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

2013 APR 15 A 10: 37

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

APPLICATIONS OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case Nos. 14951-14954

APPLICATION OF COG OPERATING LLC FOR A NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case No. 14975

# <u>DEVON ENERGY PRODUCTION COMPANY, L.P.'S</u> <u>REPLY IN SUPPORT OF MOTION FOR A CONTINUANCE</u>

Devon Energy Production Company, L.P. ("Devon") submits this reply in support of its motion for a continuance.

- 1. In its response, COG Operating LLC ("COG") states that it <u>must</u> commence its Pan Head Fee Well No. 4H by mid-May, and drill a 240 acre lateral, in order to save its term assignment acreage. That is not true, for the following reasons:
  - (a) There is no need to drill a 240 acre lateral; COG is free to drill a 160 acre lateral (the E/2W/2 of Section 11), and that would extend the term assignment.<sup>1</sup>

Attached as Exhibit 1 are the first two pages of the term assignment, which includes the 180 day continuous drilling provision. As you can see, the assignment encompasses the drilling of vertical and horizontal wells.

Allowing COG to commence its well and drill a 240 acre lateral would eliminate Devon's right to appeal any decision by the Division.

(b) Please refer to Exhibit B attached to Devon's original motion. You can see that COG has extended the term assignment to date *solely* by drilling vertical wells in Sections 9 and 10. It is free to do so again.

Attached hereto as Exhibit 2 is a well proposal from COG to Devon, regarding the Taylor D Well No. 27, a vertical well in the NW/4SW/4 of Section 10 (on term assignment acreage). That acreage, as noted in the proposal letter, is subject to a JOA, and Devon has 30 days to elect. After that date (May 4th), COG may commence the well. And, COG has an approved APD for that well. Exhibit 3.

3. COG can commence its Taylor D Well No. 27 before mid-June,<sup>2</sup> which will extend the term assignment to about the end of December 2013, which will leave sufficient time for the Division (and the Commission, if necessary) to consider and decide these cases. COG's Section 14 acreage is not at risk.

WHEREFORE, Devon requests that Case Nos. 14951-14954 and 14975 be continued to the May 2nd Examiner hearing.

Respectfully submitted,

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Devon Energy Production Company, L.P.

Under a JOA COG would have 90 days to commence the Taylor D Well No. 27.

# **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 1510 day of April, 2013 by facsimile transmission and U.S. Mail:

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

lames Bruce

OHK work sony

#### TERM ASSIGNMENT OF OIL AND GAS LEASE

This Assignment, made and entered into this 6th day of Comber, 2008, which shall also be the effective date of this agreement for all purposes, by and between MARATHON OIL COMPANY, hereinafter called "Assigner", whose mailing address is F. O. Box 3487, Houston, Texas 77253-3487, and HAWKINS EXPLORATION, INC., hereinafter called "Assignee", whose mailing address is P. O. Box 3192, Midland, Texas 79702.

#### WITNESSETH:

r 4.

Assignor, in consideration of the sum of One Hundred and NO/100 Dollars (\$100.00) in head paid, and other good and valuable considerations, and of the other agreements of Assigner herein contained, the receipt and sufficiency of which are hereby acknowledged, does hereby TRANSPER, ASSIGN and CONVEY, subject to the exceptions, reservations, conditions and other provisions hereinsfor set out, exclusively unto Assigned and Assigned among and assigns, all of Assigned's right, title and interest in and to that certain Oil and Oss Lesse(s) which is described in Exhibit "A" attached hereto and hereby made a part hereof, such lesse(s) being hereinsfor committee called the "said Lesse(s)", INSOFAR AND ONLY INSOFAR as said Lesse(s) covers the lands and depths only, being hereinsfor called the "Assigned Promises".

Reference is hereby made to said Lesse(s) and to the record thereof for this and all other purposes.

11.

There is hereby excepted from this Assignment and reserved unto Assignor, its successors and assigns, and Assignor, its successors and assigns, shall have the following:

- A. Any and all minerals, subseral rights and mineral leaushold estates in, to and under the Assigned Premises other than the oil and gas leasehold estate therein and rights appurtenant thereto;
- B. All the right, title and interest of Assignor in and to said Lease(s) insofar as it covers areas and/or depths other than the Assigned Premises; and
- C. The overriding royalty described in Article V.

All of the rights retained by Assigner and the rights granted to Assigner herein shall be exercised in such manner that neither shall unduly interfere with the operations of the other upon the land covered by the Assigned Premises.

