

Summary of Communications
Owl Draw "23" DM Federal Com No. 2H

COG Operating, LLC

- 1) Mailed well proposal with AFE via certified mail dated 6-13-2013
- 2) Received green card signed by ???.
- 3) Emailed Lisa Winter well proposal by email dated 6-13-2013.
- 4) Talked with Lisa Winter several times via phone conversation.
- 5) Received executed AFE from Mollie McAuliffe by letter dated 8-26-2013.
- 6) Received email dated 8-27-2013 from Aaron Young requesting changes to the JOA.
- 7) Emailed Aaron Young 8-30-2013 regarding his proposed changes to the JOA.

Corexcal

- 1) Unable to find valid address.
- 2) Last seen in the chain of title in 1972.
- 3) I tried to find a lead by talking with the other mineral owners, internet searches, county searches and secretary of the state searches. Did not turn up any leads.

Petrorep Inc.

- 4) Unable to find valid address.
- 5) Last seen in the chain of title in 1972.
- 6) I tried to find a lead by talking with the other mineral owners, internet searches, county searches and secretary of the state searches. Did not turn up any leads.

Oil Conservation Division
Case No. 2
Exhibit No. 7

DWL Down 23 SM

SENDER: COMPLETE THIS SECTION

- 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:

**COG Operating LLC
600 W. Illinois Avenue
One Concho Center
Midland, Texas 79701
Attn: Ms. Lisa Winter**

2. Article Number
(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

[Signature]

☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

2/19/13

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.

4. Restricted Delivery? (Extra Fee) ☐ Yes

7013 0600 0002 0781 7880

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

June 13, 2013

Via Email lwinter@concho.com
and Certified Mail-Return Receipt No. 7880

COG Operating LLC
600 W. Illinois Avenue
One Concho Center
Midland, Texas 79701
Attn: Ms. Lisa Winter

Re: Owl Draw "23" DM Federal Com No. 2H
370' FSL & 1055' FWL (SL) (Section 14)
330' FSL & 500' FWL (BHL) (Section 23)
Section 23, T26S, R27E
Eddy County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company ("Mewbourne") as Operator hereby proposes to drill the captioned well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 7,642 feet subsurface to evaluate the Second Bone Spring Sand in the Bone Spring Formation for oil production. The proposed well will have a measured depth (MD) of approximately 12,700 feet. The W/2W/2 of the captioned Section 23 will be dedicated to the well as the oil proration unit.

Regarding the above, enclosed for your further handling is our AFE dated June 11, 2013 for the captioned proposed well. Also, enclosed is a copy of our proposed Operating Agreement dated June 1, 2013 and an extra set of signature pages. In the event COG elects to participate in the proposed well, please execute the enclosed AFE and extra set of signature pages and return to me within thirty (30) days.

Should you have any questions regarding the above, please email me at cmitchell@mewbourne.com or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY



Corey Mitchell
Landman



Owl Draw "23" DM Fed Com No. 2H Well Proposal
Corey Mitchell to: lwinter

06/13/2013 10:15 AM

Lisa,

Attached below for your further handling is our well proposal for the Owl Draw "23" DM Fed Com No. 2H. I have put the originals along with the JOA in the mail to your attention. Based on COG's Spotted Owl Fed Com No. 1H well proposal dated June 7, 2013, I do not think you have all the information regarding ownership. Chevron has assigned MOC 100% of the N/2NW/4 and joined in a W/2 JOA. Therefore, MOC actually has 41.09375% interest on a W/2 basis and 79.921875% interest committed under a W/2 JOA. At the very least, MOC has 57.1875% interest in the W/2W/2.

I hope this helps you out. Let me know if you have any questions. Thanks.



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Corey Mitchell
Land Department
Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701
Bus. (432) 682-3715
Fax (432) 685-4170



August 26, 2013

Mr. Corey Mitchell
Landman
Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland TX 79701

Re: Owl Draw 23 DM Fed Com #2H
Section 23, T26S, R27E, Eddy County NM

Dear Corey:

Enclosed please find the executed AFE and our Well Distribution Requirements, along with a letter declining insurance coverage as COG is self-insured. I have also enclosed the appropriate Certificates of Insurance for your files.

If you have any questions or need anything further, please do not hesitate to call me or Lisa.


Very truly yours,

A handwritten signature in cursive script that reads "Mollie McAuliffe".

Mollie McAuliffe
Land Coordinator

/mm
Enclosures



RE: Owl Draw "23" Prospect OA 
Corey Mitchell to: Aaron Young

08/30/2013 10:28 AM

Aaron,

All the other parties in the prospect have elected to form a W/2 working interest unit covering all depths. Our initial well is a Wolfcamp well whereby COG does not own any interest. This is why we have two separate JOAs, one covering all depths with all the other parties and one with COG only covering their limited depth interval. I don't foresee it being a problem to amend the Exhibit "A" to provide for a BPO/APO set of numbers for MOC, COG and Premier. I would like to add in the following language under Article XVI.: "Exhibit "A" may be amended from time to time to reflect changes in ownership and changes in the addresses of the parties upon Operator circulating a replacement Exhibit "A" reflecting an effective date of any such changes. Non-Operators shall have 30 days to submit corrections to any replacement Exhibit "A" circulated by Operator."

