

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

680

**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

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 \_\_\_\_\_

COG Production LLC  
 30-015-37299  
 Red Sauce State Com #1H  
 30-015-40741  
 Omelette State Com #1H

[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.**

|                    |           |                      |         |
|--------------------|-----------|----------------------|---------|
| Brian Maiorino     |           | Regulatory Analyst   | 8/12/13 |
| Print or Type Name | Signature | Title                | Date    |
|                    |           | bmaiorino@concho.com |         |
|                    |           | e-mail Address       |         |

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
811 S. First St., Artesia, NM 88210  
District III  
1000 Rio Brazos Road, 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-107-B  
Revised August 1, 2011

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: COG Production LLC  
OPERATOR ADDRESS: One Concho Center, 600 W. Illinois Avenue, Midland, TX 79701  
APPLICATION TYPE:

Pool Commingling  Lease Commingling  Pool and Lease Commingling  Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE:  Fee  State  Federal

Is this an Amendment to existing Order?  Yes  No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
 Yes  No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

| (1) Pool Names and Codes | Gravities / BTU of Non-Commingled Production | Calculated Gravities / BTU of Commingled Production | Calculated Value of Commingled Production | Volumes |
|--------------------------|--|---|---|---------|
|                          |  |   |   |         |
|                          |  |   |   |         |
|                          |  |   |   |         |
|                          |  |   |   |         |
|                          |  |   |   |         |

(2) Are any wells producing at top allowables?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No.  
(4) Measurement type:  Metering  Other (Specify)  
(5) Will commingling decrease the value of production?  Yes  No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Pool Name and Code. Corral Canyon; Bone Spring, South (13354)  
(2) Is all production from same source of supply?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
(4) Measurement type:  Metering  Other (Specify)

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

(1) Is all production from same source of supply?  Yes  No  
(2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
(3) Lease Names, Lease and Well Numbers, and API Numbers.

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

SIGNATURE:  TITLE: Regulatory Analyst DATE: 8/12/13  
TYPE OR PRINT NAME Brian Maiorino TELEPHONE NO.: 432-221-0467  
E-MAIL ADDRESS: bmaiorino@concho.com

