

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



COG-229137

Hercules Fed Com 1H

ADMINISTRATIVE APPLICATION CHECKLIST *30-005-27999*

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD Hercules Federal Com 1H API#30-005-27999

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
 [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Netha Aaron _____ *Netha Aaron* _____ Regulatory Analyst _____ 5/12/11
 Print or Type Name Signature Title Date

oaaron@conchoresources.com
 e-mail Address



May 19, 2011

COG Operating, LLC
Netha Aaron
550 W. Texas Ave., Suite 100
Midland, TX 79701

New Mexico Oil Conservation Division
Richard Ezeanyim
1220 S St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Ezeanyim,

COG Operating LLC respectfully requests approval for Off-Lease Measurement on the following well:

**Hercules Federal Com 1H
Chaves County, NM
API # 30-005-27999
Surface: 1980 FNL & 330 FWL Sec 15, T15S, R31E, Unit E**

This well is producing from the Wildcat; Abo-Wolfcamp (Oil - 97715) Pool. The Off-Lease Measurement facility is located on COG Operating LLC property, at our Hercules Federal Com 2H well site, Sec 15, T15S, R 31E, Unit D. This facility has a dcp Midstream gas sales meter, meter #726141-00.

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Please contact me at 432-818-2319 should you have any questions.

Sincerely,

COG Operating, LLC
Netha Aaron
Regulatory Analyst

RECEIVED OGC
2011 MAY 24 10:51

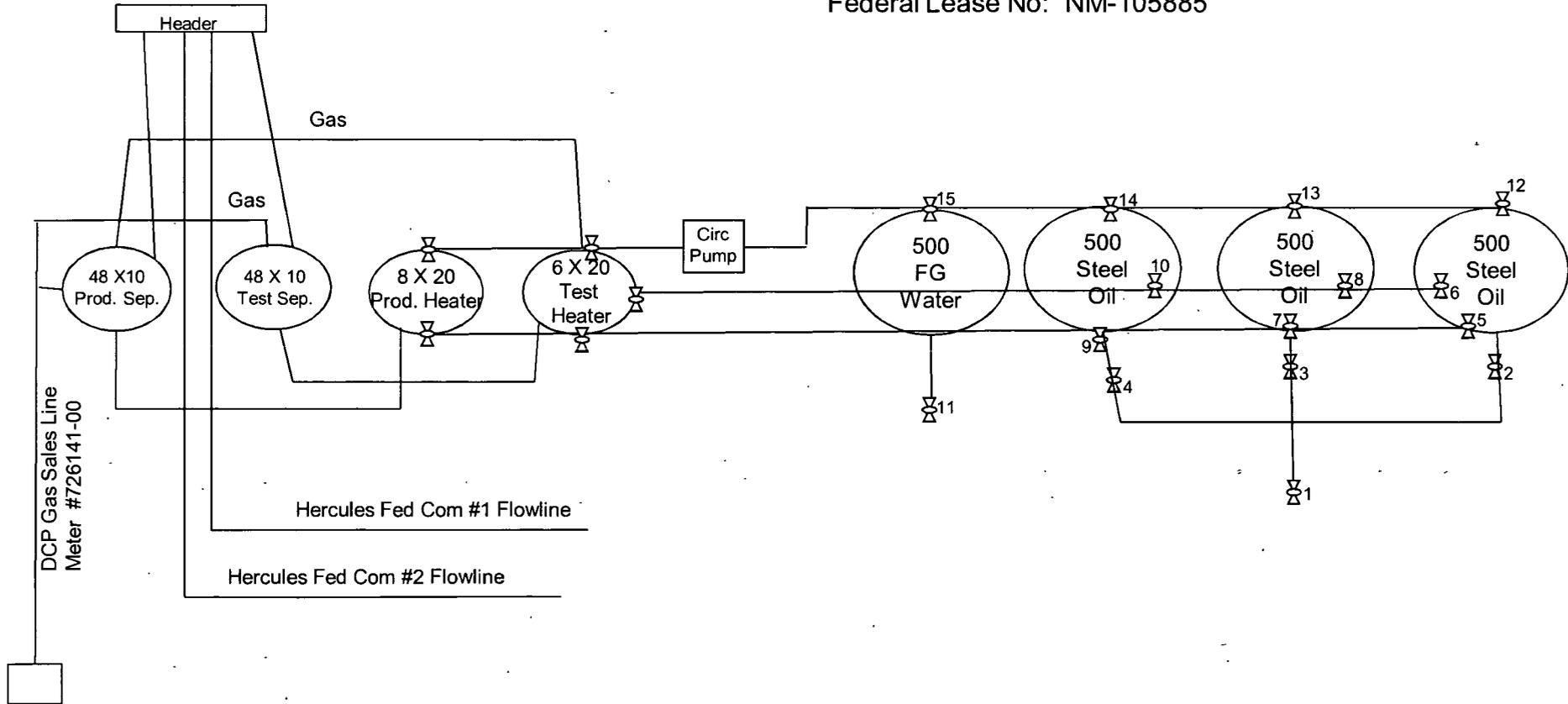
COG OPERATING LLC

Site Security Plan is located at:
 550 W. Texas Ave Ste. 100, Midland, Texas 79701
 (432)-683-7443

May 3, 2011

Hercules Fed Com Battery

Hercules Fed Com #2H Well
 Hercules Fed Com # 1H Well
 660'FNL & 430' FWL * Sec15-T15S-R31E * Unit D
 Chaves County, NM
 API #30-005-29049
 Federal Lease No: NM-105885



Production Phase:

Valves #1,2,3,4,12,13,14,15 - Closed
 Valves #5,6,7,8,9 and 10 - Open

Sales Phase:

Valves #1,2,3 and 4 - Open
 Valves #12,13,14,15 - Closed
 Valves #5,6,7,8,9 and 10 - Open

Submit 1 Copy To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W Grand Ave, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 October 13, 2009

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| | | |
|---|--|--|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS) 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> | | WELL API NO. 30-005-27999 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> 6. State Oil & Gas Lease No. |
| 2. Name of Operator <p style="text-align: center;">COG Operating LLC</p> | | 7. Lease Name or Unit Agreement Name Hercules Federal Com 8. Well Number 1H |
| 3. Address of Operator <p style="text-align: center;">550 West Texas Ave, Suite 100, Midland, TX 79701</p> | | 9. OGRID Number 229137 10. Pool name or Wildcat Wildcat; Abo-Wolfcamp 97715 |
| 4. Well Location Unit Letter <u>E</u> : <u>1980</u> feet from the <u>North</u> line and <u>330</u> feet from the <u>West</u> line Section <u>15</u> Township <u>15S</u> Range <u>31E</u> NMPM Chavez County | | |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) <p style="text-align: center;">4405 GR</p> | | |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| | | | |
|--|--|---|--|
| NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/> DOWNHOLE COMMINGLE <input type="checkbox"/> | | SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/> | |
| OTHER: Off Lease Measurement <input checked="" type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

RECEIVED
 OCT 24 AM 11:20
 CONCHO RESOURCES

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

COG Operating LLC respectfully requests approval for Off-Lease Measurement on the **Hercules Federal Com 1H well**.

This well is producing from the Wildcat; Abo-Wolfcamp (Oil - 97715) Pool. The Off-Lease Measurement facility is located on COG Operating LLC property, at our Hercules Federal Com 2H well site, Sec 15, T15S, R 31E, Unit D. This facility has a dcp Midstream gas sales meter, meter #726141-00.

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Spud Date: Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Netta Aaron TITLE Regulatory Analyst DATE 5/19/11

Type or print name _____ E-mail address: oaaron@conchoresources.com PHONE: 432-818-2319
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____

Affidavit of Fact

STATE OF TEXAS §

COUNTY OF MIDLAND §

Affiant on oath swears that the following statements are true:

My name is Jan Preston Spradlin. I am a Senior Landman for COG Operating LLC. I am familiar with the ownership of the Hercules Federal Com 1H (API 30-005-27999), Hercules Federal Com 2H (API 30-005-29049), both of which are situated in Section 15, Township 15 South, Range 31 East, Chavez County, New Mexico. I hereby confirm that the working interests and royalty interest in these wells are common.

Affiant



Jan Preston Spradlin

SUBSCRIBED AND SWORN TO before me on the 19th day of May, 2011.





Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 19th day of May, 2011, by Jan Preston Spradlin, Notary Public for the State of Texas.





Notary Public, State of Texas

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

5. Lease Serial No
NMNM105885

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

7. If Unit or CA/Agreement, Name and/or No.
NMNM125711

1. Type of Well
 Oil Well Gas Well Other

8 Well Name and No.
HERCULES FEDERAL COM 1H

2. Name of Operator
COG OPERATING LLC
Contact: NETHA AARON
E-Mail: oaaron@conchoresources.com

9 API Well No
30-005-27999-00-S1

3a. Address
550 WEST TEXAS AVENUE SUITE 100
MIDLAND, TX 79701-4287

3b. Phone No. (include area code)
Ph: 432-818-2319
Fx: 432-685-4396

10. Field and Pool, or Exploratory
UNDESIGNATED-ABO-WOLFCAMP ✓

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 15 T15S R31E SWNW 1980FNL 330FWL

11. County or Parish, and State
CHAVES COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|--|---|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | Off-Lease Measuremen t |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13 Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

COG Operating LLC respectfully requests approval for Off-Lease Measurement on the following well:

Hercules Federal Com 1H
Chaves County, NM
API # 30-005-27999
Surface: 1980 FNL & 330 FWL Sec 15, T15S, R31E, Unit E

This well is producing from the Wildcat; Abo-Wolfcamp (Oil - 97715) Pool. The Off-Lease Measurement facility is located on COG Operating LLC property, at our Hercules Federal Com 2H well site, Sec 15, T15S, R 31E, Unit D. This facility has a dcp Midstream gas sales meter, meter #726141-00.

