



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL
Cell: (505) 670-7362
Email: shall@montand.com
www.montand.com

2016 APR 28 PM 3:43

April 28, 2016

HAND-DELIVERY AND EMAIL

Mr. William Jones
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
WilliamV.Jones@state.nm.us

David Brooks, Esq.
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
DavidK.Brooks@state.nm.us

Re: NMOCD Case No. 15441: Application of Nearburg Exploration Company, L.L.C., SRO2 LLC, and SRO3 LLC for an Accounting and Limitation on Recovery of Well Costs, and for Cancellation of Permit to Drill, Eddy County, New Mexico

NMOCD Case No. 15481: Application of COG Operating LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico

NMOCD Case No. 15482: Application of COG Operating LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico

Gentlemen:

Enclosed is Nearburg Exploration Company, SRO2 LLC and SRO3 LLC's Supplemental Pre-Hearing Statement that was submitted for filing today in the above consolidated matters.

Very truly yours,

J. Scott Hall

cc (w/enc., via email): Michael H. Feldewert and Jordan Kessler, Esq., Holland & Hart
Nearburg Exploration Co.
Scotty Holloman, Esq., Maddox, Holloman & Moran PC
David Harper, Esq., Haynes & Boone

ioc: Sharon T. Shaheen

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

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

**IN THE MATTER OF THE APPLICATION OF
NEARBURG EXPLORATION COMPANY, L.L.C., SRO2 LLC
AND SRO3 LLC FOR AN ACCOUNTING AND LIMITATION
ON RECOVERY OF WELL COSTS, AND FOR
CANCELLATION OF APPLICATION FOR PERMIT
TO DRILL, EDDY COUNTY, NEW MEXICO**

CASE NO. 15441

**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**

CASE NO. 15481

**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**

CASE NO. 15482

SUPPLEMENTAL PRE-HEARING STATEMENT

NEARBURG EXPLORATION COMPANY, SRO2 LLC AND SRO3 LLC ("NEX"),
provide this Supplemental Pre-Hearing Statement in these consolidated matters.

APPEARANCES

NEARBURG EXPLORATION
COMPANY, SRO2 LLC AND SRO3
LLC

NEARBURG EXPLORATION COMPANY,
SRO2 LLC AND SRO3 LLC's ATTORNEYS

J. Scott Hall, Esq.
Sharon T. Shaheen
MONTGOMERY & ANDREWS, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307
Tele (505) 982-3873
shall@montand.com
sshaheen@montand.com

Scotty Holloman
sholloman@hobbsnmlaw.com
MADDOX, HOLLOMAN & MORAN
Box 2508
Hobbs, New Mexico 88241
Telephone: (575) 393-0505

David H. Harper
Aimee M. Furness
Sally L. Dahlstrom
david.harper@haynesboone.com
aimee.furness@haynesboone.com
sally.dahlstrom@haynesboone.com
HAYNES AND BOONE, LLP
Pro Hac
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
Telephone: (214) 651-5000
Facsimile: (214) 651-5940

COG OPERATING LLC

COG OPERATING LLC's ATTORNEYS
Michael H. Feldewert
Jordan L. Kessler
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, NM 87504-2208
mfeldewert@hollandhart.com
jlkessler@hollandhart.com

STATEMENT OF THE CASE

In Case No. 15441, Applicants seek an order determining that COG Operating LLC ("COG") did not have the right to drill two two-mile long lateral wells that COG drilled and completed in the Bone Spring formation from surface locations in Section 17 onto unconsolidated and unpooled lease acreage owned by Nearburg Exploration Company in the W/2 of Section 20, Township 26 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico. The wells are the SRO State Com 043H (API 30-015-41141) located in the W/2 W/2 of Sections 17 and 20 ("043H") and the SRO State Com 044H (API 30-015-41142) located in the

E/2 W/2 of Sections 17 and 20 ("044H"). Both wells were drilled to and completed in the 2nd Bone Spring Sand, Hay Hollow Bone Spring Pool (30215). Applicants further seek an order requiring COG to account and pay to Applicants the amounts of production proceeds they are entitled in the absence of pooling, without recovery of well costs or expenses. Applicants also seek cancellation of the application for permit to drill the COG SRO State Com 069H Well (API 30-015-43093) projected to be drilled to the 3rd Bone Spring formation in the E/2 W/2 of Sections 17 and 20, T-26-S, R-28-E. Applicants may also seek the removal of COG and designation of Nearburg Producing Company as the operator of the SRO State 016H well (API 30-015-38071) located in the W/2 W/2 of Section 20, T-26-S, R-28-E.

In cases 15481 and 15482, COG seeks an order (1) retroactively approving of two non-standard, 320-acre spacing and proration units in the W/2 of Section 17 and the W/2 of Section 20, Township 26 South, Range 28 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage.

In view of the length of time that has passed since NEX initiated its case in November of 2015, it may prove helpful for the Examiner and Division counsel to review the original Application. For quick reference, a copy of the Application is attached.

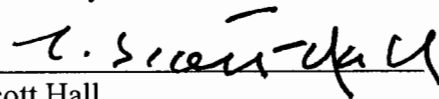
PROPOSED EVIDENCE

<u>NEX'S WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Randy Howard, Landman	2 ½ hrs.	32
Michael Griffin, Petroleum Engineer	20 min.	5

PROCEDURAL MATTERS

COG's production of documents is not yet complete.

Respectfully submitted,



J. Scott Hall
Sharon T. Shaheen
shall@montand.com
sshhaheen@montand.com
MONTGOMERY & ANDREWS, P.A.
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
Telephone: (505) 982-3873
Facsimile: (505) 982-4289

Scotty Holloman
sholloman@hobbsnmlaw.com
MADDOX, HOLLOMAN & MORAN
Box 2508
Hobbs, New Mexico 88241
Telephone: (575) 393-0505

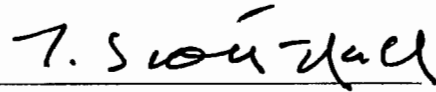
David H. Harper
Aimee M. Furness
Sally L. Dahlstrom
david.harper@haynesboone.com
aimee.furness@haynesboone.com
sally.dahlstrom@haynesboone.com
HAYNES AND BOONE, LLP
Pro Hac
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
Telephone: (214) 651-5000
Facsimile: (214) 651-5940

**ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C.,
SRO2 LLC and SRO3 LLC**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on April 28, 2016:

Michael H. Feldewert
Jordan L. Kessler
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, NM 87504-2208
mfeldewert@hollandhart.com
jlkessler@hollandhart.com

A handwritten signature in black ink, appearing to read "J. Scott Hall", written over a horizontal line.