ZVI PT

Subject to the other provisions hereof and to the terms and conditions of said Lease(s), this Assignment shall be for exemple from the Galled "primary term"), and as long the exemple of the Galled "primary term"), and as long thereafter at oil, gas of attachted liquid or gaseous hydrogarbous is produced hereunder in paying quantities or any operation is conducted, payment is made, or condition exists which continues this was gament to force, as better provided. Should this Assignment apply to more than one Lease, then the expiration or termination of one Lease shall not affect the Assignment's applicability to the remaining Lease(s) covering the Assigned Premises.

n

A. If, at the expiration of the primary term, a Production Unit, as defined in Article IV.B., on the Assigned Premises or lands pooled therewith which produced oil, gas or associated liquid or gaseous hydrocarbons in paying quantities during the primary term, is no longer producing in paying quantities, but on or before that date (or on or before the end of sixty (60) days following cessation of production or absandoment of a well, if a well be abandoned or production should cesse within sixty (60) days prior to the expiration of the primary term) Assignee commences actual drilling or reworking operations on the Production Unit in an effort to restore production on the Production Unit, as production is commenced or resumed during such shrty (60) day period, then this Assignment shall continue in force as to such Production Unit so long as such operations and their recommencement whether on the same well or on different wells on the Production Unit, it, at any time or times after the expiration of the primary term, production in paying quantities from the Production Unit, it, at any time or times after the expiration of the primary term, production in paying quantities from the Production Unit, it, at any time or times after the expiration of the primary term, production in paying operations in an effort to make the Production Unit again produce in paying quantities, in which event this Assignment shall continue in force as to the Production Unit so long as such operations are continued as above provided. If as a result of any such operations, the Production Unit so long as such operations are continued as above provided. If as a result of any such operations, the Production Unit is of any such operations in produced bereamdor in paying quantities or this Assignment is often the Production Unit so long as such operations in continue in force as to the Production Unit so long as any of them is produced bereamdor in paying quantities or this Assignment is often where the production unit so long as any of them is p

Production Unit, this Assignment shall continue in force as to the Production Unit so long as any of them is produced betweender in paying quantities or this Assignment is otherwise being maintained as herein provided.

B. Assignee shall have the continuing option, but not the obligation, to further develop the Assigned Premises, or acreage pooled therewith, beyond the primary term only if (i) Assignee completed or abandoned a well within the Assigned Premises, during the primary term or (ii) at the expiration of the primary term Assignee is diligantly

Term Assignment From Marathon Oil Company to Hawkins Exploration, Inc.

EXHIBIT \_\_\_\_

engaged in actual drilling operations in a bone fide effort to discover oil and/or gas in paying quantities on the Assigned Premises or lands pooled therewith. Assignee agrees to continue in like manner to drill other additional wells on the Assigned Premises, or acreage pooled therewith, at one hundred eighty (180) day intervals between the completion or abundonment of one well and the commissionment of actual drilling of the best microsading well until the Assigned Premises have been fully developed or the undeveloped portion thereof has been ressained an accordance with spacing astablished by the appropriate governmental authority having jurisdiction, or in the absence thereof, on the basis of firsty (40) acres for each producing oil well and one hundred sixty (160) acres for each producing oil well and one hundred sixty (160) acres for each producing as or gas condensate well, herein referred to as "Production Unit". It is understood and agreed that the only penalty for not drilling an additional well or wells within the time required shall be the execution of a reassignment of the interest herein assigned as provided for in Article XVI below. Provided however, that from and after the expiration of the primary term, production in paying quantities from each well drilled on Assigned Premises, once established, shall be continuous and upon cessation thereof. Assigned Premises within the particular Production Unit from which production cessed unless within sixty (60) days after cessation of said production. Assignes is then engaged in actual drilling or reworking operations on that paying quantities being obtained or restored.

Definitions: com many memorking, com pletion

C. Whenever in this Assignment it is provided that Assignce shall begin the actual drilling of a well, it is the intent of the parties that a derrick and the necessary operating machinery, capable of drilling such a well to the applicable depth, be fully set up and equipped and actual spudding in of the well be commenced within the time specified. As used herein "reworking" or "reworked" shall mean perforating, cleaning out, acidizing, reconditioning, repairing, fracturing, attempted recomplication in or plugging back to a separate interval of an existing well, or any other good faith operations for the purpose of restoring or increasing production which does not involve the drilling of additional hole. Actual drilling operations shall be deemed to terminate on the last day actual operations are conducted in a diligent and good faith manner for the purpose of attempting to discover oil, gas or associated liquid hydrocarbons to complete a well as a producer, including the installation of equipment, to and including, but not beyond, the wellhead connections, in such a well being drilled or deepened. Reworking operations shall be deemed to terminate on the last day such operations are conducted in a diligent and good faith manner for the purpose of establishing, increasing or restoring production.

