

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

**APPLICATION OF OXY USA, INC. TO RESCIND THE HORIZONTAL SPACING  
UNITS AND API NUMBERS ASSIGNED TO FOUR APPLICATIONS FOR PERMITS TO  
DRILL ISSUED TO MURCHISON OIL & GAS INC, EDDY COUNTY, NEW MEXICO**

**Case No. 20410**

**SELF-AFFIRMED STATEMENT  
OF CHARLES A. WARD, III**

1. I am over 18 years of age and am competent to provide this Self-Affirmed Statement.
2. I am employed by Murchison Oil and Gas, LLC ("Murchison") as a geologist. I have had direct involvement with Murchison's development plan for the N/2 of Section 30, Township 24 South, Range 29 East in Eddy County, including the four one-mile horizontal wells that are identified in OXY USA, Inc's ("OXY") Motion for an Expedited Order Staying Administrative Approval of Horizontal Spacing Units and API Numbers ("Motion").
3. Murchison has permitted horizontal wells with one-mile laterals in the N/2 of Section 30 based on the presence of the drilled and completed wells with one-mile 'laydown' laterals in the adjoining Sections 25 and 29. Those wells are identified on the map attached hereto as Exhibit A.
4. Murchison's evaluation of the prospects for the wells has led it to the conclusion that the wells will effectively and efficiently produce from the target intervals.
5. I have reviewed the Affidavit of OXY geologist Tyler Evans that is attached as Exhibit 3 to OXY's Motion, and will respond specifically to Mr. Evans' statements regarding 'standup' wells.

**EXHIBIT  
B**

6. In my understanding the known stress direction within the Bone Spring and Wolfcamp formations runs in such a way that both North-South (Standup), as well as East-West (Laydown) wells, produce similar results.

7. Mr. Evans' statement that "the preferred well orientation for horizontal wells in this area is a 'standup' orientation rather than a 'laydown' orientation" is not reflected in the wells drilled to date in Section 30 and surrounding area. As reflected on the map that is attached hereto as Exhibit A, of the 248 wells identified, 142 of them are 'laydown' wells, including more than 70 of which are 'laydown' wells that OXY itself has drilled and completed. *See Exhibit A.*

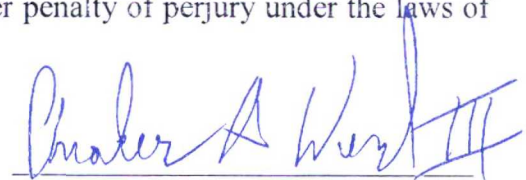
8. I am aware that in both Township 24 South, Range 29 East and Township 25 South, Range 29 East, OXY has contemporaneously drilled both 'laydown' and 'standup' oriented wells and is currently drilling or has recently finished drilling several 'laydown' horizontals.

9. Within both Township 24 South, Range 28 East and Township 24 South, Range 29 East, offset operators, including Matador Production Company, Mewbourne Oil Company, and Marathon Oil Permian LLC, have recently drilled or are currently drilling in a 'laydown' format. *See Exhibit X.*

10. Data gathered from well results in the vicinity indicate that 'laydown' and 'standup' wells perform similarly and Murchison has participated as a working interest owner in wells in both orientations.

11. The production history of the laydown wells identified on Exhibit A has been very favorable. Consistent with that production history, Murchison's prognosis for its laydown wells in the N/2 of Section 30 is that the wells will be productive and economically viable.

12. This Self-Affirmed Statement is made under penalty of perjury under the laws of the State of New Mexico.

  
CHARLES A. WARD, III  
Dated: March 20, 2019

**Pierce Crossing - Rock Ridge  
Offsets By Bench**

Coord Sys: NAD 1983 UTM Zone 13N  
Date: Wednesday, March 20, 2019  
Time: 6:10:44 PM  
Author: Charles A Ward III

