

New State Gas, LLC

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RECEIVED OCD

2012 JAN -5 P 12: 54

January 3, 2012

COG Operating, LLC
Attn: Mr. Stuart A. Dirks
550 West Texas, Suite 100
Midland, TX 79701

Re: Mineral Participation - Clydesdale 1 4H
Township 19 South, Range 25 East, NMPM
Section 01: SE1/4NE1/4, E1/2SE1/4
Eddy County, New Mexico
Containing 120.00 acres more or less

Dear Mr. Dirks:

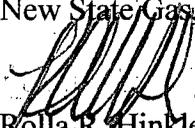
I have recently become aware of Oil Conservation Division compulsory pooling Case 14793 to be heard on January 19, 2012. This case is pooling the E1/2E1/2 of Section 1, Township 19 South, Range 25 East, NMPM..

My company, New State Gas, LLC is the owner of a 18/640ths (3.375 net acres) mineral interest in and under the above described lands and would like to receive a proposal from COG for the drilling of the Clydesdale "1" Fee Well No. 4H referenced in the Case 14793.

Please furnish a participation letter, copy of the JOA, copy of the AFE and any other materials to be reviewed for the above referenced well to the above address. We will review and respond in a timely manner.

Thank you and should you have any question, please feel free to contact me at the phone above or e-mail rhinkle@dfn.com.

Sincerely,
New State Gas, LLC


Rolla R. Hinkle III
Landman

cc. NMOCD

CASE 14791: Application of COG Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the E/2 W/2 of Section 1, Township 19 South, Range 25 East, NMPM, and (2) pooling all mineral interests in the Glorieta-Yeso formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Clydesdale "1" Fee Well No. 2H, to be horizontally drilled from a surface location 150 feet from the South line and 1700 feet from the West line (Unit N) to a bottom hole location 330 feet from the North line and 1700 feet from the West line (Unit C) of Section 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 17 miles North of Carlsbad, New Mexico.

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CASE 14794: Application of COG Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the W/2 W/2 of Section 31, Township 18 South, Range 26 East, NMPM, and (2) pooling all mineral interests in the Glorieta-Yeso formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Falabella "31" Fee Well No. 1H, to be horizontally drilled from a surface location 150 feet from the South line and 380 feet from the West line (Unit M) to a bottom hole location 330 feet from the North line and 380 feet from the West line (Unit D) of Section 31. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 17 miles North of Carlsbad, New Mexico.