STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Case No. 14,700

and

IN THE MATTER OF THE APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Case No. 14,699

AFFIDAVIT

STATE OF NEW MEXICO)
) s
COUNTY OF SANTA FE)

CAROL LEACH, attorney and authorized representative of COG Operating LLC, the Applicant herein, being first duly sworn, upon oath states that the notice provisions of the Rules and Regulations of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good-faith, diligent effort to find the correct addresses of all interested persons entitled to receive notice, as shown on Exhibit "A" attached hereto, and that pursuant to the directive of the Division, notice has been given at the correct addresses or last known addresses provided by such rules.

CAROLLEACH

OCD COG EXHIBIT 4 CASE NOS. 14699 AND 14700 Subscribed and sworn to before me by Carol Leach on this 2nd day of August, 2011.

My commission expires:

1-31-2015



Notary Public

EXHIBIT "A"

Leland Price, Inc. Attention: Betty A. Price 1511 Northgate Place Artesia, NM 88210

First American Bank Attention: Thomas Mitchell, Account Manager 303 W. Main Street Artesia, NM 88210

EXHIBIT "B"

- 1. Correspondence from COG Operating LLC to First American Bank dated April 19, 2011 regarding request for term assignment/well proposal Kiowa State #1 Well
- 2. Correspondence from COG Operating LLC to Leland Price, Inc. dated April 19, 2011 regarding request for term assignment/well proposal Kiowa State #1 Well
- 3. Correspondence from COG Operating LLC to First American Bank dated April 19, 2011 regarding request for term assignment/well proposal Kiowa State #3 Well
- 4. Correspondence from COG Operating LLC to Leland Price, Inc. dated April 19, 2011 regarding request for term assignment/well proposal Kiowa State #3 Well
- 5. Correspondence from COG Operating LLC to First American Bank dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling NMOCD Case No. 14,699
- Correspondence from COG Operating LLC to Leland Price, Inc. dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling – NMOCD Case No. 14,699
- 7. Correspondence from COG Operating LLC to First American Bank dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling NMOCD Case No. 14,700
- 8. Correspondence from COG Operating LLC to Leland Price Inc. dated June 30, 2011 transmitting Application of COG Operating LLC for Compulsory Pooling NMOCD Case No. 14,700
- 9. Correspondence from COG Operating LLC to First American Bank dated July 1, 2011 updating contact information
- 10. Correspondence from COG Operating LLC to Leland Price, Inc. dated July 1, 2011 updating contact information



April 19, 2011

First American Bank 303 W. Main St. Artesia, NM 88210 Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust Abbe Kanner

Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust

Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust

Dr. John N. Bentwood

Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Re: Request for Term Assignment/ Well Proposal - Klowa State #1 Well

T17S, R27E, Section 36: SENW, SWNE

1,665' FNL & 2,205' FWL or in a Legal Location within Unit F (SENW)

Eddy County, New Mexico

Dear Mr. Mitchell:

COG Operating LLC (COG) respectfully requests a term assignment from Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust, Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust, Abbe Kanner, Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust, Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust, Dr. John N. Bentwood and Barbara Bentwood McCahan ("the Wheatley devisees") covering the Wheatley devisees' interest in the SENW and SWNE of Section 36, T17S, R27E, Eddy County, NM, in those depths from 2,000' below the surface of the earth to 5,000' below the surface of the earth.

COG offers the following general terms:

- · Three year term.
- \$400.00 per net acre cash consideration.
- Wheatley devisees to deliver a 75% NRI, proportionately reduced.

This Term Assignment offer will terminate 90 days from today's date and is subject to the approval of COG's management. A check of the records indicated that the Wheatley devisees have a 3/48 interest.

In the event that the Wheatley devisees do not wish to assign the subject lands, COG, as Operator, proposes to drill the Klowa State #1 well at the above-captioned location, or a legal location within Unit F of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Blinebry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,300,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. Print your name and actices on the reverse so that we can return the card to you. Attach this card to the back of the mailplece, or on the front if space permits. Article Addressed fo: A Signature Reported by (Printed Name) D. Is delivery address different from item 1? Yes If YES, enter delivery address below: No	reny	
303 W. Main St. Artesla, NM 88210 3. Service Type Growthed Mail Gregstered Gregstere	300 	



I also would like to advise you that title into the Wheatley devisees is somewhat unclear and requires curative. I am attaching an excerpt from our title opinion explaining the nature of the title issue.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC

Brandon K. Gaynor Landman

5.

This requirement will affect the interest beginning with Richard W. Wheatley and Sarah Wheatley, Co-Trustees, down through the interest of Barbara Bentwood McCahan. Rex Wheatley and wife, Florence Wheatley, were the owners at one time of 3/48 of the leasehold estate. While I am reasonably certain that the ownership of these parties is as set forth, there are some difficulties with family leasehold title conveyances which should be cleared up.

First, there is a Conveyance from Rex and Florence Wheatley to Barbara W. McDowell dated January 19, 1978, recorded Volume 160, Page 386, which indicates an intention to convey everything in the E/2NW/4 of Section 36 to the grantee although there is an indication that it may be intended only to be an overriding royalty conveyance.

On August 20, 1978, the same Rex Wheatley and wife conveyed to their daughter, Barbara W. McDowell, by Deed recorded Volume 161, Page 701, all of their interest in captioned lands, although the document is entitled "Assignment of Overriding Royalty". The Deed contained this statement "meaning and intending to convey to said Barbara W. McDowell all right, title and interest that we may have in and to the lands and the oil and gas and hydrocarbon substances in and under the lands herein described". Again, this document was entitled "Assignment of Overriding Royalty" and referred to a decimal of .00082008 although it is not clear what the parties really intended to do.

