



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
New Mexico State Office
301 Dinosaur Trail
Santa Fe, New Mexico 87508
<https://www.blm.gov/new-mexico>

In Reply Refer To:

MAR 10 2021

NMNM141288
3105.2 (NM920)

Reference:

Communitization Agreement
Charlie Murphy 6 WXY FC 12H
Charlie Murphy 6 WA FC 15H
Section 6: E2
Section 7: E2
T. 26 S., R. 35 E., N.M.P.M.
Lea County, NM

Marathon Oil Permian, LLC.
Attn: Ryan Gyllenband
5555 San Felipe
Houston, TX 77056

Mr. Gyllenband:

Enclosed is an approved copy of Communitization Agreement NMNM141288 involving 480 acres of Federal land in lease NMNM013647 and 160 acres of Federal land in lease NMNM115000, Lea County, New Mexico, which comprise a 640 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Wolfcamp formation beneath the E2 of Sec. 6 and the E2 of Sec. 7, T. 26 S., R. 35 E., NMPM, Lea County, NM, and is effective October 28, 2019. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue at 1-800-525-9167 or 303-231-3504.

If you have any questions regarding this approval, please contact Elizabeth Rivera at (505) 954-2162.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,



Sheila Mallory
Deputy State Director
Division of Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

ONRR, Denver

NM Taxation & Revenue Dept. (Revenue Processing Div.)

NMOCD

NM (9200)

NM (P0220-CFO, File Room)

NMSO (NM925, File)

Determination - Approval - Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

- B. Approve the attached Communitization Agreement covering the E2 of sec. 6 and the E2 of sec. 7, T. 26 S., R. 35 E., NMPM, as to all producible hydrocarbons from the Wolfcamp formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved:

MAR 10 2021



Sheila Mallory
Deputy State Director
Division of Minerals

Effective: October 28, 2019

Contract No.: Com. Agr. NMNM141288

Ryan Gyllenband
Land Professional



Marathon Oil Permian LLC
5555 San Felipe Street
Houston, TX 77056
Telephone: 713.296.2453 Mobile: 281.684.7389
Fax: 713.513.4006
mrgyllenband@marathonoil.com

BLM-NMSO
JAN: 9:2020 11:24:11
RECEIVED

January 7, 2020

Bureau of Land Management
Land Law Examiner – Lauren Leib
New Mexico State Office
301 Dinosaur Trail
Santa Fe, NM 87508

NMNM
141288

Re: **Communitization Agreements**
Charlie Murphy Federal well
Section 6 and 7, T26S-R35E
Lea County, New Mexico

12A 3002546486
15A 3002546485

Dear Lauren:

Please find enclosed three (3) executed Federal Communitization Agreements for the Wolfcamp Formation that need to be filed on behalf of Marathon Oil Permian, LLC.

In addition, a copy of the Order of the Division, Order No. R-20306, has been attached to each respective copy of the Communitization Agreements in place of the signatures of Working Interest Owners included in the communitized area.

Once the filing process is complete, please mail a copy back to:

Marathon Oil Permian LLC
Attn: Ryan Gyllenband
5555 San Felipe
Houston, TX 77056

Please contact me at (713) 296-2453 or mrgyllenband@marathonoil.com if you have any questions or need additional information.

Sincerely,

Ryan Gyllenband

P/F

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

HOBBS OCD
NOV 04 2010
RECEIVED

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 70-025-46486		² Pool Code 98117		³ Pool Name WC-025 G-09 S263504N (WOLFCAMP)	
⁴ Property Code 326320		⁵ Property Name CHARLIE MURPHY 6 WXY FC			⁶ Well Number 12H
⁷ OGRID No. 372098		⁸ Operator Name MARATHON OIL PERMIAN LLC			⁹ Elevation 3272'

" Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	6	26S	35E		271	NORTH	1201	EAST	LEA

" Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	7	26S	35E		100	SOUTH	1979	EAST	LEA

¹² Dedicated Acres 640.0	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

CORNER COORDINATES NAD 83, SPCS NM EAST
A - X: 828377.14' / Y: 393941.11'
B - X: 831020.60' / Y: 393959.45'
C - X: 831129.70' / Y: 383390.47'
D - X: 828491.21' / Y: 383378.93'

CORNER COORDINATES NAD 27, SPCS NM EAST
A - X: 787169.78' / Y: 393883.42'
B - X: 789833.21' / Y: 393901.73'
C - X: 789941.04' / Y: 383333.04'
D - X: 787303.98' / Y: 383321.52'

SURFACE HOLE LOCATION
271' FNL 1201' FEL, SECTION 6
NAD 83, SPCS NM EAST
X: 828622.68' / Y: 393678.68'
LAT: 32.07588150N / LON: -103.40191967W
NAD 27, SPCS NM EAST
X: 786835.28' / Y: 393621.97'
LAT: 32.07675540N / LON: -103.40145643W

KICK OFF POINT
100' FNL 1982' FEL, SECTION 6
NAD 83, SPCS NM EAST
X: 829039.95' / Y: 393845.71'
LAT: 32.07935645N / LON: -103.40444211W
NAD 27, SPCS NM EAST
X: 787852.58' / Y: 393788.01'
LAT: 32.07923038N / LON: -103.40397855W

FIRST TAKE POINT
100' FNL 1982' FEL, SECTION 6
NAD 83, SPCS NM EAST
X: 829039.95' / Y: 393845.71'
LAT: 32.07935645N / LON: -103.40444211W
NAD 27, SPCS NM EAST
X: 787852.58' / Y: 393788.01'
LAT: 32.07923038N / LON: -103.40397855W

LAST TAKE POINT/BOTTOM HOLE LOCATION
100' FSL 1979' FEL, SECTION 7
NAD 83, SPCS NM EAST
X: 829148.39' / Y: 383481.61'
LAT: 32.05086751N / LON: -103.40437661W
NAD 27, SPCS NM EAST
X: 787961.86' / Y: 383424.39'
LAT: 32.05074129N / LON: -103.40391490W

" OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Jennifer Van Curen 4/1/18
Signature Date

JENNIFER VAN CUREN
Printed Name

E-mail Address

"SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

NOVEMBER 16, 2018
Date of Survey

Signature and Seal of Professional Surveyor

Certificate Number
DAVID W. MYERS, 11403

R/B

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6180

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources
Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

FORM C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

HOME
NOV 07 2019
RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025 46488		Pool Code 98105	Pool Name WC-025 G-09 S263416B; UPPER WOLFCAMP
Property Code 325735	Property Name LOBO BLANCO 9 FED		Well Number 708H
OGRID No. 7377	Operator Name EOG RESOURCES, INC.		Elevation 3323'

