

Federal Communitization Agreement

Contract No. _____

THIS AGREEMENT entered into as of the 1st day of October, 2020, 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 19 South, Range 28 East:

Section 33: S/2S/2

Section 34: S/2S/2

Eddy County, New Mexico

Containing **320.0** acres, and this agreement shall include only the Bone Spring formation underlying said lands and the associated gaseous hydrocarbons hereafter 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 Colgate Operating, LLC, whose address is 300 N. Marienfeld Street, Suite 1000, Midland, Texas 79701. All matters of operations shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator maybe 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 operating 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 there from shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

If the communitized area approved in this Agreement contains unleased Federal lands, the value of $1/8^{\text{th}}$ or $12 \frac{1}{2}$ percent for the Federal lands, of the production that would be allocated to such Federal lands, described above, if such lands were leased, committed and entitled to participation, shall be payable as compensatory royalties to the Federal government. The remaining $7/8^{\text{th}}$ should be placed into an escrow account set up by the operator. Parties to the Agreement holding working interest in committed leases within the applicable communitized area are responsible for such royalty payments on the volume of the production reallocated from the unleased Federal lands to their communitized tracts as set forth in Exhibit "B" attached hereto. The value of such production subject to the payment of said royalties shall be determined pursuant to the method set forth in 30 CFR Part 1206 for the unleased Federal lands. Payment of compensatory royalties on the production reallocated from the unleased Federal lands to the committed tracts within the communitized area shall fulfill the Federal royalty obligation for such production. Payment of compensatory royalties, as provided herein, shall accrue

from the date the committed tracts in the communitized area that includes unleased Federal land receive a production allocation, and shall be due and payable by the last day of the calendar month next following the calendar month of actual production. Payment due under this provision shall end when the Federal tract is leased or when production of communitized substances ceases within the communitized area and the Communitization Agreement is terminated, whichever occurs first.

Any party acquiring a Federal lease of the unleased Federal lands included in the communitized area established hereunder, will be subject to this Agreement as of the effective date of the Federal leases to said party (ies). Upon issuance of the Federal lease and payment of its proportionate cost of the well, including drilling, completing and equipping the well, the acquiring party (ies) shall own the working interest described in the Tract, as described on Exhibit "B", and shall have the rights and obligations of said working interest as to the effective date of the Federal Lease.

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 1, 2020, 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 interests 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 land 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.

CM RESOURCES, LLC
(Lessee of Record)

Date: _____

By: _____

Name: Brandon Gaynor

Title: Senior Vice President

ACKNOWLEDGEMENT

STATE OF TEXAS)

) ss.

COUNTY OF MIDLAND)

On this _____ day of _____, 2022, before me, a Notary Public for the State of _____, personally appeared _____ known to me to be the _____ of _____, the corporation that executed the foregoing instrument and acknowledged to me such corporation executed the same.

(SEAL)

Notary Public

My commission expires

ACKNOWLEDGEMENT

(Individual capacity)

STATE OF _____)

COUNTY OF _____)

On this ___ day of _____, 2022, before me, a Notary Public for the State of _____, personally appeared _____.

(SEAL)

Notary Public

My commission expires

EXHIBIT "A"

Plat of communitized area covering **320.0** acres in Township 19 South, Range 28 East, S/2S/2 of Section 33 and the S/2S/2 of Section 34, Eddy County, New Mexico, as written in Section 1 above.

Well Name/No.