N

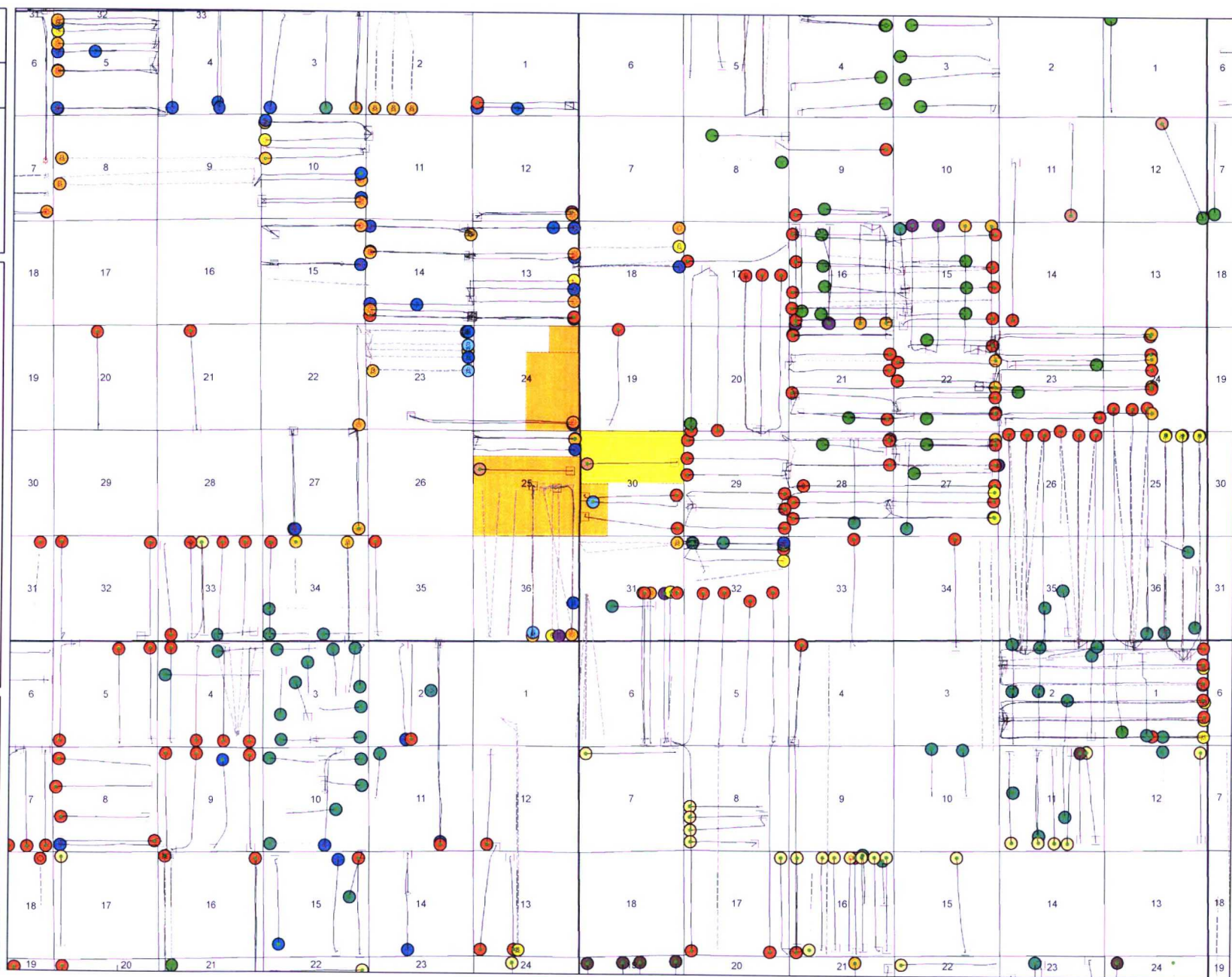
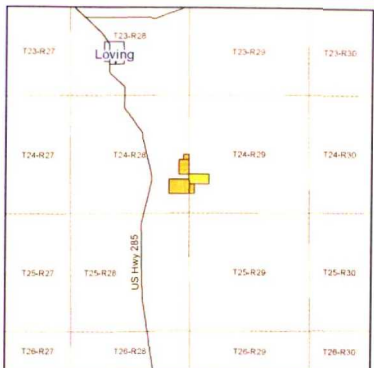
**Legend**

**Producing Horizon**

- Brushy Canyon
- Upper Avalon
- Middle Avalon
- Lower Avalon
- 1st Bonespring Sand
- 2nd Bonespring Sand
- 3rd Bonespring Silts
- 3rd Bonespring Sand
- Wolfcamp XY
- Wolfcamp A
- Lower Wolfcamp 1
- Lower Wolfcamp 2