I believe that the Wheatleys actually thought they owned only some overriding royalties at that time while they really owned the 3/48 interest in depths between 2,000 and 5,000 feet.

Then, the Estate of Rex Wheatley devised all of his interest to the First National Bank of Artesia as Trustee for the benefit of his four children and any children of deceased child. The wife's Will was not probated which would leave her predeceasing her husband and dying intestate which would mean the entire estate would be passed to Rex Wheatley so that his Will would govern.

There are many subsequent conveyances by the Bank as Trustee to devisees of this estate but taken together, they do not all convey the interest in captioned lands as to the depths covered by this opinion so that it is necessary to have title come out of the bank as Trustee.

There is also the problem of the Deeds to the daughter, Barbara W. McDowell, which may have covered the entire interest although it was not intended to do so.

Also, the Wheatley devisees all signed Special Agency Agreements in 2007 with First National Bank of Artesia, Artesia, New Mexico, to collect runs and to have broad powers to deal with these interests which I would assume would include signing an operating agreement as well as make conveyances. These Agency Agreements have not been cancelled of record and may, therefore, be in full force and effect.

T17S-R27E-Section 36						
	TA to cover the Wheatley devisees' 6.25% WI & 5.078% NRI From 2,000' to 5,000'					
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COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

OCATION: SEC36-T17S-R27E UL - F		COUNTY	<u>& ST</u>	AME: LOGAN DRAY ATE: EDDY COUN	ITY, NM
OOTAGE: 1885' FNL & 2205' FWL		OBJECTIV	/E:		lock (4 fracs) 4850'
NTANGIBLE COSTS		<u>BCP</u>		ACP	TOTAL
Itle/Curative/Permit	201	10,000			10,0
surance	202	3,800	302		3,8
amages/Right of Way	203		303		
urvey/Stake Location	204	2,500	304		2,5
ocation/Pits/Road Expense	205	30,000		5,000	35,0
rilling / Completon Overhead	208	2,500	306	2,000	4,5
urnkey Contract	. 207		307		
oolaga Contract	208		308		
aywork Contract	209	77,000	309		77,0
rectional Drilling Services uel & Power	210	40.000	310		
later	211	18,500	311	1,000	19,5
is .	213	25,000	313	32,000	54,0
and & Chemicals	214	10,000	314		25,6 10,0
rill Stern Test	215		315		10,0
oring & Analysis	216				
ement Surface	217	14,000			14,0
ement intermediate #1	218	12,000			12,0
ement Intermediate #2					
ement Production			319	28,500	28,5
ament Squeeze	220		320		
oat Equipment & Centralizers	221	2,500	321	2,000	4,5
Ising Crews & Equipment	222	6,000	322	4,800	10,8
shing Tools & Service	223	4.000	323		
ologic/Engineering	224 225	1,000	324 325	45.000	1,0
mbraci Labor	225 228	3,800	325 326	15,000	18,00
mpany Supervision mtract Supervision	220	10,500	327	6,000	15,50
sting Casing/Tubing	228	3,000	328	1,800	4,86
rd Logging Unit	229	3,000	329	1,000	3,0
ging onk	230	15,000	330		15,0
riorating/Wireline Services	231		331	22,000	22,0
mulation/Treating (4 frecs)	•••		332	358,000	358,0
mpletion Unit			333	20,000	20,00
abbling Unit			334		
nlais-Surface	235	7,000	335	38,000	43,00
ntals-Subsurface	236	24,000	336	7,000	31,00
cking/ForkifVRig Mobilization	237	30,000	337	4,000	34,00
kling Services	238	3,000	338	1,000	4,00
iler Disposal	239		339	3,000	3,0
ng to Abrandon	240		340		
ismic Analysis	241		341		
osed Loop & Environmental	244	60,000	344		50,00
scellaneous	242 243	20,700	342 343	28,400	49,10
ntingency 5% TOTAL INTANGIBLES	240	408,000	0.0	577,000	983,00
ANGIBLE COSTS					44.60
rface Casing	401	11,000			11,00
ermediate Casing #1	402	14,000			14,00
ermediate Casing #2			503	52,000	52,00
oduction Casing/Uner			504	29,000	29.00
bing Nitread Equipment	405	6,000	505	3,000	9,00
mping Unit			508	97,000	97,00
me Mover			507		
ds			508	22,000	22,00
mps			509	4,500	4,60
nka			510	4,000	4,00
m/ines			511	15,000	15,00
ater Treater/Separator			512	6,000	9,00
cirical System			513	20,000	20,00
ckers/Anchors/Hangera	414		514 546	900 15,000	19,50
uplings/Fitlings/Valves	415	500	515	10,000	
a Compressors/Meters			516		
hydrator			817 518		
ection Plant/CO2 Equipment	410	500	519	600	1,00
scellaneous	419 420	2,000	520	14,100	18,10
ndingency 5% TOTAL TANGIBLES	,	34,000		283,000	317,00
TOTAL WELL COSTS		440,000		860,000	1,300,00
		_			
OG Operating LLC					
C. Bird / J. Colfman		Dals Prepared:		4/15/11	
e approve: % Before Tanks /% After Tanks					
the project on a position of superior and the superior of the					
mpany.					
nted Name:			_		to man com aleasa
nted Name:		This AFE is only an		da. By signing you agree	to pay your share



April 19, 2011

Leland Price Inc. 1511 Northgate Place Artesia, NM 88210

Attn: Betty A. Price

Re: Request for Term Assignment/ Well Proposal - Klowa State # Well

T17S, R27E, Section 36: SENW, SWNE

SHL 1,425' FNL & 1,520' FEL or in a Legal Location within Unit G (SWNE) BHL 1,650' FNL & 1,650' FEL or in a Legal Location within Unit G (SWNE)

Eddy County, New Mexico

Dear Ms. Price:

COG Operating LLC (COG) respectfully requests a term assignment from Leland Price Inc. covering Leland Price Inc.'s interest in the SENW and SWNE of Section 36, T17S, R27E, Eddy County, NM, in those depths from 2,000' below the surface of the earth to 5,000' below the surface of the earth.