14. I hereby certify that the foregoing is true and correct

**Electronic Submission #107956 verified by the BLM Well Information System
For COG OPERATING LLC, sent to the Roswell
Committed to AFMSS for processing by DAVID GLASS on 05/11/2011 (11DG0203SE)**

| | |
|-----------------------------------|---------------------------------|
| Name (Printed/Typed) NETHA AARON | Title AUTHORIZED REPRESENTATIVE |
| Signature (Electronic Submission) | Date 05/10/2011 |

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|---|--------------------------|-----------------|
| Approved By DAVID R GLASS | Title PETROLEUM ENGINEER | Date 05/11/2011 |
| Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. | | Office Roswell |

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional data for EC transaction #107956 that would not fit on the form

32. Additional remarks, continued

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Revisions to Operator-Submitted EC Data for Sundry Notice #107956

| | Operator Submitted | BLM Revised (AFMSS) |
|----------------|--|--|
| Sundry Type: | OLM NOI | OLM SR |
| Lease: | NMNM105885 | NMNM105885 |
| Agreement: | | NMNM125711 |
| Operator: | COG OPERATING LLC 550 WEST TEXAS SUITE 100 MIDLAND, TX 79701 Ph: 432-818-2319 | COG OPERATING LLC 550 WEST TEXAS AVENUE SUITE 100 MIDLAND, TX 79701-4287 Ph: 432-685-9158 |
| Admin Contact: | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail: oaaron@conchoresources.com Ph: 432-818-2319 Fx: 432-685-4396 | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail: oaaron@conchoresources.com Ph: 432-818-2319 Fx: 432-685-4396 |
| Tech Contact: | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail: oaaron@conchoresources.com Ph: 432-818-2319 Fx: 432-685-4396 | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail: oaaron@conchoresources.com Ph: 432-818-2319 Fx: 432-685-4396 |
| Location: | | |
| State: | NM | NM |
| County: | CHAVEZ COUNTY | CHAVES |
| Field/Pool: | WILDCAT; ABO, WOLFCAMP | UNDESIGNATED-ABO-WOLFCAMP |
| Well/Facility: | HERCULES FEDERAL COM 1H Sec 15 T15S R31E 1980FNL 330FWL | HERCULES FEDERAL COM 1H Sec 15 T15S R31E SWNW 1980FNL 330FWL |



April 19, 2011

Chesapeake Operating, Inc.
Attn: Robert Martin
6100 N. Western
Oklahoma City, OK 73118

Certified Mail Article Number

Re: Request for Off Lease

| SENDER: COMPLETE THIS SECTION | | COMPLETE THIS SECTION ON DELIVERY | |
|--|--|--|---|
| <ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. | | A. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee | |
| 1. Article Addressed to: Chesapeake Operating Inc. Attn: Robert Martin 6100 N Western Oklahoma City OK 73118 | | B. Received by (Printed Name) RECEIVED | C. Date of Delivery APR 21 2011 |
| 2. Article Number <i>(Transfer from service label)</i> 91 7199 9991 7030 0517 3884 | | D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>(If yes, enter delivery address below:)</i> | |
| 3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. | | 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes | |
| PS Form 3811, February 2004 | | Domestic Return Receipt | |

Mr. Martin:

This letter will serve as notice under Rule 104.F (3) that COG Operating LLC has requested administrative approval from the Oil Conservation Division in Santa Fe, NM for Off Lease Measurement and Surface Commingle for the following wells:

**Hercules Federal Com 2H
Chavez County, NM
API #: 30-005-29049
Communitization Agreement # NMMN-124864**

Surface: 660 FNL & 430 FWL Sec 15, T15S, R31E, Unit D

**Hercules Federal Com 1H
Chavez County, NM
API# 30-005-27999
Communitization Agreement # NMMN-125711**

Surface: 1980 FNL & 330 FWL Sec 15, T15S, R31E, Unit E

The battery is located on COG Operating, LLC property, Hercules Federal Com #2H, Sec 15, T15S, R31E, Unit E.

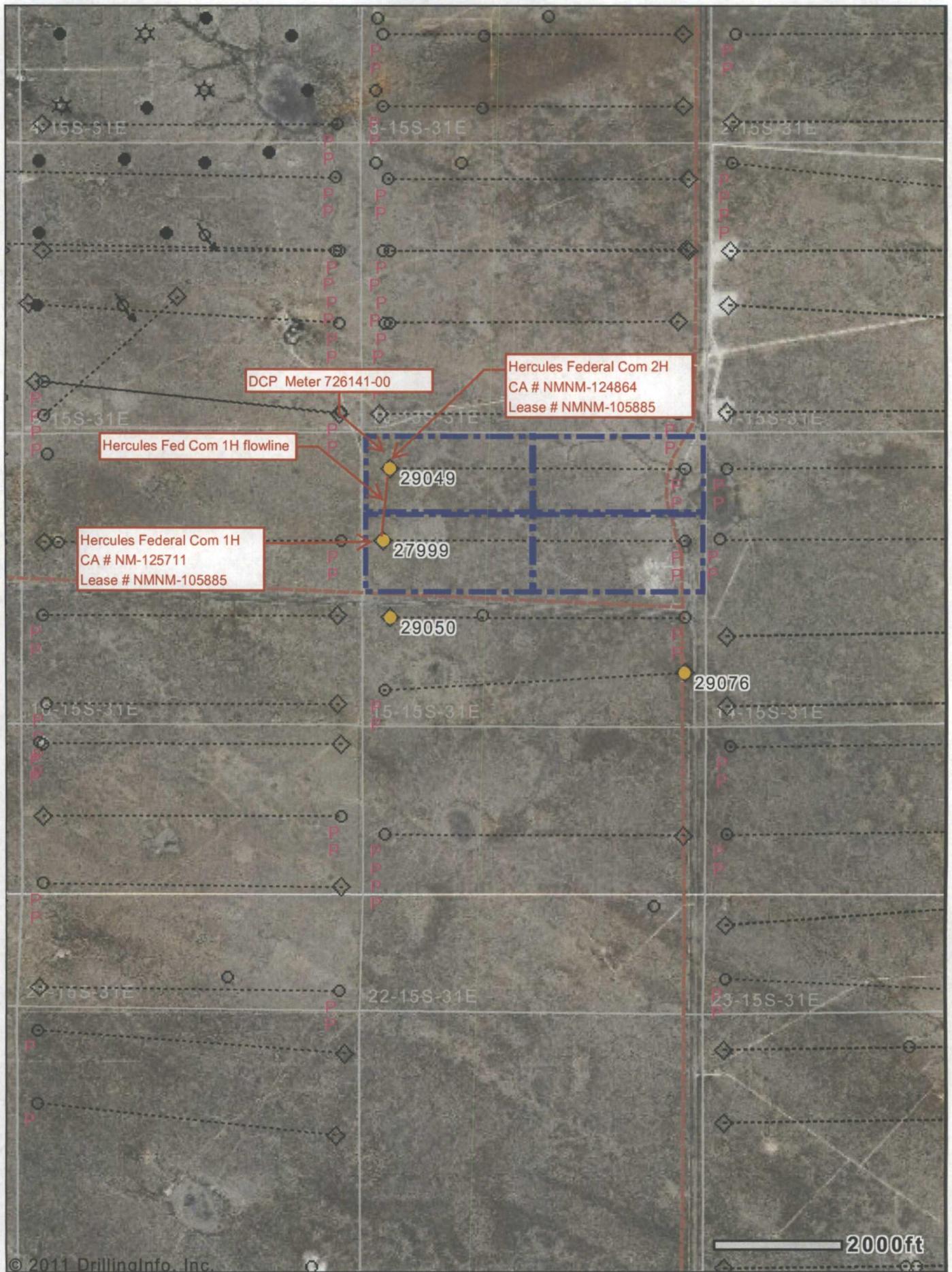
Should your company have any objection, it must be filed in writing within twenty (20) days from the date of this notice. The Division Director may approve the Off Lease Measurement and Surface Commingle if no objection has been made within the 20 days after the application has been received.

Sincerely,

Netha Aaron

COG Operating LLC
Netha Aaron
Regulatory Analyst

| | | |
|-----------------------|------------------------------------|-------------------------|
| Confirmation Services | Package ID: 9171999991703005173884 | Electronic Certified |
| | Destination ZIP Code: 73118 | First Class Letter |
| | Customer Reference: | |
| | Recipient: _____ | PBP Account #: 41592288 |
| | Address: _____ | Serial #: 1364097 |
| | | APR 19 2011 3:10pm |



COG Operating LLC is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Lease No.: SHL – NM-105885, BHL – VO-8010, Com No.:NMNM 125711

| <u>Well Name</u> | <u>API No.</u> | <u>Loc: ¼ ¼ Sec. Twp. Rng.</u> | <u>Formation</u> | <u>BOPD</u> | <u>Oil Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--------------------------------|----------------|--------------------------------|------------------------|-------------|--------------------|--------------|------------|
| Hercules Federal Com 1H | 30-005-27999 | SWNW, Sec.15, T15S, R31E | Wildcat; Abo, Wolfcamp | 145 | 39.1/@60° | 250 | 593 |

With hydrocarbon production from:

Federal Lease No.: SHL – NM-105885, BHL – VO-8010, Com No.NMNM 124864

| <u>Well Name</u> | <u>API No.</u> | <u>Loc: ¼ ¼ Sec. Twp. Rng.</u> | <u>Formation</u> | <u>BOPD</u> | <u>Oil Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--------------------------------|----------------|--------------------------------|------------------------|-------------|--------------------|--------------|------------|
| Hercules Federal Com 2H | 30-005-29049 | NWNW, Sec.15, T15S, R31E | Wildcat; Abo, Wolfcamp | 113 | 39.3/@60° | 167 | 593 |

The storage and measuring facility is located at NWNW, Sec.15, T15S, R31E on Lease No.: NM 105885, Chavez County, New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contributing sources are as follows:

Oil and Gas are to be measured at individual test facilities, and production allocated based on well tests.

