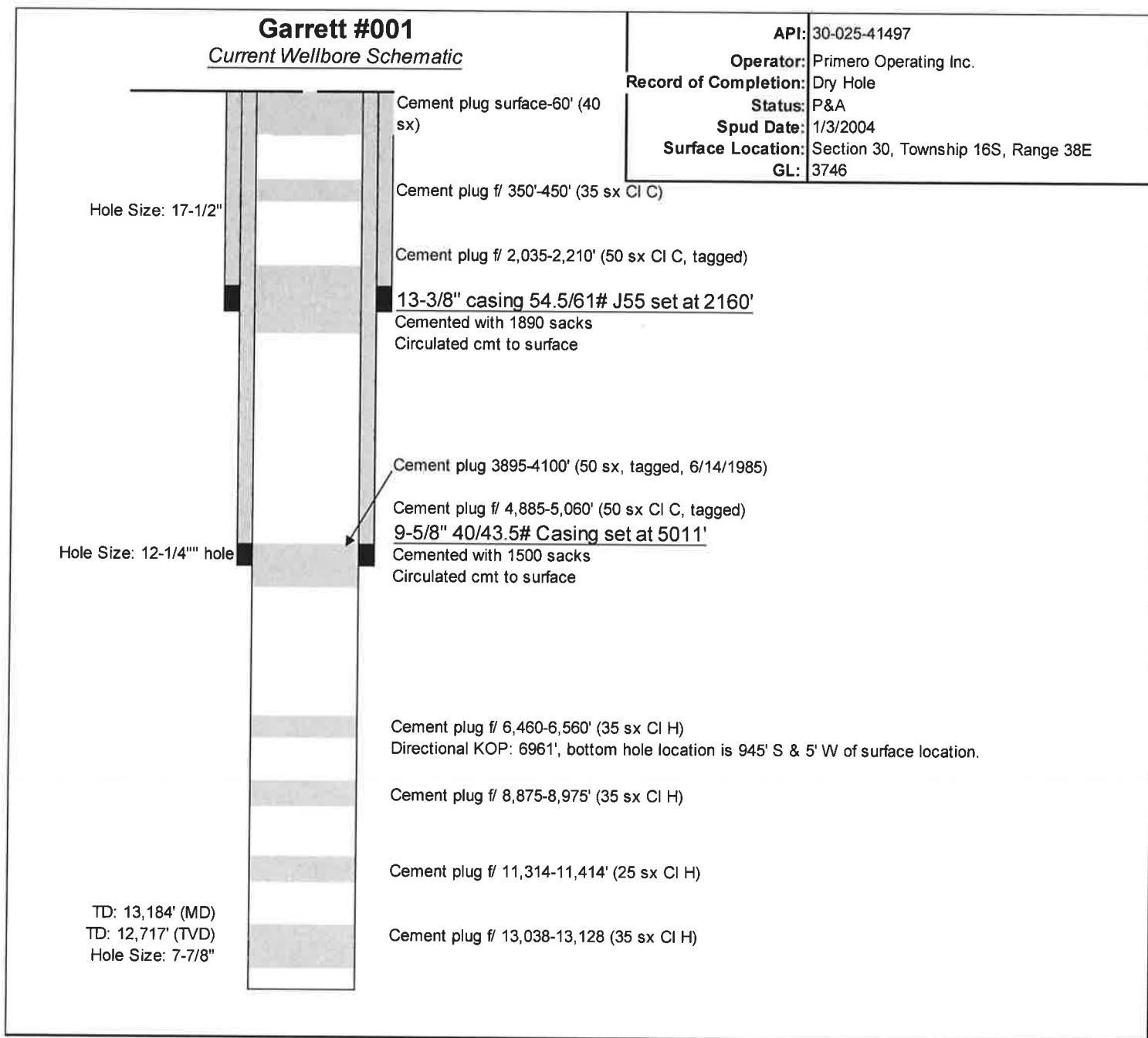


Figure 10: ML Bargeley #1 Wellbore Schematic

ML Bargeley #1

Current Wellbore Schematic

The diagram is a vertical cross-section of a wellbore. It shows several sections of casing and cement plugs. Key features include:

- Top Section:** Cement plug surface-140' (50 sx CI C). Hole size: 12".
- Second Section:** 13-3/8" 48# H40 STC set at 340'. Cemented with 310 sacks. Circulated cmt to surface. Hole size: 12-1/4" hole.
- Third Section:** 9-5/8" 36# J55 Casing set at 5099'. Cemented with 1,535 sacks, DV tool at 3100'. TOC @ 20' (Temp survey). Cement plug f/ 5030-5138' (50 sx).
- Fourth Section:** Cut 4-1/2" Casing @ 6,096'. Cement plug f/ 6,003-6,117' (50 sx).
- Fifth Section:** CIBP set @ 8,449' w/ 5 sx cement on top 8,504-8,757'.
- Sixth Section:** 11,652-11,842'.
- Seventh Section:** 5-1/2" 17# J55/N80 Casing set at 12,027'. Cemented with 575 sacks. TOC 7,245' (Temp survey 10/23/1963). Cement plug f/ 12,124-12,250' (50 sx).
- Eighth Section:** Cement plug f/ 13,040-13,150' (50 sx).
- Ninth Section:** Cement plug f/ 13,184-13,306' (50 sx).
- Bottom Section:** TD: 13,306'. Hole size: 7-7/8".

API:	30-025-20383
Operator:	Gulf oil Corporation
Record of Completion:	Dry Hole
Status:	P&A
Spud Date:	7/24/1963
Location:	Section 29, Township 16S, Range 38E
GL:	

<h2 style="margin: 0;">Yadon #1</h2> <p style="margin: 0;"><u>Current Wellbore Schematic</u></p>		API: 30-025-24885 Operator: Michaelson Producing Co Record of Completion: Dry Hole Status: P&A Spud Date: 11/4/1974 Location: Section 29, Township 16S, Range 38E GL: 3739'
<p>*Well transferred to Clayton Hughes for uses as a water supply well.</p>		
Hole Size: 17-1/2"		Cement plug f/ 350-450' (100 sx) <u>12" 42# casing set at 400'</u> Cemented with 400 sacks Circulated cmt to surface
Cut 8-5/8" Casing @ 1000'		Cement plug f/ 1055' (65 sx CI C)
		Cement plug f/ 4450-4550' (200 sx CI C, tagged)
Hole Size: 11" hole		<u>8-5/8" 24/28/32# Casing set at 4500'</u> Cemented with 375 sacks TOC Unknown Cement plug f/ 6,055-6,500' (70 sx CI C, tagged)
		Cement plug f/ 6350-6450
TD: 8,650' Hole Size: 7-7/8"		Cement plug 8100-8200' (35 sx) Cement plug 8550-8650' (35 sx)

The diagram illustrates the wellbore profile of Yadon #1. It shows a vertical shaft with alternating shaded and unshaded segments representing different materials or depths. Key features include:
 - A top section labeled 'Hole Size: 17-1/2"' corresponding to a cement plug from 350' to 450'.
 - A casing set at 400' (12" 42#), cemented with 400 sacks.
 - A cut in the casing at 1000' followed by another cement plug up to 1055'.
 - A third cement plug from 4450' to 4550' (tagged).
 - An 8-5/8" casing set at 4500', cemented with 375 sacks. The Total Open Casing (TOC) is unknown.
 - Further down, cement plugs are shown at intervals 6,055'-6,500', 6,350'-6,450', 8,100'-8,200', and 8,550'-8,650'.
 - The total depth (TD) is 8,650' with a final hole size of 7-7/8".