**Well Status**

- Non-Active Borepath
- Active Borepath




**EXHIBIT  
A**




 **Pierce Crossing - Rock Ridge**  
**2nd Bonespring Producers by Operator**

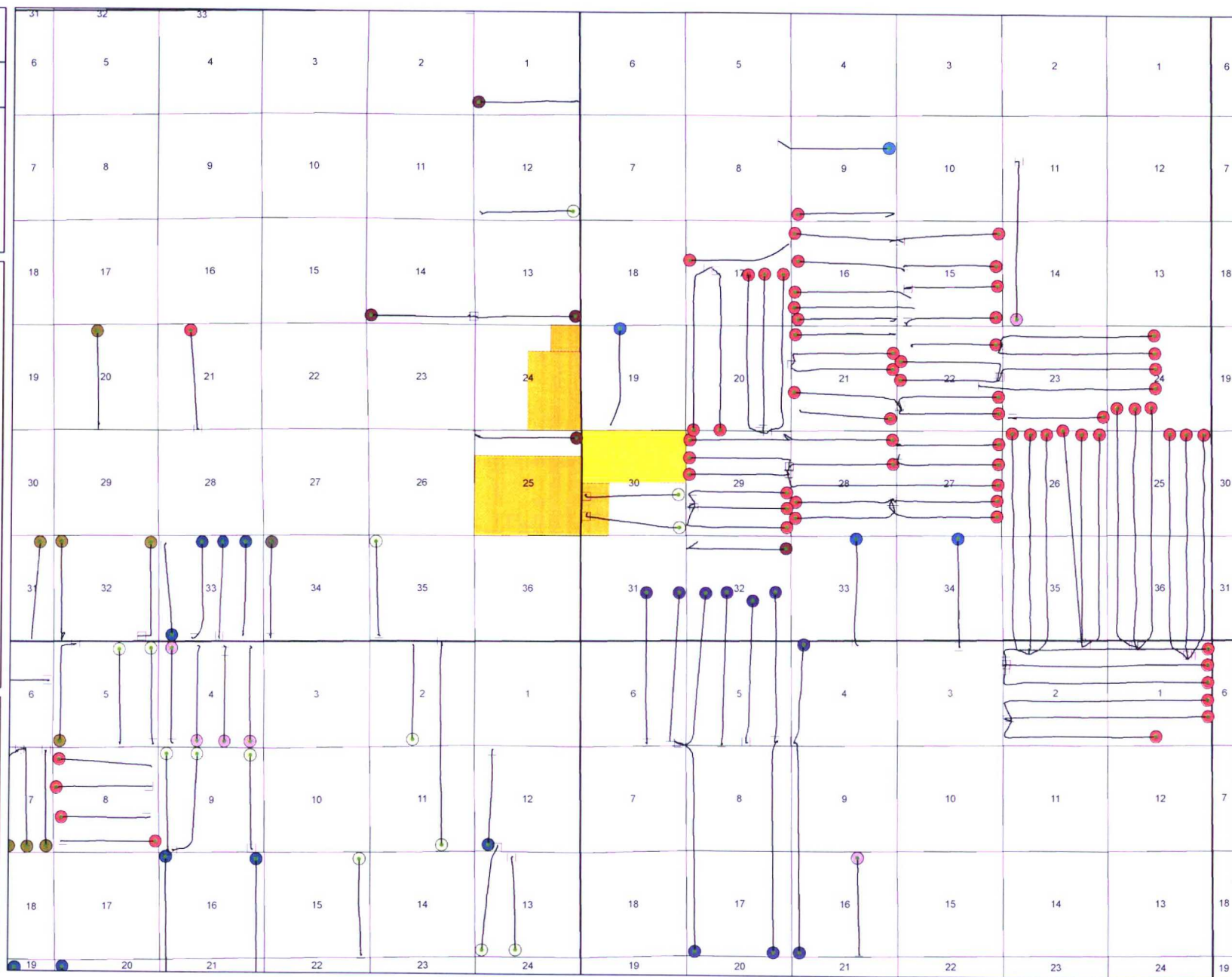
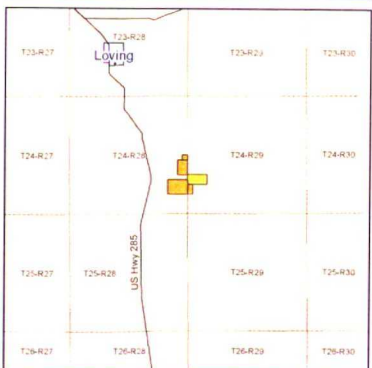
Coord Sys: NAD 1983 UTM Zone 13N  
 Date: Wednesday, March 20, 2019  
 Time: 6:08:48 PM  
 Author: Charles A Ward III

N  


**Legend**

**2nd Bonespring Sand Operator**

-  CHEVRON U S A INCORPORATED
-  COG OPERATING LIMITED LIABILITY CORP
-  DEVON ENERGY PRODUCTION COMPANY L P
-  LEGEND NATURAL GAS III LP
-  MARATHON OIL PERMIAN LLC
-  MARBOB ENERGY CORPORATION
-  MATADOR PRODUCTION COMPANY
-  MEWBOURNE OIL COMPANY
-  NADEL AND GUSSMAN PERMIAN LLC
-  OXY USA INC
-  XTO ENERGY INCORPORATED
-  YATES PETROLEUM CORPORATION



