

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



COG UP 2/29/37

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☐ NSL ☐ NSP ☐ SD

Hercules Federal Com 3H API#30-005-29050

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☒ PC ☒ OLS ☒ OLM

3 wells:
Hercules Fed. Com #1 H
30-005-27999
Hercules Fed Com #2 H
30-005-29049
Hercules Fed Com #3 H
30-005-29050

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

1/2 The Land is Fed.
1/2 The Land is State

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Netha Aaron
Print or Type Name

Signature

N. Aaron

Regulatory Analyst
Title

1/16/12
Date

oaaron@conchoresources.com
e-mail Address

OLM-58

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: COG Operating, LLC

OPERATOR ADDRESS: 550 West Texas Suite 100, Midland TX 79701

APPLICATION TYPE:

☐ Pool Commingling ☐ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☐ No If "Yes", please include the appropriate Order No. _____

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☐ Yes ☐ No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Wildcat; Abo, Wolfcamp					
Wildcat; Abo, Wolfcamp					

(2) Are any wells producing at top allowables? ☐ Yes ☒ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No.

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

(1) Pool Name and Code. Wildcat; Abo, Wolfcamp

(2) Is all production from same source of supply? ☒ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

(1) Is all production from same source of supply? ☒ Yes ☐ No

(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.

(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.

(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: N. Aaron

TITLE: Regulatory Analyst

DATE: 2/17/12

TYPE OR PRINT NAME Netha Aaron

TELEPHONE NO.: 432-818-2319

E-MAIL ADDRESS: naaron@conchoresources.com



January 16, 2012

COG Operating, LLC
Netha Aaron
550 W. Texas Ave., Suite 100
Midland, Texas 79701

RECEIVED OOD

2012 JAN 30 A 11:25

New Mexico Oil Conservation Division
Richard Ezeanyim
1220 S St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Ezeanyim,

COG Operating LLC respectfully requests approval for Surface Commingle on the following wells:

Hercules Federal Com 1H
Chaves County, NM
API # 30-005-27999
Communitization Agreement # NMNM-125711
Surface: 1980 FNL & 330 FWL Sec 15, T15S, R31E, Unit E
&
Hercules Federal Com 2H
Chavez County, NM
API #: 30-005-29049
Communitization Agreement # NMNM-124864
Surface: 660 FNL & 430 FWL Sec 15, T15S, R31E, Unit D

Hercules Federal Com 3H
Chavez County, NM
API# 30-005-29050
Communitization Agreement # NMNM-125999
Surface: 1980 FNL & 430 FWL
Sec 15, T15S, R31E, Unit L

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

The Hercules Federal Com 2H has a Communitization Agreement NMNM 124864. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

The Hercules Federal Com 3H has a Communitization Agreement NMNM 125999. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Please contact me at 432-818-2319 should you have any questions.

Sincerely,

COG Operating, LLC
Netha Aaron
Regulatory Analyst

Submit 1 Copy To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
October 13, 2009

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-005-29050
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Hercules Federal Com
8. Well Number 3H
9. OGRID Number 229137
10. Pool name or Wildcat Wildcat; Abo-Wolfcamp 97715
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 4400' GR

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	
2. Name of Operator COG Operating LLC	
3. Address of Operator 550 West Texas Ave, Suite 100, Midland, TX 79701	
4. Well Location Unit Letter <u>L</u> : 1980 feet from the <u>North</u> line and <u>430</u> feet from the <u>West</u> line Section <u>15</u> Township <u>15S</u> Range <u>31E</u> NMPM Chavez County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 4400' GR	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☐

OTHER: Surface Commingle ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

COG Operating LLC respectfully requests approval for Surface Commingle on the **Hercules Federal Com 1H, Communitization Agreement # NMNM-125711, Hercules Federal Com 2H, Communitization Agreement # NMNM-124864 and Hercules Federal Com 3H, Communitization Agreement # NMNM-125999.**

The Hercules Federal Com 1H has a Communitization Agreement NMNM 125771. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

The Hercules Federal Com 2H has a Communitization Agreement NMNM 124864. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

The Hercules Federal Com 3H has a Communitization Agreement NMNM 125999. This agreement comprises 160.00-acre well spacing unit. It involves 80 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land lease V0-8010.

Commingling will not reduce the value of the production.

I have attached proof of notice to all of our working interest owners, a diagram of our battery facility, and a map with lease boundaries showing all well and facility locations.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE N. Aaron TITLE Regulatory Analyst DATE 1/24/12

Type or print name _____ E-mail address: aaaron@concho PHONE: 432-818-2319

For State Use Only

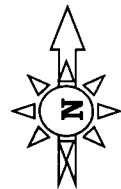
APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

COG OPERATING LLC

Site Security Plan is located at:
550 W. Texas Ave Ste. 100, Midland, Texas 79701
(432)-683-7443