COG offers the following general terms:

- · Three year term.
- . \$400.00 per net acre cash consideration.
- Leland Price Inc. to deliver a 75% NRI, proportionately reduced.

This Term Assignment offer will terminate 90 days from today's date and is subject to the approval of COG's management. A check of the records indicated that Leland Price inc. has a 1/24 interest.

in the event that Leland Price Inc. does not wish to assign the subject lands, COG, as Operator, proposes to drill the Klowa State # 3 well at the above-captioned location, or a legal location within Unit G of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Blinebry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,417,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

19 Form 9811 Eabness 9004

COG Operating LLC

Brandon K. Gaynor Landman

HOVE 432,683,7443 HAY 432,683,7441 SENDER: COMPLETE THIS SECTION □ Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
 □ Print your name and address on the reverse so that we can return the card to you.

Attach this card to the back of the malipiece, or on the front if space permits. D. is delivery address different from item 1? Ass NPR 2.2 2011 No Article Addressed to: If YES, enter delivery address below: Leland Price Inc. 1511 Northgate Place Artesia, NM 88210 Service Type Cleanified Mail ☐ Express Mall ☐ Registered Return Receipt for Merchandise D 0.0.D. ☐ Insured Mail 4. Restricted Delivery? (Edra Fee) ☐ Yes 2. Article Number 91 7199 9991 7030 0517 3846 (Transfer from service jai

T178-R27E-Section 36	
TA to cover Leland Price Inc.'s 4.166% WI & 3.385% NRI From 2,000' to 5,000'	

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COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

WELL NAME: KIOWA STATE #3					
LOCATION: SEC38-T17S-R27E SHL: 1426' FNL & 1520' FEL UL - G		COUNTY OBJECTIV	<u>s st</u>	ATE: EDDY COU	
BHL: 1650' FNL & 1650' FEL UL - G		OBJECTIV	<u> </u>	Dit. Billebry Pact	lock (4 fracs) 4850'
INTANGIBLE COSTS		BCP		<u>ACP</u>	TOTAL
Title/Curative/Permit	281 202	3,600	302		10,000
Damages/Right of Way	203	3,000	303		3,800
Survey/Stake Location	204	2,500	304		2,500
Location/Pits/Road Expense	205	30,000	305	5,000	35,000
Drilling / Completion Overhead Turnkey Contract	208 207	2,500	306 307	2,000	4,500
Foolage Confract	208		308		
Daywork Contract	209	88,000	309		000,88
Directional Drilling Services Fuel & Power	210 211	100,000	310 311	4.000	100,000
Water	212	22,000	312	1,000 32,000	21,000 64,000
Bits	213	25,000	313	500	25,500
Mud & Chamicals Drift Stem Test	214 215	10,000	314 315		10,000
Coring & Analysis	218		310		
Cement Surface	217	14,000			14,000
Cement Intermediate #1 Cement Intermediate #2	218	12,000			12,000
Cement Production			319	28,500	28,500
Cement Squeeze	220		320		0
Float Equipment & Centralizers Casing Craws & Equipment	221 222	2,500 6,000	321	2,000 4,800	4,500
Fishing Tools & Service	223	0,000	323	4,800	10,800
Geologic/Engineering	224	1,000	324		1,000
Contract Labor	225	3,000	325 326	15,000	18,000
Company Supervision Contract Supervision	226 227	10,500	320	5,000	15,500
Testing Casing/Tubing	228	3,000	328	1,800	4,800
Mud Logging Unit	229	3,000	329		3,000
Logging Perforating/Wireline Services	230 231	16,000	330 331	22,000	15,000 22,000
Stimulation/Treating (4 fracs)			332	358,000	358,000
Completion Unit			333	20,000	20,000
Swabbing Unit Renials-Surface	235	7,000	334 335	36,000	43,000
Rentals-Subsurface	238	24,000	336	7,000	31,000
Trucking/Forklif/Filg Mobilization	237	30,000	337	4,000	34,000
Welding Services Water Disposal	238 239	3,000	338 339	3,000	<u>4,000</u> 3,000
Phys to Abandon	240		340		0
Setsmic Analysis	241		341		60.000
Closed Loop & Environmental Miscellaneous	244 242	50,000	344 342		60,000
Contingency 6%	243	25,200	343	28,400	63,600
TOTAL INTANGIBLES		523,000		577,000	1,100,000
TANGIBLE COSTS					
Surface Casing	401	11,000			11,000
Intermediate Casing #1	402	14,000			14,000
Intermediate Casing #2			603	52,000	62,000
Production Casing/Liner Yubing			504	29,000	29,000
Welthead Equipment	405	6,000	505	3,000	9,000
Pumping Unit			506 507	97,000	97,000
Rods			508	22,000	22,000
Pumps			609 610	4,500	4,500 4,000
Tanks Flowlines			510 511	15,000	16,000
Heater Treater/Separator			512	8,000	6,000
Electrical System	401		513 514	20,000	20,000
Packers/Anchors/Hangers Couplings/Fitings/Valves	414 415	500	615	15,000	16,500
Gas Compressors/Meters			516		0
Dehydrator			517 518		0
Injection Plant/CO2 Equipment Miscellaneous	419	800	519	500	1,000
Contingency 5%	420	2,000	620	14,100	18,100
TOTAL TANGIBLES		34,000 557,000		283,000 860,000	317,000 1,417,900
TOTAL WELL COSTS		051,000		800,000	1,711 (200
COG Operating LLC					
By: C. Bird / J. Coffman		Date Prepared:		4/15/11	
by, C. Dady J. Comman					
We approve:					
% Belore Tanks /% After Tanks					
Company:					
By:					
Printed Name:			,		- 4
Title:		This AFE is only and		ate, By signing you agree d.	s to bay your guard
Date:		a, pro pouter custa n		-	



