

Tex Zia Properites, Ltd.

PO 261427

Plano, TX 75026-1427

972-527-8699

Date 10/25/2013 5:04 PM Central Time
From: Weldon J. Montgomery
FAX to New Mexico Oil Conservation Division
FAX no. 505-476-3462
Pages to follow Twelve (12)
Message: **NM OCD Case 15054**

RECEIVED
OCT 28 4 10 PM

We respectfully request that we not be pooled.

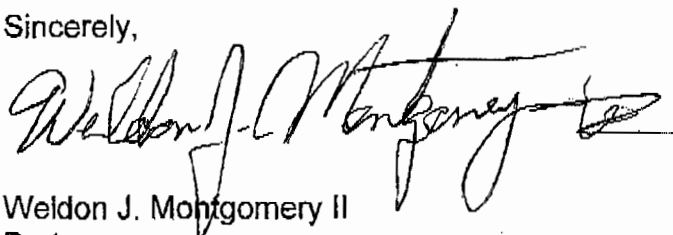
COG Operating made materially incorrect misleading statements to the New Mexico Oil Conservation Division in its application.

Concho/COG did not seek the voluntary agreement of Tex Zia Properties until it mailed its letter dated September 17, 2013, the same day that its Application in OCD Case 15054 was filed. Of course, Tex Zia Properties did not receive that letter until after the Application was filed. Consequently, the statement in the Application that "COG has sought and been unable to obtain voluntary agreement from all of the working interest owners in the subject spacing unit" is incorrect; COG did not seek Tex Zia Properties' voluntary agreement until after the Application was filed and despite Tex Zia Properties' willingness to negotiate a lease.

Please see the attached supporting documents.

Please let me know if you have any questions, or need additional information.

Sincerely,



Weldon J. Montgomery II
Partner

Tex Zia Properties, LTD.

P.O. 261427

Plano, TX 75026-1427

972-527-8699

CERTIFIED MAIL 7012 2920 0002 2778 9668

October 25, 2013

Carol Leach
Senior Counsel
Concho
1048 Paseo de Peralta
Santa Fe, New Mexico 87501

Re: NM OCD Case 15054
Well Proposal – Stonewall 9 Fee #3H
SHL: 150'FSL & 2310' FEL (Unit o)
BHL: 330'FNL & 2298 " FEL (unit B)
Section 9, T19S, R26E, Eddy County, New Mexico
Certified Letter 91-7199-9991-7030-0512-3179 Tex Zia Properties
Certified Letter 91-7199-9991-7030-0512-3162 Sara C. Garretson

Dear Ms Leach:

It was a pleasure for my wife and me to meet you last week at the New Mexico Conservation Division hearing cause number 15054.

You indicated that Concho would like to do a lease with us and that you would have the appropriate person from Concho be in contact with me. I mentioned that we have leased interest to Concho in the past and are currently receiving royalty payments from COG.

Tex Zia Properties as stated in my letter of October 8, 2017 is ready to enter into good faith negotiations to lease. Also, please be advised that we have retained a New Mexico law firm to resolve the issue of Loneta S. Curtis being the record title owner.

Continued on Page 2 of 3

Page 2 of 3

Letter to Carol Leach dated October 25, 2013

Previous to my letter of October 8, 2013 I left a voice mail message for Stuart A. Dirks, Senior Landman, with Concho. He did call me back and state that he had received both voice message as well as the certified mail. He stated he would have to get with management and get back to me. I mentioned this one phone call to you when we met on October 17, 2013.

We have not had any contact from Concho or COG about the above referenced property since we spoke with you at the hearing last week.

The certified letters we received were dated September 17, 2013, and stated "If we do not reach an agreement within 30 days of the date of this letter COG will apply to the New Mexico Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well."

In fact, Concho/COG did not seek the voluntary agreement of Tex Zia Properties until it mailed its letter dated September 17, 2013 referred to above, the same day that its Application in OCD Case 15054 was filed. Of course, Tex Zia Properties did not receive that letter until after the Application was filed. Consequently, the statement in the Application that "COG has sought and been unable to obtain voluntary agreement from all of the working interest owners in the subject spacing unit" is incorrect; COG did not seek Tex Zia Properties' voluntary agreement until after the Application was filed and despite Tex Zia Properties' willingness to negotiate a lease. The willingness to lease was expressed in both my voicemail message to and my October 8, 2013 letter to Mr. Dirks. Concho/COG has not sought to negotiate.