**EXHIBIT  
B**

**Pierce Crossing - Rock Ridge  
Upper Wolfcamp (XY & A) Offsets**

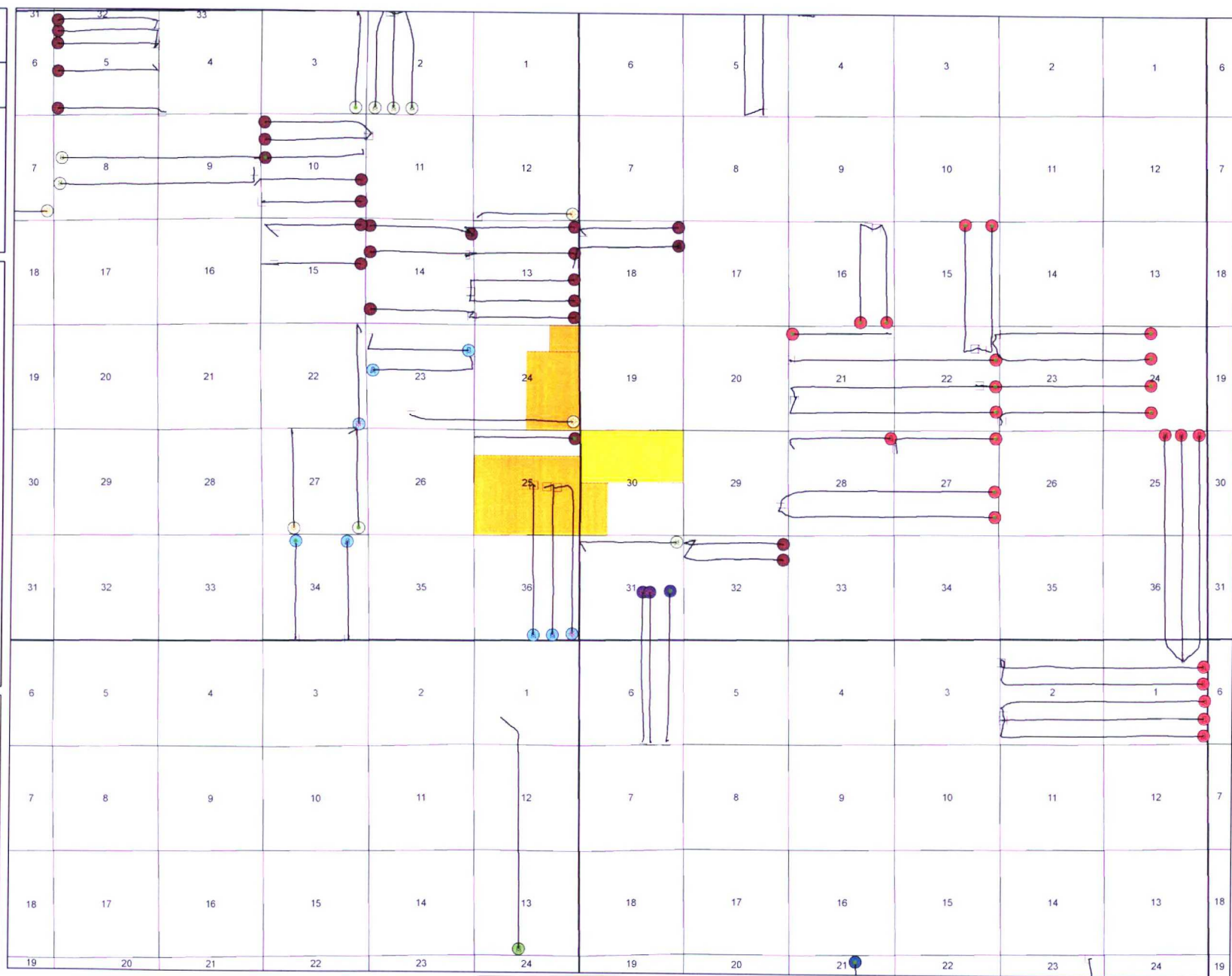
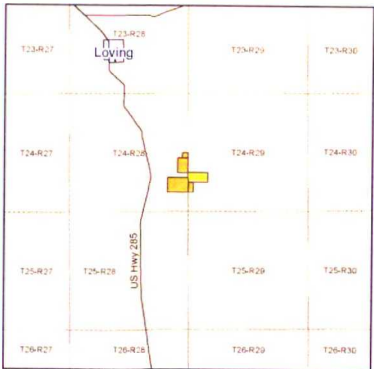
Coord Sys: NAD 1927 UTM Zone 13N  
Date: Wednesday, March 20, 2019  
Time: 5:45:40 PM  
Author: Charles A Ward III

N

**Legend**

**Upper Wolfcamp Operators**

- CHEVRON U S A INCORPORATED
- CIMAREX ENERGY COMPANY
- COG OPERATING LIMITED LIABILITY CORP
- MARATHON OIL PERMIAN LLC
- MATADOR PRODUCTION COMPANY
- MEWBOURNE OIL COMPANY
- OXY USA INC
- XTO ENERGY INCORPORATED



