BEFORE THE OIL CONSERVATION DIVISION EXAMINER HEARING AUGUST 17, 2017

CASE NOS. 15798

MESA VERDE UNIT — COTTON DRAW-BONE SPRING, EAST POOL

LEA & EDDY COUNTIES, NEW MEXICO



FEDERAL RESOURCE DEVELOPMENT UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MESA VERDE BONE SPRING UNIT AREA COUNTIES OF LEA AND EDDY

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RESOURCE DEVELOPMENT UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE

MESA VERDE BONE SPRING DEVELOPMENT UNIT AREA – BONE SPRING FORMATION COUNTIES OF LEA AND EDDY

NO. NM X

THIS AGREEMENT ("Unit Agreement"), entered into as of the ____ day of ____, 2017, 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 future vertical wells and 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 formation (Horizontal Well(s)). All pre-existing vertical wells within the Unit boundary drilled and completed in the **BONE SPRING FORMATION** (see Section 3. UNITIZED LAND AND UNITIZED SUBSTANCES) are excluded from this Agreement.

WITNESS ETH:

WHEREAS, the parties hereto are the owners of working, royalty or other oil and gas interests in the Unit Area (as defined below) subject to this Unit Agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 19-10-45, 46, 47 NM Statutes 1978 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Statute 437, as amended 30 U.S.C Section 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; and

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 Unit Agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the MESA VERDE BONE SPRING 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 Unit 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 Unit 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 and Indian trust lands, provided such regulations are not inconsistent with the terms of this Unit Agreement; and as to non-Federal and non-Indian trust 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 the State in which the non-Federal land is located, are hereby accepted and made a part of this Unit Agreement.

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the Unit Area:

TOWNSHIP 24 SOUTH, RANGE 32 EAST

TOWNSHIP 24 SOUTH, RANGE 31 EAST Section 13: All

EDDY COUNTY, NEW MEXICO

The map attached hereto marked as Exhibit "A" is hereby designated and recognized as constituting the Unit Area containing, 3,461.80 acres more or less.

Exhibit "A" shows, in addition to the boundary of the Unit Area, the boundaries and identity 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", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", 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 thereof shall be filed with the Land Commissioner, 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 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 Unit Agreement and/or required by the AO and the Land Commissioner. Such expansion or contraction shall be effected in the following manner:

- (a) Unit Operator, on its own motion (after preliminary concurrence by the AO and the Land Commissioner), or on demand by the AO and/or the Land Commissioner, 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, the Land Commissioner and the Division and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests 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, the Land Commissioner 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 or contraction with appropriate joinders.
- (d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO, the Land Commissioner 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 Unit Area is not fully developed and wells are not drilled as per Section 10 within five (5) years from the effective date of the first paying well determination issued pursuant to this agreement, then undeveloped acreage shall be eliminated automatically from this Unit Agreement, unless the AO and Land Commissioner determine otherwise. 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 Unit 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. However, when such diligent drilling operations cease, all undeveloped lands shall be automatically eliminated effective as of six (6) months thereafter. The Unit Operator shall within ninety (90) days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and the Land Commissioner and promptly notify all parties in interest.

When undeveloped lands are eliminated, the Unit Area will contract to existing producing regular well spacing or proration units or project areas 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 automatic commitment or recommitment of such lands.

If conditions warrant, a single extension of the diligent drilling period, not to exceed two (2) years, may be accomplished by consent of the owners of ninety percent (90%) of the working interest in the current undeveloped area in the unitized lands and the owners of sixty 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 and the Land Commissioner.

- (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 Area by the AO and the Land Commissioner. 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 par t of the Unit Area and shall no longer be subject to this Unit Agreement.
- 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas from the top of the **Bone Spring formation** at a measured depth of 8,445 feet down to the stratigraphic equivalent of the top of the Wolfcamp formation at a measured depth of 11,830 feet as encountered in the

Heavy Metal 14 Federal 1 well in Section 14, Township 24 South, Range 31 East, N.M.P.M. (API #30-015-29603), are unitized under the terms of this Unit Agreement and are herein called "unitized substances" (see type log attached as Ex hibit "C").

- 4. UNIT OPERATOR. OXY USA Inc. is hereby designated as Unit Operator, and by signature hereto 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 Operator's 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, the AO and the Land Commissioner 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 and Indian trust lands and the Division as to State and 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 production is established hereunder, 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 and the Land Commissioner.

The resignation or removal of Unit Operator under this Unit 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 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 his or 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 interests 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) A Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and
 - (b) The selection shall have been approved by the AO and the Land Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the AO and the Land Commissioner, at its election, may declare this Unit Agreement terminated.

- 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 Unit Agreement and the unit operating agreement, this Unit 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 Land Commissioner, 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 Unit 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 Unit 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 Unit 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 being understood that under this Unit 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 Unit Agreement is warranted and determined necessary due to the ongoing resource development occurring in the general area around the land subject to this Unit Agreement. Within six (6) months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO, if on Federal Land, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until a 4,500' foot horizontal lateral in the Bone Spring Formation has been tested which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO if on Federal land or Land Commissioner in on State Land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a measured depth in excess of 11,000 feet. The paying well determination shall include at least six (6) months of actual production. If the aforementioned 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 unitized substances in paying quantities is completed to the satisfaction of the AO if it be on Federal Land or of the Land Commissioner if on State Land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. 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 and Land Commissioner may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in his 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 and the Land Commissioner, this Unit Agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO and the Land Commissioner may, after fifteen (15) days' notice to the Unit Operator, declare this Unit Agreement terminated. The parties to this Unit Agreement may not initiate a request to voluntarily terminate this Unit 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 and the Land Commissioner, shall cause this Unit Agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well commenced hereunder, the AO and the Land Commissioner 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 and Land Commissioner. 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 and Land Commissioner. Once the Unit 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.

Determination as to whether a Horizontal Well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until the completion of a well for production in paying quantities in accordance with Section 9 hereof.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. The Unit Operator shall submit for the approval of the AO, the Land Commissioner an acceptable Initial Plan of Development and Operation for the Development Unit Area which, when approved, shall constitute the further drilling and development obligations of the Unit Operator under this Unit Agreement for the period specified therein. All unit wells within the unitized land 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, the Land Commissioner and the Division, an updated, acceptable Plan of Development and Operation ("POD") for the unitized land which, when approved by the AO, Land Commissioner and the Division, shall constitute the further drilling and development obligations of the Unit Operator under this Unit Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing POD, the Unit Operator shall submit for the approval of the AO, Land Commissioner and the Division, a POD for an additional specified period for the development and operation of the unitized land. Subsequent PODs should normally be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing POD should be filed as a supplement to the POD.

