

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.**

Case No. 14,855

MOTION TO DISMISS

Chisos, Ltd. ("Chisos") and Apache Corporation ("Apache") jointly file this motion to dismiss the application filed herein. In support thereof, they state:

A. The following facts are supported by the affidavits of Sue Ann Craddock and Lee Scarborough, attached hereto as **Exhibits 1 and 2**, respectively:

1. Chisos and Apache each own a working interest in the W $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16, Township 17 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. These lands are subject to State of New Mexico Oil and Gas Lease B-3105-9.
2. In Oil Conservation Division ("OCD") Case No. 14815, heard on April 26, 2012, COG Operating LLC ("COG") sought to force pool Chisos, Apache, and other interest owners in the N $\frac{1}{2}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 16 for the purpose of drilling two horizontal wells to test the Glorieta-Yeso formation.
3. In OCD Case No. 14855, scheduled for hearing on June 7, 2012, COG seeks to force pool Chisos, Apache, and other interest owners in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 16 for the purpose of drilling a vertical well to test the Glorieta-Yeso formation.

4. COG's title attorney imposed a title requirement to clear title to the interests of Chisos and Apache in the W $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16. Before the April 26, 2012 hearing COG knew that the title defect was being cured, and COG's title attorney had, prior to April 26, provided comments to the Corrected Assignment. COG knows that the title requirement is satisfied, and has been provided a copy of the fully executed and recorded Corrected Assignment

5. Since April 2012 Chisos and Apache have repeatedly requested that COG send them an operating agreement and AFEs for the proposed wells. To date, COG has refused to do so.

6. Chisos and Apache have informed COG multiple times that they will participate in the drilling of the wells proposed by COG,¹ and Chisos and Apache have offered to sign an operating agreement and AFEs for the subject wells, but cannot do so until COG provides such documents to them.

B. The Division requires pooling applicants to send proposal letters with an AFE to parties being pooled at least thirty days before an application is filed. Also, if a party being pooled requests an operating agreement, the applicant must send one to the interest owner. **Order No. R-13165.** Clearly, this was not done in the present case. In fact, as of yesterday COG was *still* telling Chisos and Apache to contact Total for AFEs. **Exhibit 3.**

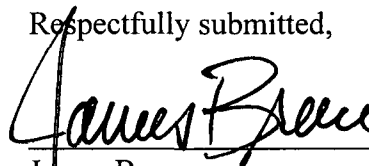
COG has not negotiated in good faith regarding Chisos' joinder in the subject wells. Thus, the cases must be dismissed or continued to satisfy Division pooling requirements.

WHEREFORE, Chisos and Apache requests that this case be dismissed. In the alternative, they request that the cases be continued until at least the hearing scheduled for July

¹ At this time Apache has only agreed to participate in the horizontal wells because it has not seen an AFE for the vertical well.

12, 2012 so that they might have sufficient time to review a proposed operating agreement and the AFE.

Respectfully submitted,




James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Chisos, Ltd. and Apache
Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 1st day of ~~May~~ ^{June}, 2012 by facsimile transmission:

J. Scott Hall
Montgomery & Andrews, P.A.
P.O. Box 2307
Santa Fe, New Mexico 87504
(505) 982-4289


James Bruce

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

Case No. 14,855

AFFIDAVIT OF SUE ANN CRADDOCK

STATE OF NEW MEXICO)
)
COUNTY OF LUNA)

Sue Ann Craddock, being duly sworn upon her oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am the President of Chisos, Ltd. ("Chisos").
3. Chisos owns a working interest in the W $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16, Township 17 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. These lands are subject to State of New Mexico Oil and Gas Lease B-3105-9.
4. In Oil Conservation Division ("OCD") Case No. 14815, heard on April 26, 2012, COG Operating LLC ("COG") sought to force pool Chisos and other interest owners in the N $\frac{1}{2}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 16 for the purpose of drilling two horizontal wells to test the Glorieta-Yeso formation.
5. In OCD Case No. 14855, scheduled for hearing on June 7, 2012, COG seeks to force pool Chisos and other interest owners in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 16 for the purpose of drilling a vertical well to test the Glorieta-Yeso formation.
6. Since April 2012 Chisos, either through me or through our Texas attorney, Barry Cannaday, has sent at least six (6) e-mail requests as well as numerous telephone calls to COG requesting that COG send Chisos an operating agreement and AFEs for the proposed wells. Copies of the requests are attached hereto as **Exhibit A**. To date, COG has refused to do so.

EXHIBIT 1

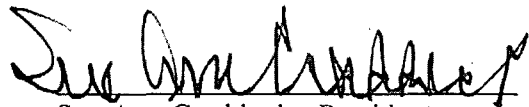
7. Chisos has informed COG several times that it will participate in the drilling of the wells proposed by COG in the two pooling cases. Chisos has offered to sign an operating agreement and AFEs for the subject wells, but cannot do so until COG sends them to Chisos.

8. COG's title attorney imposed a title requirement to clear title to Chisos' interest in the W $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16. Chisos and other working interest owners, including Apache Corporation and Cross Border Resources, Inc. ("Cross Border"), have satisfied the title requirement. COG knew several weeks ago that the title requirement was satisfied.

9. At the April 26, 2012 OCD hearing, COG's landman testified that the interests of Chisos, Apache, and Cross Border belonged to Total Petrochemicals. However, on April 20, 2012, the week prior to the OCD hearing, the COG landman Katie Mohebkhosravi was communicating with Mr. Cannaday and the COG attorney was providing comments to the corrective assignment Mr. Cannaday had drafted to cure the title defect. Yet, COG has still refused to provide these interest owners an operating agreement and AFEs.

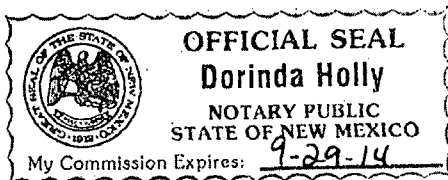
10. On May 3, 2012 the landman with COG said that upon receipt of the fully executed and recorded Corrected Assignment, an operating agreement and AFE would be sent; on May 18, 2012 a fully executed Correction Assignment was sent to COG and under New Mexico law, a fully executed conveyance is sufficient to convey title, and again a request for an operating agreement and AFE was made to COG; on May 25, 2012 Barry Cannaday sent an e-mail to COG along with the fully executed and recorded Corrected Assignment requesting an operating agreement and AFE; and again on May 29, 2012 a telephone message and e-mail were made to COG, again requesting an operating agreement and AFE.

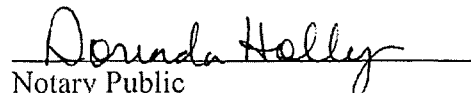
11. COG has not negotiated in good faith regarding Chisos' joinder in the subject wells.


Sue Ann Craddock - President

SUBSCRIBED AND SWORN TO before me this 31st day of May, 2012 by Sue Ann Craddock.