Figure 13: Austin Cook #1 Wellbore Schematic

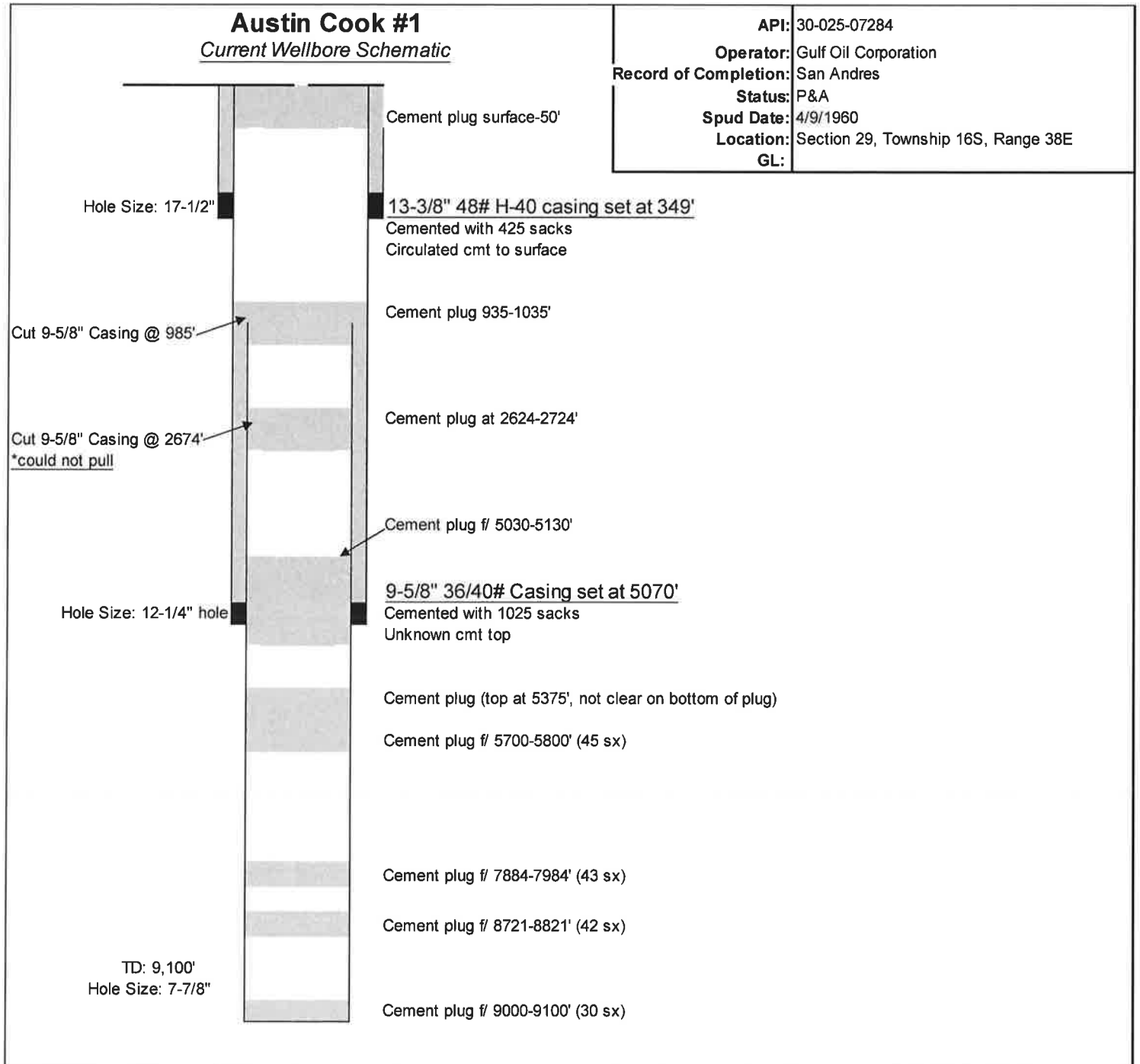
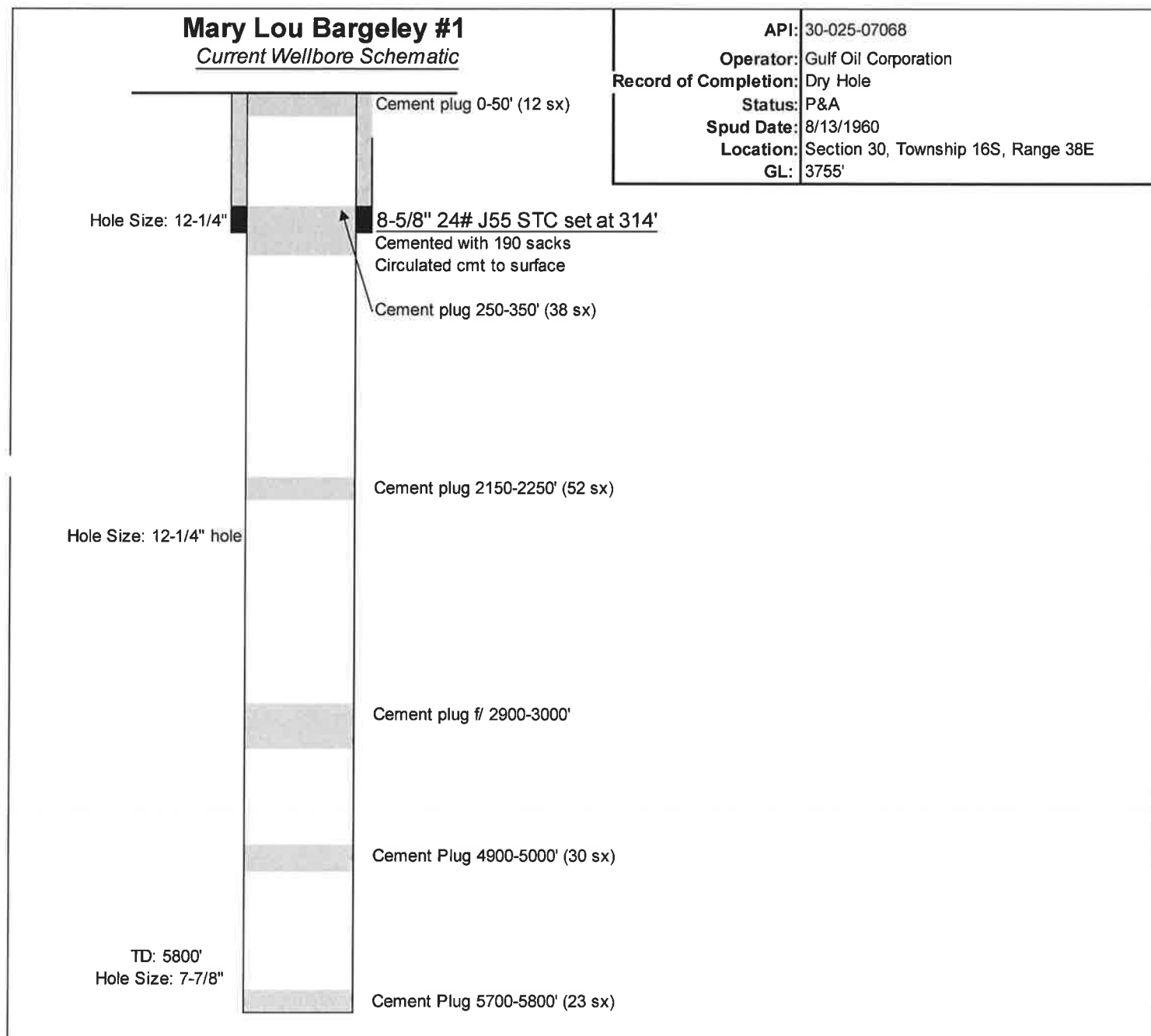