10 Surface Location

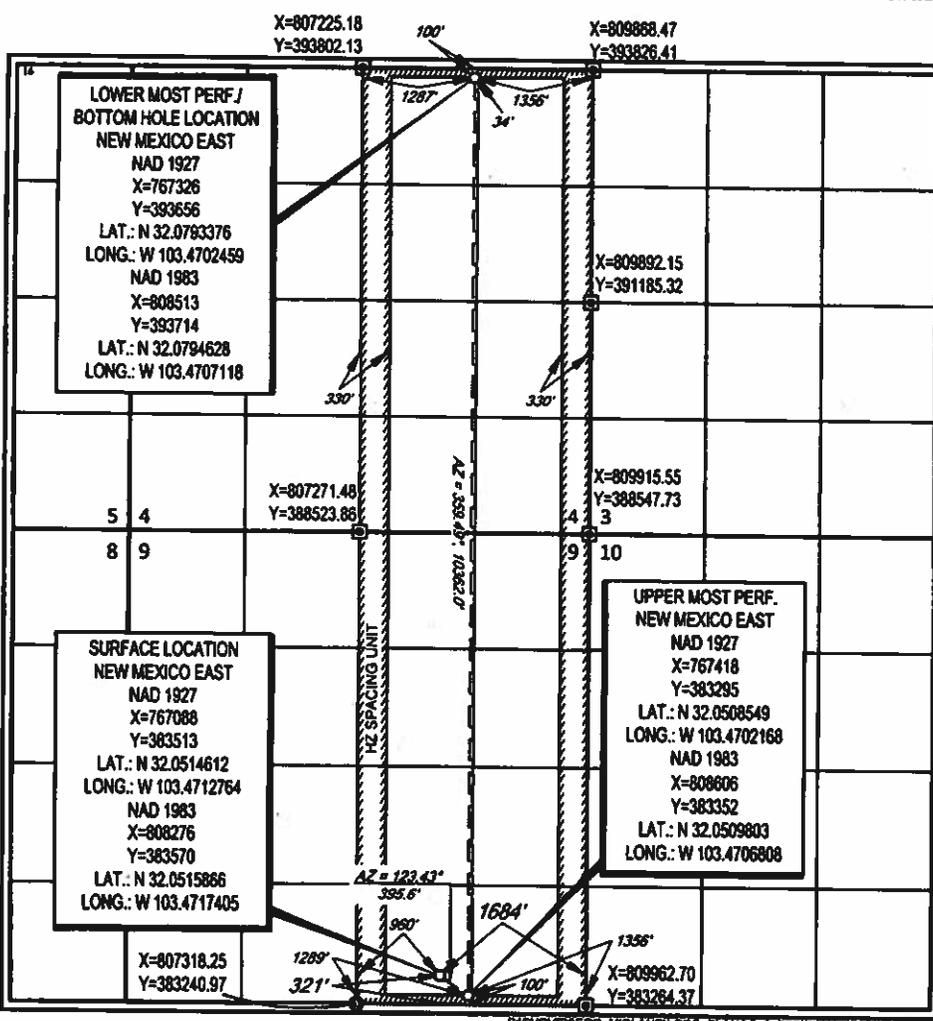
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
0	9	26-S	34-E	-	321'	SOUTH	1684'	EAST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
B	4	26-S	34-E	-	100'	NORTH	1356'	EAST	LEA

Dedicated Acres 640.00	Joint or Infill	Consolidation Code	Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Jayna K. Hobby 10/08/19
Signature Date

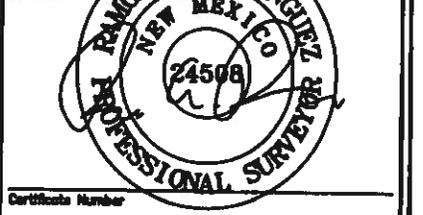
Jayna K. Hobby
Printed Name

Jayna.Hobby@eogresources.com
E-mail Address

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true to the best of my belief.

09/26/2019
Date of Survey Signature and Date



Certificate Number

Federal Communitization Agreement

Contract No. NM NM 141 288

THIS AGREEMENT, entered into as of the 28th of October 2019, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico:
 Section 6: E/2
 Section 7: E/2

Containing 640.00 acres, more or less, and this agreement shall include only the Wolfcamp Formation underlying said lands and the natural gas and associated liquid hydrocarbons or oil hereinafter referred to as "communitized substances," producible from such formation.

2. Attached hereto and made a part of this agreement for all purposes is Exhibit "A", a plat designating the communitized area and, Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. The Operator of the communitized area shall be Marathon Oil Permian LLC, 5555 San Felipe St., Houston, TX, 77056. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the

communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas regulations.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal or Indian lands included within the CA area are to be paid into the appropriate Unleased Lands Account or Indian Trust Account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding-or-step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person

or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. The date of this agreement is October 28, 2019 and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.
12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all Fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occur in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. This 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 parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

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

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

LESSEE OF RECORD

OCCIDENTAL PERMIAN LIMITED PARTNERSHIP
By Occidental Permian Manager LLC,
Its General Partner

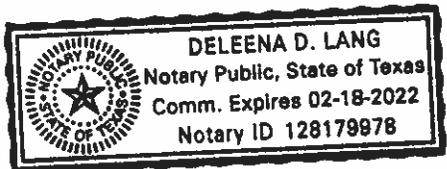
12-30-2019
Date

By: [Signature]
Name: John V. Schneider *att*
Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF HARRIS)

This instrument was acknowledged before me on December 30, 2019, by John V. Schneider, ATTORNEY-IN-FACT of OCCIDENTAL PERMIAN MANAGER LLC, a Delaware limited liability company, on behalf of OCCIDENTAL PERMIAN LIMITED PARTNERSHIP, a Texas limited partnership.



[Signature]
Notary Public in and for the State of Texas

WORKING INTERST OWNER

OXY USA INC.

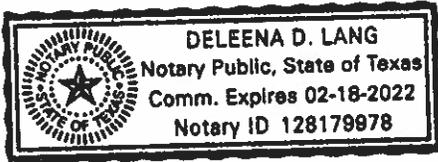
12-30-2019
Date

By: [Signature]
Name: John V. Schneider ^{cc} [Signature]
Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF HARRIS)

This instrument was acknowledged before me on December 30, 2019, by John V. Schneider, ATTORNEY-IN-FACT of OXY USA INC., a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public in and for the State of Texas

EXHIBIT "A"

Attached to the Communitization Agreement dated October 28, 2019.

Plat of communitized area covering 640 acres in Township 26 South, Range 35 East, N.M.P.M.,
Lea County, New Mexico

Section 6: E/2

Section 7: E/2

WELL NAME/ NO.

