

DATE IN 4/14/11	SUSPENSE	ENGINEER RE	LOGGED IN 4/14/11	TYPE OLM	APP NO. 1110528935
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



COG 229137

Caribou 19 Fed Com 1

**ADMINISTRATIVE APPLICATION CHECKLIST**

30-015-36540

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

30-015-36539

Caribou 19 Fed Com 2

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
☐ NSL ☐ NSP ☐ SD

Caribou 19 Federal Com #2  
API# 30-015-36539

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☐ PC ☒ OLS ☒ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify \_\_\_\_\_

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners  
[B] ☐ Offset Operators, Leaseholders or Surface Owner  
[C] ☐ Application is One Which Requires Published Legal Notice  
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
[F] ☐ Waivers are Attached

RECEIVED OGD  
2011 APR 14 AM 11:21

22dy  
Fed  
Dog Canyon  
Wolf Canyon

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

Netha Aaron  
Print or Type Name

Netha Aaron  
Signature

Regulatory Analyst  
Title

4/12/2011  
Date

aaaron@conchoresources.com  
e-mail Address

OLM-47



April 12, 2011

COG Operating, LLC  
Netha Aaron  
550 W. Texas Ave., Suite 100  
Midland, TX 79701

New Mexico Oil Conservation Division  
Will Jones  
1220 S St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Jones,

COG Operating LLC respectfully requests approval for Off-Lease Measurement on the following well:

**Caribou 19 Federal Com #2  
Eddy County, NM  
API # 30-015-36539  
Surface: 1980 FSL & 790 FEL Sec 19, T16S, R28E, Unit I**

This well is producing from the Dog Canyon; Wolfcamp (Oil - 17970) Pool. The Off-Lease Measurement facility is located on COG Operating LLC property, at our Caribou 19 Federal Com #1 well site, Sec 19, T16S, R 28E. This facility has two (2) COG gas check meters which feeds into one (1) DCP gas sales meter (724954-00), which is located about a mile from the battery for the above mentioned well.

This well has a Communitization Agreement NMNM 125796. It involves 162.58 acres of Federal and State land in leases NMNM 103872 and NMNM 103873 and St NM VB-0824.

COG Operating LLC plans to keep all production-separated. The current system configuration is that of commonly accepted oil field practice for testing producing oil wells.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Please contact me at 432-818-2319 should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Netha Aaron".

COG Operating, LLC  
Netha Aaron  
Regulatory Analyst

RECEIVED COG  
2011 APR 14 11:01

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**

1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original  
application to the Santa Fe  
office with one copy to the  
appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: COG Operating, LLC

OPERATOR ADDRESS: 550 West Texas Suite 100, Midland, TX 79701

APPLICATION TYPE:

☐ Pool Commingling ☐ Lease Commingling ☐ Pool and Lease Commingling ☒ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. \_\_\_\_\_

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☐ Yes ☐ No

**(A) POOL COMMINGLING**

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowances? ☐ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.

(4) Measurement type: ☐ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**

Please attach sheets with the following information

(1) Pool Name and Code.

(2) Is all production from same source of supply? ☐ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No

(4) Measurement type: ☐ Metering ☐ Other (Specify)

**(C) POOL and LEASE COMMINGLING**

Please attach sheets with the following information

(1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**

Please attached sheets with the following information

(1) Is all production from same source of supply? ☒ Yes ☐ No

(2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**

Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.

(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.

(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Netha Aaron TITLE: Regulatory Analyst DATE: 4/12/11

TYPE OR PRINT NAME Netha Aaron TELEPHONE NO.: 432-818-2319

E-MAIL ADDRESS: oaaron@conchoresources.com

**COG Operating LLC** is requesting approval for off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

**Federal Lease No.: SHL - NMLC 103873, BHL - NMLC 103872, Com No.:NMNM 124326**

<u>Well Name</u>	<u>API No.</u>	<u>Loc: ¼ ¼ Sec. Twp. Rng.</u>	<u>Formation</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
<b>Caribou 19 Federal Com #1</b>	3001536540	SESE, Sec.19, T16S, R28E	Dog Canyon; Wolfcamp	119	44.5/@60°	289	1233

With hydrocarbon production from:

**Federal Lease No.: SHL - NMLC 103873, BHL - NMLC 103872, Com No.:NMNM 125796**

<u>Well Name</u>	<u>API No.</u>	<u>Loc: ¼ ¼ Sec. Twp. Rng.</u>	<u>Formation</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
<b>Caribou 19 Federal Com #2</b>	3001536539	NESE, Sec.19, T16S, R28E	Dog Canyon; Wolfcamp	193	44.4/@60°	178	1233

The storage and measuring facility is located at SESE, Sec.19, T16S, R28E on Lease No.: NM 103873, Eddy County, New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contributing sources are as follows:

Oil and Gas are to be kept separate. Each well has its own oil tanks and gas meter.