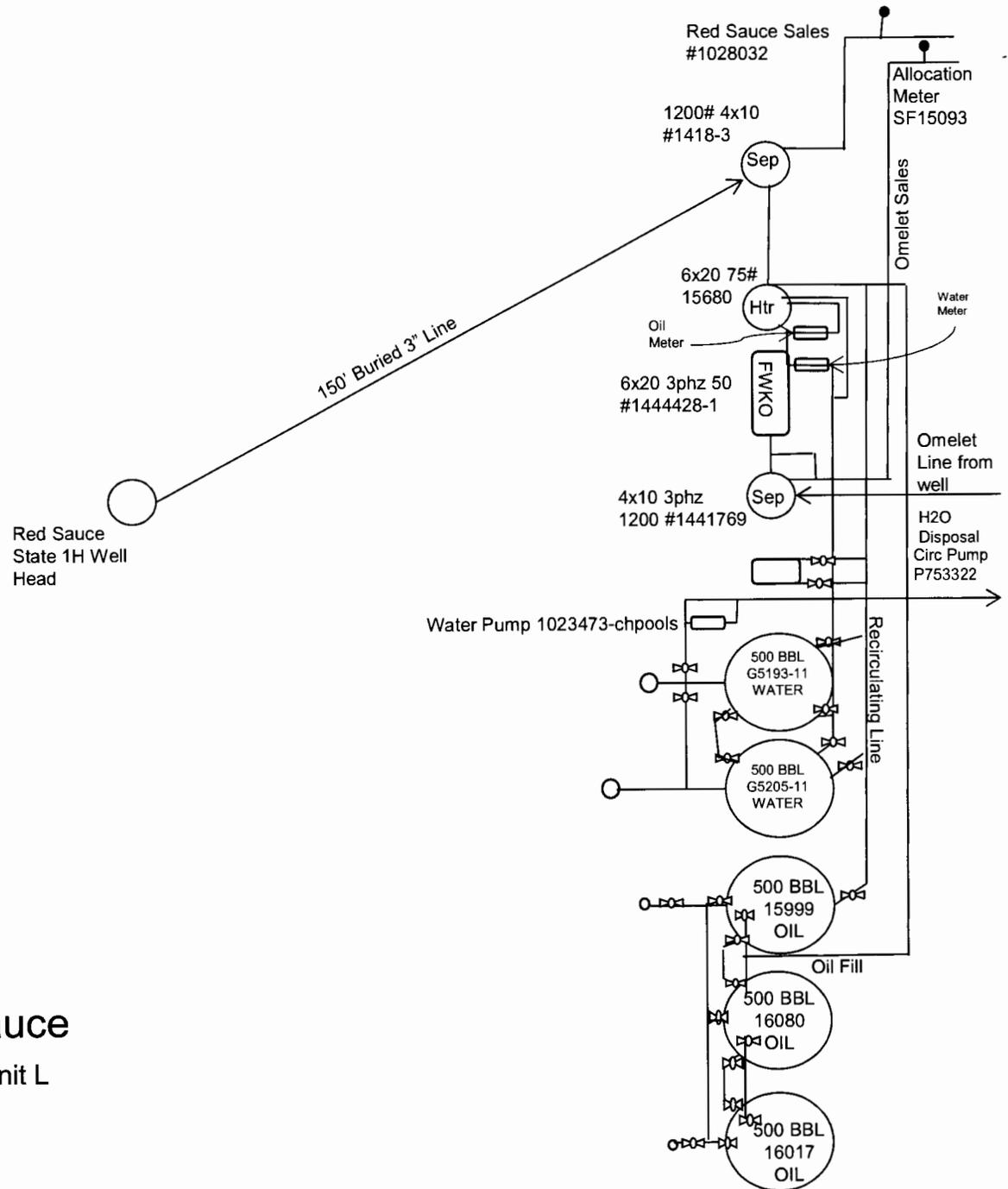
**COG Operating, LLC is Requesting approval of surface commingle of production of the following wells**

| <u>Well Name</u>  | <u>API No.</u> | <u>Loc: 1/4-1/4 Sec. Twp. Rng. UL</u> | <u>Formation</u>                   | <u>BOPD</u> | <u>Oil Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|---|----------------|---------------------------------------|------------------------------------|-------------|--------------------|--------------|------------|
| Red Sauce State Com 1H  | 30-015-37299   | NWSW-Sec 8-T25S-R30E-UL L             | Corral Canyon; Bone Springs, South | 40          | 48                 | 499          | 1.0000     |
| Omelette State Com 1H   | 30-015-40741   | SWSW-Sec 8-T25S-R30E-UL M             | Corral Canyon; Bone Springs, South | 298         | 48                 | 3125         | 1.0000     |
| The Storage and measuring facility is located on the Red Sauce State Com 1H well site NWSW-8-T25S-R30E-UL L, Eddy County, NM  |                |                                       |                                    |             |                    |              |            |
| Notification will be given if there is any future change in the facility location   |                |                                       |                                    |             |                    |              |            |
| Production allocation will be based on the subtraction method. The total production of the facility will be subtracted from the metered production of the Omelette State Com 1H to determine the production of the Red Sauce State Com 1H |                |                                       |                                    |             |                    |              |            |

# COG OPERATING LLC

One Concho Center  
600 W. Illinois Ave Midland, Texas 79701  
(432)-683-7443

August 2013



## Omelette Upgrade @ Red Sauce

2310'FSL, 940'FWL \* Sec 8-25S-30E \* Unit L  
Eddy County, NM  
API - 30-015-37299