January 17, 2012



Hercules Fed Com Battery

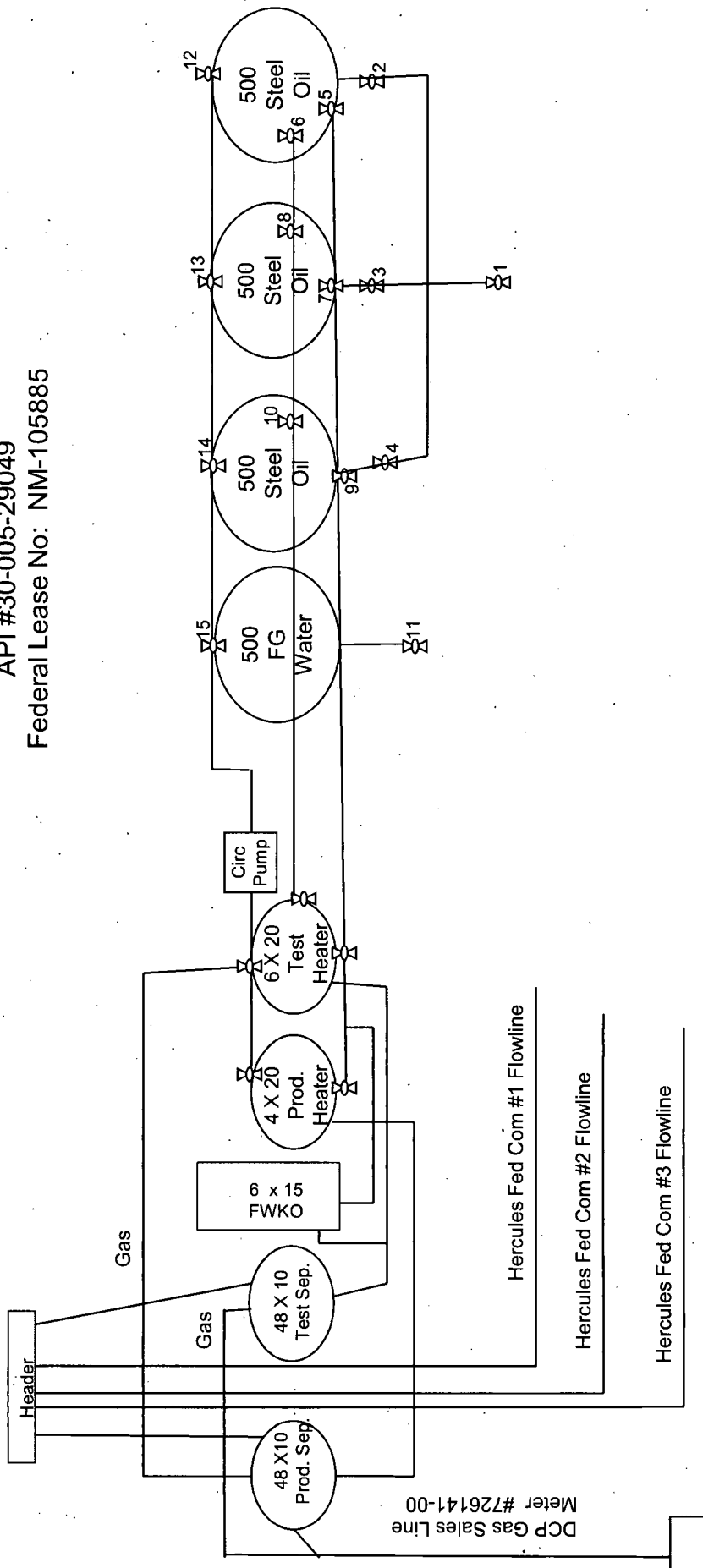
Hercules Fed Com #2H Well
Hercules Fed Com #1H Well
Hercules Fed Com #3H Well

660'FNL & 430' FWL * Sec15-T15S-R31E * Unit D

Chaves County, NM

API #30-005-29049

Federal Lease No: NM-105885



Sales Phase:

Valves #1,2,3 and 4 - Open
Valves #12,13,14,15 - Closed
Valves #5,6,7,8,9 and 10 - Open

Production Phase:

Valves #1,2,3,4,12,13,14,15 - Closed
Valves #5,6,7,8,9 and 10 - Open

DISTRICT I

1625 N. Fresno Dr., Hobbs, NM 88240

DISTRICT II

1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

1000 Rio Bronco Rd., Aztec, NM 87410

DISTRICT IV

1200 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102

Revised October 12, 2006

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-005-27999	Pool Code 97715	Pool Name Wildcat; Abo-Wolfcamp
Property Code 37347	Property Name HERCULES FEDERAL COM	Well Number 1H
OGRIID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 4405'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	15	15 S	31 E		1980	NORTH	330	WEST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	15	15 S	31 E		1923	NORTH	650	W EAST	CHAVES
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.	4945					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>SURFACE LOCATION LAT.: N 33°01'03.72" LONG.: W103°49'01.82" N.: 734381.3 E.: 689568.5 (NAD-83)</p> <p>BOTTOM HOLE LOCATION LAT.: N 33°01'03.87" LONG.: W103°48'07.25" N.: 734387.885 E.: 704200.263 (NAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>K. Carrillo</i> 12/20/10 Signature Date Kanicia Carrillo Printed Name</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>JULY 27 2007 Date Surveyed Signature of Professional Surveyor Professional Surveyor WAS No. 25871 Certificate No. Gary L. Jones 7977 BASIN SURVEYS</p>