My Commission Expires: 9-29-14




Notary Public

sueanncraddock

From: Katie Mohebkhosravi [KMohebkhosravi@concho.com]
Sent: Wednesday, March 14, 2012 10:00 AM
To: sueanncraddock
Cc: bcannaday@snrdenton.com
Subject: Fina Title
Attachments: Burkett Title Requirement.pdf

Good Morning Sue Ann,

As we discussed earlier, a curative issue popped up in the Title Opinion for the Burkett (N/2NW/2 & W/2NE/4 of Section 16-T17S-R31E) regarding a break in a chain of FINA entities. As we establish before American Petrofina, Inc. received the interest when it acquired Cosden Petroleum Corporation in 1963. It then became FINA, Inc. An issue arises because the interest you are a part of was assigned from Fina Oil and Chemical Company, not FINA, Inc. Fina Oil and Chemical Company never had record title interest. Furthermore, according to our title opinion the New Mexico Public Regulation Commission website represents that American Petrofina, Inc. never owned assets in New Mexico.

My search through various FINA documents leads me to believe it is possible the captioned lands were left off of the Exhibit "A" on an Assignment from Fina Oil and Chemical Company to Manix Energy, LLC. During a mass transfer. We have successfully contacted the people at Total (Total Petrochemicals USA, Inc. are successors in interest to American Petrofina). You can contact Sherry Ablanalp at the information provided below.

Sherry Ablanalp
Land Advisor
TOTAL E&P USA, INC.
1201 Louisiana, Suite 1800
Houston, TX 77002
713.647.3361
sherry.abplanalp@total.com

Sherry has told me they have the means to get assignments signed out of Total Petrochemicals USA and would be more than willing to work with you to clear title. I think the requirement attached should piece all of these things together. Please let me know if there is anything else I can help with.

Thanks,

Katayoun "Katie" Mohebkhosravi | Landman | Concho Resources
550 W Texas Avenue, Suite 100 | Midland, TX 79701 | p: 432-221-0333 | KMohebkhosravi@concho.com



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sueanncraddock

From: sueanncraddock [sueanncraddock@zianet.com]
Sent: Tuesday, April 10, 2012 11:19 AM
To: 'Katie Mohebkhosravi'
Cc: 'Tom Kellahin'; 'Cannaday, Barry F.'
Subject: RE: Burkett State No. 16H

Importance: High

Katie – I have not received a response from you regarding the dismissal of Chisos from the pooling scheduled for April 26 – also I have just been informed by our attorney, Mr. Tom Kellahin, that he will not be available to attend the hearing so I would appreciate knowing that Chisos has been dismissed – as I said in the e-mail to you on Friday, Chisos will participate with its interest and I will be glad to execute an AFE if that is what is needed – again – I would appreciate hearing from you – also – I will be out of the office beginning tomorrow because of a personal matter – I will be reading e-mails and can be reached by cell phone on the number below – I just want to avoid being pooled when we have agreed to participate – thanks -sac

Sue Ann Craddock
President
Chisos, Ltd.
670 Dona Ana Road SW
Deming, New Mexico 88030
575 546-8802 - Office
713 898-8178 - Cell
575 546-7551 - Fax
sueanncraddock@zianet.com

From: sueanncraddock [<mailto:sueanncraddock@zianet.com>]
Sent: Friday, April 06, 2012 2:17 PM
To: 'Katie Mohebkhosravi'
Cc: 'Tom Kellahin'; 'Cannaday, Barry F.'
Subject: FW: Burkett State No. 16H

Katie - I have received your letter regarding the hearing for pooling scheduled for April 26, 2012 - I have also reviewed your AFE and Operating Agreement that you sent to Total and Chisos will participate in the Burkett State No. 16H and would ask that you drop Chisos from the pooling – Mr. Cannaday is working on the assignment from Total to Chisos, Cross Borders, Apache and Manix and as soon as that is complete, a copy will be provided to you. Thanks so much and Happy Easter - sac

Sue Ann Craddock
President
Chisos, Ltd.
670 Dona Ana Road SW
Deming, New Mexico 88030
575 546-8802 - Office
713 898-8178 - Cell
575 546-7551 - Fax
sueanncraddock@zianet.com

sueanncraddock

From: sueanncraddock [sueanncraddock@zianet.com]
Sent: Tuesday, April 10, 2012 5:55 PM
To: 'Cannaday, Barry F.'
Cc: 'Katie Mohebkhosravi'
Subject: Burkett Well Proposal - Section 16

Barry – would you please correspond with Katie regarding the status of the assignment from Total to Chisos, Cross Borders, Apache and Manix – Jim Bruce has agreed to represent Chisos at the hearing on April 26th – however – if there is any way we could have a document prepared and circulated prior to that date, it would really help – anyway – remember I am leaving early in the morning but will be available on my cell phone and I will be reading e-mails – thanks so much - sac

Sue Ann Craddock
President
Chisos, Ltd.
670 Dona Ana Road SW
Deming, New Mexico 88030
575 546-8802 - Office
713 898-8178 - Cell
575 546-7551 - Fax
sueanncraddock@zianet.com

sueanncraddock

From: Cannaday, Barry F. [barry.cannaday@snrdenton.com]
Sent: Tuesday, April 17, 2012 3:22 PM
To: sherry.abplanalp@total.com; Katie Mohebkhosravi; sueanncraddock
Subject: FW: Fina Title
Attachments: Burkett Title Requirement.pdf; CHILIB2-15005247-v1-Fina Correction Assignment.DOC

Sherry,

I represent Chisos, Ltd., one of the parties who in the chain of title from Fina Oil and Chemical Company referenced below for the proposed Burkett State No 16H Well in Section 16, T-17-S, R-31-E, Eddy County, New Mexico. I have prepared the attached Correction Assignment from Total Petrochemicals USA Inc. to address the break in the chain of title described by Katie below. If this Correction Assignment is acceptable to Total, please have 4 originals executed by Total Petrochemicals and return them to me for further handling and recording.

Do not hesitate to contact me if you should have any questions or comments.

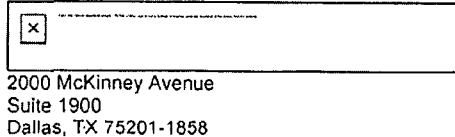
Thank you in advance for your attention to this matter.

Barry

Barry F. Cannaday
SNR Denton US LLP
2000 McKinney Avenue
Suite 1900
Dallas, Texas 75201

Telephone No.: (214) 259-1855
Fax No.: (214) 259-0910
Email: barry.cannaday@snrdenton.com

Barry F. Cannaday
SNR Denton US LLP
D +1 214 259 1855
barry.cannaday@snrdenton.com
snrdenton.com



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From: Katie Mohebkhosravi [<mailto:KMohebkhosravi@concho.com>]
Sent: Wednesday, March 14, 2012 11:00 AM
To: sueanncraddock
Cc: Cannaday, Barry F.
Subject: Fina Title

Good Morning Sue Ann,

sueanncraddock

From: Katie Mohebkhosravi [KMohebkhosravi@concho.com]
Sent: Friday, April 20, 2012 2:03 PM
To: Cannaday, Barry F.
Cc: sueanncraddock
Subject: RE: Fina Title
Attachments: CHILIB2-15005247-v1-Fina Correction Assignment with revisions KH 4.20.12.doc

Barry,

The title attorney who rendered the Burkett title opinion has requested the follow changes listed in red in order to satisfy the requirement. In my attempts to get a hold of Sherry Abplanalp, I noticed she will be out of town until Monday. Could you please review these changes and submit them to Ms. Abplanalp to execute?