J. Scott Hall

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

IN THE MATTER OF THE APPLICATION OF
NEARBURG EXPLORATION COMPANY, SRO2 LLC
AND SRO3 LLC FOR AN ACCOUNTING AND LIMITATION
ON RECOVERY OF WELL COSTS, AND FOR
CANCELLATION OF APPLICATION FOR PERMIT
TO DRILL, EDDY COUNTY, NEW MEXICO

CASE NO. _____

APPLICATION

NEARBURG EXPLORATION COMPANY, L.L.C. ("NEX") , SRO2 LLC and SRO3 LLC (the "Applicants") by their undersigned attorneys, Montgomery and Andrews, P.A., hereby make application pursuant to *inter alia* Rule 19.15.16.15.A NMAC of the New Mexico Oil Conservation Division's (the "OCD" or "Division") Rules and regulations and NMSA 1978, Section 70-2-18.B (1995) for an order providing as follows:

A. Determining that COG Operating LLC ("COG") did not have the right to drill two two-mile long lateral wells that COG drilled and completed in the Bone Spring formation by willfully trespassing from surface locations in Section 17 onto unconsolidated and unpooled lease acreage owned by NEX in the W/2 of Section 20, Township 26 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico. The wells in trespass are the SRO State Com 043H (API 30-015-41141) located in the W/2 W/2 of Sections 17 and 20 ("043H") and the SRO State Com 044H (API 30-015-41142) located in the E/2 W/2 of Sections 17 and 20 ("044H"). Both wells were drilled to and completed in the 2nd Bone Spring Sand, Hay Hollow Bone Spring Pool (30215).

B. Determining that COG violated *inter alia* Section 70-2-18.A of the New Mexico Oil and Gas Act and Rules 19.15.14.8.B, 19.15.16.15.A, and 19.15.16.15.F of the Division's

rules and regulations by filing false C-101s and C-102s for its two wells, then drilling them without obtaining voluntary pooling agreements or compulsory pooling orders and then subsequently obtaining Division approvals of invalid C-104 Request for Allowable forms.

C. Determining that under Section 70-2-18.B of the New Mexico Oil and Gas Act, COG is required to account and pay to NEX the amount to which it is entitled in the absence of pooling and that COG is prohibited from recovering well costs or expenses from the time of first production from the two wells.

D. Cancelling the C-101 Application for Permit to Drill and C-102 Well Location and Acreage Dedication Plat for the SRO State Com 069H Well (API 30-015-43093) ("069H") projected to be drilled to the 3rd Bone Spring formation in the E/2 W/2 of Sections 17 and 20, T-26-S, R-28-E for the reasons that the spacing unit for the well has not been consolidated by voluntary agreement or compulsory pooling order and the permitting for the well violates the Division's rules for Horizontal Wells, including Rule 19.15.16.15.A NMAC.

E. Providing NEX with appropriate relief regarding SRO State 016H well ("016H") drilled and completed in the Avalon member of the Bone Spring formation and located exclusively on NEX's leasehold acreage in the W/2 W/2 of Section 20 once NEX receives additional information about 016H from COG, which may include designating Nearburg Producing Company as operator of the well.

In support of their Application, Applicants state:

1. NEX owned 100 percent of the leasehold interest in the New Mexico State Oil and Gas Lease No. V-7450-0001 (the "Lease"). The Lease covers approximately 320 acres in the west half of Section 20, Township 26 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico.

2. On June 11, 2009, COG's predecessor in interest, Marbob Energy Corporation ("Marbob") requested that the OCD approve the SRO State Exploratory Unit Agreement (the "Unit Agreement") for all oil and gas in all formations from the surface to the base of the Bone Spring formation underlying approximately 8,320 acres in Eddy County, New Mexico.¹

3. On June 12, 2009, the OCD approved the Unit Agreement, effective as of the date of approval by the Commissioner of Public Lands. Order No. R-13136, Case No. 14328, *Application of Marbob Energy Corporation for Approval of a Unit Agreement*, Order ¶¶ 1, 5 (June 12, 2009). The Commissioner of Public Lands approved the Unit Agreement effective August 1, 2009.

4. Effective July 1, 2009, NEX assigned its interest in the Lease from the surface down to the base of the Bone Spring formation (the "Term Assignment") to Marbob. A copy of the Term Assignment is attached to this Application as Exhibit "1." The Term Assignment extended only as long as the Lease remained subject to the Unit Agreement. Marbob contributed NEX's acreage to the SRO State Exploratory Unit (the "SRO Unit").

5. NEX reserved an overriding royalty interest equal to the difference between 25% of production and the aggregate burdens existing against its interest, subject to proportionate reduction in all wells in the SRO Unit.

6. Pursuant to the Term Assignment, Marbob agreed to provide NEX with SRO Unit well information as set forth in Exhibit A to the Term Assignment ("Well Information Requirements") including, but not limited to: (1) drilling and mudlogging reports, (2) well data, (3) notification of spudding, logging, open hole testing, coring, or plugging, (4) access to

¹ COG acquired Marbob's interests in the SRO Unit on approximately July 19, 2010 and succeeded Marbob as Unit Operator on October 22, 2010.

locations, (5) well completion prognoses, and (6) copies of survey plats, permit to drill, and other regulatory forms and letters filed with any government agencies.

7. While the SRO Unit was in effect, Marbob and then COG drilled and completed fourteen wells in the Avalon member of the Bone Spring formation and drilled one well in the Delaware formation. COG also drilled nine wells to the 2nd Bone Spring formation (the “2nd Bone Spring Wells”), seven of which were completed while the SRO Unit was in effect. Two of the 2nd Bone Spring Wells, 043H and 044H described in Paragraph A above, were drilled and completed after the SRO Unit terminated.

8. COG provided NEX with some limited information about a single 2nd Bone Spring well—061H. NEX never received any completion information about this well. In addition, COG did not provide NEX with the Well Information Requirements or any notification regarding the *eight* other 2nd Bone Spring Wells.

9. On October 16, 2013, COG submitted to the State Land Office its Request for Voluntary Termination and the SRO Unit was terminated effective March 1, 2014. A copy of the Request for Voluntary Termination is attached to this Application as Exhibit “2.” By its terms, the Term Assignment also terminated on this same date. Consequently, upon termination, the Lease automatically reverted back to NEX.

10. On July 1, 2015, NEX assigned its interests in the 2nd Bone Spring and 3rd Bone Spring intervals under the Lease to SRO2 and SRO3 respectively, with all claims and benefits appurtenant to the Lease accruing to the assignee on or after March 1, 2014.

SRO State Com 043H

11. On March 6, 2014, COG filed an Amended C-102 Well Location and Acreage Dedication Plat for 043H. COG left the consolidation code blank. COG falsely certified on the C-102 that it had the right to drill on the lands where the well was located. A copy of the

Amended C-102 Well Location and Acreage Dedication Plat for 043H is attached as Exhibit “3.” At that time, there was no agreement with Applicants, no valid voluntary pooling agreement, and no compulsory pooling order.

12. On July 10, 2014, NEX received a communitization agreement from COG for 043H. That same day, NEX advised COG that it had no plans to execute the communitization agreement because the Term Assignment had terminated on March 1, 2014.

13. The Division approved COG’s permit to drill 043H.

14. Armed with its fraudulently-obtained approval, COG began work on 043H. The 043H well was spud on August 2, 2014 and subsequently completed on February 25, 2015. Prior to the commencement of the drilling operations, COG never notified NEX that it would be drilling 043H through NEX’s mineral estate.

15. On March 9, 2015, COG filed an Amended C-102 Well Application and Acreage Dedication Plat to indicate where 043H had been drilled. A copy of the Amended C-102 Well Location and Acreage Dedication Plat for 043H is attached as Exhibit “4.” COG again left the consolidation code blank and certified that “this organization either owns a working interest or unleased mineral interest in the land *including the proposed bottom hole location* or has a right to drill this well at this location.” COG’s statement was patently false when it was made.

