



Samantha Harvey
Land Analyst – Offshore

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ADJUDICATION SECTION
MAR 12 2021

March 12, 2021

VIA ADJUDICATION MAILBOX

Bureau of Ocean Energy Management
GOM Adjudication Section – GM276A
1201 Elmwood Park Boulevard
New Orleans, LA 70123

ATTN: Adjudication Section

RE: Non Required Filing:
Conveyance of Overriding Royalty Interest
OCS-G 35963, All of Block 118, Mississippi Canyon
OCS-G 36537, All of Block 119, Mississippi Canyon
OCS-G 36880, All of Block 162, Mississippi Canyon
OCS-G 36538, All of Block 163, Mississippi canyon
OCS-G 36540, All of Block 206, Mississippi Canyon
Assignor: Fieldwood Energy LLC (03295)
Assignee(s): Chevron U.S.A. Inc. (00078)

Dear Adjudication:

Please find enclosed two (2) executed original Conveyance of Overriding Royalty Interest dated July 1, 2019 for the five above mentioned leases, whereby Fieldwood Energy LLC (03295) is conveying an overriding royalty interest to Chevron U.S.A. Inc. (00078).

The Pay.gov receipt for payment of processing this request is attached (Pay.gov Tracking ID: 26RHBSHD).

Please file one copy of this document in the non-required records maintained by your office under Category 5 – Overriding Royalty, Production Payments, Net Profit. Thank you for your consideration and processing of this request. Please contact me should you have any questions or need any addition information.

Respectfully,

Samantha Harvey
Land Analyst – Offshore

Enc.

UNITED STATES OF AMERICA §
OUTER CONTINENTAL SHELF § **KNOW ALL MEN BY THESE**
GULF OF MEXICO § **PRESENTS:**

This Conveyance of Overriding Royalty Interest (“**Conveyance**”), dated as of July 1, 2019 (“**Execution Date**”), is by and between Fieldwood Energy LLC, 2000 W Sam Houston Pkwy S, Suite 1200 Houston, Texas 77042 (“**Assignor**”), and Chevron U.S.A. Inc., 1500 Louisiana Street, Houston, Texas 77002 (“**Assignee**”). Assignor and Assignee are sometimes individually referred to as a “**Party**” and collectively referred to herein as the “**Parties**”.

RECITALS

- A. WHEREAS, as part of a transaction in which the Assignee and Assignor entered into a Joint Operating Agreement covering the Lease (defined below), the Assignor and Assignee also entered into a Decommissioning Security Agreement on the same date as this Conveyance (the “**DSA**”).
- B. WHEREAS, as part of the DSA, the term overriding royalty interest contemplated by this Conveyance will become payable from time to time.
- C. WHEREAS, Assignor desires to convey to Assignee, and Assignee desires to receive, the overriding royalty interest more particularly described herein.

1. DEFINITIONS

“**Commencement Date**” means each date when there is a Default (as defined in the DSA) of Assignor’s obligation under Section 5 of the DSA resulting in a Shortfall Amount.

“**Delivery Point**” means, for oil, the inlet flange of the Lease Automatic Custody Transfer (LACT) meter for the crude export pipeline located on the applicable production facility for the Lease.

“**Lease**” means, collectively or individually, the following:

Federal OCS oil & gas lease serial number OCS-G 35963, dated August 01, 2017 between the United States of America and Chevron U.S.A. Inc., covering all of Mississippi Canyon Block 118, OCS Official Protraction Diagram, NH 16-10, containing approximately 5,760 acres as to all depths and bearing a royalty rate of 18.75%;

Federal OCS oil & gas lease serial number OCS-G 36537, dated July 01, 2019 between the United States of America and Chevron U.S.A. Inc. and Fieldwood Energy LLC, covering all of Mississippi Canyon Block 119, OCS Official Protraction Diagram, NH 16-10, containing approximately 5,760 acres as to all depths and bearing a royalty rate of 18.75%;

Federal OCS oil & gas lease serial number OCS-G 36880, dated August 01, 2020 between the United States of America and Chevron U.S.A. Inc., covering all of Mississippi Canyon Block 162, OCS Official Protraction Diagram, NH 16-10, containing approximately 5,760 acres as to all depths and bearing a royalty rate of 18.75%;

