



Subscribed and sworn to before me by Carol Leach on this 2nd day of August, 2011.

My commission expires: 1-31-2015



Marian Higgins-Oliver  
Notary Public

**EXHIBIT "A"**

Leland Price, Inc.  
Attention: Betty A. Price  
1511 Northgate Place  
Artesia, NM 88210

First American Bank  
Attention: Thomas Mitchell, Account Manager  
303 W. Main Street  
Artesia, NM 88210

EXHIBIT "B"

1. Correspondence from COG Operating LLC to First American Bank dated April 19, 2011 regarding request for term assignment/well proposal – Kiowa State #1 Well
2. Correspondence from COG Operating LLC to Leland Price, Inc. dated April 19, 2011 regarding request for term assignment/well proposal – Kiowa State #1 Well
3. Correspondence from COG Operating LLC to First American Bank dated April 19, 2011 regarding request for term assignment/well proposal – Kiowa State #3 Well
4. Correspondence from COG Operating LLC to Leland Price, Inc. dated April 19, 2011 regarding request for term assignment/well proposal – Kiowa State #3 Well
5. Correspondence from COG Operating LLC to First American Bank dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling – NMOCD Case No. 14,699
6. Correspondence from COG Operating LLC to Leland Price, Inc. dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling – NMOCD Case No. 14,699
7. Correspondence from COG Operating LLC to First American Bank dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling – NMOCD Case No. 14,700
8. Correspondence from COG Operating LLC to Leland Price Inc. dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling – NMOCD Case No. 14,700
9. Correspondence from COG Operating LLC to First American Bank dated July 1, 2011 updating contact information
10. Correspondence from COG Operating LLC to Leland Price, Inc. dated July 1, 2011 updating contact information

copy



April 19, 2011

First American Bank  
303 W. Main St.  
Artesia, NM 88210

Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust  
Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust  
Abbe Kanner  
Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust  
Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust  
Dr. John N. Bentwood  
Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Re: Request for Term Assignment/ Well Proposal - Kiowa State #1 Well  
T17S, R27E, Section 36: SENW, SWNE  
1,865' FNL & 2,205' FWL or in a Legal Location within Unit F (SENW)  
Eddy County, New Mexico

Dear Mr. Mitchell:

COG Operating LLC (COG) respectfully requests a term assignment from Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust, Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust, Abbe Kanner, Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust, Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust, Dr. John N. Bentwood and Barbara Bentwood McCahan ("the Wheatley devisees") covering the Wheatley devisees' interest in the SENW and SWNE of Section 36, T17S, R27E, Eddy County, NM, in those depths from 2,000' below the surface of the earth to 5,000' below the surface of the earth.

COG offers the following general terms:

- Three year term.
- \$400.00 per net acre cash consideration.
- Wheatley devisees to deliver a 75% NRI, proportionately reduced.

This Term Assignment offer will terminate 90 days from today's date and is subject to the approval of COG's management. A check of the records indicated that the Wheatley devisees have a 3/48 interest.

In the event that the Wheatley devisees do not wish to assign the subject lands, COG, as Operator, proposes to drill the Kiowa State # 1 well at the above-captioned location, or a legal location within Unit F of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Blinbery/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,300,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

tel 432.683.7443 fax 432.683.7441

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  <i>Phillip Lawrence</i> <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)  <i>Phillip Lawrence</i></p> <p>C. Date of Delivery  <i>4-21-11</i></p>
<p>1. Article Addressed to:</p> <p>First American Bank          Attn: Thomas Mitchell, Account Manager          303 W. Main St.          Artesia, NM 88210</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No          If YES, enter delivery address below:</p> <p>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.</p>
<p>2. Article Number          (Transfer from <i>52</i>)</p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p><i>91 7199 9991 7030 0517 3822</i></p>

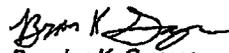


I also would like to advise you that title into the Wheatley devisees is somewhat unclear and requires curative. I am attaching an excerpt from our title opinion explaining the nature of the title issue.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC

  
Brandon K. Gaynor  
Landman

5.

This requirement will affect the interest beginning with Richard W. Wheatley and Sarah Wheatley, Co-Trustees, down through the interest of Barbara Bentwood McCahan. Rex Wheatley and wife, Florence Wheatley, were the owners at one time of 3/48 of the leasehold estate. While I am reasonably certain that the ownership of these parties is as set forth, there are some difficulties with family leasehold title conveyances which should be cleared up.

First, there is a Conveyance from Rex and Florence Wheatley to Barbara W. McDowell dated January 19, 1978, recorded Volume 160, Page 386, which indicates an intention to convey everything in the E/2NW/4 of Section 36 to the grantee although there is an indication that it may be intended only to be an overriding royalty conveyance.

On August 20, 1978, the same Rex Wheatley and wife conveyed to their daughter, Barbara W. McDowell, by Deed recorded Volume 161, Page 701, all of their interest in captioned lands, although the document is entitled "Assignment of Overriding Royalty". The Deed contained this statement "meaning and intending to convey to said Barbara W. McDowell all right, title and interest that we may have in and to the lands and the oil and gas and hydrocarbon substances in and under the lands herein described". Again, this document was entitled "Assignment of Overriding Royalty" and referred to a decimal of .00082008 although it is not clear what the parties really intended to do.

I believe that the Wheatleys actually thought they owned only some overriding royalties at that time while they really owned the 3/48 interest in depths between 2,000 and 5,000 feet.