SRO State Com 044H

16. COG’s actions related to 044H mirror those it took related to 043H. On March 6, 2014, COG filed a C-102 Well Location and Acreage Dedication Plat for 044H. A copy of the C-102 Well Location and Acreage Dedication Plat for 044H is attached as Exhibit “5.” COG falsely certified on the C-102 that it had the right to drill on the lands where the well was

located. At that time, there was no agreement with Applicants, no valid voluntary pooling agreement, and no compulsory pooling order.

17. The Division approved COG's permit to drill 044H.

18. The 044H well was spud on October 10, 2014, and subsequently completed on March 4, 2015. Prior to the commencement of the drilling operations, COG never informed NEX that it would be drilling the 044H through NEX's mineral estate.

19. On March 12, 2015, COG filed an Amended C-102 Well Location and Acreage Dedication Plat to indicate where 044H had been drilled. A copy of the Amended C-102 Well Location and Acreage Dedication Plat for 044H is attached as Exhibit "6." COG again left the consolidation code blank and certified that "this organization either owns a working interest or unleased mineral interest in the land *including the proposed bottom hole location* or has a right to drill this well at this location." COG's statement was patently false when it was made.

SRO State Com 069H

20. On May 5, 2015, COG filed its C-101 Application for Permit to Drill and C-102 Well Location and Acreage Dedication Plat for 069H (API 30-015-43093) to be drilled to the 3rd Bone Spring formation in the E/2 W/2 of Sections 17 and 20, T-26-S, R-28-E. Copies of the C-101 Application for Permit to Drill and C-102 Well Location and Acreage Dedication Plat for 069H are attached as Exhibits "7" and "8" respectively. Contrary to COG's certification, the spacing unit for the well was not consolidated by voluntary agreement or compulsory pooling order. SRO3 LLC has not agreed to allow this well to be drilled on its Lease and COG has no right to drill this well without SRO3 LLC's agreement. Prior to making its certifications to the Division, COG did not notify SRO3 LLC (or any of the Applicants) that it planned to drill 069H.

The Fraudulent Communitization Agreements

21. COG and NEX began discussions in December 2014/January 2015 regarding their relationship. NEX forwarded many documents to COG including spreadsheets that reflected NEX's understanding of "current wells" located on lands in the SRO Unit before it was terminated. Notably, although both 043H and 044H had been drilled to total depth, cased, and made ready for completion, at the time, neither was listed on NEX's spreadsheets, as NEX did not know 043H or 044H existed and COG did not advise otherwise.

22. In April 2015, COG contacted NEX regarding the need to communitize the lands within the W/2 W/2 and E/2 W/2 of Sections 17 and 20. COG represented to NEX that the State Land Office had threatened to cancel the oil and gas leases on these lands unless NEX and COG agreed to execute communitization agreements. During these discussions, NEX first discovered that COG had drilled 043H and 044H without NEX's consent.

23. NEX refused to sign the communitization agreements proffered by COG, which included the entire Bone Spring formation. Instead, relying on the representations COG made regarding the imminent cancellation of the State of New Mexico oil and gas leases, NEX proposed, and COG agreed, subject to NEX preserving its rights regarding COG's improper conduct, that the communitization agreements would be limited to the 2nd Bone Spring interval.

24. On June 10, 2015, NEX hand-delivered a letter agreement (the "June 10, 2015 Letter Agreement") and the executed communitization agreements limited to the 2nd Bone Spring (the "2nd Bone Spring Communitization Agreements") to COG.

25. Pursuant to the terms of the June 10, 2015 Letter Agreement, COG agreed that the communitization agreements applied only to the 2nd Bone Spring interval. COG also agreed to provide NEX with the recorded copies of the 2nd Bone Spring Communitization Agreements.

26. COG specifically acknowledged that NEX was not waiving any rights held by it as owner and holder of the Lease by executing the 2nd Bone Spring Communitization Agreements. Moreover, COG agreed that NEX was specifically reserving all rights relating to the situation created by COG when it, among other things, drilled 043H and 044H through NEX's mineral estate without authority.

27. COG did not deliver copies of the recorded communitization agreements. NEX independently obtained filed copies of the communitization agreements. It was then that NEX learned that COG did not file the agreed upon, executed communitization agreements. Instead, COG filed fraudulent communitization agreements that changed the agreed-to communitized interval from the 2nd Bone Spring interval to the *entire "Bone Spring Formation"*—the interval NEX had previously refused (the "Altered Communitization Agreements"). NEX is concurrently seeking separate relief from the State Land Office related to the Altered Communitization Agreements.

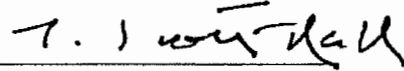
28. In order to drill 043H and 044H, Sections 70-2-17 and 70-2-18 of the New Mexico Oil and Gas Act require COG to consolidate the interests in the two relevant 320 acre project areas. This statutory requirement is further reflected in the Division's Horizontal Well Rules 19.15.14.8.B and 19.15.16.15 NMAC, which prohibit operators from submitting an application for a permit to drill without first obtaining the consent of a lessee or an unleased mineral interest owner at the bottom hole location of a proposed well, or obtaining a compulsory pooling order.

29. COG continues to produce the 043H and 044H wells in their unconsolidated state, thereby converting hydrocarbon reserves owned by Applicants and in violation of Applicants' correlative rights.

30. Section 70-2-18.B of the New Mexico Oil and Gas Act is specifically intended to protect the owners of tracts in spacing and proration units in those instances where operators fail to consolidate separately owned interests. Under Section 70-2-18.B, COG is required to account to and pay Applicants the full amount to which they are entitled in the absence of consolidation, communitization, or pooling.

WHEREFORE Nearburg Exploration Company, L.L.C. requests that this Application be set for hearing before a duly appointed hearing examiner of the Oil Conservation Division on February 4, 2016 and that after notice and hearing as required by law, the Division enter its Order providing as follows: (A) Determining that COG did not have the right to drill 043H and 044H on the unconsolidated, uncommunitized, and unpooled lease acreage owned by NEX; (B) Determining that COG violated Section 70-2-17.C and 70-2-18.A of the New Mexico Oil and Gas Act, as well as Rules 19.15.14.8.B, 19.15.16.15.A, and 19.15.16.15.F of the Division's rules; (C) Requiring COG to account and pay to Applicants the amount they are entitled in the absence of pooling without recovery of well costs or expenses; (D) Cancelling the drilling permit for 069H; and (E) Making such other and further provisions as may be proper in the premises, which may include removing COG as Operator of 016H.

Respectfully submitted,



J. Scott Hall
Sharon T. Shaheen
shall@montand.com
sshaheen@montand.com
MONTGOMERY & ANDREWS, P.A.
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
Telephone: (505) 982-3873
Facsimile: (505) 982-4289

Scotty Holloman
sholloman@hobbsnmlaw.com
MADDOX, HOLLOMAN & MORAN
Box 2508
Hobbs, New Mexico 88241
Telephone: (575) 393-0505

David H. Harper
Aimee M. Furness
Sally L. Dahlstrom
david.harper@haynesboone.com
aimee.furness@haynesboone.com
sally.dahlstrom@haynesboone.com
HAYNES AND BOONE, LLP
Pro Hac
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
Telephone: (214) 651-5000
Facsimile: (214) 651-5940

**ATTORNEYS FOR NEARBURG
EXPLORATION COMPANY, L.L.C.,
SRO2 LLC and SRO3 LLC**

Term Assignment of Oil and Gas Lease

For consideration paid, the receipt and sufficiency of which are hereby acknowledged, Nearburg Exploration Company, L.L.C. ("Assignor"), whose address is P. O. Box 823085, Dallas, Texas 75382-3085, does hereby grant, bargain, sell, assign and convey to Marbob Energy Corporation ("Assignee"), whose address is P.O. Box 227, Artesia, New Mexico 88211-0227, subject to the terms and provisions and the exceptions and reservations hereinafter set forth, the entire interest in and to that certain oil and gas lease (the "Lease") from State of New Mexico, as Lessor, to Nearburg Exploration Company, L.L.C., as Lessee, State of New Mexico Serial No. VO-7450 dated July 1, 2005, covering the following described lands in Eddy County, New Mexico:

Township-26-South, Range-28-East, N.M.P.M.

