

**From** Randy Howard <rhoward@nearburg.com> on behalf of Randy Howard  
**Sent** Tuesday January 20 2015 3 18 PM  
**To** Brent Sawyer  
**Cc** John Turro  
**Subject** FW: SRO correction term assignment  
**Attachments** SRO UNIT WELLS per DOTO.xlsx

Brent

If I understand the logic in the new DOTO Nearburg would have a 00362319 ORRI in any wells in the SRO State Exploratory Unit Operating Agreement proportionately reduced if the well path wasn't completely within Unit lands. Attached is my spreadsheet which uses the calculations of the new DOTO Nearburg's ORRI in each well is set out in the column highlighted in blue.

Please review and let me know if you agree.

Thanks

Randy Howard

Land Manager

Nearburg Producing Company

432 818 2914 (direct line)

432 599 0382 (cell)

From: Brent Sawyer [mailto:BSawyer@concho.com]  
Sent: Monday, January 19, 2015 4:17 PM  
To: Randy Howard  
Subject: RE: SRO correction term assignment

NMOCC CASE Nos 15441 15481 15482  
NEX SRO2 LLC AND SRO3 LLC  
Exhibit No 21  
February 28 2017

**SRO UNIT WELLS**

New		WELL						(1/4-1/6) x (320/7360) x (unit acs/total acs)	
T.O.	INT PD NEX	NO.	A/K/A	SEC, TSH, RNG	SPACING UNIT	total acs	in unit	0.00362319	DIFFERENCE
0.00362319	0.00321724	1H		S:4, T:26S, R:28E	N/2N/2 SEC 4-26S-28E	160	160	0.00362319	-0.0004059
0.00362319	0.00057089	2H		S:32, T:25S, R:28E	S/2S/2 SEC 32-25S-28E	160	40	0.00090580	-0.0003349
0.00362319	0.00207910	3H		S:18, T:26S, R:28E	N/2N/2 SEC 18-26S-28E	159.72	80	0.00181477	0.0002643
0.00362319	0.00103773	4H	105H	S:16, T:26S, R:28E	N/2N/2 SEC 16-26S-28E	160	40	0.00090580	0.0001319
0.00362319	0.00114178	5H	103H	S:8, T:26S, R:28E	S/2S/2 SEC 8-26S-28E	160	80	0.00181159	-0.0006698
0.00362319	0.00114178	6H		S:5, T:26S, R:28E	N/2N/2 SEC 5-26S-28E	160	80	0.00181159	-0.0006698
0.00362319	0.00114386	7H	104H	S:7, T:26S, R:28E	S/2S/2 SEC 7-26S-28E	159.71	80	0.00181488	-0.0006710
0.00362319	0.00207546	8H	111H	S:2, T:26S, R:28E	S/2S/2 SEC 2-26S-28E	160	80	0.00181159	0.0002639
0.00362319	0.00415092	9H		S:33, T:25S, R:28E	W/2W/2 SEC 33-25S-28E	160	160	0.00362319	0.0005277
0.00362319	0.00415090	10H		S:3, T:26S, R:28E	W/2W/2 SEC 3 & W/2NW/4 SEC 10-26S-28E	240	240	0.00362319	0.0005277
0.00362319	0.00207550	11H		S:34, T:25S, R:28E	W/2W/2 SEC 34-25S-28E	160	80	0.00181159	0.0002639
0.00362319	n/a	12H		S:32, T:25S, R:28E	E/2E/2 SEC 32-25S-28E	160	160	0.00362319	
0.00362319	0.00415092	13H		S:15, T:26S, R:28E	N/2N/2 SEC 15-26S-28E	160	160	0.00362319	0.0005277
0.00362319	0.00415092	14H		S:10, T:26S, R:28E	S/2S/2 SEC 10-26S-28E	160	160	0.00362319	0.0005277
0.00362319	0.00415092	15H	102H	S:17, T:26S, R:28E	N/2N/2 SEC 17-26S-28E	160	160	0.00362319	0.0005277
0.00362319	0.00362319	16H		S:20, T:26S, R:28E	W/2W/2 SEC 20-26S-28E	160	160	0.00362319	0.0000000
0.00362319	0.00415092	17H		S:9, T:26S, R:28E	N/2N/2 SEC 9-26S-28E	160	160	0.00362319	0.0005277
0.00362319	0.00415092	18H		S:17, T:26S, R:28E	E/2E/2 SEC 17 & 20-26S-28E	320	320	0.00362319	0.0005277
0.00362319	n/a	020H		S:3, T:26S, R:28E	E/2E/2 SEC 3 & E/2NE/4 SEC 10-26S-28E	240	240	0.00362319	
0.00362319	0.0041509	31H		S:4, T:26S, R:28E	SW/4NE/4,W/2SE/4 SEC 4 & W/2E/2 SEC 9-26S-28E	280	280	0.00362319	0.0005277
0.00362319	n/a	046H		S:5, T:26S, R:28E	W/2W/2 SEC 5-26S-28E	160	160	0.00362319	
0.00362319	n/a	048H		S:7, T:26S, R:28E	W/2E/2 SEC 7 & W/2E/2 SEC 18-26S-28E	320	320	0.00362319	
0.00362319	n/a	053H		S:16, T:26S, R:28E	E/2E/2 SEC 16-26S-28E	160	160	0.00362319	
0.00362319	n/a	58H		S:2, T:26S, R:28E	E/2W/2 SEC 2-26S-28E	160	160	0.00362319	
0.00362319	n/a	59H		S:2, T:26S, R:28E	W/2W/2 SEC 2-26S-28E	160	160	0.00362319	
0.00362319	n/a	061H		S:15, T:26S, R:28E	W/2E/2 SEC 15-26S-28E	160	160	0.00362319	
0.00362319	n/a	062H		S:15, T:26S, R:28E	E/2W/2 SEC 15-26S-28E	160	160	0.00362319	
0.00362319	n/a	63H		S:10, T:26S, R:28E	SW/4NW/4,W/2SW/4 SEC 10 & W/2W/2 SEC 15-26S-28E (stacked)	280	280	0.00362319	
0.00362319	n/a	64H		S:10, T:26S, R:28E	SW/4NW/4,W/2SW/4 SEC 10 & W/2W/2 SEC 15-26S-28E (stacked)	280	280	0.00362319	