RECEIVED

SEP 15 2010

HOBBSOCD

DISTRICT I

1825 N French Dr., Hobbs, NM 88240

DISTRICT II

1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-005-29049	Pool Code 6061597715	Pool Name Wildcat; Wolfcamp
Property Code 37347	Property Name HERCULES FEDERAL COM	Well Number 2H
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 4407'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	15	15 S	31 E		660	NORTH	430	WEST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	15	15 S	31 E		338	NORTH	338	WEST	CHAVES
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.	4490					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>4409.5' 4406.5'</p> <p>430'</p> <p>4406.7' 4403.7'</p> <p>S.L.</p> <p>SURFACE LOCATION LAT.: N 33°01'16.78" LONG.: W103°49'00.45" SPC- N.: 735381.591 E.: 699661.278 (NAD-83)</p>	<p>4528.0'</p> <p>338'</p> <p>B.H.</p> <p>BOTTOM HOLE LOCATION LAT.: N 33°01'16.95" LONG.: W103°48'07.27" SPC- N.: 735724.860 E.: 704187.620 (NAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>K.C.</i> 08/23/10 Signature Date Kanicia Carrillo Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>DECEMBER 11, 2007</p> <p>Date Surveyed Signature & Seal Professional Surveyor 7977 W. Gary L. Jones 2906 Certificate No. Gary L. Jones 7977 BASIN SURVEYS</p>
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RECEIVED
SEP 19 2008

AUG 25 2008

OCD-ARTESIA

Form C-102
Revised October 12, 2005

DISTRICT I
1826 N. French Dr. Hobbs, NM 88240
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

State of New Mexico
Energy, Minerals and Natural Resources Department

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 W. Grand Avenue, Hobbs, NM 88240
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-005-29050	Pool Code 60615	Pool Name TULK, WOLFCAMP, SW
Property Code	Property Name HERCULES FEDERAL COM	Well Number 3H
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 4400'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	15	15 S	31 E		1980	SOUTH	430	WEST	CHAVES

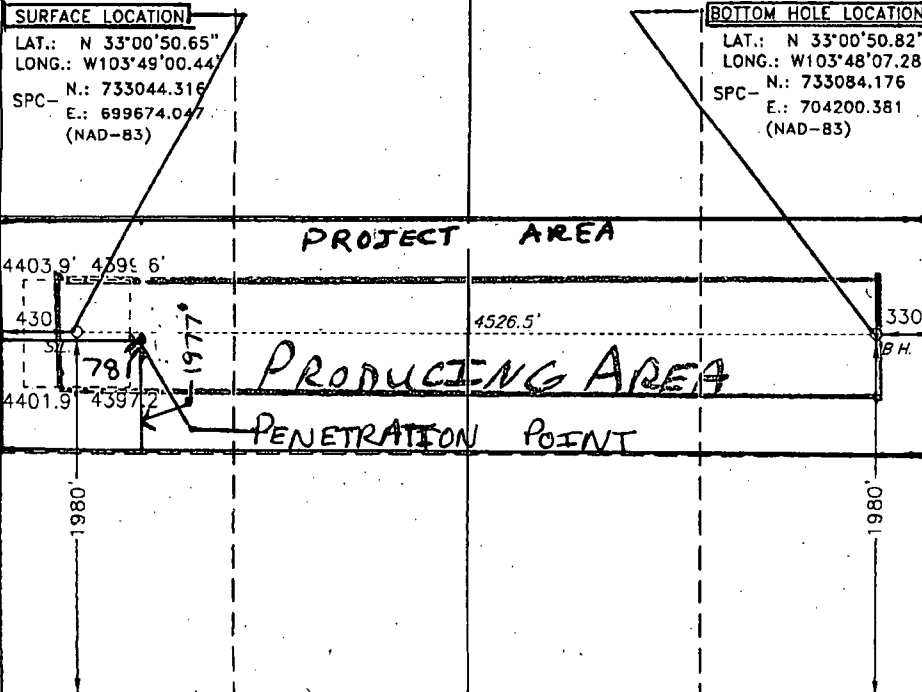
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	15	15 S	31 E		1980	SOUTH	330	EAST	CHAVES

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>SURFACE LOCATION</p> <p>LAT.: N 33°00'50.65" LONG.: W103°49'00.44" SPC- N.: 733044.316 E.: 699674.047 (NAD-83)</p>	<p>BOTTOM HOLE LOCATION</p> <p>LAT.: N 33°00'50.82" LONG.: W103°48'07.28" SPC- N.: 733084.176 E.: 704200.381 (NAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Phyllis A. Edwards</i> 8-22-08 Signature Date</p> <p>Phyllis A. Edwards Printed Name Regulatory Analyst</p>
		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief</p> <p>DECEMBER 11, 2007</p> <p>Date Surveyed</p> <p><i>Gary L. Jones</i> Signature Professional Surveyor Certificate No. 7977</p> <p>Basin Surveys</p>





January 16, 2012

Chesapeake Operating, Inc.
Attn: Robert Martin
6100 N. Western
Oklahoma City, OK 73118

Federal Expressed

Re: Request for Off Lease Measurement and Surface Commingle

Mr. Martin:

This letter will serve as notice under Rule 104.F (3) that COG Operating LLC has requested administrative approval from the Oil Conservation Division in Santa Fe, NM for Off Lease Measurement and Surface Commingle for the following wells:

Hercules Federal Com 1H
Chavez County, NM
API# 30-005-27999
Communitization Agreement # NMNM-125711
Surface: 1980 FNL & 330 FWL
Sec 15, T15S, R31E, Unit E

Hercules Federal Com 2H
Chavez County, NM
API #: 30-005-29049
Communitization Agreement # NMNM-124864
Surface: 660 FNL & 430 FWL
Sec 15, T15S, R31E, Unit D

Hercules Federal Com 3H
Chavez County, NM
API# 30-005-29050
Communitization Agreement # NMNM-125999
Surface: 1980 FNL & 430 FWL
Sec 15, T15S, R31E, Unit L

The battery is located on COG Operating, LLC property, Hercules Federal Com #2H, Sec 15, T15S, R31E, Unit E.