Then, the Estate of Rex Wheatley devised all of his interest to the First National Bank of Artesia as Trustee for the benefit of his four children and any children of deceased child. The wife's Will was not probated which would leave her predeceasing her husband and dying intestate which would mean the entire estate would be passed to Rex Wheatley so that his Will would govern.

There are many subsequent conveyances by the Bank as Trustee to devisees of this estate but taken together, they do not all convey the interest in captioned lands as to the depths covered by this opinion so that it is necessary to have title come out of the bank as Trustee.

There is also the problem of the Deeds to the daughter, Barbara W. McDowell, which may have covered the entire interest although it was not intended to do so.

Also, the Wheatley devisees all signed Special Agency Agreements in 2007 with First National Bank of Artesia, Artesia, New Mexico, to collect runs and to have broad powers to deal with these interests which I would assume would include signing an operating agreement as well as make conveyances. These Agency Agreements have not been cancelled of record and may, therefore, be in full force and effect.

T17S-R27E-Section 36

TA to cover the  
Wheatley devisees'  
6.25% WI & 5.078% NRI  
From 2,000' to 5,000'

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: KIOWA STATE #1

PROSPECT NAME: LOGAN DRAW

LOCATION: SEC36-T17S-R27E UL - F

COUNTY & STATE: EDDY COUNTY, NM

FOOTAGE: 1885' FNL & 2205' FWL

OBJECTIVE: Ver. Blinbery Paddock (4 frac) 4850'

**INTANGIBLE COSTS**

		<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Title/Curative/Permit	201	10,000		10,000
Insurance	202	3,800		3,800
Damages/Right of Way	203		303	0
Survey/Stake Location	204	2,500		2,500
Location/Pits/Road Expense	205	30,000	5,000	35,000
Drilling / Completion Overhead	206	2,500	2,000	4,500
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract	209	77,000		77,000
Directional Drilling Services	210		310	0
Fuel & Power	211	18,500	1,000	19,500
Water	212	22,000	32,000	54,000
Bits	213	25,000	600	25,600
Mud & Chemicals	214	10,000		10,000
Drill Stem Test	215		315	0
Coring & Analysis	216			0
Cement Surface	217	14,000		14,000
Cement Intermediate #1	218	12,000		12,000
Cement Intermediate #2				0
Cement Production			318 28,500	28,500
Cement Squeeze	220		320	0
Float Equipment & Centralizers	221	2,500	321 2,000	4,500
Casing Crews & Equipment	222	6,000	322 4,800	10,800
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	1,000	324	1,000
Contract Labor	225	3,000	325 15,000	18,000
Company Supervision	226		326	0
Contract Supervision	227	10,500	327 6,000	16,500
Testing Casing/Tubing	228	3,000	328 1,800	4,800
Mud Logging Unit	229	3,000	329	3,000
Logging	230	15,000	330	15,000
Perforating/Wireline Services	231		331 22,000	22,000
Stimulation/Treating (4 fracs)			332 358,000	358,000
Completion Unit			333 20,000	20,000
Swabbing Unit			334	0
Rentals-Surface	235	7,000	335 38,000	43,000
Rentals-Subsurface	236	24,000	336 7,000	31,000
Trucking/Forklift/Rig Mobilization	237	30,000	337 4,000	34,000
Welding Services	238	3,000	338 1,000	4,000
Water Disposal	239		339 3,000	3,000
Plug to Abandon	240		340	0
Seismic Analysis	241		341	0
Closed Loop & Environmental	244	60,000	344	60,000
Miscellaneous	242		342	0
Contingency 5%	243	20,700	343 28,400	49,100
<b>TOTAL INTANGIBLES</b>		<b>408,000</b>	<b>577,000</b>	<b>983,000</b>

**TANGIBLE COSTS**

Surface Casing	401	11,000		11,000
Intermediate Casing #1	402	14,000		14,000
Intermediate Casing #2				0
Production Casing/Uner			503 62,000	62,000
Tubing			504 28,000	28,000
Wellhead Equipment	405	6,000	505 3,000	9,000
Pumping Unit			506 97,000	97,000
Prime Mover			507	0
Rods			508 22,000	22,000
Pumps			509 4,500	4,500
Tanks			510 4,000	4,000
Flowlines			511 15,000	15,000
Heater Treater/Separator			512 6,000	6,000
Electrical System			513 20,000	20,000
Packers/Anchors/Hangers	414		514 900	900
Couplings/Fittings/Valves	415	600	515 15,000	15,500
Gas Compressors/Meters			516	0
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	418	500	519 500	1,000
Contingency 5%	420	2,000	520 14,100	16,100
<b>TOTAL TANGIBLES</b>		<b>34,000</b>	<b>283,000</b>	<b>317,000</b>
<b>TOTAL WELL COSTS</b>		<b>440,000</b>	<b>860,000</b>	<b>1,300,000</b>

COG Operating LLC

By: C. Bird / J. Coffman

Date Prepared:

4/15/11

We approve: \_\_\_\_\_  
% Before Tanks / \_\_\_\_\_ % After Tanks

Company:

By:

Printed Name:

Title:

Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.



April 19, 2011

Leland Price Inc.  
1511 Northgate Place  
Artesia, NM 88210

Attn: Betty A. Price

Re: Request for Term Assignment/ Well Proposal - Kiowa State #1 Well  
T17S, R27E, Section 36: SENW, SWNE  
SHL 1,425' FNL & 1,520' FEL or in a Legal Location within Unit G (SWNE)  
BHL 1,650' FNL & 1,650' FEL or in a Legal Location within Unit G (SWNE)  
Eddy County, New Mexico

Dear Ms. Price:

COG Operating LLC (COG) respectfully requests a term assignment from Leland Price Inc. covering Leland Price Inc.'s interest in the SENW and SWNE of Section 36, T17S, R27E, Eddy County, NM, in those depths from 2,000' below the surface of the earth to 5,000' below the surface of the earth.