# COG OPERATING LLC

Site Security Plan is located at:  
550 W. Texas Ave Ste 100 Midland, Texas 79701  
(432)-683-7443

December 6, 2010

**COG Check meter for Caribou 19 Fed Com #2**

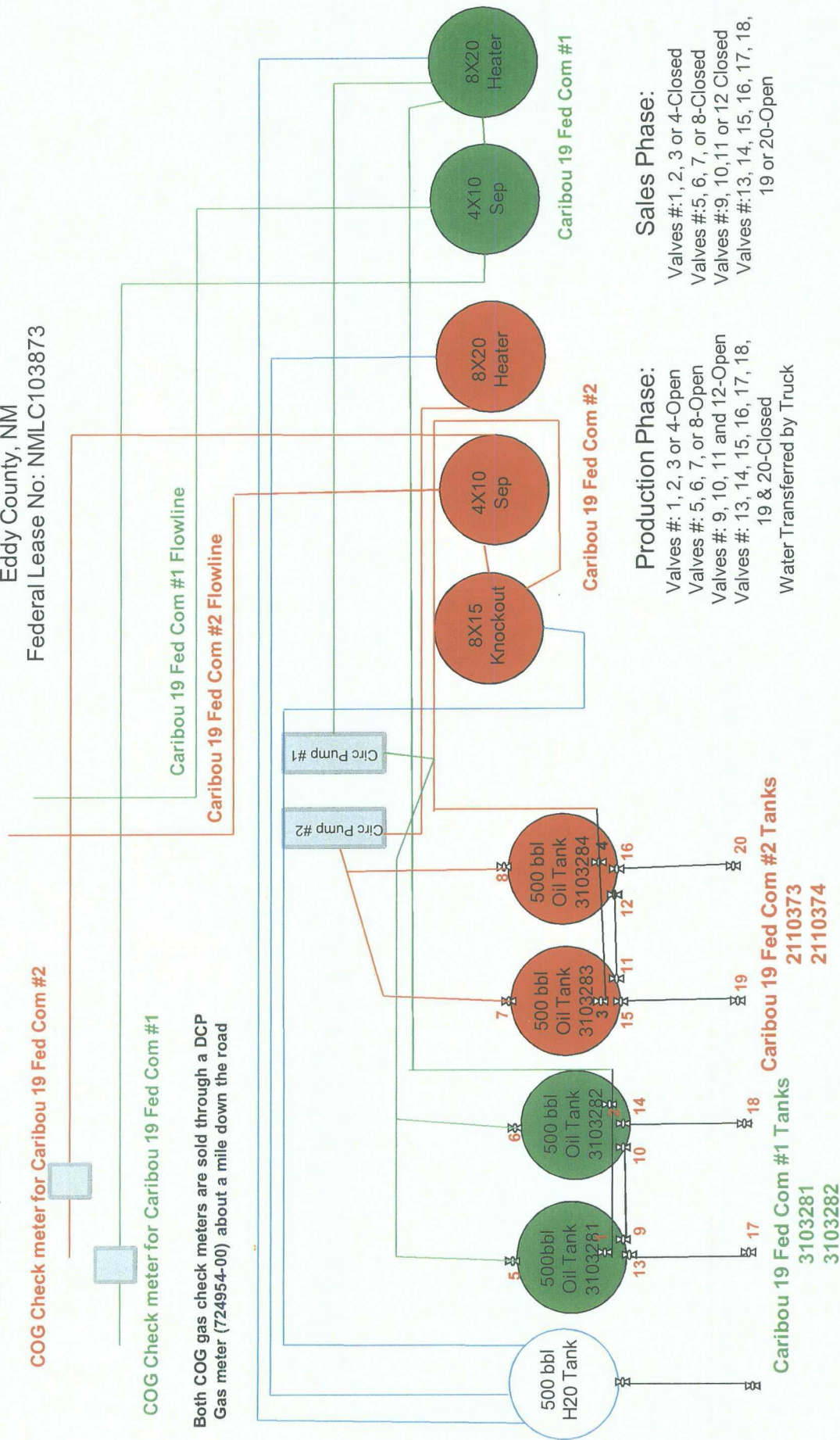
**COG Check meter for Caribou 19 Fed Com #1**

Both COG gas check meters are sold through a DCP Gas meter (724954-00) about a mile down the road



## Caribou 19 Federal Com Battery

Caribou 19 Federal Com #1 well  
Caribou 19 Federal Com #2 well  
430' FSL, 430' FEL \* Sec 19-T16S-R28E \* Unit P  
Eddy County, NM  
Federal Lease No: NMLC103873



### Sales Phase:

Valves #: 1, 2, 3 or 4-Closed  
Valves #: 5, 6, 7, or 8-Closed  
Valves #: 9, 10, 11 or 12 Closed  
Valves #: 13, 14, 15, 16, 17, 18, 19 or 20-Open