DISTRICT I
1025 N. Fresno Dr., Hobbs, NM 88240

DISTRICT II
1281 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Bravo Rd., Aztec, NM 87410

DISTRICT IV
1400 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|------------------------------------|
| API Number 30-005-27999 | Pool Code 97715 | Pool Name Wildcat; Abo-Wolfcamp |
| Property Code 37347 | Property Name HERCULES FEDERAL COM | Well Number 1H |
| OCRID No. 229137 | Operator Name C.O.G. OPERATING L.L.C. | Elevation 4405' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| E | 15 | 15 S | 31 E | | 1980 | NORTH | 330 | WEST | CHAVES |

Bottom Hole Location if Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------|-----------------|--------------------|-------------------|---------|---------------|------------------|---------------|----------------|--------|
| H | 15 | 15 S | 31 E | | 1923 | NORTH | 650 | W EAST | CHAVES |
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. 4245 | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | |
|---|---|
| <p>SURFACE LOCATION LAT.: N 33°01'03.72" LONG.: W103°49'01.62" SPC- N.: 734361.3 E.: 699568.5 (NAD-83)</p> <p>BOTTOM HOLE LOCATION LAT.: N 33°01'03.87" LONG.: W103°48'07.25" SPC- N.: 734387.685 E.: 704200.263 (NAD-83)</p> | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>K.C.</i> 12/20/10 Signature Date</p> <p>Kanicia Carrillo Printed Name</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JULY 27, 2007 Date Surveyed</p> <p><i>[Signature]</i> Signature Professional Surveyor</p> <p>W. L. Jones 2371 Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p> |

RECEIVED

SEP 15 2010

HOBBSOCD

DISTRICT I
1625 N French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|--------------------------------|
| API Number 30-005-29049 | Pool Code 6061597715 | Pool Name Wildcat; Wolfcamp |
| Property Code 37347 | Property Name HERCULES FEDERAL COM | Well Number 2H |
| OGRID No. 229137 | Operator Name C.O.G. OPERATING L.L.C. | Elevation 4407' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D | 15 | 15 S | 31 E | | 660 | NORTH | 430 | WEST | CHAVES |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 15 | 15 S | 31 E | | 328 | NORTH | 328 | WEST | CHAVES |

| | | | |
|------------------------|-----------------|--------------------|-------------------|
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. 4490 |
|------------------------|-----------------|--------------------|-------------------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | |
|---|--|
| <p>SURFACE LOCATION LAT.: N 33°01'16.78" LONG.: W103°49'00.45" SPC- N.: 735381.591 E.: 699661.278 (NAD-83)</p> <p>BOTTOM HOLE LOCATION LAT.: N 33°01'16.95" LONG.: W103°48'07.27" SPC- N.: 735724.860 E.: 704187.620 (NAD-83)</p> | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>K.C.</i> 08/23/10 Signature Date</p> <p>Kanicia Carrillo Printed Name</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>DECEMBER 11, 2007</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary L. Jones</i> 7977</p> <p>7906</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p> |

NM State Land Office
Oil, Gas, & Minerals Division

STATE/FEDERAL OR
STATE/FEDERAL/FEE
Revised March 2003

COMMUNITIZATION AGREEMENT

Contract No. MM-125711

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 15 South, Range 31 East, N.M.P.M.
Section 15: S/2N/2
Chaves County, New Mexico
Containing 160 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is August 15, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett *GD*
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

Chesapeake Exploration, L.L.C.

By: _____
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact *GKD* *no*

Lessee of Record:

Chesapeake Exploration, L.L.C.

By: Henry J. Hood *HH*
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel *SZ* *CB* *W*

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on Sept 22, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

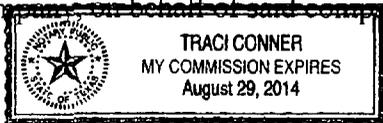
This instrument was acknowledged before me on _____, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., a _____ corporation, on behalf of said corporation.

Notary Public

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on Sept 22, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

This instrument was acknowledged before me on September 27, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability ~~corporation~~ ^{company}, on behalf of said ~~corporation~~ ^{company}.



Teresa K. Long
Notary Public

EXHIBIT B

To Communitization Agreement dated August 15, 2010, embracing
the S/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico

Operator of Communitized Area: COG Operating LLC

DESCRIPTION OF LEASES COMMITTED

TRACT NO. 1

Lease Serial No.: NMNM-105885

Lease Date: March 1, 2001

Lease Term: 10 years

Lessor: USA Bureau of Land Management

Original Lessee: Chalfant Properties, Inc.

Present Lessee: COG Oil & Gas LP
Chesapeake Exploration LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: S/2NW/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/8th

Name and Percent ORRI Owners: **Harvey E. Yates Company** 2.50%

Name and Percent WI Owners: COG Oil & Gas LP 50.00%

Chesapeake Exploration LP 50.00%

100.00%

TRACT NO. 2

Lease Serial No.: V0-8010

Lease Date: May 1, 2007

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: COG Oil & Gas LP

Present Lessee: COG Oil & Gas LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: S/2NE/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners: None

Name and Percent WI Owners: COG Oil & Gas LP 100%

RECAPITULATION

| Tract numbers | Number of Acres Committed | Percentage of Interest in Communitized Area |
|----------------------|--------------------------------------|--|
| Tract No.1 | 80.00 | 50.00% |
| Tract No.2 | <u>80.00</u> | <u>50.00%</u> |
| Total | 160.00 | 100.00% |

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

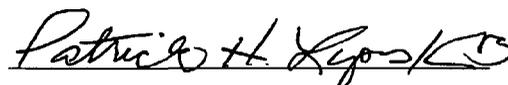
**COG Operating LLC
Hercules Federal Com Well No. 1
Chaves County, New Mexico
S2N2, Section 15, Township 15 South, Range 31 East
Abo & Wolfcamp**

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **August 15, 2010** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds.

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

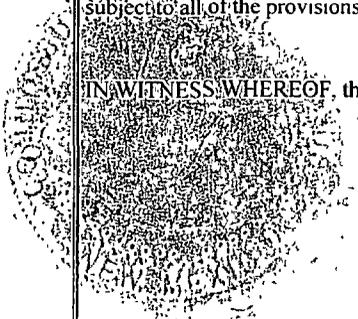
NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 22nd day of October, 2010



COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico





United States Department of the Interior
BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov

BK 673 PG 382



IN REPLY REFER TO:
NM-NM-125771
3105.2 (PNM0130)

NOV 22 2010

RETURN RECEIPT REQUESTED
CERTIFIED MAIL— 7006 3450 0001 4285 4689

Concho
Attn: Laura Reyna
550 West Texas Ave, Suite 100
Midland, TX 79701

Dear Ms. Reyna:

Enclosed is one approved copy of Communitization Agreement NMNM125771 involving 80.00 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land in Chaves County, New Mexico. The Communitization Agreement comprises a 160.00-acre well spacing unit.

This agreement communitizes all rights as to oil, natural gas and associated hydrocarbons producible from the Abo and Wolfcamp Formations from the S $\frac{1}{2}$ N $\frac{1}{2}$ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico. This Communitization Agreement is effective August 15, 2010. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call Al Collar, geologist, at (575) 627-0272.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Angel Mayes
Assistant Field Manager,
Lands and Minerals

1 Enclosure:
1 Communitization Agreement

cc:

MMS, Denver MS 357B-1, Antoinette Contreras, Stacey Kaiser (copy of Exhibits A & B)

NM Taxation & Revenue Dept. (Copy of CA)
Revenue Processing Division - Attention: Manuelita Martinez
P. O. Box 2308
Santa Fe, NM 87504

New Mexico State Lands Office
Oil, Gas, and Minerals Division
P.O. Box 1148
Santa Fe, NM 87504-1148

LLNMP01300, Com Agreement file NM-125771

LLNMP01300, Lease File NM-105885

LLNMP09210

NMP0130:Acollar:ac:7/27/2009:575-627-0272:CA NM125711 approval letter

Determination Approval Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the wellspacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

B. Approve the attached communitization agreement covering the S½N½ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico, as to oil, natural gas, and associated hydrocarbons producible from the Abo and Wolfcamp Formations. This approval will become invalid if the public interest requirements under section 3105.23(e) are not met.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: November 17, 2010

Angel Mages
Authorized Officer

Effective: August 15, 2010

Contract No.: Com. Agr. NMNM125771



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD JAN 12, 2011 AT 11:26 O CLOCK AM
Receipt Number: 334700 Fee: \$35.50
Book 00673 Page 00371 Pages 14
To Whom Returned: COG OPERATING LLC
LAURA REYNA
550 WEST TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By *Grace Fortes* Deputy

RATIFICATION AND JOINDER OF COMMUNITIZATION AGREEMENT

The undersigned party has received a true copy of Communitization Agreement dated August 15, 2010, which communitizes the production of gas and associated liquid hydrocarbons produced from the Abo and Wolfcamp formation underlying the S/2N/2 of Section 15, T-15-S, R-31-E, N M P.M , Chaves County, New Mexico

The undersigned party is an Overriding Royalty Interest Owner in one or more of the tracts comprising the communitized area.

The undersigned party desires to adopt, ratify and become a party to the Communitization Agreement and commit to the Communitization Agreement all interest owned or controlled by such party in the communitized area.

NOW, THEREFORE, by the execution hereof, the undersigned party hereby becomes a party to the Communitization Agreement and agrees to be bound by the terms thereof as if such party had signed the original thereof

This ratification and joinder shall be binding upon the undersigned, their heirs, devisees, assigns or successors in interest

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

EXECUTED THIS 30th day of September, 2010

HARVEY E. YATES COMPANY

By: *[Signature]*
Name Arlene T. Rowland
Title Vice President

STATE OF NEW MEXICO §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me this 30th day of September, 2010, by Arlene T. Rowland as Vice President of Harvey E Yates Company, a New Mexico corporation, on behalf of said corporation.



[Signature]
Notary Public



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD JAN 12, 2011 AT 11:26 O CLOCK AM
Receipt Number 334700 Fee \$9.00
Book 00673 Page 00385 Pages 1
To Whom Returned. COG OPERATING LLC
LAURA REYNA
550 WEST TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C Coakley, County Clerk
By: *[Signature]* Deputy



RECEIVED
JUN 10 2010

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P O BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

June 7, 2010

COG Operating LLC
Fasken Center, Tower II
550 West Texas Avenue, Suite 100
Midland, Texas 79701

Attn: Laura Reyna

Re: Communitization Agreement Approval (Abo & Wolfcamp)
Hercules Federal Com Well No. 2
N2N2, Section 15, Township 15 South, Range 31 East
Chaves County, New Mexico

Dear Ms. Reyna:

The Commissioner of Public Lands has this date approved the Hercules Federal Com Well No. 2 Communitization Agreement for the Abo and Wolfcamp formations effective April 1, 2010. Enclosed are three Certificates of Approval.

The term of the agreement is for two years, and so long thereafter as communitized substances are produced, or can be produced from the communitized area in paying quantities.

