

FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT FOR THE DEVELOPMENT AND
OPERATION OF THE
POLVADERA UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

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FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
POLVADERA DEVELOPMENT UNIT AREA

COUNTY OF LEA
STATE OF NEW MEXICO

NO _____

THIS FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT
(Agreement) entered into as of August 24, 2016 by and between the parties
subscribing ratifying or consenting hereto and herein referred to as the parties hereto

THIS AGREEMENT is limited in applicability to wells containing a lateral or
laterals drilled completed or recompleted so that the horizontal component of the
completion interval extends at least one hundred feet (100 ft) in the objective formations
(Horizontal Well(s)) All pre existing and future vertical wells within the Unit boundary
drilled and completed in the BONE SPRING formation (Section 3 UNITIZED LAND
AND UNITIZED SUBSTANCES) are excluded from this Agreement

WITNESSETH

WHEREAS the parties hereto are the owners of working royalty or other oil and
gas interests in the unit area subject to this agreement and

WHEREAS the Mineral Leasing Act of February 25 1920 (41 Stat 437) as
amended (30 U S C 181 et seq) authorizes Federal lessees and their representatives to
unite with each other or jointly or separately with others in collectively adopting and
operating a unit plan of development or operations of any oil and gas pool field or like
area, or any part thereof for the purpose of more properly conserving the natural resources
thereof whenever determined and certified by the Secretary of the Interior to be necessary
or advisable in the public interest

WHEREAS the Oil Conservation Division of the New Mexico Energy and
Minerals Department hereinafter referred to as Division is authorized by an act of the
Legislature (Chapter 70 and 71 NM Statutes 1978 Annotated) to approve this agreement
and the conservation provisions hereof and

WHEREAS the parties hereto hold sufficient interests in the POLVADERA
Development Unit Area covering the land hereinafter described to give reasonably
effective control of operations therein and

WHEREAS it is the purpose of the parties hereto to conserve natural resources
prevent waste and secure other benefits obtainable through development and operation of
the area subject to this agreement under the terms conditions and limitations herein set
forth

NOW THEREFORE in consideration of the premises and the promises herein
contained the parties hereto commit to this agreement their respective interests in the
below defined unit area, and agree severally among themselves as follows

1 ENABLING ACT AND REGULATIONS The Acts of March 3 1909 and of
February 25 1920 as amended supra, and all valid pertinent regulations including
operating and unit plan regulations heretofore issued thereunder or valid pertinent and
reasonable regulations hereafter issued thereunder are accepted and made a part of this
agreement as to Federal lands provided such regulations are not inconsistent with the
terms of this agreement and as to non Federal lands the oil and gas operating regulations
in effect as of the Effective Date hereof governing drilling and producing operations not
inconsistent with the terms hereof or the laws of New Mexico are hereby accepted and
made a part of this agreement

2 UNIT AREA The following described land is hereby designated and recognized as constituting the unit area

TOWNSHIP 26 SOUTH, RANGE 32 EAST, N M P M

Section 14 All

Section 15 All

Section 23 All

Lea County New Mexico

containing 1920 00 acres more or less

Exhibit A attached hereto and made a part of this agreement for all purposes shows in addition to the boundary of the unit area the boundaries and identities of tracts and leases in said area to the extent known to the Unit Operator Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage percentage and kind of ownership of oil and gas interests in all lands in the unit area. However nothing herein or in Exhibits A and B shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in the Exhibits as owned by such party Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary or when requested by the Authorized Officer hereinafter referred to as AO and not less than four (4) copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office and one (1) copy with the New Mexico Oil Conservation Division of the Energy and Minerals Department herein after referred to as Division

The above described unit area has the option when practicable to be expanded to include therein any formations whenever such expansion is deemed to be necessary or advisable to conform with the purposes of this Agreement and Plan of Development with the approval of the AO The expansion to an additional formation will require all of the proper joinders Any expansion under this provision shall be effected in the same manner as described in the next paragraph (inclusive of subparagraphs)