Federal OCS oil & gas lease serial number OCS-G 36538, dated July 01, 2019 between the United States of America and Chevron U.S.A. Inc. and Fieldwood Energy LLC, covering all of Mississippi Canyon Block 163, OCS Official Protraction Diagram, NH 16-10, containing approximately 5,760 acres as to all depths and bearing a royalty rate of 18.75%; and

Federal OCS oil & gas lease serial number OCS-G 36540, dated July 01, 2019 between the United States of America and Chevron U.S.A. Inc. and Fieldwood Energy LLC, covering all of Mississippi Canyon Block 206, OCS Official Protraction Diagram, NH 16-10, containing approximately 5,760 acres as to all depths and bearing a royalty rate of 18.75%.

“Shortfall Amount” means the amount, in US Dollars, by which the Security Amount (as defined in the DSA) exceeds the aggregate of all Security (as defined in the DSA) provided to the Assignee which is valid, enforceable and satisfies the requirements for such security in accordance with the DSA.

“Suspension Date” means each date following any Commencement Date when either (i) the aggregate payments actually received by Assignee equals the Shortfall Amount, (ii) Assignor has eliminated the Shortfall Amount by providing appropriate Security (as defined in the DSA), or (iii) the Termination Date.

“Termination Date” means the earlier of (i) the termination date of the DSA, (ii) the date under the DSA that Assignor is no longer required to provide security of any type or amount to Assignee, (iii) the date the ORRI is otherwise terminated by the Parties.

2. CONVEYANCE

- 2.1 For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby GRANTS, BARGAINS, SELLS, CONVEYS, ASSIGNS, SETS OVER AND DELIVERS unto Assignee, effective as of the Commencement Date, an overriding royalty interest in and to each of the Leases equal to 25% of Assignor’s right, title and interest in and to all oil produced from, and only from Assignor’s interest in the Leases as of the Execution Date, free and clear of all liens, charges, and encumbrances (“ORRI”).
- 2.2 Such ORRI shall be payable beginning on each Commencement Date until each Suspension Date, and such ORRI shall be paid into the Escrow Account (as defined in the DSA).
- 2.3 TO HAVE AND TO HOLD the ORRI unto Assignee, its successors and assigns forever, subject to the following terms, provisions, and conditions:
 - (A) The ORRI shall be calculated and paid to Assignee at the same time as and in the same manner as the lessor’s federal government royalty under the Lease, free and clear of all
 - (1) liens, charges, and encumbrances placed there on by Assignor,
 - (2) all royalties and lessor’s royalties (which shall be borne and paid by Assignor), and

- (3) all costs, expenses, and liabilities of exploring, drilling, equipping, testing, operating, developing, maintaining or abandoning the Leases, any well or facility thereon.

- (B) The ORRI shall be calculated and paid on the basis of the proceeds received from the first sale of oil production to a purchaser in an arms-length transaction; provided, however, that if the first sale of oil production is made pursuant to other than an arms-length transaction by Assignor, then the ORRI shall be calculated and paid on the basis of the greater of the following, or if by Assignee, then the ORRI shall be calculated and paid on the basis of the lesser of the following:
 - (1) the proceeds received from such sale, or
 - (2) the most relevant crude oil price or relevant hydrocarbon price as posted on Argus media publication. For the avoidance of doubt, any agreement for the sale of oil or relevant hydrocarbon between Assignor and any affiliate of Assignee shall be considered an arms-length transaction for the purpose of this Conveyance.

- (C) Assignor reserves the right, in its sole judgment, to pool, unitize, or combine the applicable Leases with any other interests through one or more voluntary units, or into units established by governmental authorities having jurisdiction.

- (D) For the avoidance of doubt, in the event the Lease is included in a federal oil and gas unit approved by the Bureau of Ocean Energy Management and/or Bureau of Safety and Environmental Enforcement (or any successor agencies) to include additional acreage outside of the Lease, or should a subsequent joint participation area or similar third party production sharing arrangement be created that includes all or an allocated portion of the Lease in conjunction with other adjacent acreage, then the ORRI shall apply to such joint participation area or production sharing arrangement insofar as the Lease's proportionate interest in such unit, area or arrangement.