V. Reservation and Paymen, tofORR

Assignor hereby reserves unto Assignor its successors and assigns and excepts from this Assignment an overriding royalty in an amount as set out hereinafter of all of the oil, gas or associated liquid or gaseous hydrocarbons produced and saved from or attributable to each of the tracts comprising the land included in the Assigned Premises. The overriding royalty herein reserved shall be an amount equal to the difference between existing lease burdens and 22.5% of the gross production. Unless Assignor elects to take in kind all or any part of the portion due Assigner as an overriding royalty on substances produced and saved hereunder, which option is expressly reserved by Assignor and which option is exercisable by written notice to Assignee at any time and from time to time while this Assignment is in effect and either prior to or after acceptance by Assignor of overriding royalties on prior production, it being understood that nothing contained herein shall be interpreted as limiting or waiving said option, Assignee shall pay or deliver to Assignor the following:

- As an overriding royalty on oil and all hydrocarbons produced and saved in a liquid form at the weilhead, including, without limitation, condensate, distillate and other liquid hydrocarbons removed a) from oil or gas run through a separator or other equipment as hereinafter provided, an amount equal to the difference between existing lease burdens and 22.5% of the gross production or, at the option of Assignor, the market value thereof on the Assigned Promises. The market value of such production (or Assignee's share thereof) shall be the price or prices received by Assignee if sold under a contract or contracts prudently negotiated under the facts and circumstances existing at the time of execution with an independent party or parties. As used in this Assignment, the term "independent party" shall mean any person, firm, corporation, or other business suitity which is not owned or controlled by Assignee, in whole or in part, nor by a subsidiary or affiliate of Assignee, and of which Assignee is not a subsidiary or affiliate. If such production is sold other than to an independent party under a prudently negotiated contract, the value of the production shall be based on the highest market price paid or offered for liquid hydrocarbons of like kind and quality and quantity in the general area where and when produced, or the gross price paid or offered to the producer, whichever is the greater. Assignes agrees that before any gas produced from the Assigned Franciscs is sold, used or processed in a plant, It will be run free of cost to Assignor through an adequate oil and gas separator of conventional type or other equipment at least as efficient to the end that all liquid by drocurbons recoverable from the gas by anch means will be recovered. Upon written consent of Assignor, the requirement that such gas be run through such a separator or other equipment may be waived upon such terms and conditions as prescribed by Assignor.
- b) As an overriding royalty on any gas and all hydrocarbons and gaseous substances not included in subparagraph (a) above produced and saved from the Assigned Pramises (except as provided herein with respect to gas processed in a plant for the extraction of gasoline, liquid hydrocarbons or other products), an amount equal to the difference between existing lesse burdens and 22.5% of the gross production or, at the option of Assigner, the market value thereof on the Assigned Pramises. The market value of such production (or Assigner's share thereof) shall be the price or prices received by Assignee if sold under a contract or contracts prudently negotiated under the facts and circumstances.

Term Assignment From Marathon Oil Company to Hawkins Exploration, Inc.



April 1, 2013

Sent Via Certified Mall Receipt#: 91-7199-9981-7030-0518-7928

**Devon Energy Corporation** 

333 W. Sheridan Avenue Oklahoma City, OK 73102

Attn: Cari Allen

RE:

New Well Proposal

Taylor D #27

SHL: 2310' FSL & 990' FWL of Section 10, T175, R32E

BHL: 2310' FSL & 990' FWL of Section 10, T17S, R32E

Lea County, New Mexico

RECEIVED AFR - 4 2013 WESTERNLAND

Dear Sira:

COG Operating LLC ("COG") proposes to drill the Taylor D #27 as a Vertical well at the captioned location, or at an approved surface location, to depths of approximately 7100' for a Glorieta-Yeso test. The total cost of the Operation is estimated to be \$1,687,000.00 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Pursuant to JOA dated December 1, 2011, please make your election within 30 days of receipt, please sign and return a copy of the AFE in the letterhead address below.

If you desire to receive well Information regarding the subject operations please return a Well Information Requirements list to COG. Technical questions should be directed to Carl Bird at 432-686-3057 and land questions to the undersigned at 432-818-2230.