COG offers the following general terms:

- Three year term.
- \$400.00 per net acre cash consideration.
- Leland Price Inc. to deliver a 75% NRI, proportionately reduced.

This Term Assignment offer will terminate 90 days from today's date and is subject to the approval of COG's management. A check of the records indicated that Leland Price Inc. has a 1/24 interest.

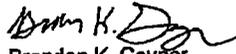
In the event that Leland Price Inc. does not wish to assign the subject lands, COG, as Operator, proposes to drill the Kiowa State # 3 well at the above-captioned location, or a legal location within Unit G of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Blinberry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,417,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC

  
Brandon K. Gaynor  
Landman

PHONE 432.683.7443 FAX 432.683.7441

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>	<p>A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p> <p style="text-align: center;">APR 22 2011</p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">Leland Price Inc. 1511 Northgate Place Artesia, NM 88210</p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

2. Article Number (Transfer from service label) 91 7199 9991 7030 0517 3846

**T17S-R27E-Section 36**

TA to cover  
Leland Price Inc.'s  
4.166% WI &  
3.385% NRI  
From 2,000' to 5,000'

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

<b>WELL NAME:</b> KIOWA STATE #3	<b>PROSPECT NAME:</b> LOGAN DRAW
<b>LOCATION:</b> SEC38-T17S-R27E	<b>COUNTY &amp; STATE:</b> EDDY COUNTY, NM
<b>SHL:</b> 1426' FNL & 1620' FEL UL - G	<b>OBJECTIVE:</b> Dir. Blinbry Paddock (4 fracs) 4850'
<b>BHL:</b> 1650' FNL & 1650' FEL UL - G	

<b>INTANGIBLE COSTS</b>	<b>BCP</b>	<b>ACP</b>	<b>TOTAL</b>
Title/Curative/Permit	201 10,000		10,000
Insurance	202 3,800	302	3,800
Damages/Right of Way	203	303	0
Survey/Stake Location	204 2,600	304	2,500
Location/Pits/Road Expense	205 30,000	305 6,000	35,000
Drilling / Completion Overhead	206 2,500	306 2,000	4,500
Turnkey Contract	207	307	0
Footage Contract	208	308	0
Daywork Contract	209 88,000	309	88,000
Directional Drilling Services	210 100,000	310	100,000
Fuel & Power	211 20,000	311 1,000	21,000
Water	212 22,000	312 32,000	64,000
Bits	213 25,000	313 500	25,500
Mud & Chemicals	214 10,000	314	10,000
Drill Stem Test	215	315	0
Coring & Analysis	216		0
Cement Surface	217 14,000		14,000
Cement Intermediate #1	218 12,000		12,000
Cement Intermediate #2			0
Cement Production		318 28,500	28,500
Cement Squeezes	220	320	0
Float Equipment & Centralizers	221 2,500	321 2,000	4,500
Casing Crews & Equipment	222 6,000	322 4,800	10,800
Fishing Tools & Service	223	323	0
Geologic/Engineering	224 1,000	324	1,000
Contract Labor	225 3,000	325 15,000	18,000
Company Supervision	226	326	0
Contract Supervision	227 10,500	327 5,000	15,500
Testing Casing/Tubing	228 3,000	328 1,800	4,800
Mud Logging Unit	229 3,000	329	3,000
Logging	230 16,000	330	16,000
Perforating/Wireline Services	231	331 22,000	22,000
Stimulation/Treating (4 fracs)		332 358,000	358,000
Completion Unit		333 20,000	20,000
Swabbing Unit		334	0
Rentals-Surface	235 7,000	335 38,000	43,000
Rentals-Subsurface	236 24,000	336 7,000	31,000
Trucking/Ford/Rig Mobilization	237 30,000	337 4,000	34,000
Welding Services	238 3,000	338 1,000	4,000
Water Disposal	239	339 3,000	3,000
Plug to Abandon	240	340	0
Seismic Analysis	241	341	0
Closed Loop & Environmental	244 50,000	344	60,000
Miscellaneous	242	342	0
Contingency 6%	243 25,200	343 28,400	63,600
<b>TOTAL INTANGIBLES</b>	<b>625,000</b>	<b>577,000</b>	<b>1,100,000</b>

<b>TANGIBLE COSTS</b>	<b>BCP</b>	<b>ACP</b>	<b>TOTAL</b>
Surface Casing	401 11,000		11,000
Intermediate Casing #1	402 14,000		14,000
Intermediate Casing #2			0
Production Casing/Liner		603 62,000	62,000
Tubing		604 29,000	29,000
Wellhead Equipment	405 6,000	605 3,000	9,000
Pumping Unit		606 97,000	97,000
Prime Mover		607	0
Rods		608 22,000	22,000
Pumps		609 4,500	4,500
Tanks		610 4,000	4,000
Flowlines		611 16,000	16,000
Heater Treater/Separator		612 6,000	6,000
Electrical System		613 20,000	20,000
Packers/Anchors/Hangers	414	614 800	800
Couplings/Fittings/Valves	415 600	615 16,000	16,600
Gas Compressors/Meters		616	0
Dehydrator		617	0
Injection Plant/CO2 Equipment		618	0
Miscellaneous	419 600	619 500	1,000
Contingency 5%	420 2,000	620 14,100	16,100
<b>TOTAL TANGIBLES</b>	<b>34,000</b>	<b>283,000</b>	<b>317,000</b>
<b>TOTAL WELL COSTS</b>	<b>657,000</b>	<b>860,000</b>	<b>1,417,000</b>

