



Dylan C. Park
Senior Landman

March 23, 2016

Sent via Certified Mail Receipt #:

Mr. Bud F. Walker
1235 Diamondback Dr., NE
Albuquerque, NM 87113

91 7199 9991 7035 3203 2302

Re: Ratification of Halberd 27 State Com #1H
Communitization Agreement
South $\frac{1}{2}$ South $\frac{1}{2}$, Section 27, T17S-R28E
Eddy County, NM

Mr. Walker:

In accordance with the drilling of the Halberd 27 State Com #1H, enclosed herewith is a copy of the Communitization Agreement which has been executed by COG Operating LLC (the "Operator"). This agreement communitizes State of New Mexico leases B-2071, B-8814 and E-135, insofar as they cover the S/2/S2 of Section 27, T17S-R28E, from the top of the Glorieta to 4,000' below the surface.

The following information may be useful in understanding the overall development plan for this communitized acreage:

- Operator's records indicate that you own an approximate 2.9166% overriding royalty interest in state lease B-2071 covering the SW/4SE/4 tract of Section 27, T17S-R28E (the "Lease") limited in depth from the top of the Glorieta formation to 4,000' below the surface (the "Shallow Depths").
- The Halberd 27 State Com 1H will be drilled within the Shallow Depths to an estimated true vertical depth of 3,950' (the "1H").
- Furthermore, Operator's records indicate you also own an approximate 16.66% working interest in the Lease limited in depth from 4,000' beneath the surface to the top of the Abo formation (the "Deep Depths").
- The Halberd 27 State Com 21H will be drilled within the Deep Depths to an estimated true vertical depth of 4,450' (the "21H").
 - Please note, you recently should have received a proposal letter from the Operator dated March 1, 2016 giving you the option to participate with your working interest in the 21H, or to term assign your interest in the Lease to Operator retaining an overriding royalty interest.
- Accordingly, the 1H well will develop the Shallow Depths and the 21H well will develop the Deep Depths.

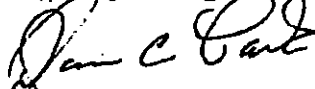
If you are in agreement with Operator's plan to drill the 1H in the Shallow Depths, as described above, enclosed herewith are two (2) Ratification and Joinder of Communitization Agreement(s) which have been prepared for execution by you, as an overriding royalty interest owner. Please secure execution and notarization of both originals of this document and return one (1) original to our office for further handling. A recorded copy of the ratification will be forwarded to you when available.

Furthermore, with regard to the 21H, please refer to the proposal letter dated March 1, 2016, which describes, in greater detail, the proposal and your options with regard to your working interest in the Deep Depths.

I would be happy to discuss this with you in more detail, if you would like. Please contact me at (432) 685-2539 or dpark@concho.com. Your prompt attention to this request is greatly appreciated.

Very truly yours,

COG Operating LLC



Dylan C. Park, RPL
Senior Landman