The above described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement and/or as required by the AO Such expansion or contraction shall be effected in the following manner

- (a) Unit Operator on its own motion (after preliminary concurrence by the AO) or on demand of the AO shall prepare a Notice of Proposed Expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor any plans for additional drilling and the proposed effective date of the expansion preferably the first day of a month subsequent to the date of notice
- (b) Said notice shall be delivered to the proper Bureau of Land Management office and the Division and copies thereof mailed to the last known address of each working interest owner lessee and lessor whose interest(s) are affected advising that 30 days will be allowed for submission to the Unit Operator of any objections
- (c) Upon expiration of the 30 day period provided in the preceding item (b) hereof Unit Operator shall file with the AO and the Division evidence of mailing of the Notice of Expansion or Contraction and a copy of any objections thereto which have been filed with Unit Operator together with an application in quadruplicate for approval of such expansion and with appropriate joinders
- (d) After due consideration of all pertinent information the expansion or contraction shall upon approval by the AO and the Division become effective as of the date prescribed in the notice thereof or such other appropriate date
- (e) If each lease in the Development Area is not fully developed and wells are not drilled as per section 10 by five (5) years from the effective date of this Agreement then undeveloped acreage shall be eliminated automatically from this Agreement

The eliminated lands shall correspond to all legal subdivisions of lands (i.e. 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof) and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement unless diligent drilling operations are in progress on unitized lands in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently with not more than 6 months time elapsing between the completion of one such well and the commencement of the next such well

As lands are eliminated the unit area will contract to existing producing regular well spacing or proration units as defined by New Mexico Oil Conservation Division

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this Subsection 2(e) shall not be considered an automatic commitment or recommitment of such lands

If conditions warrant extension of the five (5) year period specified in this subsection a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent (90%) of the working interest in the current undeveloped area in the unitized lands and the owners of 60 percent (60%) of the basic royalty interests (exclusive of the basic royalty interests of the United States) in the current undeveloped area of unitized lands with approval of the AO

(f) During the ongoing development as per section 10 if a well is drilled to develop leases and plugged within 1 year and diligent drilling operations are not in progress on these leases/unitized lands then the unitized lands covering these leases in this area shall be evaluated for elimination from the unit by the AO The eliminated lands shall correspond to all legal subdivisions of lands (i.e. 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof) and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement

3 UNITIZED LAND AND UNITIZED SUBSTANCES All land now or hereafter committed to this agreement shall constitute land referred to herein as unit area unitized land or land subject to this agreement All oil and gas from the stratigraphic equivalent of the top of the **BONE SPRING** formation encountered at a true vertical depth of 8 800 feet down to the stratigraphic equivalent of the base of the **BONE SPRING** formation at a true vertical depth of 11 950 feet as encountered in the Salado Draw SWD 13 1 well in Section 13 Township 26 South Range 32 East N M P M Lea County New Mexico (API #30 025 42354) are unitized under the terms of this agreement and herein are called unitized substances (see type log attached as Exhibit C) subject to the limitation in the second paragraph of this Agreement

4 UNIT OPERATOR Chevron U S A Inc hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery development and production of unitized substances as herein provided Whenever reference is made herein to the Unit Operator such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances and the term working interest owner when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it

5 RESIGNATION OR REMOVAL OF UNIT OPERATOR Unit Operator shall have the right to resign at any time prior to the establishment of unitized production or areas hereunder but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operators rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners and the AO and the Division and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the AO as to Federal lands and the Division as to fee lands unless a new Unit Operator shall have been selected and approved and shall have

taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a producing unit area established hereunder is in existence but in all instances of resignation or removal until a successor Unit Operator is selected and approved as hereinafter provided the working interest owners shall be jointly responsible for performance of the duties of Unit Operator and shall not later than thirty (30) days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation

The Unit Operator may upon default or failure in the performance of its duties or obligations hereunder be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator Such removal shall be effective upon notice thereof to the AO

The resignation or removal of Unit Operator under this agreement shall not terminate its right title or interest as the owner of a working interest or other interest in unitized substances but upon the resignation or removal of Unit Operator becoming effective such Unit Operator shall deliver possession of all wells equipment materials and appurtenances used in conducting the unit operations to the newly qualified successor Unit Operator or to the common agent if no such new Unit Operator is selected elected to be used for the purpose of conducting unit operations hereunder Nothing herein shall be construed as authorizing removal of any material equipment or appurtenances needed for the preservation of any wells

6 SUCCESSOR UNIT OPERATOR Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided or a change of Unit Operator as negotiated by the working interest owners the owners of the working interests according to their respective acreage interest in all unitized land shall pursuant to the approval of the parties requirements of the unit operating agreement select a successor Unit Operator Such selection shall not become effective until

(a) The Unit Operator so selected accepts in writing the duties and responsibilities of Unit Operator and

(b) The selection have been approved by the AO

If no successor Unit Operator is selected and qualified as herein provided the AO at their election may declare this Unit Agreement terminated

7 ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT
If the Unit Operator is not the sole owner of working interests costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests whether one or more separately or collectively Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section whether one or more are herein referred to as the unit operating agreement Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements leases or other independent contracts and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners however no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement and in case of any inconsistency or conflict between this agreement and the unit operating agreement this agreement shall govern Two copies of any unit operating agreement executed pursuant to this section shall be filed in the proper Bureau of Land Management office and one true copy with the Division prior to approval of this Unit Agreement If any Party to this Unit Agreement currently owns either no interest or only an overriding royalty interest

in the unitized area, or said formation or those lands covered by leases described on Exhibit B then such Party shall have no obligations whatsoever whether monetary or otherwise to the other Parties or to the Operator at any time or in the future

8 RIGHTS AND OBLIGATIONS OF UNIT OPERATOR Except as otherwise specifically provided herein the exclusive right privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for producing storing allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided Acceptable evidence of title to said rights shall be deposited with Unit Operator and together with this agreement shall constitute and define the rights privileges and obligations of Unit Operator Nothing herein however shall be construed to transfer title to any land or to any lease or operating agreement It is understood that under this agreement the Unit Operator in its capacity as Unit Operator shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified

9 DRILLING TO DISCOVERY This Agreement is warranted and determined necessary due to the ongoing resource development occurring in the area The Kiehne Ranch 15 26 32 USA 1H (API 30 025 40602) located in the W/2 W/2 of Section 15 Township 26 South Range 32 East N M P M with a 4 373 foot horizontal lateral in the Bone Spring Shale Group which was completed on October 9 2012 is hereby included as a unit well effective from the effective date of this Agreement however for all purposes of this Agreement the SD WE 14 FED P7 #3H well with a surface location in the SE/4 SE/4 of Section 14 Township 26 South Range 32 East N M P M and a 4 739 foot horizontal lateral in the BONE SPRING Shale Group shall hereby be initially designated as the obligation well necessary to validate this Resource Development Unit Agreement Unit Operator commenced drilling the obligation well on April 16 2016 and shall approximately six (6) months after completing this obligation well submit a paying well determination to the AO to determine if this well produces in paying quantities (to wit quantities sufficient to repay the costs of drilling completing and producing operations with a reasonable profit) The paying well determination shall include at least 6 months of actual production If the well is not capable of producing in paying quantities then the Unit Operator shall continue drilling one well at a time allowing not more than six (6) months between the completion of one well and the commencement of drilling operations for the next well until a well capable of producing in paying quantities is completed to the satisfaction of the AO or until it is reasonably proved that the unitized land is incapable of producing in paying quantities in the formations drilled hereunder If the well is determined to be capable of producing in paying quantities the well shall hereby be approved by the AO as the obligation well necessary to validate this Resource Development Unit Agreement All other wells are to be drilled as prescribed in Section 10 Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section

