

COG Operating LLC

SRO STATE COM #43H & #44H

Section 17-T26S-28E &

Section 20-T26S-28E

Eddy County, New Mexico



Case No 15441 (De Novo)

Case No 15481 (De Novo)

Case No 15482 (De Novo)

Hearing Date February 28, 2017



Term Assignment of Oil and Gas Lease

For consideration paid, the receipt and sufficiency of which are hereby acknowledged, Nearburg Exploration Company L L C (Assignor) whose address is P O Box 823085 Dallas Texas 75382 3085 does hereby grant, bargain sell assign and convey to Marbob Energy Corporation (Assignee) whose address is P O Box 227 Artesia, New Mexico 88211 0227 subject to the terms and provisions and the exceptions and reservations hereinafter set forth, the entire interest in and to that certain oil and gas lease (the "Lease") from State of New Mexico as Lessor to Nearburg Exploration Company L L C as Lessee, State of New Mexico Serial No VO-7450 dated July 1 2005 covering the following described lands in Eddy County New Mexico

Township 26 South, Range 28 East, N M P M

Section 20 W/2
containing 320 00 acres more or less,
limited to the interval from the surface
down to the base of the Bone Spring Formation,
as defined in the Unit Agreement hereinafter described

together with such contractual rights easements rights of way and other rights held by Assignor as are necessary or convenient to the development and operation of said lands for the production of oil and gas (the interest and other rights being assigned hereby being collectively referred to herein as the Subject Interests) Assignor expressly retains such rights and easements as may be necessary to its own development and operation of the lands and depths covered by said lease that are not conveyed hereby or which may revert to Assignor as hereinafter provided

This Assignment is made subject to all royalty overriding royalty and other burdens affecting the Subject Interests In addition, Assignor excepts from this Assignment and reserves to itself an overriding royalty interest equal to the difference between (a) twenty five percent (25%) of 8/8 of the oil and gas that may be produced, saved and marketed from said lands and (b) the aggregate of all royalty overriding royalty production payment and other non-cost bearing interests now existing as burdens against the interest assigned hereby The overriding royalty interest (i) shall be computed and paid at the same time and in the same manner as royalty payable to the lessor under the terms of the applicable oil and gas lease is computed and paid, (ii) shall bear its proportionate share of all taxes and assessments levied upon or against or measured by the production of oil and gas therefrom and (iii) shall be proportionately reduced if and to the extent that this Assignment conveys to Assignee less than the full and undivided oil and gas working interest leasehold in such lands or any part thereof. The reservation of the overriding royalty interest shall imply no leasehold preservation drilling or development obligation on the part of Assignee No change in the ownership of the overriding royalty interest shall be binding on Assignee until Assignee has been furnished either the original a certified copy or a legible reproduced copy of the recorded instrument or instruments effecting the change in ownership

The rights and interests assigned hereby shall be limited to a term commencing on the effective date hereof and extending so long thereafter as the Lease remains subject to the Unit Agreement hereinafter described according to the terms of the Unit Agreement provided, however that if at any time before the discovery of a deposit of unitized substances capable of being produced in paying quantities as defined in the Unit Agreement has been made on lands embraced by said Unit Agreement, and before the expiration of the primary term of the Lease Assignee shall decide not to continue drilling operations in an effort to establish such production Assignee agrees to so notify Assignor and thereupon, at the request of Assignor promptly reassign to Assignor all of the right, title and interest in and to the Lease assigned hereby free and clear of all liens encumbrances and burdens other than those in effect as of the date of execution hereof Should the lands covered by the Lease be eliminated from the unit area of said Unit Agreement after the end of the primary term of the Lease, but the Unit Agreement remains in effect according to its terms as to any of the land embraced thereby Assignor shall nevertheless continue to be entitled to an overriding royalty interest in oil and gas produced from the land remaining subject to the Unit Agreement equivalent to that to which Assignor was entitled before such elimination, and shall likewise continue to have access and shall be entitled to receive Well Information Requirements concerning any well thereafter drilled on lands that remains covered by the Unit Agreement as herein provided and Assignee agrees upon Assignor's request in such event to execute and deliver to Assignor a recordable assignment evidencing such continuing overriding royalty interest

BEFORE THE OIL CONVERSION
COMMISSION
Santa Fe New Mexico
Exhibit No 1
Submitted by COG OPERATING LLC
Hearing Date February 28 2017

BEFORE THE OIL CONVERSION
DIVISION
Santa Fe New Mexico
Exhibit No 1
Submitted by COG Operating LLC
Hearing Date May 4 2016

During the drilling of any well located on the Subject Interests or on lands covered by the Unit Agreement, Assignor's authorized representatives shall have access at all times to each well but such access shall be at Assignor's sole risk and expense. In addition, Assignor shall have access to all cores, cuttings, logs and other information of whatever nature obtained during the drilling of such well. Assignee further agrees to furnish Assignor daily drilling reports and other pertinent well information and data as specified in the Well Information Requirements attached hereto and made a part hereof as Exhibit "A" with respect to all wells drilled on the Subject Interests or on lands covered by the Unit Agreement.