April 19, 2011

First American Bank 303 W. Main St. Artesia, NM 88210 Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust Abbe Kenner

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Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust

Dr. John N. Bentwood

Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Request for Term Assignment/ Well Proposal - Kiowa State #3 Well

T17S, R27E, Section 36: SENW, SWNE SHL 1,425' FNL & 1,520' FEL or in a Legal Location within Unit G (SWNE) BHL 1,650' FNL & 1,650' FEL or in a Legal Location within Unit G (SWNE) Eddy County, New Mexico

Dear Mr. Mitchell:

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in the event that the Wheatley devisees do not wish to assign the subject lands, COG, as Operator, proposes to drill the Kiowa State #3 well at the above-captioned location, or a legal location within Unit G of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Blinebry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,417,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY 100 432.683.7443 100 432.683.7441
Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Altach this card to the back of the mailplece, or on the front if space permits.	A. Signature X. Dividi Jacob Day D. Agent B. Rogelved by (Printed Name) C. Date of Delivery 4-2-1/ D. is delivery address delivery from item 1? Vas
1. Article Addressed to:	D. Is delivery address different from item 1? If YES, enter delivery address below: I No
303 W. Main St. Artesia, NM 88210	3. Service Type Il Catified Maii Express Maii Registered D-Return Receipt for Merchandise Insured Maii C.O.D. 4. Restricted Delivery? (Stris Fee) D Yes
2. Article Number 91 7199 9991	7030 0517 3A15
PS Form 3811, February 2004 Domesto Reti	m Receipt 100000 100000



I also would like to advise you that title into the Wheatley devisees is somewhat unclear and requires curative. I am attaching an excerpt from our title opinion explaining the nature of the title issue.

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Brandon K. Gaynor Landman

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T17S-R27E-Section 36	
TA to cover the	
Wheatley devisees' 6.25% WI & 5.078% NRI From 2,000' to 5,000'	

COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

WELL NAME: KIOWA STATE #3 LOCATION: SEC36-T17S-R27E			NAME: LOGAN DRAY	
SHL: 1425' FNL & 1520' FEL UL - G		OBJECTIVE:	TATE: EDDY COUN	
BHL: 1650' FNL & 1650' FEL UL - G		OBJECTIVE:	Dir. Blinebry Padde	OCK (4 Tracs) 4850'
	•			
NTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	10,000	4-1.7-2.	10,000
Insurance	202	3,800 30)2	3,800
Damages/Right of Way	203	30	3	0
Survey/Stake Location	204	2,500 30)4	2,500
Location/Pils/Road Expense	205	30,000 30		35,000
Drilling / Completion Overhead	206	2,500 30		4,500
Turnkey Contract	207	30		
Footage Contract Daywork Contract	208 209	88,000 30		0
Directional Oriting Services	210	100,000 31		88,000 100,000
Fuel & Power	211	20,000 31		21,000
Water	212	22,000 31		54,000
8its .	213	25,000 31		25,500
Mud & Chemicals	214	10,000 31		10,000
Drill Stem Test	215	31	ō	
Coring & Analysis	216			0
Coment blomediate #1	217	14,000		14,000
Cement Intermediate #1 Cement Intermediate #2	218	12,000		12,000
Coment Production		31	9 28,500	28,500
Cement Squeeze	220	32		- 20,000
Float Equipment & Centralizara	221	2,500 32	2,000	4,500
Casing Crews & Equipment	222	6,000 32		10,800
Fishing Tools & Service	223	4 400 22		4 000
Geologic/Engineering	224	1,000 32		1,000
Contract Labor	225 228	3,000 32		18,000
Company Supervision Contract Supervision	227	10,500 32		15,500
Testing Casing/Tubing	228	3,000 32		4,800
Mud Logging Unit	229	3,000 32		3,000
Logging	230	15,000 33	0	15,000
Perforating/Wireline Services	231	33		22,000
Simulation/Treating (4 fracs)		33		358,000
Completion Unit		33		29,000
Swabbling Unit	235	7,000 33		43,000
Rentals-Surface Rentals-Subsurface	238	24,000 33		31,000
Trucking/Forklit/Rig Mobilization	237	30,000 33		34,000
Welding Services	238	3,000 33		4,000
Water Disposal	239	33		3,000
Plug to Abandon	240	34		0
Selsmic Analysis	241	34		50,000
Closed Loop & Environmental	244 242	50,000 34		90,000
Miscelaneous Conference 456	243	25,200 34		53,600
Contingency 6% TOTAL INTANGIBLES	270	523,000	577,000	1,100,000
TOTALITIALOUSES				
TANGIBLE COSTS				
Surface Casing	401	11,000		11,000
Intermediate Casing #1	402	14,000		14,000
Intermediate Casing #2				0
Production Casing/Liner		50		52,000 29,000
Tubing	405	6,000 50		9,000
Weihead Equipment	403	60		97,000
Pumping Unit. Prime Mover		50	7	0
Rods		- 60	8 22,000	22,000
Pumps		50	9 4,500	4,500
Tanks		51		4,000
Plowlines		51		15,000
Heater Treater/Separator		51		20,000
Electrical System Packer / Acchor Manager	414	51		900
Packers/Anchors/Hangers Couplings/Fittings/Valves	415	500 51		15,500
Gas Compressors/Meters		- 61	The state of the s	
Delydrator		61		
Injection Plant/CO2 Equipment		51		1,000
Meenol Listing of Edubities	419	500 51 2,000 62		18,100
Miscellaneous	***		14,100	
Miscellantous Conlingency 5%	420			317,100
Miscellantous Conlingency 5% TOTAL YANGIBLES	420	34,000	283,000	
Miscellaneous Conlingency 5%	420			
Miscellantous Conlingency 5% TOTAL YANGIBLES	420	34,000	283,000	
Mscellantous Conlingency 5% TOTAL YANGIBLES TOTAL WELL COSTS	420	34,000	283,000	
Mscellantous Conlingency 5% TOTAL YANGIBLES TOTAL WELL COSTS	420	34,000 557,000	283,000 860,000	
Miscellaneous Contingency 5% TOTAL YANGIBLES TOTAL WELL COSTS COG Operating LLC	420	34,000	283,000	
Miscellantous Contingency 5% TOTAL YANGIBLES TOTAL WELL COSTS COG Operating LLC	420	34,000 557,000	283,000 860,000	
Miscelantous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: C. Bird / J. Coffman	420	34,000 557,000	283,000 860,000	
Miscelaneous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLG By: C. Bird / J. Coffman We approve:	420	34,000 557,000	283,000 860,000	
Miscelantous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: C. Bird / J. Coffman	420	34,000 557,000	283,000 860,000	
Miscelantous Contingency 5% TOTAL TANGIBLES TOTAL TANGIBLES COG Operating LLC By: C. Blod / J. Coffman We approve:	420	34,000 557,000	283,000 860,000	
Miscelantous Confingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLG By: C. Bird / J. Coffman We approve:	420	34,000 557,000	283,000 860,000	
Miscelantous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: C. Bird / J. Coffman We soprova:	420	34,000 557,000	283,000 860,000	
Miscelantous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: C. Bird / J. Coffman We approva:	420	34,000 857,000 Data Prapared:	283,000 850,000 4/15/11	317,000 1,417,000
Miscelantous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By. C. Bird J.J. Coffman We approve:	420	34,000 857,000 Data Prapared:	283,000 850,000 4/15/11	1,417,000