COG Operating LLC

By: C. Bird / J. Coffman

Date Prepared: 4/16/11

We approve:  
\_\_\_\_\_% Before Tanks / \_\_\_\_\_% After Tanks

Company: \_\_\_\_\_  
By: \_\_\_\_\_

Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

COPY



April 19, 2011

First American Bank  
303 W. Main St.  
Artesia, NM 88210  
Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust  
Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust  
Abbe Kanner  
Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust  
Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust  
Dr. John N. Bentwood  
Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Re: **Request for Term Assignment/ Well Proposal – Kiowa State #3 Well**  
T17S, R27E, Section 36: SENW, SWNE  
SHL 1,425' FNL & 1,520' FEL or in a Legal Location within Unit G (SWNE)  
BHL 1,650' FNL & 1,650' FEL or in a Legal Location within Unit G (SWNE)  
Eddy County, New Mexico

Dear Mr. Mitchell:

COG Operating LLC (COG) respectfully requests a term assignment from Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust, Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust, Abbe Kanner, Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust, Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust, Dr. John N. Bentwood and Barbara Bentwood McCahan ("the Wheatley devisees") covering the Wheatley devisees' interest in the SENW and SWNE of Section 36, T17S, R27E, Eddy County, NM, in those depths from 2,000' below the surface of the earth to 5,000' below the surface of the earth.

COG offers the following general terms:

- Three year term.
- \$400.00 per net acre cash consideration.
- Wheatley devisees to deliver a 75% NRI, proportionately reduced.

This Term Assignment offer will terminate 90 days from today's date and is subject to the approval of COG's management. A check of the records indicated that the Wheatley devisees have a 3/48 interest.

In the event that the Wheatley devisees do not wish to assign the subject lands, COG, as Operator, proposes to drill the Kiowa State # 3 well at the above-captioned location, or a legal location within Unit G of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Blinbery/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,417,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

<b>SENDER: COMPLETE THIS SECTION</b>		<b>COMPLETE THIS SECTION ON DELIVERY</b>	
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature  <input checked="" type="checkbox"/> Agent  <input type="checkbox"/> Addressee  <i>Phillip Lawson</i></p> <p>B. Received by (Printed Name)  <i>Phillip Lawson</i></p> <p>C. Date of Delivery  <i>4-21-11</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes          If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>1. Article Addressed to:</p> <p>First American Bank          Attn: Thomas Mitchell, Account Manager          303 W. Main St.          Artesia, NM 88210</p>		<p>3. Service Type</p> <p><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.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
<p>2. Article Number          (Transfer from serial)</p> <p>91 7199 9991 7030 0517 3815</p>			
PS Form 3811, February 2004		Domestic Return Receipt 102395-02-11-1541	

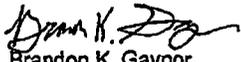


I also would like to advise you that title into the Wheatley devisees is somewhat unclear and requires curative. I am attaching an excerpt from our title opinion explaining the nature of the title issue.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC

  
Brandon K. Gaynor  
Landman

5.

This requirement will affect the interest beginning with Richard W. Wheatley and Sarah Wheatley, Co-Trustees, down through the interest of Barbara Bentwood McCahan. Rex Wheatley and wife, Florence Wheatley, were the owners at one time of 3/48 of the leasehold estate. While I am reasonably certain that the ownership of these parties is as set forth, there are some difficulties with family leasehold title conveyances which should be cleared up.

First, there is a Conveyance from Rex and Florence Wheatley to Barbara W. McDowell dated January 19, 1978, recorded Volume 160, Page 386, which indicates an intention to convey everything in the E/2NW/4 of Section 36 to the grantee although there is an indication that it may be intended only to be an overriding royalty conveyance.

On August 20, 1978, the same Rex Wheatley and wife conveyed to their daughter, Barbara W. McDowell, by Deed recorded Volume 161, Page 701, all of their interest in captioned lands, although the document is entitled "Assignment of Overriding Royalty". The Deed contained this statement "meaning and intending to convey to said Barbara W. McDowell all right, title and interest that we may have in and to the lands and the oil and gas and hydrocarbon substances in and under the lands herein described". Again, this document was entitled "Assignment of Overriding Royalty" and referred to a decimal of .00082008 although it is not clear what the parties really intended to do.

I believe that the Wheatleys actually thought they owned only some overriding royalties at that time while they really owned the 3/48 interest in depths between 2,000 and 5,000 feet.

Then, the Estate of Rex Wheatley devised all of his interest to the First National Bank of Artesia as Trustee for the benefit of his four children and any children of deceased child. The wife's Will was not probated which would leave her predeceasing her husband and dying intestate which would mean the entire estate would be passed to Rex Wheatley so that his Will would govern.

There are many subsequent conveyances by the Bank as Trustee to devisees of this estate but taken together, they do not all convey the interest in captioned lands as to the depths covered by this opinion so that it is necessary to have title come out of the bank as Trustee.

There is also the problem of the Deeds to the daughter, Barbara W. McDowell, which may have covered the entire interest although it was not intended to do so.