Thank you!

Katayoun "Katie" Mohebkhosravi | Landman | Concho Resources
550 W Texas Avenue, Suite 100 | Midland, TX 79701 | p: 432-221-0333 | KMohebkhosravi@concho.com



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From: Cannaday, Barry F. [mailto:barry.cannaday@snrdenton.com]
Sent: Tuesday, April 17, 2012 4:22 PM
To: sherry.abplanalp@total.com; Katie Mohebkhosravi; sueanncraddock
Subject: FW: Fina Title

Sherry,

I represent Chisos, Ltd., one of the parties who in the chain of title from Fina Oil and Chemical Company referenced below for the proposed Burkett State No 16H Well in Section 16, T-17-S, R-31-E, Eddy County, New Mexico. I have prepared the attached Correction Assignment from Total Petrochemicals USA Inc. to address the break in the chain of title described by Katie below. If this Correction Assignment is acceptable to Total, please have 4 originals executed by Total Petrochemicals and return them to me for further handling and recording.

Do not hesitate to contact me if you should have any questions or comments.

Thank you in advance for your attention to this matter.

Barry

Barry F. Cannaday
SNR Denton US LLP
2000 McKinney Avenue
Suite 1900
Dallas, Texas 75201

Telephone No.: (214) 259-1855
Fax No.: (214) 259-0910

sueanncraddock

From: Cannaday, Barry F. [barry.cannaday@snrdenton.com]
Sent: Friday, April 20, 2012 3:13 PM
To: sherry.abplanalp@total.com
Cc: Katie Mohebkhosravi; sueanncraddock
Subject: RE: Fina Title
Attachments: CHILIB2-15005921-v1-Revised Fina Total Correction Assignment.DOC

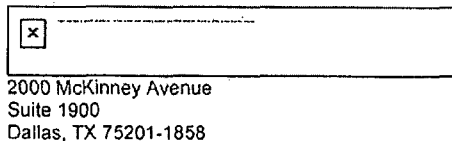
Sherry,

The lawyer who rendered the Title Opinion for the proposed Burkett State No 16H Well in Section 16, T-17-S, R-31-E, Eddy County, New Mexico has reviewed the Correction Assignment which was attached to my email below and has made some suggested changes to clarify the chain of title which will be affected by this Correction Assignment. The revised attached Correction Assignment incorporates his suggested changes. If you could please have 4 originals of this revised Correction Assignment executed on behalf of Total Petrochemicals instead of Correction Assignment attached to my prior email, it would be greatly appreciated.

Again, do not hesitate to contact me if you should have any questions or comments.

Thank you,
Barry

Barry F. Cannaday
SNR Denton US LLP
D +1 214 259 1855
barry.cannaday@snrdenton.com
snrdenton.com



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From: Cannaday, Barry F.
Sent: Tuesday, April 17, 2012 4:22 PM
To: 'sherry.abplanalp@total.com'; 'Katie Mohebkhosravi'; sueanncraddock
Subject: FW: Fina Title

Sherry,

I represent Chisos, Ltd., one of the parties who in the chain of title from Fina Oil and Chemical Company referenced below for the proposed Burkett State No 16H Well in Section 16, T-17-S, R-31-E, Eddy County, New Mexico. I have prepared the attached Correction Assignment from Total Petrochemicals USA Inc. to address the break in the chain of title described by Katie below. If this Correction Assignment is acceptable to Total, please have 4 originals executed by Total Petrochemicals and return them to me for further handling and recording.

Do not hesitate to contact me if you should have any questions or comments.

Thank you in advance for your attention to this matter.

Barry

sueanncraddock

From: Katie Mohebkhosravi [KMohebkhosravi@concho.com]
Sent: Friday, April 20, 2012 3:57 PM
To: Cannaday, Barry F.
Cc: sueanncraddock
Subject: RE: Fina Title

Great. Thank you!

Katayoun "Katie" Mohebkhosravi | Landman | Concho Resources
550 W Texas Avenue, Suite 100 | Midland, TX 79701 | p: 432-221-0333 | KMohebkhosravi@concho.com



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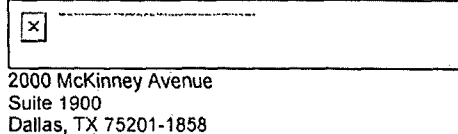
From: Cannaday, Barry F. [mailto:barry.cannaday@snrdenton.com]
Sent: Friday, April 20, 2012 4:00 PM
To: Katie Mohebkhosravi
Cc: sueanncraddock
Subject: RE: Fina Title

Katie,

These changes are fine with me. I will incorporate these changes and get the revised Correction Assignment to Ms. Abplanalp.

Thanks,
Barry

Barry F. Cannaday
SNR Denton US LLP
D +1 214 259 1855
barry.cannaday@snrdenton.com
snrdenton.com



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From: Katie Mohebkhosravi [mailto:KMohebkhosravi@concho.com]
Sent: Friday, April 20, 2012 3:03 PM
To: Cannaday, Barry F.
Cc: sueanncraddock
Subject: RE: Fina Title

Barry,

sueanncraddock

From: Scarborough, Lee [Lee.Scarborough@apachecorp.com]
Sent: Thursday, May 03, 2012 12:32 PM
To: Sue Ann Craddock (sueanncraddock@zianet.com)
Cc: James Bruce (jamesbruc@aol.com)
Subject: Burkett 16 State 15H and 16H, Eddy County, NM

I spoke with Katie Mohebkhosravi (Concho Landman) this morning and requested a copy of their AFE and Joint Operating Agreement for the Burkett State 15H and 16H wells. She mentioned that she needed the fully executed and recorded copy of the Correction Assignment and that she would send me their AFE and JOA.

Lee M. Scarborough
Apache Corporation
Landman
432-818-1073

sueanncraddock

From: sueanncraddock [sueanncraddock@zianet.com]
Sent: Friday, May 18, 2012 7:53 AM
To: 'Katie Mohebkhosravi'
Cc: 'jamesbruc@aol.com'; 'barry.cannaday@snrdenton.com';
'Lee.Scarborough@apachecorp.com'; 'Larry Risley'
Subject: FW: Fina / Manix / Eddy County New Mexico Correction Assignment
Attachments: CORRECTED ASSGN 05-17-12_20120517160833.pdf

Importance: High

Good morning Katie – attached is a copy of the fully executed Correction Assignment – Apache, Cross Borders and Chisos would request that you provide the operating agreement and AFE for your proposed Burkett State No. 16H (designated as the Burkett 16 State No. 15H in the Application for Pooling letter dated April 4, 2012). As you can see from my e-mail to Jim Bruce, I have requested that he file for a dismissal in this case.