Any POD submitted pursuant to this section shall provide for the timely exploration of the unitized land and for the diligent drilling necessary to fully develop the entire Unit Area. This POD shall be as complete and adequate as the AO, Land Commissioner and Division may determine to be necessary for timely development and proper conservation of the oil and gas resources of the Unit 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;

PODs shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this Unit Agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved POD. The AO, Land Commissioner and the Division are authorized to grant a reasonable extension of the 12-month period herein prescribed for submission of an Initial Plan of Development and Operation for the Development Unit Area where such action is justified because of unusual conditions or circumstances. A POD shall no longer be required once the Unit Area is determined to be fully developed by the AO, Land Commissioner and the Division, and will be evaluated on a case by case basis.

- 11. ALLOCATION OF PRODUCTION. All unitized substances produced under this Unit 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 POD that has been approved by the AO and the Land Commissioner, 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 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 earning 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 a 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 owners(s) of each tract of unitized land, in addition, such percentage of the production attributable to the unleased Federal land within the Unit Area as the number of acres of such unitized tract included in said Unit Area bears to the total acres of unitized land in said Unit Area, for the payment of the compensatory royalty specified in Section 15 of this Unit 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 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 Unit 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, the Land Commissioner and the Division, a like amount of gas 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 POD or as may otherwise be consented to by the AO, the Land Commissioner 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 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 herein 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 the working interest owners responsible therefor 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 Unit 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. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases.
- 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**. (a) The Unit Operator shall take such measures as the AO and Land Commissioner deems appropriate and adequate to prevent drainage of unitized substances for unitized land by wells on land not subject to this Unit 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 and the Land Commissioner, as to State leases.
- (b) In the event the Unit Area, as approved herein, contains unleased Federal lands, then in such event the value of 12 ½ percent of the production that would be allocated to such Federal lands under Section 11 of this Unit Agreement if such lands were leased, committed, and entitled to participation, shall be payable as compensatory royalties to the Federal Government. Parties to this Unit Agreement holding working interests in committed leases within the Unit Area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal lands to their unitized tracts under Section 11. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR Part 206. Payment of compensatory royalties on the production reallocated from unleased Federal land to the committed tracts within the Unit Area shall fulfill the Federal royalty obligation for such production, and said production shall be subject to no further royalty assessment under Section 12 of this Unit Agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the Unit Area that includes unleased Federal lands receive a production allocation, and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal lands receiving a production allocation from the Unit Area become unleased, compensatory royalties shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased or when production of unitized substances ceases within the Unit Area and the Unit Area is terminated, whichever occurs first.
- 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 Unit 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 and the Land Commissioner, as to State 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 Unit 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 Unit 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 Unit 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 Secretary and the Land Commissioner, 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 on lands other than those of the United States and the State of New Mexico committed to this Unit Agreement which, by its terms might expire prior to the termination of this Unit 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 Unit 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 Unit 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 years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing 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 Unit 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 Unit 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 years from the date of such segregation and so long thereafter

as oil or gas is produced in paying quantities."

- (h) In the event the initial test well is commenced prior to the expiration date of the shortest term State lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this Agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.
- (i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the fixed term of such lease; or if, at the expiration of the fixed term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.
- 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 Unit 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 upon approval by the AO and the Land Commissioner 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 and the Land Commissioner; 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 Unit Agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, this Unit Agreement is terminated with approval of the AO and the Land Commissioner; 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 Unit Agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal lands and are being produced as to State lands in quantities sufficient to pay for the cost of producing same from wells on unitized land. Should production cease and diligent drilling or reworking operations to restore production or new production are not in progress 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 Unit 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 Unit Agreement. Except as

noted herein, this Unit 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 and the Land Commissioner. 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 Unit 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 Unit 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 Unit Agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this Unit Agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and also to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division..

Powers in this 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 Operator 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 Commissioner of Public Lands and Division, and to appeal from orders issued under the regulations of said Department of the Interior or Land Commissioner and the Division or to apply for relief from any of said regulations, or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner 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 Unit 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 Unit 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 Unit 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 Unit 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 Unit 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 interest 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 and State lands or leases, no payments of funds due the United States or State of New Mexico should be withheld, but such funds shall be deposited as directed by the AO and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, 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 Unit Agreement, the owner of the working interest in that tract may withdraw the tract from this Unit Agreement by written notice delivered to the proper Bureau of Land Management office, Land Commissioner and the Unit Operator prior to the approval of this Unit Agreement by the AO and Commissioner. 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 Unit 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 Unit Agreement. Except as may otherwise herein be provided, subsequent joinders to this Unit Agreement shall be effective as of the date of the filing with the AO, the Land Commissioner 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 Unit Agreement.

- 27. **COUNTERPARTS**. This Unit Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all 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 Unit Agreement shall prohibit the exercise by any working interest owner of the right to surrender working interest rights 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 Unit 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 Unit Agreement and the unit operating agreement: or
- (b) lease the portion of such land subject to this Unit 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 Unit 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 Unit 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 Unit 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 Unit 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 Unit 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.