Also, the Wheatley devisees all signed Special Agency Agreements in 2007 with First National Bank of Artesia, Artesia, New Mexico, to collect runs and to have broad powers to deal with these interests which I would assume would include signing an operating agreement as well as make conveyances. These Agency Agreements have not been cancelled of record and may, therefore, be in full force and effect.

**T17S-R27E-Section 36**

TA to cover the  
Wheatley devisees'  
6.25% WI & 5.078% NRI  
From 2,000' to 5,000'



Copley



April 19, 2011

Leland Price Inc.  
1511 Northgate Place  
Artesia, NM 88210

Attn: Betty A. Price

Re: Request for Term Assignment/ Well Proposal – Kiowa State #3 Well  
T17S, R27E, Section 36: SENW, SWNE  
SHL 1,425' FNL & 1,520' FEL or in a Legal Location within Unit G (SWNE)  
BHL 1,650' FNL & 1,650' FEL or in a Legal Location within Unit G (SWNE)  
Eddy County, New Mexico

Dear Ms. Price:

COG Operating LLC (COG) respectfully requests a term assignment from Leland Price Inc. covering Leland Price Inc.'s interest in the SENW and SWNE of Section 36, T17S, R27E, Eddy County, NM, in those depths from 2,000' below the surface of the earth to 5,000' below the surface of the earth.

COG offers the following general terms:

- Three year term.
- \$400.00 per net acre cash consideration.
- Leland Price Inc. to deliver a 75% NRI, proportionately reduced.

This Term Assignment offer will terminate 90 days from today's date and is subject to the approval of COG's management. A check of the records indicated that Leland Price Inc. has a 1/24 interest.

In the event that Leland Price Inc. does not wish to assign the subject lands, COG, as Operator, proposes to drill the Kiowa State # 3 well at the above-captioned location, or a legal location within Unit G of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Blinberry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,417,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

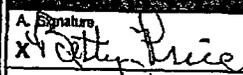
Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC

  
Brandon K. Gaynor  
Landman

<b>SENDER: COMPLETE THIS SECTION</b>		<b>COMPLETE THIS SECTION ON DELIVERY</b>	
<p>■ Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature </p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from return? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>APR 22 2011</p>	
<p>Article Addressed to:</p> <p>Leland Price Inc. 1511 Northgate Place Artesia, NM 88210</p>		<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express-Mail</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> O.O.D.</p>	
<p>Article Number (Transfer from service label) 91 7199 9991 7030 0517 3839</p>		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
<p>Form 3811, February 2004 Domestic Return Receipt 10259-02-M-1640</p>			

**T17S-R27E-Section 36**

TA to cover  
Leland Price Inc.'s  
4.166% WI &  
3.385% NRI  
From 2,000' to 5,000'



**BEATTY & WOZNIAK, P.C.**

ATTORNEYS AT LAW  
126 E. DEVARGAS  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 842-1800  
FACSIMILE (505) 842-0043  
www.bwenergylaw.com

ALBUQUERQUE  
CASPER  
CHEYENNE  
DENVER  
SALT LAKE CITY  
SANTA FE

CAROL LEACH

June 30, 2011

**Via Certified Mail**  
**Return Receipt Requested**

First American Bank  
303 W. Main St.  
Artesia, NM 88210  
Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust  
Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust  
Abbe Kanner  
Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust  
Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust  
Dr. John N. Bentwood  
Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

**Re: NMOCD Case No 14699: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Price:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.

Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

The Application is enclosed for your convenience.

This application will be set for hearing before a Division Hearing Examiner on August 4, 2010, beginning at 8:15 a.m. at the Porter Hall Hearing Room, New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department, 1220 South St, Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing. As an owner of an interest that may be affected by the outcome you may appear and present testimony and evidence in accord with OCD Rules. If you intend to present testimony or evidence, you must enter your appearance and serve the Division, counsel for COG, and other parties who have entered an appearance with a pre-hearing statement at least four business days before the scheduled hearing. The specific requirements for pre-hearing statements may be found in OCD Rule 19.15.4.13.

Very truly yours,

BEATTY & WOZNIAK, P.C.

  
Carol Leach  
Attorneys for COG Operating LLC

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

RECEIVED OCD

2011 JUN 29 P 2:47

IN THE MATTER OF THE APPLICATION OF  
COG OPERATING LLC FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 14699

APPLICATION

COG OPERATING LLC (COG), by and through its counsel, Beatty & Wozniak, P.C., hereby makes application pursuant to the OCD Rules and NMSA 1978 Section 70-2-17 (1995) for an order providing the following:

Pooling all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E.

In support of the Application COG states:

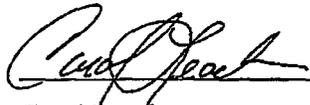
1. COG owns certain working interests in and under the approximately 40-acre spacing unit in Section 36 as described above and has the right to drill there.
2. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinberry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.
3. COG does not have leases or agreements for voluntary pooling or farmouts from certain other interests owners in the above referenced depths below Unit G located as described above.
4. In order for COG to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and COG should be designated by the Oil Conservation Division as the operator of the well.
5. The pooling of mineral interests will provide the opportunity for COG to produce its just and fair share of the oil or gas, or both, avoid the drilling on unnecessary wells, protect correlative rights and prevent waste.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2011, or as it may be continued, before the OCD Hearing Examiners, or at a special hearing date to be

determined, and that after notice and hearing as required by law and OCD Rules, the Division enter its Order approving the pooling of the lands described above into one spacing or proration unit, including provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.