April 19, 2011

Leland Price Inc. 1511 Northgate Place Artesla, NM 88210

Attn: Betty A. Price

Re: Request for Term Assignment/ Well Proposal - Klowa State #3 Well

T17S, R27E, Section 36: SENW, SWNE

SHL 1,425' FNL & 1,520' FEL or in a Legal Location within Unit G (SWNE) BHL 1,650' FNL & 1,650' FEL or in a Legal Location within Unit G (SWNE)

Eddy County, New Mexico

Dear Ms. Price:

COG Operating LLC (COG) respectfully requests a term assignment from Leland Price Inc. covering Leland Price Inc.'s interest in the SENW and SWNE of Section 36, T17S, R27E, Eddy County, NM, in those depths from 2,000' below the surface of the earth to 5,000' below the surface of the earth.

COG offers the following general terms:

- · Three year term.
- \$400.00 per net acre cash consideration.
- Leland Price Inc. to deliver a 75% NRI, proportionately reduced.

This Term Assignment offer will terminate 90 days from today's date and is subject to the approval of COG's management. A check of the records indicated that Leland Price Inc. has a 1/24 interest.

In the event that Leland Price inc. does not wish to assign the subject lands, COG, as Operator, proposes to drill the Kiowa State # 3 well at the above-captioned location, or a legal location within Unit G of Section 36, T-17-S, R-27-E, to a depth of approximately 4,850' to test the Bilnebry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,417,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC

Brandon K. Gaynor Landman

ENDER: COMPLETE THIS SECTION Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mallplece, or on the front if space permits.	A Signature XY City True Agent Addressee B. Received by (Mining Name) C. Date of Delivery
Leiand Price Inc. 1511 Northgate Place	D. Is dalivery address different from lent, 12 Pes If YES, enter delivery address below: 1> P No APR 2 2 2011
Artesia, NM 88210	3. Service Type 2. Certified Meil
Article Number 91 7199 99	91 7030 OS17 3839
Form 3811, February 2004 Domestic Ref	turn Receipt tozses-ca.u.taso

 T17S-R27E-Section 3	36
TA to cover Leland Price Inc.'s 4.166% WI & 3.385% NRI From 2,000' to 5,000'	
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,

COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

WELL NAME: KIOWA STATE #3 LOCATION: SEC38-T17S-R27E					
SHL: 1425' FNL & 1520' FEL UL - G BHL: 1650' FNL & 1650' FEL UL - G		OBJECTIV		Dir. Blinebry Paddo	
INTANGIBLE COSTS		BCP		ACP	<u>IOTAL</u>
Tide/Curative/Permit	201	10,000			10,000
Insurance	202	3,800	302		3,800
Damages/Right of Way	203		303		0
Survey/Slake Location	204	2,500	304		2,500
Location/Pits/Road Expense	205	30,000	305	5,000	35,000
Orizing / Completion Overhead	206	2,500	308	2,000	4,500
Turnkey Contract Footage Contract	207 208		307		0
Daywork Contract	209	88,000	309		88,000
Directional Drilling Services	210	100,000	310		100,000
Fuel & Power	211	20,000	311	1,000	21,000
Water	212	22,000	312	32,000	54,000
Brits	213	25,000	313	500	25,500
Mud & Chemicals	214	10,000	314		10,000
Orill Stem Test	215		315		
Coring & Analysis	216				- 44000
Cement Surface Cement Intermediate #1	217 218	12,000			14,000
Cement Intermediate #2	Liu	12,000			0
Cement Production			319	28,500	28,500
Cemeni Squeeze	220		320		0
Float Equipment & Centralizers	221	2,500	321	2,000	4,500
Casing Craws & Equipment	222	6,000	322	4,800	10,800
Fishing Tools & Service	223		323		0
Geologic/Engineering	224 225	3,000	324 325	15,000	1,000
Contract Labor Company Supervision	226	3,000	328	10,000	10,000
Contract Supervision	227	10,500	327	5,000	15,500
Testing Casing/Tubing	228	3,000	328	1,800	4,800
Mud Logging Unit	229	3,000	329		3,000
Logging	230	15,000	330		15,000
Perforating/Wireline Services	231		331	22,000	22,000
Stimulation/Treating (4 fracs)			332	358,000	358,000 20,000
Completion Unit			333 334	20,000	20,000
Swabbing Unit Rentals-Surface	235	7,000	335	38,000	43,000
Renials-Subsurface	236	24,000	938	7,000	31,000
Trucking/Forklift/Rig Mobilization	237	30,000	337	4,000	34,000
Welding Services	238	3,000	338	1,000	4,000
Water Disposal	239		339	3,000	3,000
Plug to Abandon	240		340		0
Setsmio Analysis	241		341		50,000
Closed Loop & Environmental	244	50,000	344 342		50,000
Miscellaneous	242 243	25,200	343	28,400	53,600
Confingency 5% TOTAL INTANGIBLES	2-13	623,000	014	577,000	1,100,000
10174 HILBRADACA					
TANGIBLE COSTS					
Surface Casing	401	11,000			11,000
Intermediate Casing #1	402	14,000			14,000
Intermediate Casing #2			503	62,000	52,000
Production Casing/Liner			504	29,000	29,000
Tubing	405	8,000	505	3,000	9,000
Weithead Equipment Pumping Unit	100		508	97,000	97,000
Prima Mover			607		0
Rods			508	22,000	22,000
Pumps			509	4,500	4,500
Tanks			610 511	4,000 15,000	15,000
Flowlines			512	6,000	6,000
Heater Treater/Separator Electrical System			513	20,000	20,000
Packers/Anchors/Hangers	414		514	900	900
Couplings/Fittings/Valves	415	500	515	15,000	15,500
Gas Compressors/Meters			516		- <u>0</u>
Dehydralor			517 518		
Injection Plant/CO2 Equipment	418	500	519	500	1,000
Miscelaneous	420	2,000	520	14,100	16,100
Conlingency 5% TOTAL TANGIBLES		34,000		283,000	317,000
TOTAL WELL COSTS		557,000		860,000	1,417,000
				•	
COG Operating LLC					
m		Date Prepared:		4/15/11	
By: C. Bird / J. Coffman		Detor reportor			
We approve:% Before Tanks /% After Tanks					
Company:					
Ву:					
Printed Nama:		This AFE is anhean	asilm	ale. By signing you agree	to pay your share
Tide:		of the actual costs to			
Date:					

BEATTY & WOZNIAK, P.C.

ATTORNEYS AT LAW
126 E. DEVARGAS
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 842-1800
FACSIMILE (505) 842-0043
www.bwenergylaw.com

ALBUQUERQUE

CASPER

CHEYENNE

DENVER

SALT LAKE CITY

SANTA FE

CAROL LEACH

June 30, 2011

ViaCertified Mail Return Receipt Requested

First American Bank 303 W. Main St. Artesia, NM 88210 Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust Abbe Kanner

Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust

Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust

Dr. John N. Bentwood

Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Re: NMOCD Case No 14699: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico

Dear Ms. Price:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.

Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

The Application is enclosed for your convenience.

This application will be set for hearing before a Division Hearing Examiner on August 4, 2010, beginning at 8:15 a.m. at the Porter Hall Hearing Room, New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department, 1220 South St, Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing. As an owner of an interest that may be affected by the outcome you may appear and present testimony and evidence in accord with OCD Rules. If you intend to present testimony or evidence, you must enter your appearance and serve the Division, counsel for COG, and other parties who have entered an appearance with a pre-hearing statement at least four business days before the scheduled hearing. The specific requirements for pre-hearing statements may be found in OCD Rule 19.15.4.13.

Very truly yours,

BEATTY & WOZNIAK, P.C.

Carol/Leach

Attorneys for COG Operating LLC

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

2011 期 29 日 247

IN THE MATTER OF THE APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 14699

APPLICATION

COG OPERATING LLC (COG), by and through its counsel, Beatty & Wozniak, P.C., herby makes application pursuant to the OCD Rules and NMSA 1978 Section 70-2-17 (1995) for an order providing the following:

Pooling all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E.

In support of the Application COG states:

- 1. COG owns certain working interests in and under the approximately 40-acre spacing unit in Section 36 as described above and has the right to drill there.
- 2. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.
- 3. COG does not have leases or agreements for voluntary pooling or farmouts from certain other interests owners in the above referenced depths below Unit G located as described above.
- 4. In order for COG to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and COG should be designated by the Oil Conservation Division as the operator of the well.
- 5. The pooling of mineral interests will provide the opportunity for COG to produce its just and fair share of the oil or gas, or both, avoid the drilling on unnecessary wells, protect correlative rights and prevent waste.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2011, or as it may be continued, before the OCD Hearing Examiners, or at a special hearing date to be

determined, and that after notice and hearing as required by law and OCD Rules, the Division enter its Order approving the pooling of the lands described above into one spacing or proration unit, including provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.