District I  
1625 N French Dr, Hobbs, NM 88240  
Phone (575) 393-6161 Fax (575) 393-0720  
District II  
811 S First St., Artesia, NM 88210  
Phone (575) 748-1283 Fax (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone (505) 334-6178 Fax (505) 334-6170  
District IV  
1220 S St Francis Dr., Santa Fe, NM 87505  
Phone (505) 476-3460 Fax (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

AMENDED REPORT

"As Drilled"

WELL LOCATION AND ACREAGE DEDICATION PLAT

|   |  |   |  |   |                                    |
|---|--|---|--|---|------------------------------------|
| <sup>1</sup> API Number<br>30-015-37299 |  | <sup>2</sup> Pool Code<br>96053                 |  | <sup>3</sup> Pool Name<br>WC; Bone Spring |                                    |
| <sup>4</sup> Property Code<br>308647    |  | <sup>5</sup> Property Name<br>Red Sauce State   |  |   | <sup>6</sup> Well Number<br>1H     |
| <sup>7</sup> OGRID No.<br>229137        |  | <sup>8</sup> Operator Name<br>COG Operating LLC |  |   | <sup>9</sup> Elevation<br>3196' GR |

<sup>10</sup> Surface Location

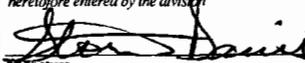
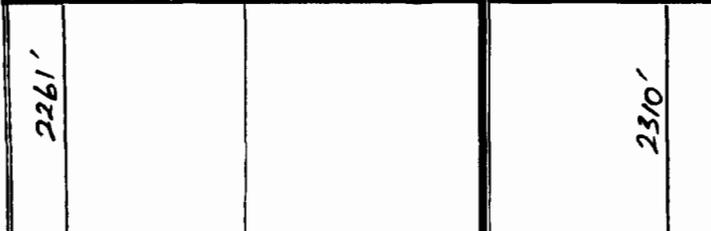
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| L             | 8       | 25S      | 30E   |         | 2310          | South            | 940           | West           | Eddy   |

<sup>11</sup> 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J             | 7       | 25S      | 30E   |         | 2261          | South            | 2310          | East           | Eddy   |

|                                      |                               |                                  |                         |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------|
| <sup>12</sup> Dedicated Acres<br>120 | <sup>13</sup> Joint or Infill | <sup>14</sup> Consolidation Code | <sup>15</sup> Order No. |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------|

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.

|   |  |  |   |  |
|---|--|--|---|--|
| <sup>16</sup><br><div style="display: flex; justify-content: space-around;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Section 7</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Section 8</div> </div> |  |  | <sup>17</sup> OPERATOR CERTIFICATION<br><i>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 or has a right to drill this well at this 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</i><br><br>Signature <span style="float: right;">12/9/11</span><br>Date<br>Stormi Davis<br>Printed Name<br>sdavis@concho.com<br>E-mail Address |  |
|   |  |  | <sup>18</sup> SURVEYOR CERTIFICATION<br><i>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.</i><br>Date of Survey<br>Signature and Seal of Professional Surveyor<br>REFER TO ORIGINAL PLAT<br>Certificate Number   |  |
|    |  |  |   |  |
|    |  |  |   |  |