Carol Leach  
500 Don Gaspar Avenue  
Santa Fe, New Mexico 87505-2626  
Telephone (505) 983-8901  
[cleach@bwenergylaw.com](mailto:cleach@bwenergylaw.com)

COUNSEL FOR COG OPERATING LLC

*Case No. \_\_\_\_: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico.* Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. The Applicant proposes to directionally drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

**SENDER: COMPLETE THIS SECTION** **COMPLETE THIS SECTION ON DELIVERY**

- 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.

1. Article Addressed to:

First American Bank  
303 W. Main St.  
Artesia, NM 88210  
Attn: Thomas Mitchell

A. Signature  Agent  
 Addressee

*x Phillip Lawson*

B. Received by (Printed Name) C. Date of Delivery

*Phillip Lawson* *7-1-11*

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

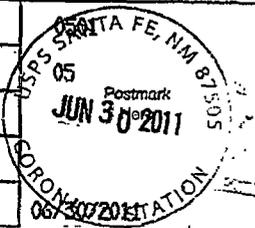
Delivery? (Extra Fee)  Yes

2. A *7772 9898 0000 0797 0702*  
(Transfer from service label)

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information, visit our website at [www.usps.com](http://www.usps.com)

**ARTESIA, NM 88210 OFFICIAL USE**

Postage	\$	\$0.64	
Certified Fee		\$2.85	
Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
<b>Total Postage &amp; Fees</b>	<b>\$</b>	<b>\$5.79</b>	

Sent To: First American Bank

Street, Apt. No., or PO Box No.: 303 W. Main St.

City, State, ZIP+4: Artesia, NM 88210

PS Form 3800, August 2008 Instructions

7010 1670 0000 8686 7111

**BEATTY & WOZNIAK, P.C.**

ATTORNEYS AT LAW  
126 E. DEVARGAS  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 842-1800  
FACSIMILE (505) 842-0043  
www.bwenergylaw.com

ALBUQUERQUE  
CASPER  
CHEYENNE  
DENVER  
SALT LAKE CITY  
SANTA FE

CAROL LEACH

June 30, 2011

Via Certified Mail  
Return Receipt Requested

Leland Price Inc.  
1511 Northgate Place  
Artesia, NM 88210

Attn: Betty A. Price

**Re: NMOC D Case No 14699: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Price:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.

Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

The Application is enclosed for your convenience.

This application will be set for hearing before a Division Hearing Examiner on August 4, 2010, beginning at 8:15 a.m. at the Porter Hall Hearing Room, New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department, 1220 South St, Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing. As an owner of an interest that may be affected by the outcome you may appear and present testimony and evidence in accord with OCD Rules. If you intend to present testimony or evidence, you must enter your appearance and serve the Division, counsel for COG, and other parties who have entered an appearance with a pre-hearing statement at least four business days before the scheduled hearing. The specific requirements for pre-hearing statements may be found in OCD Rule 19.15.4.13.

Very truly yours,

BEATTY & WOZNIAK, P.C.



Carol Leach  
Attorneys for COG Operating LLC

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

RECEIVED OCD  
2011 JUN 29 P 2:47

IN THE MATTER OF THE APPLICATION OF  
COG OPERATING LLC FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 14689

APPLICATION

COG OPERATING LLC (COG), by and through its counsel, Beatty & Wozniak, P.C., hereby makes application pursuant to the OCD Rules and NMSA 1978 Section 70-2-17 (1995) for an order providing the following:

Pooling all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E.

In support of the Application COG states:

1. COG owns certain working interests in and under the approximately 40-acre spacing unit in Section 36 as described above and has the right to drill there.
2. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.
3. COG does not have leases or agreements for voluntary pooling or farmouts from certain other interests owners in the above referenced depths below Unit G located as described above.
4. In order for COG to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and COG should be designated by the Oil Conservation Division as the operator of the well.
5. The pooling of mineral interests will provide the opportunity for COG to produce its just and fair share of the oil or gas, or both, avoid the drilling on unnecessary wells, protect correlative rights and prevent waste.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2011, or as it may be continued, before the OCD Hearing Examiners, or at a special hearing date to be

determined, and that after notice and hearing as required by law and OCD Rules, the Division enter its Order approving the pooling of the lands described above into one spacing or proration unit, including provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.



Carol Leach  
500 Don Gaspar Avenue  
Santa Fe, New Mexico 87505-2626  
Telephone (505) 983-8901  
[cleach@bwenergyllc.com](mailto:cleach@bwenergyllc.com)

COUNSEL FOR COG OPERATING LLC

**Case No. \_\_\_\_\_: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. The Applicant proposes to directionally drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

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  <input checked="" type="checkbox"/> <i>Jules Price</i>      <input type="checkbox"/> Agent  <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)  <i>JULES PRICE</i></p> <p>C. Date of Delivery</p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">Leland Price Inc.  1511 Northgate Place  Artesia, NM 88210</p> <p style="text-align: center;">Attn: Betty A. Price</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes  If Yes, print delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type  <input checked="" type="checkbox"/> Certified Mail      <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered      <input checked="" type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail      <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee)      <input type="checkbox"/> Yes</p>
<p>2. Article Number  (Transfer from service label)</p>	<p style="text-align: center;">E022 9898 0000 0297 0102</p>
<p>PS Form 3811, February 2004      Domestic Return Receipt      102595-02-M-1540</p>	

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information, visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage	\$ 0.64	0501 05 SANTA FE, NM 87501 Postmark Here JUN 30 2011 CORRADO STATION
Certified Fee	\$ 2.85	
Return Receipt Fee (Endorsement Required)	\$ 2.30	
Restricted Delivery Fee (Endorsement Required)	\$ 0.00	
Total Postage & Fees	\$ 5.79	