Carol Leach

500 Don Gaspar Avenue

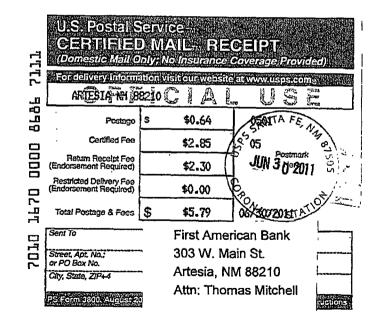
Santa Fe, New Mexico 87505-2626

Telephone (505) 983-8901 cleach@bwenergylaw.com

COUNSEL FOR COG OPERATING LLC

Case No. _____: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. The Applicant proposes to directionally drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Aftach this card to the back of the mailpiece, or on the front if space permits. Article Addressed to: First American Bank 303 W. Main St. 	A. Signature X Phulls Lausen
Artesia, NM 88210 Attn. Thomas Mitchell 2. A TTTL 9898 0000 029T 0	3. Service Type Certified Mail Registered Return Receipt for Merchandise Insured Mail C.O.D. Delivery? (Extra Fee) Yes
(Iransier from service label) PS Form 3811, February 2004 Domestic Re	turn Receipt 102595-02-M-154



BEATTY & WOZNIAK, P.C.

ATTORNEYS AT LAW
126 E. DEVARGAS
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 842-1800
FACSIMILE (505) 842-0043
www.bwenergylaw.com

ALBUQUERQUE

CASPER

CHEYENNE

DENVER

SALT LAKE CITY

SANTA FE

CAROL LEACH

June 30, 2011

<u>ViaCertified Mail</u> <u>Return Receipt Requested</u>

Leland Price Inc. 1511 Northgate Place Artesia, NM 88210

Attn: Betty A. Price

Re: NMOCD Case No 14699: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico

Dear Ms. Price:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.

Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

The Application is enclosed for your convenience.

This application will be set for hearing before a Division Hearing Examiner on August 4, 2010, beginning at 8:15 a.m. at the Porter Hall Hearing Room, New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department, 1220 South St, Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing. As an owner of an interest that may be affected by the outcome you may appear and present testimony and evidence in accord with OCD Rules. If you intend to present testimony or evidence, you must enter your appearance and serve the Division, counsel for COG, and other parties who have entered an appearance with a pre-hearing statement at least four business days before the scheduled hearing. The specific requirements for pre-hearing statements may be found in OCD Rule 19.15.4.13.

Very truly yours,

BEATTY & WOZNIAK, P.C.

Carol Leach

Attorneys for COG Operating LLC

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

2011 JUN 29 P 2: 47

IN THE MATTER OF THE APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 14689

APPLICATION

COG OPERATING LLC (COG), by and through its counsel, Beatty & Wozniak, P.C., herby makes application pursuant to the OCD Rules and NMSA 1978 Section 70-2-17 (1995) for an order providing the following:

Pooling all interests in those depths from 2,000 feet below the surface of the earth to 5.000 feet below the surface within Unit G of Section 36, T-17S, R27-E.

In support of the Application COG states:

- 1. COG owns certain working interests in and under the approximately 40-acre spacing unit in Section 36 as described above and has the right to drill there.
- 2. COG proposes to drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area.
- 3. COG does not have leases or agreements for voluntary pooling or farmouts from certain other interests owners in the above referenced depths below Unit G located as described above.
- 4. In order for COG to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and COG should be designated by the Oil Conservation Division as the operator of the well.
- 5. The pooling of mineral interests will provide the opportunity for COG to produce its just and fair share of the oil or gas, or both, avoid the drilling on unnecessary wells, protect correlative rights and prevent waste.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2011, or as it may be continued, before the OCD Hearing Examiners, or at a special hearing date to be

determined, and that after notice and hearing as required by law and OCD Rules, the Division enter its Order approving the pooling of the lands described above into one spacing or proration unit, including provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.

Carol Leach

500 Don Gaspar Avenue

Santa Fe, New Mexico 87505-2626

Telephone (505) 983-8901 cleach@bwenergylaw.com

COUNSEL FOR COG OPERATING LLC

Case No. _____: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit G of Section 36, T-17S, R27-E. The Applicant proposes to directionally drill the Kiowa State # 3 well at a surface hole location of 1,425' FNL and 1,520' FWL, or other legal location, within Unit G (SWNE) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. The bottom hole location is proposed at 1,650' FNL and 1,650' FEL, or other legal location within Unit G. The producing interval of the well will be entirely within the producing area. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature X. Culle College Agent Addressee B. Received by (Pripted Name) C. Date of Delivery D. Is delivered Address different from item 12 Yes
1. Article Addressed to:	D. Is delivery address different from item 1? Yes
Lefand Price Inc. 1511 Northgate Place Artesia, NM 88210 Attn: Betty A. Price	3. Service Tipes 38 Till Centifies Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.
	4. Restricted Delivery? (Extra Fee)
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BEATTY & WOZNIAK, P.C.

ATTORNEYS AT LAW
126 E. DEVARGAS
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 842-1800
FACSIMILE (505) 842-0043
www.bwenergylaw.com

ALBUQUERQUE

CASPER

CHEYENNE

DENVER

SALT LAKE CITY

SANTA FE

CAROL LEACH

June 30, 2011

<u>ViaCertified Mail</u> <u>Return Receipt Requested</u>

Leland Price Inc. 1511 Northgate Place Artesia, NM 88210

Attn: Betty A. Price

Re: NMOCD Case No 14700: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico

Dear Ms. Price:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

The Application is enclosed for your convenience.

This application will be set for hearing before a Division Hearing Examiner on August 4, 2010, beginning at 8:15 a.m. at the Porter Hall Hearing Room, New Mexico Oil Conservation

Division of the Energy, Minerals and Natural Resources Department, 1220 South St, Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing. As an owner of an interest that may be affected by the outcome you may appear and present testimony and evidence in accord with OCD Rules. If you intend to present testimony or evidence, you must enter your appearance and serve the Division, counsel for COG, and other parties who have entered an appearance with a pre-hearing statement at least four business days before the scheduled hearing. The specific requirements for pre-hearing statements may be found in OCD Rule 19.15.4.13.

Very truly yours,

BEATTY & WOZNIAK, P.C.