Yours truly,

COG Operating LLC

Cost Center Request 1000005210

Sean Johnson Landman

Enclosure (s)

CD

JOA: NUSW; SWNW dalod 12/1/11

Nover 7.696718% WI 5.8687408 NRI

### COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

WELL NAME:	TAYLOR D #27		PROSPECT NA	ME: MALJA	MAR 71308	3
SHIL:	2810' FSL & 990' FWL UL-L		STATE & COUN	ITY: New M	exico, Lan	
BHL:	2310' FSL & 980' FWL LIL-L		OBJECTIVE:	Blinebr	7,100	4 Frace) 7000'
FORMATION: LEGAL:	Giorieta Yeso SEC10 T175-R32E API#: 30-025-409	10	DEPTH: TVD:		7,100	<del></del>
LE GAL:	SECTO 117 B-ROZE AFTA, CO-VEG-405	10				
INTANGIBLE C			<u>BCP</u>	A	<u>CP</u>	TOTAL
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Damages/Right of Survey/Stake Loca		204	3,000	304	D	2,000
Location/Pile/Rose		205	45,000	303	8,000	50,000
Drilling / Completic	on Overhead	206	2,500	306	2,000	4,500
Nambey Contract		207 208		307		
Poolage Contract	(O daya fispud-ris (2 \$0)	209	138,000	309		138,000
	Services (0 dir days @ 50)	210	0	310		Q
Fuel & Power		211	29,000	311	1,000	\$0,000
Water		212	19,000	312	35,000	54,000 27,500
Bits Mud & Chemics's		213 214	18,000	314	0	15,000
Drill Stem Test		215	10,040	316	0	0
Caring & Analysis		216				9
Cament Surface		217	22,000			23,000
Coment Intermedi		218	19,000		39,000	19,000 38,000
	mediate/Production	218 220	0	319	a9.000	38,000
Float Equipment &	& Other (Kickoff Plug)	220	2,600	321	2,000	4,500
Casing Crows & E	Quipment	222	7,000	322	8,000	15,000
Fishing Tools 4.5		223	1,000	324		1,000
Geologic/Enginee	ring	224	10,500	325	16,000	25,600
Company Superv		225	0	<b>329</b>		12.25
Contract Supervisi		227 228	3,000	327	3,000 3,000	19,000 8,000
Mud Logging Unit		220	3,000	329		8,000
Logging		230	15,000	330	28.500	15,000
Perforating/Wirell	ne Sarvices	231	3,000	331	370,000	370,000
Completion Unit				233	22.000	22,000
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Wellhead Equipm	ment	406	8,000		3,000	9,000
Pumping Unit				506 507	97,000	67.500
Prime Mover		•		508	41,000	41,000
Pumps				609	8,500	6,600
Tanks Fiswines		-		\$10 \$11	9,000	9.000
Huming Yengton/Se	mparator	-		512	12,000	12,000
Electrical Bystem	l	414		513	20,000	20,000
Packers/Anchors Couplings/Fittings	a/Valves	415	800		16,500	17,000
GA4 Compressor		-		516	5.800	6,800
Duhydrator Intention Plant/Cl	02 Equipment	-		618		- 0
Misce Fameous		419	600	619	500	1,000
Contingency		420	5.000		19,600	24,800 472,000
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COG Operatino I	, ,					
	<del></del>					
By: Carl Bird		-	Date Propagation		4/1/13	<del>1</del> 7
We approve:		A. C.				
% Werkin	G summer					<del></del>
Company:		_	_			
Бу		_				
Barrel #1						
Printed Narras		-	This AFE is only a	n extimate. B	etaming you so	nee to pay your share
Date:		-	of the actual costs			
	<del></del>					

Form C-101 Appen 1, 2011

Section 140743

<u>District I</u> 1825 R. Franck Dr., Hatos, NM 18240 Phone(S 25) 193-0161 Fex.(575) 393-0720 Phone(S 75) 993-0161 PROC(S 75) 993-0722 Dharfel B 61' 8. Pierr Br., Aresia, NAC 46310 Phone(S/75) 741-1267 Proc(S 75) 748-0730 Dharfel III 1006 Red Bragor Rat., Amer. 2731 87410 Phone(S05) 314-6176 Proc(S05) 314-6170

# State of New Mexico Energy, Minerals and Natural Resources

Oil Conservation Division 1220 S. St Francis Dr. Santa Fe. NM 87505

Proof:(505) 4	-3470 Po-C	s Pe, NO.1 1710: 106) 476-3462						- AR AR	A 700000
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4,1	Property Code 37587				5. Property Name TAYLOR D				rgis (16. 02.7
				7. S	urface Loc	tion			
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			8.	Proposed	Bottom H	la Locatio	<u> </u>		
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				9. P	ool Inform	ation			