If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:
JAMI BAILEY, Director
Oil, Gas & Minerals Division
(505) 827-5744
PHL/JB/ja
Enclosures

-State Land Office Beneficiaries -

Carne Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM-University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

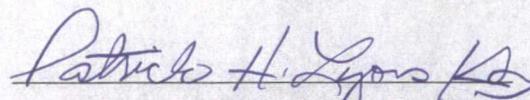
COG Operating LLC
Hercules Federal Com Well No. 2
Chaves County, New Mexico
N2N2, Section 15, Township 15 South, Range 31 East
Abo & Wolfcamp

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **April 1, 2010** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

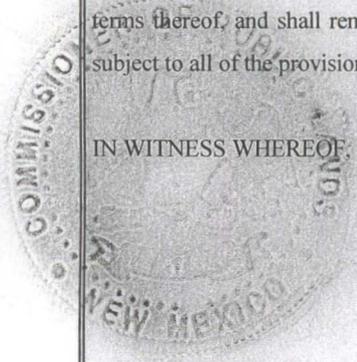
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **7th day of June, 2010**.


COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico





United States Department of the Interior
BUREAU OF LAND MANAGEMENT

Pecos District
 Roswell Field Office
 2909 West Second Street
 Roswell, New Mexico 88201-2019
 www.nm.blm.gov



IN REPLY REFER TO:
 NM-NM-124864
 3105.2 (PNM0130)

AUG 11 2010

RETURN RECEIPT REQUESTED
 CERTIFIED MAIL— 7008-1830-0002-6036-2642

Concho
 Attn: Laura Reyna
 550 West Texas Ave, Suite 100
 Midland, TX 79701

Dear Ms. Reyna:

Enclosed is one approved copy of Communitization Agreement NMNM124864 involving 80.00 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land in Chaves County, New Mexico. The Communitization Agreement comprises a 160.00-acre well spacing unit.

This agreement communitizes all rights as to oil, natural gas and associated hydrocarbons producible from the Abo and Wolfcamp Formations from the N $\frac{1}{2}$ N $\frac{1}{2}$ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico. This Communitization Agreement is effective April 1, 2010. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call Al Collar, geologist, at (575) 627-0272.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Angel Mayes
 Assistant Field Manager,
 Lands and Minerals

1 Enclosure:
 1 Communitization Agreement

cc:

MMS, Denver MS 357B-1, Antoinette Contreraz, Stacey Kaiser (copy of Exhibits A & B)

NM Taxation & Revenue Dept. (Copy of CA)
Revenue Processing Division - Attention: Manuelita Martinez
P. O. Box 2308
Santa Fe, NM 87504

New Mexico State Lands Office
Oil, Gas, and Minerals Division
P.O. Box 1148
Santa Fe, NM 87504-1148

LLNMP01300, Com Agreement file NM-124864

LLNMP01300, Lease File NM-105885

LLNMP09210

NMP0130:Acollar:ac:7/27/2009:575-627-0272:CA NM124864 approval letter

Determination Approval Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

- A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the wellspacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.
- B. Approve the attached communitization agreement covering the N½N½ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico, as to oil, natural gas, and associated hydrocarbons producible from the Abo and Wolfcamp Formations. This approval will become invalid if the public interest requirements under section 3105.23(e) are not met.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: August 3, 2010



Authorized Officer

Effective: April 1, 2010

Contract No.: Com. Agr. NMNM124864

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2N/2
Chaves County, New Mexico
Containing 160 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is April 1, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

Chesapeake Exploration, L.L.C.

By: _____
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

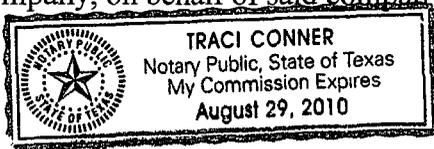
Chesapeake Exploration, L.L.C.

By: Henry J. Hood
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on April 5, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

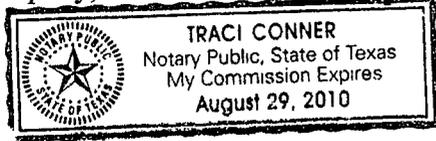
This instrument was acknowledged before me on _____, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., a _____ corporation, on behalf of said corporation.

Notary Public

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on April 5, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

This instrument was acknowledged before me on April 15, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, on behalf of said corporation. company.



Ann Wendorff
Notary Public

EXHIBIT A

Plat of communitized area covering
the N/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

| Tract 1 NMNM-105885 Hercules Fed #2H SL: 660' FNL & 430' FWL | Tract 2 V0-8010 BH: 660' FNL & 330' FEL |
|---|---|
| | |
| | |
| | |

EXHIBIT B

To Communitization Agreement dated April 1 2010, embracing
the N/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico

Operator of Communitized Area: COG Operating LLC

DESCRIPTION OF LEASES COMMITTED**TRACT NO. 1**

Lease Serial No.: NMNM-105885

Lease Date: March 1, 2001

Lease Term: 10 years

Lessor: USA Bureau of Land Management

Original Lessee: Chalfant Properties, Inc.

Present Lessee: COG Oil & Gas LP
Chesapeake Exploration LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2NW/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/8th

Name and Percent ORRI Owners: **Harvey E. Yates Company** 2.50%

Name and Percent WI Owners: COG Oil & Gas LP 50.00%
Chesapeake Exploration LP 50.00%
100.00%

TRACT NO. 2

Lease Serial No.: V0-8010

Lease Date: May 1, 2007

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: COG Oil & Gas LP

Present Lessee: COG Oil & Gas LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2NE/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners: None

Name and Percent WI Owners: COG Oil & Gas LP 100%

RECAPITULATION

| Tract numbers | Number of Acres Committed | Percentage of Interest in Communitized Area |
|---------------|---------------------------|---|
| Tract No.1 | 80.00 | 50.00% |
| Tract No.2 | <u>80.00</u> | <u>50.00%</u> |
| Total | 160.00 | 100.00% |



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD SEP 17, 2010 AT 12:04 O CLOCK PM
Receipt Number: 331465 Fee: \$35.50
Book 00667 Page 00688 Pages 14
To Whom Returned: COG OPERATING LLC
LAURA REYNA
550 W TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By Grace Porter Deputy

Submit 1 Copy To Appropriate District Office
 District I
 1625 N French Dr , Hobbs, NM 88240
 District II
 1301 W Grand Ave , Artesia, NM 88210
 District III
 1000 Rio Brazos Rd , Aztec, NM 87410
 District IV
 1220 S St Francis Dr , Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 October 13, 2009

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| | | |
|--|--|---|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS) 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> | | WELL API NO. 30-005-27999 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> 6. State Oil & Gas Lease No |
| 2 Name of Operator <p style="text-align: center;">COG Operating LLC</p> | | 7. Lease Name or Unit Agreement Name Hercules Federal Com 8. Well Number 1H |
| 3. Address of Operator <p style="text-align: center;">550 West Texas Ave, Suite 100, Midland, TX 79701</p> | | 9. OGRID Number 229137 10. Pool name or Wildcat Wildcat; Abo-Wolfcamp 97715 |
| 4. Well Location Unit Letter <u>E</u> : <u>1980</u> feet from the <u>North</u> line and <u>330</u> feet from the <u>West</u> line Section <u>15</u> Township <u>15S</u> Range <u>31E</u> NMPM Chavez County | | |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc) <p style="text-align: center;">4405 GR</p> | | |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| | | | |
|--|--|---|--|
| NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/> DOWNHOLE COMMINGLE <input type="checkbox"/> | | SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/> | |
| OTHER Surface Commingle <input checked="" type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

COG Operating LLC respectfully requests approval for Surface Commingle on the **Hercules Federal Com 1H**, Communitization Agreement # NMNM-125711 and **Hercules Federal Com 2H**, Communitization Agreement # NMNM-124864

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160:00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010. The Hercules Federal Com 2H has a Communitization Agreement NMNM 124864. This agreement comprises 160:00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

Commingle will not reduce the value of the production.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Spud Date: Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Netha Aaron TITLE Regulatory Analyst DATE 5/19/11

Type or print name _____ E-mail address: oaron@conchoresources.com PHONE: 432-818-2319

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

RECEIVED
 2011 MAY 11 11:51 AM



May 19, 2011

COG Operating, LLC
Netha Aaron
550 W. Texas Ave., Suite 100
Midland, TX 79701

New Mexico Oil Conservation Division
Richard Ezeanyim
1220 S St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Ezeanyim,

COG Operating LLC respectfully requests approval for Surface Commingle on the following wells:

Hercules Federal Com 1H
Chaves County, NM
API # 30-005-27999
Communitization Agreement # NMNM-125711
Surface: 1980 FNL & 330 FWL Sec 15, T15S, R31E, Unit E
&
Hercules Federal Com 2H
Chavez County, NM
API #: 30-005-29049
Communitization Agreement # NMNM-124864
Surface: 660 FNL & 430 FWL Sec 15, T15S, R31E, Unit D

RECEIVED COG
2011 MAY 24 AM 11:51

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

The Hercules Federal Com 2H has a Communitization Agreement NMNM 124864. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Please contact me at 432-818-2319 should you have any questions.

Sincerely,

COG Operating, LLC
Netha Aaron
Regulatory Analyst

Affidavit of Fact

STATE OF TEXAS §

COUNTY OF MIDLAND §

Affiant on oath swears that the following statements are true:

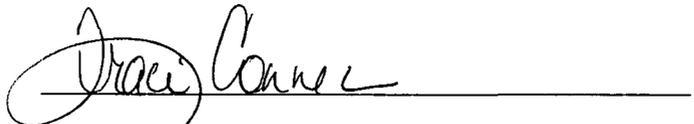
My name is Jan Preston Spradlin. I am a Senior Landman for COG Operating LLC. I am familiar with the ownership of the Hercules Federal Com 1H (API 30-005-27999), Hercules Federal Com 2H (API 30-005-29049), both of which are situated in Section 15, Township 15 South, Range 31 East, Chavez County, New Mexico. I hereby confirm that the working interests and royalty interest in these wells are common

Affiant



Jan Preston Spradlin

SUBSCRIBED AND SWORN TO before me on the 19th day of May, 2011.