Ву:		
Name:		
Title:		
Date of Execution:		
Address: 5 Greenway Plaza, Suite 110		
Houston, Texas 77046-0521		
STATE OF		
COUNTY OF		
On thisday of,2017, before me appeared mown, who, being duly sworn, did say that he is the		to me personally
nown, who, being duly sworn, did say that he is the	f said corporation b	by authority of its board of
nstrument to be the free act of deed of said corporation.		
My Commission Expires:		
		Notary Public

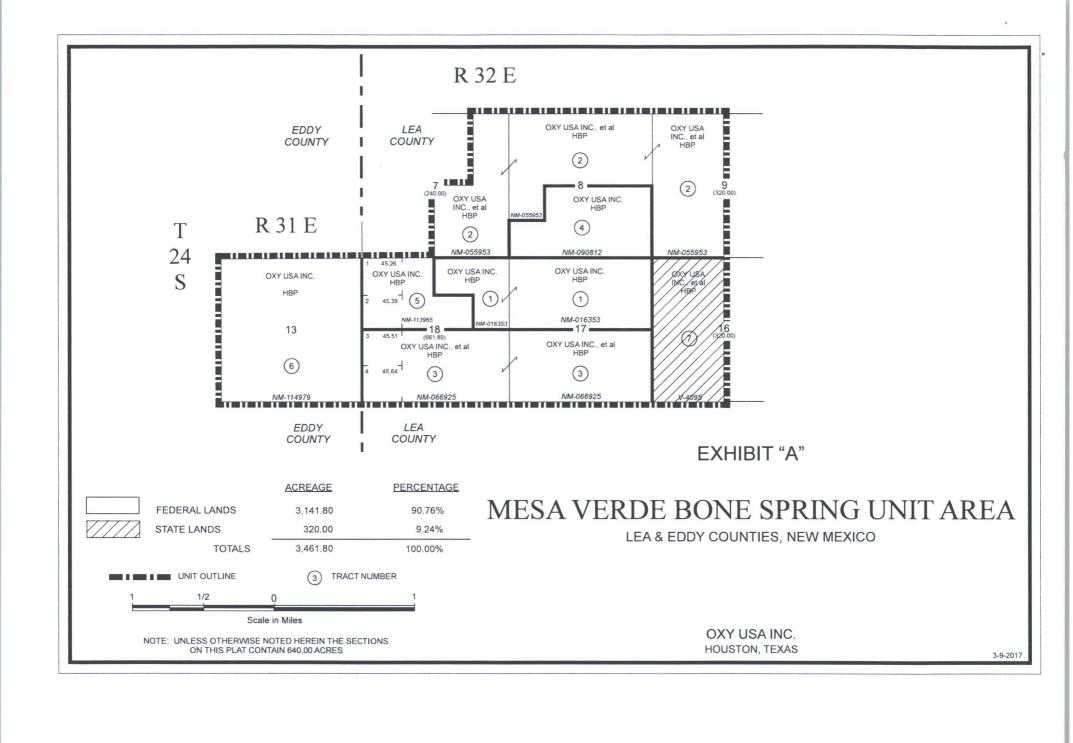


EXHIBIT "B" SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS MESA VERDE BONE SPRING UNIT AREA LEA AND EDDY COUNTIES, NEW MEXICO

Ownership reflected herein covers those formations lying below the stratigraphic equivalent of the top of the Bone Spring Formation at a measured depth of 8,445 feet down to the stratigraphic equivalent of the top of the Wolfcamp Formation at a measured depth of 11,830 feet as encountered in the Heavy Metal 14 Federal 1 well in Section 14, Township 24 South, Range 31 East, N.M.P.M. API#30-015-29603

4/20/2017

		NUMBER	SERIAL NUMBER	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYA	ALTY	WORKING	INTEREST
TRACT	DESCRIPTION	OF	& EXPIRATION	AND	AND	AND		Al	ND
NO.	OF LAND	ACRES	DATE OF LEASE	PERCENTAGE	PERCENTAGE	PERCENTAGE PERCENTAGE		PERCE	NTAGE
	FEDERAL LANDS:								
1.	T24S-R32E N.M.P.M Sec. 17: N/2 Sec. 18: N/2NE/4, SE/4NE/4	440.00	NMNM-16353 Effective 2-1-1973 HBP	U.S.A All (12.5% royalty)	ExxonMobil Oil Corporation 100.00000%	ExxonMobil Oil Corporation Jerune Allen Doug J. Schutz Sam L. Shackelford Robert N. Enfield, Trustee of the Robert N. Enfield Revocable Trust Bryan Bell Family Limited Partnership No. 1 Howard A. Rubin Rubie C. Bell Family Partnership No. 1 DMA, Inc. Mona L. Enfield Charmar, LLC Richard C. Deason Thomas D. Deason	5.00000% 1.25000% 0.75000% 0.75000% 0.54167% 0.45833% 0.41667% 0.20833% 0.16667% 0.12500% 0.11667% 0.05833%	Oxy USA Inc.	100.00000%
						Ronald H. Mayer, Trustee of the Ronald H. Mayer and Martha M. Mayer Revocable Trust SAP, LLC	0.05000%		

TOTAL

10.00000%

TRACT DESCRIPTION NO. OF LAND	NUMBER SERIAL NUMBER OF & EXPIRATION ACRES DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
2. T24S-R32E N.M.P.M. Sec. 7: E/2NE/4, SE/4 Sec. 8: N/2, NW/4SW/4 Sec. 9: W/2	920.00 NMNM-55953 Effective 7-1-1983 HBP	U.S.A All (16 2/3% royalty)	EOG Resources Inc. 100.00	Sec. 8: NW/4SW/4; Sec. 9: SW/4; A-8 Investment Company 2.83333' The Hatch Group, Ltd 2.00000' First Roswell Company, Ltd 0.50000' Philip L. White 0.40000' Thomas E. Jennings 0.35000' International Petroleum & 0.12500' Exploration Royalty Corporation TOTAL 6.33333' As to Sec. 9: NW/4: A-8 Investment Company The Hatch Group, Ltd 1.00000' First Roswell Company, Ltd 0.50000' Philip L. White 0.40000' Thomas E. Jennings 0.35000' Michael L. Pinnell 0.12500' International Petroleum & 0.12500' Exploration Royalty Corporation TOTAL 5.50000' As to the balance of the lands: A-8 Investment Company Ltd 1.00000' First Roswell Company, Ltd 0.50000' As to the balance of the lands: A-8 Investment Company Ltd 0.50000' Thomas E. Jennings 0.35000' As to the balance of the lands: A-8 Investment Company Ltd 0.50000' Philip L. White 0.40000' Thomas E. Jennings 0.35000' Michael L. Pinnell 0.12500' International Petroleum & 0.12500' Exploration Royalty Corporation TOTAL 5.33333' TOTAL 5.33333' S.3333' S.3333'	Oxy USA Inc. 100.00000% As to Sec. 7: E/2NE/4; Sec. 8: N/2NW/4, SE/4NW/4, NE/4; Sec. 9: W/2: Oxy USA Inc. 75.00000% First Roswell Company, Ltd. 20.833333 TOTAL 100.00000% TOTAL 100.00000%