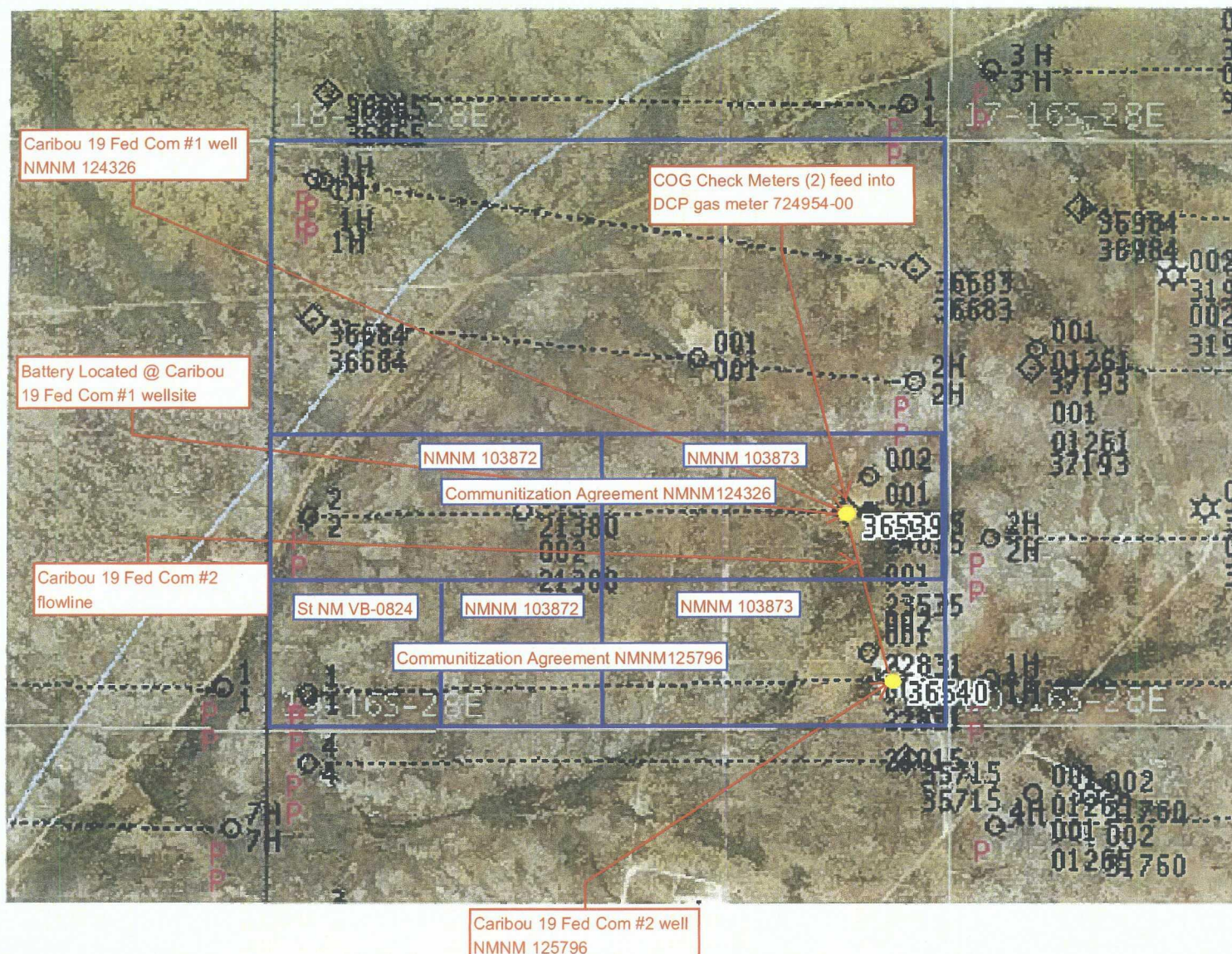
### Production Phase:

Valves #: 1, 2, 3 or 4-Open  
Valves #: 5, 6, 7, or 8-Open  
Valves #: 9, 10, 11 and 12-Open  
Valves #: 13, 14, 15, 16, 17, 18, 19 & 20-Closed  
Water Transferred by Truck

### Wells in Battery:

Caribou 19 Federal Com #1: 30-015-36540 (Tanks 3103283 & 3103284)  
Caribou 19 Federal Com #2: 30-015-36539 (Tanks 3103281 & 3103282)







January 13, 2011

Oxy Y-1 Company  
5 Greenway Plaza, Suite 100  
Houston, TX 77046

Certified Mail Article Number

Re: Request for Off Lease Measurement

To Whom it may concern:

This letter will serve as notice under Rule 104.F (3) that COG Operating LLC has requested administrative approval from the Oil Conservation Division in Santa Fe, NM for Off Lease Measurement. We have a battery that is located on COG Operating LLC property, Sec 19, T16S, R28E, N32° 54' 05.50" / W104° 12' 28.30".

**Caribou 19 Federal Com#2H  
Eddy County, NM  
API #: 30-015-36539**

**Surface: 1980 FSL & 790 FEL Sec 19, T16S, R28E, Unit I**

Should your company have any objection, it must be filed in writing within twenty (20) days from the date of this notice. The Division Director may approve the Off Lease Measurement if no objection has been made within the 20 days after the application has been received.

Sincerely,

COG Operating LLC

  
Kanicia Carrillo  
Regulatory Analyst

**SENDER: COMPLETE THIS SECTION**

- ☒ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☒ Print your name and address on the reverse so that we can return the card to you.
- ☒ Attach this card to the back of the mailpiece, or on the front if space permits.

**1. Article Addressed to:**

Oxy Y-1 Company  
5 Greenway Plaza, Suite 100  
Houston, TX 77046

**2. Article Number  
(Transfer from service label)**

91 7108 2133 3939 1362 2395

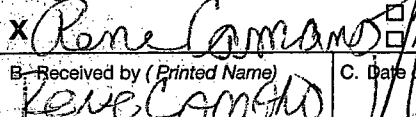
PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-15

**COMPLETE THIS SECTION ON DELIVERY**

**A. Signature**

 ☐ Agent ☐ Address

**B. Received by (Printed Name)**

Rene Camacho

**C. Date of Delivery**

1/13/11

**D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No**

**3. Service Type**

- ☐ Certified Mail ☐ Express Mail
- ☐ Registered ☐ Return Receipt for Merchandise
- ☐ Insured Mail ☐ C.O.D.

