



Brent Sawyer
 Wednesday, April 22, 2015 3:18 PM
To: Randy Howard (rhoward@nearburg.com)
Cc: Aaron Myers; John Turro (jturro@nearburg.com)
Subject: Friday meeting
Attachments: Agenda.docx; CA - SRO State Com #43H.pdf; CA - SRO State Com #44H.pdf

Randy:

I just finished putting together the attached list of the things we would like to discuss at our meeting on Friday.

One issue that we need to get resolved as soon as possible is the communitization agreements for the SRO 43H and 44H. I've also attached those for your review. As for the rest, I'll bring copies of all the farmout agreements, JOAs, term assignment and proposed correction, and probably put together a map or two.

Looking forward to seeing you Friday and getting all of this sorted.

Thanks

Brent Sawyer, RPL
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BEFORE THE OIL CONVERSATION COMMISSION
 Santa Fe, New Mexico
Exhibit No. 18
 Submitted by: COG OPERATING LLC
 Hearing Date: February 28, 2017

BEFORE THE OIL CONVERSATION DIVISION
 Santa Fe, New Mexico
Exhibit No. 18
 Submitted by: COG Operating LLC
 Hearing Date: May 4, 2016

1) **Comm. Agreements**

- a) SRO State Com #43H - W2W2 17-26S-28E, W2W2 20-26S-28E, spud 10/10/14
- b) SRO State Com #44H - E2W2 17-26S-28E, E2W2 20-26S-28E, spud 8/2/14

One of our regulatory employees who works in Santa Fe met with someone from the NMOCD who said that the Commissioner is very seriously considering suing the operators of several wells which have overdue comm. agreements. These two wells are some of the ones being considered, so it is crucial that we get these executed and approved as soon as possible.

2) **SRO**

- a) Correct term of assignment for W2 20-26S-28E:
 - 1) Correct term to the expiration of the SRO Unit Operating Agreement, instead of the SRO Unit Agreement.
 - 2) Correct assignees to include the other working interest owners, since contrary to what is said in the last page of the JOA's "Exhibit A-1", there was never an assignment into any of the other working interest partners.
 - 3) Exhibit A to assignment, well information requirements, needs review
- b) Discuss Nearburg SRO ORR
 - 1) After further internal review and discussion, this ORR should remain at 0.00415092 as stated in the last page of the JOA's "Exhibit A-1", regardless of how it may have been calculated. Proportionately reduced if a wellbore lies partially inside the SRO.

3) **Amend farmout agreements and their attached JOAs to compensate for wells that are not wholly within the contract area (longer than 1 mile).**

- a) This affects two farmout agreements:
 - 1) Way South/FUN State – E2 30-26S-28E, farmout dated 12/4/2009
 - 2) Honey Graham – lots 1,2,3,4, NW4NE4, N2W4 32-26S-28E, farmout dated 3/4/2010

4) **Discuss Nearburg Employee ORR in Cluster State wells**

- a) We have had incorrect title opinions issued, and consider that the employee ORR should not be proportionately reduced, but should be borne wholly by COG until Nearburg's BIAPO. After payout Nearburg should be burdened by said ORR proportionate to its back-in working interest.

ONLINE VERSION

**NM State Land Office
Oil, Gas, & Minerals Division**

**STATE/STATE OR
STATE/FEE**
Revised March 2007

COMMUNITIZATION AGREEMENT

ONLINE Version

KNOW ALL MEN BY THESE PRESENTS

STATE OF NEW MEXICO)
COUNTY OF EDDY)^{SS)}

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] is entered into as of **July 1, 2014**, by and between the parties subscribing ratifying or consenting hereto such parties hereinafter being referred to as "Parties hereto",

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec 19 10-53 New Mexico Statutes Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon jointly or severally with other oil & gas lessees of State Lands or oil and gas lessees or mineral owners of privately owned or fee lands for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable

WHEREAS the parties hereto own working royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes, and

WHEREAS said leases insofar as they cover the **Bone Spring** formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands, and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows

- 1 The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows

Township 26 South, Range 28 East, N M P M

Section 17 W/2 W/2

Section 20 W/2 W/2

Eddy County, New Mexico

Containing 320 00 acres, more or less It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands and would be in the public interest,

AND, for the purposes aforesaid the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production operation and conservation of the hydrocarbons in said formation beneath said lands

Attached hereto and made a part of this agreement for all purposes is Exhibit A showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area

- 2 The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area

- 3 Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary the payment of rentals under the terms of said leases shall not be affected by this agreement and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended

- 4 The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations

5 There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area, provided however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area

6 The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion continued operation or production as to each of the leases described in Exhibit "A" hereto

7 The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws This agreement shall be subject to all applicable Federal and State laws executive orders rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders rules and regulations

8 COG Operating LLC shall be the Operator of said communitized area and all matters of operation shall be determined and performed by COG Operating LLC

9 This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities, provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease, or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease) or in its primary or secondary term (if a ten-year lease), or is held by production from another well Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto This agreement shall not terminate upon cessation of production of communitized substances if within sixty (60) days thereafter reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of

such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement

10 Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico with any and all reports statements notices and well logs and records which may be required under the laws and regulations of the State of New Mexico

11 It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico

12 If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto

13 This agreement may be executed in any number of counterparts no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document

14 This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors administrators, successors and assigns

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written

OPERATOR

COG Operating LLC

BY _____

Mona D Ables
Vice President of Land

LESSEES OF RECORD

Yates Petroleum Corporation

By
Its

Nearburg Exploration Company, L L C

By
Its

ACKNOWLEDGEMENT

STATE OF TEXAS §
 § ss
COUNTY OF MIDLAND §

This instrument was acknowledged before me on _____, 2014, by
Mona D Ables, Vice President of Land of **COG Operating LLC**, a Delaware Limited Liability
Company, on behalf of same