Additionally, I just received a notice dated May 14, 2012 that Chisos is being pooled as to the SW/4 NE/4 of Section 16, Township 17 South, Range 31 East, designated as the Burkett 16 State No. 1 Well which would involved the same acreage as cited in the attached Correction Assignment – again – please send an operating agreement, AFE and election proposal for review by Chisos – I would assume that this pooling notice was also sent to Apache and Cross Borders but I am unable to know that from the letter and application sent by your counsel.

Katie – I believe that under New Mexico law a fully executed conveyance is sufficient to convey title and in this instance we are satisfying a requirement under your title opinion to perfect our title even though we held title to this lease by prior conveyances – therefore – I respectfully request that COG Operating LLC dismiss Chisos and the other parties holding title to the State of New Mexico Lease B-3105 dated July 10, 1934 and stop this unnecessary expenditure of time and resources by all involved.

Sue Ann Craddock
President
Chisos, Ltd.
670 Dona Ana Road SW
Deming, New Mexico 88030
575 546-8802 - Office
713 898-8178 - Cell
575 546-7551 - Fax
sueanncraddock@zianet.com

sueanncraddock

From: Scarborough, Lee [Lee.Scarborough@apachecorp.com]
Sent: Friday, May 18, 2012 7:52 AM
To: Katayoun Mohebkhosravi (KMohebkhosravi@concho.com)
Cc: James Bruce (jamesbruc@aol.com); Custer, Tim
Subject: Burkett 16 State - Section 16, T17S, R31E, Eddy County, NM
Attachments: CORRECTED ASSGN 05-17-12_20120517160833.pdf

Attached is a copy of fully executed Corrected Assignment as per title requirement for subject wells. I have not received your proposed AFEs and JOA as previously requested. If you require additional information prior to sending AFEs and JOA, please let me know immediately.

Lee M. Scarborough
Apache Corporation
Landman
432-818-1073

sueanncraddock

From: Cannaday, Barry F. [barry.cannaday@snrdenton.com]
Sent: Friday, May 25, 2012 2:40 PM
To: 'Katie Mohebkhosravi'
Cc: sueanncraddock; jamesbruc@aol.com; 'Scarborough, Lee'
Subject: FW: Fina / Manix / Eddy County New Mexico Correction Assignment
Attachments: Fina Title (79.7 KB); CORRECTED ASSGN 05-17-12_20120517160833.pdf

Importance: High

Follow Up Flag: Follow up
Flag Status: Flagged

Katie,

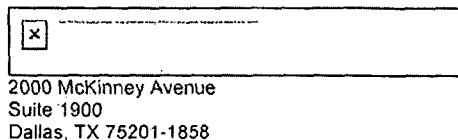
You should have received the executed Correction Assignment from Total/Fina, et al. which addressed the title curative issue you originally brought to Sue Ann's attention on March 14th (see the attached email). With this title curative in hand, Concho should be in a position to dismiss Chisos from any pooling proceedings relating to this acreage. Can you please confirm this has been done? Also, if you would send proposed operating agreements and AFE elections to Chisos for these wells, it would be greatly appreciated.

Thank you,

Barry F. Cannaday
SNR Denton US LLP
2000 McKinney Avenue
Suite 1900
Dallas, Texas 75201

Telephone No.: (214) 259-1855
Fax No.: (214) 259-0910
Email: barry.cannaday@snrdenton.com

Barry F. Cannaday
SNR Denton US LLP
D +1 214 259 1855
barry.cannaday@snrdenton.com
snrdenton.com



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From: sueanncraddock [mailto:sueanncraddock@zianet.com]
Sent: Friday, May 18, 2012 8:53 AM
To: 'Katie Mohebkhosravi'
Cc: jamesbruc@aol.com; Cannaday, Barry F.; Lee.Scarborough@apachecorp.com; 'Larry Risley'
Subject: FW: Fina / Manix / Eddy County New Mexico Correction Assignment
Importance: High

sueanncraddock

From: Katie Mohebkhosravi [KMohebkhosravi@concho.com]
Sent: Tuesday, May 29, 2012 2:02 PM
To: sueanncraddock
Cc: Cannaday, Barry F.; Scarborough, Lee; James Bruce (jamesbruc@aol.com)
Subject: RE: Fina / Manix / Eddy County New Mexico Correction Assignment
Attachments: RE: Burkett 16 State - Section 16, T17S, R31E, Eddy County, NM (26.6 KB)

Sue Ann,

I had every intention of copying you on the attached e-mail sent out to Lee on the 18th and by accident I did not add you. As the e-mail indicates, packets containing Operating Agreements and AFE's were prepared to send that Monday, however, I was directed to hold off on sending out the Operating Agreement until recent changes to our form had been approved. I apologize for the lack of communication and delay. I will keep you updated and try to speed up the approval process to the best of my ability. Please do not hesitate to contact me if you have any further issues.

Kind Regards,

Katayoun "Katie" Mohebkhosravi | Landman | Concho Resources
550 W Texas Avenue, Suite 100 | Midland, TX 79701 | p: 432-221-0333 | KMohebkhosravi@concho.com



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From: sueanncraddock [mailto:sueanncraddock@zianet.com]
Sent: Tuesday, May 29, 2012 12:21 PM
To: 'Scarborough, Lee'; 'Cannaday, Barry F.'; jamesbruc@aol.com
Cc: Katie Mohebkhosravi
Subject: RE: Fina / Manix / Eddy County New Mexico Correction Assignment
Importance: High

I just left a phone message for Katie – I can't believe that the relationship that we have previously enjoyed with COG has gotten to this point – the numerous e-mails and requests for cooperation regarding the poolings for the two wells continues to be ignored by Katie and this is just not acceptable – I did tell Katie that if I didn't hear from her today, then I will contact someone in upper management to try and get some resolution to these issues - sac

Sue Ann Craddock
President
Chisos, Ltd.
670 Dona Ana Road SW
Deming, New Mexico 88030
575 546-8802 - Office
713 898-8178 - Cell
575 546-7551 - Fax
sueanncraddock@zianet.com

From: Cannaday, Barry F. [mailto:barry.cannaday@snrdenton.com]
Sent: Friday, May 25, 2012 3:40 PM
To: 'Katie Mohebkhosravi'

sueanncraddock

From: sueanncraddock [sueanncraddock@zianet.com]
Sent: Wednesday, May 30, 2012 3:37 PM
To: 'Katie Mohebkhosravi'
Cc: 'Cannaday, Barry F.'; 'Scarborough, Lee'; 'James Bruce (jamesbruc@aol.com)'; 'gburleson@concho.com'; 'Bryan, JP'; 'Jo Ana Kessler'
Subject: RE: Fina / Manix / Eddy County New Mexico Correction Assignment
Attachments: COG 05-30-12_20120530144728.pdf; Fina Title ; RE: Fina Title ; FW: Fina / Manix / Eddy County New Mexico Correction Assignment; FW: Fina / Manix / Eddy County New Mexico Correction Assignment; RE: Burkett State No. 16H

Importance: High

Katie – yesterday you told me you would call me today regarding the Burkett wells and I have yet to hear from you – again – given the past relationship that Chisos has enjoyed with COG, I am really perplexed that Chisos is being treated in such an unprofessional manner - attached are various e-mails which I believe show a concerted effort on the part of Chisos to comply with your requirements beginning with your first contact on March 14, 2012; your e-mail of April 20, 2012 conveying approval of the changes made by COG's counsel to the Correction Assignment; the May 18th e-mail sending you a copy of the fully executed agreement which under New Mexico law does constitute a legal change in title; the May 25th e-mail from Barry Cannaday inquiring about the status of the dismissal for Chisos and again providing you a copy of the now recorded Corrected Assignment.