**4. Restricted Delivery? (Extra Fee)**

☐ Yes







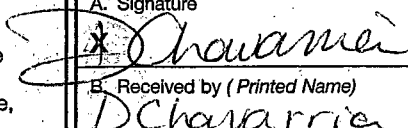
January 13, 2011

Yates Petroleum Corp  
105 S 4<sup>th</sup> Street  
Artesia, NM 88210

Certified Mail Article Nu

Re: Request for Off

To Whom it may conce

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<input checked="" type="checkbox"/> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. <input checked="" type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input checked="" type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.		A. Signature  <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to:  Yates Petroleum Corporation 105 S 4 <sup>th</sup> Street Artesia, NM 88210		B. Received by (Printed Name) D. Chavarria	
		C. Date of Delivery 1-14-11	
		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
2. Article Number (Transfer from service label)		91 7108 2133 3939 1362 2388	
PS Form 3811, February 2004		Domestic Return Receipt	
		102595-02-M-15	

This letter will serve as notice under Rule 104.F (3) that COG Operating LLC has requested administrative approval from the Oil Conservation Division in Santa Fe, NM for Off Lease Measurement. We have a battery that is located on COG Operating LLC property, Sec 19, T16S, R28E, N32° 54' 05.50" / W104° 12' 28.30".

**Caribou 19 Federal Com#2H  
Eddy County, NM  
API #: 30-015-36539**

**Surface: 1980 FSL & 790 FEL Sec 19, T16S, R28E, Unit I**

Should your company have any objection, it must be filed in writing within twenty (20) days from the date of this notice. The Division Director may approve the Off Lease Measurement if no objection has been made within the 20 days after the application has been received.

Sincerely,

COG Operating LLC



Kanicia Carrillo  
Regulatory Analyst

Confirmation Services	Package ID: 9171082133393913622388	Electronic Certified
	Destination ZIP Code: 88210	First Class Letter
	Customer Reference:	
	Recipient: _____ Address: _____	PBP Account #: 41592288 Serial #: 1364097 JAN 13 2011 11:19am

## DISTRICT I

1026 N. French Dr., Hobbs, NM 88240

## DISTRICT II

1301 W. Grand Avenue, Artesia, NM 88210

## DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

## DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505Form C-102  
Revised October 12, 2005Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 3001536540	Pool Code 17970	Pool Name Dog Canyon, Wolfcamp
Property Code	Property Name CARIBOU "19" FEDERAL	Well Number 1
OCRID No.	Operator Name C.O.G. OPERATING LLC.	Elevation 3558'

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	19	16 S	28 E		430	SOUTH	430	EAST	EDDY

## 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
M	19	16 S	28 E		949	SOUTH	333	WEST	EDDY
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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

<p><b>BOTTOM HOLE LOCATION</b></p> <p>LAT.: N 32°54'04.16" LONG.: W104°13'21.69" SPC- N: 691512.79 E: 575296.96 (NAD-83)</p>		<p><b>SURFACE LOCATION</b></p> <p>LAT.: N 32°54'05.50" LONG.: W104°12'28.30" SPC- N: 691733.152 E: 579846.595 (NAD-83)</p>		<p><b>OPERATOR CERTIFICATION</b></p> <p>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 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.</p> <p><i>[Signature]</i> Signature _____ Date _____</p> <p>Printed Name _____</p>
<p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>NOVEMBER 25 2007</p> <p>Date Surveyed _____ Signature: <i>[Signature]</i> Professional Surveyor</p> <p>W. B. [Signature]</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>		<p>Diagram showing well location and acreage dedication plat with measurements: 333', 4548', 3561.8', 3576.6', 430', 3546.3', 3557.5'.</p>		

DISTRICT I  
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1701 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-36539	Pool Code 17970	Pool Name DOG CANYON; WOLFCAMP
Property Code 37328	Property Name CARIBOU "19" FEDERAL	Well Number 2
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3589'

Surface Location

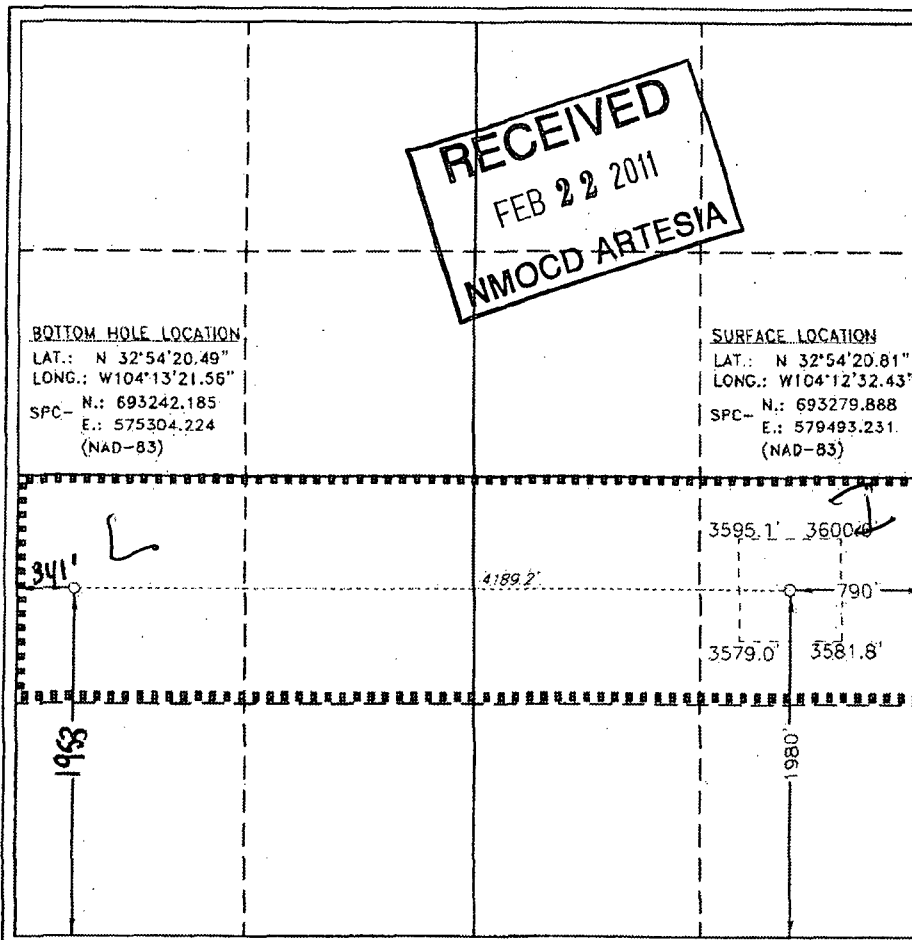
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	19	16 S	28 E		1980	SOUTH	790	EAST	EDDY