- Charlie Murphy 6 WXY FC 12H
- Charlie Murphy 6 WA FC 15H

Communitized Area
E/2 Section 6
&
E/2 Section 7
T26S-R35E – 640 acres

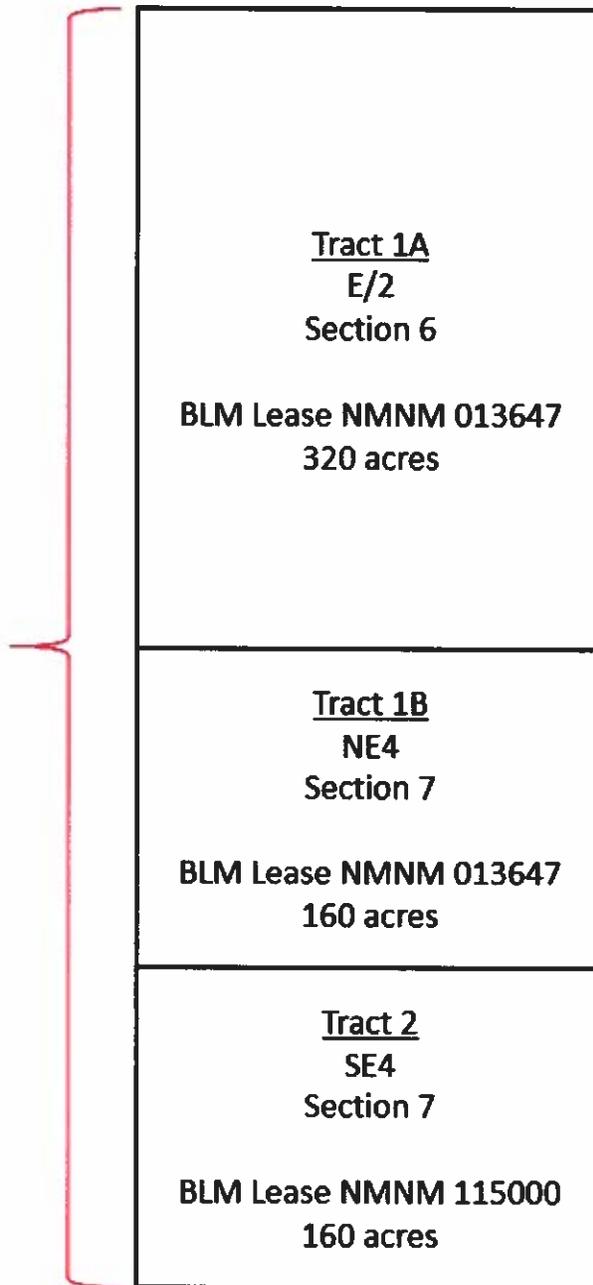


EXHIBIT "B"

Attached to the Communitization Agreement dated October 28, 2019 embracing the E/2 of Section 6 and the E/2 of Section 7, Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

OPERATOR OF COMMUNITIZED AREA:

Marathon Oil Permian LLC

DESCRIPTION OF LEASES COMMITTED

Tract No. 1A

Lease Serial No.:	NMNM 013647
Lessor:	Bureau of Land Management
Name of Lessee of Record:	Occidental Permian LP
Description of Land Committed:	<u>Township 26 South, Range 35 East, N.M.P.M.</u> Section 6: E/2 Lea County, New Mexico
Number of Acres:	320.00
Name of Working Interest Owners:	Pintail Production Company.....100.000000%
Name of ORRI Owners:	Rolla R. Hinkle.....0.666666% Madison M. Hinkle.....0.666667% Morris E. Schertz and Holly K. Schertz.....0.666667% Bryan Bell Family, LLC.....0.125000% Robert N. Enfield Revocable Living Trust.....0.062500% Lisa M. Enfield, Trustee of Lisa M. Enfield Trust.....0.031250% MLE, LLC0.031250% DMA, Inc.....0.083333% Charmar, LLC.....0.058333% Richard C. Deason0.029167% Thomas D. Deason0.029167% Ronald H. Mayer, Trustee of Ronald H. Mayer and Martha M. Mayer Revocable Trust.....0.025000% SAP, LLC0.025000% Jerune Allen.....0.500000%

Tract No. 1B

Lease Serial No.: NMNM 013647

Lessor: Bureau of Land Management

Name of Lessee of Record: Occidental Permian LP

Description of Land Committed: **Township 26 South, Range 35 East, N.M.P.M.**
Section 7: NE4
Lea County, New Mexico

Number of Acres: 160.00

Name of Working Interest Owners: Marathon Oil Permian LLC.....75.000000%
OXY USA, Inc.....25.000000%
100.000000%

Name of ORRI Owners: Madison Hinkle.....0.666666%
Rolla R. Hinkle.....0.666666%
Morris E. Schertz.....0.666666%
Bryan Bell Family, LP.....0.125000%
Mona L. Coffield.....0.062500%
Robert N. Enfield Revocable Living Trust.....0.062500%
DMA, Inc.....0.083334%
Charmar, LLC.....0.058334%
Richard C. Deason0.029167%
Thomas D. Deason0.029167%
Ronald H. Mayer, Trustee of Ronald H. Mayer and Martha
M. Mayer Revocable Trust.....0.025000%
SAP, Inc.....0.025000%
Jerune Allen.....0.500000%

Tract No. 2

Lease Serial No.: NMNM 115000

Lessor: Bureau of Land Management

Name of Lessee of Record: Chevron USA, Inc.....50.00%
Devon Energy Production Co. LP.....50.00%

Description of Land Committed: **Township 26 South, Range 35 East, N.M.P.M.**
Section 7: SE4
Lea County, New Mexico

Number of Acres: 160.00

Name of Working Interest Owners: Marathon Oil Permian LLC.....50.000000%
Chevron USA, Inc50.000000%
100.000000%

Name of ORRI Owners: None of record.

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No. 1A	<u>320.00</u>	<u>50.0000%</u>
Tract No. 1B	<u>160.00</u>	<u>25.0000%</u>
Tract No. 2	<u>160.00</u>	<u>25.0000%</u>
Total	640.00	100.0000%

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:**

**CASE NO. 16424
ORDER NO. R-20306**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 20, 2018, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 31st day of December, 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) Cases No. 16424 and 16425 were consolidated at the hearing for testimony; however, a separate order will be issued for each case.

(3) The Applicant, Marathon Oil Permian LLC, seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit ("the Unit") described as follows:

A Horizontal Spacing Unit comprising 640 acres (more or less) within the Wildcat Wolfcamp Oil Pool (Pool code 98117) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 6 and E/2 of Section 7, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.