Section 20: W/2
 containing 320.00 acres, more or less,
 limited to the interval from the surface
 down to the base of the Bone Spring Formation,
 as defined in the Unit Agreement hereinafter described;

together with such contractual rights, easements, rights of way and other rights held by Assignor as are necessary or convenient to the development and operation of said lands for the production of oil and gas (the interest and other rights being assigned hereby being collectively referred to herein as the "Subject Interests"). Assignor expressly retains such rights and easements as may be necessary to its own development and operation of the lands and depths covered by said lease that are not conveyed hereby, or which may revert to Assignor as hereinafter provided.

This Assignment is made subject to all royalty, overriding royalty and other burdens affecting the Subject Interests. In addition, Assignor excepts from this Assignment and reserves to itself an overriding royalty interest equal to the difference between (a) twenty-five percent (25%) of 8/8 of the oil and gas that may be produced, saved and marketed from said lands and (b) the aggregate of all royalty, overriding royalty, production payment and other non-cost-bearing interests now existing as burdens against the interest assigned hereby. The overriding royalty interest (i) shall be computed and paid at the same time and in the same manner as royalty payable to the lessor under the terms of the applicable oil and gas lease is computed and paid, (ii) shall bear its proportionate share of all taxes and assessments levied upon or against or measured by the production of oil and gas therefrom, and (iii) shall be proportionately reduced if and to the extent that this Assignment conveys to Assignee less than the full and undivided oil and gas working interest leasehold in such lands or any part thereof. The reservation of the overriding royalty interest shall imply no leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of the overriding royalty interest shall be binding on Assignee until Assignee has been furnished either the original, a certified copy, or a legible reproduced copy of the recorded instrument or instruments effecting the change in ownership.

The rights and interests assigned hereby shall be limited to a term commencing on the effective date hereof and extending so long thereafter as the Lease remains subject to the Unit Agreement hereinafter described, according to the terms of the Unit Agreement; provided, however, that if, at any time before the discovery of a deposit of unitized substances capable of being produced in paying quantities, as defined in the Unit Agreement, has been made on lands embraced by said Unit Agreement, and before the expiration of the primary term of the Lease, Assignee shall decide not to continue drilling operations in an effort to establish such production, Assignee agrees to so notify Assignor and thereupon, at the request of Assignor, promptly reassign to Assignor all of the right, title and interest in and to the Lease assigned hereby, free and clear of all liens, encumbrances and burdens other than those in effect as of the date of execution hereof. Should the lands covered by the Lease be eliminated from the unit area of said Unit Agreement after the end of the primary term of the Lease, but the Unit Agreement remains in effect according to its terms as to any of the land embraced thereby, Assignor shall nevertheless continue to be entitled to an overriding royalty interest in oil and gas produced from the land remaining subject to the Unit Agreement equivalent to that to which Assignor was entitled before such elimination, and shall likewise continue to have access, and shall be entitled to receive Well Information Requirements concerning any well thereafter drilled on lands that remains covered by the Unit Agreement as herein provided; and Assignee agrees upon Assignor's request in such event to execute and deliver to Assignor a recordable assignment evidencing such continuing overriding royalty interest.

During the drilling of any well located on the Subject Interests or on lands covered by the Unit Agreement, Assignor's authorized representatives shall have access at all times to each well, but such access shall be at Assignor's sole risk and expense. In addition, Assignor shall have access to all cores, cuttings, logs and other information of whatever nature obtained during the drilling of such well. Assignee further agrees to furnish Assignor daily drilling reports and other pertinent well information and data as specified in the "Well Information Requirements" attached hereto and made a part hereof as Exhibit "A", with respect to all wells drilled on the Subject Interests or on lands covered by the Unit Agreement.

The Subject Interests and Assignor's reserved overriding royalty interest shall, during the term of this Assignment and not thereafter, be subject to the terms and provisions of that certain Unit Agreement for the Development and Operation of the SRO Unit Area, Eddy County, New Mexico (the "Unit Agreement"), dated May 8, 2009. Oil and gas produced from lands embraced by said Unit Agreement shall be allocated to the Subject Interests and to Assignor's overriding royalty interest as provided therein, and oil and gas production and operations on any such lands shall, while the Subject Interests remain subject to the Unit Agreement, be considered as though taking place on the lands described in the lease or leases assigned hereby (except for purposes of the allocation of oil and gas produced therefrom).

Assignor warrants and agrees to defend title to the interests assigned hereby against all persons claiming or to claim the same by, through and under Assignor but not otherwise. This assignment shall be binding on the parties hereto and their respective successors and assigns.

Executed on the dates of Assignor's and Assignee's respective acknowledgments annexed hereto, but effective as of July 1, 2009.

Nearburg Exploration Company, L.L.C.

Marbob Energy Corporation

by:

Charles E. Nearburg, President

by:

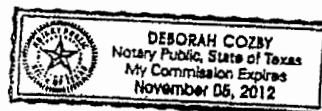
Johnny C. Gray, President

STATE OF TEXAS)

COUNTY OF DALLAS)

This instrument was acknowledged before me on this 24 day of August, 2009 by Charles E. Nearburg, President of Nearburg Exploration Company, L.L.C., a Texas limited liability company, on behalf of said company.

Notary Public in and for the State of Texas



STATE OF NEW MEXICO)

COUNTY OF ~~LEA~~)

Eddy

This instrument was acknowledged before me on this 27th day of August, 2009 by Johnny C. Gray, President of Marbob Energy Corporation, a New Mexico corporation, on behalf of said corporation.



OFFICIAL SEAL
Nancy T. Agnew
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 7/5/11

Notary Public in and for the State of New Mexico

Exhibit "A"

Attached to and made a part of that certain Term Assignment dated effective July 1, 2009,
Nearburg Exploration Company, L.L.C., Assignor, Marbob Energy Corporation, Assignee

WELL INFORMATION REQUIREMENTS

Well Name:
Footage Location:
County/State: Lea/New Mexico
Operator: Marbob Exploration Company

Operator agrees to furnish to Nearburg Exploration Company, L.L.C. and Nearburg Producing Company the information requested herein, to reasonably observe the requests made herein by Nearburg, and to allow Nearburg the rights and privileges set forth below.