- (E) This Conveyance shall inure to the benefit of and be binding upon the Parties and their respective successors, legal representatives, and assigns. Each reference herein to "Assignor" shall, when appropriate, include the successors, assigns, and legal representatives of Assignor as the owners of said Lease or any interest therein and, likewise, each reference herein to "Assignee" shall, when appropriate, include the successors, assigns, and legal representatives of Assignee as the owners of the ORRI.

- (F) The ORRI shall apply to every extension, renewal or modification of the Lease, or any portion thereof, taken by Assignor or its successors, assigns, agents or employees, and to any new lease taken by Assignor on the lands, or any portion of the lands, covered by the Lease within one year of the expiration, termination or surrender of any Lease.

- (G) This Conveyance shall be governed by Louisiana law.

- (H) This Conveyance is intended by Assignor and Assignee to be a conveyance of a real right and/or of an immovable pursuant to Louisiana law. In addition, this Conveyance constitutes a "production payment" as defined in Title 11 of the United States Code, as amended. This Conveyance does not include any ownership in and to any fixtures, structures, equipment, or other tangible property now or hereafter placed on the Lease, and Assignee shall not be responsible for any plugging and abandonment or related decommissioning obligations or liabilities associated therewith except to the extent otherwise required of Assignee under the applicable operating agreement. Assignor covenants and agrees that this Conveyance shall be referenced in any further assignment by Assignor and its successors and assigns of interests in and affecting the Lease.
- (I) Either Assignor or Assignee, as the case may be based on if the other party is marketing and collecting sale proceeds, at any time after the first Commencement Date and upon reasonable notice in writing to Assignor, shall have the right during normal business hours to audit relevant portions of Assignor's accounts and records relating to the assigned ORRI volume, pricing, and deductions under the terms of this Conveyance within the twenty-four (24) month period following the end of any calendar year in which the ORRI was payable in accordance with the terms of this Conveyance. Assignee shall make every reasonable effort to conduct the audit in a manner which will result in a minimum of inconvenience to Assignor. Assignor shall bear no portion of the audit cost incurred unless specifically agreed to prior to the audit. Audits conducted by the Assignee shall not be conducted more than once each calendar year without the prior approval of Assignor.
- (J) During any period in which the ORRI is payable, either Assignor or Assignee, as the case may be based on if the other party is marketing and collecting sale proceeds, shall provide to the other Party monthly marketing and production reports, and such other information reasonably requested by the other Party.
- (K) Any controversy or claim, whether based on contract, tort, statute or other legal or equitable theory (including but not limited to any claim of fraud, misrepresentation or fraudulent inducement or any question of validity or effect of this Conveyance including this clause) arising out of or related to this Conveyance (including any amendments or extensions), or the breach or termination thereof (a "Dispute") shall be settled in accordance with the provisions of Section 10 of the DSA.
- (L) On the Termination Date, the ORRI shall automatically terminate and extinguish without the need of Assignee to formally reassign or release such ORRI; provided that, upon request by Assignor, Assignee shall provide a reassignment or release of the ORRI in a form reasonably acceptable to Assignor.
- (M) Any notice provided or permitted to be given under this Conveyance shall be in writing and sent by personal delivery or courier. Notice served shall be deemed to have been given when delivered and receipted for. For purposes of notice, the addresses of the Parties shall be as follows:

Fieldwood Energy LLC
2000 W Sam Houston Pkwy S, Suite 1200
Houston, Texas 77042

ATTN:
John H. Smith (Sr. Vice President, Land & Business Development)

Chevron U.S.A. Inc.
100 Northpark Blvd.
Covington, Louisiana 70433

ATTN:
Carl Rewerts (Land Manager)

or at such other address and number as either Party shall have previously designated by written notice given to the other Party in the manner hereinabove set forth.