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
L	19	16 S	28 E		1953	SOUTH	341	WEST	EDDY

Dedicated Acres 160	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

<p><b>RECEIVED</b> FEB 22 2011 NMOCD ARTESIA</p> <p><b>BOTTOM HOLE LOCATION</b> LAT.: N 32°54'20.49" LONG.: W104°13'21.56" SPC- N.: 693242.185 E.: 575304.224 (NAD-83)</p>	<p><b>SURFACE LOCATION</b> LAT.: N 32°54'20.81" LONG.: W104°12'32.43" SPC- N.: 693279.888 E.: 579493.231 (NAD-83)</p>	<p><b>OPERATOR CERTIFICATION</b> 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 undivided mineral interest in the land including the proposed bottom hole 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.</p> <p><u>Chasity Jackson</u> 2/4/11 Signature Date</p> <p><u>Chasity Jackson</u> Printed Name</p>
		<p><b>SURVEYOR CERTIFICATION</b> 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.</p> <p>DECEMBER 16, 2007</p> <p>Date Surveyed</p> <p><u>Gary L. Jones</u> Signature</p> <p>Professional Surveyor</p> <p>W. 18742</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

Kahica - Caribou 19 Feb



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
CARLSBAD FIELD OFFICE  
620 E. Greene Street  
Carlsbad, New Mexico 88220-6292



IN REPLY REFER TO:  
NMNM124326  
3105.2 NM (P0220)

MAR 4 2010

COG Operating LLC  
550 West Texas Ave, Ste 100  
Midland, TX 79701

Gentlemen:

Enclosed is one approved copy of Communitization Agreement NMNM124326, involving 80.00 acres of Federal land in lease NM-103873 and 82.65 acres of Federal land in NM103872 in Eddy County, New Mexico, comprising a 162.65-acre well spacing unit.

The agreement communitizes all rights as to the gas and associated liquid hydrocarbons producible from the Abo and Wolfcamp formations in the S/2S/2, Section 19, T. 16 S., R. 28 E., NMPM, and is effective January 15, 2010. 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 based on statewide spacing per NMOCD rules 19.15.15.8 and 19.15.15.9.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504.

If you have any questions regarding this approval, please contact Wesley Ingram, Supervisory Petroleum Engineer at (575) 234-5982.

Attn Laura Reyna  
COG Operating LLC  
550 W Texas Ave Ste 100  
Midland TX 79701



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

Sincerely,



Don Peterson  
Assistant Field Manager,  
Lands and Minerals

1 Enclosure:

1 - Communitization Agreement

cc:

MMS, Denver (357B-1, Antoinette Contreras, Stacey Kaiser)

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

Attention: Manuelita Martinez

NMOCD-Artesia

NM (9200)

NM (P0220-CFO, File Room)

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 S/2S/2, Section 19, T. 16 S., R. 28 E., NMPM, Eddy County, New Mexico, as to the gas and associated liquid hydrocarbons producible from the Abo and Wolfcamp formations. This approval will become invalid if the public interest requirements under section 3105.2-3(e) 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 4 2010**



Authorized Officer

Effective: January 15, 2010

Contract No.: Com. Agr. NMNM124326

**Model Form of a Federal Communitization Agreement**

10 FEB -3 PM 12: 03

Contract No. NNNm 174326

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof 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:

T-16-S, R-28-E, N.M.P.M.

Section 19: S2S2

Eddy County, New Mexico

containing 162.65 acres, and this agreement shall include only the Abo and Wolfcamp Formation(s) underlying said lands and the natural gas and associated liquid hydrocarbons, hereinafter referred to as "communitized substances", producible from such formation (s).

2. Attached hereto, and made a part of this agreement for all purposes, is 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. 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 three 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 each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal, State or fee land included within the CA area are to be placed in an interest earning escrow or 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 effected 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 January 15, 2010 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 occurs 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 above written.

**OPERATOR  
And LESSEE OF RECORD:**

**COG OPERATING LLC**

By: Gregory K. Daggett  
Gregory K. Daggett  
Attorney-in-Fact yko

**LESSEE OF RECORD:**

**CHASE OIL CORPORATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

monitor production and measurement, and assure that no avoidable loss of hydrocarbons occurs 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 above written.

