

Email correspondence with Houston Kauffman

Oil Conservation Division
Case No. 15404+15405
Exhibit No. 10

Coley Means

From: Coley Means
Sent: Thursday, August 27, 2015 5:26 PM
To: 'Houston Kauffman'; David Rhodes
Subject: RE: Nosler #3

Houston,

The disclaimer at the outset is, as you note – our drilling plans are conditioned upon all of the uncertainty around price, cost, etc. So the discussion surrounding plans is very general.

Generally, we would want some voluntary commitment with the Ard interest. We would like to see Ard enter into a JOA covering all of the lands and depths released by COG. In the alternative, we would consider a term assignment (or perhaps outright assignment) of the Ard interest therein. This could include a reserved ORI and would need to be on reasonable terms. Absent a voluntary commitment along these lines, it will be necessary to compulsory pool the Ard interest as drilling goes along. We do not have any compulsory pooling plans / process in place today with respect to the Ard interest, and any further compulsory pooling would depend on what Mr. Ard wants to do with his interest

As far as the Nosler #3 is concerned, that well and proration unit was expressly reassigned to Ard and would be subject to the current JOA. We do not have any current plans to kick out of the existing wellbore of the Nosler 3 to add a lateral, but the well will be TA'ed so as to allow this at some point in the future.

A very brief overview of Burnett's drilling plans at Maljamar are as follows: we believe there are approximately 20 one mile HZ locations in the north three sections on the prospect (assuming current 160 acre spacing) including both Paddock and Blinebury wells. We have three APD's pending for HZ wells and subject to the disclaimer, would hope to drill those in the next couple years (part of the initial tranche of de-risking). A full development would be more robust, but the timing and pace thereof is too speculative to comment on today other than to say that is the ultimate plan. Currently, estimated completed well cost for similarly situated wells (Blinebury or Paddock) in the area is approximately \$4.0MM.

We do not have plans to date to drill the Partition 13 by the pooling order deadline.

I apologize if this is somewhat disjointed, but we are happy to visit with you further about this and answer any other questions at your convenience. Let us know a good time and we will set something up. Burnett remains open to working with Ard towards a mutually beneficial arrangement with respect to the interest.

Thanks,

COLEY MEANS
LANDMAN

BURNETT OIL CO., INC.
BURNETT PLAZA – SUITE 1500
801 CHERRY STREET – UNIT #9
FORT WORTH, TX 76102-6881
DIRECT: (817) 583-8761
FAX: (817) 332-7832
CMEANS@BURNETTOIL.COM

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

From: Houston Kauffman [mailto:houstonk@mac.com]
Sent: Tuesday, August 25, 2015 3:24 PM
To: David Rhodes
Cc: Coley Means
Subject: Re: Nosler #3

Thanks David. Look forward to meeting you both.

Houston Kauffman
817-312-6592 cell

> On Aug 25, 2015, at 1:10 PM, David Rhodes <dsrhodes@burnettoil.com> wrote:

>

> Good Afternoon Houston,

>

> I don't recall meeting you either which is hard to believe since we've both been landmen for longer than we care to remember!

>

> I'm going to ask our Land Manager, Coley Means, to respond to you and I've copied him on this email. We will get back to you sometime this week.

>

> Thanks,

>

> David

>

> DAVID S. RHODES

> VICE PRESIDENT – LAND

>

> BURNETT OIL CO., INC.

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> 801 CHERRY STREET – UNIT #9

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> OFFICE: (817) 583-8681

> FAX: (817) 332-7832

> DSRHODES@BURNETTOIL.COM

>

>

> -----Original Message-----

> From: Houston Kauffman [mailto:houstonk@mac.com]

> Sent: Tuesday, August 25, 2015 11:46 AM

> To: David Rhodes

> Subject: Nosler #3

>

> David,

>

> Thank you for offering Julian the opportunity to take an interest in the captioned well.

>

> I'm an old friend of Julian's and he has asked me and my wife to help him out with his oil and gas interests. As you may know, he is having some health issues. Charlotte and I are retired landmen, at least mostly retired. I don't recall having met you, but if we have I apologize in advance for my 60 year old memory loss.

>
> If you could elaborate a little more on how Burnett would like to include the Ard interests into its plans, it would be appreciated; i.e., how much acreage would be included in an O/A if Ard takes an interest in the Nosler #3, what are the estimated timing and costs for converting the Nosler #3 to a horizontal producer, what are your plans for additional drilling on the acreage that reverted to Ard from the old Concho term assignment, does Burnett plan to drill the Partition Federal #13 by the Oct. 31 pooling order deadline, does Burnett have any other anticipated compulsory pooling order plans, would Burnett consider maintaining the Ard's in an ORI position like to prior term assignment. I certainly realize that drilling plans and estimated costs are in flux right now with this price crash.

>
> Also, I'm working on verifying the reassignment tendered by Concho. I may have some questions about it.

>
> I am tied up all day today and traveling tomorrow. I will be available by phone Thursday and in a meeting all day Friday.

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> Thank you and look forward to visiting.

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> Houston Kauffman
> 817-312-6592 cell

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Coley Means

From: Coley Means
Sent: Tuesday, September 01, 2015 1:59 PM
To: 'Houston Kauffman'
Cc: David Rhodes
Subject: RE: Nosler #3

330pm CDT this afternoon works for us. Please call 650-285-5835 and use access code: 3385721.

Thanks,

COLEY MEANS
LANDMAN

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CMEANS@BURNETTOIL.COM

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

From: Houston Kauffman [mailto:houstonk@mac.com]
Sent: Tuesday, September 01, 2015 12:58 PM
To: Coley Means
Cc: David Rhodes
Subject: Re: Nosler #3

Sorry it's taken me a while to get back to you. I've not had a chance to get back to helping Julian out the last several days. I have a meeting starting in a few minutes and should be done by 3:30. Would you have time to get on the phone then? If not, my schedule is currently empty tomorrow.