(4) Applicant also seeks approval of the above described lands as a non-standard Horizontal Spacing Unit.

(5) The Unit will be dedicated to the following well(s):

Charlie Murphy 6 WXY FC Well No. 12H, API No. 30-025-Pending

SHL: 271 feet from the North line and 1201 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 1979 feet from the East line,
(Unit O) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WA FC Well No. 15H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1141 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 989 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WXY FC Well No. 18H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1111 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 330 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

(6) The Wildcat Wolfcamp Oil Pool is governed by Division Rule 19.15.15.9(A) NMAC, which specifies 40-acre spacing and proration units [vertical wells], each comprising a governmental quarter-quarter section.

(7) The allowed setback footage distance for the proposed horizontal Oil well(s) is specified in Paragraph (1) of Subsection C of 19.15.16.15 NMAC effective June 26, 2018. Said rules allow the first or last take points to be no closer than 100 feet to the nearest unit boundary, and the setbacks measured perpendicular to the well path to be a minimum of 330 feet from the outer boundary of the horizontal spacing unit

(8) Devon Energy Production Company, L.P. appeared at the hearing. No other party entered an appearance in this case or otherwise opposed this application.

(9) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) The Wolfcamp formation in this area is suitable for development by horizontal drilling.
- (b) The orientation of the horizontal well(s) is appropriate for the Unit.
- (c) The target drilling depth will be within the Wolfcamp Y and A members of the Wolfcamp formation.
- (d) The Well No. 15H is located within the E/2 E/2 of both Sections but is closer than 330 feet to the W/2 E/2 of each Section, therefore this is the well which defines the E/2 spacing unit.

- (e) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.
- (f) All affected parties were successfully contacted and provided with notice.
- (g) Notice to affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(10) The application in this case was filed, and the Well(s) were permitted, on or after the June 26, 2018 date on which amendments to 19.15.16.7 and 19.15.16.15 NMAC (prescribing new spacing rules for horizontal wells) became effective (see Order No. R-14689). Hence the Well(s) must be spaced, permitted and drilled pursuant 19.15.16.15 NMAC, as amended effective June 26, 2018.

(11) Provided that the Unit constitutes a standard horizontal spacing unit for each of the Well(s) under now effective rules, no non-standard spacing unit approval is needed. If, however, the Unit is not a standard horizontal spacing unit for any of the Well(s), the operator must obtain approval of a non-standard horizontal spacing unit pursuant to 19.15.16.15.B(5) prior to producing such well.

(12) The portion of the case asking for a non-standard spacing and proration unit is no longer needed and should be dismissed.

(13) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(14) Marathon Oil Permian LLC (OGRID 372098) should be designated the operator of the Well(s) and of the Unit.

(15) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(16) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(17) There are interest owners in the Unit that have not agreed to pool their interests.

(18) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation within the Unit.

(19) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(20) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(21) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Well(s).

(22) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the following described spacing unit ("the Unit") are hereby pooled:

A Horizontal Spacing Unit comprising 640 acres (more or less) within the Wildcat Wolfcamp Oil Pool (Pool code 98117) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 6 and E/2 of Section 7, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) The portion of the application in this case asking for approval of a non-standard spacing and proration unit is dismissed.

(3) The Unit shall be dedicated to the following "Well(s)":

Charlie Murphy 6 WXY FC Well No. 12H, API No. 30-025-Pending

SHL: 271 feet from the North line and 1201 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.

BHL: 100 feet from the South line and 1979 feet from the East line,
(Unit O) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WA FC Well No. 15H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1141 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 989 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WXY FC Well No. 18H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1111 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 330 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

(4) The Well(s) will be drilled horizontally and will target the Wolfcamp Y and A members of the Wolfcamp formation.

(5) Marathon Oil Permian LLC (OGRID 372098) is hereby designated the operator of the Well(s) and of the Unit.

(6) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(7) The operator of the Unit shall commence drilling the Well(s) on or before December 31, 2019 and shall thereafter continue drilling the Well(s) with due diligence to test the Wolfcamp formation at or about the proposed true vertical and measured depths.

(8) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(9) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(10) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(11) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created

by this order shall terminate unless this order has been amended to authorize further operations.

(12) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(13) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(14) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(15) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(16) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(17) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(18) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs actually incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(19) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(20) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(21) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

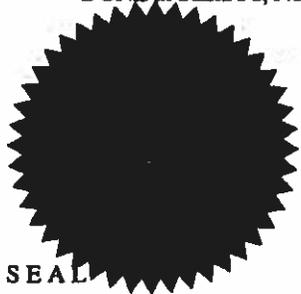
(22) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(23) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(24) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(25) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Heather Riley
HEATHER RILEY
Director

Federal Communitization Agreement

Contract No. NmNm141288

THIS AGREEMENT, entered into as of the 28th of October 2019, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico:
Section 6: E/2
Section 7: E/2

Containing 640.00 acres, more or less, and this agreement shall include only the Wolfcamp Formation underlying said lands and the natural gas and associated liquid hydrocarbons or oil hereinafter referred to as "communitized substances," producible from such formation.

2. Attached hereto and made a part of this agreement for all purposes is Exhibit "A", a plat designating the communitized area and, Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. The Operator of the communitized area shall be Marathon Oil Permian LLC, 5555 San Felipe St., Houston, TX, 77056. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the

communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas regulations.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal or Indian lands included within the CA area are to be paid into the appropriate Unleased Lands Account or Indian Trust Account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding-or-step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person

or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. The date of this agreement is October 28, 2019 and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.
12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all Fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occur in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. This 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 parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

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

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

LESSEE OF RECORD

OCCIDENTAL PERMIAN LIMITED PARTNERSHIP
By Occidental Permian Manager LLC,
Its General Partner

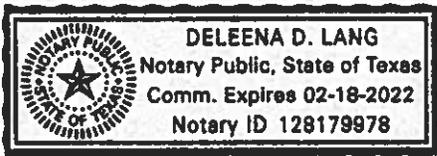
12-30-2019
Date

By: *John V. Schneider*
Name: John V. Schneider *u*
Attorney-in-Fact *YMP*

ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF HARRIS)

This instrument was acknowledged before me on December 30, 2019, by John V. Schneider, ATTORNEY-IN-FACT of OCCIDENTAL PERMIAN MANAGER LLC, a Delaware limited liability company, on behalf of **OCCIDENTAL PERMIAN LIMITED PARTNERSHIP**, a Texas limited partnership.



Deleena D. Lang
Notary Public in and for the State of Texas

WORKING INTERST OWNER

OXY USA INC.