**OPERATOR  
And LESSEE OF RECORD:**

**COG OPERATING LLC**

By: Gregory K. Daggett  
Gregory K. Daggett  
Attorney-in-Fact

**LESSEE OF RECORD:**

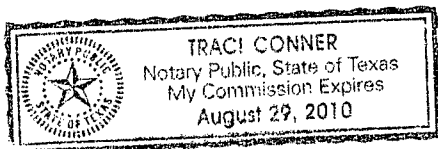
**CHASE OIL CORPORATION**

By: Ronald W. Lanning  
Name: \_\_\_\_\_  
Title: RONALD W. LANNING  
ATTORNEY - IN - FACT  
CHASE OIL CORPORATION

## ACKNOWLEDGEMENTS

STATE OF TEXAS                    )  
   )  
 COUNTY OF MIDLAND            )

This instrument was acknowledged before me on January 20, 2010, by Gregory K. Daggett, as Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner  
 Notary Public

STATE OF NEW MEXICO            )  
   )  
 COUNTY OF \_\_\_\_\_        )

This instrument was acknowledged before me on \_\_\_\_\_, 2010, by \_\_\_\_\_ as \_\_\_\_\_ of Chase Oil Corporation, a \_\_\_\_\_, corporation on behalf of same.

\_\_\_\_\_  
 Notary Public



ACKNOWLEDGEMENTS

STATE OF TEXAS )  
COUNTY OF MIDLAND )

This instrument was acknowledged before me on January 20, 2010, by Gregory K. Daggett, as Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner  
Notary Public

STATE OF NEW MEXICO )  
COUNTY OF Eddy )

This instrument was acknowledged before me on January 25, 2010, by Ronald W. Lanning as Attorney-in-Fact of Chase Oil Corporation, a New Mexico, corporation on behalf of same.

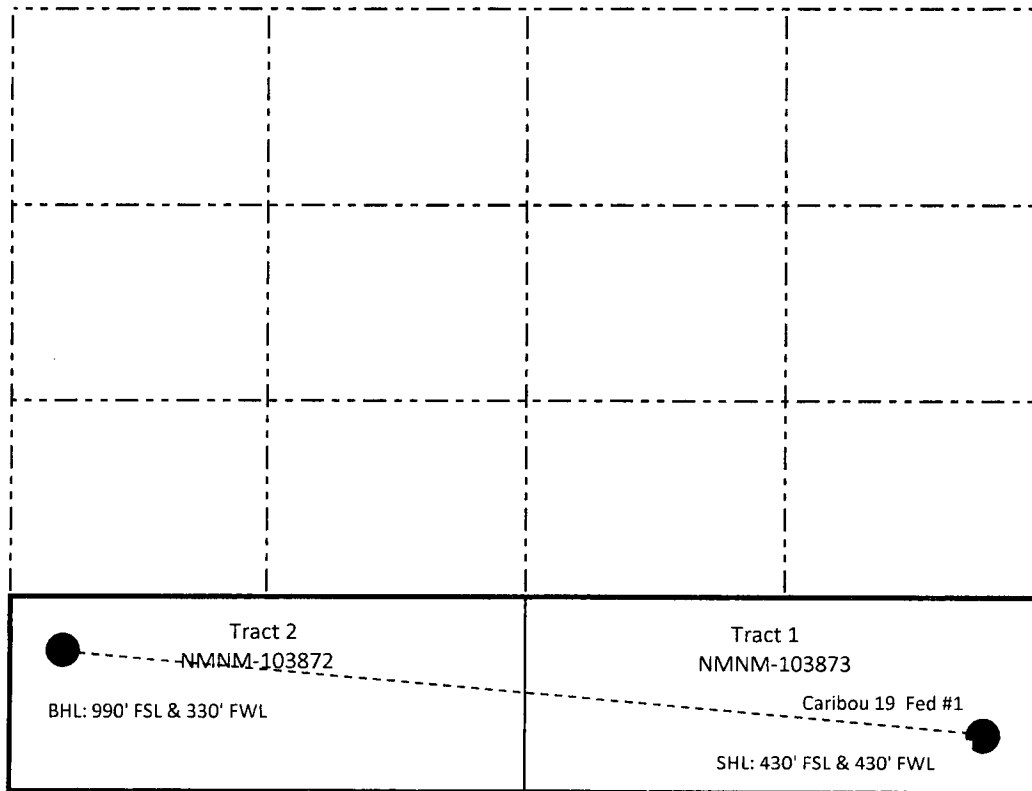


OFFICIAL SEAL  
STACI D. SANDERS  
NOTARY PUBLIC - STATE OF NEW MEXICO  
My commission expires: 2-15-2013

Staci D. Sanders  
Notary Public

**EXHIBIT A**

Plat of communitized area covering  
the S/2S/2 of Section 19, Township 16 South, Range 28 East, N.M.P.M.  
Eddy County, New Mexico



**EXHIBIT B**

To Communitization Agreement dated January 15, 2010  
embracing the S2S2 of Section 19 – T16S-R28E, NMPM, Eddy County, New Mexico

**Operator of Communitized Area:** COG Operating LLC

**DESCRIPTION OF LEASES COMMITTED**

**1. Lease Serial No.: NMNM 103873**

Lease Date: March 1, 2000  
Lease Term: 10 years  
Lessor: United States of America

Description of Land Committed:

Township 16 South, Range 28 East, NMPM  
Section 19: S2SE

Number of Acres: 80.00 acres  
Royalty Rate: 1/8th  
Name and Percent ORRI Owners: none

**Lessee of Record:** Chase Oil Corporation  
**Name and Percent WI Owners:** COG Operating LLC - 100%  
**Name and Percent of ORRI Owners:** None

**2. Lease Serial No.: NMNM 103872**

Lease Date: March 1, 2000  
Lease Term: 10 years  
Lessor: United States of America