Sent To: Leland Price Inc.  
Street, Apt. No. or PO Box No.: 1511 Northgate Place  
City, State, ZIP+4: Artesia, NM 88210

PS Form 3800, Aug 2003      Attn: Betty A. Price      (see instructions)

7010 1670 0000 8686 7203

**BEATTY & WOZNIAK, P.C.**

ATTORNEYS AT LAW  
126 E. DE VARGAS  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 842-1800  
FACSIMILE (505) 842-0043  
www.bwenergylaw.com

ALBUQUERQUE  
CASPER  
CHEYENNE  
DENVER  
SALT LAKE CITY  
SANTA FE

CAROL LEACH

June 30, 2011

**Via Certified Mail**  
**Return Receipt Requested**

Leland Price Inc.  
1511 Northgate Place  
Artesia, NM 88210

Attn: Betty A. Price

**Re: NMOCD Case No 14700: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Price:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

The Application is enclosed for your convenience.

This application will be set for hearing before a Division Hearing Examiner on August 4, 2010, beginning at 8:15 a.m. at the Porter Hall Hearing Room, New Mexico Oil Conservation

Division of the Energy, Minerals and Natural Resources Department, 1220 South St, Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing. As an owner of an interest that may be affected by the outcome you may appear and present testimony and evidence in accord with OCD Rules. If you intend to present testimony or evidence, you must enter your appearance and serve the Division, counsel for COG, and other parties who have entered an appearance with a pre-hearing statement at least four business days before the scheduled hearing. The specific requirements for pre-hearing statements may be found in OCD Rule 19.15.4.13.

Very truly yours,

BEATTY & WOZNIAK, P.C.



Carol Leach

Attorneys for COG Operating LLC

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

**IN THE MATTER OF THE APPLICATION OF  
COG OPERATING LLC FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO**

CASE NO. ~~147100~~

RECEIVED OOD  
JUN 29 P 2 46

APPLICATION

COG OPERATING LLC (COG), by and through its counsel, Beatty & Wozniak, P.C., hereby makes application pursuant to the OCD Rules and NMSA 1978 Section 70-2-17 (1995) for an order providing the following:

Pooling all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E.

In support of the Application COG states:

1. COG owns certain working interests in and under the approximately 40-acre spacing unit in Section 36 as described above and has the right to drill there.
2. COG proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations.
3. COG does not have leases or agreements for voluntary pooling or farmouts from certain other interests owners in the above referenced depths below Unit F located as described above.
4. In order for COG to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and COG should be designated by the Oil Conservation Division as the operator of the well.
5. The pooling of mineral interests will provide the opportunity for COG to produce its just and fair share of the oil or gas, or both, avoid the drilling on unnecessary wells, protect correlative rights and prevent waste.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2011, or as it may be continued, before the OCD Hearing Examiners, or at a special hearing date to be determined, and that after notice and hearing as required by law and OCD Rules, the Division enter its Order approving the pooling of the lands described above into one spacing or proration

unit, including provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.



Carol Leach  
500 Don Gaspar Avenue  
Santa Fe, New Mexico 87505-2626  
Telephone (505) 983-8901  
[cleach@bwenergylaw.com](mailto:cleach@bwenergylaw.com)

COUNSEL FOR COG OPERATING LLC

**Case No. \_\_\_\_\_: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. The Applicant proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

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 <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>X <i>Betty A. Price</i></p> <p>B. Received by (Printed Name) C. Date of Delivery</p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">Leland Price Inc. 1511 Northgate Place Artesia, NM 88210</p> <p style="text-align: center;">Attn: Betty A. Price</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail</p> <p><input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from serial number)</p>	<p>7010 1670 0000 8686 7104</p> <p>PS Form 3811, February 2004 Domestic Mail Manual 102595-02-M-1540</p>

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at [www.usps.com](http://www.usps.com)

ARTESIA, NM 88210 **OFFICIAL USE**

Postage	\$	\$0.44
Certified Fee		\$2.85
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
<b>Total Postage &amp; Fees</b>	<b>\$</b>	<b>\$5.59</b>

0501  
U.S. SANTA FE, NM 87505  
Postmark  
**JUN 30 2011**  
CORRAL BLANCO STATION

Sent To: Leland Price Inc.  
Street, Apt. No., or PO Box No.: 1511 Northgate Place  
City, State, ZIP+4: Artesia, NM 88210

Attn: Betty A. Price

PS Form 3800, August 2008 (see for instructions)

7010 1670 0000 8686 7104

**BEATTY & WOZNAK, P.C.**

ATTORNEYS AT LAW  
126 E. DEVARGAS  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 842-1800  
FACSIMILE (505) 842-0043  
www.bwenergylaw.com

ALBUQUERQUE  
CASPER  
CHYENNE  
DENVER  
SALT LAKE CITY  
SANTA FE

CAROL LEACH

June 30, 2011

**Via Certified Mail**  
**Return Receipt Requested**

First American Bank  
303 W. Main St.  
Artesia, NM 88210  
Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust  
Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust  
Abbe Kanner  
Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust  
Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust  
Dr. John N. Bentwood  
Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

**Re: NMOCD Case No 14700: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico**

Dear Mr. Mitchell:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations. Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted

COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

The Application is enclosed for your convenience.

