

From: Randy Howard [mailto:rhoard@nearburg.com]
Sent: Monday, July 20, 2015 10:12 AM
To: Aaron Myers
Subject: COG

Aaron,

This email confirms our conversation regarding scheduling a meeting seeking to resolve the issues which have arisen in connection with Nearburg Exploration Company's State of New Mexico Oil and Gas Lease V-7540, covering the W/2 of Section 20, Township 26 South, Range 28 East, NMPM, containing 320 acres more or less (the "Nearburg Lease"). In preparing for this meeting, it is important to keep in mind the following:

- Nearburg Exploration Company ("Nearburg") executed a Term Assignment of Oil and Gas Lease (the "Term Assignment") to Marbob (predecessor to COG) covering the Nearburg Lease from the surface down to the base of the Bone Spring formation. The Term Assignment commenced July 1, 2009, and by its terms would terminate when the SRO State Exploratory Unit expires.
- COG requested voluntary termination of the SRO State Exploratory Unit effective March 1, 2014, and the SRO State Exploratory Unit terminated effective March 1, 2014.
- COG spud the 43H well on August 2, 2014, utilizing lands which are covered by the Nearburg Lease. Nearburg was neither advised of nor consented to the drilling of this well.
- COG spud the 44H well on October 10, 2014, again utilizing lands covered by the Nearburg Lease without advising Nearburg or seeking its consent.
- On October 8, 2014 and January 9, 2015, title opinions were addressed to COG specifically stating that the Term Assignment expired. Nonetheless, COG completed and is producing the 43H and 44H wells and has also not transferred the 16H well to Nearburg.
- COG has by virtue of drilling, completing and producing the 43H well and 44H well committed mineral trespass and converted Nearburg hydrocarbons.
- Nearburg has no liability for the costs of drilling or completion of the wells or production costs for converted hydrocarbons.
- If litigation results, Nearburg will, among other relief, seek punitive damages.
- The July 13 offer of COG to extend the Term Assignment is not acceptable.

Nearburg would like to amicably resolve these differences with COG if at all possible. The Nearburg participants in a meeting for this purpose would include myself, our attorney from Dallas and our attorney from New Mexico and we are available on July 23, 24, 27 or 28 at Nearburg's Midland office. Please let us know if COG is available, suggested times and who will be participating on behalf of COG. We would expect that COG participants would include management personnel responsible for concluding a resolution of this matter.

I look forward to hearing from you

Randy Howard
Land Manager
Nearburg Producing Company
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