Description of Land Committed:

Township 16 South, Range 28 East, NMPM  
Section 19: S2SW

Number of Acres: 82.65 acres  
Royalty Rate: 1/8th  
Name and Percent ORRI Owners: none

**Lessees of Record:** Chase Oil Corporation  
COG Operating LLC  
**Name and Percent WI Owners:** COG Operating LLC - 100%  
**Name and Percent of ORRI Owners:** None

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest In Communitized Area</u>
1	80.00	50.8146%
2	<u>82.65</u>	<u>49.1854%</u>
TOTAL	162.65	100.0000%

RECEPTION NO: 1003846 STATE OF  
NEW MEXICO, COUNTY OF EDDY  
RECORDED 04/29/2010 8:25 AM  
BOOK 0811 PAGE 1036 *E. Ruiz*  
DARLENE ROSPRIM, COUNTY CLERK





COMMUNITIZATION AGREEMENT

Contract No. 125796

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof 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 portions 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 Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such 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 land 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 the 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 16 South, Range 28 East, N.M.P.M.  
Section 19: Lot 3, NESW & N2SE  
Eddy County, New Mexico  
Containing 162.58 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (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 "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. 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 three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, 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 and the State of New Mexico, 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 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.
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 is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is September 15, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-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; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, 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 the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.
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, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The 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.

**Operator and Lessee of Record:**

COG Operating LLC

By: Gregory K. Daggett  
Gregory K. Daggett  
Attorney-in-Fact

**Lessees of Record:**

Chase Oil Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The 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.

**Operator and Lessee of Record:**

COG Operating LLC

By: Gregory K. Daggett  
Gregory K. Daggett  
Attorney-in-Fact JP

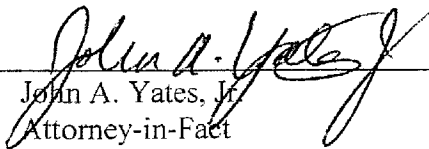
**Lessees of Record:**

Chase Oil Corporation

By: Ronald W. Lanning  
Name: RONALD W. LANNING  
Title: ATTORNEY - IN - FACT  
CHASE OIL CORPORATION

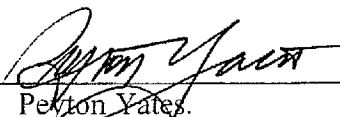
**Record Title Owner:**

Yates Petroleum Corporation

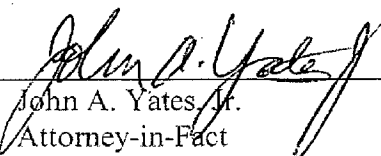
By:   
John A. Yates, Jr.  
Attorney-in-Fact *car*

**Working Interest Owners:**

Yates Drilling Company

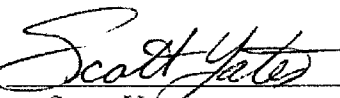
By:   
Peyton Yates  
Attorney-in-Fact

Abo Petroleum Corporation

By:   
John A. Yates, Jr.  
Attorney-in-Fact

**Overriding Royalty Interest Owner:**

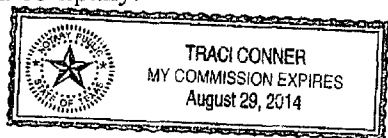
Myco Industries, Inc.

By:   
Scott Yates  
President

ACKNOWLEDGEMENTS

STATE OF TEXAS                     )  
  )  
COUNTY OF MIDLAND             )

This instrument was acknowledged before me on September 14, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner  
Notary Public in and for State of Texas

STATE OF                                 )  
  )  
COUNTY OF                            )

This instrument was acknowledged before me on \_\_\_\_\_, by \_\_\_\_\_, \_\_\_\_\_ of Chase Oil Corporation, a \_\_\_\_\_, on behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for State of

STATE OF NEW MEXICO             )  
  )  
COUNTY OF EDDY                    )

This instrument was acknowledged before me on \_\_\_\_\_, by John A. Yates, Jr. as Attorney-in-Fact of Yates Petroleum Corporation, a \_\_\_\_\_, on behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for State of

# ACKNOWLEDGEMENTS

STATE OF TEXAS                     )  
    )  
 COUNTY OF MIDLAND             )

This instrument was acknowledged before me on September 14, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner  
 Notary Public in and for State of Texas

STATE OF New Mexico             )  
    )  
 COUNTY OF Eddy                     )

This instrument was acknowledged before me on September 16, 2010, by Ronald W. Lanning, Attorney-in-Fact of Chase Oil Corporation, a New Mexico Corporation, on behalf of said corporation.



OFFICIAL SEAL  
 STACI D. SANDERS  
 NOTARY PUBLIC - STATE OF NEW MEXICO  
 My commission expires: 2-15-2013

Staci D. Sanders  
 Notary Public in and for State of

STATE OF NEW MEXICO             )  
    )  
 COUNTY OF EDDY                     )

This instrument was acknowledged before me on \_\_\_\_\_, by John A. Yates, Jr. as Attorney-in-Fact of Yates Petroleum Corporation, a \_\_\_\_\_, on behalf of said corporation.

\_\_\_\_\_  
 Notary Public in and for State of



ACKNOWLEDGEMENTS

STATE OF TEXAS                     )  
   )  
COUNTY OF MIDLAND             )

This instrument was acknowledged before me on September 14, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner  
Notary Public in and for State of Texas

STATE OF                                 )  
   )  
COUNTY OF                             )

This instrument was acknowledged before me on \_\_\_\_\_, by \_\_\_\_\_, \_\_\_\_\_ of Chase Oil Corporation, a \_\_\_\_\_, on behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for State of

STATE OF NEW MEXICO             )  
   )  
COUNTY OF EDDY                     )

This instrument was acknowledged before me on October 4, 2010, by John A. Yates, Jr. as Attorney-in-Fact of Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.