Also, Item 3 of your Compulsory Pooling Application states that "Applicant has been unable to obtain leases or voluntary agreement for pooling or farmout from certain other interest owners . . .". Katie - I think it is clear from the attached chain of e-mails that this is clearly not the case in this instance because in my e-mail to you on April 10 I told you we would participate which reiterated what I had told you on the previous Friday.

Until my e-mail on Tuesday May 29th and the phone message I left for you, all other attempts, either by e-mail or phone, to (a) receive an Operating Agreement and AFE's for the three(3) Burkett Wells; (b) acknowledgement of the Correction Assignment sent to you or (c) requests for dismissal of Chisos from the compulsory poolings, have gone unanswered and unacknowledged by you.

Katie, I am attempting, once again, to convey to COG the intent by Chisos, Ltd. to participate in the Burkett Wells proposed by COG in Section 16 and in this regard, attached is a Conditional Letter of Acceptance of the Operating Agreement dated March 6, 2012 that you sent to Total for their election to participate in the Section 16 wells. If these changes are acceptable to COG, then I would respectfully request that you incorporate these changes in the agreement and provide an executable original for Chisos along with the AFE's for the three wells – thank you for your consideration in this matter - sac

Sue Ann Craddock
President
Chisos, Ltd.
670 Dona Ana Road SW
Deming, New Mexico 88030
575 546-8802 - Office
713 898-8178 - Cell
575 546-7551 - Fax
sueanncraddock@zianet.com

sueanncraddock

From: Scarborough, Lee [Lee.Scarborough@apachecorp.com]
Sent: Thursday, May 31, 2012 6:19 AM
To: Katayoun Mohebkhosravi (KMohebkhosravi@concho.com)
Cc: James Bruce (jamesbruc@aol.com)
Subject: Burkett 16 - JOA - Conditional Letter of Acceptance
Attachments: Concho_ConditionalLetterOfAcceptance_Burkett.doc

Katy,

Attached is a Conditional Letter of Acceptance relative to the Operating Agreement covering our mutual interests in Section 16, Township 17 South, Range 31 East, Eddy County, New Mexico. I have presented and received management approval to participate in the two proposed horizontal Yeso wells, please forward AFEs. Also, I am in receipt of your compulsory pooling notice for the vertical well in the same Section 16, but have yet to receive an AFE for this proposal.

Lee M. Scarborough
Apache Corporation
Landman
432-818-1073

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

Case No. 14,855

AFFIDAVIT OF LEE SCARBOROUGH

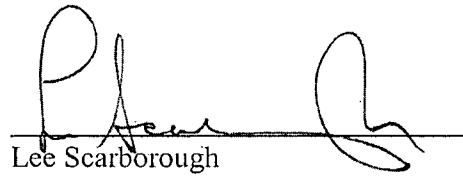
STATE OF TEXAS)
)
COUNTY OF MIDLAND)

Lee Scarborough, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am a landman for Apache Corporation ("Apache").
3. Apache owns a working interest in the W $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16, Township 17 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. These lands are the subject of Case Nos. 14815 and 14855, in which COG seeks to force pool Apache and other interest owners for the purpose of drilling three wells to test the Glorieta-Yeso formation.
4. Since April 2012 I have requested requested COG to send Apache an operating agreement and AFEs for the proposed wells. To date, COG has refused to do so.
5. Apache has informed COG that it will participate in the drilling of the wells proposed by COG in Case No. 14815, and has offered to sign an operating agreement. Apache has not yet agreed to participate in the drilling of the well proposed by COG in Case No. 14855 because it has never received an AFE for that well.
6. COG's title attorney imposed a title requirement to clear title to Apache's interest in the W $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16. Apache and other working interest owners, including Chisos, Ltd. and Cross Border Resources, Inc., have satisfied the title requirement. A copy of the corrective assignment is attached hereto as **Exhibit A**. Despite satisfying the title requirement, COG has still refused to provide Apache an operating agreement and AFEs.

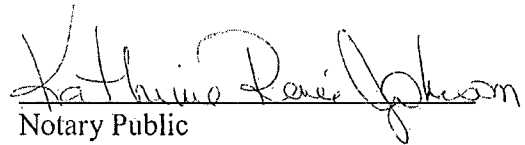
EXHIBIT

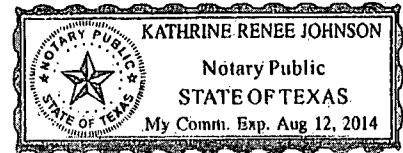
2


Lee Scarborough

SUBSCRIBED AND SWORN TO before me this 31st day of May , 2012 by Lee Scarborough.

My Commission Expires: Aug 12, 2014


Notary Public



CORRECTION ASSIGNMENT

STATE OF NEW MEXICO

§

KNOW ALL MEN BY THESE PRESENTS:

§

COUNTY OF EDDY

§

Recitals

1. Under the terms of an Assignment of Oil, Gas and Mineral Leases from Fina Oil and Chemical Company ("*Fina Oil*") to Manix Energy, LLC ("*Manix*") dated April 29, 1999 and recorded in Book 351, Page 250 of the Records of Eddy County, New Mexico (the "*Fina/Manix Assignment*"), Fina Oil transferred, sold, assigned and conveyed to Manix all of Fina Oil's right, title and interest in and to the Oil, Gas and Mineral Leases described in Exhibit "A" to the Fina/Manix Assignment, including all of Fina Oil's right, title and interest in and to State of New Mexico Lease No. B-3105 dated July 10, 1934 to Fred Turner Jr., insofar as the said lease covered the W/2 NE/4 and N/2 NW/4 of Section 16, Township 17 South, Range 31 East, Eddy County, New Mexico (the "*Subject Interests*").
2. By mesne conveyances, the Subject Interests which were initially transferred by Fina Oil to Manix under the Fina/Manix Assignment are currently owned by the following parties (the "*Current Owners*") in the following percentages:

<u>Current Owner</u>	<u>Percentage Ownership</u>
Apache Corporation	50%
Cross Border Resources, Inc.	25%
Chisos, Ltd.	25%

Each of the Current Owners' Percentage Ownership of the Subject Interests is burdened by an overriding royalty interest reserved by Manix Royalty, Ltd. (f/k/a Fenix Royalty, Ltd) (the "*Manix Royalty*") equal to the positive difference, if any, between 22.5% and existing lease burdens on the Subject Interests as of August 1, 1999 (the "*Manix ORRI*"), as more particularly described in the Conveyance from Manix Energy, LLC to Fenix Royalty, LLC dated August 1, 1999 recorded at Book 379, Page 1574 of the Records of Eddy County New Mexico, as corrected by Correction Conveyance from Manix Energy, LLC to Fenix Royalty, LLC dated November 12, 1999 recorded at Book 382, Page 661 of the Records of Eddy County, New Mexico.