A. DRILLING AND MUDLOGGER REPORTS:

Copies of any and all daily drilling and mudlogger reports containing current depth and status, general summary, deviation surveys, mud properties, daily and cumulative costs, background gas and drilling break intervals in which a show is present with a description of show and the lithology containing the show. Daily well and mudlogger reports should be e-mailed daily by 10:30 a.m. CST and, if requested, a weekly recap mailed/faxed to the following:

NEARBURG EXPLORATION COMPANY, L.L.C.
Drilling Reports
3300 N. "A" Street, Building 2, Suite 120
Midland, Texas 79705
Attn: Sarah Jordan sjordan@nearburg.com
FAX: (432) 687-4130

NEARBURG EXPLORATION COMPANY, L.L.C.
Mudlogs and Electric Logs
3300 N. "A" Street, Building 2, Suite 120
Midland, Texas 79705
Attn: Johnny Reyes jreyes@nearburg.com and to
Bill Elton, belton@nearburg.com
FAX: (432) 687-5403

B. WELL DATA

The following listed data should be mailed as follows:

NEARBURG EXPLORATION COMPANY, L.L.C.
3300 N. "A" Street, Building 2, Suite 120
Midland, Texas 79705
Attn: Johnny Reyes, Bill Elton, Butch Willis or S. Jordan,
as designated below

NEARBURG PRODUCING COMPANY
P. O. Box 823085
Dallas, Texas 75382-3085
Attn: Duane Davis

1. Copy of survey plats, permit to drill, and other regulatory forms and letters filed with any governmental agencies.

<u>MIDLAND</u>	<u>DALLAS</u>
Sarah Jordan (1)	0

2. Copy of the drilling and completion procedures 48 hours prior to commencement of operation.

Butch Willis (1)	Duane Davis (1)
------------------	-----------------

3. Copy of daily mud logs.

Johnny Reyes (1)	Duane Davis (1)
------------------	-----------------

4. Copies of the final mud log.

Johnny Reyes (2)	Duane Davis (1)
------------------	-----------------

5. Copies of the field prints of all logs run in the well.

Johnny Reyes (1)	Duane Davis (1)
------------------	-----------------

Put LAS & PDS Print Files (including repeat section) on Interact. Notify Bill Elton @ belton@nearburg.com.

6. Copies of the final composite prints of all logs run in well.

Johnny Reyes (1)	Duane Davis (1)
------------------	-----------------

7. Copy of well log customer diskette 3 1/2" LAS format or CD.

Johnny Reyes (1)	Duane Davis (1)
------------------	-----------------

8. One initial and final copy of any DST, coring, sample analysis, formation fluid analysis, or test reports on the well.

Bill Elton (1)	Duane Davis (1)
----------------	-----------------

9. Upon request, well history at completion of the well.

Sarah Jordan (1)	Duane Davis (1)
------------------	-----------------

Page -2-

Well Information Requirements

		<u>MIDLAND</u>	<u>DALLAS</u>
10.	Copy of the bit record and mud recap.	Butch Willis (1)	0
11.	One copy of Operator's State Production Report (monthly)	Sarah Jordan (1)	0
12.	One sample cut of all samples, if any, collected by mudlog crew	Johnny Reyes (1)	0
13.	One (1) completed slabbed section of any whole core ("chips" from those portions removed for special analysis).	Johnny Reyes (1)	0
15.	One (1) copy each of all title opinions, governmental OCD examiner and commission hearing orders and curative instruments covering the spacing unit for the well should be sent to:		
	NEARBURG EXPLORATION COMPANY, L.L.C. 3300 N. "A", Building 2, Suite 120 Midland, Texas 79705 Attn: Terry Gant	NEARBURG PRODUCING COMPANY P. O. Box 823085 Dallas, Texas 75382-3085 Attn: Kathie Craft	

C. NOTIFICATION:

1. Nearburg should receive 24-hour notice of the following events: spudding, wireline logging, open hole testing, coring, or plugging of the well. Notification should be by phone to one of the following persons, in the order indicated:

<u>NAME</u>	<u>OFFICE</u>	<u>HOME</u>	<u>CELL</u>
Bill Elton (Geology)	(432) 818-2920	(432) 697-9923	(432) 528-9749
Tim Speer (Engineering)	(432) 818-2930	(432) 694-6749	(432) 528-8036
Terry Gant (Land)	(432) 818-2901	(432) 687-4744	(432) 528-1121

2. If you anticipate a major decision (plugging, casing point, etc.) that involves Nearburg over a weekend or holiday, please notify Bill Elton, Tim Speer or Terry Gant by phone (in the order listed).
3. For after-hours EMERGENCIES, please dial: 800-451-8235. If this number does not pick up dial: 432-688-0883. Follow instructions to leave an Emergency Message. An automatic system will activate personnel pagers company wide.
4. SLB InterACT - Request access for Bill Elton and Tim Speer.

D. ACCESS TO LOCATION

Nearburg Producing Company and Nearburg Exploration Company, L.L.C., its employees, consultants, or agents, shall have full and free access to the drilling location to include the derrick floor AND mudlogging unit at all times, without notice, and all well operation and information obtained or conducted during the drilling, completing or producing life of any well to which Nearburg is entitled to receive such well information.

E. SPECIAL REQUIREMENTS FOR ADDITIONAL WELL INFORMATION

Nearburg Producing Company and Nearburg Exploration Company, L.L.C. reserve the right to run a velocity survey, acoustic surveys, or other well bore logs or tests including the Schlumberger hi-res density and FMI for spot ELAN analysis and DST(s) to its satisfaction if not run by the operator, or in the case where operator runs same, operator shall furnish to Nearburg all such information or surveys. In addition, Nearburg may require operator to run a two-man mudlogging unit.

F. WELL PROGNOSIS

Prior to any operation, Operator shall furnish to Naarbure, a well/completion prognosis specifying in reasonable detail the procedure of work for the proposed operation. Such prognosis shall be sent to Nearburg not later than 48 hours prior to commencement of any such operation.

In the event that any of the requirements herein are unacceptable to Operator, Operator should contact Terry Gant at the numbers and/or address specified above.

RECEPTION NO: 0909139 STATE OF
NEW MEXICO, COUNTY OF EDDY
RECORDED 05/18/2005 8:48 AM
BOOK 0790 PAGE 0530 Eddy
DARLENE ROSPRIM, COUNTY CLERK



October 16, 2013

Commissioner of Public Lands
Attention: Mr. Pete Martinez
P.O. Box 1148
Santa Fe, New Mexico 87501

Re: **REQUEST FOR VOLUNTARY TERMINATION**
EFFECTIVE MARCH 1, 2014
SRO STATE EXPLORATORY UNIT
Eddy County, New Mexico

The Unit Agreement for the Development and Operation of the SRO State Exploratory Unit, County of Eddy, State of New Mexico, dated May 8, 2009, was approved June 29, 2009, by the Commissioner of Public Lands of the State of New Mexico. Said Agreement covers lands in:

Township 25 South, Range 28 East, N.M.P.M.

Section 32: E2E2

Section 33: All

Section 34: S/2

Township 26 South, Range 28 East, N.M.P.M.

Sections 3, 4, 9, 10, 15, 17, 20: All

Section 2: W2

Section 5: W2

Section 5: E2 (Uncommitted)

Section 6: E2 (Uncommitted)

Section 7: E2

Section 8: E2

Section 8: W2 (Uncommitted)

Section 18: E2

Section 16: E2E2

Contains 8,320.00 acres, more or less
Eddy County, NM

Section 17 of the Unit Agreement provides for termination of the Unit Agreement at any time by not less than seventy-five percentum, on an acreage basis, of the owners of the working interests, signatory, with the approval of the Commissioner. The undersigned, representing more than the required percentum of working interest signatory, hereby elect to voluntarily terminate the said Unit Agreement and respectfully request approval hereof to be effective March 1, 2014, in conjunction with the approval of all Communitization Agreements submitted and enclosed herewith, to be effective March 1, 2014. This letter may be signed in multiple counterparts and compiled into one document.