Figure 14: Mary Lou Bargeley #1 Wellbore Schematic



Lazarus ARV #1		API: 30-025-34159
<i><u>Current Wellbore Schematic</u></i>		Operator: EOG Resources
		Record of Completion: Dry Hole
		Status: P&A
		Spud Date: 10/17/1997
		Location: Section 30, Township 16S, Range 38E
		GL: 3742

The wellbore schematic shows a vertical profile from surface to TD at 8800'. Key features include:

- Surface:** 16" Conductor set at 40'.
- 480' Interval:** Hole size changes to 14-3/4". Cement plug at surface (10 sx CI C). 11-3/4" 42# H-40 set at 480'. Cemented with 400 sacks. Circulated cmt to surface. Cement plug at 410" (30 sx CI C).
- 2250' Interval:** Cement plug at 2250' (30 sx CI C).
- 4500' Interval:** Hole size changes to 11" hole. Cement plug f/ 4325-4550' (60 sx CI C). 8-5/8" 32# Mav 80/32# J55 set at 4500'. Cemented with 1562 sacks. Circulated cmt to surface.
- 6500' Interval:** Cement Plug at 6500' (30 sx CI C).
- 8800' TD:** Cement Plug 8520-8670' (65 sx CI H). Hole size changes to 7-7/8".