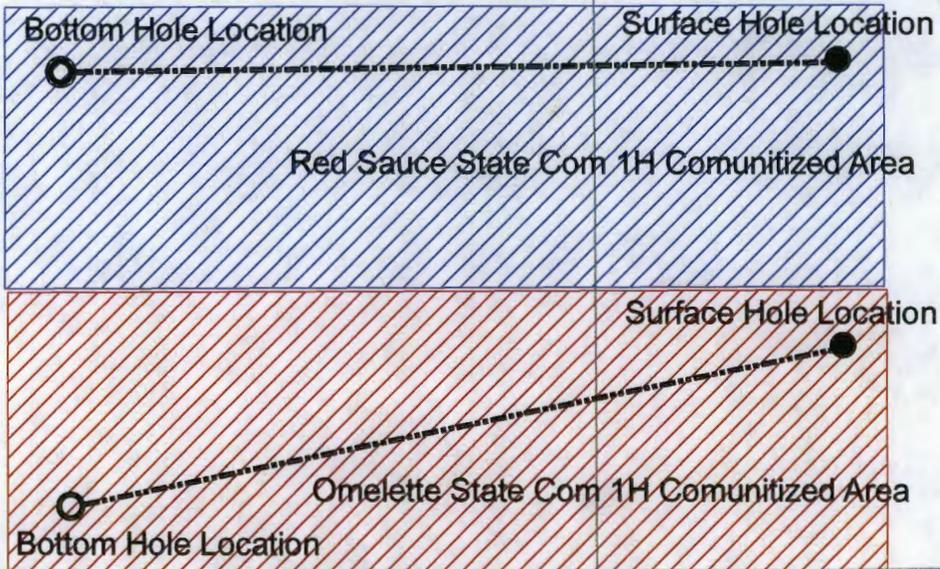


6

5

7

8



EDDY 25S - 30E

18

17

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |
|--|---|
| <ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> | <p>A. Signature <span style="float: right;"><input type="checkbox"/> Agent<br/><input type="checkbox"/> Addressee</span></p> <p><b>X</b></p> <p>B. Received by (<i>Printed Name</i>) <span style="float: right;">C. Date of Delivery</span></p> <hr/> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br/>If YES, enter delivery address below: <input type="checkbox"/> No</p> |
| <p>1. Article Addressed to:</p> <p style="text-align: center;">Mc Combs Energy, LLC<br/>5599 San Felipe, Ste 1200<br/>Houston, TX 77056</p>  | <p>3. Service Type</p> <p><input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>   |
| <p>2. <span style="font-family: monospace;">91 7199 9991 7030 0486 1843</span></p>   | <p>4. Restricted Delivery? (<i>Extra Fee</i>) <input type="checkbox"/> Yes</p>  |
| <p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>  |   |

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |
|--|---|
| <ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> | <p>A. Signature <span style="float: right;"><input type="checkbox"/> Agent<br/><input type="checkbox"/> Addressee</span></p> <p><b>X</b></p> <p>B. Received by (<i>Printed Name</i>) <span style="float: right;">C. Date of Delivery</span></p> <hr/> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br/>If YES, enter delivery address below: <input type="checkbox"/> No</p> |
| <p>1. Article Addressed to:</p> <p style="text-align: center;">The Allar Company<br/>PO Box 1567<br/>Graham, TX 76450</p>  | <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>  |
| <p>2. <span style="font-family: monospace;">91 7199 9991 7030 0486 1829</span></p>   | <p>4. Restricted Delivery? (<i>Extra Fee</i>) <input type="checkbox"/> Yes</p>  |
| <p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>  |   |

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |
|--|---|
| <ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> | <p>A. Signature <span style="float: right;"><input type="checkbox"/> Agent<br/><input type="checkbox"/> Addressee</span></p> <p><b>X</b></p> <p>B. Received by (<i>Printed Name</i>) <span style="float: right;">C. Date of Delivery</span></p> <hr/> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes<br/>If YES, enter delivery address below: <input type="checkbox"/> No</p> |
| <p>1. Article Addressed to:</p> <p style="text-align: center;">Yates Petroleum Corp.<br/>105 S. 4<sup>th</sup> Street<br/>Artesia, NM 88210</p>  | <p>3. Service Type</p> <p><input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail<br/> <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise<br/> <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>   |
| <p>2. <span style="font-family: monospace;">91 7199 9991 7030 0486 1836</span></p>   | <p>4. Restricted Delivery? (<i>Extra Fee</i>) <input type="checkbox"/> Yes</p>  |
| <p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>  |   |



August 12, 2013

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

RECEIVED OODD  
2013 AUG 14 P 2:22

Re: Omelette/Red Sauce State Com Surface Commingle and off Lease Measurement

Mr. Ezeanyim,

COG Production LLC respectfully requests approval for surface commingle of oil production for the Omelette State Com 1H and Red Sauce State Com 2H and off lease gas measurement for the Omelette State Com 1H.