The Subject Interests and Assignor's reserved overriding royalty interest shall during the term of this Assignment and not thereafter be subject to the terms and provisions of that certain Unit Agreement for the Development and Operation of the SRO Unit Area, Eddy County, New Mexico (the "Unit Agreement") dated May 8, 2009. Oil and gas produced from lands embraced by said Unit Agreement shall be allocated to the Subject Interests and to Assignor's overriding royalty interest as provided therein, and oil and gas production and operations on any such lands shall while the Subject Interests remain subject to the Unit Agreement, be considered as though taking place on the lands described in the lease or leases assigned hereby (except for purposes of the allocation of oil and gas produced therefrom).

Assignor warrants and agrees to defend title to the interests assigned hereby against all persons claiming or to claim the same by through and under Assignor but not otherwise. This assignment shall be binding on the parties hereto and their respective successors and assigns.

Executed on the dates of Assignor's and Assignee's respective acknowledgments annexed hereto but effective as of July 1, 2009.

Nearburg Exploration Company, L.L.C.

Marbob Energy Corporation

by

Charles E. Nearburg, President

by

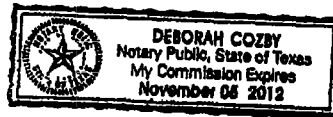
Johnny C. Gray, President

RD

STATE OF TEXAS)
COUNTY OF DALLAS)

This instrument was acknowledged before me on this 24 day of August, 2009, by Charles E. Nearburg, President of Nearburg Exploration Company, L.L.C., a Texas limited liability company, on behalf of said company.

Deborah Cozby
Notary Public in and for the State of Texas



STATE OF NEW MEXICO)
COUNTY OF ~~LEA~~)
Eddy

This instrument was acknowledged before me on this 27th day of August, 2009, by Johnny C. Gray, President of Marbob Energy Corporation, a New Mexico corporation, on behalf of said corporation.



OFFICIAL SEAL
Nancy T. Agnew
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires 7/5/11

Nancy T. Agnew
Notary Public in and for the State of New Mexico

Exhibit "A"

Attached to and made a part of that certain Term Assignment dated effective July 1 2009
Nearburg Exploration Company L L C Assignor Marbob Energy Corporation Assignee

WELL INFORMATION REQUIREMENTS

Well Name
Footage Location
County/State Lea/New Mexico
Operator Marbob Exploration Company

Operator agrees to furnish to Nearburg Exploration Company L L C and Nearburg Producing Company the information requested herein to reasonably observe the requests made herein by Nearburg and to allow Nearburg the rights and privileges set forth below

A. DRILLING AND MUDLOGGER REPORTS

Copies of any and all daily drilling and mudlogger reports containing current depth and status general summary deviation surveys mud properties daily and cumulative costs, background gas and drilling break intervals in which a show is present with a description of show and the lithology containing the show Daily well and mudlogger reports should be e-mailed daily by 10 30 a m CST and if requested a weekly recap mailed/faxed to the following

NEARBURG EXPLORATION COMPANY L L C

Drilling Reports
3300 N A Street Building 2 Suite 120
Midland Texas 79705
Attn Sarah Jordan sjordan@nearburg.com
FAX (432) 687 4130

NEARBURG EXPLORATION COMPANY L L C

Mudlogs and Electric Logs
3300 N A Street Building 2 Suite 120
Midland Texas 79705
Attn Johnny Reyes jreyes@nearburg.com and to
Bill Elton belton@nearburg.com
FAX (432) 687 5403

B. WELL DATA

The following listed data should be mailed as follows

NEARBURG EXPLORATION COMPANY L L C
3300 N A Street, Building 2 Suite 120
Midland Texas 79705
Attn Johnny Reyes Bill Elton Butch Willis or S Jordan
as designated below

NEARBURG PRODUCING COMPANY
P O Box 823085
Dallas Texas 75382 3085
Attn Duane Davis