3. It has been recently determined that at the time of the execution of the Fina/Manix Assignment, record title to the Subject Interests was held in the name of FINA, Inc. and not Fina Oil. As a result, although it was the intent of FINA, Inc. and Fina Oil that the Subject Interests be assigned and conveyed to Manix under the terms of the Fina/Manix Assignment, record title to the Subject Interests was not properly conveyed to Manix under the Fina/Manix Assignment.
4. Total Petrochemicals & Refining USA, Inc. ("*Assignor*"), formerly known as Fina Oil and Chemical Company, is the successor in interest by merger to FINA, Inc. with respect to any interest FINA, Inc. may have held in the Subject Interests and Assignor has agreed to execute

and deliver this Correction Assignment (this "**Assignment**") to effectuate the intent of Fina Oil as the then main operating subsidiary of FINA, Inc. to assign and convey all interest then held by Fina companies in the Subject Interests to Manix under the terms of the Fina/Manix Assignment and to properly reflect record title in Eddy County, New Mexico to the Subject Interests in the Current Owners subject to the Manix ORRI.

5. Ownership of the Subject Interests subsequent to execution and delivery of the Fina/Manix Assignment is unknown to Assignor, and therefore Assignor is making this assignment as an accommodation to Assignees, and is relying on the representations of Assignees in respect of the matters set forth in paragraphs two (2) and three (3) above and as to the current proper ownership of the Subject Interests.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Assignment.** Subject to the further provisions set forth below, Assignor hereby bargains, sells, assigns, quitclaims and conveys all of its right, title and interest in and to the Subject Interests to the Current Owners in the following percentages, subject however to the prior reservation to Manix Royalty, Ltd. ("**Manix Royalty**") of the Manix ORRI and any other reservations, terms and provisions evidenced in conveyances or other instruments of record in the Office of the Clerk of Eddy County, New Mexico, including, but not limited to, the instruments recorded in the Office of the Clerk of Eddy County, New Mexico, identified in Exhibit "A", attached hereto and incorporated herein by reference:

<u>Current Owner</u>	<u>Percentage Ownership</u>
Apache Corporation	50%
Cross Border Resources, Inc.	25%
Chisos, Ltd.	25%

2. **Ratification.** Each of the Current Owners and Manix Royalty (collectively, "**Assignees**") hereby ratify, confirm, bargain, sell, assign and quitclaim unto each other such, rights, titles and interests in and to the Subject Interests as is necessary to effectuate the intent of this Assignment as set forth in the Recitals hereof and Paragraph 1 above.

3. **Effective Date.** This Assignment is intended to be effective with respect to each of the Assignees as of the date each such Assignee initially acquired its rights in the Subject Interests in the "chain of title" ("chain of title" defined herein as conveyances or instruments of record in the Office of the Clerk of Eddy County, New Mexico) following the Fina/Manix Assignment. In respect of Assignor, this Assignment is intended to be effective as of January 1, 1999.

4. **Disclaimer of Warranties.** This Assignment is made by Assignor without warranty of any kind whatsoever, express or implied. Additionally, to the extent that this Assignment constitutes an assignment of personal property or fixtures, Assignor expressly disclaims and negates (a) ANY IMPLIED OR EXPRESSED WARRANTY OF MERCHANTABILITY, (b) ANY IMPLIED OR EXPRESSED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, and (c) ANY IMPLIED OR EXPRESSED WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIAL.

5. **Fina/Manix Assignment - Third Party Claims.** As between Assignor and Assignees, this Assignment is made expressly subject to all of the provisions of the Fina/Manix Assignment. Further, in respect of any interest assigned hereunder by Assignor, Assignees agree protect and indemnify Assignor from and against any party claiming or to claim the same by, through or under Manix Energy, LLC.

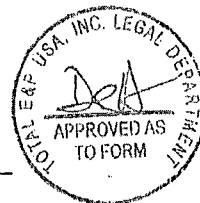
ASSIGNOR:

Total Petrochemicals & Refining USA, Inc.

By: 

Name: Glenn Lambert

Title: President & CEO



ASSIGNEES:

Manix Royalty, Ltd.

By: 

Name: John M. Hillman

Title: Partner

Apache Corporation

By: 

Name: TIMOTHY R. CUSTER

Title: ATTORNEY IN FACT

Cross Border Resources, Inc.

By: 

Name: Lawrence A. Risley

Title: President

Chisos, Ltd.

By: 

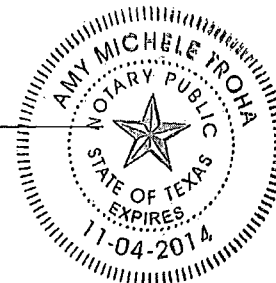
Sue Ann Craddock, President

STATE OF TEXAS §
 COUNTY OF HARRIS §

On this 9th day of May, 2012, before me, the undersigned Notary Public, personally appeared Graeme Burnett, known to me to be the President & CEO of Total Petrochemicals & Refining USA, Inc. that executed the within instrument and acknowledged to me that he executed the same as the free and voluntary act and deed of such corporation for the purpose and consideration therein expressed.

My commission expires:

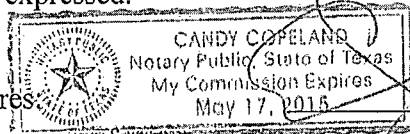
Amy Michele Troha
 Notary Public



~~TEXAS~~
 STATE OF NEW-MEXICO §
 COUNTY OF Midland §

On this 14th day of May, 2012, before me, the undersigned Notary Public, personally appeared John M. Hillman, known to me to be the Partner of Manix Royalty, Ltd. that executed the within instrument and acknowledged to me that he executed the same as the free and voluntary act and deed of such limited liability company for the purpose and consideration therein expressed.

My commission expires:
 STATE OF TEXAS §

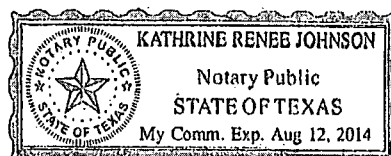


COUNTY OF Midland §

On this 10th day of May, 2012, before me, the undersigned Notary Public, personally appeared Timothy R. Custick, known to me to be the Attorney in Fact of Apache Corporation that executed the within instrument and acknowledged to me that he executed the same as the free and voluntary act and deed of such corporation for the purpose and consideration therein expressed.

My commission expires:

Aug 12, 2014 Kathrine Renee Johnson
 Notary Public

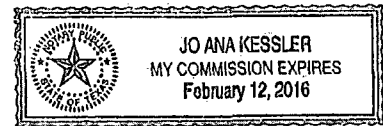


STATE OF TEXAS §
 §
 COUNTY OF BEXAR §

On this 16th day of May, 2012, before me, the undersigned Notary Public, personally appeared LAWRENCE J. RISLEY, known to me to be the PRESIDENT of Cross Border Resources, Inc. that executed the within instrument and acknowledged to me that he executed the same as the free and voluntary act and deed of such corporation for the purpose and consideration therein expressed.