MALJAMAR YESO	WEST				
		Additional Well Inform	stlon		
11. West Type New Well	12, Well Type OIL	13. Cable Rusary	t <sup>a</sup> . Lens Type Private	15. Ground Level Elevation 4128	
id. Mathele N	·		19. Convector	30, 9 pub Date 3/31/2019	
Depth to Greena	vale	Duman dem namuli delli RAM > 1600	wed.	Distance to retreat surface Willer > 1000	

21. Proposed Casing and Cement Program Eacks of Coment Escimated TOC Casing Type | Casing Weight | Setting Depth Type Hale Size Surf 17.5 800 17.5 11 650 13.375 48 32 2150 600 Ö 8.625 int i 7100 900 0 17 7.875 5.5

Casing/Coment Program: Additional Comments

COO proposes to citil a 17-1/2" hole to 800 we're wir mud system, wt 8.5, via 22, set 13-3/8" unling & cement to surface. Drill an 11" hole to 2150 we're mud system, wt 10, vis 30, Set 3-5/8" casing & cement to surface. Drill 7-7/8" hole to 1100 wout bring mud system, wt 9.1, via 29-32. Test Yaso formation. Run 1-1/2" casing & cement to surface. Note: On production atring, a caliper will be run, COO will attempt to circulate cement.

22. Proposed Blowout Prevention Program

Type	Wolfers Scoreine	TREE LIAMENTE.	Partition of the contract of t			
DoubleRam	2000	2000				
3. I hearthy carried that the help best efferty knowledder and built	manion given flows in true and semplets to the	OIL CONSERV	ATION DIVISION			
ope stroy knowledge mis som I further existly I have comp In 16.14.9 (II) packs DC, if a Signature:	ing with 19,15.14.9 (A) NASAC 201 and or	Approved By: ELIDIO CONZALES				
	ily files by Diane Knyloensall	Title: HOBES STAFF MAN	AOER			
Title: Production Reports	ne Mer	Approved Date: 1/15/2013	Expiration Date: U15/2015			
	all freenchores ou cos com					
Date: 1/15/2013 Phone: 433-583-7443		Conditions of Approval Atta	ched			

Photoin 1
1635 N. Frunch Dr., Hobby, NAI 58240
Photos. (773) 1973-6101 Fac. (775) 1973-6720
Photos. (773) 1973-6101 Fac. (775) 1973-6720
Photos. (773) 1963-1920 Fac. (775) 749-6720
Photos. (173) 1963-1920 Fac. (775) 749-6720
Photos. (173) 1963-172 Fac. (775) 194-6170
Photos. (775) 1974-173 Fac. (775) 194-6170
Photos. (775) 1974-174 Fac. (775) 194-6170
Photos. (775) 1974-174 Fac. (775) 1974-1970
Photos. (775) 1974-1975 Fac. (775) 1974-1970
Photos. (775) 1974-1975 Fac. (775) 1974-1975
Photos. (775) 1974-197

State of New Mexico Energy, Minerals and Natural Resources Form C-103 August 1, 2011 Partid: 189745

Oil Conservation Division

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Makhi 30-025-40919	3. Post Code 44500	3. Pool Ness MALJAMAR;YESO, WEST	
4. Property Code 37637	2. Property Number TAYLOR D	d. Whii No. 027	
1. OGRID No. 229137	L. Operator Plant COG OPERATING		

10. Surface Location E.W Line VL - Loc Township Fast From Feet Frem County: 178 10 32E 2310 LEA

11. Bottom Hole Location If Different From Surface LL - Lot Range For: Ploca Enesten N/S Live Township Let Ida Feet Fram £W Line II. Joist or hall 15. Order Wa. 40.00

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

#### OPERATOR CERTIFICATION

I hereby certify that the biformation contained kerety is true and complete to the best of my knowledge and belief, and that this argumention either owns a working interest or unleased mineral payerss in the land including the proposed bottom half location(s) or has a right to drift this well of this location pursuant to a commen with an owner of such a mineral or working interest, or to a volumery pooling agreement or a compulsory pooling arder heretofore entered by the division.

E Signed By: Disme Kuykendall Title: Production Reporting Mgr Date: 1/15/2013

#### **SURVEYOR CERTIFICATION**

I hereby certly that the well location shows an this plot was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Robert Howett Date of Survey: 1/3/2013 Certificate Number: 19620