The Application Case No. 15054 was date stamped received by the State of New Mexico, Department of Energy, Minerals and Natural Resources, Oil Conservation Division on September 17, 2013. Please note that this is the same date as the letters referenced above to us stating we had 30 days to reach an agreement.

This application under paragraph 3 states "COG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit." I have questions about this statement as it pertains to Tex Zia Properties.

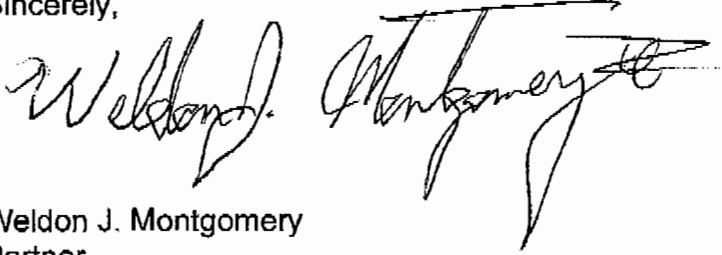
Continued on Page 3 of 3

Page 3 of 3

Letter to Carol Leach dated October 25, 2013

We continue to be ready to enter into good faith negotiations as we have previously done in the past with Concho. Please let me know who has the authority to act for Concho/COG that will be in contact with me.

Sincerely,

A handwritten signature in black ink, appearing to read "Weldon J. Montgomery". The signature is fluid and cursive, with a large, stylized "W" and "M".

Weldon J. Montgomery
Partner

CC: Michael H. Feldewert, Holland & Hart, LLP
CERTIFIED MAIL 7012 2920 0002 2778 9651

State of New Mexico, Oil Conservation Division

Tex Zia Properties, LTD.

P.O. 261427

Plano, TX 75026-1427

214-987-9501

Certified Mail 7000 1670 0005 9918 2179

October 8, 2013

Stuart A Dirks, CPL Senior Landman
Concho
One Concho Center
600 West Illinois Avenue
Midland, Texas 79701

Re: Well Proposal – Stonewall 9 Fee #3H
SHL: 150'FSL & 2310' FEL (Unit o)
BHL: 330'FNL & 2298 " FEL (unit B)
Section 9, T19S, R26E, Eddy County, New Mexico
Certified Letter 91-7199-9991-7030-0512-3179 Tex Zia Properties
Certified Letter 91-7199-9991-7030-0512-3162 Sara C. Garretson

Dear Mr. Dirks:

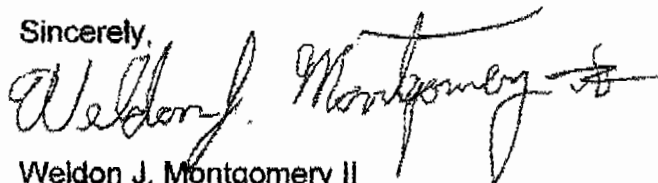
Tex Zia Properties has done leases with Concho over the last several years. We are prepared to execute a lease on the above at similar term to prior leases with Concho.

Sara C. Garretson (now Sara C. Montgomery) is my wife and a partner of Tex Zia Properties. We believe that Tex Zia Properties owns the above. We are prepared to work with you to develop a clear chain of title.

Do you wish to clear title chain and then do a lease or do you prefer to do a lease first?

Please let me know your preference and how we can work with you to clear the title chain. My email is Weldon@TexZia.com.

Sincerely,

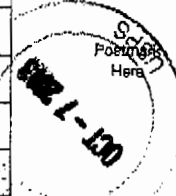


Weldon J. Montgomery II
Partner

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only: No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.46
Certified Fee	3.10
Return Receipt Fee (Endorsement Required)	2.55
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 6.11



Sent To
Stuart Dirks, One Concho Center
Street, Apt. No., or P.O. Box
600 West Illinois Ave
City, State, ZIP+4
Midland, TX 79701

PS Form 3811, May 2000

See Reverse for Instructions

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:

Stuart Dirks, CPL
Senior Landman
Concho
One Concho Center
600 West Illinois Avenue
Midland, TX 79701

2. Article Number **7000 1670 0005 9918 2179**
(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☐ Agent
☐ Addressee

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



Sent Certified Mail
Receipt No. 91-7199-9991-7030-0512-3162

September 17, 2013

Sara C. Garretson
7121 Oakbrook Dr
Plano, TX 75025-3215

RE: Well Proposal - Stonewall 9 Fee #3H
SHL: 150' FSL & 2310' FEL (Unit O)
BHL: 330' FNL & 2298' FEL (Unit B)
Section 9, T19S, R26E, Eddy County, New Mexico

Dear Ms. Garretson:

COG Operating LLC ("COG"), as Operator, proposes to drill the Stonewall 9 Fee #3H at the above-captioned location or at an approved surface location within location unit letter O, to a depth of approximately 3000' TVD, 7897'MD to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,789,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates that it will spud the well on or before December 1, 2013.