**Production to the Red Sauce State Com 1H CTB, Sec. 8-T25S-R30E- UL L, will consist of the following wells:**

|  |  |
|--|--|
| Red Sauce State Com 1H<br>Eddy County, NM<br>API # 30-015-37299<br>Surface: 2310 FSL & 940 FWL, Sec 8,<br>T25S, R30E, UL L | Omelette State Com 1H<br>Eddy County, NM<br>API # 30-015-40741<br>Surface: 800 FSL & 1020 FWL, Sec 8<br>T25S, R30E, UL M |
|--|--|

Production from the Red Sauce State Com 1H and Omelette State Com 1H will be measured and stored at the Red Sauce State Com 1H CTB located in Section 8-T25S,R30E. Oil production will be allocated by using the subtraction method. The total oil production of the facility will be subtracted by the metered oil production of the Omelette State Com #1H to determine the oil production allocation for the Red Sauce State Com #1H. Gas production for both wells will be metered separately.

Both wells will be producing from the Bone Spring with both wells having identical interest owners. I have attached a diagram of the battery facilities, C-102s for each well, a map showing all well locations and Com agreement areas, admin checklist, C-107B, and notice to all interest owners.

Please contact me at 432-221-0467 should you have any questions.

Sincerely,

Brian Maiorino  
Regulatory Analyst  
COG Operating, LLC

**NEW MEXICO STATE LAND OFFICE**

**CERTIFICATE OF APPROVAL**

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

**COG Operating LLC  
Red Sauce State Well No. 1H**

**N2SE4, Section 7, and NW4SW4, Section 8, Township 25 South, Range 30 East, Eddy County, New Mexico,  
Bone Spring**

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 15, 2011 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 28th day of June, 2011.



*Ray Powell / XMC*  
\_\_\_\_\_  
**COMMISSIONER OF PUBLIC LANDS**  
of the State of New Mexico

NANCY AGNEW  
CONCHO/FASKEN CENTER TWR II  
550 W TEXAS AVE STE 100  
MIDLAND TX 79701

**NM State Land Office  
Oil, Gas, & Minerals Division**

**STATE/STATE OR  
STATE/FEE**  
Revised March 2003

**COMMUNITIZATION AGREEMENT**

ONLINE Version

KNOW ALL MEN BY THESE PRESENTS:

STATE OF NEW MEXICO )  
COUNTY OF \_\_\_\_\_ EDDY \_\_\_\_\_ ) ss)

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] is entered into as of \_\_\_\_\_ April 15 \_\_\_\_\_, 2011, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable.

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Bone Spring \_\_\_\_\_ formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

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 undersigned as follows:

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

Subdivisions Section 7: N/2SE/4, Section 8: NW/4SW/4  
 Of Sect XXX Twnshp 25s Rng 30e NMPM EDDY County, NM  
 containing 120.00 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit A showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.

2. 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 leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.
3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.
4. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.
5. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure

separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

6. The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

7. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, 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 compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.

8. \_\_\_\_\_ shall be the Operator of said communitized area and all matters of operation shall be determined and performed by  
 \_\_\_\_\_  
 COG Operating LLC

9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted 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 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.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

13. 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 instruments, 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.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR \_\_\_\_\_ by \_\_\_\_\_

Title: \_\_\_\_\_ Signature: \_\_\_\_\_

LESSEES OF RECORD: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(Attach additional pages if needed)