On Aug 27, 2015, at 5:25 PM, Coley Means <cmeans@burnettoil.com> wrote:

> Houston,

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> Generally, we would want some voluntary commitment with the Ard interest. We would like to see Ard enter into a JOA covering all of the lands and depths released by COG. In the alternative, we would consider a term assignment (or perhaps outright assignment) of the Ard interest therein. This could include a reserved ORI and would need to be on reasonable terms. Absent a voluntary commitment along these lines, it will be necessary to compulsory pool the Ard interest as drilling goes along. We do not have any compulsory pooling plans / process in place today with respect to the Ard interest, and any further compulsory pooling would depend on what Mr. Ard wants to do with his interest

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Coley Means

From: Coley Means
Sent: Friday, September 25, 2015 8:57 AM
To: 'Houston Kauffman'
Cc: David Rhodes
Subject: RE: call this afternoon

Houston, AF&B is permanently closed...how about Papa's burgers (off 130 more or less between university and forest park) at noon?

Thanks,

COLEY MEANS
LAND MANAGER

BURNETT OIL CO., INC.
BURNETT PLAZA – SUITE 1500
801 CHERRY STREET – UNIT #9
FORT WORTH, TX 76102-6881
DIRECT: (817) 583-8761
FAX: (817) 332-7832
CMEANS@BURNETTOIL.COM

From: Houston Kauffman [mailto:houstonk@mac.com]
Sent: Thursday, September 24, 2015 5:52 PM
To: Coley Means
Cc: David Rhodes
Subject: Re: call this afternoon

Thanks. Lunch tmrw sounds good. How about AF&B at noon? Anything else is fine with me too

Sent from my iPhone

On Sep 24, 2015, at 2:47 PM, Coley Means <cmeans@burnettoil.com> wrote:

Houston,

Here is a copy of the JOA. We are available for lunch tomorrow or Monday or Thursday of next week, let us know if any of those work for you. Also, we will be sending a copy of this JOA to Mr. Ard.

Thanks,

COLEY MEANS
LAND MANAGER

BURNETT OIL CO., INC.
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CMEANS@BURNETTOIL.COM

From: Houston Kauffman [<mailto:houstonk@mac.com>]
Sent: Tuesday, September 22, 2015 12:04 PM
To: Coley Means
Subject: Re: call this afternoon

Coley,

Can you send me that Article 16 provision? I've got some thoughts but not sure what might work without seeing the language. Also, I'm not going to Houston this week and would like to buy lunch for you guys if you have time.

Houston
817-312-6592 cell

On Sep 21, 2015, at 3:51 PM, Houston Kauffman <houstonk@mac.com> wrote:

Yes, call when you can. Sorry I just saw this. I tied up all tomorrow morning.

Houston Kauffman
817-312-6592 cell

On Sep 21, 2015, at 2:07 PM, Coley Means <cmeans@burnettoil.com> wrote:

Houston,

Are you available this afternoon to talk?

Thanks,

COLEY MEANS
LAND MANAGER

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CMEANS@BURNETTOIL.COM

From: Houston Kauffman [<mailto:houstonk@mac.com>]
Sent: Friday, September 18, 2015 8:13 AM
To: David Rhodes
Cc: Coley Means
Subject: Re: call this afternoon

I'm fishing up in Wyoming. Appreciate the heads up that you guys are sending well proposals our way. Will get in touch Monday

Sent from my iPhone

On Sep 17, 2015, at 10:39 AM, David Rhodes <dsrhodes@burnettoil.com> wrote:

Coley and Houston. I've got a conflict at 1:30. Can we do it at 2:15? Thanks.
David

DAVID S. RHODES
VICE PRESIDENT - LAND

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FAX: (817) 332-7832
DSRHODES@BURNETTOIL.COM

From: Coley Means
Sent: Thursday, September 17, 2015 11:30 AM
To: Houston Kauffman (houstonk@mac.com)
Cc: David Rhodes
Subject: call this afternoon

Houston,

Do you have time this afternoon to have a quick call with us regarding Maljamar? Say 130pm?

Thanks,

COLEY MEANS
LANDMAN

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<JOA - 1-20-12 (final fully executed).pdf>

Coley Means

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Attachments: JOA - 1-20-12 (final fully executed).pdf

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On Sep 21, 2015, at 2:07 PM, Coley Means <cmeans@burnettoil.com> wrote:

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From: Houston Kauffman [<mailto:houstonk@mac.com>]
Sent: Friday, September 18, 2015 8:13 AM
To: David Rhodes
Cc: Coley Means
Subject: Re: call this afternoon

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Sent from my iPhone

On Sep 17, 2015, at 10:39 AM, David Rhodes <dsrhodes@burnettoil.com> wrote:

Coley and Houston. I've got a conflict at 1:30. Can we do it at 2:15? Thanks.
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Coley Means

From: Coley Means
Sent: Monday, September 21, 2015 6:00 PM
To: bob.grable@kellyhart.com
Cc: David Rhodes
Subject: COG - Ard question

Mr. Grable,

We talked to Houston Kauffman briefly this afternoon. He seems receptive to approaching COG about the Article 16.E provision regarding the Ard interest. Sometime soon we intend to send him the JOA (not sure if he or Ard has ever seen it). He made a comment that the provision potentially diminishes the value of Ard's interest (I guess insofar as he thinks Ards best deal is with us). Houston is not accusing or affirmatively stating that, but the question came up: do you think our contractual arrangement with COG subjects us to any legitimate liability to Ard? If you have time to consider and discuss tomorrow let us know.

Thanks,

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