TD 1 0			SERIAL NUMBER	BASIC ROYALTY	LESSEE OF REC	ORD	OVERRIDING ROYA	ALTY	WORKING INTERE	ST
TRACT	DESCRIPTION OF LAND	OF	& EXPIRATION DATE OF LEASE	AND PERCENTAGE	AND AND PERCENTAGE PERCENTAGE		AND PERCENTAGE			
			57112 01 227102							
3.	T24S-R32E N.M.P.M Sec. 17: S/2 Sec. 18: Lots 3, 4, E/2SW/4, SE/4	651.15	NMNM-66925 Effective	U.S.A All (12.5% royalty)	Burlington Resources Oil and Gas Company, LP	100.00000%	Betty Moss Dean, Trustee of the Betty and Charles Dean Family Trust	2.08125%	As to Sec. 18: NE/4SW/4: Oxy USA Inc.	100.00000%
			11-1-1986 HBP				Charles W. Perry David Allen Lucas Nick C. Lucas TOTAL	0.23125% 0.09375% 0.09375% 2.50000%	As to the balance of the lands. Oxy USA Inc. ConocoPhillips Company TOTAL	60.000009 40.000009 100.000009
4.	T24S-R32E N.M.P.M Sec. 8: E/2SW/4, SW/4SW/4,	280.00		U.S.A All (12.5% royalty)	EOG Resources Inc.	100.00000%	ExxonMobil Oil Corporation	7.50000%	Oxy USA Inc.	100.00000%
	SE/4		Effective 9-1-1988							
			HBP							
5.	T24S-R32E N.M.P.M Sec. 18; Lots 1, 2, SW/4NE/4,	210.65	NMNM-113965	U.S.A All (12.5% royalty)	Oxy USA Inc.	100.00000%	None		Oxy USA Inc.	100.000009
	E/2NW/4		Effective 6-1-2005							
			HBP							
6.	T24S-R31E N.M.P.M	640.00	NMNM-114979	U.S.A All (12.5% royalty)	Oxy USA Inc.	100.00000%	None		Oxy USA Inc.	100.000009
0.	Sec. 13: All	040.00	Effective	0.5.A All (12.5% loyalty)	CAY COA IIIC.	100.0000070	Note		OXY USA IIIC.	100.000007
			НВР							
6	FEDERAL TRACTS		3,141,80	ACRES OR 90.76%	OF UNIT AREA					

MESA VERDE BONE SPRING UNIT AREA

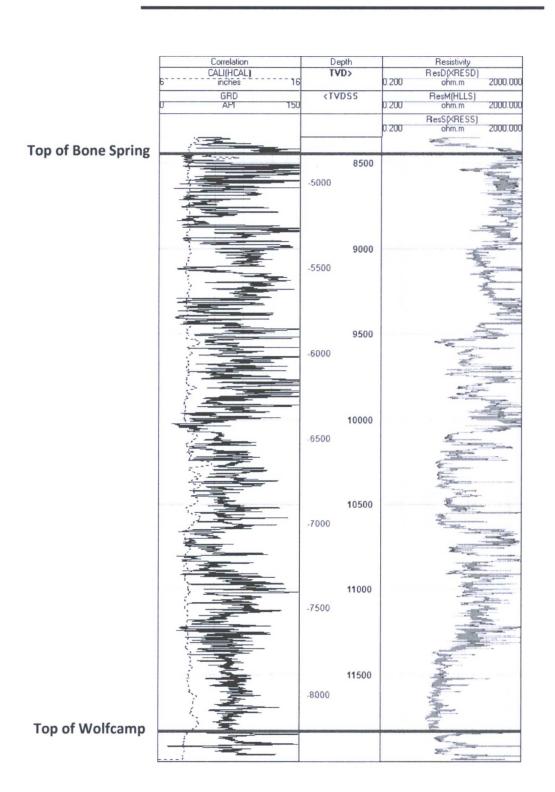
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4/20/2017

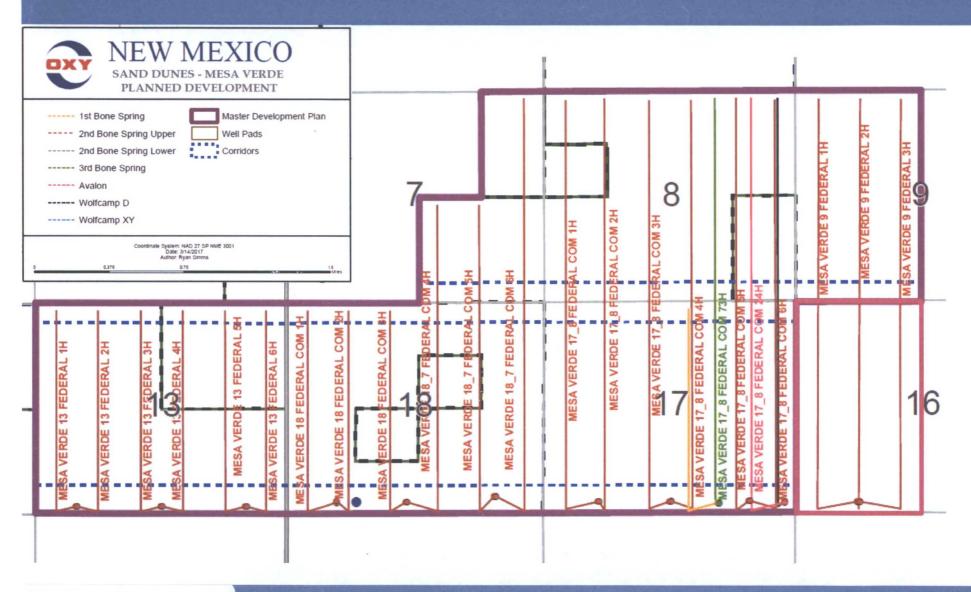
TRACT NO.	DESCRIPTION OF LAND	NUMBER SERI OF & E ACRES DATI	XPIRATION		ROYALTY AND ENTAGE			E OF REC AND RCENTAG		OVERRIDING ROYALTY AND PERCENTAGE	WORKING IN AND PERCEN	1
7.	<u>STATE LANDS:</u> <u>T24S-R32E N.M.P.M.</u> Sec. 16: W/2	E	V-4095 Effective 1-1-1992 HBP	State of New Mex	ico (1/6 t h i	royalty)	Oxy USA Inc. Oxy Y-1 Compan TOTAL	у	90.00000% 10.00000% 100.00000%	None	Oxy USA Inc. Oxy Y-1 Company TOTAL	90.00000% 10.00000% 100.00000%
1	STATE TRACTS	TOTALING	320.00	ACRES	OR	9.24%	OF UNIT	AREA				
7	TRACTS	TOTALING 3	3,461.80	ACRES IN	UNIT	AREA						