Should your company have any objection, it must be filed in writing within twenty (20) days from the date of this notice. The Division Director may approve the Off Lease Measurement and Surface Commingle if no objection has been made within the 20 days after the application has been received.

Sincerely,

COG Operating LLC
Netha Aaron
Regulatory Analyst



**Shipment Receipt
Address Information**

Ship to:

Robert Martin
Chesapeake Operating, Inc.
6100 North Western Ave.

Ship from:

Netha Aaron
COG OPERATING LLC
550 W. Texas Ave., Ste. 100

Oklahoma City, OK

73118

US

0000000000

Midland, TX

79701

US

4328182319

Shipping Information

Tracking number: 793123274340

Ship date: 01/17/2012

Estimated shipping charges: 15.63

Package Information

Service type: Priority Overnight

Package type: FedEx Envelope

Number of packages: 1

Total weight: 1LBS

Declared value: 0.00USD

Special Services:

Pickup/Drop-off: Drop off package at FedEx location

Billing Information

Bill transportation to: MyAccount-448

Your reference: Hercules Fed Com 3H OLM/OLS

P.O. no.:

Invoice no.:

Department no.:

Thank you for shipping online with FedEx ShipManager at fedex.com.

Please Note

FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$500, e.g., jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits; Consult the applicable FedEx Service Guide for details. The estimated shipping charge may be different than the actual charges for your shipment. Differences may occur based on actual weight, dimensions, and other factors. Consult the applicable [FedEx Service Guide](#) or the FedEx Rate Sheets for details on how shipping charges are calculated.

Netha Aaron

From: trackingupdates@fedex.com
Sent: Wednesday, January 18, 2012 10:01 AM
To: Netha Aaron
Subject: FedEx Shipment 793123274340 Delivered

This tracking update has been requested by:

Company Name: COG OPERATING LLC
Name: Netha Aaron
E-mail: oaaron@conchoresources.com

Our records indicate that the following shipment has been delivered:

Reference: Hercules Fed Com 3H OLM/OLS
Ship (P/U) date: Jan 17, 2012
Delivery date: Jan 18, 2012 9:46 AM
Sign for by: B.SPENCER
Delivery location: Oklahoma City, OK
Delivered to: Mailroom
Service type: FedEx Priority Overnight
Packaging type: FedEx Envelope
Number of pieces: 1
Weight: 0.50 lb.
Special handling/Services: Deliver Weekday
Tracking number: 793123274340

Shipper Information	Recipient Information
Netha Aaron	Robert Martin
COG OPERATING LLC	Chesapeake Operating, Inc.
550 W. Texas Ave., Ste. 100	6100 North Western Ave.
Midland	Oklahoma City
TX	OK
US	US
79701	73118

Please do not respond to this message. This email was sent from an unattended mailbox. This report was generated at approximately 10:01 AM CST on 01/18/2012.

To learn more about FedEx Express, please visit our website at fedex.com.

All weights are estimated.

To track the latest status of your shipment, click on the tracking number above, or visit us at fedex.com.

Affidavit of Fact


STATE OF TEXAS §

COUNTY OF MIDLAND §

Affiant on oath swears that the following statements are true:

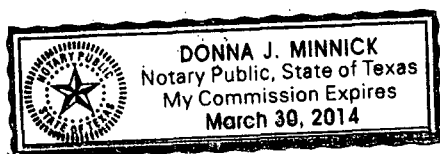
My name is Spencer Davis Armour. I am a Landman for COG Operating LLC. I am familiar with the ownership of the Hercules Federal Com 1H (API 30-005-27999), Hercules Federal Com 2H (API 30-005-29049), Hercules Federal Com 3H (API 30-005-29050) all of which are situated in Section 15, Township 15 South, Range 31 East, Chavez County, New Mexico. I hereby confirm that the working interests and royalty interest in these wells are common.

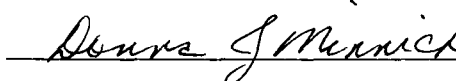
Affiant



Spencer Davis Armour

SUBSCRIBED AND SWORN TO before me on the 20 day of January, 2012.





Notary Public, State of Texas

STATE OF TEXAS §

COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 20 day of January, 2012, by Spencer Davis Armour, Notary Public for the State of Texas.

Notary Public, State of Texas

NM State Land Office
Oil, Gas, & Minerals Division

STATE/FEDERAL OR
STATE/FEDERAL/FEE
Revised March 2003

COMMUNITIZATION AGREEMENT

Contract No. 114-125999

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

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 parties hereto as follows:

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

Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2S/2
Chaves County, New Mexico
Containing 160 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. 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 leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof; but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, 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 such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is December 1, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted 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 capability of 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.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. 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 instrument, 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: _____

Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

JP
12/14

Lessee of Record:

Chesapeake Exploration, L.L.C.