My commission expires: 02-12-2016

Jo Ana Kessler
 Notary Public



STATE OF NEW MEXICO §
 §
 COUNTY OF LUNA §

On this 17th day of May, 2012, before me, the undersigned Notary Public, personally appeared Sue Ann Craddock, known to me to be the President of Chisos, Ltd. that executed the within instrument and acknowledged to me that she executed the same as the free and voluntary act and deed of such limited partnership for the purpose and consideration therein expressed.

My commission expires:

Lane G. Costilow
 Notary Public

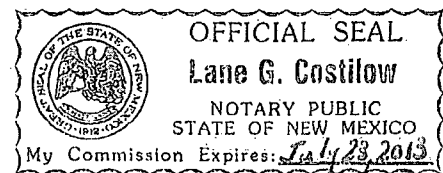


Exhibit "A"

To Correction Assignment from Total Petrochemicals & Refining USA Inc., to
Apache Corporation, Cross Border Resources, Inc. and Chisos, Ltd.

Page 1 of 2

All references below to instrument recording information concern instruments filed of record in the Clerk's Office of Eddy County, New Mexico:

Assignment of Oil, Gas and Mineral Leases dated April 29, 1999, from Fina Oil & Chemical Company to Manix Energy, LLC, recorded in Book 351, Page 250;

Conveyance dated August 1, 1999, from Manix Energy, LLC, to Fenix Royalty, LLC, recorded in Book 364, Page 37;

Assignment of Oil, Gas and Mineral Leases dated November 12, 1999, effective September 1, 1999, from Manix Energy, LLC, to Bellweather Exploration Company recorded in Book 366, Page 744;

Assignment of Oil, Gas and Mineral Leases dated November 12, 1999, effective September 1, 1999, from Manix Energy, LLC, to Pure Energy Group, Inc., recorded in Book 366, Page 765;

Correction Conveyance dated November 12, 1999, effective September 1, 1999, from Manix Energy, LLC, to Fenix Royalty, LLC, correcting Assignment recorded in Book 364, Page 37, Correction Conveyance recorded in Book 367, Page 933;

Assignment of Overriding Royalty dated March 31, 2000 from Pure Energy Group, Inc., to Hammer Energy Assets, Inc., recorded in Book 392, Page 1058;

Assignment, Conveyance and Bill of Sale dated June 15, 2002, effective January 1, 2002, from Mission Resources Corporation to Chisos, Ltd., recorded in Book 466, Page 1204;

Assignment of Overriding Royalty dated March 6, 2003, from Hammer Energy Assets, Inc., to Manix Royalty, Ltd., recorded in Book 504, Page 602;

Corrected Assignment, Conveyance and Bill of Sale dated October 1, 2003, effective January 1, 2002, from Mission Resources Corporation to Chisos, Ltd., recorded in Book 528, Page 183;

Corrected Assignment, Conveyance and Bill of Sale dated November 10, 2003, effective January 1, 2002, from Mission Resources Corporation to Chisos, Ltd., recorded in Book 532, Page 997;

Assignment of Overriding Royalty dated December __, 2003, effective December 1, 2003, from Manix Royalty, Ltd. to Pure Energy Group, Inc. recorded in Book 542, Page 991;

Amendment to Correction Conveyance recorded in Book 367, Page 933, between Pure Energy Group, Inc., Chisos, Ltd., Manix Energy, Ltd., and Manix Royalty, Ltd., recorded in Book 542, Page 1004;

Exhibit "A"

To Correction Assignment from Total Petrochemicals & Refining USA Inc., to
Apache Corporation, Cross Border Resources, Inc. and Chisos, Ltd.

Page 2 of 2

Notice of Exploration Agreement effective August 26, 2003, between Edge Petroleum Exploration Company, Pure Energy Group, Inc., and Chisos, Ltd., recorded in Book 563, Page 218;

Partial Assignment of Oil, Gas and Mineral Leases dated April 5, 2005, effective August 26, 2003, from Chisos, Ltd. to Edge Petroleum Exploration Company, recorded in Book 595, Page 106;

Partial Assignment of Oil, Gas and Mineral Leases dated April 5, 2005, effective August 26, 2003, from Pure Energy Group, Inc., to Edge Petroleum Exploration Company, recorded in Book 595, Page 129;

Termination Agreement of Exploration Agreement dated August 26, 2003, evidenced by Notice of Exploration Agreement recorded in Book 563, Page 218, Termination Agreement dated January 7, 2008, between Edge Petroleum Exploration Company, Pure Energy Group, Inc., and Chisos, Ltd., recorded in Book 728, Page 529;

Assignment and Bill of Sale effective November 30, 2010, from Edge Petroleum Exploration Company, Edge Petroleum Production Company, Edge Petroleum Operating Company, Inc., Miller Exploration Company, and Miller Oil Corporation to Apache Corporation, recorded in Book 838, Page 242.

RECEPTION NO: 1204696 STATE OF
NEW MEXICO, COUNTY OF EDDY
RECORDED 05/21/2012 12:27 PM
BOOK 0892 PAGE 0566 *[Signature]*
DARLENE ROSPRIM, COUNTY CLERK



From: sueanncraddock <sueanncraddock@zianet.com>

To: 'Katie Mohebkhosravi' <KMohebkhosravi@concho.com>

Cc: 'James Bruce' <jamesbruc@aol.com>; Lee.Scarborough <Lee.Scarborough@apachecorp.com>; 'Custer, Tim' <Tim.Custer@usa.apachecorp.com>; 'Cannaday, Barry F.' <barry.cannaday@snrdenton.com>; Tleech <Tleech@concho.com>; gburleson <gburleson@concho.com>; bryanj <bryanj@teai.com>

Subject: RE: Burkett 16 - JOA - Conditional Letter of Acceptance

Date: Thu, May 31, 2012 6:44 pm

Attachments: COG_TO_TOTAL_PROPOSAL_20120531174540.pdf (234K)

Katie – for you to suggest that Chisos and Apache should contact Total for the information on the Burkett No. 1 Well is not only ridiculous but the most unprofessional thing I have heard from anyone in a long, long time. Need I remind you that your fax transmittal dated March 6, 2012, copy attached, to Total clearly only references “Well Proposal Burket (sic) State #15H & #16H” and your letter of March 6, 2012 addressed to TOTAL E&P USA, INC. references “Well Proposal: Burkett State # 15H” and paragraph 1 of this same letter also recites “COG Operating LLC (“COG”) hereby proposes to drill the Burkett State #15H well on July 17, 2012.....” and the AFE you sent also only referenced the Burkett State #15H Well.

All of your references in the correspondence sent to Total only relate to well(s) with the letter “H” as part of the name and you and I both know that the “H” designation signifies a horizontal well – having nothing to do with a conventional well which is how the Burkett State No. 1 Well is classified.