COG OPERATING LLC, AS
SUCCESSOR-IN-INTEREST TO
MARBOB ENERGY
CORPORATION AND FITCH
ENERGY CORPORATION

By: Mona D. Ables
By: Mona D. Ables
Its: Vice President of Land

Date: _____

CONCHO OIL & GAS LLC,
SUCCESSOR-IN-INTEREST TO
MARBOB ENERGY CORPORATION
AND FITCH ENERGY
CORPORATION

By: Mona D. Ables
By: Mona D. Ables
Its: Vice President of Land

Date: _____

YATES PETROLEUM
CORPORATION

By: Kathy H. Porter
By: Kathy H. Porter
Its: Attorney-in-Fact

Date: _____

OXY Y-1 COMPANY, AS SUCCESSOR-IN-
INTEREST TO YATES DRILLING COMPANY

By: Stephen S. Flynn
By: Stephen S. Flynn
Its: Land Manager

Date: _____

October 16, 2013

Commissioner of Public Lands
Attention: Mr. Pete Martinez
P.O. Box 1148
Santa Fe, New Mexico 87501

Re: **REQUEST FOR VOLUNTARY TERMINATION**
EFFECTIVE MARCH 1, 2014
SRO STATE EXPLORATORY UNIT
Eddy County, New Mexico

The Unit Agreement for the Development and Operation of the SRO State Exploratory Unit, County of Eddy, State of New Mexico, dated May 8, 2009, was approved June 29, 2009, by the Commissioner of Public Lands of the State of New Mexico. Said Agreement covers lands in:

Township 25 South, Range 28 East, N.M.P.M.

Section 32: E2E2

Section 33: All

Section 34: S/2

Township 26 South, Range 28 East, N.M.P.M.

Sections 3, 4, 9, 10, 15, 17, 20: All

Section 2: W2

Section 5: W2

Section 5: E2 (Uncommitted)

Section 6: E2 (Uncommitted)

Section 7: E2

Section 8: E2

Section 8: W2 (Uncommitted)

Section 18: E2

Section 16: E2E2

Contains 8,320.00 acres, more or less
Eddy County, NM

Section 17 of the Unit Agreement provides for termination of the Unit Agreement at any time by not less than seventy-five percentum, on an acreage basis, of the owners of the working interests, signatory, with the approval of the Commissioner. The undersigned, representing more than the required percentum of working interest signatory, hereby elect to voluntarily terminate the said Unit Agreement and respectfully request approval hereof to be effective March 1, 2014, in conjunction with the approval of all Communitization Agreements submitted and enclosed herewith, to be effective March 1, 2014. This letter may be signed in multiple counterparts and compiled into one document.

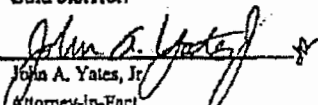
COG OPERATING LLC, AS
SUCCESSOR-IN-INTEREST TO
MARBOB ENERGY
CORPORATION AND FITCH
ENERGY CORPORATION

By: Mona D. Ables
Its: Vice President of Land
Date: _____

CONCHO OIL & GAS LLC,
SUCCESSOR-IN-INTEREST TO
MARBOB ENERGY CORPORATION
AND FITCH ENERGY
CORPORATION

By: Mona D. Ables
Its: Vice President of Land
Date: _____

YATES PETROLEUM
CORPORATION

By: 
Its: Attorney-in-Fact
Date: 11/8/13

OXY Y-I COMPANY, AS SUCCESSOR-IN-
INTEREST TO YATES DRILLING COMPANY

By: Stephen S. Flynn
Its: Land Manager
Date: _____

October 16, 2013

Commissioner of Public Lands
Attention: Mr. Pete Martinez
P.O. Box 1148
Santa Fe, New Mexico 87501

Re: **REQUEST FOR VOLUNTARY TERMINATION**
EFFECTIVE MARCH 1, 2014
SRO STATE EXPLORATORY UNIT
Eddy County, New Mexico

The Unit Agreement for the Development and Operation of the SRO State Exploratory Unit, County of Eddy, State of New Mexico, dated May 8, 2009, was approved June 29, 2009, by the Commissioner of Public Lands of the State of New Mexico. Said Agreement covers lands in:

Township 25 South, Range 28 East, N.M.P.M.

Section 32: E2E2

Section 33: All

Section 34: S/2

Township 26 South, Range 28 East, N.M.P.M.

Sections 3, 4, 9, 10, 15, 17, 20: All

Section 2: W2

Section 5: W2

Section 5: E2 (Uncommitted)

Section 6: E2 (Uncommitted)

Section 7: E2

Section 8: E2

Section 8: W2 (Uncommitted)

Section 18: E2

Section 16: E2E2

Contains 8,320.00 acres, more or less
Eddy County, NM

Section 17 of the Unit Agreement provides for termination of the Unit Agreement at any time by not less than seventy-five percentum, on an acreage basis, of the owners of the working interests, signatory, with the approval of the Commissioner. The undersigned, representing more than the required percentum of working interest signatory, hereby elect to voluntarily terminate the said Unit Agreement and respectfully request approval hereof to be effective March 1, 2014, in conjunction with the approval of all Communitization Agreements submitted and enclosed herewith, to be effective March 1, 2014. This letter may be signed in multiple counterparts and compiled into one document.

COG OPERATING LLC, AS
SUCCESSOR-IN-INTEREST TO
MARBOB ENERGY
CORPORATION AND FITCH
ENERGY CORPORATION

By: Mona D. Ables
Its: Vice President of Land
Date: _____

CONCHO OIL & GAS LLC,
SUCCESSOR-IN-INTEREST TO
MARBOB ENERGY CORPORATION
AND FITCH ENERGY
CORPORATION

By: Mona D. Ables
Its: Vice President of Land
Date: _____

YATES PETROLEUM
CORPORATION

By: Kathy H. Porter
Its: Attorney-In-Fact
Date: _____

OXY V-1 COMPANY, AS SUCCESSOR-IN-
INTEREST TO YATES DRILLING COMPANY

By: Stephen S. Flynn
Its: Attorney-in-Fact
Date: 10/29/2013

MYCO INDUSTRIES, INC.

By: Scott Yates
Its: President
Date: 10/30/13

THE ALLAR COMPANY

By: John Chiles Graham
Its: President
Date: _____

NEARBURG EXPLORATION
COMPANY, L.L.C.

By: _____
Its: _____
Date: _____

ASO PETROLEUM CORPORATION

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

EG3, INC.

By: John Chiles Graham
Its: Vice President
Date: _____

CHEVRON U.S.A. INC., AS SUCCESSOR-IN-
INTEREST TO CHESAPEAKE EXPLORATION,
L.L.C.

By: _____
Its: _____
Date: _____

MYCO INDUSTRIES, INC.

By: _____
It: Scott Yates
Date: _____
President

ABO PETROLEUM CORPORATION

By: John A. Yates, Jr.
It: Attorney-in-Fact
Date: 11/8/13

THE ALLAR COMPANY

By: _____
It: John Chiles Graham
Date: _____
President

EG3, INC.