By: _____

Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. 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 instrument, 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: _____

Gregory K. Daggett
Attorney-in-Fact

JP me

Lessee of Record:

Chesapeake Exploration, L.L.C.
an Oklahoma limited liability company

By: _____

Henry J. Hood
Senior Vice President - Land and Legal
& General Counsel

CHM
CAB
DB

ACKNOWLEDGEMENTS

STATE OF TEXAS)

COUNTY OF MIDLAND)

This instrument was acknowledged before me on November 15, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)

COUNTY OF)

This instrument was acknowledged before me on _____, 2010, by Henry J. Hood, Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., a _____ corporation, on behalf of said corporation.

Notary Public

ACKNOWLEDGEMENTS

BK 676 PG 887

STATE OF TEXAS)
)
 COUNTY OF MIDLAND)

This instrument was acknowledged before me on November 15, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
 Notary Public

STATE OF OKLAHOMA)
)
 COUNTY OF OKLAHOMA)

This instrument was acknowledged before me on November 18, 2010, by Henry J. Hood, Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability corporation, on behalf of said corporation.



Teresa K. Long
 Notary Public

EXHIBIT A

To Communitization Agreement dated November 1, 2010, embracing
the N/2S/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M.,
Chaves County, New Mexico

Tract 1 NMNM-105885 ● Hercules Fed Com #3H SHL: 1980' FSL & 430' FWL		Tract 2 VO-8010 ● BHL: 1980' FSL & 330' FEL	

EXHIBIT B

To Communitization Agreement dated November 1, 2010, embracing
the N/2S/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico

Operator of Communitized Area: COG Operating LLC

DESCRIPTION OF LEASES COMMITTED**TRACT NO. 1**

Lease Serial No.: NMNM-105885

Lease Date: March 1, 2001

Lease Term: 10 years

Lessor: USA Bureau of Land Management

Original Lessee: Chalfant Properties, Inc.

Present Lessee: COG Oil & Gas LP
Chesapeake Exploration LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2SW/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/8th

Name and Percent ORRI Owners: Harvey E. Yates Company 2.50%

Name and Percent WI Owners: COG Oil & Gas LP 50.00%
Chesapeake Exploration LP 50.00%
100.00%

TRACT NO. 2

Lease Serial No.: V0-8010

Lease Date: May 1, 2007

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: COG Oil & Gas LP

Present Lessee: COG Oil & Gas LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2SE/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners: None

Name and Percent WI Owners: COG Oil & Gas LP 100%

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No.1	80.00	50.00%
Tract No.2	<u>80.00</u>	<u>50.00%</u>
Total	160.00	100.00%

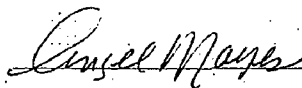
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

B. Approve the attached communitization agreement covering the N $\frac{1}{2}$ S $\frac{1}{2}$ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico, as to oil, natural gas, and associated hydrocarbons producible from the Abo and Wolfcamp Formations. This approval will become invalid if the public interest requirements under section 3105.23(e) are not met.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: February 3, 2011



Authorized Officer

Effective: December 1, 2010

Contract No.: Com. Agr. NMNM125999

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

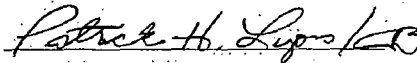
COG Operating LLC
 Hercules Federal Com Well No. 3
 Chaves County, New Mexico
 N2S2, Section 15, Township 15 South, Range 31 East
 Abo & Wolfcamp

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico, for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated December 1, 2010 which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 27th day of December, 2010.



COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico

RATIFICATION AND JOINDER OF COMMUNITIZATION AGREEMENT

The undersigned party has received a true copy of Communitization Agreement dated December 1, 2010, which communitizes the production of gas and associated liquid hydrocarbons produced from the Abo and Wolfcamp formation underlying the N/2S/2 of Section 15, T-15-S, R-31-E, N.M.P.M., Chaves County, New Mexico.

The undersigned party is an Overriding Royalty Interest Owner in one or more of the tracts comprising the communitized area.

The undersigned party desires to adopt, ratify and become a party to the Communitization Agreement and commit to the Communitization Agreement all interest owned or controlled by such party in the communitized area.

NOW, THEREFORE, by the execution hereof, the undersigned party hereby becomes a party to the Communitization Agreement and agrees to be bound by the terms thereof as if such party had signed the original thereof.

This ratification and joinder shall be binding upon the undersigned, their heirs, devisees, assigns or successors in interest.

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 instrument, 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.

EXECUTED THIS 23rd day of December, 2010.

HARVEY E. YATES COMPANY

By: [Signature]

Name: Arlene T. Rowland

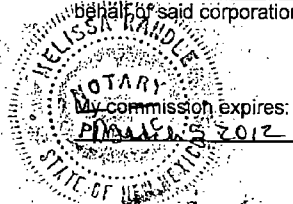
Title: Vice President

STATE OF NEW MEXICO

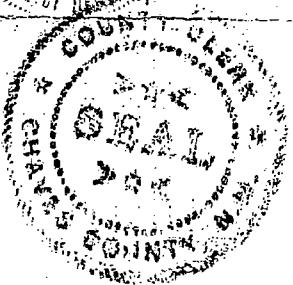
COUNTY OF CHAVES

§
§
§

The foregoing instrument was acknowledged before me this 23rd day of December, 2010, by Arlene T. Rowland, as Vice President of Harvey E. Yates Company, a New Mexico corporation, on behalf of said corporation.