DAWSON 34 FED COM #124H
DAWSON 34 FED COM #134H

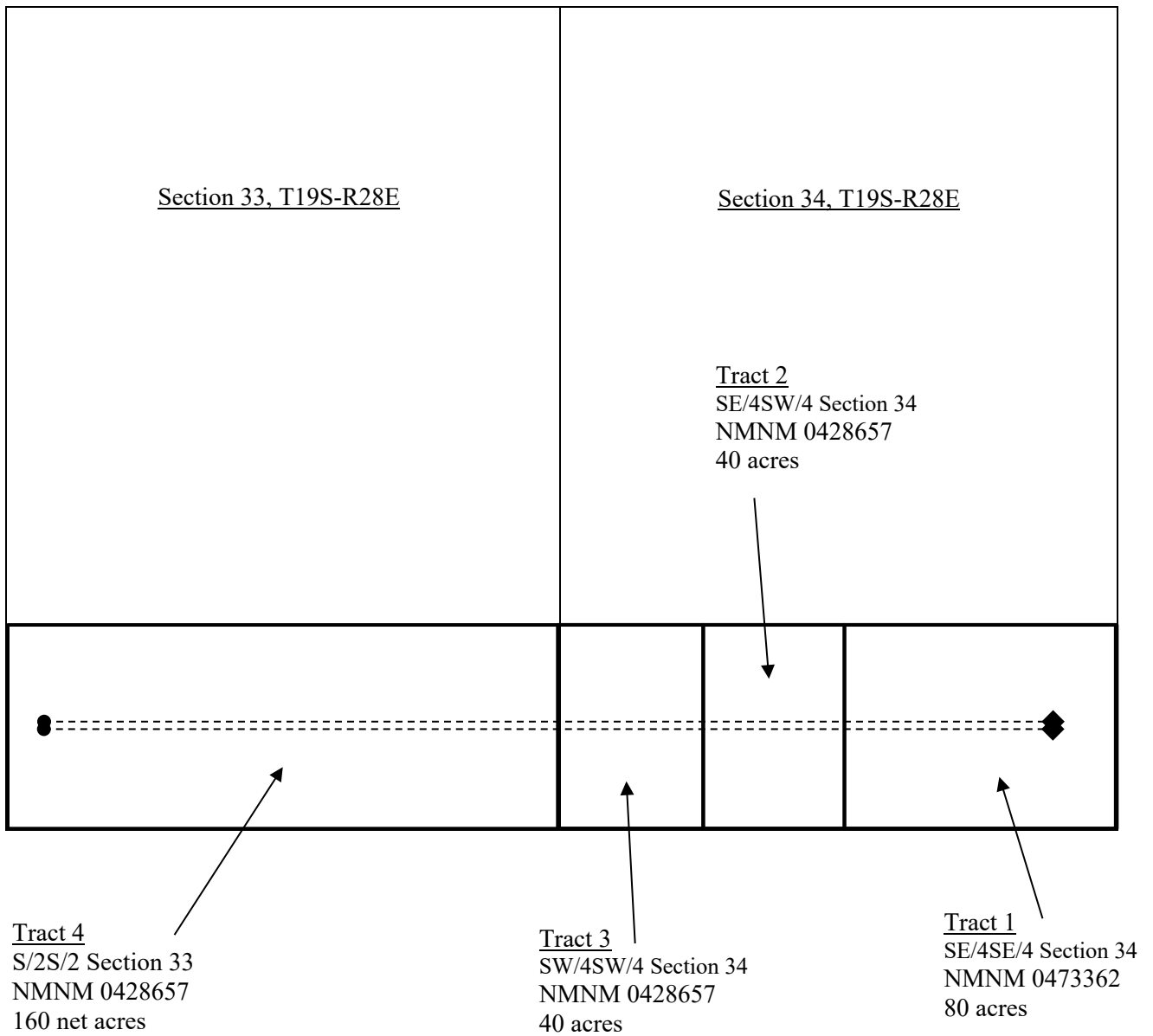


EXHIBIT "B"

To Communitization Agreement Dated October 1, 2020, embracing the following described land in Township 19 South, Range 28 East, S/2S/2 of Section 33 and S/2S/2 of Section 34, Eddy County, New Mexico, as written in Section 1 above.