Carol Leach

Attorneys for COG Operating LLC

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 19700 (1970) (

APPLICATION

COG OPERATING LLC (COG), by and through its counsel, Beatty & Wozniak, P.C., herby makes application pursuant to the OCD Rules and NMSA 1978 Section 70-2-17 (1995) for an order providing the following:

Pooling all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E.

In support of the Application COG states:

- 1. COG owns certain working interests in and under the approximately 40-acre spacing unit in Section 36 as described above and has the right to drill there.
- 2. COG proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations.
- 3. COG does not have leases or agreements for voluntary pooling or farmouts from certain other interests owners in the above referenced depths below Unit F located as described above.
- 4. In order for COG to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and COG should be designated by the Oil Conservation Division as the operator of the well.
- 5. The pooling of mineral interests will provide the opportunity for COG to produce its just and fair share of the oil or gas, or both, avoid the drilling on unnecessary wells, protect correlative rights and prevent waste.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2011, or as it may be continued, before the OCD Hearing Examiners, or at a special hearing date to be determined, and that after notice and hearing as required by law and OCD Rules, the Division enter its Order approving the pooling of the lands described above into one spacing or proration

unit, including provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk COG assumes in drilling, equipping and completing the well, and making such other and further provisions as may be appropriate.

Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.

Carol Leach

500 Don Gaspar Avenue

Santa Fe, New Mexico 87505-2626

Telephone (505) 983-8901 cleach@bwenergylaw.com

COUNSEL FOR COG OPERATING LLC

Case No. _____: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. The Applicant proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVE	RY
 Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse 	A Signature X	☐ Agent ☐ Addressee
so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.	B. Received by (Printed Name) C.	Date of Delivery
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Leland Price Inc. 1511 Northgate Place		
Artesia, NM 88210 Attn: Betty A. Price	3. Service Type Gertified Mail Registered Receipt	for Merchandise
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CAROL LEACH

June 30, 2011

<u>ViaCertified Mail</u> <u>Return Receipt Requested</u>

First American Bank 303 W. Main St. Artesia, NM 88210 Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family Trust Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust Abbe Kanner

Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust

Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust

Dr. John N. Bentwood

Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Re: NMOCD Case No 14700: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico

Dear Mr. Mitchell:

This letter advises you that COG Operating LLC (COG) has filed an application with the New Mexico Oil Conservation Division (OCD) for an order providing for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. COG proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. Also to be considered will be the designation of COG as the operator and provisions for COG to recover its well costs including the reasonable costs of drilling, reworking, diverting, deepening, plugging back, testing, completing, recompleting and equipping the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted

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Very truly yours,

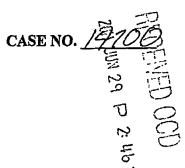
BEATTY & WOZNIAK, P.C.

Carol Leach

Attorneys for COG Operating LLC

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO



APPLICATION

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Respectfully submitted this 29th day of June, 2011.

Beatty & Wozniak, P.C.

Carol Leach

500 Don Gaspar Avenue

Santa Fe, New Mexico 87505-2626

Telephone (505) 983-8901 cleach@bwenergylaw.com

COUNSEL FOR COG OPERATING LLC

Case No. _____: Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order for the compulsory pooling of all interests in those depths from 2,000 feet below the surface of the earth to 5,000 feet below the surface within Unit F of Section 36, T-17S, R27-E. The Applicant proposes to drill the Kiowa State # 1 well at 1,665' FNL and 2,205' FWL, or other legal location, within Unit F (SENW) to a depth of approximately 4,850 feet below ground level to test the Blinebry/Paddock Formations. Also to be considered will be the cost of drilling and completing said well and the allocation of the costs thereof, the actual operating costs, charges for supervision, designation of COG Operating LLC as operator and a charge for the risk involved in drilling the well. The proposed well and lands are located approximately ten miles east and three miles south of Artesia, New Mexico.

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BEATTY & WOZNIAK, P.C.

ATTORNEYS AT LAW

500 DON GASPAR AVENUE SANTA FE, NEW MEXICO 87505-2626 TELEPHONE (505) 983-8545 FACSIMILE (505) 983-8547 www.bwenergylaw.com

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SALT LAKE CITY

SANTA FE

CAROL LEACH

DIRECT: (505) 983-8901

E-MAIL: CLEACH@BWENERGYLAW.COM

July 1, 2011

First American Bank 303 W. Main St. Artesia, NM 88210 Special Agent for:

Richard W. Wheatley and Sarah Wheatley, Co-Trustees of Wheatley Family
Fred O. McDowell and Bertha McDowell, Co-Trustees of McDowell Family Trust
Abbe Kanner

Claire Jeanne Carter, Trustee of Claire Jeanne Carter Trust

Richard W. Bentwood and Jean Bentwood, Co-Trustees of Bentwood Revocable Trust

Dr. John N. Bentwood

Barbara Bentwood McCahan

Attn: Thomas Mitchell, Account Manager

Dear Mr. Mitchell:

Yesterday this office sent you a certified letter and we mistakenly used letterhead with a former address for the firm. Should there be a need to contact this office, the address above is correct.

I regret any confusion this may have caused.

Sincerely,

Carol/Leach

BEATTY & WOZNIAK, P.C.

ATTORNEYS AT LAW

500 DON GASPAR AVENUE SANTA FE, NEW MEXICO 87505-2626 TELEPHONE (505) 983-8545 FACSIMILE (505) 983-8547 www.bwenergylaw.com

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SANTA FB

CAROL LEACH

DIRECT: (505) 983-8901 E-MAIL: CLEACH@BWENERGYLAW.COM

July 1, 2011

Leland Price Inc. 1511 Northgate Place Artesia, NM 88210

Attn: Betty A. Price

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