By: _____
It: John Chiles Graham
Date: _____
Vice President

**NEARBURG EXPLORATION
COMPANY, L.L.C.**

By: _____
It: _____
Date: _____

**CHEVRON U.S.A. INC., AS SUCCESSOR-IN-
INTEREST TO CHESAPEAKE EXPLORATION,
L.L.C.**

By: _____
It: _____
Date: _____

MYCO INDUSTRIES, INC.

By: Scott Yates
Its: President
Date: _____

ABO PETROLEUM CORPORATION

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

THE ALLAR COMPANY

By: John Chiles Graham
Its: President
Date: 10/31/13

EG3, INC.

By: John Chiles Graham
Its: Vice President
Date: 10/31/13

NEARBURG EXPLORATION
COMPANY, L.L.C.

By: _____
Its: _____
Date: _____

CHEVRON U.S.A. INC., AS SUCCESSOR-IN-
INTEREST TO CHESAPEAKE EXPLORATION,
L.L.C.

By: _____
Its: _____
Date: _____

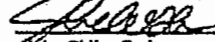
MYCO INDUSTRIES, INC.

By: Scott Yates
Its: President
Date: _____

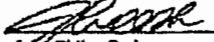
ABO PETROLEUM CORPORATION

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

THE ALLAR COMPANY

By: 
Its: John Chiles Graham
Date: 10/31/13

EG3, INC.

By: 
Its: John Chiles Graham
Date: 10/31/13

NEARBURG EXPLORATION
COMPANY, L.L.C.

By: _____
Its: _____
Date: _____

CHEVRON U.S.A. INC., AS SUCCESSOR-IN-
INTEREST TO CHESAPEAKE EXPLORATION,
L.L.C.

By: _____
Its: _____
Date: _____

MYCO INDUSTRIES, INC.

By: Scott Yates
Its: President
Date: _____

ABO PETROLEUM CORPORATION

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

THE ALLAR COMPANY

By: John Chiles Graham
Its: President
Date: _____

EG3, INC.

By: John Chiles Graham
Its: Vice President
Date: _____

NEARBURG EXPLORATION
COMPANY, L.L.C.

By: *Randy Howard*
Its: *Randy Howard*
Date: *10/22/13*

CHEVRON U.S.A. INC., AS SUCCESSOR-IN-
INTEREST TO CHESAPEAKE EXPLORATION,
L.L.C.

By: _____
Its: _____
Date: _____

DISTRICT I

1825 N. FRESCO DR., SICKER, NM 87246

DISTRICT II

1301 W. CALAND AVENUE, ALBUQUERQUE, NM 87102

DISTRICT III

1009 RIO BRAVO RD., ALBUQUERQUE, NM 87110

DISTRICT IV

11200 N. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources DepartmentOIL CONSERVATION DIVISION
11885 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised October 12, 2010

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-41141	Pool Code 30215	Pool Name Hay Hollow; Bone Spring
Property Code 308169	Property Name SRO STATE COM	Well Number 43H
DGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3113'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	26-S	28-E		190	NORTH	990	WEST	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	20	26-S	28-E		330	SOUTH	990	WEST	EDDY
Dedicated Acres 320	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>SURFACE LOCATION Y=381669.3 N X=567841.8 E LAT.=32.049135° N LONG.=104.114368° W</p>	<p>OPERATOR CERTIFICATION I hereby certify that the information 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 or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Mayte Reyes</i> Signature Date Printed Name mreyes1@concho.com</p>
	<p>PROPOSED BOTTOM HOLE LOCATION Y=371661.7 N X=567853.3 E LAT.=32.021623° N LONG.=104.114397° W</p> <p>SCALE=1"=2000'</p>	<p>SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JULY 24, 2012</p> <p>Date Surveyed Signature Professional <i>Chad Harcrow</i> NEW MEXICO 12-48 Certification No. 17777 (A 41-2012)</p>

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone: (575) 393-6161 Fax: (575) 393-0720
 District II
 811 S. First St., Artesia, NM 88210
 Phone: (575) 748-1263 Fax: (575) 748-9720
 District III
 1000 Rio Hondo Road, Aztec, NM 87410
 Phone: (505) 334-6178 Fax: (505) 334-6170
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505
 Phone: (505) 476-3460 Fax: (505) 476-3462

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

ARTESIA DISTRICT

Form C-102

Revised August 1, 2011

Submit one copy to appropriate District Office

RECEIVED

☐ AMENDED REPORT
 (As Drilled)

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-41141		² Pool Code 30215		³ Pool Name Hay Hollow; Bone Spring					
⁴ Property Code 40112		⁵ Property Name SRO State Com						⁶ Well Number 43H	
⁷ OGRID No. 229137		⁸ Operator Name COG Operating LLC						⁹ Elevation 3082' GR	

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	26S	28E		190	North	990	West	Eddy

¹¹ 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	20	26S	28E		351	South	918	West	Eddy

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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>¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p style="text-align: right;"> Signature </p> <p style="text-align: right;"> 3/5/15 Date </p> <p>Stormi Davis Printed Name</p> <p>sdavis@concho.com E-mail Address</p>
			<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>_____ Date of Survey</p> <p>_____ Signature and Seal of Professional Surveyor:</p> <p style="text-align: center;">REFER TO ORIGINAL PLAT</p> <p>_____ Certificate Number</p>	

DISTRICT I
1000 E. FREDERICK ST., ALBUQUERQUE, NM 87102

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2010

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 2 Copies

DISTRICT II
1001 V. CALLES AVENUE, ALBUQUERQUE, NM 87102

OIL CONSERVATION DIVISION

11885 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

DISTRICT III
1000 ETO BRADON RD., ALBUQUERQUE, NM 87102

DISTRICT IV
11000 E. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-41142	Pool Code 30215	Pool Name Hay Hollow; Bone Spring
Property Code 308169	Property Name SRO STATE COM	Well Number 44H
COORD No. 229137	Operator Name COG OPERATING, LLC	Elevation 3098'

Surface Location

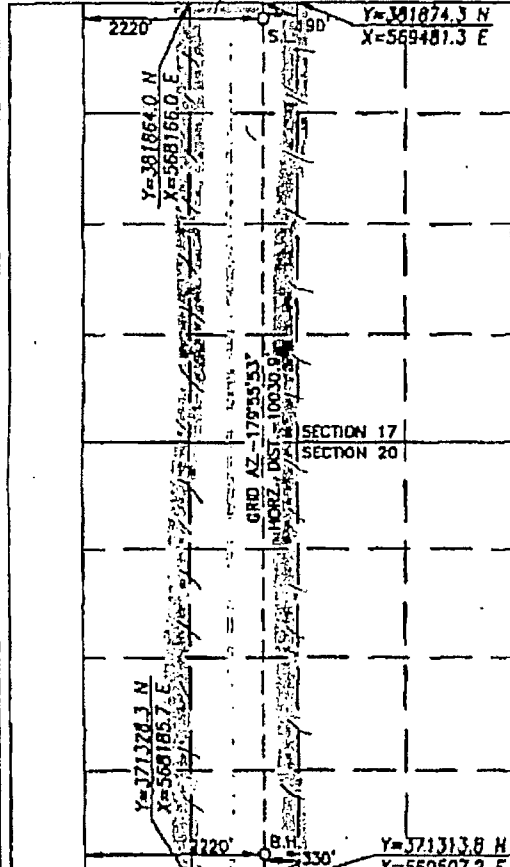
UL or lot No.	Section	Township	Range	Lot (in)	Feet from the	North/South line	Feet from the	East/West line	County
C	17	26-S	28-E		190	NORTH	2220	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot (in)	Feet from the	North/South line	Feet from the	East/West line	County
N	20	26-S	28-E		330	SOUTH	2220	WEST	EDDY