Operator of Communitized Area:

COLGATE OPERATING, LLC

DESCRIPTION OF LEASES COMMITTED

TRACT NO. 1

Lease Serial Number:	NMNM 0473362
Lease Date:	Effective January 1, 1964
Lease Term:	10 years, subsequently extended for 2 years
Lessor:	United States of America
Original Lessee:	George A. Lauck
Current Lessee of Record:	D.W. Underwood and J.C. Williamson
Description of Land Committed:	SE/4SE/4 of Section 34, T19S-R28E, Eddy County, New Mexico
Number of Acres:	80
Royalty Rate:	12.5%
Name and Percent ORRI Owners:	Colgate Royalties, LP – 0.06027778, Mountain Lion Oil & Gas – 0.00500000, Frank J. Pisor – 0.00125000, Heirs of George A Lauk & Molly Lauk – 0.00937500, Mark and Paula McClellan – 0.000625000, Ross and Kandace McClellan – 0.000625000, Etheredge Revocable Living Trust dtd 11/4/1997 – 0.00347222, Marshall & Winston, Inc. – 0.028125000, Greenville Partners – 0.00937500, Kevin Hammitt – 0.00468750, James A. Lawson – 0.00468750
Name of Working Interest Owners:	Colgate Production, LLC - 0.85544306, Northern Oil & Gas, Inc. – 0.02570714, C5 Capital Management, LLC – 0.00520833, HCH Investment, LLC – 0.00520833, Catherine E. Huffman – 0.00520833, Elizabeth Tullis Dillard – 0.06250000, Myrlene Mannschreck Dillon – 0.03125000, KMT Energy Holdings LLC – 0.00377250, Geoffrey Lancely – 0.00010778, Douglas Cranmer – 0.00053280, Russell Cranmer – 0.00053280, Douglas C. Cranmer and Russell B. Cranmer, Trustees of the Russell E. Cranmer Irrevocable Trust dtd December 28, 1992 – 0.00053280, Katherine Ferguson – 0.00213120, Robert G. Ettleson – 0.00053280, Mary Kline – 0.00053280, Sombrero Associates – 0.00079933

TRACT NO. 2

Lease Serial Number: NMNM 0428657
Lease Date: July 17, 1963, effective September 1, 1963
Lease Term: 10 years, subsequently extended for 2 years
Lessor: United States of America
Original Lessee: T. A. Fraser and J. Mack Barnes
Current Lessee of Record: ZPZ Delaware I LLC, Northern Oil & Gas, Inc., CM Resources, LLC, Colgate Production, LLC

Description of Land Committed: SE/4SW/4 of Section 34, T19S-R28E, Eddy County, New Mexico

Number of Acres: 40
Royalty Rate: 12.5%

Name and Percent ORRI Owners: Colgate Royalties, LP –0.077045841, CM Royalties, LLC – 0.00937500, Abuelo, LLC – 0.00096146, Carol Sue Mhoon – 0.01250000, Ergodic Resources LLC - .00096146, Loco Hill Production Company, LLC – 0.00096146, Magnum Hunter Production, Inc. – 0.00070159, Silverhair, LLC – 0.00096146, William G. Ross and Vee K. Ross, Trustees of the William G. Ross and Vee K. Ross Living Trust UTA dated March 9, 1990 – 0.01250000

Name of Working Interest Owners: Colgate Production, LLC - 0.64775238, Northern Oil & Gas, Inc. – 0.22214120, Myrlene Mannschreck Dillon - 0.02343750, Geoffrey Lanceley - 0.00008033, Wildcat Energy, LLC - 0.00279387, Hodge Natural Gas Gathering, Inc. - 0.00039960, Robert G. Ettleson – 0.00039960, William L. Hilliard – 0.00079910, Mary L. Kline – 0.00039970, Heirs or Devisees of John R. Kline – 0.00139860, Gerald L. Michaud – 0.00079910, Ted J. Werts – 0.00039960, Intrepid Energy, Inc. – 0.01928035, Douglas C. Cranmer and Russell B. Cranmer, Trustees of the Russell E. Cranmer Irrevocable Trust dated December 28, 1992 – 0.00119880, Bill Ferguson – 0.00319680, Robert H. Krieble – 0.00139850, Sombrero Associates – 0.00089930, Nelson & Co., for the benefit of John D. Wile Marital Trust – 0.00059940, Magnum Hunter Production, Inc. – 0.03173252, John C. Rocovich – 0.00140625, Paul & Zofia Umbarger – 0.00712969, J.W. Davis – 0.01343671, Current Trustee under Declaration of Trust dated August 28, 1982, executed by Alice G. Davis – 0.01343672, Galkay, a Joint Venture – 0.00466172, James Kenneth Garrett – 0.00020567, Joyce Eline Garrett – 0.00020567, Donna Marie Studer, Administrator, Estate of