My Commission Expires

Notary Public in and for the State of Texas

EXHIBIT "A"

Plat of communitized area covering 320 00 acres in Sections 17 & 20 of T26S R28E N M P M
Eddy County New Mexico

SRO State Com #43H

Tract 1 ● VO 7470 (Sec 17 W/2 W/2)			
			SEC 17
Tract 2 VO 7450-0001 (Sec 20 W/2 W/2)			SEC 20
●			

NOTE Show well location and tract numbers, show lots with acreage

EXHIBIT "B"

Attached to and made a part of that Communitization Agreement, dated **July 1, 2014** covering the W/2 W/2 of Section 17 and the W/2 W/2 of Section 20, Township 26 South Range 28 East, N M P M , Eddy County, New Mexico

OPERATOR of Communitized Area COG Operating LLC

DESCRIPTION OF LEASES COMMITTED

TRACT NO 1

Serial No of Lease V0 7470
Date of Lease July 1 2005
Lessor State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record Yates Petroleum Corporation
Description of Lands Committed Insofar and only insofar as lease covers Township 26 South, Range 28 East, N M P M Section 17 W/2 W/2 Eddy County, New Mexico
No of Acres 160 00

TRACT NO 2

Serial No of Lease V0-7450-0001
Date of Lease July 1 2005
Lessor State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record Nearburg Exploration Company, L L C
Description of Lands Committed Insofar and only insofar as lease covers Township 26 South, Range 28 East, N M P M Section 20 W/2 W/2 Eddy County, New Mexico
No of Acres 160 00

RECAPITULATION

Tract Number	Number of Acres Committed	Percentage of Interest In Communitized Area
No 1	160 00	50 000000%
No 2	<u>160 00</u>	<u>50 000000%</u>
	320 00	100 000000%

ONLINE VERSION

**NM State Land Office
Oil, Gas, & Minerals Division**

**STATE/STATE OR
STATE/FEE**
Revised March 2007

COMMUNITIZATION AGREEMENT

ONLINE Version

KNOW ALL MEN BY THESE PRESENTS

STATE OF NEW MEXICO)
COUNTY OF EDDY)^{SS)}

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] IS entered into as of **October 1, 2014**, by and between the parties subscribing ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto",

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec 19 10-53 New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof or well-spacing unit, pursuant to any order rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto marked Exhibit "A" and made a part hereof, for all purposes and

WHEREAS said leases insofar as they cover the **Bone Spring** formation (hereinafter referred to as "said formation) in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands and

WHEREAS the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows

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Section 17 E/2 W/2

Section 20 E/2 W/2

Eddy County, New Mexico

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5 There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area

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8 COG Operating LLC shall be the Operator of said communitized area and all matters of operation shall be determined and performed by COG Operating LLC

9 This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities, provided that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom and if either (a) a shut in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten year lease) or is held by production from another well Provided further however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an

abandonment of such operations as to any lease from the State of New Mexico included in this agreement

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12 If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto

13 This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments in writing specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document

14 This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs executors, administrators successors and assigns

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written

OPERATOR

COG Operating LLC

BY _____
Mona D Ables
Vice President of Land

ACKNOWLEDGEMENT

STATE OF TEXAS §
 § ss
COUNTY OF MIDLAND §

This instrument was acknowledged before me on _____, 2014, by Mona D Ables, Vice President of Land, of **COG Operating LLC** a Delaware Limited Liability Company on behalf of same

My Commission Expires

Notary Public in and for the State of Texas

LESSEES OF RECORD

Yates Petroleum Corporation

BY
ITS

Nearburg Exploration Company, L L C

BY
ITS

EXHIBIT "A"

Plat of communitized area covering 320 00 acres in the E/2 W/2 of Section 17 and the E/2 W/2 of Section 20 of T26S - R28E, N M P M Eddy County, New Mexico

SRO State Com #44H

	Tract 1 ● VO 7470 (Sec 17 E/2 W/2)		
			SEC 17
	Tract 2 VO 7450-0001 (Sec 20 E/2 W/2)		SEC 20
	●		

NOTE Show well location and tract numbers, show lots with acreage

EXHIBIT "B"

Attached to and made a part of that Communitization Agreement dated October 1 2014 covering the E/2 W/2 of Section 17 and the E/2 W/2 of Section 20, Township 26 South Range 28 East, N M P M Eddy County New Mexico

OPERATOR of Communitized Area COG Operating LLC

DESCRIPTION OF LEASES COMMITTED

TRACT NO 1

Serial No of Lease V0-7470
Date of Lease July 1, 2005
Lessor State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record Yates Petroleum Corporation
Description of Lands Committed
Insofar and only insofar as lease covers
Township 26 South, Range 28 East, N M P M
Section 17 E/2 W/2
Eddy County, New Mexico
No of Acres 160 00

TRACT NO 2

Serial No of Lease V0-7450-0001
Date of Lease July 1 2005
Lessor State of New Mexico acting by and through its Commissioner of Public Lands
Lessee of Record Nearburg Exploration Company L L C
Description of Lands Committed
Insofar and only insofar as lease covers
Township 26 South, Range 28 East, N M P M
Section 20 E/2 W/2
Eddy County New Mexico
No of Acres 160 00

RECAPITULATION

Tract Number	Number of Acres Committed	Percentage of Interest In Communitized Area
No 1	160 00	50 000000%
No 2	<u>160 00</u>	<u>50 000000%</u>
	320 00	100 000000%