E. Section VII: Proposed Operation

1. Proposed average and maximum daily rate and volume of fluids to be injected;
 - a. Proposed average daily rate: 300 bpd per proposed injection well
 - b. Proposed Maximum daily rate: 750 bpd per proposed injection well
 - c. Proposed maximum volume to be injected: 650 Mbbls (total)
2. Whether the system is open or closed;
 - a. The system is closed
3. Proposed average and maximum injection pressure;
 - a. Murphy #1 Average injection pressure: 1,500 psig
 - b. Murphy #1 Maximum injection pressure: 1,642 psig
 - c. V Cook 1Y Average injection pressure: 1,500 psig
 - d. V Cook 1Y Maximum injection pressure: 1,648 psig
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 - a. Texland plans on utilizing the White #1 as a San Andres WSW. The well is located 1-1/2 miles SW of planned waterflood project.
 - b. Section VII **Figure 16** is a Drinkard produced water analysis from the Stovall #1 (API: 30-025-37584)
 - c. Section VII **Figure 17** is a San Andres water analysis from the Sinai #1 (42-165-38727) located in Texas. This sample was utilized due to not having any San Andres production near the proposed unit to gather a sample from.
 - d. Section VII **Figure 18** is a compatibility analysis between the San Andres and Drinkard produced water. A chemical program will be utilized to managed scale precipitation.
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.)
 - a. The proposed injection well is not for disposal.

Figure 16: Stovall #1-Drinkard produced water analysis



Catalyst Oilfield Services
11999 E Hwy 158
Gardendale, TX 79758
(432) 563-0727
Fax: (432) 224-1038

Water Analysis Report

Customer:	Texland Petroleum	Sample #:	106050
Area:	Permian Basin	Analysis ID #:	98831
Lease:	Stovall		
Location:	1		0
Sample Point:	Wellhead		

		Anions		Cations	
		mg/l	meq/l	mg/l	meq/l
Sampling Date:	10/1/2010	Chloride:	57309.8	Sodium:	28690.0
Analysis Date:	10/7/2010	Bicarbonate:	24.4	Magnesium:	1098.0
Analyst:	Catalyst	Carbonate:		Calcium:	5693.0
TDS (mg/l or g/m3):	95204.8	Sulfate:	1280.0	Potassium:	800.7
Density (g/cm3):	1.007	Borate*:	232.0	Strontium:	165.1
		Phosphate*		Barium:	1.6
Hydrogen Sulfide:	17	*Calculated based on measured elemental boron and phosphorus.		Iron:	0.1
Carbon Dioxide:	70			Manganese:	0.148
Comments:				Conductivity (micro-mhos/cm):	121475
				Resistivity (ohm meter):	.0823
		pH at time of sampling:	6.2		
		pH at time of analysis:			
		pH used in Calculation:	6.2		
		Temperature @ lab conditions (F):	75		

Values Calculated at the Given Conditions - Amounts of Scale in lb/1000 bbl

Temp	Calcite CaCO ₃		Gypsum CaSO ₄ ·2H ₂ O		Anhydrite CaSO ₄		Celestite SrSO ₄		Barite BaSO ₄	
	Index	Amount	Index	Amount	Index	Amount	Index	Amount	Index	Amount
°F										
80	-1.02	0.00	-0.12	0.00	-0.14	0.00	0.13	26.17	1.22	0.96
100	-0.92	0.00	-0.16	0.00	-0.12	0.00	0.12	24.26	1.04	0.96
120	-0.82	0.00	-0.19	0.00	-0.07	0.00	0.12	24.26	0.89	0.64
140	-0.71	0.00	-0.21	0.00	0.00	0.00	0.13	26.17	0.75	0.64
160	-0.60	0.00	-0.23	0.00	0.00	104.38	0.14	29.37	0.64	0.64
180	-0.48	0.00	-0.23	0.00	0.19	205.57	0.17	33.20	0.55	0.64
200	-0.36	0.00	-0.24	0.00	0.31	294.94	0.19	37.67	0.47	0.64
220	-0.24	0.00	-0.24	0.00	0.44	369.96	0.22	42.13	0.42	0.64