Genevieve Studer - 0.00010283, Carl Joseph
Garrett, Executor, Estate of Jasper Ben Garrett, Jr.
– 0.00010283, Connie Gale Becker – 0.00010283,
Ginger Lee Meyers – 0.00010283

TRACT NO. 3

Lease Serial Number: NMNM 0428657
Lease Date: July 17,1963, effective September 1, 1963
Lease Term: 10 years, subsequently extended for 2 years
Lessor: United States of America
Original Lessee: T.A. Fraser and J. Mack Barnes
Current Lessee of Record: ZPZ Delaware I LLC, Northern Oil & Gas,
Inc., CM Resources, LLC, Colgate Production,
LLC
Description of Land Committed: SW/4SW/4 of Section 34, T19S-R28E, Eddy
County, New Mexico
Number of Acres: 40
Royalty Rate: 12.5%
Name and Percent ORRI Owners: Colgate Royalties, LP – 0.07751770, William G.
Ross and Vee K. Ross, Trustees of the William G.
Ross and Vee K. Ross Living Trust UTA dated
March 9, 1990 – 0.01250000, Carol Sue Mhoon –
0.01250000, Marathon Oil Permian, LLC –
0.00937500, Ergodic Resources, LLC –
0.00096146, Abuelo, LLC – 0.00096146,
Silverhair, LLC – 0.00096146, Loco Hills
Production Company, LLC – 0.00096146,
Magnum Hunter Production, Inc. – 0.00064054
Name of Working Interest Owners: Colgate Production, LLC – 0.77275238, Northern
Oil & Gas, Inc. – 0.09714120, Myrlene
Manschreck Dillon – 0.02343750, Geoffrey
Lanceley – 0.00008033, Wildcat Energy, LLC –
0.00279387, Hodge Natural Gas Gathering, Inc. –
0.00039960, Robert G. Ettleson – 0.00039960,
William L. Hilliard – 0.00079910, Mary L. Kline
– 0.00039970, Heirs or Devisees of John R. Kline
– 0.00139860, Gerald L. Michaud – 0.00079910,
Ted J. Werts – 0.00039960, Intrepid Energy, Inc.
– 0.01928035, Douglas C. Cranmer and Russell
B. Cranmer, Trustees of the Russell E. Cranmer
Irrevocable Trust dated December 28, 1992 –
0.00119880, Bill Ferguson – 0.00319680, Robert
H. Krieble – 0.00139850, Sombrero Associates –
0.00089930, Nelson & Co., for the benefit of John
D. Wile Marital Trust – 0.00059940, Magnum
Hunter Production, Inc. – 0.03173252, John C.
Rocovich – 0.00140625, Paul and Zofia

Umbarger – 0.00712969, J.W. Davis –
0.01343671, Current Trustee under Declaration of
Trust dated August 28, executed by Alice G.
Davis – 0.01343672, Galkay, a Joint Venture –
0.00466172, James Kenneth Garrett – 0.00020567

TRACT NO. 4

Lease Serial Number: NMNM 0428657
Lease Date: July 17, 1963, effective September 1, 1963
Lease Term: 10 years, subsequently extended for 2 years
Lessor: United States of America
Original Lessee: T.A. Fraser and J. Mack Barnes
Current Lessee of Record: ZPZ Delaware I LLC, Northern Oil & Gas,
Inc., CM Resources, LLC, Colgate Production,
LLC

Description of Land Committed: S/2S/2 of Section 33, T19S-R28E, Eddy
County, New Mexico

