

**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 LLC, EDDY COUNTY, NEW
MEXICO**

Case No. 20410

SELF-AFFIRMED STATEMENT OF PETA MAREE POGUE

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

2. I am legal counsel and a landman 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 in 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 of the N/2 of Section 30 (and some other lands) for all depths below the stratigraphic equivalent of the Ramsey Sand Interval of the Delaware formation. All of the working interest in the N/2 of Section 30 is committed to the JOA.

4. Murchison has approved APDs from the BLM and the Oil Conservation Division for the Rock Ridge Federal BSS 4H Well (the "4H Well"), Rock Ridge Federal WCB 1H Well (the "1H Well"), the Rock Ridge Federal WCXY 2H Well (the "2H Well"), and the Rock Ridge Federal BSS 7H well (the "7H Well") Murchison proposed the drilling of the 4H Well on February 28, 2019 and is scheduled to commence drilling the 4H Well within a few days after the making of this Self-Affirmed Statement.

5. Murchison also has proposed the drilling of the 1H and 2H wells to the working interest owners in the N/2 of Section 30. Murchison has not yet proposed the drilling of the 7H Well as of the date of this Self-Affirmed Statement.

6. It is not necessary for Murchison to pool any working or royalty interests to drill the 1H, 2H or 4H Wells. All of the N/2 of Section 30 is covered by a single federal oil and gas lease identified by serial number NMNM 107384. All depths covered by the JOA have uniform working interest ownership as to the N/2 of Section 30.

7. On January 30, 2019, Murchison received Bureau of Land Management ("BLM") approval for its Applications for Permit to Drill ("APDs") the 1H, 2H, and 4H Wells. Murchison began the process of obtaining those three APDs in July 2017 when Murchison representatives met with representatives of BLM's Carlsbad office on location to inspect the lands and discuss siting of well pads. After receiving various required approvals from the BLM, Murchison submitted all the APD paperwork to BLM on June 21 and 22, 2018, approximately seven months prior to BLM approval. In my experience, there was nothing unusually fast or slow about Murchison's BLM APD process. The only challenge to the APDs of which I am aware is OXY's Application in this case.

8. Murchison has built a pad for the 1H, 2H and 4H Wells located in the NE/4NE/4 of Section 30, and has built a second pad in the N/2 of Section 30 from which the 7H Well and other wells will be drilled. Murchison spent \$521,833 for building a location, supervision, surveying, permits, titles and location damages related to those two well pads.

9. Murchison proposed the drilling of the 1H, 2H and 4H wells to all working interest owners in the N/2 of Section 30, including OXY USA, Inc., on February 28, 2019.

Because OXY objected to three proposals at once under a non-standard provision in the JOA, Murchison subsequently withdrew the proposals for the 1H and 2H Wells and re-proposed those two wells separately.

10. As of the date of this Self-Affirmed Statement, Murchison is incurring expenses to move a rig onto the well pad located in the NE/4NE/4 which costs are expected to be \$350,000. In the event that Murchison is not able to drill and complete the 4H Well, Murchison will owe \$760,000.00 in fees to its drilling contractor while another location is staked, permitted and built (estimated to be at least 40 days), another \$350,000 to move the rig, and an additional \$200,000.00 to reclaim the two pads that it has built (Murchison presently estimates it would cost about \$100,000.00 to reclaim each pad under current BLM standards).

11. In summary, Murchison will spend approximately \$2,181,833 if it is not permitted to drill the 1H, 2H, and 4H Wells.

12. On March 6, 2019, OXY e-mailed Murchison and others proposals drilling eighteen Wolfcamp and Bone Spring wells to run north/south in Sections 19 and 30 of Township 24 South, Range 29 East. OXY has not proposed any form of operating agreement to cover that acreage or proposed wells. On March 14, 2019, I made inquiry with OXY regarding the status of its permitting efforts for those 18 wells and the status of its proposed operating agreement. As of the making of this Self-Affirmed Statement, I have not had any response to those inquiries.

13. I am aware that OXY USA, Inc. ("OXY") has alleged that Murchison has rejected OXY's good faith efforts to reach an accommodation with regard to the acreage in the N/2 of Section 30. Murchison diligently pursued BLM- approved APDs (a process

that took approximately eighteen months) and OCD approval of horizontal spacing units and proposed the three wells described herein pursuant to the terms of the JOA. After Murchison proposed its wells pursuant to the JOA, OXY made unsolicited offers to purchase Murchison's interest in the N/2 of Section 30. Murchison deemed those offers to be inadequate.

14. I am of the opinion that Murchison's development proposals in the N/2 of Section 30 will prevent waste and protect correlative rights.

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


PETA MAREE POGUE
Dated: March __, 2019

From: Eric Buddenbohn <ebuddenbohn@jdmii.com>
Sent: Tuesday, June 26, 2018 3:47 PM
To: Jeremy_Murphrey@oxy.com
Cc: John_Schneider@oxy.com
Subject: RE: E/2 - Sec. 30, T24S-R29E

Good afternoon Jeremy,

We are not interested in selling our interest. We are currently waiting on several APDs to be approved by the BLM and plan to develop the acreage under the existing JOAs.

I hope you are doing well – thanks for following up.



Eric S. Buddenbohn, CPL
Land Manager

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From: Jeremy_Murphrey@oxy.com <Jeremy_Murphrey@oxy.com>
Sent: Tuesday, June 26, 2018 7:29 AM
To: Eric Buddenbohn <ebuddenbohn@jdmii.com>
Cc: John_Schneider@oxy.com
Subject: E/2 - Sec. 30, T24S-R29E

Eric,

In the early part of the year during NAPE we briefly discussed OXY's interest in Murchison's leasehold in the N/2 of Section 30, T24S-R29E. I wanted to check in to see if your group would be interested in selling this interest. Please call or email if you have any questions.

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EXHIBIT

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