Exhibit C

Type Log – Top of Bone Spring to Top of Wolfcamp Mesa Verde Bone Spring Undivided Federal Unit Area Eddy and Lea County, New Mexico



Mesa Verde 2BS Full Development





Santa Fe, New Mexico
Exhibit No. 2
Submitted by: OXY USA INC. LP
Hearing Date: August 17, 2017





United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Pecos District
Carlsbad Field Office
620 E. Greene
Carlsbad. New Mexico 88220-6292
www.blm.gov/nm

NMNM137096X 3180 (P0220)

June 8, 2017

Reference:

Application and Request for Designation Mesa Verde Bone Spring Resource Development Unit

CERTIFIED—RETURN RECEIPT REQUESTED 7016 3010 0000 9530 7013

John Schneider Oxy USA Inc. 5 Greenway Plaza, Suite 110 Houston, Texas 77046-0521

Gentlemen:

Your application of March 16, 2017, filed with the Bureau of Land Management (BLM) Carlsbad Field Office, requests the designation of the Mesa Verde Bone Spring Resource Development Unit area, embracing 3,461.80 acres, more or less, in Eddy and Lea Counties, New Mexico, as logically subject to resource development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to public interest requirements and unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit "A" and Exhibit "B", the Mesa Verde Bone Spring Unit area, Eddy and Lea Counties, New Mexico, is hereby designated as a logical unit area and has been assigned agreement number NMNM137096X. This designation is for all oil and gas from the Bone Spring formations only and valid for a period of one year from the date of this letter.

As stated in Section 3 in the unit agreement, unitized substances are as follows:

"All oil and gas from the top of the Bone Spring formation at a measured depth of 8,445 feet down to the stratigraphic equivalent of the top of the Wolfcamp formation at a measured depth of 11.830 feet as encountered in the Heavy Metal 14 Federal 1 well in Section 14, Township 24

Submitted by: **OXY USA INC. LP** Hearing Date: August 17, 2017

South, Range 31 East, N.M.P.M. (API #30-015-29603), are unitized under the terms of this Unit Agreement and are herein called "unitized substances" (see type log attached as Exhibit C)."

The resource development unit agreement to be submitted for the area designated shall provide for the initial obligation well on a location approved by the Authorized Officer in the SE/4, Section 17, Township 24S, Range 32E sufficient to test the Bone Spring Formation with a horizontal lateral not less than 4,500 feet in length and drilled in conformity with the terms of Section 9 of the unit agreement.

Your proposed use of a Resource Development Unit Agreement which is a modification of the Model onshore unit agreement for unproven areas in 43 CFR 3186.1 and provided by the BLM Carlsbad Field Office is accepted.

In the absence of any type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above and specifying the initial unit obligation well, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted that, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

Please include the latest status of all acreage when the executed agreement is submitted for final approval. In preparing Exhibits "A" and "B", the format of the sample exhibits of the model form shall be followed. A minimum of three copies of the executed agreement shall be submitted with your request for final approval.

Please contact Chris Walls, Petroleum Engineer, at 575-234-2234 if you have any questions.

Sincerely,

Field Manager

cc:

NM9210 NMP0220

John Schneider Oxy USA, Inc. 5 Greenway Plaza, Suite 110 Houston, TX 77046-0521



Aubrey Dunn COMMISSIONER

State of New Mexico Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148 SANTA FE, NEW MEXICO 87504-1148 **COMMISSIONER'S OFFICE**

Phone (505) 827-5760 Fax (505) 827-5766 www.nmstatelands.org

June 26, 2017

OXY USA, Inc. ATTN: Mr. John Schneider PO Box 27757 Houston, TX 77227-7757

Re:

Preliminary Approval

Mesa Verde Bone Spring Unit Lea and Eddy Counties, New Mexico

Dear Mr. Schneider:

We received the unexecuted copy of the unit agreement that you submitted for the proposed Mesa Verde Bone Spring Unit Area, Lea and Eddy Counties, New Mexico. This agreement meets the general requirements of the New Mexico State Land Office, and you have this date been granted preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short-term leases until final approval and an effective date have been given.

When submitting your agreement for final approval, please include the following:

- 1. Application for final approval setting forth the tracts that have been committed and the tracts that have not been committed.
- 2. Pursuant to Rule 19.2.100.51, a statement of facts showing that:
 - a. The agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. Under the proposed unit operation, the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. Each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. The unit agreement is in other respects for the best interest of the Trust.

- 3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
- 4. Approval order from the New Mexico Oil Conservation Division. State Land Office approval is conditioned upon approval by the New Mexico Oil Conservation Division.
- 5. Approval order from the Bureau of Land Management. State Land Office approval is conditioned upon approval by the Bureau of Land Management.
- 6. One copy of the Unit Operating Agreement (if applicable).
- 7. A filing fee of \$490 (\$700 minus the \$210 fee submitted on March 22, 2017). The filing fee is \$100 for each section or partial section included in the unit, whether federal, state, or privately owned.

If you have any questions or if we may be of further assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791.

Respectfully,

AUBREY DUNN

COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: NMOCD - Attn: Mr. Daniel Sanchez

RMD – Attn: Mr. Danny Martinez RMD – Attn: Mr. Roddy Martinez

BLM - Carlsbad - Attn: Mr. Chris Walls

OGMD & Units Reader Files

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

APPLICATION OF OXY USA INC. FOR APPROVAL OF THE MESA VERDE UNIT, CONTRACTION OF THE COTTON DRAW; BONE SPRING EAST POOL, AND EXPANSION OF THE MESA VERDE; BONE SPRING POOL, LEA AND EDDY COUNTIES, NEW MEXICO.