This application will be set for hearing before a Division Hearing Examiner on August 4, 2010, beginning at 8:15 a.m. at the Porter Hall Hearing Room, New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department, 1220 South St, Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing. As an owner of an interest that may be affected by the outcome you may appear and present testimony and evidence in accord with OCD Rules. If you intend to present testimony or evidence, you must enter your appearance and serve the Division, counsel for COG, and other parties who have entered an appearance with a pre-hearing statement at least four business days before the scheduled hearing. The specific requirements for pre-hearing statements may be found in OCD Rule 19.15.4.13.

Very truly yours,

BEATTY & WOZNIAK, P.C.



Carol Leach

Attorneys for COG Operating LLC

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF  
COG OPERATING LLC FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO**

CASE NO. 19100

RECEIVED OCD  
JUN 29 P 2:46

**APPLICATION**

COG OPERATING LLC (COG), by and through its counsel, Beatty & Wozniak, P.C., hereby makes application pursuant to the OCD Rules and NMSA 1978 Section 70-2-17 (1995) for an order providing the following:

Pooling all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E.

In support of the Application COG states:

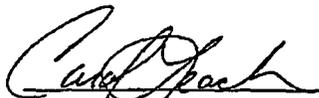
1. COG owns certain working interests in and under the approximately 40-acre spacing unit in Section 36 as described above and has the right to drill there.
2. COG proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinbry/Paddock Formations.
3. COG does not have leases or agreements for voluntary pooling or farmouts from certain other interests owners in the above referenced depths below Unit F located as described above.
4. In order for COG to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and COG should be designated by the Oil Conservation Division as the operator of the well.
5. The pooling of mineral interests will provide the opportunity for COG to produce its just and fair share of the oil or gas, or both, avoid the drilling on unnecessary wells, protect correlative rights and prevent waste.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2011, or as it may be continued, before the OCD Hearing Examiners, or at a special hearing date to be determined, and that after notice and hearing as required by law and OCD Rules, the Division enter its Order approving the pooling of the lands described above into one spacing or proration

unit, including provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.



Carol Leach  
500 Don Gaspar Avenue  
Santa Fe, New Mexico 87505-2626  
Telephone (505) 983-8901  
[cleach@bwenergylaw.com](mailto:cleach@bwenergylaw.com)

COUNSEL FOR COG OPERATING LLC

**Case No. \_\_\_\_\_: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. The Applicant proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

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 <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee  <i>x Phillip Lawson</i></p> <p>B. Received by (Printed Name) <i>Phillip Lawson</i> C. Date of Delivery <i>7-1-11</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No          If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">First American Bank          303 W. Main St.          Artesia, NM 88210          Attn: Thomas Mitchell</p>	<p>3. Service Type  <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input checked="" type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number          (Transfer from service label)</p>	<p>0122 9898 0000 0291 0102</p>
<p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>	

U.S. Postal Service <b>CERTIFIED MAIL RECEIPT</b> (Domestic Mail Only, No Insurance Coverage Provided)		
For delivery information, visit our website at <a href="http://www.usps.com">www.usps.com</a>		
ARTESIA, NM 88210 <b>OFFICIAL USE</b>		
Postage	\$ 0.64	0501
Certified Fee	\$2.85	05
Return Receipt Fee (Endorsement Required)	\$2.30	Postmark Here
Restricted Delivery Fee (Endorsement Required)	\$0.00	SANTA FE, NM 87
Total Postage & Fees	\$ 5.79	JUN 30 2011
Sent To	First American Bank	
Street, Apt. No., or PO Box No.	303 W. Main St. STATION	
City, State, ZIP+4	Artesia, NM 88210	
PS Form 3800, Aug	Attn: Thomas Mitchell	

7010 1670 0000 8686 7210

**BEATTY & WOZNIAK, P.C.**

ATTORNEYS AT LAW

500 DON GASPAR AVENUE  
SANTA FE, NEW MEXICO 87505-2626  
TELEPHONE (505) 983-8545  
FACSIMILE (505) 983-8547  
www.bwenergylaw.com

CASPER

CHEYENNE

DENVER

SALT LAKE CITY

SANTA FE

CAROL LEACH

DIRECT: (505) 983-8901

E-MAIL: CLEACH@BWENERGYLAW.COM

July 1, 2011

First American Bank

303 W. Main St.

Artesia, NM 88210

Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust

Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust

Abbe Kanner

Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust

Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust

Dr. John N. Bentwood

Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Dear Mr. Mitchell:

Yesterday this office sent you a certified letter and we mistakenly used letterhead with a former address for the firm. Should there be a need to contact this office, the address above is correct.

I regret any confusion this may have caused.

Sincerely,

  
Carol Leach

## BEATTY & WOZNAK, P.C.

---

ATTORNEYS AT LAW  
500 DON GASPAR AVENUE  
SANTA FE, NEW MEXICO 87505-2626  
TELEPHONE (505) 983-8545  
FACSIMILE (505) 983-8547  
www.bwenergylaw.com

CASPER  
CHEYENNE  
DENVER  
SALT LAKE CITY  
SANTA FE

CAROL LEACH

DIRECT: (505) 983-8901  
E-MAIL: CLEACH@BWENERGYLAW.COM

July 1, 2011

Leland Price Inc.  
1511 Northgate Place  
Artesia, NM 88210

Attn: Betty A. Price

Dear Ms. Price:

Yesterday this office sent you a certified letter and we mistakenly used letterhead with a former address for the firm. Should there be a need to contact this office, the address above is correct.

I regret any confusion this may have caused.

Sincerely,



Carol Leach