**EXHIBIT  
C**

**Pierce Crossing - Rock Ridge  
Lower Wolfcamp Offsets**

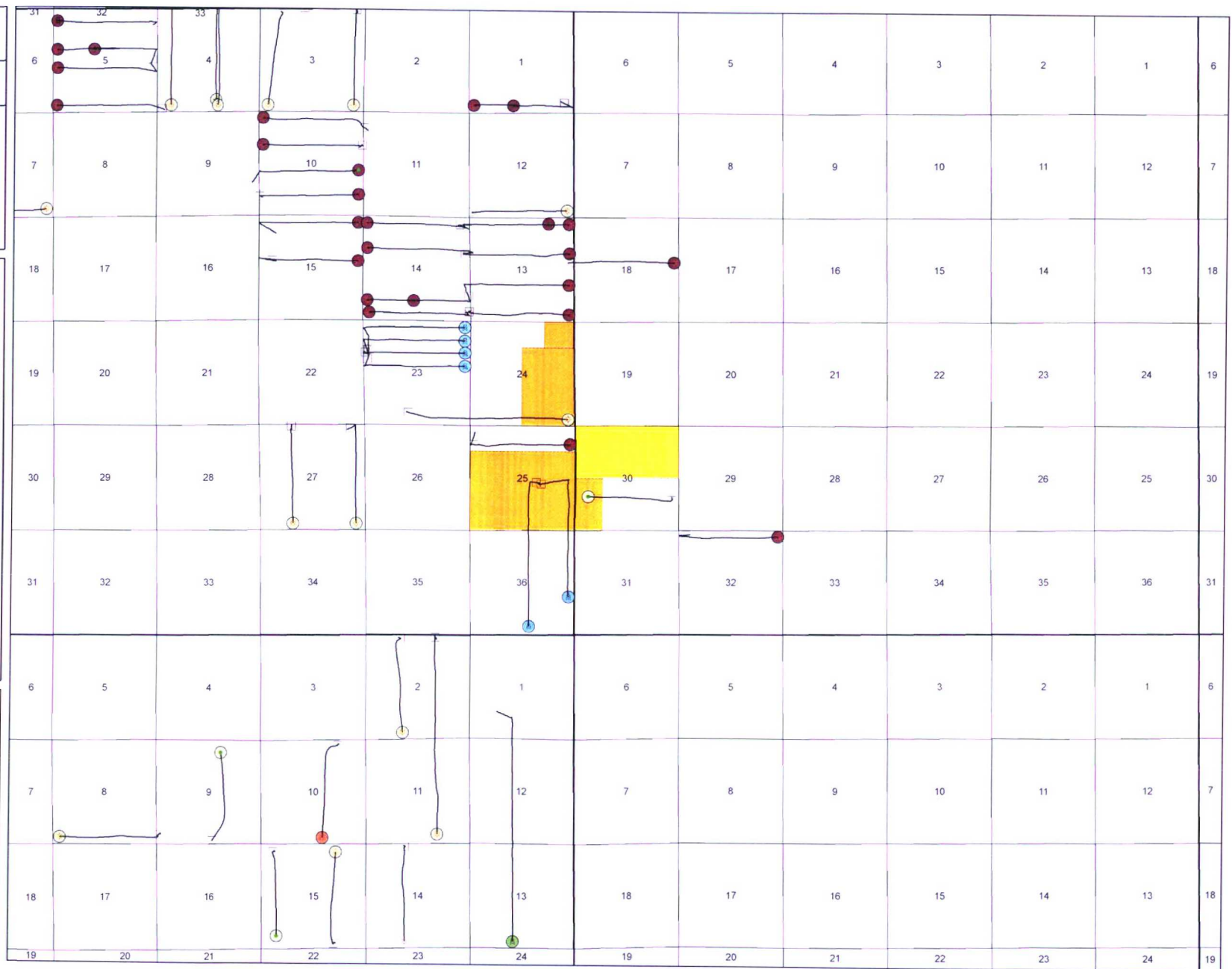
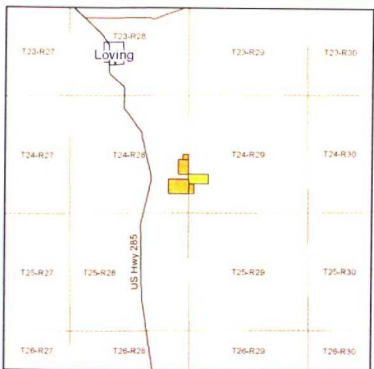
Coord Sys: NAD 1983 UTM Zone 13N  
 Date: Wednesday, March 20, 2019  
 Time: 5:50:30 PM  
 Author: Charles A. Ward III