Figure 17: Sinai #1: San Andres Water Analysis



Catalyst Oilfield Services
11999 E Hwy 158
Gardendale, TX 79758
(432) 563-0727
Fax: (432) 224-1038

Water Analysis Report

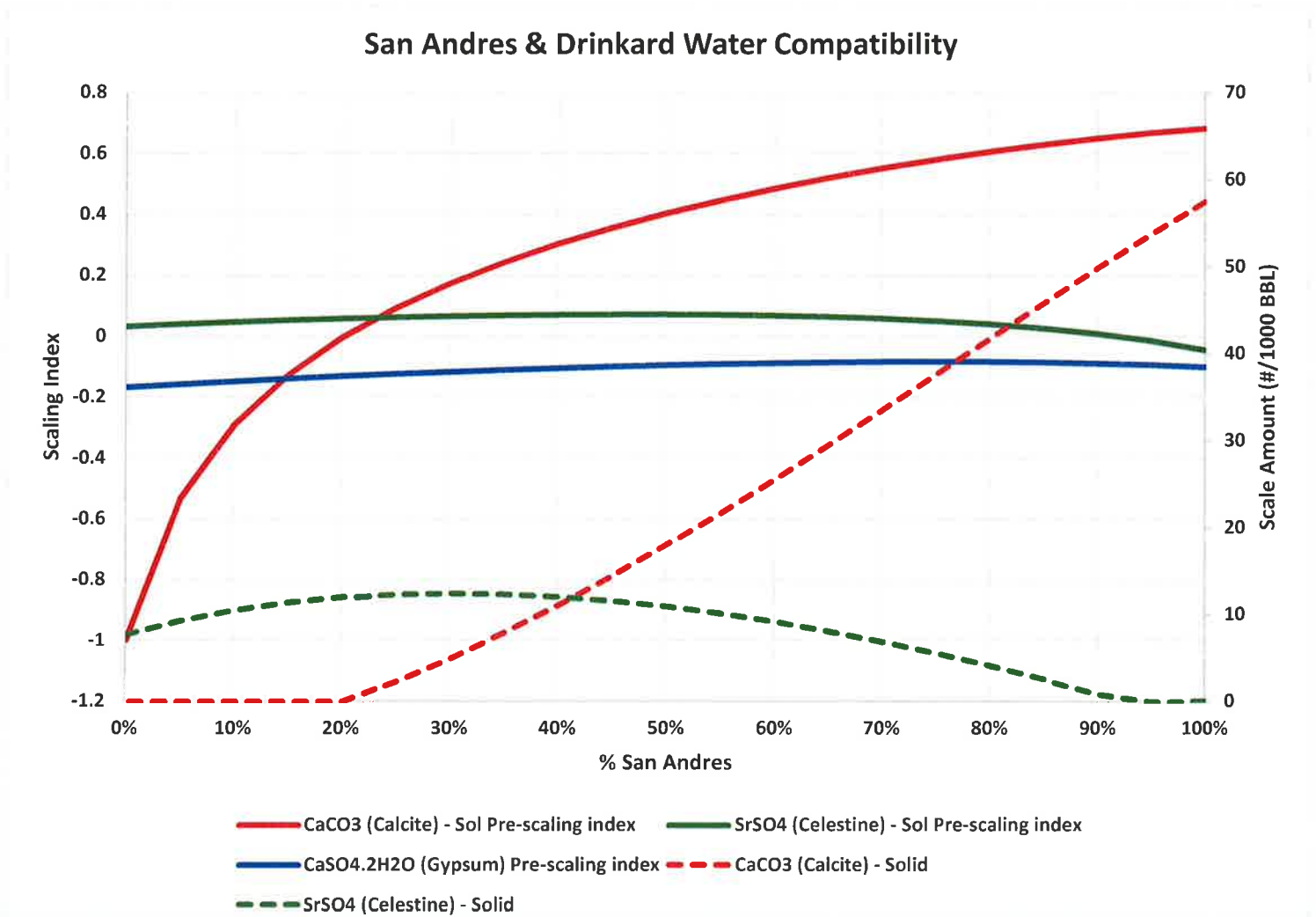
Customer:	Texland Petroleum	Sample #:	106049
Area:	Permian Basin	Analysis ID #:	98830
Lease:	Sinai		
Location:	1		0
Sample Point:	Wellhead		