[Signature]
Notary Public



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD MAR 23, 2011 AT 12:54 O'CLOCK PM
Receipt Number: 336759 Fee: \$34.00
Book 00676 Page 00881 Pages 13
To Whom Returned: COG OPERATING LLC
FASKEN CENTER TOWER II
550 W TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By [Signature] Deputy

NM State Land Office
Oil, Gas, & Minerals Division

STATE/FEDERAL OR
STATE/FEDERAL/FEE

Revised March 2003

COMMUNITIZATION AGREEMENT

Contract No. MM-125711

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

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 parties hereto as follows:

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

Township 15 South, Range 31 East, N.M.P.M.

Section 15: S/2N/2

Chaves County, New Mexico

Containing 160 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. 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 leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, 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 such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is August 15, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted 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 capability of 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.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. 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 instrument, 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

Chesapeake Exploration, L.L.C.

By: _____
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. 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 instrument, 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact *GKD* *no*

Lessee of Record:

Chesapeake Exploration, L.L.C.

By: Henry J. Hood
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel *S2* *CB* *W*

ACKNOWLEDGEMENTS

STATE OF TEXAS)

COUNTY OF MIDLAND)

This instrument was acknowledged before me on Sept 22, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)

COUNTY OF)

This instrument was acknowledged before me on _____, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., a _____ corporation, on behalf of said corporation.

Notary Public

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
 COUNTY OF MIDLAND)

This instrument was acknowledged before me on Sept 22, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
 Notary Public

STATE OF)
)
 COUNTY OF)

This instrument was acknowledged before me on September 27, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability ^{company} corporation, on behalf of said ^{company} corporation.



Teresa K. Long
 Notary Public

EXHIBIT A

To Communitization Agreement dated August 15, 2010, embracing
the S/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M.,
Chaves County, New Mexico

<p>Tract 1 NMNM-105885</p> <p>●</p> <p>Hercules Fed Com #1H SHL: 1980' FNL & 330' FWL</p>		<p>Tract 2 VO-8010</p> <p>●</p> <p>BHL: 1980' FNL & 330' FEL</p>	

EXHIBIT B

To Communitization Agreement dated August 15, 2010, embracing
the S/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico

Operator of Communitized Area: COG Operating LLC

DESCRIPTION OF LEASES COMMITTED**TRACT NO. 1**

Lease Serial No.: NMNM-105885

Lease Date: March 1, 2001

Lease Term: 10 years

Lessor: USA Bureau of Land Management

Original Lessee: Chalfant Properties, Inc.

Present Lessee: COG Oil & Gas LP
Chesapeake Exploration LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: S/2NW/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/8th

Name and Percent ORRI Owners: Harvey E. Yates Company 2.50%

Name and Percent WI Owners: COG Oil & Gas LP 50.00%
Chesapeake Exploration LP 50.00%
100.00%

TRACT NO. 2

Lease Serial No.: V0-8010

Lease Date: May 1, 2007

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: COG Oil & Gas LP

Present Lessee: COG Oil & Gas LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: S/2NE/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners: None

Name and Percent WI Owners: COG Oil & Gas LP 100%

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No.1	80.00	50.00%
Tract No.2	<u>80.00</u>	<u>50.00%</u>
Total	160.00	100.00%

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

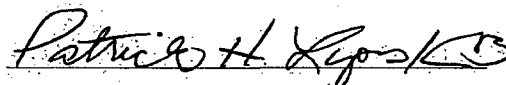
COG Operating LLC
Hercules Federal Com Well No. 1
Chaves County, New Mexico
S2N2, Section 15, Township 15 South, Range 31 East
Abo & Wolfcamp

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **August 15, 2010** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **22nd day of October, 2010**.



COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov

BK 673 PG 382



IN REPLY REFER TO:
NM-NM-125771
3105.2 (PNM0130)

NOV 22 2010

RETURN RECEIPT REQUESTED
CERTIFIED MAIL— 7006 3450 0001 4285 4689

Concho
Attn: Laura Reyna
550 West Texas Ave, Suite 100
Midland, TX 79701

Dear Ms. Reyna:

Enclosed is one approved copy of Communitization Agreement NMNM125771 involving 80.00 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land in Chaves County, New Mexico. The Communitization Agreement comprises a 160.00-acre well spacing unit.