Also, we would like to leave the royalty burden at 25% as opposed to 22.5%. All the other parties are burdened by a 25% interest and the other JOA has 25% as the royalty burden. We would not be opposed to COG creating an ORI to itself to account for the 2.5% difference.

Given that all the other parties in the W/2 have joined in a working interest unit, we would like to keep the contract area as to the W/2. The working interest numbers will be extremely confused if COG is only in the W/2W/2 and everyone else has pooled their respective interest throughout the W/2. Also, this brings COG into a well they otherwise would not be in.

We are okay with your other requested revisions, being:

1. Adding the additional language under Article XVI regarding COG's election to go non-consent and the APO interest.
2. Change 65% to 85% under Article VI.D.
3. Strike Provision D under Article XVI.

Let me know you thoughts on the above. Thanks Aaron. Have a great weekend.

Corey Mitchell
Land Department
Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701
Bus. (432) 682-3715
Fax (432) 685-4170

Aaron Young	Corey, Could you explain to me why not all the p...	08/27/2013 02:48:22 PM
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From: Aaron Young <AYoung@concho.com>
To: Corey Mitchell <cmitchell@Mewbourne.com>
Date: 08/27/2013 02:48 PM
Subject: RE: Owl Draw "23" Prospect OA

Corey,

Could you explain to me why not all the parties are listed on the Ex A, just Mewbourne and COG? There are other partners correct? With that, COG's interest is carrying an election to backin for a 15% working interest at 100% payout, proportionately reduced, owned by Premier Oil & Gas. At that time, COG and

Premier are to enter into a previously agreed to form of OA, with COG as operator. To avoid having two operating agreements, we are discussing with Premier to have them be a non-operator to this OA, what are your thoughts on that matter? If Mewbourne and Premier is agreeable, I believe the Ex A will need to be revised to have a BPO and APO interest for the parties subject to Premier's election.

In addition, in review of the proposed Owl Draw 23 OA, here are the revisions I would like to see:

-Revise the Contract Area to W2W2 Sec 23, 20-29

Considering potential confusion around Premier's backin interest and how that would be affected assuming COG elects to go non-consent on subsequent operations with different penalties/payouts (100% payout for the backin, 300% non-consent penalty) I would recommend revising the Contract Area to the proration unit for the Owl Draw 23 DM Fed Com #2H. Although not a perfect system, it reduces the likelihood of potential subsequent operations. Let me know your thoughts, I am open to other ideas. I understand this will also affect the WI's on the Ex A.

-Add language to Art XVI that effectively states that should COG go non-consent in any subsequent operations, the participating parties bear the contractual obligation of Premier's 15% backin at 100% payout. We are working on language for an actual proposed provision attempting to settle this issue.

-Change the shared royalty burden in Art III B from 25% to 22.5%.

-Change the percentage in Art VI D Other Provisions and Art VI F Termination of Operations from 65% to 85% OR add language to read "written consent of two or more party or parties owning 65%..." and "without the consent of two or more parties bearing 65%..." With the high cost of these wells, COG would like the option for a potential say in operations, and this provides for a reasonable standard that is attainable.

-Strike Art XVI OTHER PROVISIONS D.

Those will be my recommendations. Assuming those changes are met, I think it should run fairly smoothly through, however final approval is subject to legal's review. Please let me know your thoughts.

Thanks,

Aaron Young
Landman
COG OPERATING LLC
One Concho Center
600 W. Illinios Avenue
Midland, Texas 79701
Phone: (432)221-0343
Fax: (432)221-0865

-----Original Message-----

From: Corey Mitchell [mailto:cmitchell@Mewbourne.com]
Sent: Monday, August 12, 2013 4:02 PM
To: Aaron Young
Subject: Re: Owl Draw "23" Prospect OA

Aaron,

I agree with your numbers. It looks like I just have a typo in the Exhibit "A" to the JOA. I believe the AFE I sent had the correct number. The 19.791667% interest is actually carried over from our proposal in Section 22/27. Attached below is a corrected page. Thanks for catching this error.
Have a great day.

Corey Mitchell
Land Department
Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701
Bus. (432) 682-3715
Fax (432) 685-4170

From: Aaron Young <AYoung@concho.com>
To: Corey Mitchell <cmitchell@Mewbourne.com>
Cc: Lisa Winter <lwinter@concho.com>
Date: 08/12/2013 03:12 PM
Subject: Owl Draw "23" Prospect OA

Corey,

Can you help us understand how you credited COG with 19.791667% WI in the W/2 of Section 23, T26S-R27E for the Owl Draw 23 Prospect? Here's what I am showing:

COG Working Interest:

SWNW: 50%, 20 net acres

NWSW: 100%, 40 net acres

Total: 60 net acres

60 net acres/320 gross acres= 18.750% WI

I don't have us owning any interest in the remaining contributed tracts. Any help you could give would be appreciated.

Thanks,

Aaron Young
Landman
COG OPERATING LLC
One Concho Center
600 W. Illinios Avenue
Midland, Texas 79701
Phone: (432)221-0343
Fax: (432)221-0865

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