- | | <u>MIDLAND</u> | <u>DALLAS</u> |
|---|------------------|-----------------|
| 1 Copy of survey plats permit to drill and other regulatory forms and letters filed with any governmental agencies | Sarah Jordan (1) | 0 |
| 2 Copy of the drilling and completion procedures 48 hours prior to commencement of operation | Butch Willis (1) | Duane Davis (1) |
| 3 Copy of daily mud logs | Johnny Reyes (1) | Duane Davis (1) |
| 4 Copies of the final mud log | Johnny Reyes (2) | Duane Davis (1) |
| 5 Copies of the field prints of all logs run in the well | Johnny Reyes (1) | Duane Davis (1) |
| Put LAS & PDS Print Files (including repeat section) on Interact <u>Notfify Bill Elton @ belton@nearburg.com</u> | | |
| 6 Copies of the final composite prints of all logs run in well | Johnny Reyes (1) | Duane Davis (1) |
| 7 Copy of well log customer diskette 3 1/2 LAS format or CD | Johnny Reyes (1) | Duane Davis (1) |
| 8 One initial and final copy of any DST conng sample analysis formation fluid analysis or test reports on the well | Bill Elton (1) | Duane Davis (1) |
| 9 Upon request well history at completion of the well | Sarah Jordan (1) | Duane Davis (1) |

Well Information Requirements

		<u>MIDLAND</u>	<u>DALLAS</u>
10	Copy of the bit record and mud recap	Butch Willis (1)	0
11	One copy of Operator's State Production Report (monthly)	Sarah Jordan (1)	0
12	One sample cut of all samples if any collected by mudlog crew	Johnny Reyes (1)	0
13	One (1) completed slabbed section of any whole core (chips from those portions removed for special analysis)	Johnny Reyes (1)	0
15	One (1) copy each of all title opinions governmental OCD examiner and commission hearing orders and curative instruments covering the spacing unit for the well should be sent to		

NEARBURG EXPLORATION COMPANY L L C
 3300 N A Building 2 Suite 120
 Midland Texas 79705
 Attn Terry Gant

NEARBURG PRODUCING COMPANY
 P O Box 823085
 Dallas Texas 75382 3085
 Attn Kathie Craft

C NOTIFICATION

- 1 Nearburg should receive 24-hour notice of the following events spudding wireline logging open hole testing coring or plugging of the well Notification should be by phone to one of the following persons in the order indicated

<u>NAME</u>	<u>OFFICE</u>	<u>HOME</u>	<u>CELL</u>
Bill Elton (Geology)	(432) 818-2920	(432) 697 9923	(432) 528-9749
Tim Speer (Engineering)	(432) 818-2930	(432) 694-6749	(432) 528-8036
Terry Gant (Land)	(432) 818-2901	(432) 687-4744	(432) 528-1121

- 2 If you anticipate a major decision (plugging casing point etc) that involves Nearburg over a weekend or holiday please notify Bill Elton Tim Speer or Terry Gant by phone (in the order listed)
- 3 For after hours **EMERGENCIES** please dial 800-451 8235 If this number does not pick up dial 432 688-0883 Follow instructions to leave an Emergency Message An automatic system will activate personnel pagers company wide
- 4 SLB InterACT - Request access for Bill Elton and Tim Speer

D ACCESS TO LOCATION

Nearburg Producing Company and Nearburg Exploration Company L L C its employees consultants or agents shall have full and free access to the drilling location to include the derrick floor AND mudlogging unit at all times without notice and all well operation and information obtained or conducted during the drilling completing or producing life of any well to which Nearburg is entitled to receive such well information

E SPECIAL REQUIREMENTS FOR ADDITIONAL WELL INFORMATION

Nearburg Producing Company and Nearburg Exploration Company L L C reserve the right to run a velocity survey acoustic surveys or other well bore logs or tests including the Schlumberger hi-res density and FMI for spot ELAN analysis and DST(s) to its satisfaction if not run by the operator or in the case where operator runs same operator shall furnish to Nearburg all such information or surveys In addition Nearburg may require operator to run a two-man mudlogging unit

F WELL PROGNOSIS

Prior to any operation Operator shall furnish to Nearburg a well/completion prognosis specifying in reasonable detail the procedure of work for the proposed operation Such prognosis shall be sent to Nearburg not later than 48 hours prior to commencement of any such operation

In the event that any of the requirements herein are unacceptable to Operator Operator should contact Terry Gant at the numbers and/or address specified above