This agreement communitizes all rights as to oil, natural gas and associated hydrocarbons producible from the Abo and Wolfcamp Formations from the S½N½ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico. This Communitization Agreement is effective August 15, 2010. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call Al Collar, geologist, at (575) 627-0272.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Angel Mayes
Assistant Field Manager,
Lands and Minerals

1 Enclosure:
1 Communitization Agreement

cc:

MMS, Denver MS 357B-1, Antoinette Contreras, Stacey Kaiser (copy of Exhibits A & B)

NM Taxation & Revenue Dept. (Copy of CA)

Revenue Processing Division - Attention: Manuelita Martinez

P. O. Box 2308

Santa Fe, NM 87504

New Mexico State Lands Office

Oil, Gas, and Minerals Division

P.O. Box 1148

Santa Fe, NM 87504-1148

LLNMP01300, Com Agreement file NM-125771

LLNMP01300, Lease File NM-105885

LLNMP09210

NMP0130:Acollar:ac:7/27/2009:575-627-0272:CA NM125711 approval letter

Determination Approval Certification

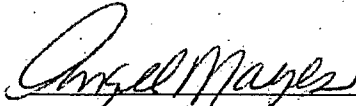
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the wellspacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

B. Approve the attached communitization agreement covering the S½N½ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico, as to oil, natural gas, and associated hydrocarbons producible from the Abo and Wolfcamp Formations. This approval will become invalid if the public interest requirements under section 3105.23(e) are not met.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: November 17, 2010


Authorized Officer


Effective: August 15, 2010

Contract No.: Com. Agr. NMNM125771



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD JAN 12, 2011 AT 11:26 O'CLOCK AM
Receipt Number: 334700 Fee: \$35.50
Book 00673 Page 00371 Pages 14
To Whom Returned: COG OPERATING LLC
LAURA REYNA
550 WEST TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By  Deputy

RATIFICATION AND JOINDER OF COMMUNITIZATION AGREEMENT

The undersigned party has received a true copy of Communitization Agreement dated August 15, 2010, which communitizes the production of gas and associated liquid hydrocarbons produced from the Abo and Wolfcamp formation underlying the S/2N/2 of Section 15, T-15-S, R-31-E, N.M.P.M., Chaves County, New Mexico.

The undersigned party is an Overriding Royalty Interest Owner in one or more of the tracts comprising the communitized area.

The undersigned party desires to adopt, ratify and become a party to the Communitization Agreement and commit to the Communitization Agreement all interest owned or controlled by such party in the communitized area.

NOW, THEREFORE, by the execution hereof, the undersigned party hereby becomes a party to the Communitization Agreement and agrees to be bound by the terms thereof as if such party had signed the original thereof.

This ratification and joinder shall be binding upon the undersigned, their heirs, devisees, assigns or successors in interest.

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 instrument, 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.

EXECUTED THIS 30th day of September, 2010.

HARVEY E. YATES COMPANY

By: [Signature]
Name: Arlene T. Rowland
Title: Vice President

STATE OF NEW MEXICO
COUNTY OF CHAVES

§
§
§

The foregoing instrument was acknowledged before me this 30th day of September, 2010, by Arlene T. Rowland as Vice President of Harvey E. Yates Company, a New Mexico corporation, on behalf of said corporation.



[Signature]
Notary Public



STATE OF NEW MEXICO, COUNTY OF CHAVES
FILE FOR RECORD JAN 12, 2011 AT 11:26 O'CLOCK AM
Receipt Number: 334700 Fee: \$9.00
Book 00673 Page 00385 Pages 1
To Whom Returned: COG OPERATING LLC
LAURA REYNA
550 WEST TEXAS AVE STE 100
MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By: [Signature] Deputy

NEW MEXICO STATE LAND OFFICE**CERTIFICATE OF APPROVAL****COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

COG Operating LLC
Hercules Federal Com Well No. 2
Chaves County, New Mexico
N2N2, Section 15, Township 15 South, Range 31 East
Abo & Wolfcamp

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated April 1, 2010 which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 7th day of June, 2010.

Patrick H. Lyon

COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov

BK 667 PG 689



IN REPLY REFER TO:
NM-NM-124864
3105.2 (PNM0130)

AUG 11 2010

RETURN RECEIPT REQUESTED
CERTIFIED MAIL— 7008-1830-0002-6036-2642

Concho
Attn: Laura Reyna
550 West Texas Ave, Suite 100
Midland, TX 79701

Dear Ms. Reyna:

Enclosed is one approved copy of Communitization Agreement NMNM124864 involving 80.00 acres of Federal land in oil and gas lease NM-105885 and 80.00 acres of State land in Chaves County, New Mexico. The Communitization Agreement comprises a 160.00-acre well spacing unit.

This agreement communitizes all rights as to oil, natural gas and associated hydrocarbons producible from the Abo and Wolfcamp Formations from the N½N½ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico. This Communitization Agreement is effective April 1, 2010. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Any production royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Minerals Management Service at 1-800-525-9167 or 303-231-3504. If you have any questions regarding this approval, please call Al Collar, geologist, at (575) 627-0272.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

Angel Mayes
Assistant Field Manager,
Lands and Minerals

1 Enclosure:
1 Communitization Agreement

BK 667 PG 690

cc:

MMS, Denver MS 357B-1, Antoinette Contreras, Stacey Kaiser (copy of Exhibits A & B)

NM Taxation & Revenue Dept. (Copy of CA)
Revenue Processing Division - Attention: Manuelita Martinez
P. O. Box 2308
Santa Fe, NM 87504

New Mexico State Lands Office
Oil, Gas, and Minerals Division
P.O. Box 1148
Santa Fe, NM 87504-1148

LLNMP01300, Com Agreement file NM-124864

LLNMP01300, Lease File NM-105885

LLNMP09210

NMP0130:Acollar:ac:7/27/2009:575-627-0272:CA NM124864 approval letter

Determination Approval Certification

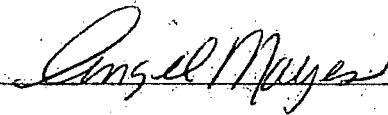
Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the wellspacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