\_\_\_\_\_

OPERATOR:  
COG Operating LLC

Gregory K. Daggett NP  
Gregory K. Daggett, Attorney-in-Fact

LESSEES OF RECORD:  
Concho Oil & Gas LLC/COG Operating LLC

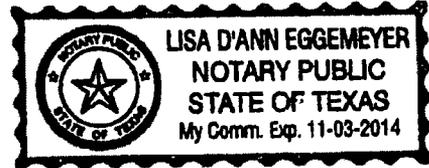
Gregory K. Daggett NP  
By: Gregory K. Daggett, Attorney-in-Fact

STATE OF TEXAS §  
COUNTY OF Midland §

This instrument was acknowledged before me on this 31<sup>st</sup> day of May 2011 by Gregory K. Daggett, Attorney-in-Fact of Concho Oil & Gas LLC/COG Operating LLC.

11-03-2014  
My Commission Expires

Lisa D'Ann Eggeneyer  
Notary Public



RECAPITULATION

| TRACT #  | # OF ACRES<br>COMMITTED | PERCENTAGE OF INTEREST<br>IN COMMUNITIZED AREA |
|----------|-------------------------|--|
| Lease #1 | 40                      | 33.333333%                                     |
| Lease #2 | 80                      | 67.666667%                                     |
| TOTAL    | 120.00                  | 100%   |

EXHIBIT "A"

Attached to and made part of that Communitization Agreement dated April 15, 2011 by COG Operating LLC, as Operator, and, as Lessee of Record, covering Section 8: NW/4SW/4, Section 7: N/2SE/4, Township 25 South, Range 30 East, Eddy County, New Mexico.

Operator of Communitized Area:  
COG Operating LLC

Description of Leases Committed:

**TRACT #1**

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands  
 Lessee of Record: Concho Oil & GAS LLC/COG Operating LLC  
 Serial # of Lease: V-7075  
 Date of Lease: 6/1/2004

Description of Lands Committed: Township 25 South, Range  
 Section 8: SW/4NW/4  
 Eddy County, New Mexico

*typo  
NW SW*

# of Acres: 40.00

**TRACT #2**

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands  
 Lessee of Record: Concho Oil & Gas LLC/COG Operating LLC  
 Serial # of Lease: V-7066  
 Date of Lease: 6/1/2004

Description of Lands Committed: Township 25 South, Range 30 East  
 Section 7: N/2SE/4  
 Eddy County, New Mexico

# of Acres: 80.00

RECEPTION NO: 1107361 STATE OF  
 NEW MEXICO, COUNTY OF EDDY  
 RECORDED 07/19/2011 3:39 PM  
 BOOK 0860 PAGE 0442  
 DARLENE ROSPRIM, COUNTY CLERK



**NEW MEXICO STATE LAND OFFICE**

**CERTIFICATE OF APPROVAL**

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

**COG OPERATING LLC  
Omelette State Com Well No. 1H  
SW4SW4 of Section 8 and S2SE4 of Section 7  
Township 25 South, Range 30 East, Eddy County, New Mexico  
Bone Spring**

---

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 **May 1, 2013**, 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 **28th day of June, 2013**.

  
\_\_\_\_\_  
**COMMISSIONER OF PUBLIC LANDS**  
of the State of New Mexico

**NM State Land Office  
Oil, Gas, & Minerals Division**

**STATE/STATE OR  
STATE/FEE**  
Revised Feb. 2013

**COMMUNITIZATION AGREEMENT**  
ONLINE Version

STATE OF NEW MEXICO           §  
  §       **KNOW ALL MEN BY THESE PRESENTS:**  
COUNTY OF     EDDY           §

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] is entered into as of May 1, 2013, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable.

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Bone Spring formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

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 undersigned as follows:

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

Township 25 South, Range 30 East, NMPM

Section 7: S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 8: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Eddy County, New Mexico

containing 120.00 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit A showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.

2. 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 leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.

3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended.

4. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations.
5. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.
6. The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.
7. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, 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 compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.
8. COG Operating LLC shall be the Operator of said communitized area and all matters of operation shall be determined and performed by COG Operating LLC.
9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either: **(a)** a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or **(b)** each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties

hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted 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 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.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

13. 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 instruments, 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.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

**OPERATOR:**

**COG OPERATING LLC**

By: Mona D. Ables  
Mona D. Ables  
Vice President of Land *MPH*

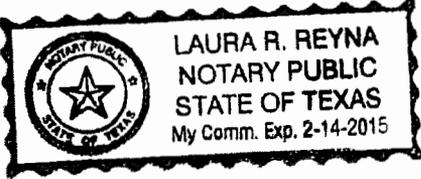
**LESSEES OF RECORD:**

**COG OPERATING LLC  
CONCHO OIL & GAS LLC**

By: Mona D. Ables  
Mona D. Ables  
Vice President of Land *MPH*

STATE OF TEXAS           §  
  §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on June 10, 2013, by Mona D. Ables, Vice President of Land of COG Operating LLC, a Delaware limited liability company, on behalf of same.



Laura R Reyna  
Notary Public in and for the State of Texas

STATE OF TEXAS           §  
  §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on June 10, 2013, by Mona D. Ables, Vice President of Land of Concho Oil & Gas LLC, a Delaware limited liability company, on behalf of same.



Laura R Reyna  
Notary Public in and for the State of Texas

**EXHIBIT A**

Attached to and made a part of that Communitization Agreement dated May 1, 2013,  
by COG Operating LLC, as Operator, covering  
S½SE¼ of Section 7 and SW¼SW¼ of Section 8,  
T25S-R30E, NMPM, Eddy County, New Mexico

OPERATOR of Communitized Area: COG Operating LLC

**DESCRIPTION OF LEASES COMMITTED:**

**TRACT № 1**

Serial No. of Lease: V-7066  
Date of Lease: June 1, 2004  
Lessor: State of New Mexico acting by and through its Commissioner  
of Public Lands  
Lessee of Record: Concho Oil & Gas LLC / COG Operating LLC  
Description of Lands Committed: Insofar only as said lease covers  
Township 25 South, Range 30 East, NMPM  
Section 7: S½SE¼  
Eddy County, New Mexico  
No. of Acres: 80.00 more or less  
Royalty Rate: 1/6

**TRACT № 2**

Serial No. of Lease: V-7075  
Date of Lease: June 1, 2004  
Lessor: State of New Mexico acting by and through its Commissioner  
of Public Lands  
Lessee of Record: Concho Oil & Gas LLC / COG Operating LLC  
Description of Lands Committed: Insofar only as said lease covers  
Township 25 South, Range 30 East, NMPM  
Section 8: SW¼SW¼  
Eddy County, New Mexico  
No. of Acres: 40.00 more or less  
Royalty Rate: 1/6

Plat of communitized area covering S½SE¼ of Section 7 and SW¼SW¼ of Section 8,  
T25S- R30E, N.M.P.M., Eddy County, New Mexico

|   |                                  |   |  |
|---|----------------------------------|---|--|
|   |                                  |   |  |
|   |                                  |   |  |
|   |                                  |   |  |
|   | SECTION 7                        | SECTION 8   |  |
| Tract 1<br>ST NM V-7066<br>40 ac<br>●<br><i>BHL: 380' FSL &amp; 2310' FEL</i> | Tract 1<br>ST NM V-7066<br>40 ac | Tract 2<br>ST NM V-7075<br>40 ac<br>●<br><i>SHL: 800' FSL &amp; 1020' FWL</i> |  |

**RECAPITULATION**

| <b>Tract number</b> | <b>Number of Acres Committed</b> | <b>Percentage of Interest In Communitized Area</b> |
|---------------------|----------------------------------|--|
| No. 1               | 80.00                            | 67.66667%  |
| No. 2               | 40.00                            | 33.33333%  |
| <b>TOTAL</b>        | <b>120.00</b>                    | <b>100.000000%</b>                                 |