N

**Legend**

**Lower Wolfcamp Operators**

- CHISHOLM ENERGY OPERATING LLC
- CIMAREX ENERGY COMPANY
- COG OPERATING LIMITED LIABILITY CORP
- MARATHON OIL PERMIAN LLC
- MATADOR PRODUCTION COMPANY
- MEWBORNE OIL COMPANY
- NADEL AND GUSSMAN PERMIAN LLC



**EXHIBIT  
D**



**Pierce Crossing - Rock Ridge  
Drilling or Recently Drilled**

Coord Sys: NAD 1983 UTM Zone 13N  
Date: Wednesday, March 20, 2019  
Time: 5:40:52 PM  
Author: Charles A. Ward III

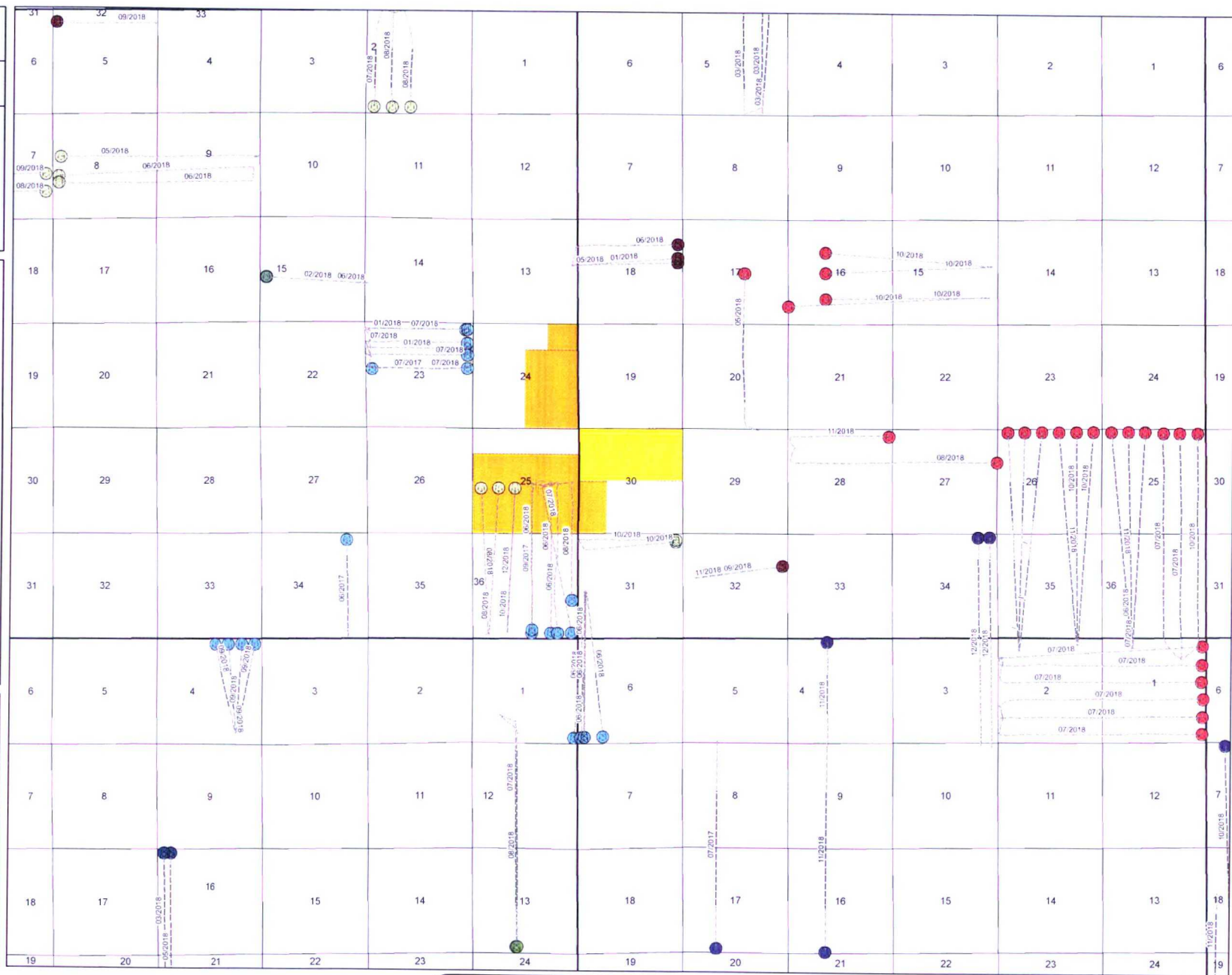
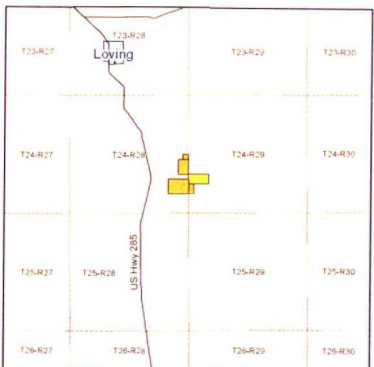
N