- (N) Notwithstanding anything to the contrary set forth in this Conveyance or in the DSA, although the Commencement Date has not occurred, the Parties agree to make this Conveyance effective as of the Commencement Date and no ORRI payments accruing or payable until a Commencement Date occurs, which the Parties recognize to be an event that may never occur. If, however, a Commencement Date occurs, the ORRI payments provided for in this Conveyance shall thereafter accrue and be made from the proceeds of production provided for herein until an applicable Suspension Date.
- (O) Nothing in this Conveyance, express or implied, is intended to confer upon anyone, other than the Parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Conveyance or to constitute any Person a third-party beneficiary of this Conveyance.
- (P) The Conveyance may be executed in counterparts. Each counterpart shall be deemed to be an original for all purposes, and all counterparts shall together constitute but one and the same instrument. No individual counterpart shall be binding until both Parties have executed a counterpart original.

[Signature page to follow]

IN WITNESS WHEREOF, this Conveyance is executed by Assignor and Assignee on the dates set forth in their respective acknowledgments hereto but shall be effective as of the Execution Date.

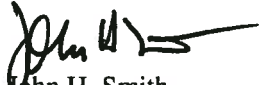
IMPORTANT NOTICE: THIS CONVEYANCE MAY CONTAIN PROVISIONS REGARDING INDEMNITIES AND WARRANTIES THAT EXPRESS THE CONVEYANCE BETWEEN THE PARTIES CONCERNING CLAIMS ARISING OUT OF THIS CONVEYANCE.

The Parties have executed this Conveyance as evidenced by the following signatures of authorized representatives of the Parties:

**ASSIGNOR:
FIELDWOOD ENERGY LLC**

**ASSIGNEE:
CHEVRON U.S.A. INC.**

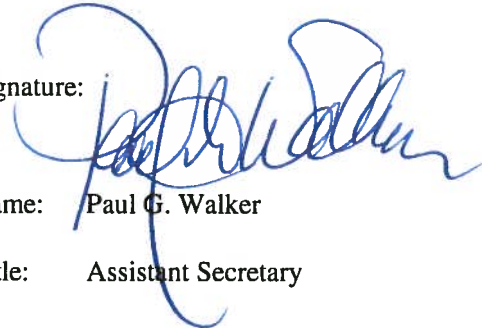
Signature:



Name: John H. Smith

Title: Sr. Vice President, Land & Business Development

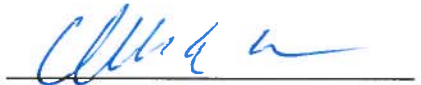
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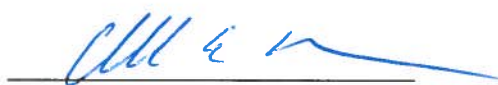
Name: Paul G. Walker

Title: Assistant Secretary

WITNESSES:



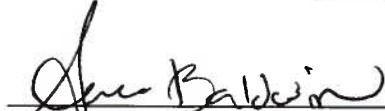
WITNESSES:

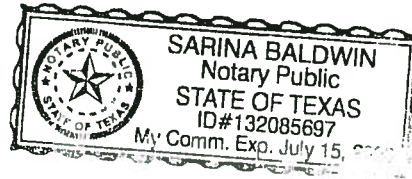


STATE OF TEXAS

COUNTY OF HARRIS

Personally, appeared before me, the undersigned authority in and for the county and state identified above, John H. Smith, who acknowledged that he is the Sr. Vice President, Land & Business Development of Fieldwood Energy LLC, a Delaware limited liability company, and that for and on behalf of said company, and as its true act and deed, he executed the above and foregoing instrument. Given under my hand and official seal this 12th day of November, 2020.


Notary Public in and for the State of Texas



STATE OF TEXAS

COUNTY OF HARRIS

Personally, appeared before me, the undersigned authority in and for the county and state identified above, Paul G. Walker, who acknowledged that he is the Assistant Secretary of Chevron U.S.A. Inc., a Pennsylvania corporation, and that for and on behalf of said corporation, and as its true act and deed, she executed the above and foregoing instrument. Given under my hand and official seal this 19th day of November, 2020.


Notary Public in and for the State of Texas