		Anions		Cations	
		mg/l	meq/l	mg/l	meq/l
Sampling Date:	10/1/2019	Chloride:	17102.0	Sodium:	9314.0
Analysis Date:	10/7/2019	Bicarbonate:	585.0	Magnesium:	519.1
Analyst:	Catalyst	Carbonate:		Calcium:	1737.0
TDS (mg/l or g/m3):	32018.6	Sulfate:	2400.0	Potassium:	280.0
Density (g/cm3):	1.022	Borate*:	43.5	Strontium:	36.4
		Phosphate*		Barium:	1.4
Hydrogen Sulfide:	1326	*Calculated based on measured elemental boron and phosphorus.		Iron:	0.1
Carbon Dioxide:	130			Manganese:	0.056
Comments:		pH at time of sampling:	6.78		
		pH at time of analysis:			
		pH used in Calculation:	6.78		
		Temperature @ lab conditions (F):	75	Conductivity (micro-mhos/cm):	43826
				Resistivity (ohm meter):	.2282

Values Calculated at the Given Conditions - Amounts of Scale in lb/1000 bbl

Temp °F	Calcite CaCO ₃		Gypsum CaSO ₄ ·2H ₂ O		Anhydrite CaSO ₄		Celestite SrSO ₄		Barite BaSO ₄	
	Index	Amount	Index	Amount	Index	Amount	Index	Amount	Index	Amount
80	0.54	47.53	-0.02	0.00	-0.08	0.00	0.06	3.40	1.77	0.68
100	0.65	57.72	-0.05	0.00	-0.04	0.00	0.06	3.40	1.61	0.68
120	0.77	67.91	-0.06	0.00	0.03	62.13	0.07	4.07	1.48	0.68
140	0.89	78.43	-0.06	0.00	0.12	219.67	0.10	5.09	1.36	0.68
160	1.02	88.62	-0.05	0.00	0.23	380.95	0.13	6.45	1.27	0.68
180	1.14	98.46	-0.04	0.00	0.36	534.07	0.16	8.15	1.20	0.68
200	1.27	107.63	-0.02	0.00	0.49	670.56	0.20	9.51	1.14	0.68
220	1.41	116.12	-0.01	0.00	0.64	787.02	0.24	11.20	1.10	0.68

Figure 18: San Andres & Drinkard Water Compatibility



F. Section VIII: Geologic Data

a. Geologic Name of Injection Zone

i. Drinkard Formation

b. Geologic Description

- i. Injection will be into the Permian Drinkard formation. The proposed injection interval is from 8100-8450'. These units are composed of Dolomite with a gross thickness of about 350'. The reservoir units were deposited as complex shoals near the Drinkard shelf margin. These units are dominated by packstones with mostly vuggy porosity. Porosity in the reservoir ranges from 2% to as much as 12%.

c. Fresh Water Sources

- i. Fresh water production in this area is from the Tertiary Ogallala aquifer. The productive interval is from 50' to 150'. Other possible, but currently unused water sources, are the Triassic Santa Rosa from 280' to the top of the Permian Rustler Formation at 2075'. No other fresh water sources overlie the injection interval.

G. Section IX: Proposed Stimulation

- a. At this time, Texland does not have any stimulations planned. If scale deposition is encountered when converting the well to an injection well, a small acid stimulation will be pumped.

H. Section X: Logging and Test Data

- a. The log and test data have already been filed with the Division for the Murphy #1 and V Cook 1Y.

I. Section XI: Offset Fresh Water Chemical Analysis

- a. Section XI **Figure 19** is a chemical analysis from a fresh water well (Stovall WW) utilized for agriculture production located .5 miles west of the V Cook 1Y and .15 miles south of the Murphy #1. Section XI **Figure 20** is a chemical analysis from the 2nd fresh water well (Shelton WW) that is located .7 miles east of the Murphy #1 and .2 miles northeast of the V Cook 1Y.