**Legend**

**Drilling or Recently Drilled By Operator**

- CHEVRON U S A INCORPORATED
- CIMAREX ENERGY COMPANY
- COG OPERATING LIMITED LIABILITY CORP
- KAISER-FRANCIS OIL COMPANY
- MARATHON OIL PERMIAN LLC
- MATADOR PRODUCTION COMPANY
- MEWBOURNE OIL COMPANY
- OXY USA INC
- TAP ROCK OPERATING LLC
- XTO ENERGY INCORPORATED

Posted Data: Spud Month / Spud Date



**EXHIBIT  
E**

**Pierce Crossing - Rock Ridge  
Offsets By Operator**

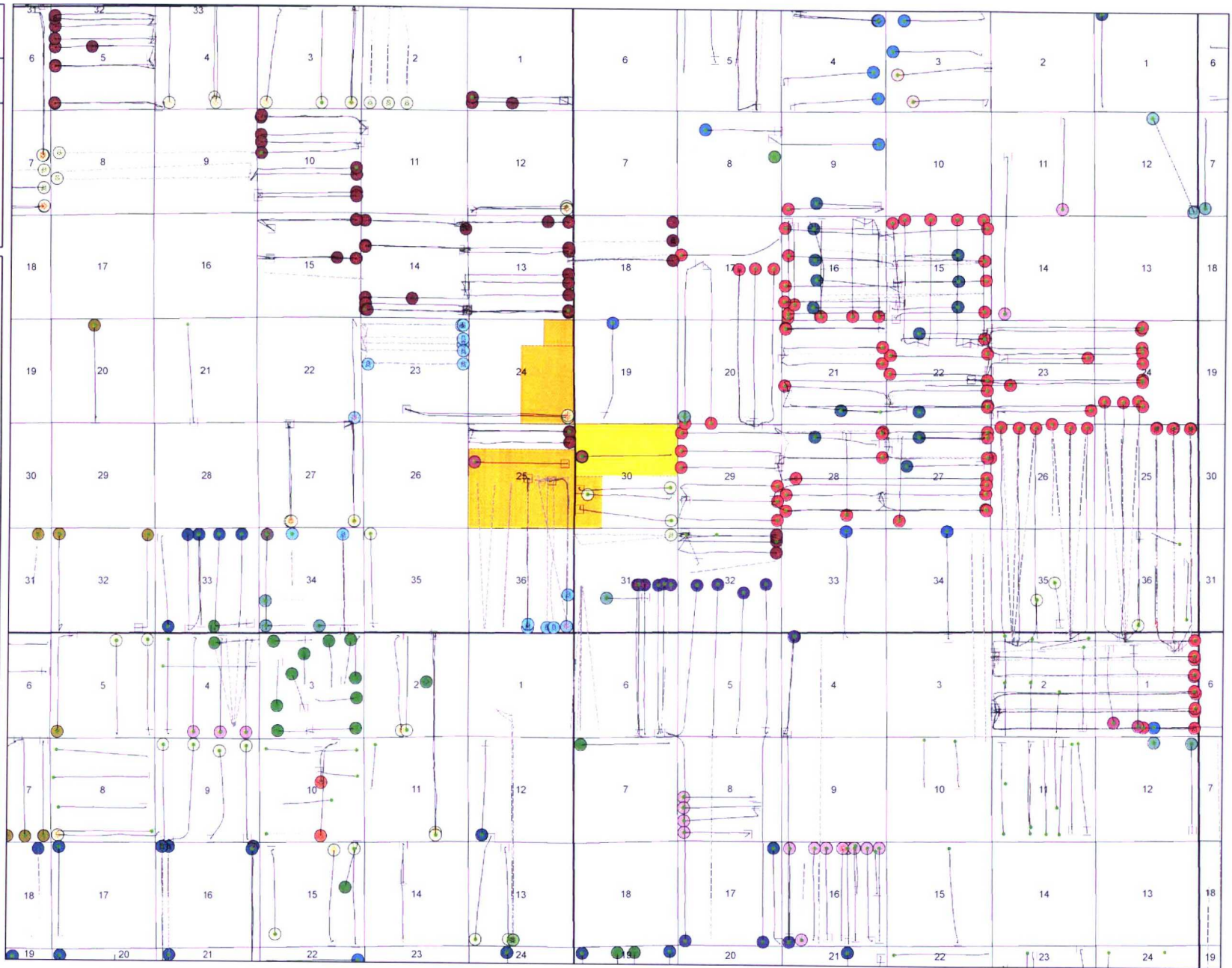
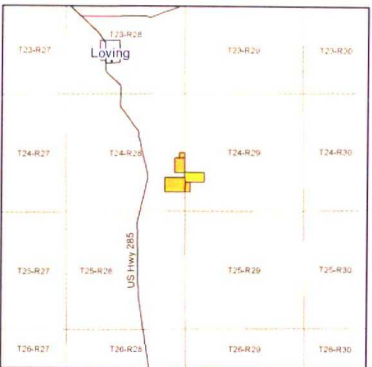
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Date: Wednesday, March 20, 2019  
Time: 6:17:27 PM  
Author: Charles A Ward III

