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**From:** Kathie Craft <kcraft@nearburg.com> on behalf of Kathie Craft  
**Sent:** Tuesday, September 30, 2014 1:52 PM  
**To:** Brent Sawyer  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Figured as much☺ Hopefully the end is near...

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**From:** Brent Sawyer [mailto:BSawyer@concho.com]  
**Sent:** Tuesday, September 30, 2014 2:40 PM  
**To:** Kathie Craft  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Kathie:

Unfortunately, yes. Latest word from the attorney is they will be ready next week.

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**From:** Kathie Craft [mailto:kcraft@nearburg.com]  
**Sent:** Tuesday, September 30, 2014 2:31 PM  
**To:** Brent Sawyer  
**Subject:** SRO STATE UNIT 16H - Division Order

Guess you're still waiting?  
Thanks

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**From:** Kathie Craft  
**Sent:** Monday, August 04, 2014 9:20 AM  
**To:** 'Brent Sawyer'  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Many thanks –

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**From:** Brent Sawyer [mailto:BSawyer@concho.com]  
**Sent:** Monday, August 04, 2014 7:52 AM  
**To:** Kathie Craft  
**Cc:** Aaron Myers; Jennifer Lujano; Kelly Fuchik  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Kathie:

still have not received the SRO DOTOs yet. You are at the top of my list for notifications when we finally get them in.

Thanks

Brent

**From:** Kathie Craft [<mailto:kcraft@nearburg.com>]  
**Sent:** Saturday, August 02, 2014 3:00 PM  
**To:** Brent Sawyer  
**Subject:** SRO STATE UNIT 16H - Division Order

Update – please.....  
Thanks

**From:** Kathie Craft  
**Sent:** Monday, June 02, 2014 8:50 AM  
**To:** 'Brent Sawyer'  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Thanks

**From:** Brent Sawyer [<mailto:BSawyer@concho.com>]  
**Sent:** Monday, June 02, 2014 8:29 AM  
**To:** Kathie Craft  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Kathie:

Unfortunately we still have not received the updated opinions, though we should have them 'soon' according to the lawyer who is issuing them. As soon as I get any new information I'll be sure to let you know.

Thanks  
Brent

**From:** Kathie Craft [<mailto:kcraft@nearburg.com>]  
**Sent:** Saturday, May 31, 2014 11:48 AM  
**To:** Brent Sawyer  
**Subject:** SRO STATE UNIT 16H - Division Order

Just checking in to see if you've gotten any more news for us??? Thanks

**From:** Brent Sawyer [<mailto:BSawyer@concho.com>]  
**Sent:** Monday, May 05, 2014 7:47 AM  
**To:** Kathie Craft  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Kathie:

We are still waiting to get updated title opinions on all 23 SRO wells that will show what the interest should be after and before the dissolution of the SRO Unit. Hopefully we will get those opinions this month and once we do we can start moving forward with certainty.

Thanks  
Brent

**From:** Kathie Craft [mailto:kcraft@nearburg.com]  
**Sent:** Saturday, May 03, 2014 11:51 AM  
**To:** Brent Sawyer  
**Subject:** SRO STATE UNIT 16H - Division Order

Just curious as to what's going on as far as the SRO Unit is concerned???

Guess I'll go ahead and get the Division Order for the #16H signed and return it to you...so we can get paid, right or wrong!!

Thanks

**From:** Kathie Craft  
**Sent:** Friday, March 21, 2014 8:18 AM  
**To:** 'Brent Sawyer'  
**Cc:** Ken Dixon; Randy Howard  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Thanks Brent. Please keep us informed.

**From:** Brent Sawyer [mailto:BSawyer@concho.com]  
**Sent:** Thursday, March 20, 2014 5:25 PM  
**To:** Kathie Craft  
**Cc:** Ken Dixon; Randy Howard  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Kathie:

I'm not sure how our division order department is handling the change in ownership in the SRO wells but I will find out.

I got started investigating this issue when Lisa Winter asked me to help her with an inquiry from a sharp eyed division order analyst at Oxy. I had no idea how long the thread was when I started pulling on it and we aren't to the end. I have not spoken with any of the other working interest partners yet. I hope that since they also signed division orders and have been on pay for the last few years that they won't force anyone's hand since your ORR burdens all of the working interest partners proportionately.

Thanks  
Brent

**From:** Kathie Craft [mailto:kcraft@nearburg.com]  
**Sent:** Thursday, March 20, 2014 4:32 PM  
**To:** Brent Sawyer  
**Cc:** Ken Dixon; Randy Howard  
**Subject:** SRO STATE UNIT 16H - Division Order



Thanks. Unfortunately the Dallas office was not furnished a copy of the termination of the unit. And yes, please contact Ken Dixon our Land Manager.

Prior to the new title examination and issuance of revised Division Orders, will you suspend payments to all owners? And we concur with the decision not to go back and make adjustments to payments which have heretofore been made.

Thanks

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**From:** Brent Sawyer [mailto:BSawyer@concho.com]  
**Sent:** Thursday, March 20, 2014 3:11 PM  
**To:** Kathie Craft  
**Cc:** Lisa Winter; Jennifer Lujano  
**Subject:** RE: SRO STATE UNIT 16H - Division Order

Kathie:

I'm sorry this is a surprise to you but yes, the entire state unit was terminated voluntarily effective March 1 by at least 75% of the working interest owners. It appears that Randy Howard executed the attached voluntary termination in October.

Our landman who works the area, Lisa Winter, can explain it in better detail than I can but my understanding is that we terminated the unit voluntarily because if the unit terminated by its own terms (on 6/29/14) all of the leases in all of the undrilled proration units (approx. 5,000ac) would then have been subject to a 180 day CDC and would expire if not satisfied. By terminating the unit voluntarily the undrilled proration units are all HBP by existing wells, not subject to the CDC or expiration, but can be drilled at will subject to the JOA already in place.

The overpayment originated in the original calculation of Nearburg's royalty in the unit. When the unit was formed your ORR should have been:

$(1/4-1/6) \times (320/7360)$  or 0.00362319

The above uses the gross acres in the unit. However, for an unknown reason the net acres in the unit was used:

$(1/4-1/6) \times (320/6424.80592)$  or 0.00415092

The difference between the two is 0.00052773, which I have estimated to be roughly \$40,000. However, I think we will only worry about correcting it going forward after the termination of the unit since I think we will be sending out new division orders for each well.

Speaking of which, our title lawyer is currently working on getting supplementary opinions for each individual well's proration unit, since the SRO state unit has terminated. I'm not sure where he stands on the #16H but I'll find out.

Thank we will need to do some curative cleanup and Lisa mentioned that I should probably talk to Ken Dixon. Is he the right person I should be contacting about that?