Number of Acres: 160
Royalty Rate: 12.5%

Name and Percent ORRI Owners: Colgate Royalties, LLC – 0.06337573, Brian
Eamer – 0.00029297, Carol Sue Mhoon –
0.01250000, Moser Revocable Trust – 0.00117188,
Charles L. Johnson – 0.00019531, Erin Eamer –
0.00029297, Flatrock Royalties LLC –
0.00014648, Lori Lynn Johnson Nelson –
0.00019531, Michael O. Johnson – 0.00019531,
Mongoose Minerals, LLC – 0.01735163, Nestegg
Energy Corp. – 0.00291000, William G. & Vee K.
Ross Living Trust UTA dated 3/9/1990 –
0.012500000

Name of Working Interest Owners: Colgate Production, LLC – 0.43120148, Heirs of
Carroll T. Hutchens, Sr. – 0.00781250, Teryl D.
Meyers – 0.00024568, COG Operating, LLC –
0.24687500, James W. Bowen – 0.00781250,
Edward J. Brown – 0.00781250, JCJ Investments,
LLC – 0.00454710, Vernon Burfiend –
0.00390625, Margaret Andrews Avery –
0.00036851, Margaret A. McCloud & Thomas D.
McCloud, Trustees of the Robert N. Avery Family
Trust – 0.00036851, Virginia B. Dean –
0.00012284, Virginia B. Dean, Clinton H. Dean
Jr., Michael Charles Dean & Robert Russell
Dean, Trustees of the Virginia B. Dean Marital
Deduction Trust – 0.00012284, Clinton H. Dean,
Jr. – 0.00016378, Michael C. Dean – 0.00016378,
Robert R. Dean – 0.00016378, The Egbert Living
Trust dated April 1, 2005 – 0.01599351, Shirley
Ann Egbert – 0.00396767, Claudia Baker –
0.00238060, Wilfred E. Blessing & Victor F.

Bogard, Co-Trustees of Trust A u/w/o Galen S. Egbert f/b/o Brian Galen Egbert – 0.00119030, Wilfred E. Blessing & Victor F. Bogard, Co-Trustees of Trust B u/w/o Galen S. Egbert f/b/o the grandchildren of Galen S. Egbert – 0.00039677, Dorsar Investment Company – 0.00036851, Martin T. Hart – 0.00024568, Edna Louise Miller – 0.00024568, Virginia D. Kriz-Neessen – 0.00024568, John T. Olive – 0.00024568, John A. Ponsford – 0.00024568, Sarador, a partnership – 0.00024568, Richard J. Vance & Lorraine Vance – 0.00024567, Homer L. Wedig – 0.00012284, James M. Welch – 0.00012284, Becky Ruth Welch – 0.00032552, Bryan Winston Welch – 0.00032552, Stacy Ann Welch Green – 0.00032552, Gene Wood Joint Venture Account – 0.00094585, 5 J's Plus L, Inc. – 0.00781250, Charles Eugene Cooper & DeAnn Hutson, Co-Trustees of the Charles Eugene Cooper Trust – 0.00781250, James W. Doak, Jr. – 0.00781250, Joyce Ann Hansen – 0.00488281, Hans Eric Hansen – 0.00097656, Gregory Martin Hansen – 0.00097656, Nicole Williams – 0.00048828, Michelle Rank – 0.00048828, Byrl W. Harris – 0.00781250, International Petroleum Corp. – 0.00390625, Tularosa Oil Company – 0.00195313, Togiak Resources, LLC – 0.00195312, Peggy Runyan – 0.01562500, Cheron Oil & Gas Co., Inc. – 0.00634766, Pregler Oil Co, LLC – 0.00146484, Malcolm G. MacNeill – 0.01562500, B and H Royalty Company – 0.00390625, Richard Pruett – 0.00781250, Adene L. Sealy – 0.00390625, Stanley F. Smith – 0.00390625, Krista Alicen Stephenson, Trustee of the Krista Alicen Stephenson Trust – 0.00390625, Abbejane Masterson Bates – 0.00390625, John G. Willy – 0.00390625

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	80.00	25.00%
2	40.00	12.50%
3	40.00	12.50%
4	160.00	50.00%
Total	320.00	100.00%