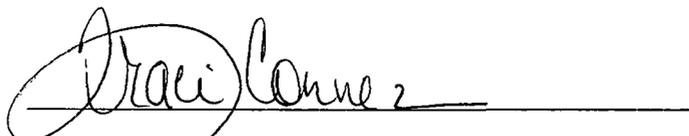


Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 19th day of May, 2011, by Jan Preston Spradlin, Notary Public for the State of Texas.



Notary Public, State of Texas

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO 1004-0135
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

5 Lease Serial No
NMNM105885

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

8 Well Name and No
HERCULES FEDERAL COM 1H

9 API Well No
30-005-27999-00-S1

10 Field and Pool, or Exploratory
UNDESIGNATED-ABO-WOLFCAMP

11 County or Parish, and State
CHAVES COUNTY, NM

1 Type of Well
 Oil Well Gas Well Other

2 Name of Operator
COG OPERATING LLC
Contact NETHA AARON
E-Mail oaaron@conchoresources.com

3a Address
550 WEST TEXAS AVENUE SUITE 100
MIDLAND, TX 79701-4287
3b Phone No. (include area code)
Ph 432-818-2319
Fx 432-685-4396

4 Location of Well, (Footage, Sec., T., R., M., or Survey Description)
Sec 15 T15S R31E SWNW 1980FNL 330FWL

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|--|--|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other Surface Commingling |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13 Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

COG Operating LLC respectfully requests approval for Surface Commingle on the following wells
Hercules Federal Com 1H
Chaves County, NM
API # 30-005-27999
Communitization Agreement # NMNM-125711
Surface: 1980 FNL & 330 FWL Sec 15, T15S, R31E, Unit E

Hercules Federal Com 2H
Chavez County, NM
API # 30-005-29049
Communitization Agreement # NMNM-124864
Surface: 660 FNL & 430 FWL Sec 15, T15S, R31E, Unit D

RECEIVED OCT
2011 MAY 24 AM 11:22

14 I hereby certify that the foregoing is true and correct

**Electronic Submission #107968 verified by the BLM Well Information System
For COG OPERATING LLC, sent to the Roswell
Committed to AFMSS for processing by DAVID GLASS on 05/11/2011 (11DG0204SE)**

| | |
|-----------------------------------|---------------------------------|
| Name (Printed/Typed) NETHA AARON | Title AUTHORIZED REPRESENTATIVE |
| Signature (Electronic Submission) | Date 05/10/2011 |

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|---|---------------------------------|------------------------|
| Approved By <u>DAVID R GLASS</u> | Title <u>PETROLEUM ENGINEER</u> | Date <u>05/11/2011</u> |
| Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. | | Office <u>Roswell</u> |

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional data for EC transaction #107968 that would not fit on the form

7. If Unit or CA/Agreement, Name and No., continued

NMNM124864
NMNM125711

32. Additional remarks, continued

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

The Hercules Federal Com 2H has a Communitization Agreement NMNM 124864. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Revisions to Operator-Submitted EC Data for Sundry Notice #107968

| | Operator Submitted | BLM Revised (AFMSS) |
|-----------------------------|--|--|
| Sundry Type | SURCOM NOI | SURCOM SR |
| Lease | NMNM105885 | NMNM105885 |
| Agreement | | NMNM124864 NMNM125711 |
| Operator | COG OPERATING LLC 550 WEST TEXAS SUITE 100 MIDLAND, TX 79701 Ph 432-818-2319 | COG OPERATING LLC 550 WEST TEXAS AVENUE SUITE 100 MIDLAND, TX 79701-4287 Ph 432-685-9158 |
| Admin Contact | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail oaron@conchoresources.com Ph 432-818-2319 Fx 432-685-4396 | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail oaron@conchoresources.com Ph 432-818-2319 Fx 432-685-4396 |
| Tech Contact | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail oaron@conchoresources.com Ph 432-818-2319 Fx 432-685-4396 | NETHA AARON AUTHORIZED REPRESENTATIVE E-Mail oaron@conchoresources.com Ph 432-818-2319 Fx 432-685-4396 |
| Location State County | NM CHAVEZ COUNTY | NM CHAVES |
| Field/Pool | WILDCAT, ABO, WOLFCAMP | UNDESIGNATED-ABO-WOLFCAMP |
| Well/Facility | HERCULES FEDERAL COM 1H Sec 15 T15S R31E 1980FNL 330FWL | HERCULES FEDERAL COM 1H Sec 15 T15S R31E SWNW 1980FNL 330FWL |

| | | | | | |
|---------|----------|----------|-----------|------|--------|
| DATE IN | SUSPENSE | ENGINEER | LOGGED IN | TYPE | APP NO |
|---------|----------|----------|-----------|------|--------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD Hercules Federal Com 1H API#30-005-27999

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
 [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO.
U S Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Netha Aaron _____ Regulatory Analyst _____ 5/12/11
 Print or Type Name Signature Title Date
 oaaron@conchoresources.com
 e-mail Address



| SENDER: COMPLETE THIS SECTION | | COMPLETE THIS SECTION ON DELIVERY | |
|--|--|---|--|
| <ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. | | A. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee | |
| 1. Article Addressed to: Chesapeake Operating Inc. Attn: Robert Martin 6100 N Western Oklahoma City OK 73118 | | B. Received by (Printed Name) RECEIVED C. Date of Delivery APR 21 2011 MAILROOM 6 | |
| 2. Article Number (Transfer from service label) | | D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, enter delivery address below: | |
| 3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. | | 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes | |
| Certified Mail Article Number | | 91 7199 9991 7030 0517 3884 | |
| Re: Request for Off Lease | | PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15 | |

April 19, 2011

Chesapeake Operating, Inc.
Attn: Robert Martin
6100 N. Western
Oklahoma City, OK 73118

Certified Mail Article Number

Re: Request for Off Lease

Mr. Martin.

This letter will serve as notice under Rule 104.F (3) that COG Operating LLC has requested administrative approval from the Oil Conservation Division in Santa Fe, NM for Off Lease Measurement and Surface Commingle for the following wells:

**Hercules Federal Com 2H
Chavez County, NM
API #: 30-005-29049
Communitization Agreement # NMNM-124864**

Surface: 660 FNL & 430 FWL Sec 15, T15S, R31E, Unit D

**Hercules Federal Com 1H
Chavez County, NM
API# 30-005-27999
Communitization Agreement # NMNM-125711**

Surface: 1980 FNL & 330 FWL Sec 15, T15S, R31E, Unit E

The battery is located on COG Operating, LLC property, Hercules Federal Com #2H, Sec 15, T15S, R31E, Unit E.

Should your company have any objection, it must be filed in writing within twenty (20) days from the date of this notice. The Division Director may approve the Off Lease Measurement and Surface Commingle if no objection has been made within the 20 days after the application has been received.

Sincerely,

Netha Aaron

COG Operating LLC
Netha Aaron
Regulatory Analyst

| | | |
|-----------------------|------------------------------------|-------------------------|
| Confirmation Services | Package ID: 9171999991703005173884 | Electronic Certified |
| | Destination ZIP Code: 73118 | First Class Letter |
| | Customer Reference: | |
| | Recipient Address | PBP Account #: 41592288 |
| | | Serial #: 1364097 |
| | | APR 19 2011 3:10pm |

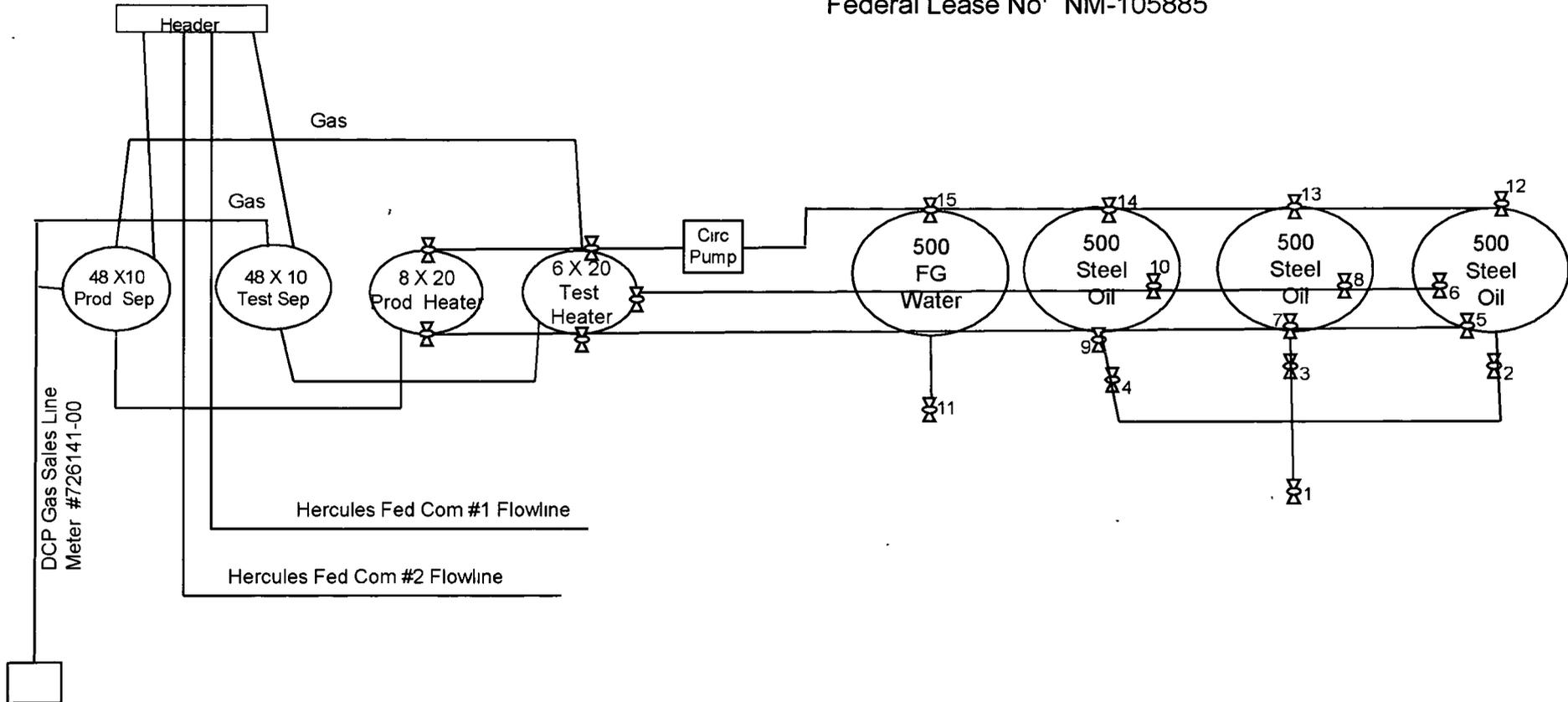
COG OPERATING LLC

Site Security Plan is located at:
 550 W. Texas Ave Ste. 100, Midland, Texas 79701
 (432)-683-7443