The AO may modify any of the drilling requirements of this section by granting reasonable extensions of time when in their opinion such action is warranted

Upon failure to commence any well as provided for in this section within the time allowed including any extension of time granted by the AO this agreement will automatically terminate Upon failure to continue drilling diligently any well commenced hereunder the AO may after fifteen (15) days notice to the Unit Operator declare this Unit Agreement terminated The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first six (6) months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section The failure to commence a well subsequent to the drilling of the initial obligation well or in the case of multiple well requirements if specified subsequent to the drilling of those multiple wells as provided for in this section within the time allowed including any extension of time granted by the AO shall cause this agreement to terminate automatically Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder the AO may after 15 days notice to the Unit Operator declare this Unit Agreement terminated Failure to commence drilling the initial obligation well or the first of multiple obligation wells on time and to drill it diligently shall result in the Unit

Agreement approval being declared invalid *ab initio* by the AO. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well and to drill them diligently may result in the Unit Agreement approval being declared invalid *ab initio* by the AO. Once the agreement is terminated, all existing well production will be reported and allocated on a lease basis and, if necessary, a Communitization Agreement may be required.

10 PLAN OF FURTHER DEVELOPMENT AND OPERATION The Unit Operator shall submit for the approval of the AO an acceptable Initial Plan of Development and Operation for the Polvadera Development Unit Area which, when approved, shall constitute the further drilling and development obligations of the Unit Operator under this Agreement for the period specified therein. All unit wells within the unit area shall be named according to the unit name with "Unit" in the well name and numbered consecutively.

Within twelve (12) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO an updated acceptable plan of development and operation for the unitized land which, when approved by the AO, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area and for the diligent drilling necessary to fully develop the entire unitized area. This plan shall be as complete and adequate as the AO may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

- (a) Specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
- (b) Provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO is authorized to grant a reasonable extension of the 12-month period herein prescribed for submission of an initial plan of development and operation where such action is justified because of unusual conditions or circumstances. Plans of development and operation for the Polvadera Development Unit Area shall no longer be required once the unit area is determined to be fully developed by the AO and to be evaluated on a case-by-case basis.

11 ALLOCATION OF PRODUCTION All unitized substances produced under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal land, if any. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract bears to the total acres of unitized land and unleased Federal land, if any. All proceeds, less taxes and appropriate royalties, attributed to Federal lands included within the unit area are to be placed in an interest-bearing escrow or trust account for each unleased tract by the designated Unit Operator until the land is leased. These accounts will be subject to audit by the Department of Interior. Within 90 days of the issuance of Federal lease within this designated unit area, if the lessee(s) and the working interest owner(s) do not commit the land to this Unit Agreement, the proceeds for their portion of the escrow account will be forfeited. There shall be allocated to the working interest owner(s) of each tract of unitized land, in addition, such percentage of the production attributable to the unleased Federal land within the unitized area as the

number of acres of such unitized tract included in said unitized area bears to the total acres of unitized land in said unitized area, for the payment of the compensatory royalty specified in section 15 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty overriding royalty or payment out of production obligations of the respective working interest owners including compensatory royalty obligations under section 15 shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties.

12 ROYALTY SETTLEMENT The United States, the State of New Mexico and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances and Unit Operator or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefore under existing contracts, laws and regulations or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month provided however that nothing in this section shall operate to relieve the responsible parties of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into the unit area hereunder for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan of development and operation approved by the AO and the Division, a like amount of gas after settlement as herein provided for any gas transferred from any other area and with appropriate deduction for loss from any cause may be withdrawn from the formation into which the gas is introduced royalty free as to dry gas but not as to any products which may be extracted therefrom provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO and the Division as conforming to good petroleum engineering practice and provided further that such right of withdrawal shall terminate on the termination of this Unit Agreement.