B. Approve the attached communitization agreement covering the N $\frac{1}{2}$ N $\frac{1}{2}$ of section 15, T. 15 S., R. 31 E., N.M.P.M., Chaves County, New Mexico, as to oil, natural gas, and associated hydrocarbons producible from the Abo and Wolfcamp Formations. This approval will become invalid if the public interest requirements under section 3105.23(e) are not met.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: August 3, 2010



Authorized Officer

Effective: April 1, 2010

Contract No.: Com. Agr. NMNM124864

NM State Land Office
Oil, Gas, & Minerals Division

STATE/FEDERAL OR
STATE/FEDERAL/FEE
Revised March 2003

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

WITNESSETH:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

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 parties hereto as follows:

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

Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2N/2
Chaves County, New Mexico
Containing 160 acres, more or less

and this agreement shall include only the Abo and Wolfcamp Formations underlying said lands (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. 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 leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.
7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, 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 such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is April 1, 2010, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted 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 capability of 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.
11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. 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 instrument, 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.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

Chesapeake Exploration, L.L.C.

By: _____
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
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15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Operator and Lessee of Record:

COG Operating LLC
successor in interest to COG Oil & Gas LP

By: Gregory K. Daggett
Gregory K. Daggett
Attorney-in-Fact

Lessee of Record:

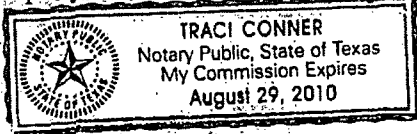
Chesapeake Exploration, L.L.C.

By: Henry J. Hood
Henry J. Hood
Senior Vice President – Land and Legal
& General Counsel

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

This instrument was acknowledged before me on April 5, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
Notary Public

STATE OF)
)
COUNTY OF)

This instrument was acknowledged before me on _____, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., a _____ corporation, on behalf of said corporation.

Notary Public

ACKNOWLEDGEMENTS

STATE OF TEXAS)
)
 COUNTY OF MIDLAND)

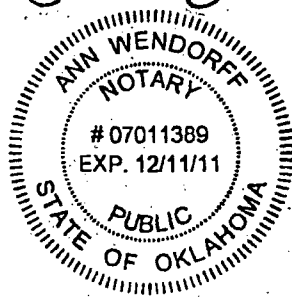
This instrument was acknowledged before me on April 5, 2010, by Gregory K. Daggett, Attorney-in-Fact of COG Operating LLC, a Delaware limited liability company, on behalf of said company.



Traci Conner
 Notary Public

STATE OF)
)
 COUNTY OF)

This instrument was acknowledged before me on April 15, 2010, by Henry J. Hood, Senior Vice President – Land and Legal & General Counsel of Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, on behalf of said corporation. company.



Ann Wendorff
 Notary Public

EXHIBIT A

Plat of communitized area covering
the N/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

<p>Tract 1 NMNM-105885</p> <p>Hercules Fed #2H SL: 660' FNL & 430' FWL</p>	<p>Tract 2 V0-8010</p> <p>BH: 660' FNL & 330' FEL</p>

EXHIBIT B

To Communitization Agreement dated April 1, 2010, embracing
the N/2N/2 of Section 15, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico

Operator of Communitized Area: COG Operating LLC

DESCRIPTION OF LEASES COMMITTED**TRACT NO. 1**

Lease Serial No.: NMNM-105885

Lease Date: March 1, 2001

Lease Term: 10 years

Lessor: USA Bureau of Land Management

Original Lessee: Chalfant Properties, Inc.

Present Lessee: COG Oil & Gas LP
Chesapeake Exploration LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2NW/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/8th

Name and Percent ORRI Owners: Harvey E. Yates Company 2.50%

Name and Percent WI Owners: COG Oil & Gas LP 50.00%
Chesapeake Exploration LP 50.00%
100.00%

TRACT NO. 2

Lease Serial No.: V0-8010

Lease Date: May 1, 2007

Lease Term: 5 years

Lessor: State of New Mexico

Original Lessee: COG Oil & Gas LP

Present Lessee: COG Oil & Gas LP

Description of Land Committed: Township 15 South, Range 31 East, N.M.P.M.
Section 15: N/2NE/4
Chaves County, New Mexico

Number of Acres: 80.00

Royalty Rate: 1/6th

Name and Percent ORRI Owners: None

Name and Percent WI Owners: COG Oil & Gas LP 100%

RECAPITULATION

Tract numbers	Number of Acres Committed	Percentage of Interest in Communitized Area
Tract No.1	80.00	50.00%
Tract No.2	<u>80.00</u>	<u>50.00%</u>
Total	160.00	100.00%



STATE OF NEW MEXICO, COUNTY OF CHAVES
 FILE FOR RECORD SEP 17, 2010 AT 12:04 O CLOCK PM
 Receipt Number: 331465 Fee: \$35.50
 Book 00667 Page 00688 Pages 14
 To Whom Returned: COG OPERATING LLC

LAURA REYNA
 550 W TEXAS AVE STE 100
 MIDLAND, TX 79701

Rhoda C. Coakley, County Clerk

By Grace Porter Deputy