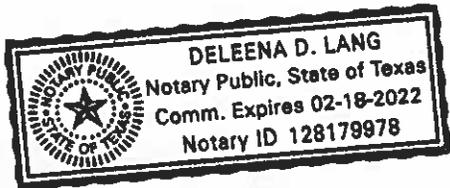
12-30-2019
Date

By: [Signature]
Name: John V. Schneider
Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF HARRIS)

This instrument was acknowledged before me on December 30, 2019, by John V. Schneider, ATTORNEY-IN-FACT of OXY USA INC., a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public in and for the State of Texas

EXHIBIT "A"

Attached to the Communitization Agreement dated October 28, 2019.

Plat of communitized area covering 640 acres in Township 26 South, Range 35 East, N.M.P.M.,
Lea County, New Mexico
Section 6: E/2
Section 7: E/2

WELL NAME/ NO.

- Charlie Murphy 6 WXY FC 12H
- Charlie Murphy 6 WA FC 15H

Communitized Area
E/2 Section 6
&
E/2 Section 7
T26S-R35E – 640 acres

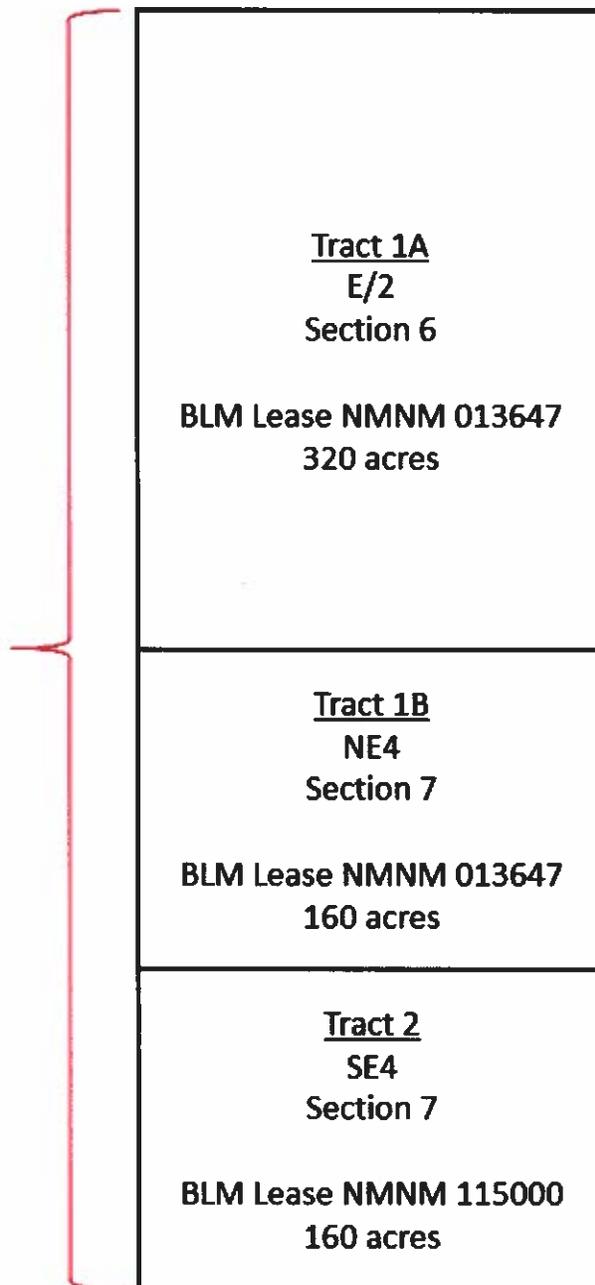


EXHIBIT "B"

Attached to the Communitization Agreement dated October 28, 2019 embracing the E/2 of Section 6 and the E/2 of Section 7, Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

OPERATOR OF COMMUNITIZED AREA:

Marathon Oil Permian LLC

DESCRIPTION OF LEASES COMMITTED

Tract No. 1A

Lease Serial No.:	NMNM 013647
Lessor:	Bureau of Land Management
Name of Lessee of Record:	Occidental Permian LP
Description of Land Committed:	<u>Township 26 South, Range 35 East, N.M.P.M.</u> Section 6: E/2 Lea County, New Mexico
Number of Acres:	320.00
Name of Working Interest Owners:	Pintail Production Company.....100.000000%
Name of ORRI Owners:	Rolla R. Hinkle.....0.666666% Madison M. Hinkle.....0.666667% Morris E. Schertz and Holly K. Schertz.....0.666667% Bryan Bell Family, LLC.....0.125000% Robert N. Enfield Revocable Living Trust.....0.062500% Lisa M. Enfield, Trustee of Lisa M. Enfield Trust.....0.031250% MLE, LLC0.031250% DMA, Inc.....0.083333% Charmar, LLC.....0.058333% Richard C. Deason0.029167% Thomas D. Deason0.029167% Ronald H. Mayer, Trustee of Ronald H. Mayer and Martha M. Mayer Revocable Trust.....0.025000% SAP, LLC0.025000% Jerune Allen.....0.500000%

Tract No. 1B

Lease Serial No.: NMNM 013647

Lessor: Bureau of Land Management

Name of Lessee of Record: Occidental Permian LP

Description of Land Committed: **Township 26 South, Range 35 East, N.M.P.M.**
Section 7: NE4
Lea County, New Mexico

Number of Acres: 160.00

Name of Working Interest Owners: Marathon Oil Permian LLC.....75.000000%
OXY USA, Inc.....25.000000%
100.000000%

Name of ORRI Owners: Madison Hinkle.....0.666666%
Rolla R. Hinkle.....0.666666%
Morris E. Schertz.....0.666666%
Bryan Bell Family, LP.....0.125000%
Mona L. Coffield.....0.062500%
Robert N. Enfield Revocable Living Trust.....0.062500%
DMA, Inc.....0.083334%
Charmar, LLC.....0.058334%
Richard C. Deason0.029167%
Thomas D. Deason0.029167%
Ronald H. Mayer, Trustee of Ronald H. Mayer and Martha
M. Mayer Revocable Trust.....0.025000%
SAP, Inc.....0.025000%
Jerune Allen.....0.500000%

Tract No. 2

Lease Serial No.: NMNM 115000

Lessor: Bureau of Land Management

Name of Lessee of Record: Chevron USA, Inc.....50.00%
Devon Energy Production Co. LP.....50.00%

Description of Land Committed: **Township 26 South, Range 35 East, N.M.P.M.**
Section 7: SE4
Lea County, New Mexico

Number of Acres: 160.00

Name of Working Interest Owners: Marathon Oil Permian LLC.....50.000000%
Chevron USA, Inc50.000000%
100.000000%

Name of ORRI Owners: None of record.