Royalty due on the United States shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 11 at the rates specified in the respective Federal lease or at such other rate or rates as may be authorized by law or regulation and approved by the AO provided, that for leases on which the royalty rate depends on the daily average production per well said average production shall be determined in accordance with the operating regulations as though the unitized area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

13 RENTAL SETTLEMENT Rental or minimum royalties due on leases committed hereto shall be paid by appropriate working interest owners under existing contracts, laws and regulations provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative. With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall notwithstanding any other provision of this agreement be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until the unit area establishes production.

14 CONSERVATION Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste as defined by or pursuant to State or Federal law or

regulation

15 DRAINAGE The Unit Operator shall take such measures as the AO deems appropriate and adequate to prevent drainage of unitized substances for unitized land by wells on land not subject to this agreement which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty as determined by the AO as to Federal leases

16 LEASES AND CONTRACTS CONFORMED AND EXTENDED The terms conditions and provisions of all leases subleases and other contracts relating to exploration drilling development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof but otherwise to remain in full force and effect and the parties hereto hereby consent that the Secretary as to Federal leases by his approval hereof or by the approval hereof by his duly authorized representative shall and does hereby establish alter change or revoke the drilling producing rental minimum royalty and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement and without limiting the generality of the foregoing all leases subleases and contracts are particularly modified in accordance with the following

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement regardless of whether there is any development of any particular tract of this unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO or his duly authorized representative shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands

(d) Each lease sublease or contract relating to the exploration drilling development or operation for oil or gas of lands other than those of the United States committed to this agreement which by its terms might expire prior to the termination of this agreement is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto provided that a well capable of production of unitized substances in paying quantities is established in paying quantities under this Unit Agreement prior to the expiration date of the term of such lease or in the event actual drilling operations are commenced on unitized land in accordance with provisions of this agreement prior to the end of the primary term of such lease and are being diligently prosecuted at that time such Federal lease shall be extended for two (2) years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Act of February 25 1920 as amended

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement which by its terms would expire prior to the time at which the underlying lease as extended by the immediately preceding paragraph will expire is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing

Act as amended by the Act of September 2 1960 (74 Stat 781 784)(30 U S C 226 (m))

Any (Federal) lease heretofore or hereafter committed to any such (Unit) plan embracing lands that are in part within and in part outside the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided however that any such lease as to non unitized portion shall continue in force and effect for the term thereof but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities

17 COVENANTS RUN WITH LAND The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates and any grant transfer or conveyance of interest in land or lease subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee transferee or other successor in interest. No assignment or transfer of any working interest royalty or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original photostatic or certified copy of the instrument of transfer

18 EFFECTIVE DATE AND TERM This agreement shall become effective when approved by the AO or their duly authorized representative and shall automatically terminate five (5) years from said effective date unless

(a) Upon application by the Unit Operator such date of expiration is extended by the AO or

(b) It is reasonably determined prior to the expiration of the fixed terms or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate this agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses this agreement is terminated with approval of the AO or

(c) A valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal lands in quantities sufficient to pay for the cost of producing same from wells on unitized land. Should production cease and diligent drilling or re working operations to restore production or new production are not in progress or reworking within sixty (60) days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred or

(d) It is voluntarily terminated as provided in this agreement. Except as noted herein this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum on an acreage basis of the working interest owners signatory hereto with the approval of the AO. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first six (6) months of this agreement unless at least one obligation well shall have been drilled in conformance with section 9

19 RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION The AO is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal or State law or do not conform to any State wide voluntary conservation or allocation program which is established recognized and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof must be stated in the order of alteration or modification. Without regard to the foregoing the AO is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such

alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law

Powers in the section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice

20 APPEARANCES Unit Operators shall after notice to other parties affected have the right to appear for and on behalf of any and all interest affected hereby before the Department of the Interior and the Division and to appeal from orders issued under the regulations of said Department and the Division or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department and the Division or any other legally constituted authority provided however that any other interested party shall also have the right at its own expense to be heard in any such proceeding