CASE NO. 15798

AFFIDAVIT

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Michael H. Feldewert, attorney in fact and authorized representative of OXY U.S.A., Inc, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Application has been provided under the notice letters and proof of receipts attached hereto.

Michael H. Feldewert

SUBSCRIBED AND SWORN to before me this 16th day of August, 2017 by Michael H.

Feldewert.

Notary Public

Submitted by: OXY USA INC. LP Hearing Date: August 17, 2017



Jordan L. Kessler Associate Phone (505) 988-4421 Fax (505) 983-6043 JLKessler@hollandhart.com

July 28, 2017

<u>CERTIFIED MAIL</u> RETURN RECEIPT REQUESTED

TO: AFFECTED PARTIES

Re: Application Of OXY USA Inc. For Approval Of The Mesa Verde

Unit, Contraction of the Purple Sage-Wolfcamp Gas Pool, And Creation Of A Wolfcamp Oil Pool, Lea and Eddy Counties, New

Mexico.

Ladies and Gentlemen:

This letter is to advise you that OXY USA, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. A copy of the unit agreement and attachments are also enclosed. This application has been set for hearing before a Division Examiner at 8:15 a.m. on August 17, 2017. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,

Jordan L. Kessler

ATTORNEY FOR OXY U.S.A. INC.

Oxy/ Mesa Verde Wolfcamp Case No. 15797 Bone Spring Case No. 15798

First Roswell Company, Ltd. 111 South Kentucky Avenue Roswell, NM 88203

Thomas E. Jennings P.O. Box 1797 Roswell, NM 88202

ConocoPhillips Company Attn: Cody Travers 600 North Dairy Ashford Houston, TX 77079

Chevron USA Inc. 1400 Smith St. Houston, TX 77002

Cimarex Energy Co. of Colorado 202 S. Cheyenne Ave, Ste 1000 Tulsa, OK 74103

Devon Energy Production Company, LP 333 W. Sheridan Ave Oklahoma City, OK 73102

EOG Y Resources, Inc. 105 S 4th St Artesia, NM 88210

COG Operating LLC One Concho Center 600 W. Illinois Ave Midland, TX 79701

EOG Resources Inc P.O. BOX 2267 Midland, TX 79702

Oxy USA Inc PO BOX 4294 Houston, TX 77210 BC Operating, Inc P. O. BOX 50820 Midland, TX 79710

Black Mountain Operating LLC 500 Main Street Ste 1200 Fort Worth TX 76102

BOPCO, L.P. P. O. BOX 2760 Midland, TX 79702

BTA Oil Producers, LLC 104 S. Pecos Midland, TX 79701

Caza Operating, LLC 200 N Loraine Ste 1550 Midland, TX 79701

Chevron Midcontinent, L.P. ATTN: PERMITTING TEAM 6301 Deauville Blvd. Midland, TX 79706

Chevron U S A Inc. ATTN: PERMITTING TEAM 6301 Deauville Blvd. Midland, TX 79706

Chisholm Energy Operating, LLC 801 Cherry St Fort Worth, TX 76102

Cimarex Energy Co. 600 N Marienfeld St Ste 600 Midland, TX 79701

ConocoPhillips Company 3401 E. 30TH St Farmington, NM 87402

Kaiser-Francis Oil Co 6733 S Yale Ave Tulsa, OK 74136 Legacy Reserves Operating LP P. O. BOX 10848 Midland, TX 79702

Linn Operating, Inc. 600 Travis Ste 5100 Houston, TX 77002

Marathon Oil Permian LLC 5555 San Felipe Street Houston, TX 77056-2723

Matador Production Company One Lincoln Centre 5400 LBJ Freeway, Ste 1500 Dallas TX 75240

Mewbourne Oil Co 4801 Business Park Blvd. PO BOX 2070 Hobbs, NM 88240

Murchison Oil & Gas Inc Legacy Tower One 7250 Dallas PKWY, Ste 1400 Plano, TX 75024

Oliver Brown DBA Oliver Brown Oil P.O. BOX 62951 San Angelo, TX 76906

Oxy USA WTP Limited Partnership PO BOX 4294 Houston, TX 77210

Resource Rock Services, LLC 917 Franklin St Houston, TX 77002

RKI Exploration & Production, LLC 3500 One Williams Center Tulsa, OK 74172

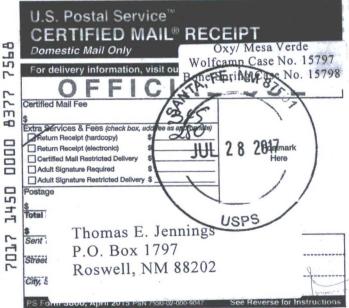
Rockcliff Operating New Mexico LLC 1301 McKinney Ste 1300 Houston, TX 77010 Tap Rock Operating, LLC 602 Park Point Drive Ste 200 Golden, CO 80401

XTO Energy, Inc 9193 S. JAMAICA ST. PO BOX 6501 Englewood, CO 80155

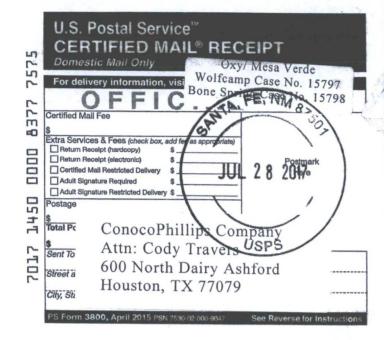
COG Production, LLC ONE CONCHO CENTER 600 W. Illinois Ave Midland, TX 79701

JKM Energy, LLC 26 East Compress Rd. Artesia, NM 88210





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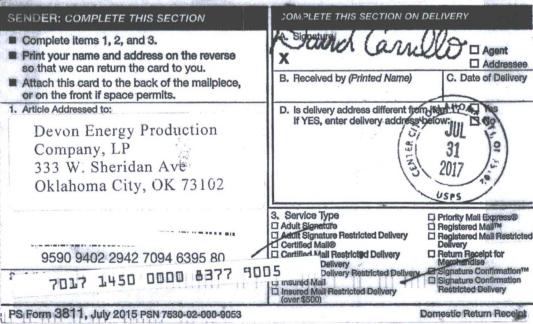
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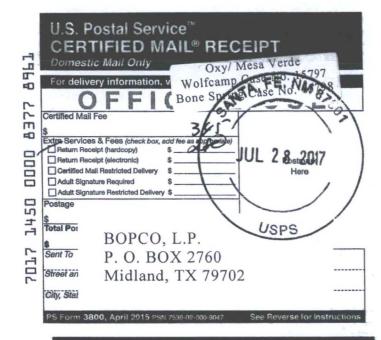