COG is proposing to drill this well under the terms of the enclosed modified 1989 AAPL Model Form Operating Agreement ("OA") covering the W 1/2 of the E 1/2 of Section 9, T-19-S, R-26-E, with the following general provisions:

- 200/500 Non-consenting penalty
- Drilling and Producing rate:
\$4500/\$450 for vertical wells from surface to 8000'
\$5450/\$545 for vertical wells below 8000' and horizontal wells all depths
- COG named as Operator

As an heir of Loneta S. Curtis, you may have a claim to an interest within our proposed spacing unit. Although Loneta S. Curtis is the record title owner, it can be inferred from other documents in the record that she may have intended to convey her interest to Tex Zia Properties. If this was the intent and you do not claim an interest, please disregard this letter; we will notify Tex Zia as to the requirements to clear their title.

If you do claim an interest as the heir of Loneta S. Curtis, and

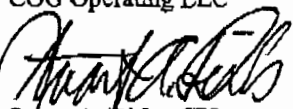
- you wish to participate in the Operation, please sign and return the AFE and the additional set of signature pages to the OA; or
- you do not wish to participate in the Operation, COG would like to acquire a Lease of your interest for the following general terms:
 - Delivering a 77.5% NRI, proportionately reduced
 - Three year primary term
 - \$500 per net acre bonus consideration

This offer to acquire your interest is subject to the approval of COG's management and verification of title.

If we do not reach an agreement within 30 days of the date of this letter COG will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well.

If you desire to receive well information regarding the subject operations, please return a Well Information Requirements list to COG. Technical questions should be directed to Carl Bird at 432-686-3057 and land questions to the undersigned at 432-685-4354.

Yours Truly,
COG Operating LLC



Stuart A. Dirks, CPL
Senior Landman

HOLLAND & HART^{LLP}



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources - oil and gas law - New
Mexico Board of Legal Specialization
mfeldewert@hollandhart.com

September 27, 2013

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: POOLED PARTIES

**Re: Application of COG Operating LLC for non-standard spacing and proration
unit and compulsory pooling, Eddy County, New Mexico
Stonewall 9 Fee 3H Well**

This letter is to advise you that COG Operating LLC has filed the enclosed application with the New Mexico Oil Conservation Division. As an interest owner subject to this pooling application, you are entitled to notice of this application.

This application has been set for hearing before a Division Examiner at 8:15 a.m. on October 17, 2013. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Questions concerning this application should be directed to Stuart Dirks, Senior Landman at COG Operating LLC (432) 685-4354.

Sincerely,

Michael H. Feldewert

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Bolse Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☏

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

IN THE MATTER OF THE APPLICATION
OF COG OPERATING LLC FOR A
NON-STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

RECEIVED OGD
2013 SEP 17 P 2:03
CASE NO. 15054

APPLICATION

COG OPERATING LLC, ("COG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the W/2 E/2 of Section 9, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this acreage to form a 160-acre project area in this formation. In support of its application, COG states:

1. COG (OGRID #229137) is a working interest owner in the W/2 E/2 of Section 9 and has the right to drill thereon.

2. COG proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Stonewall 9 Fee 3H Well** (API #30-015-41555), to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) to a bottom hole location in the NW/4 NE/4 (Unit B) of Section 9. The well is projected to be completed in the Atoka; Glorieta-Yeso pool (Code 38976) and the completed interval for this well will be within the 330-foot standard offset required by the Division's rules.

3. COG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit COG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and COG Operating LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, COG Operating LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 17, 2013, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Yeso formation comprised of the W/2 E/2 of Section 9, Township 19 South, Range 26 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating COG Operating LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing COG Operating LLC to recover its costs of drilling, equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by COG Operating LLC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert

Adam G. Rankin

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

mfeldewert@hollandhart.com

agrarkin@hollandhart.com

ATTORNEYS FOR COG OPERATING LLC

CASE _____: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the W/2 E/2 of Section 9, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Yeso formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Stonewall 9 Fee 3H Well**, to be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) to a bottom hole location in the NW/4 NE/4 (Unit B) of Section 9. The completed interval for this well will be within the 330-foot setbacks required by Division rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 13 miles south of Artesia, New Mexico.