no payment

1/6/15 - CORRECTED WELL DESC FOR 10H & 16H

NEX ORRI BY WELL



Randy

One of the phantom SRO opinions finally came in late last week I've not had a chance to review it in detail but requirement E on page 20 is the one we've been working on

Thanks

Brent

From: Randy Howard [mailto:rhoard@nearburg.com]  
Sent: Monday, January 19, 2015, 3:47 PM  
To: Brent Sawyer  
Cc: Linda Parker, John Turro  
Subject: RE: SRO correction term assignment

Thank you Brent. We'll get back to you on this shortly.



Randy

From: Brent Sawyer [mailto:BSawyer@concho.com]  
Sent: Monday, January 19, 2015, 3:40 PM  
To: Randy Howard  
Cc: Linda Parker, John Turro  
Subject: RE: SRO correction term assignment

Randy

I am terribly sorry for not getting this to you sooner. Attached is a scan of the letter that will be going in the mail today.

Heritage has been helping me with curative. I'll get them to stop asking you about this as I should have done before I tasked them.

Thanks

Brent

From Randy Howard [mailto:rhoward@nearburg.com]  
Sent Monday, January 19, 2015 2:07 PM  
To: Brent Sawyer  
Cc: Linda Parker, John Turro  
Subject: FW: SRO correction term assignment

Brent

You mentioned in a prior email that one of the Honey Graham wells had reached payout. You also mentioned you would be forwarding an official letter regarding same. Nearburg has now received a request from Heritage Land Services regarding this well, a copy of which is attached. We would like to respond to Heritage's request, but we are still awaiting an official letter from COG.

Kindly forward a letter to my attention regarding the recent payout of the Honey Graham well you referenced in your prior email so that we might make our election.

Thank you

Randy Howard

Land Manager

Nearburg Producing Company

432 818 2914 (direct line)

432 599 0382 (cell)



From Linda Parker  
Sent Monday January 19 2015 1 43 PM  
To Randy Howard  
Subject RE SRO correction term assignment

As we discussed attached is a copy of a letter received in the Dallas office last week from Heritage Land Services regarding title curative related to our Farmout covering the Honey Graham wells operated by COG I spoke to the Curative Title Agent with Heritage this morning and advised her that we had not yet received an official payout election notice and therefore could not respond to her request at this time

Please let me know if you hear or receive anything further from COG and when our election is finally made THX!!