May 3,2011

Hercules Fed Com Battery

Hercules Fed Com #2H Well
 Hercules Fed Com # 1H Well
 660'FNL & 430' FWL * Sec15-T15S-R31E * Unit D
 Chaves County, NM
 API #30-005-29049
 Federal Lease No: NM-105885

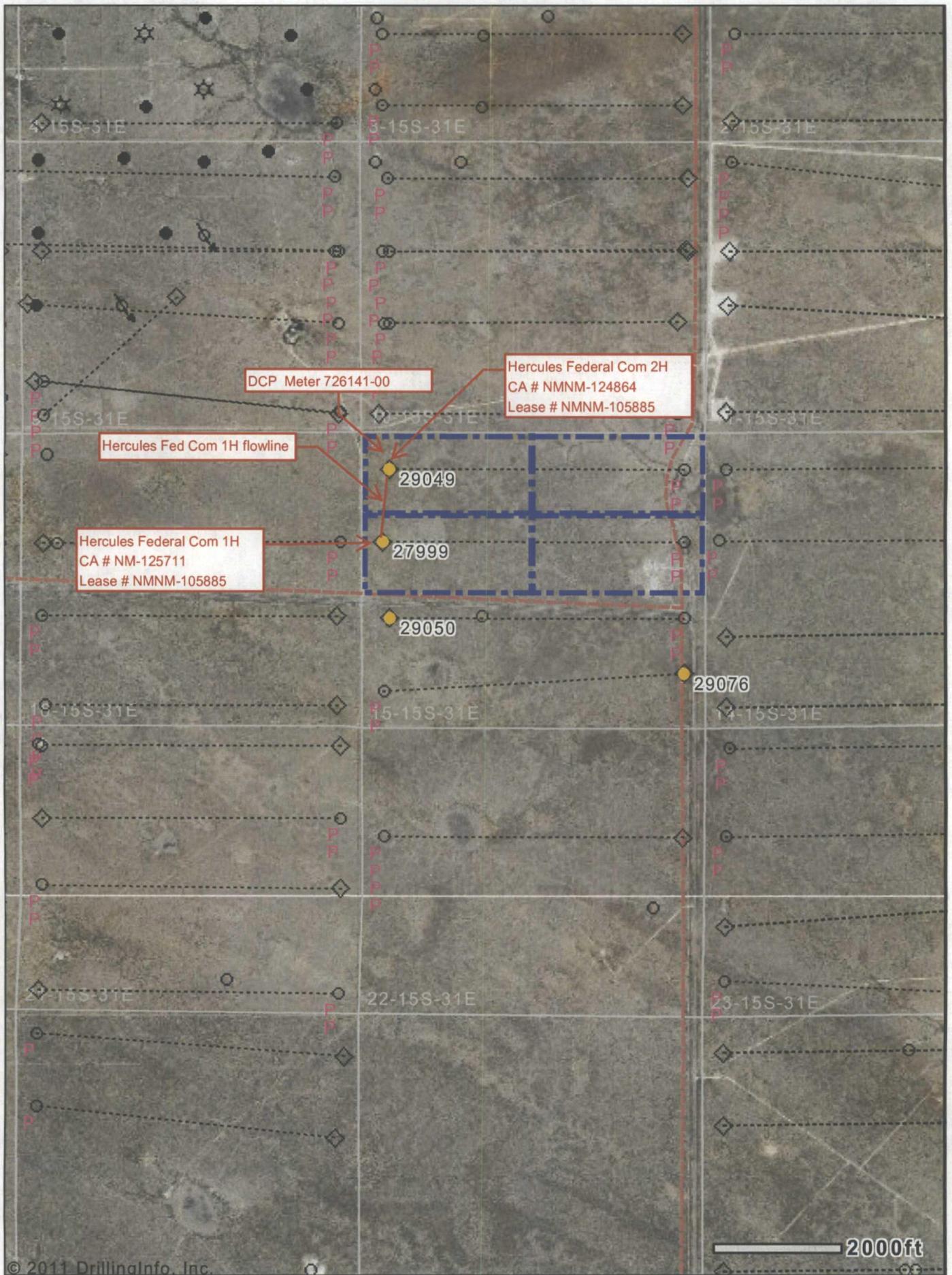


Production Phase:

Valves #1,2,3,4,12,13,14,15 - Closed
 Valves #5,6,7,8,9 and 10 - Open

Sales Phase:

Valves #1,2,3 and 4 - Open
 Valves #12,13,14,15 - Closed
 Valves #5,6,7,8,9 and 10 - Open



COG Operating LLC is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Lease No.: SHL – NM-105885, BHL – VO-8010, Com No.:NMNM 125711

| <u>Well Name</u> | <u>API No.</u> | <u>Loc: ¼ ¼ Sec. Twp. Rng.</u> | <u>Formation</u> | <u>BOPD</u> | <u>Oil Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--------------------------------|----------------|--------------------------------|------------------------|-------------|--------------------|--------------|------------|
| Hercules Federal Com 1H | 30-005-27999 | SWNW, Sec.15, T15S, R31E | Wildcat; Abo, Wolfcamp | 145 | 39.1/@60° | 250 | 593 |

With hydrocarbon production from:

Federal Lease No.: SHL – NM-105885, BHL – VO-8010, Com No.NMNM 124864

| <u>Well Name</u> | <u>API No.</u> | <u>Loc: ¼ ¼ Sec. Twp. Rng.</u> | <u>Formation</u> | <u>BOPD</u> | <u>Oil Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--------------------------------|----------------|--------------------------------|------------------------|-------------|--------------------|--------------|------------|
| Hercules Federal Com 2H | 30-005-29049 | NWNW, Sec.15, T15S, R31E | Wildcat; Abo, Wolfcamp | 113 | 39.3/@60° | 167 | 593 |

The storage and measuring facility is located at NWNW, Sec.15, T15S, R31E on Lease No.: NM 105885, Chavez County, New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contributing sources are as follows:

Oil and Gas are to be measured at individual test facilities, and production allocated based on well tests.

DISTRICT I
1088 N. Pecos Dr., Hobbs, NM 88240

DISTRICT II
1201 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1280 E. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|------------------------------------|
| API Number 30-005-27999 | Pool Code 97715 | Pool Name Wildcat; Abo-Wolfcamp |
| Property Code 37347 | Property Name HERCULES FEDERAL COM | Well Number 1H |
| OGRID No. 229137 | Operator Name C.O.G. OPERATING L.L.C. | Elevation 4405' |

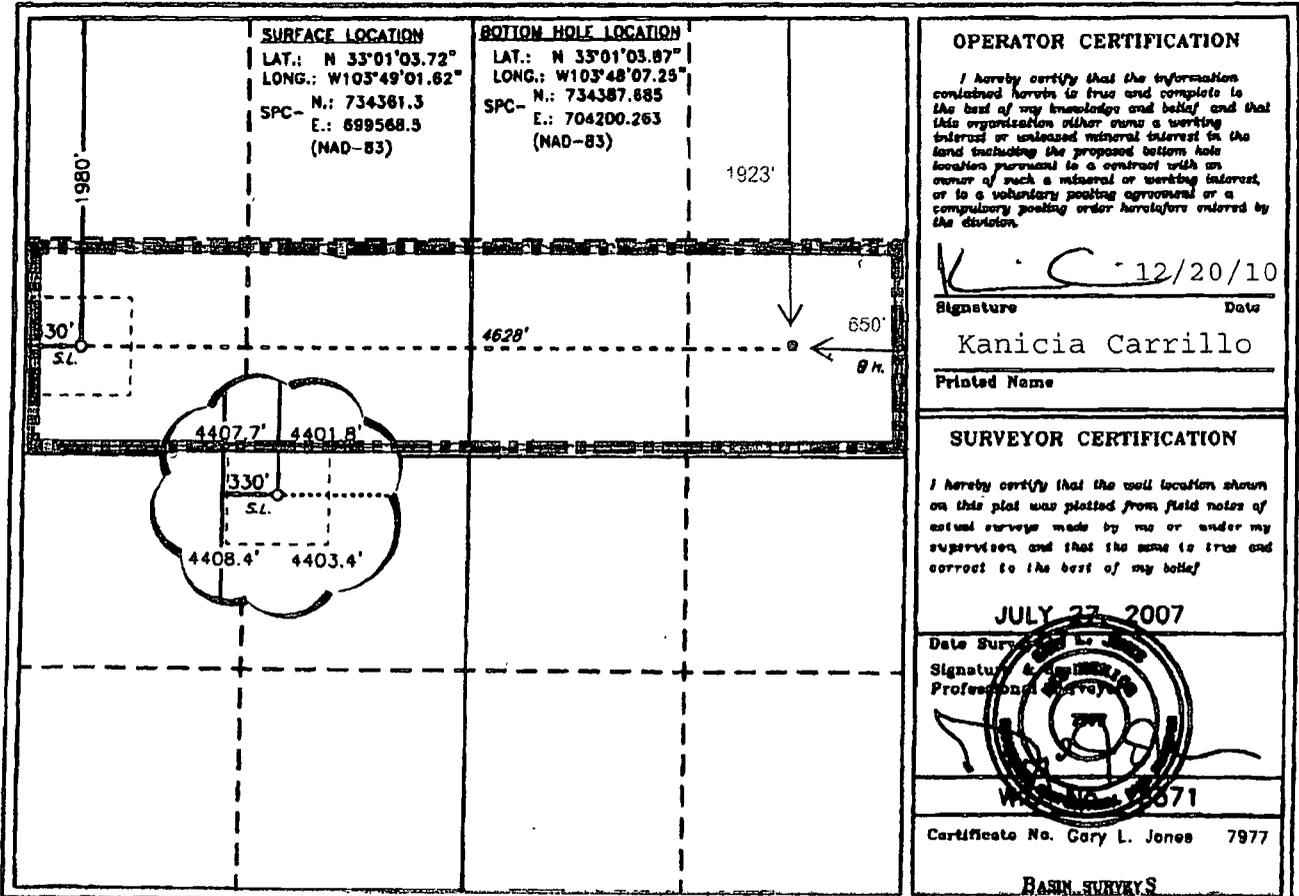
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| E | 15 | 15 S | 31 E | | 1980 | NORTH | 330 | WEST | CHAVES |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| H | 15 | 15 S | 31 E | | 1923 | NORTH | 650 | W EAST | CHAVES |
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. | 2945 | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



