

STATE OF NEW MEXICO
COUNTY OF SANTA FE
FIRST JUDICIAL DISTRICT

NEARBURG EXPLORATION
COMPANY, L.L.C., SRO2 LLC, and SRO3
LLC,

Plaintiffs,

v.

NO. D-101-CV-2015-02541

COG OPERATING LLC,

Defendant.

COMPLAINT

Plaintiffs Nearburg Exploration Company, L.L.C. ("NEX"), SRO2 LLC ("SRO2"), and SRO3 LLC ("SRO3") (collectively "Plaintiffs") bring this action against Defendant COG Operating, LLC ("COG") and allege as follows:

SUMMARY OF DISPUTE

NEX, an independent oil and gas exploration and development company, has been operating in New Mexico for decades. Over that time, NEX has weathered significant downturns in the oil and gas industry by making informed, reasoned decisions on when and how to drill, produce, and sell its oil and gas. However, as to NEX's minerals at issue in this dispute, COG, one of the largest operators in the Permian Basin, unilaterally chose to take NEX's oil and gas for its own purposes and, without permission, deprived NEX of its right to decide the "how, when, and where."

After COG voluntarily terminated its rights to drill and produce oil and gas from a NEX lease with the State of New Mexico, COG filed false documents with the State to obtain permission to drill and complete two new horizontal wells in the 2nd Bone Spring formation of

COMPLAINT
D-15406746.11

Page 1

As a result, Plaintiffs seek actual damages.

Count Four: Accounting

72. Plaintiffs reallege and incorporate herein by reference each of the factual allegations above as though fully set forth herein.

73. Plaintiffs owned an overriding royalty interest in the SRO Unit wells as provided by the Term Assignment. Accordingly, Plaintiffs are entitled to their overriding royalty interest from all SRO Unit wells prior to when the Term Assignment expired, the amount of which can be determined by an accounting.

74. Plaintiffs hereby demand an accounting from COG with respect to their overriding royalty interest in all SRO Unit wells.

Count Five: Declaratory Relief

75. Plaintiffs reallege and incorporate herein by reference each of the factual allegations above as though fully set forth herein.

76. A dispute exists between Plaintiffs and COG regarding whether COG had authority to drill the Wells under the Term Assignment, Operating Agreement, and/or the communitization agreements and whether Plaintiffs reserved their claims against COG for trespass and conversion.

77. Plaintiffs ask this Court to declare that (1) the Term Assignment provided COG's sole authority to drill the Wells; (2) that when the Unit Agreement terminated on March 1, 2014 the Term Assignment expired and the Lease automatically reverted back to Plaintiffs, and, as a result, COG was no longer entitled to drill the Wells; (3) that Plaintiffs are not subject to the Operating Agreement; (4) that COG filed false communitization agreements; and (5) that