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No. 1A	<u>320.00</u>	<u>50.0000%</u>
Tract No. 1B	<u>160.00</u>	<u>25.0000%</u>
Tract No. 2	<u>160.00</u>	<u>25.0000%</u>
Total	640.00	100.0000%

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:**

**CASE NO. 16424
ORDER NO. R-20306**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 20, 2018, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 31st day of December, 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) Cases No. 16424 and 16425 were consolidated at the hearing for testimony; however, a separate order will be issued for each case.

(3) The Applicant, Marathon Oil Permian LLC, seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit ("the Unit") described as follows:

A Horizontal Spacing Unit comprising 640 acres (more or less) within the Wildcat Wolfcamp Oil Pool (Pool code 98117) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 6 and E/2 of Section 7, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.

(4) Applicant also seeks approval of the above described lands as a non-standard Horizontal Spacing Unit.

(5) The Unit will be dedicated to the following well(s):

Charlie Murphy 6 WXY FC Well No. 12H, API No. 30-025-Pending

SHL: 271 feet from the North line and 1201 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 1979 feet from the East line,
(Unit O) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WA FC Well No. 15H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1141 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 989 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WXY FC Well No. 18H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1111 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 330 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

(6) The Wildcat Wolfcamp Oil Pool is governed by Division Rule 19.15.15.9(A) NMAC, which specifies 40-acre spacing and proration units [vertical wells], each comprising a governmental quarter-quarter section.

(7) The allowed setback footage distance for the proposed horizontal Oil well(s) is specified in Paragraph (1) of Subsection C of 19.15.16.15 NMAC effective June 26, 2018. Said rules allow the first or last take points to be no closer than 100 feet to the nearest unit boundary, and the setbacks measured perpendicular to the well path to be a minimum of 330 feet from the outer boundary of the horizontal spacing unit

(8) Devon Energy Production Company, L.P. appeared at the hearing. No other party entered an appearance in this case or otherwise opposed this application.

(9) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) The Wolfcamp formation in this area is suitable for development by horizontal drilling.
- (b) The orientation of the horizontal well(s) is appropriate for the Unit.
- (c) The target drilling depth will be within the Wolfcamp Y and A members of the Wolfcamp formation.
- (d) The Well No. 15H is located within the E/2 E/2 of both Sections but is closer than 330 feet to the W/2 E/2 of each Section, therefore this is the well which defines the E/2 spacing unit.

- (e) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.
- (f) All affected parties were successfully contacted and provided with notice.
- (g) Notice to affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(10) The application in this case was filed, and the Well(s) were permitted, on or after the June 26, 2018 date on which amendments to 19.15.16.7 and 19.15.16.15 NMAC (prescribing new spacing rules for horizontal wells) became effective (see Order No. R-14689). Hence the Well(s) must be spaced, permitted and drilled pursuant 19.15.16.15 NMAC, as amended effective June 26, 2018.

(11) Provided that the Unit constitutes a standard horizontal spacing unit for each of the Well(s) under now effective rules, no non-standard spacing unit approval is needed. If, however, the Unit is not a standard horizontal spacing unit for any of the Well(s), the operator must obtain approval of a non-standard horizontal spacing unit pursuant to 19.15.16.15.B(5) prior to producing such well.

(12) The portion of the case asking for a non-standard spacing and proration unit is no longer needed and should be dismissed.

(13) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(14) Marathon Oil Permian LLC (OGRID 372098) should be designated the operator of the Well(s) and of the Unit.

(15) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(16) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(17) There are interest owners in the Unit that have not agreed to pool their interests.

(18) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation within the Unit.

(19) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(20) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(21) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Well(s).

(22) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the following described spacing unit ("the Unit") are hereby pooled:

A Horizontal Spacing Unit comprising 640 acres (more or less) within the Wildcat Wolfcamp Oil Pool (Pool code 98117) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 6 and E/2 of Section 7, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) The portion of the application in this case asking for approval of a non-standard spacing and proration unit is dismissed.

(3) The Unit shall be dedicated to the following "Well(s)":

Charlie Murphy 6 WXY FC Well No. 12H, API No. 30-025-Pending

SHL: 271 feet from the North line and 1201 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.

BHL: 100 feet from the South line and 1979 feet from the East line,
(Unit O) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WA FC Well No. 15H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1141 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 989 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WXY FC Well No. 18H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1111 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 330 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

(4) The Well(s) will be drilled horizontally and will target the Wolfcamp Y and A members of the Wolfcamp formation.

(5) Marathon Oil Permian LLC (OGRID 372098) is hereby designated the operator of the Well(s) and of the Unit.

(6) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(7) The operator of the Unit shall commence drilling the Well(s) on or before December 31, 2019 and shall thereafter continue drilling the Well(s) with due diligence to test the Wolfcamp formation at or about the proposed true vertical and measured depths.

(8) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(9) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(10) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(11) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created

by this order shall terminate unless this order has been amended to authorize further operations.

(12) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(13) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(14) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(15) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(16) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(17) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(18) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs actually incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(19) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(20) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(21) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

(22) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(23) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(24) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(25) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Heather Riley
HEATHER RILEY
Director

Federal Communitization Agreement

Contract No. NmNm 141288

THIS AGREEMENT, entered into as of the 28th of October 2019, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico:
Section 6: E/2
Section 7: E/2

Containing 640.00 acres, more or less, and this agreement shall include only the Wolfcamp Formation underlying said lands and the natural gas and associated liquid hydrocarbons or oil hereinafter referred to as "communitized substances," producible from such formation.

2. Attached hereto and made a part of this agreement for all purposes is Exhibit "A", a plat designating the communitized area and, Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. The Operator of the communitized area shall be Marathon Oil Permian LLC, 5555 San Felipe St., Houston, TX, 77056. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the

communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas regulations.
5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal or Indian lands included within the CA area are to be paid into the appropriate Unleased Lands Account or Indian Trust Account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding-or-step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person

or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. The date of this agreement is October 28, 2019 and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.
12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all Fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occur in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.
13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. This 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 parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

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

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

LESSEE OF RECORD

OCCIDENTAL PERMIAN LIMITED PARTNERSHIP
By Occidental Permian Manager LLC,
Its General Partner

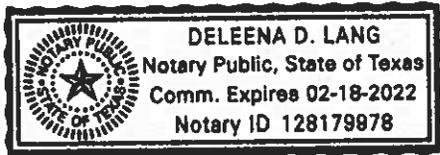
12-30-2019
Date

By: [Signature]
Name: John V. Schneider ^{w/ GMP}
Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF HARRIS)

This instrument was acknowledged before me on December 30, 2019, by John V. Schneider, **ATTORNEY-IN-FACT** of OCCIDENTAL PERMIAN MANAGER LLC, a Delaware limited liability company, on behalf of **OCCIDENTAL PERMIAN LIMITED PARTNERSHIP**, a Texas limited partnership.