RECEIVED

SEP 15 2010

HOBSOCD

DISTRICT I
1825 N French Dr., Hobbs, NM 88240

DISTRICT II
1301 W Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|--------------------------------|
| API Number 30-005-29049 | Pool Code 60615 9775 | Pool Name Wildcat; Wolfcamp |
| Property Code 37347 | Property Name HERCULES FEDERAL COM | Well Number 2H |
| OGRID No. 229137 | Operator Name C.O.G. OPERATING L.L.C. | Elevation 4407' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D | 15 | 15 S | 31 E | | 660 | NORTH | 430 | WEST | CHAVES |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------|-----------------|--------------------|-------------------|---------|---------------|------------------|---------------|----------------|--------|
| A | 15 | 15 S | 31 E | | 678 338 | NORTH | 338 | EAST | CHAVES |
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. 4490 | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | |
|---|--|
| <p>SURFACE LOCATION LAT.: N 33°01'16.78" LONG.: W103°49'00.45" SPC- N.: 735381.591 E.: 699661.278 (NAD-83)</p> <p>BOTTOM HOLE LOCATION LAT.: N 33°01'16.95" LONG.: W103°48'07.27" SPC- N.: 735724.860 E.: 704187.620 (NAD-83)</p> | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>K.C.</i> 08/23/10 Signature Date</p> <p>Kanicia Carrillo Printed Name</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>DECEMBER 11, 2007 Date Surveyed</p> <p><i>Gary L. Jones</i> Signature Professional Surveyor</p> <p>7977 Certificate No</p> <p>Basin Surveys Basin Surveys</p> |

NM State Land Office
Oil, Gas, & Minerals Division

STATE/FEDERAL OR
STATE/FEDERAL/FEE
Revised March 2003

COMMUNITIZATION AGREEMENT

Contract No. MM-125711

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 15 South, Range 31 East, N.M.P.M.
 Section 15: S/2N/2
 Chaves County, New Mexico
 Containing 160 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is August 15, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

° COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

Chesapeake Exploration, L.L.C.

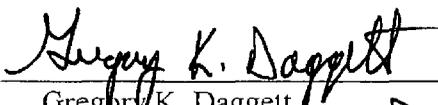
By: _____
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

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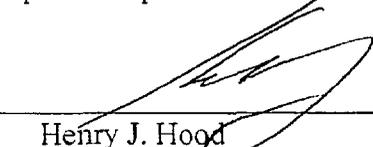
Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: 
Gregory K. Daggett
Attorney-in-Fact *GKD JPO*

Lessee of Record:

Chesapeake Exploration, L L C.

By:  *JSH*
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel *SZ CBS JW*

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on Sept 22, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

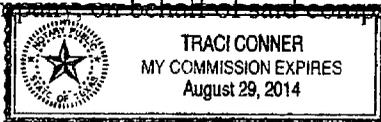
This instrument was acknowledged before me on _____, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., a _____ corporation, on behalf of said corporation.

Notary Public

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on Sept 22, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

This instrument was acknowledged before me on September 27, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability ^{company} corporation, on behalf of said ^{company} corporation.



Teresa K. Long
Notary Public

EXHIBIT A

To Communitization Agreement dated August 15, 2010, embracing
the S/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M.,
Chaves County, New Mexico

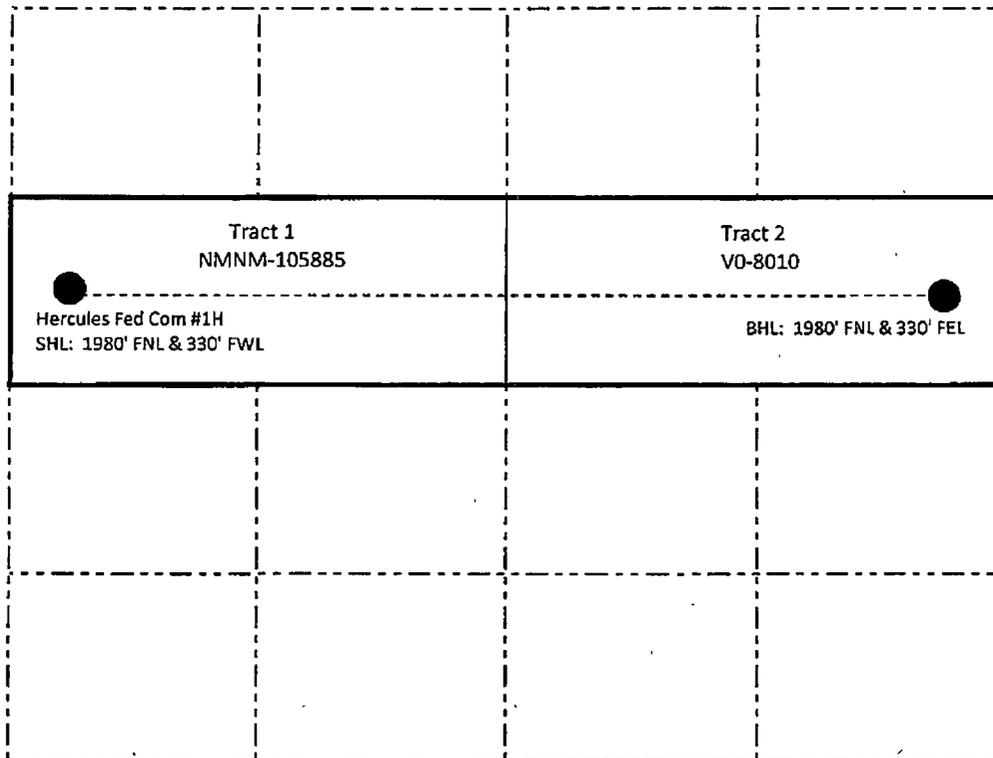


EXHIBIT B

To Communitization Agreement dated August 15, 2010, embracing
the S/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico

Operator of Communitized Area: COG Operating LLC

DESCRIPTION OF LEASES COMMITTED

TRACT NO. 1

Lease Serial No.: NMNM-105885

Lease Date: March 1, 2001

Lease Term: 10 years

Lessor: USA Bureau of Land Management

Original Lessee: Chalfant Properties, Inc.

Present Lessee: COG Oil & Gas LP
Chesapeake Exploration LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: S/2NW/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/8th

Name and Percent ORRI Owners: **Harvey E. Yates Company** 2.50%

Name and Percent WI Owners: COG Oil & Gas LP 50.00%
Chesapeake Exploration LP 50.00%
100.00%

TRACT NO. 2

Lease Serial No.: V0-8010

Lease Date: May 1, 2007

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: COG Oil & Gas LP

Present Lessee: COG Oil & Gas LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: S/2NE/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners: None

Name and Percent WI Owners: COG Oil & Gas LP 100%

RECAPITULATION

| Tract numbers | Number of Acres Committed | Percentage of Interest in Communitized Area |
|---------------|------------------------------|--|
| Tract No.1 | 80.00 | 50.00% |
| Tract No.2 | <u>80.00</u> | <u>50.00%</u> |
| Total | 160.00 | 100.00% |

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

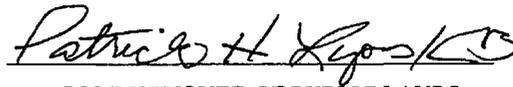
COG Operating LLC
 Hercules Federal Com Well No. 1
 Chaves County, New Mexico
 S2N2, Section 15, Township 15 South, Range 31 East
 Abo & Wolfcamp

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **August 15, 2010** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **22nd day of October, 2010**



COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov

BK 673 PG 382



IN REPLY REFER TO:
NM-NM-125771
3105.2 (PNM0130)

NOV 22 2010

RETURN RECEIPT REQUESTED
CERTIFIED MAIL— 7006 3450 0001 4285 4689

Concho
Attn: Laura Reyna
550 West Texas Ave, Suite 100
Midland, TX 79701

Dear Ms. Reyna:

Enclosed is one approved copy of Communitization Agreement NMNM125771 involving 80.00 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land in Chaves County, New Mexico. The Communitization Agreement comprises a 160.00-acre well spacing unit.

This agreement communitizes all rights as to oil, natural gas and associated hydrocarbons producible from the Abo and Wolfcamp Formations from the S $\frac{1}{2}$ N $\frac{1}{2}$ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico. This Communitization Agreement is effective August 15, 2010. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call Al Collar, geologist, at (575) 627-0272.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Angel Mayes
Assistant Field Manager,
Lands and Minerals

1 Enclosure
1 Communitization Agreement

cc:

MMS, Denver MS 357B-1; Antoinette Contreras, Stacey Kaiser (copy of Exhibits A & B)

NM Taxation & Revenue Dept. (Copy of CA)
Revenue Processing Division - Attention: Manuelita Martinez
P. O. Box 2308
Santa Fe, NM 87504

New Mexico State Lands Office
Oil, Gas, and Minerals Division
P.O. Box 1148
Santa Fe, NM 87504-1148

LLNMP01300, Com Agreement file NM-125771

LLNMP01300, Lease File NM-105885

LLNMP09210

NMP0130:Acollar:ac:7/27/2009:575-627-0272:CA NM125711 approval letter

Determination Approval Certification

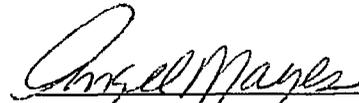
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the wellspacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

B. Approve the attached communitization agreement covering the S½N½ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico, as to oil, natural gas, and associated hydrocarbons producible from the Abo and Wolfcamp Formations. This approval will become invalid if the public interest requirements under section 3105.23(e) are not met.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: November 17, 2010


Authorized Officer

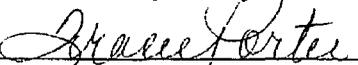
Effective: August 15, 2010

Contract No.: Com. Agr. NMNM125771



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD JAN 12, 2011 AT 11:26 O CLOCK AM
Receipt Number: 334700 Fee: \$35.50
Book 00673 Page 00371 Pages 14
To Whom Returned: COG OPERATING LLC
LAURA REYNA
550 WEST TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By  Deputy

RATIFICATION AND JOINDER OF COMMUNITIZATION AGREEMENT

The undersigned party has received a true copy of Communitization Agreement dated August 15, 2010, which communitizes the production of gas and associated liquid hydrocarbons produced from the Abo and Wolfcamp formation underlying the S/2N/2 of Section 15, T-15-S, R-31-E, N M P.M., Chaves County, New Mexico

The undersigned party is an Overriding Royalty Interest Owner in one or more of the tracts comprising the communitized area

The undersigned party desires to adopt, ratify and become a party to the Communitization Agreement and commit to the Communitization Agreement all interest owned or controlled by such party in the communitized area.