OFFICIAL SEAL  
Lorina E. Flores  
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 4/12/2014

Lorina E. Flores  
Notary Public in and for State of New Mexico

STATE OF NEW MEXICO )  
COUNTY OF EDDY )

This instrument was acknowledged before me on September 30, 2010, by Peyton Yates, as Attorney-in-Fact of Yates Drilling Company, a New Mexico corporation, on behalf of said company.



My commission expires: 4/12/2014

Lorina E. Flores  
Notary Public in and for State of New Mexico

STATE OF NEW MEXICO )  
COUNTY OF EDDY )

This instrument was acknowledged before me on October 4, 2010, by John A. Yates, Jr. as Attorney-in-Fact of Abo Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.



My commission expires: 4/12/2014

Lorina E. Flores  
Notary Public in and for State of New Mexico

STATE OF NEW MEXICO )  
 )  
COUNTY OF EDDY )

This instrument was acknowledged before me on October 4, 2010, by Scott Yates as President of Myco Industries, Inc., a New Mexico corporation, on behalf of said corporation.



My commission expires: 4/12/2014

Lorina E. Flores  
Notary Public in and for State of New Mexico

## EXHIBIT A

To Communitization Agreement dated September 15, 2010, embracing  
the N/2S/2 of Section 19, Township 16 South, Range 28 East, N.M.P.M.,  
Eddy County, New Mexico

Tract 3 St NM VB-0824 ● BHL: 1980' FSL & 330' FWL	Tract 2 NMNM-103872 ✓	Tract 1 NMNM-103873 ✓ ●	

## EXHIBIT B

To Communitization Agreement dated September 15, 2010, embracing  
the N/2S/2 of Section 19, Township 16 South, Range 28 East, N.M.P.M., Eddy County, New Mexico

Operator of Communitized Area: COG Operating LLC

### DESCRIPTION OF LEASES COMMITTED

#### TRACT NO. 1

Lease Serial No.: NMNM 103873

Lease Date: March 1, 2000

Lease Term: 10 years

Lessor: United States of America

Description of Land Committed:

Township 16 South, Range 28 East, NMPM

Section 19: N2SE

Number of Acres: 80.00 acres

Royalty Rate: 1/8th

Name and Percent ORRI Owners: none

Lessee of Record: Chase Oil Corporation

Name and Percent WI Owners: COG Operating LLC - 100%

Name and Percent of ORRI Owners: None

#### TRACT NO. 2

Lease Serial No.: NMNM 103872

Lease Date: March 1, 2000

Lease Term: 10 years

Lessor: United States of America

Description of Land Committed:

Township 16 South, Range 28 East, NMPM

Section 19: NESW

Number of Acres: 40.00 acres

Royalty Rate: 1/8th

Name and Percent ORRI Owners: none

Lessee of Record: Chase Oil Corporation

COG Operating LLC

Name and Percent WI Owners: COG Operating LLC - 100%

Name and Percent of ORRI Owners: None

**TRACT NO. 3**

Lease Serial No.: VB-0824

Lease Date: January 1, 2006

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: Yates Petroleum Corporation

Present Lessee: Yates Petroleum Corporation

Description of Land Committed: Township 16 South, Range 28 East, N.M.P.M.  
Section 19: Lot 3  
Eddy County, New Mexico

Number of Acres: 42.58

Royalty Rate: 3/16ths

Name and Percent ORRI Owners: Myco Industries, Inc. 1.5625%

Name and Percent WI Owners: Yates Petroleum Corporation 50%

Yates Drilling Company 25%

Abo Petroleum Corporation 25%

100%

**RECAPITULATION**

<u>Tract Numbers</u>	<u>Number of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
Tract No. 1	80.00	49.21%
Tract No. 2	40.00	24.60%
Tract No. 3	<u>42.58</u>	<u>26.19%</u>
TOTAL	162.58	100.00%

**NEW MEXICO STATE LAND OFFICE**

**CERTIFICATE OF APPROVAL**

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

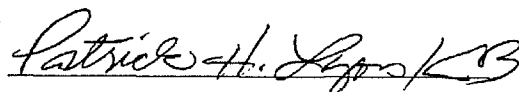
**COG Operating LLC  
Caribou 19 Federal Com Well No. 2  
Eddy County, New Mexico  
N2S2, Section 19, Township 16 South, Range 28 East  
Abo & Wolfcamp**

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **September 15, 2010** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **16th day of November, 2010**.



**COMMISSIONER OF PUBLIC LANDS**

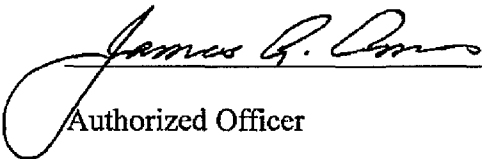
**of the State of New Mexico**

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 Lots 3 and the NESW, N2SE of sec. 19, T. 16 S., R. 28 E., NMPM, Eddy County, New Mexico, as to all producible hydrocarbons from the Abo and Wolfcamp formations. This approval will become invalid if the public interest requirements under section 3105.2-3 (e) 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:

  
Authorized Officer

Effective: September 15, 2010

Contract No.: Com. Agr. NM125796