[Signature]
Notary Public in and for the State of Texas

WORKING INTERST OWNER

OXY USA INC.

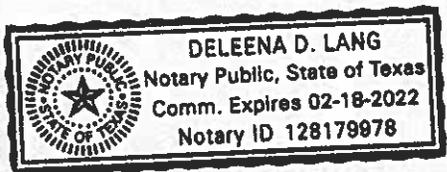
12-30-2019
Date

By: [Signature]
Name: John V. Schneider
Attorney-in-Fact

ACKNOWLEDGEMENT

STATE OF TEXAS)
)
COUNTY OF HARRIS)

This instrument was acknowledged before me on December 30, 2019, by John V. Schneider, ATTORNEY-IN-FACT of OXY USA INC., a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public in and for the State of Texas

LESSEE OF RECORD

11/14/2019
Date

By: Catherine Lebsack

Name: Catherine Lebsack

Title: Vice President 

ACKNOWLEDGEMENT

STATE OF OKLAHOMA)
COUNTY OF OKLAHOMA) ss.

On this 14th day of November, 2019, before me, a Notary Public for the State of Oklahoma, personally appeared Catherine Lebsack, known to me to be Vice President for **Devon Energy Production Company, LP**, the company that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)

10/21/23
My Commission Expires



Lisa Othon
Notary Public

EXHIBIT "A"

Attached to the Communitization Agreement dated October 28, 2019.

Plat of communitized area covering 640 acres in Township 26 South, Range 35 East, N.M.P.M.,
Lea County, New Mexico
Section 6: E/2
Section 7: E/2

WELL NAME/ NO.

- Charlie Murphy 6 WXY FC 12H
- Charlie Murphy 6 WA FC 15H

Communitized Area
E/2 Section 6
&
E/2 Section 7
T26S-R35E – 640 acres

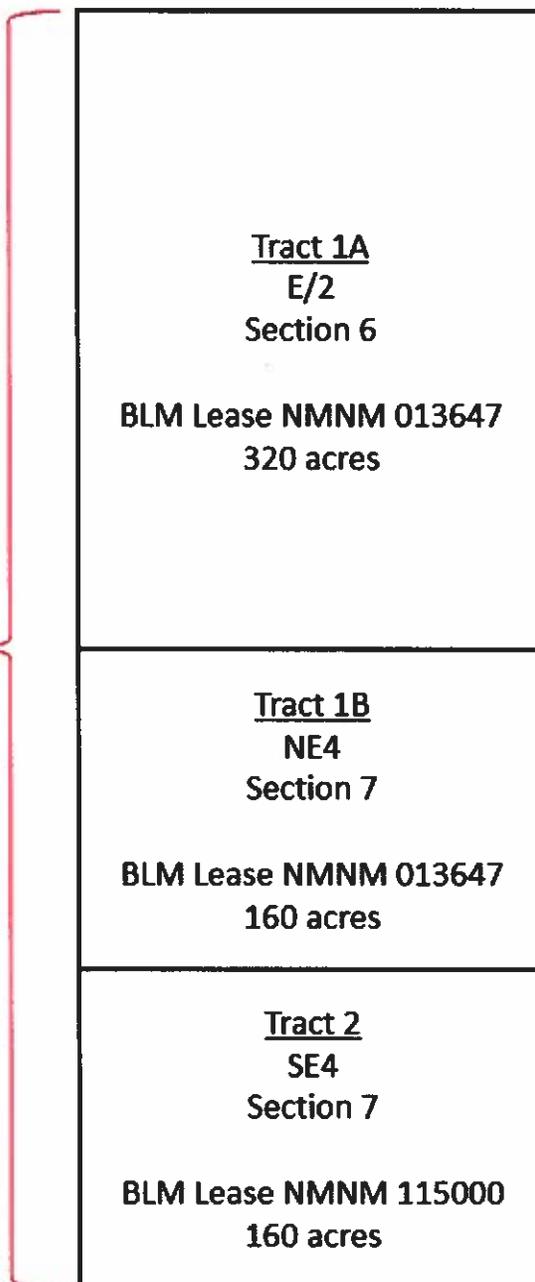


EXHIBIT "B"

Attached to the Communitization Agreement dated October 28, 2019 embracing the E/2 of Section 6 and the E/2 of Section 7, Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

OPERATOR OF COMMUNITIZED AREA:

Marathon Oil Permian LLC

DESCRIPTION OF LEASES COMMITTED

Tract No. 1A

Lease Serial No.:	NMNM 013647
Lessor:	Bureau of Land Management
Name of Lessee of Record:	Occidental Permian LP
Description of Land Committed:	<u>Township 26 South, Range 35 East, N.M.P.M.</u> Section 6: E/2 Lea County, New Mexico
Number of Acres:	320.00
Name of Working Interest Owners:	Pintail Production Company.....100.000000%
Name of ORRI Owners:	Rolla R. Hinkle.....0.666666% Madison M. Hinkle.....0.666667% Morris E. Schertz and Holly K. Schertz.....0.666667% Bryan Bell Family, LLC.....0.125000% Robert N. Enfield Revocable Living Trust.....0.062500% Lisa M. Enfield, Trustee of Lisa M. Enfield Trust.....0.031250% MLE, LLC0.031250% DMA, Inc.....0.083333% Charmar, LLC.....0.058333% Richard C. Deason0.029167% Thomas D. Deason0.029167% Ronald H. Mayer, Trustee of Ronald H. Mayer and Martha M. Mayer Revocable Trust.....0.025000% SAP, LLC0.025000% Jerune Allen.....0.500000%

Tract No. 1B

Lease Serial No.: NMNM 013647

Lessor: Bureau of Land Management

Name of Lessee of Record: Occidental Permian LP

Description of Land Committed: **Township 26 South, Range 35 East, N.M.P.M.**
Section 7: NE4
Lea County, New Mexico

Number of Acres: 160.00

Name of Working Interest Owners: Marathon Oil Permian LLC.....75.000000%
OXY USA, Inc.....25.000000%
100.000000%

Name of ORRI Owners: Madison Hinkle.....0.666666%
Rolla R. Hinkle.....0.666666%
Morris E. Schertz.....0.666666%
Bryan Bell Family, LP.....0.125000%
Mona L. Coffield.....0.062500%
Robert N. Enfield Revocable Living Trust.....0.062500%
DMA, Inc.....0.083334%
Charmar, LLC.....0.058334%
Richard C. Deason0.029167%
Thomas D. Deason0.029167%
Ronald H. Mayer, Trustee of Ronald H. Mayer and Martha
M. Mayer Revocable Trust.....0.025000%
SAP, Inc.....0.025000%
Jerune Allen.....0.500000%

Tract No. 2

Lease Serial No.: NMNM 115000

Lessor: Bureau of Land Management

Name of Lessee of Record: Chevron USA, Inc.....50.00%
Devon Energy Production Co. LP.....50.00%

Description of Land Committed: **Township 26 South, Range 35 East, N.M.P.M.**
Section 7: SE4
Lea County, New Mexico

Number of Acres: 160.00

Name of Working Interest Owners: Marathon Oil Permian LLC.....50.000000%
Chevron USA, Inc50.000000%
100.000000%

Name of ORRI Owners: None of record.

