

From: Brent Sawyer [BSawyer@concho.com]

Sent: Monday, August 18, 2014 7:55 AM

To: Randy Howard

CC: Aaron Myers; Jennifer Lujano; Kelly Fuchik; Linda Parker; Carol Smith; Kathie Craft; Ryan Owen

Subject: RE: Way South State Com #4H

Attachment(s): "Way South FO.pdf", "Cluster State FO.pdf", "Craig_Cluster_Wildride WIU JOA.pdf", "Dammary WIU JOA.pdf", "COG to Nearburg - Cluster State Com 1H.DOCX", "RE_SRO STATE UNIT 16H - Division Order.msg"

Randy:

I would like to meet with you in person to go over all of this but since we haven't been able to get together yet I thought I would send you this summary to tee it up.

The first thing I'd like to talk to you about is we (through Marbob) farmed in two half-sections (16-26S-27E, and 30-26S-28E) from you with BIAPO elections on a well by well basis. So far, seven wells in these two sections have reached payout with more on the way;

Cluster State Com 1H, 2H, 3H, 4H, 5H

Way South State Com 4H

F.U.N. State Com 1H

I received the payout elections back from Ken Dixon and we have changed our decks to reflect your new working interest(s). However, we have not executed the back-in assignments yet. We are hoping that you will agree to amend both farmout agreements to use our already existing JOAs instead of the ones attached to the agreements, since we would strongly prefer to operate under a single JOA.

I've attached full copies of both farmouts with their AAPL 1982 JOAs in addition to our currently existing JOAs. I don't think there should be any problem with Section 16 (Cluster State wells) since both are 1982 forms. However, our existing section 30 (Way South and F.U.N.) JOA is on the 1977 AAPL form. I've also attached a copy of the back-in assignment we propose to use since the farmout agreements don't have one.

The second thing is we have some outstanding issues with the wells in the former SRO State Unit. It is a bit complicated and I hope you don't mind me attaching an email I sent to Kathie Craft explaining part of the issue. It is also worth mentioning that we are still waiting on the after unit dissolution DOTOs for the SRO wells.

I've got a meeting this Wednesday morning but so far I'm wide open the rest of the week. If you can shake free for 30-45 minutes let me know and I'll come over.

Thanks

Brent

NMOCC CASE Nos. 15441, 15481, 15482

NEX, SRO2 LLC AND SRO3 LLC

Exhibit No. 40

February 28, 2017

From: Randy Howard [mailto:rhoward@nearburg.com]

Sent: Monday, August 04, 2014 5:26 PM

To: Brent Sawyer

Cc: Aaron Myers; Jennifer Lujano; Kelly Fuchik; Linda Parker; Carol Smith; Kathie Craft

Subject: RE: Way South State Com #4H

Brent,

It looks like we need to talk. I'm pretty tied up through Wednesday afternoon, but maybe we can visit Thursday or Friday.

I'll wait to hear from you and I look forward to working on getting this taken care of for all involved.

Thank you

Randy Howard
Land Manager
Nearburg Producing Company
432 818 2914 (direct line)
432 599 0382 (cell)

From Kathie Craft
Sent Monday, August 04, 2014 9:43 AM
To Brent Sawyer, Randy Howard
Cc Aaron Myers, Jennifer Lujano, Kelly Fuchik, Linda Parker, Carol Smith
Subject Way South State Com #4H

Thanks Brent - even though APO Assignments haven't been made on all of the Cluster State and F U N wells we're getting paid our APO interest. So was wondering if there's any reason why we haven't received any APO revenue interest on the Way South #4H?

By copy of this email - I'm requesting that Randy Howard (our Land Manager in Midland) give you a call to discuss the APO Assignment form and JOA issue.

Thanks

From Brent Sawyer [<mailto:BSawyer@concho.com>]
Sent Monday, August 04, 2014 7:55 AM
To Kathie Craft
Cc Aaron Myers, Jennifer Lujano, Kelly Fuchik
Subject RE: Way South State Com #4H

Kathie

I have the form of the APO assignments ready but before we execute them I like to talk to someone about the possibility of having you join our existing JOAs instead of using the one attached to the farmout agreements so we wouldn't be operating under two separate JOAs. However, I've received a jury summons and will be hard to reach this week.

Thanks
Brent

From Kathie Craft [<mailto:kcraft@nearburg.com>]
Sent Saturday, August 02, 2014 2:55 PM
To Brent Sawyer
Subject Way South State Com #4H

Just wondering how things were coming along with getting us the BPO/APO Division Orders for the Way South State #4H (and paid our APO interest since February 2013)? Know you're working on this as hard and quickly as you can but sure would like to get this well removed from my list.

Thanks

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