21 NOTICES All notices demands or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties or sent by postpaid registered or certified mail to the last known address of the party or parties

22 NO WAIVER OF CERTAIN RIGHTS Nothing contained in this agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State where unitized lands are located or of the United States or regulations issued thereunder in any way affecting such party or as a waiver by any such party of any right beyond his or its authority to waive

23 UNAVOIDABLE DELAY All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations in whole or in part by strikes acts of God Federal State or municipal law or agencies unavoidable accidents uncontrollable delays in transportation inability to obtain necessary materials or equipment in open market or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not

24 NONDISCRIMINATION In connection with the performance of work under this agreement the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F R 12319) as amended which are hereby incorporated by reference in this agreement

25 LOSS OF TITLE In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this Unit Agreement such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title In the event of a dispute as to title to any royalty working interest or other interests subject thereto payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled provided that as to Federal leases no payments of funds due the United States should be withheld but such funds shall be deposited as directed by the AO Such funds are to be held as unearned money pending final settlement of the title dispute and then applied as earned or returned in accordance with such final settlement

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder

26 NON JOINDER AND SUBSEQUENT JOINDER If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office the Division and the Unit Operator prior to the approval of this agreement by the AO Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and if the interest is a working interest by the owner of such interest only subscribing to the unit operating agreement

After operations are commenced hereunder the right of subsequent joinder as provided in this section by a working interest owner is subject to such requirements or approval(s) if any pertaining to such joinder as may be provided for in the unit operating agreement. After final approval hereof joinder by a non working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non working interest. A non working interest may not be committed to this Unit Agreement unless the corresponding working interest is committed hereto. Joinder to the Unit Agreement by a working interest owner at any time must be accompanied by appropriate joinder to the unit operating agreement in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the date of the filing with the AO and the Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

27 COUNTERPARTS This agreement may be executed in any number of counterparts none of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

28 SURRENDER Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease sublease or operating agreement as to all or any part of the lands covered thereby provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth is bound by the terms of this agreement.

If as a result of any such surrender the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If as a result of any such surrender or forfeiture working interest rights become vested in the fee owner of the unitized substances such owner may

- (a) Accept those working interest rights subject to this agreement and the unit operating agreement or
- (b) Lease the portion of such land subject to this agreement and the unit operating agreement or
- (c) Provide for the independent operation of any part of such land

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after the surrender or forfeited working interest rights become vested in the fee owner the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals minimum royalties and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture and payment of any monies found to be owing by such an accounting shall be made as between the parties within thirty (30) days.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as

set forth in this section in regard to the exercise of a right to surrender

29 TAXES The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced gathered and sold from the land covered by this agreement after its Effective Date or upon the proceeds derived therefrom The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interest in said tract and may currently retain and deduct a sufficient amount of the unitized substances or derivative products or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid No such taxes shall be charged to the United States or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes

30 NO PARTNERSHIP It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this agreement expressed or implied nor any operations conducted hereunder shall create or be deemed to have created a partnership or association between the parties hereto or any of them

31 SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS Nothing in this agreement shall modify or change either the special Federal lease stipulations relating to surface management or such special Federal lease stipulations relating to surface and environmental protection attached to and made a part of Oil and Gas Leases covering lands within the unit area.

IN WITNESS WHEREOF the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution

UNIT OPERATOR

CHEVRON U S A INC

Signature

Name _____

Title Attorney in Fact

ADDRESS FOR NOTICES

Chevron U S A Inc
1400 Smith Street
Houston Texas 77002
Attention Land Manager

ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

 This instrument was acknowledged before me on this _____ day of _____, 2016
by _____, Attorney in Fact for Chevron U S A Inc a Pennsylvania
corporation, on behalf of said corporation

Notary Public for the State of Texas

My Commission Expires

Printed Name _____