NOW, THEREFORE, by the execution hereof, the undersigned party hereby becomes a party to the Communitization Agreement and agrees to be bound by the terms thereof as if such party had signed the original thereof

This ratification and joinder shall be binding upon the undersigned, their heirs, devisees, assigns or successors in interest

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

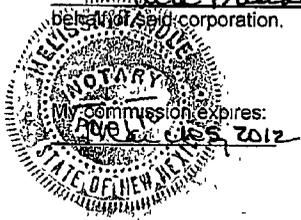
EXECUTED THIS 30th day of September, 2010

HARVEY E. YATES COMPANY

By: *Arlene T. Rowland*
Name Arlene T. Rowland
Title Vice President

STATE OF NEW MEXICO §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me this 30th day of September, 2010, by Arlene T. Rowland, as Vice President of Harvey E Yates Company, a New Mexico corporation, on behalf of said corporation.



Meredith Randle
Notary Public



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD JAN 12, 2011 AT 11:26 O CLOCK AM
Receipt Number 334700 Fee: \$9.00
Book 00673 Page 00395 Pages 1
To Whom Returned: COG OPERATING LLC
LAURA REYNA
550 WEST TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C Goakley, County Clerk
By: *Gracie Carter* Deputy



RECEIVED
JUN 10 2010

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P O BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

June 7, 2010

COG Operating LLC
Fasken Center, Tower II
550 West Texas Avenue, Suite 100
Midland, Texas 79701

Attn: Laura Reyna

Re: Communitization Agreement Approval (Abo & Wolfcamp)
Hercules Federal Com Well No. 2
N2N2, Section 15, Township 15 South, Range 31 East
Chaves County, New Mexico

Dear Ms. Reyna:

The Commissioner of Public Lands has this date approved the Hercules Federal Com Well No. 2 Communitization Agreement for the Abo and Wolfcamp formations effective April 1, 2010. Enclosed are three Certificates of Approval.

The term of the agreement is for two years, and so long thereafter as communitized substances are produced, or can be produced from the communitized area in paying quantities.

If we may be of further service, please contact Jeff Albers at (505) 827-5759

Sincerely,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:
JAMI BAILEY, Director
Oil, Gas & Minerals Division
(505) 827-5744
PHL/JB/ja
Enclosures

-State Land Office Beneficiaries -

Carne Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

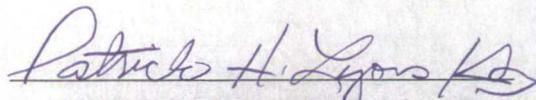
COG Operating LLC
Hercules Federal Com Well No. 2
Chaves County, New Mexico
N2N2, Section 15, Township 15 South, Range 31 East
Abo & Wolfcamp

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **April 1, 2010** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

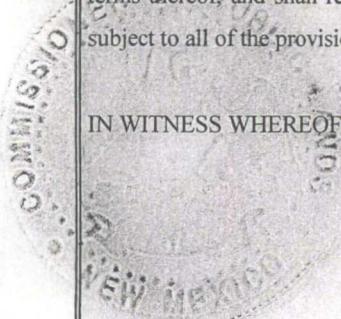
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **7th day of June, 2010**.


COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico





United States Department of the Interior
BUREAU OF LAND MANAGEMENT
 Pecos District
 Roswell Field Office
 2909 West Second Street
 Roswell, New Mexico 88201-2019
 www.nm.blm.gov



IN REPLY REFER TO:
 NM-NM-124864
 3105.2 (PNM0130)

AUG 11 2010

RETURN RECEIPT REQUESTED
 CERTIFIED MAIL— 7008-1830-0002-6036-2642

Concho
 Attn: Laura Reyna
 550 West Texas Ave, Suite 100
 Midland, TX 79701

Dear Ms. Reyna:

Enclosed is one approved copy of Communitization Agreement NMNM124864 involving 80.00 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land in Chaves County, New Mexico. The Communitization Agreement comprises a 160.00-acre well spacing unit.

This agreement communitizes all rights as to oil, natural gas and associated hydrocarbons producible from the Abo and Wolfcamp Formations from the N½N½ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico. This Communitization Agreement is effective April 1, 2010. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call Al Collar, geologist, at (575) 627-0272.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Angel Mayes
 Assistant Field Manager,
 Lands and Minerals

1 Enclosure:
 1 Communitization Agreement

cc:

MMS, Denver MS 357B-1, Antoinette Contreras, Stacey Kaiser (copy of Exhibits A & B)

NM Taxation & Revenue Dept. (Copy of CA)
Revenue Processing Division - Attention: Manuelita Martinez
P. O. Box 2308
Santa Fe, NM 87504

New Mexico State Lands Office
Oil, Gas, and Minerals Division
P.O. Box 1148
Santa Fe, NM 87504-1148

LLNMP01300, Com Agreement file NM-124864

LLNMP01300, Lease File NM-105885

LLNMP09210

NMP0130:Acollar:ac:7/27/2009:575-627-0272:CA NM124864 approval letter

Determination Approval Certification

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the wellspacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

B. Approve the attached communitization agreement covering the N $\frac{1}{2}$ N $\frac{1}{2}$ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico, as to oil, natural gas, and associated hydrocarbons producible from the Abo and Wolfcamp Formations. This approval will become invalid if the public interest requirements under section 3105.23(e) are not met.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: August 3, 2010

A handwritten signature in cursive script, appearing to read "Angel Reyes", is written over a horizontal line. The signature is contained within a rectangular box that is open on the right side.

Authorized Officer

Effective: April 1, 2010

Contract No.: Com. Agr. NMNM124864

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 15 South, Range 31 East, N.M.P.M.
 Section 15: N/2N/2
 Chaves County, New Mexico
 Containing 160 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is April 1, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

Chesapeake Exploration, L.L.C.

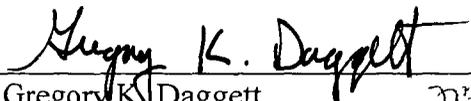
By: _____
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

- 12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
- 13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
- 14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
- 15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

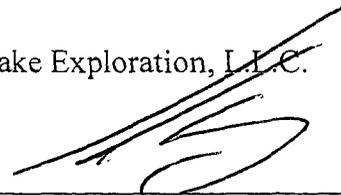
Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: 
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

Chesapeake Exploration, L.L.C.

By:  
Henry J. Hood
Senior Vice President – Land and Legal 
& General Counsel

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on April 5, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

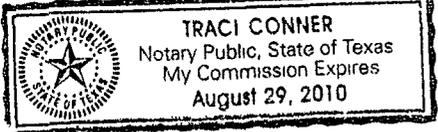
This instrument was acknowledged before me on _____, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., a _____ corporation, on behalf of said corporation.

Notary Public

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

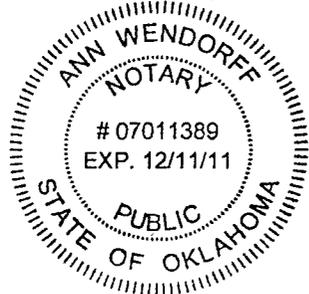
This instrument was acknowledged before me on April 5, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

This instrument was acknowledged before me on April 15, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, on behalf of said corporation company.



Ann Wendorff
Notary Public

EXHIBIT A

Plat of communized area covering
the N/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

| Tract 1 NMNM-105885 | | Tract 2 VO-8010 | |
|---|--|-------------------------|--|
| Hercules Fed #2H SL. 660' FNL & 430' FWL | | BH: 660' FNL & 330' FEL | |
| | | | |
| | | | |
| | | | |

EXHIBIT B

To Communitization Agreement dated April 1 2010, embracing
 the N/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico

Operator of Communitized Area: COG Operating LLC

DESCRIPTION OF LEASES COMMITTED

TRACT NO. 1

Lease Serial No.: NMNM-105885

Lease Date: March 1, 2001

Lease Term: 10 years

Lessor: USA Bureau of Land Management

Original Lessee: Chalfant Properties, Inc.

Present Lessee: COG Oil & Gas LP
 Chesapeake Exploration LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
 Section 15: N/2NW/4
 Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/8th

Name and Percent ORRI Owners: Harvey E. Yates Company 2.50%

Name and Percent WI Owners: COG Oil & Gas LP 50.00%
 Chesapeake Exploration LP 50.00%
 100.00%

TRACT NO. 2

Lease Serial No.: V0-8010

Lease Date: May 1, 2007

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: COG Oil & Gas LP

Present Lessee: COG Oil & Gas LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
 Section 15: N/2NE/4
 Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners: None

Name and Percent WI Owners: COG Oil & Gas LP 100%

RECAPITULATION

| Tract numbers | Number of Acres Committed | Percentage of Interest in Communitized Area |
|---------------|------------------------------|--|
| Tract No.1 | 80.00 | 50.00% |
| Tract No.2 | <u>80.00</u> | <u>50.00%</u> |
| Total | 160.00 | 100.00% |



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD SEP 17, 2010 AT 12:04 O CLOCK PM
Receipt Number: 331465 Fee: \$35.50
Book 00667 Page 00688Pages 14
To Whom Returned: COG OPERATING LLC
LAURA REYNA
550 W TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By Grace Porter Deputy