N

**Legend**

**Operator**

- CHESAPEAKE OPERATING INCORPORATED
- CHEVRON U S A INCORPORATED
- CHISHOLM ENERGY OPERATING LLC
- CIMAREX ENERGY COMPANY
- COG OPERATING LIMITED LIABILITY CORP
- DEVON ENERGY PRODUCTION COMPANY L P
- LEGEND NATURAL GAS III LP
- MARATHON OIL PERMIAN LLC
- MARBOB ENERGY CORPORATION
- MATADOR PRODUCTION COMPANY
- MEWBOURNE OIL COMPANY
- MURCHISON OIL & GAS INCORPORATED
- NADEL AND GUSSMAN PERMIAN LLC
- OGX RESOURCES LIMITED LIABILITY CORP
- OXY USA INC
- POGO PRODUCING COMPANY
- UNIT PETROLEUM COMPANY
- XTO ENERGY INCORPORATED
- YATES PETROLEUM CORPORATION



**EXHIBIT  
F**



**STATE OF NEW MEXICO  
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TO DRILL ISSUED TO MURCHISON OIL & GAS INC, EDDY COUNTY, NEW  
MEXICO**

Case No. \_\_\_\_\_

**SELF-AFFIRMED STATEMENT OF ERIC BUDDENBOHN**

1. I am over the age of eighteen (18) and am competent to testify in this Self-Affirmed Statement.

2. I am Land Manager for Murchison Oil and Gas, LLC ("Murchison"). I have personal knowledge of all the items of my testimony in this Self-Affirmed Statement.

3. Murchison is designated the operator of the N/2 of Section 30 in Township 24 South, Range 29 East, Eddy County (the "N/2 of Section 30") under the Operating Agreement dated October 1, 2010 pertaining to the Blazing Saddles Prospect (the "JOA"). The JOA covers all the N/2 of Section 30 for all depths below the stratigraphic equivalent of the Ramsey Sand Interval of the Delaware formation. All the working interest in the N/2 of Section 30 is committed to the JOA.

4. At a conference in February 2018, I had a brief conversation with personnel from OXY USA, Inc. or one of its affiliates ("OXY") in which OXY expressed some interest in acquiring Murchison's interests in the N/2 of Section 30. Thereafter, on June 26, 2018, I received an e-mail from Jeremy Murphrey of OXY inquiring whether Murchison was willing to sell its interest in the N/2 of Section 30. I responded to that e-mail on June 26 advising Mr. Murphrey that Murchison had several APDs submitted for approval to the BLM and planned to develop the N/2 of Section 30 under the existing JOA. A true and

accurate copy of my June 26, 2018, e-mail exchange with Mr. Murphrey is attached hereto this Self-Affirmed Statement as Exhibit 1. I did not receive any further response or follow up to my reply to Mr. Murphrey.

5. In February 2019, John Schneider of OXY called me to gauge Murchison's interest in selling its interest in the N/2 of Section 30. He asked if Murchison would entertain an offer. I told him that Murchison was always willing to listen to offers. He asked if Murchison would agree to make a counteroffer if Murchison did not accept OXY's offer and I told him I would not promise that Murchison would counter but it would weigh any offer made. Subsequently, on February 28, 2019, OXY made an offer to purchase Murchison's interest in the N/2 of Section 30 which offer Murchison found not acceptable.

6. Between June 27, 2018 and my call with Mr. Schneider in February 2019, I am not aware of Murchison having any contact with OXY about OXY acquiring Murchison's interests in the N/2 of Section 30; OXY having any different plan to develop those lands; or, expressing any concern that Murchison should not pursue APDs or development plans in the N/2 of Section 30. Given my position as Land Manager at Murchison, I normally would be made aware of any such communications by if another person at Murchison has such communications with OXY or another company.

This Self-Affirmed Statement is made under penalty of perjury under the laws of the State of New Mexico.



**ERIC BUDDENBOHN**

Dated: March 20, 2019