Also your continued excuse that the operating agreement needed to be amended to accommodate horizontal wells is not a valid excuse because the operating agreement you sent Total had language for horizontal wells.

Additionally, the e-mail dated March 6, 2012 to you from Sherry Abplanalp with Total says in the first sentence that the predecessor, Fina, conveyed all of the oil and gas properties to Manix; and further, in the second sentence Sherry goes on to say “As such, we have taken the liberty of forwarding all of your correspondence to John Hillman at Manix for further handling.” So not only did Total not have notice of the third well, the Burkett State No. 1 well, but all of your correspondence regarding the horizontal wells that was sent to Total on March 6, 2012 was immediately forwarded to Manix in Midland for their handling. So for anyone to request something from Total is impossible and has been since March 6, 2012!!!

I am not sure what charade or game you may think you are playing but let me assure you that if we can't or don't get these issues resolved in a professional and satisfactory manner for all concerned and in the immediate future, then you leave Chisos with no choice but to pursue a legal remedy that will result in unnecessary time and expense for all parties. I am not interested in going to the courthouse on this one and I would hope that you are of the same mindset but for you and COG to continue to refuse to cooperate and persist in acting in such an unprofessional manner is completely unacceptable and will not be tolerated and will be settled in the courthouse.

Sue Ann Craddock
President
Chisos, Ltd.
670 Dona Ana Road SW
Deming, New Mexico 88030
575 546-8802 - Office
713 898-8178 - Cell
575 546-7551 - Fax
sueanncraddock@zianet.com

EXHIBIT **3**

From: Scarborough, Lee [<mailto:Lee.Scarborough@apachecorp.com>]

Sent: Thursday, May 31, 2012 4:44 PM

To: Katie Mohebkhosravi

Cc: 'James Bruce'; Custer, Tim; Sue Ann Craddock (sueanncraddock@zianet.com)

Subject: RE: Burkett 16 - JOA - Conditional Letter of Acceptance

I should have included a copy of the Operating Agreement we received from Total/Fina with my Conditional Letter of Acceptance. It is a 1989 Model Form Operating Agreement, dated March 6, 2012, and has horizontal language included. A copy is included for your reference.

From: Katie Mohebkhosravi [<mailto:KMohebkhosravi@concho.com>]

Sent: Thursday, May 31, 2012 5:06 PM

To: Scarborough, Lee

Cc: 'James Bruce'

Subject: RE: Burkett 16 - JOA - Conditional Letter of Acceptance

Lee,

Thank you for sending your Conditional Letter of Acceptance. We are currently redrafting our 1982 Operating Agreement form. It is being typed as we speak and I will send a copy for your review as soon the modification are finished. The language in the operating agreement should accommodate both vertical and horizontal wells. As such, we plan to use this Operating Agreement for all of the wells in the Burkett.

In regards to the AFE, Total should have sent a copy to you as successor to their interest in the Burkett 1 as they did with the Burkett the 15H & 16H. Please feel free to contact me if you have any trouble obtaining this from Total or have any other questions.

Thank you,

Katayoun "Katie" Mohebkhosravi | Landman | Concho Resources

550 W Texas Avenue, Suite 100 | Midland, TX 79701 | p: 432-221-0333 | KMohebkhosravi@concho.com



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From: Scarborough, Lee [<mailto:Lee.Scarborough@apachecorp.com>]

Sent: Thursday, May 31, 2012 3:40 PM

To: Katie Mohebkhosravi

Cc: James Bruce (jamesbruc@aol.com)

Subject: RE: Burkett 16 - JOA - Conditional Letter of Acceptance

From: Scarborough, Lee

Sent: Thursday, May 31, 2012 7:19 AM

To: Katayoun Mohebkhosravi (KMohebkhosravi@concho.com)

Cc: James Bruce (jamesbruc@aol.com)

Subject: Burkett 16 - JOA - Conditional Letter of Acceptance

Katy,

Attached is a Conditional Letter of Acceptance relative to the Operating Agreement covering our mutual interests in Section 16, Township 17 South, Range 31 East, Eddy County, New Mexico. I have presented and received management approval to participate in the two proposed horizontal Yeso wells, please forward AFEs. Also, I am in receipt of your compulsory pooling notice for the vertical well in the same Section 16, but have yet to receive an AFE for this proposal.

Lee M. Scarborough
Apache Corporation
Landman
432-818-1073

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Sherry ABPLANALP

To: Katie Mohebkhosravi
Subject: RE: Well Proposal: Burkett State

Katie:

Our belief is that Fina (our predecessor in title) conveyed all of our oil and gas exploration properties to Manix, LLC in 1999. As such, we have taken the liberty of forwarding all of your correspondence to John Hillman at Manix for further handling. If a curative document is necessary to bring title into Manix, we will certainly try to take care of it.

Sherry Abplanalp
Sr. Land Advisor
TOTAL E&P USA, INC.
1201 Louisiana, Suite 1800
Houston, TX 77002
713.647.3361
sherry.abplanalp@total.com

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

From: Katie Mohebkhosravi [<mailto:KMohebkhosravi@concho.com>]
Sent: Wednesday, March 07, 2012 5:34 PM
To: Sherry ABPLANALP
Cc: Brandon Gaynor
Subject: Well Proposal: Burkett State

Sherry,

Wow, that is a last name! Thank you for responding to our letter so quickly. This is the assignment we found of record. Although the captioned lands are included in the exhibit, as the title requirement mentions, Fina Oil and Chemical Company is a stranger to title and never had record title of the interest. Total Petrochemical USA Inc. has a 25% Working Interest as a successor to American Petrofina, Inc. We would still like to request a Term Assignment from Total Petrochemical USA Inc. under the same terms listed in the letter. Feel free call or e-mail me if you have any questions or would like a copy of the term assignment.

Many thanks for all your help!

Katayoun "Katie" Mohebkhosravi | Landman | Concho Resources
550 W Texas Avenue, Suite 100 | Midland, TX 79701 | p: [432-221-0333](tel:432-221-0333) | KMohebkhosravi@concho.com

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

From: Sherry ABPLANALP [<mailto:sherry.abplanalp@total.com>]
Sent: Wednesday, March 07, 2012 3:34 PM
To: Katie Mohebkhosravi
Subject: FW:

Katie:

Here is an image of the assignment where Fina conveyed to Manix, LLC. It would not surprise me if Fina made an assignment out of the wrong entity. We have means to get assignments signed out of TOTAL Petrochemicals USA, Inc. if this is necessary to clear the title. Just let me know what you need and I will try to help you get it done.

Sherry Abplanalp
Land Advisor
TOTAL E&P USA, INC.
1201 Louisiana, Suite 1800
Houston, TX 77002
713.647.3361
sherry.abplanalp@total.com

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

From: RICOH-2415@TOTAL.COM [<mailto:RICOH-2415@TOTAL.COM>]
Sent: Wednesday, March 07, 2012 2:36 PM
To: Sherry ABPLANALP
Subject:

This E-mail was sent from "P-USHOU-0102" (Aficio MP C3500).

Scan Date: 03.07.2012 14:36:20 (-0600)

Queries to: RICOH-2415@TOTAL.COM

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