Dedicated Acres 320	Joint or (a) (1) (2)	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>SURFACE LOCATION Y=381678.8 N X=569071.5 E LAT.=32.049154° N LONG.=104.110399° W</p> <p>PROPOSED BOTTOM HOLE LOCATION Y=371648.1 N X=569083.3 E LAT.=32.021579° N LONG.=104.110428° W</p> <p>SCALE=1"=2000'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and accurate 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 or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Mayte Reyes</i> Signature Date</p> <p>Mayte Reyes Printed Name mreyes1@concho.com</p> <p>SURVEYOR CERTIFICATION</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>JULY 24, 2012</p> <p>Date Surveyed Signature Professional Seal</p> <p><i>Chad Hargrow</i> Chad Hargrow Professional Seal 18-40</p> <p>Certified by 19777 LA 42-2012</p>
--	--	---

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone: (575) 393-6161 Fax: (575) 393-0720
 District II
 811 S. First St., Artesia, NM 88210
 Phone: (575) 748-1283 Fax: (575) 748-9720
 District III
 1000 Rio Brazos Road, Aztec, NM 87410
 Phone: (505) 334-6178 Fax: (505) 334-6170
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505
 Phone: (505) 476-3460 Fax: (505) 476-3462

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

Form C-102
 Revised August 1, 2011
 Submit one copy to appropriate District Office
☐ AMENDED REPORT (As Drilled)

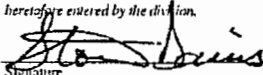
MAR 12 2015

RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-41142		² Pool Code 30215		³ Pool Name Hay Hollow; Bone Spring					
⁴ Property Code 40112		⁵ Property Name SRO State Com						⁶ Well Number 44H	
⁷ OGRID No. 229137		⁸ Operator Name COG Operating LLC						⁹ Elevation 3098' GR	
¹⁰ Surface Location									
UL or lot no. C	Section 17	Township 26S	Range 28E	Lot Idn	Feet from the 190	North/South line North	Feet from the 2220	East/West line West	County Eddy
¹¹ Bottom Hole Location If Different From Surface									
UL or lot no. N	Section 20	Township 26S	Range 28E	Lot Idn	Feet from the 378	North/South line South	Feet from the 2216	East/West line West	County Eddy
¹² Dedicated Acres 320		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ 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.

16		190'		¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or leased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature 3/9/15 Date Stormi Davis Printed Name sdavis@concho.com E-mail Address	
2220'		SHL			
				Sec 17-T26S-R28E	
				Sec 20-T26S-R28E	
Producing Area 8204-17580'		BHL		¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyor: REFER TO ORIGINAL PLAT Certificate Number	
2216'		BHL			

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

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1263 Fax: (575) 748-9720

District III
1000 N. Main Street, Abo, NM 87001
Phone: (505) 334-6170 Fax: (505) 334-6170

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

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised July 18, 2013

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address COG Operating LLC 2208 West Main Street Artesia, NM 88210		UGRID Number 229137
		API Number 30-015-43093
Property Code 40112	Property Name SRO State Com	Well No 69H

7. Surface Location

UL - Lot	Section	Township	Range	Lot 1/4	Feet from	N/S Line	Feet from	E/W Line	County
C	17	26S	28E		200'	North	1980'	West	Eddy

*** Proposed Bottom Hole Location**

UL - Lot	Section	Township	Range	Lot 1/4	Feet from	N/S Line	Feet from	E/W Line	County
N	20	26S	28E		330'	South	1980'	West	Eddy

*** Pool Information**

Pool Name	Pool Code
Hay Hollow; Bore Spring	30215

Additional Well Information

11 Work Type New Well	12 Well Type Oil	13 Cable/Rotary	14 Lease Type State	15 Ground Level Elevation 3099.8'
16 Multiple N	17 Proposed Depth 18924'	18 Formation Bore Spring	19 Contractor	20 Spud Date 5/13/2015
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

☒ We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surface	17.5	13.375	54.5	620'	505	
Intmid	12.25	9.625	36	2470'	785	
Production	8.75	5.5	17	18924'	3505	

Casing/Cement Program: Additional Comments

Drill 17-1/2" hole to -620' w/ fresh water spud mud. Run 13-3/8" 54.5# J55 STC casing to TD and cement to surface in one stage. Will use 1" tubing and Class C w/ 2% CaCl2 to cement to surface, if necessary.
Drill 12-1/4" hole to -2470' with saturated brine water. Run 9-5/8" 36# J55 LTC casing to TD and cement to surface in one stage.
Drill 8-3/4" vertical hole, curve and lateral to 18924' with cut brine. Run 5-1/2" 17# P110 CDC BTC casing to TD and cement to surface in one stage.

22. Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	3000	3000	Cameron

23 I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> . If applicable. Signature: <i>Mayle Reyes</i>		OIL CONSERVATION DIVISION	
Printed name: Mayle Reyes		Approved By: <i>[Signature]</i>	
Title: Regulatory Analyst		Title: <i>[Signature]</i>	
E-mail Address: mreyes1@concho.com		Approved Date: 5-11-15	Expiration Date: 5-11-2017
Date: 5/5/2015	Phone: 575-748-6945	Conditions of Approval Attached	

SRO State Com 69H

Casing and Cement

String	Hole Size	Csg OD	PPF	Depth	Sx Cement	TOC
Surface	17-1/2"	13-3/8"	54.5#	620'	505	0'
Intermediate	12-1/4"	9-5/8"	36#	2470'	785	0'
Production	8-3/4"	5-1/2"	17#	18924'	3505	0'

Well Plan

Drill 17-1/2" hole to ~620' w/ fresh water spud mud. Run 13-3/8" 54.5# J55 STC casing to TD and cement to surface in one stage. Will use 1" tubing and Class C w/ 2% CaCl₂ to cement to surface, if necessary.

Drill 12-1/4" hole to ~2470' with saturated brine water. Run 9-5/8" 36# J55 LTC casing to TD and cement to surface in one stage.

Drill 8-3/4" vertical hole, curve and lateral to 18924' with cut brine. Run 5-1/2" 17# P110 CDC BTC casing to TD and cement to surface in one stage.

Well Control

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	3000	3000	Cameron

DISTRICT I
1423 N. FRANKLIN ST., SUITE 200, ALBUQUERQUE, NM 87102
Phone: (505) 925-3111 Fax: (505) 925-9722

DISTRICT II
611 E. FIRST ST., ARTESIA, NM 88210
Phone: (505) 742-1422 Fax: (505) 742-9722

DISTRICT III
1800 RIO BRAZOS RD., ALBUQUERQUE, NM 87110
Phone: (505) 334-8173 Fax: (505) 334-8170

DISTRICT IV
1279 E. ST. FRANCIS ST., SANTA FE, NM 87505
Phone: (505) 478-3499 Fax: (505) 478-3128

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-43093	Pool Code 30215	Pool Name Hay Hollow; Bone Spring
Property Code 40112	Property Name SRO STATE COM	Well Number 69H
OCRD No. 229137	Operator Name COG OPERATING, LLC	Elevation 3099.8

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	17	26-S	28-E		200'	NORTH	1980'	WEST	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
N	20	26-S	28-E		330'	SOUTH	1980'	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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