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No. 1A	<u>320.00</u>	<u>50.0000%</u>
Tract No. 1B	<u>160.00</u>	<u>25.0000%</u>
Tract No. 2	<u>160.00</u>	<u>25.0000%</u>
Total	640.00	100.0000%

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:**

**CASE NO. 16424
ORDER NO. R-20306**

**APPLICATION OF MARATHON OIL PERMIAN LLC FOR APPROVAL OF A
NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 20, 2018, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 31st day of December, 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) Cases No. 16424 and 16425 were consolidated at the hearing for testimony; however, a separate order will be issued for each case.

(3) The Applicant, Marathon Oil Permian LLC, seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit ("the Unit") described as follows:

A Horizontal Spacing Unit comprising 640 acres (more or less) within the Wildcat Wolfcamp Oil Pool (Pool code 98117) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 6 and E/2 of Section 7, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.

(4) Applicant also seeks approval of the above described lands as a non-standard Horizontal Spacing Unit.

(5) The Unit will be dedicated to the following well(s):

Charlie Murphy 6 WXY FC Well No. 12H, API No. 30-025-Pending

SHL: 271 feet from the North line and 1201 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 1979 feet from the East line,
(Unit O) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WA FC Well No. 15H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1141 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 989 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WXY FC Well No. 18H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1111 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 330 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

(6) The Wildcat Wolfcamp Oil Pool is governed by Division Rule 19.15.15.9(A) NMAC, which specifies 40-acre spacing and proration units [vertical wells], each comprising a governmental quarter-quarter section.

(7) The allowed setback footage distance for the proposed horizontal Oil well(s) is specified in Paragraph (1) of Subsection C of 19.15.16.15 NMAC effective June 26, 2018. Said rules allow the first or last take points to be no closer than 100 feet to the nearest unit boundary, and the setbacks measured perpendicular to the well path to be a minimum of 330 feet from the outer boundary of the horizontal spacing unit

(8) Devon Energy Production Company, L.P. appeared at the hearing. No other party entered an appearance in this case or otherwise opposed this application.

(9) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) The Wolfcamp formation in this area is suitable for development by horizontal drilling.
- (b) The orientation of the horizontal well(s) is appropriate for the Unit.
- (c) The target drilling depth will be within the Wolfcamp Y and A members of the Wolfcamp formation.
- (d) The Well No. 15H is located within the E/2 E/2 of both Sections but is closer than 330 feet to the W/2 E/2 of each Section, therefore this is the well which defines the E/2 spacing unit.

- (e) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.
- (f) All affected parties were successfully contacted and provided with notice.
- (g) Notice to affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(10) The application in this case was filed, and the Well(s) were permitted, on or after the June 26, 2018 date on which amendments to 19.15.16.7 and 19.15.16.15 NMAC (prescribing new spacing rules for horizontal wells) became effective (see Order No. R-14689). Hence the Well(s) must be spaced, permitted and drilled pursuant 19.15.16.15 NMAC, as amended effective June 26, 2018.

(11) Provided that the Unit constitutes a standard horizontal spacing unit for each of the Well(s) under now effective rules, no non-standard spacing unit approval is needed. If, however, the Unit is not a standard horizontal spacing unit for any of the Well(s), the operator must obtain approval of a non-standard horizontal spacing unit pursuant to 19.15.16.15.B(5) prior to producing such well.

(12) The portion of the case asking for a non-standard spacing and proration unit is no longer needed and should be dismissed.

(13) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(14) Marathon Oil Permian LLC (OGRID 372098) should be designated the operator of the Well(s) and of the Unit.

(15) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(16) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(17) There are interest owners in the Unit that have not agreed to pool their interests.

(18) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation within the Unit.

(19) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(20) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(21) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Well(s).

(22) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the following described spacing unit ("the Unit") are hereby pooled:

A Horizontal Spacing Unit comprising 640 acres (more or less) within the Wildcat Wolfcamp Oil Pool (Pool code 98117) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 6 and E/2 of Section 7, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) The portion of the application in this case asking for approval of a non-standard spacing and proration unit is dismissed.

(3) The Unit shall be dedicated to the following "Well(s)":

Charlie Murphy 6 WXY FC Well No. 12H, API No. 30-025-Pending

SHL: 271 feet from the North line and 1201 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 1979 feet from the East line,
(Unit O) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WA FC Well No. 15H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1141 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 989 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

Charlie Murphy 6 WXY FC Well No. 18H, API No. 30-025-Pending

SHL: 272 feet from the North line and 1111 feet from the East line,
(Unit A) of Section 6, Township 26 South, Range 35 East, NMPM.
BHL: 100 feet from the South line and 330 feet from the East line,
(Unit P) of Section 7, Township 26 South, Range 35 East, NMPM.

(4) The Well(s) will be drilled horizontally and will target the Wolfcamp Y and A members of the Wolfcamp formation.

(5) Marathon Oil Permian LLC (OGRID 372098) is hereby designated the operator of the Well(s) and of the Unit.

(6) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(7) The operator of the Unit shall commence drilling the Well(s) on or before December 31, 2019 and shall thereafter continue drilling the Well(s) with due diligence to test the Wolfcamp formation at or about the proposed true vertical and measured depths.

(8) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(9) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(10) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(11) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created

by this order shall terminate unless this order has been amended to authorize further operations.

(12) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(13) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(14) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(15) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(16) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(17) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(18) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs actually incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(19) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(20) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(21) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

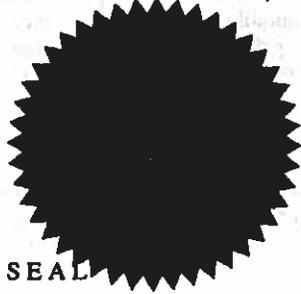
(22) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(23) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(24) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(25) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Heather Riley
HEATHER RILEY
Director