Figure 19: Stovall WW Fresh Water Analysis



PHONE (575) 393-2326 * 101 E. MARLAND * HOBBS, NM 88240

Analytical Results For:

TEXLAND PETROLEUM
P. O. BOX 3446
HOBBS NM, 88241

Project: WATER SAMPLES
Project Number: STOUVALL / SHELTON
Project Manager: RONNIE MC CRACKEN
Fax To: (432) 596-4235

Reported:
09-Oct-19 15:23

STOVALL WW
H903355-01 (Water)

Analyte	Result	MDL	Reporting Limit	Units	Dilution	Batch	Analyst	Analyzed	Method	Notes
---------	--------	-----	-----------------	-------	----------	-------	---------	----------	--------	-------

Cardinal Laboratories**Inorganic Compounds**

Alkalinity, Bicarbonate	278		5.00	mg/L	1	9092417	AC	02-Oct-19	310.1	
Alkalinity, Carbonate	<1.00		1.00	mg/L	1	9092417	AC	02-Oct-19	310.1	
Chloride*	68.0		4.00	mg/L	1	9100204	AC	02-Oct-19	4500-C1-B	
Conductivity*	693		1.00	uS/cm	1	9100209	AC	02-Oct-19	120.1	
pH*	7.74		0.100	pH Units	1	9100209	AC	02-Oct-19	150.1	
Sulfate*	120		25.0	mg/L	2.5	9100203	AC	03-Oct-19	375.4	
TDS*	503		5.00	mg/L	1	9100107	AC	03-Oct-19	160.1	
Alkalinity, Total*	228		4.00	mg/L	1	9092417	AC	02-Oct-19	310.1	

Green Analytical Laboratories**Total Recoverable Metals by ICP (E200.7)**

Calcium*	87.8		0.500	mg/L	5	B910059	AES	08-Oct-19	EPA200.7	
Magnesium*	18.0		0.500	mg/L	5	B910059	AES	08-Oct-19	EPA200.7	
Potassium*	2.16	0.339	5.00	mg/L	5	B910059	AES	08-Oct-19	EPA200.7	
Sodium*	49.4		5.00	mg/L	5	B910059	AES	08-Oct-19	EPA200.7	

Cardinal Laboratories

* = Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

Figure 20: Shelton WW Fresh Water Analysis



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PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

Analytical Results For:

TEXLAND PETROLEUM
P. O. BOX 3446
HOBBS NM, 88241

Project: WATER SAMPLES
Project Number: STOUVALL / SHELTON
Project Manager: RONNIE MC CRACKEN
Fax To: (432) 596-4235

Reported:
09-Oct-19 15:23

SHELTON WW
H903355-02 (Water)

Analyte	Result	MDL	Reporting Limit	Units	Dilution	Batch	Analyst	Analyzed	Method	Notes
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Inorganic Compounds

Alkalinity, Bicarbonate	268		5.00	mg/L	1	9092417	AC	02-Oct-19	310.1	
Alkalinity, Carbonate	<1.00		1.00	mg/L	1	9092417	AC	02-Oct-19	310.1	
Chloride*	56.0		4.00	mg/L	1	9100204	AC	02-Oct-19	4500-Cl-B	
Conductivity*	653		1.00	uS/cm	1	9100209	AC	02-Oct-19	120.1	
pH*	7.58		0.100	pH Units	1	9100209	AC	02-Oct-19	150.1	
Sulfate*	112		25.0	mg/L	2.5	9100203	AC	03-Oct-19	375.4	
TDS*	481		5.00	mg/L	1	9100107	AC	03-Oct-19	160.1	
Alkalinity, Total*	220		4.00	mg/L	1	9092417	AC	02-Oct-19	310.1	

Green Analytical Laboratories

Total Recoverable Metals by ICP (E200.7)

Calcium*	82.6		0.500	mg/L	5	B910059	AES	08-Oct-19	EPA200.7	
Magnesium*	16.8		0.500	mg/L	5	B910059	AES	08-Oct-19	EPA200.7	
Potassium*	2.69	0.339	5.00	mg/L	5	B910059	AES	08-Oct-19	EPA200.7	
Sodium*	54.9		5.00	mg/L	5	B910059	AES	08 Oct 19	EPA200.7	

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Celey D. Keene

Celey D. Keene, Lab Director/Quality Manager

J. Section XII: Affirmative Statement for Disposal Wells

- a. The proposed injection well is not for disposal.

K. Proof of Notice

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