From Randy Howard  
Sent Monday January 19 2015 12 55 PM  
To Linda Parker  
Subject FW SRO correction term assignment

Linda



In response to your voice mail regarding payout of one of the Honey Graham wells please see COG's email below I have never received official notice about this payout

Please let me know if you have any questions or comments

Thank you

Randy

From Brent Sawyer [mailto:BSawyer@concho.com]  
Sent Tuesday December 23 2014 3 15 PM  
To Randy Howard  
Cc Aaron Myers  
Subject RE SRO correction term assignment



Randy

Well another holiday is upon us already and we still need to straighten this all out. Let's get together again and nail it down? January 8th at 3pm?

Also we've got another well that has paid out that Nearburg has an option for a BIAP0. One of the 1.5 mile Honey Graham wells in sections 29+32 26S 28E. I'll be in the office next week Mon and Tues so I should be able to get the official letter in the mail then. It will have a 60 day election period per the farmout (attached) so there is no rush.

This Honey Graham farmout uses the same form as the Cluster State and Way South ones so I expect we will want to amend it to add the BIAP0 re-assignment form like we are on the others. I'll also try to do some research next week to see if I can find any other places this form got used so we can knock them all out at once.

Thanks

Brent

From: Randy Howard [mailto:rhoard@nearburg.com]  
Sent: Tuesday, November 25, 2014 3:30 PM  
To: Brent Sawyer  
Cc: Aaron Myers  
Subject: RE: SRO correction term assignment

Brent

It sounds like we are in agreement in that this is a mess that we are going to have to try to fix despite the fact that neither of us had anything to do with creating it. That said, I hope you have a Happy Thanksgiving as well. Let's touch base after the turkey's been put away and see if we can reach some sort of agreement that suits both sides.

Thanks again

Randy

From Brent Sawyer [mailto:BSawyer@concho.com]  
Sent Tuesday, November 25, 2014 3:22 PM  
To: Randy Howard  
Cc: Aaron Myers  
Subject: RE: SRO correction term assignment

Randy

I was thinking we could address this later, but I think you are correct and it would be better to address this issue now and stipulate, especially considering I think the JOA exhibit calculated the override incorrectly. It was an easy mistake to make and long story short:

When the unit was formed your ORR was calculated as

$(1/4 \times 1/6) \times (320/6424 \times 80592) = 0.00415092$  (shown on exhibit A to JOA)

However, I think it should have been

$(1/4 \times 1/6) \times (320/7360) = 0.00362319$

The first uses the net (6424) acres; the second is the gross (7360)

I realize this probably doesn't affect you, but contrary to the JOA Exhibit A, the term assignment was to Marbob, not to all parties proportionately. I can't find any evidence that any of the other parties consented to take their proportionate share of your term assigned interest, nor that Marbob even offered it. Since the pref right is struck from the JOA, this is going to be an interesting problem to untangle. The reason I mention it is that it's possible that we might want to add the other parties as grantors, but I don't think we will want to open that can of worms.

I'll get together with Aaron next week and hopefully we can get a plan together.

I hope you have a great Thanksgiving I know I m looking forward to a little vacation!

Thanks

Brent

From Randy Howard [mailto:rhoard@nearburg.com]  
Sent Tuesday November 25 2014 1 13 PM  
To Brent Sawyer  
Subject FW SRO correction term assignment

Brent

The way I read the Correction Term Assignment Nearburg would own an overriding royalty as allocated under the JOA However the JOA states Nearburg owns a 0 00415092 ORI in all wells Please confirm how COG plans to allocate per the JOA and not pay based on the interest set out therein We are not trying to complicate matters but feel we need to stipulate exactly what we own or will own after executing the Corr Term Asgmt

Thank you

Randy

From Brent Sawyer [mailto:BSawyer@concho.com]  
Sent Monday November 24 2014 7 40 AM  
To Randy Howard  
Subject RE SRO correction term assignment

Randy

Here you go!



Also seems I forgot to mention that the body of the form is the one you have seen before When we spoke in our meeting a few weeks ago you said it was ok

Thanks

Brent

From Randy Howard [mailto:rhoard@nearburg.com]  
Sent Friday November 21 2014 3 53 PM  
To Brent Sawyer  
Cc Aaron Myers  
Subject RE SRO correction term assignment

Brent

I am working on this but have hit a snag myself It appears Nearburg never received a copy of the SRO Unit Operating Agreement Is there any way you could have someone scan a copy and forward it to my attention?

Thank you

Randy Howard

Land Manager

Nearburg Producing Company

432 818 2914 (direct line)

432 599 0382 (cell)

From Brent Sawyer [mailto:BSawyer@concho.com]  
Sent Tuesday November 18 2014 11 32 AM  
To Randy Howard  
Cc Aaron Myers