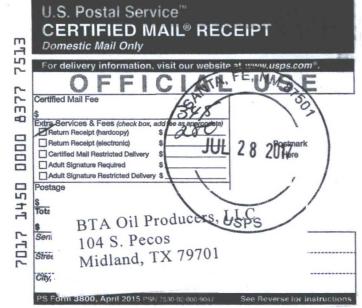
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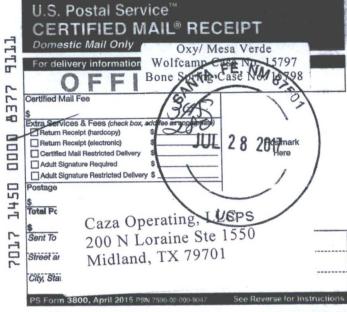


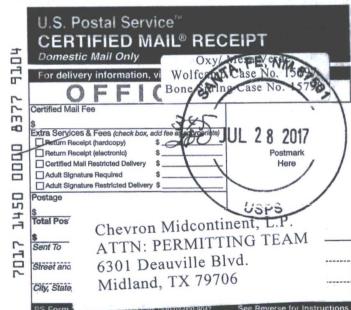
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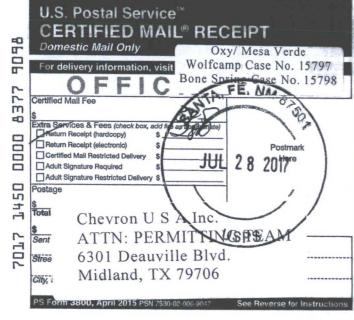
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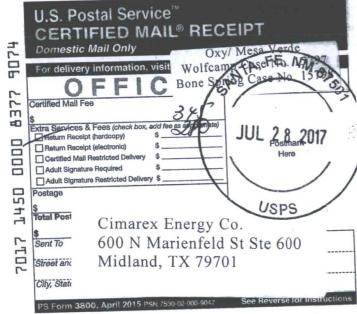
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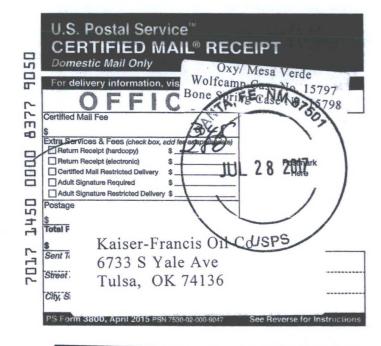
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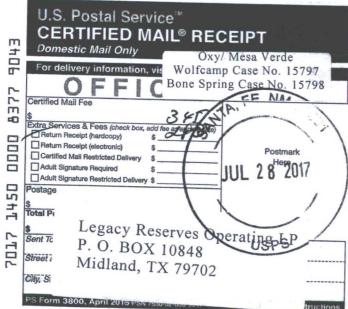


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Tulsa, OK 74136	
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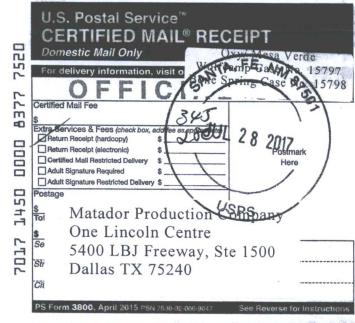


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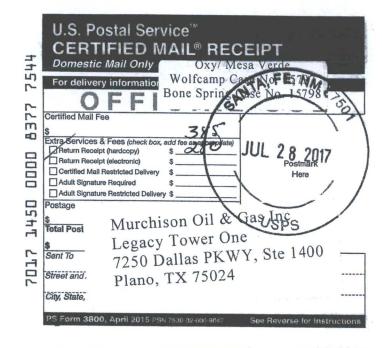
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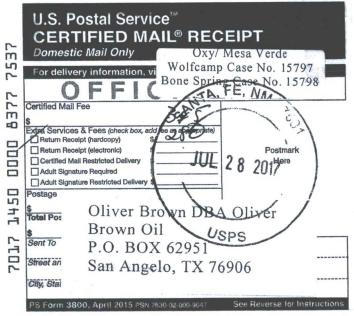
Domestic Return Receipt



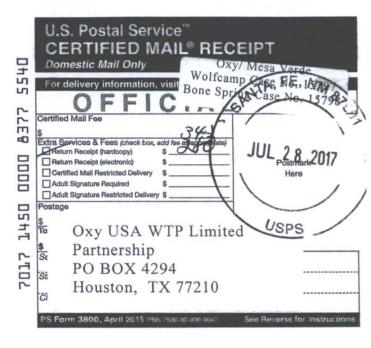
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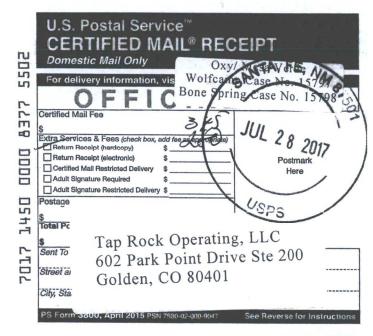


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Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. RKI Exploration & Production, LLC 3500 One Williams Center Tulsa, OK 74172	A. Signature B. Regelived by (Printed Name) D. Is delivery address different from item 1? If YES, enter delivery address below:
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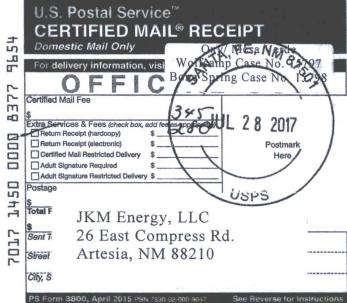
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7	9193 S. JAMAICA ST.
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1	Englewood, CO 80155 City, Stat PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

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JKM Energy, LLC 26 East Compress Rd. Artesia, NM 88210	
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Affidavit of Publication

STATE OF NEW MEXICO COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

> Beginning with the issue dated August 01, 2017 and ending with the issue dated August 01, 2017.

Sworn and subscribed to before me this 1st day of August 2017.

Business Manager

My commission expires January 29, 2019

(Seal

OFFICIAL SEAL **GUSSIE BLACK** Notary Public State of New Mexico My Commission Expires 1-29-19

This newspaper is duly qualified to publish legal notices or adverti legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL NOTICE August 1, 2017

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **August 17, 2017**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **August 7, 2017**. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed. accessible form is needed.

> STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: First Roswell Company, Ltd.; Thomas E. Jennings, his heirs and devisees; ConocoPhillips Company; Devon Energy Production Company, LP; Chevron USA Inc.; Cimarex Energy Co. of Colorado; EOG Y Resources, Inc.; COG Operating LLC; EOG Resources Inc.; Oxy USA Inc.; BC Operating, Inc.; Black Mountain Operating LLC; BOPCO, L.P.; BTA Oil Producers, LLC; Caza Operating, LLC; Chevron Midcontinent, L.P.; Chisholm Energy Operating, LLC; Cimarex Energy Co.; Kaiser-Francis Oil Co.; Legacy Reserves Operating LP; Linn Operating, Inc.; Marathon Oil Permian LLC; Matador Production Company; Mewbourne Oil Co.; Murchison Oil & Gas Inc.; Oliver Brown dba Oliver Brown Oil; Oxy USA WTP Limited Partnership; Resource Rock Services, LLC; RKI Exploration & Production, LLC; Rockcliff Operating New Mexico LLC; Tap Rock Operating, LLC; XTO Energy, Inc.; COG Production, LLC; JKM Energy, LLC

CASE 15797: Application Of OXY USA Inc. For Approval Of The Mesa Verde Unit, Contraction of the Purple Sage-Wolfcamp Gas Pool, And Creation Of A Wolfcamp Oil Pool, Lea and Eddy Counties, New Mexico. Applicant seeks an order (1) approving its Mesa Verde Unit; (2) contracting the Purple Sage-Wolfcamp Gas Pool (98220) from the interior boundary of the spacing unit; and (3) creation of a Wildcat Wolfcamp oil pool to cover the Wolfcamp formation within the Unit Area. The Mesa Verde Unit consists of approximately 3,461.80 acres of the following Federal and State lands situated in Lea and Eddy Counties, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY

Section 13: All

TOWNSHIP 24 SOUTH, RANGE 32 EAST, N.M.P.M., LEA COUNTY

Section 7: E/2 NE/4, SE/4 Section 8: All Section 9: W/2 Section 16: W/2 Section 17: All Section 18: All

The unitized interval is the stratigraphic equivalent of the top of the Wolfcamp formation at a measured depth of 11,882 feet down to the stratigraphic equivalent of the top of the Pennsylvanian formation at a measured depth of 13,400 feet as encountered in the Jack Tank 8 Federal 2 well in Section 8, Township 24 South, Range 32 East, N.M.P.M. (API # 30-025-32192). The subject acreage is located approximately 22 miles west of Malaga, New Mexico. #31969

67100754

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HOLLAND & HART LLC PO BOX 2208 SANTA FE,, NM 87504-2208

> BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico

Exhibit No. 6 Submitted by: OXY USA INC. LP Hearing Date: August 17, 2017

Affidavit of Publication

State of New Mexico, County of Eddy, ss.

Danny Fletcher, being first duly sworn, on oath says:

That he is the Publisher of the Current-Argus, Carlsbad newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements mav published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

August 1

2017

That the cost of publication is \$199.53 and that payment thereof has been made and will be assessed as court costs.

Subscribed and sworn to before me this 2 day of

My commission Expires $\underline{\mathcal{Z}}$

Notary Public



August 1, 2017

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regula-tions of the Division of the following public hearing to be held at 8:15 A.M. on August 17, 2017, in the Oil Conservation Division Conservation Division Conservation Division Conservation Conservatio Hearing Room at 1220 South St. Francis, San-ta Fe, New Mexico, before an examiner duly appointed for the hearing. If you received hearing. If you are an individual with a disability who is in need of reader, amplifier, alified sign lanqualified sign lan-guage interpreter, or any other form of aux-iliary aid or service to attend or participate in the hearing, please contact: Florene Da-vidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **August 7**, **2017**. Public docu-ments, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

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ating, Inc.; Marathon
Oil Permian LLC; Matador Production Company; Mewbourne Oil
Co.; Murchison Oil &
Gas Inc.; Oliver Brown
dba Oliver Brown Oil;
Oxy USA WTP Limited
Partnership; Resource
Rock Services, LLC;
RKI Exploration & Production. RKI Exploration & Production, LLC;
Rockcliff Operating
New Mexico LLC; Tap
Rock Operating, LLC;
XTO Energy, Inc.; COG
Production, LLC; JKM
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CASE 15797: Application Of OXY USA Purple Sage
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Count And Creation Of A Wolfcamp Oil Pool, Lea and Eddy Counties, New Mexico. Applicant seeks an order (1) approving its Mesa Verde Unit; (2) contracting the Purple Sage-Wolfcamp Gas Pool (98220) from the Pool (98220) from the interior boundary of the spacing unit; and (3) creation of a Wild-cat Wolfcamp oil pool to cover the Wolfcamp formation within the Unit Area. The Mesa Verde Unit consists of approximately 3,461.80 acres of the following Federal and State lands sit-uated in Lea and Eddy Counties, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY

Section 13: All

TOWNSHIP 24 SOUTH, RANGE 32 EAST, N.M.P.M., LEA COUNTY

> Section 7: E/2 NE/4, SE/4 Section 8: All Section 9: W/2 Section 16: W/2 Section 17: All Section 18: All

The unitized interval is To: First Roswell Company, Ltd.; Thomas E. Jennings, his heirs and deviseed; depth of 11,882 feet down to the stratigraphic equiva-lent of the top of the Pennsylvanian formation at a measured depth of 13,400 feet depth of 13,400 feet as encountered in the Jack Tank 8 Federal 2 well in Section 8, Township 24 South, Range 32 East, N.M.P.M. (API # 30-025-32192). The subject acreage is located approximately 22 approximately 22 miles west of Malaga, New Mexico.

