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June 24, 2013

New Mexico Oil Conservation Division 1220 South St. Francis Drive Santa Fe, NM 87505

Cuse 15035

Attention: Ms. Jami Bailey

Re: Designation of a Non-Standard Project Areas by COG Operating LLC Issues with Gunner 8 Federal 5H,6H, 7H and 8H wells Portions of Section 5 and Section 8, T26S-R34E, Lea Co., NM

Ladies and Gentlemen,

Yates Brothers, (a Partnership) ("Yates Brothers"), is a mineral owner of a certain amount of undivided minerals under the N/2NW, NW/4NE/4 of section 5, T26S-R34E, Lea County NM and other mineral tracts in the area.

Yates Brothers on June 12, 2013 received by certified mail the captioned notice which I have attached for your convenience. Yates Brothers takes objection to the project areas development pattern as described in the attached COG Operating LLC ("COG") proposal for the immediate area and believes that the project areas proposed by COG will cause additional waste to Yates Brothers and all the other mineral owner's correlative rights. The project area pattern COG proposes to establish for its Gunner 8 Federal 5H and Gunner 8 Federal 6H further prevents Yates Brothers and all other mineral owners from properly developing and producing its minerals in this section. Yates Brothers plans to file an application for hearing to protect is correlative rights under the said COG Gunner 8 Federal 5H, Gunner 8 Federal 6H well and another apparent planned well named herein below identified as COG's Gunner 8 Federal 7H.

Yates Brothers has discovered that COG's Gunner 8 Federal 8H well was drilled under a flawed C-104 as no notice was mailed to the affected mineral owners for its non-standard location. This Gunner 8 Federal 8H well had been drilled in late 2011 and then completed in early 2012 and the mineral ownersare being drained based on an improper permit procedure. Yates Brothers plans to file an application for hearing to protect is correlative rights and seek additional solutions and/or restitution for its financial loss of correlative rights under the said Gunner 8 Federal 8H well.

Yates Brothers discovered an additional well posted late last week on the NMOCD web site that COG plans a similar well named the Gunner 8 Federal 7H. Although no notice has yet to be given on this well, Yates Brothers also takes objection to this Gunner 8 Federal 7H well for the same reasons as stated

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above for COG's Gunner 8 Federal 5H well, Gunner 8 Federal 6H well and again for the pre-existing Gunner 8 Federal 8H well.

I have enclosed a current plat along with the permitted summary of wells from the NMOCD web site showing the development and/or planned development of the immediate area. The Yates Brothers etal. mineral tract is shown in yellow. One can easily see the Yates Brothers etal. tract is being isolated beginning with the completion of the Gunner 8 Federal 8H. Even in the unlikely event that COG would change its mind and drill an east/west horizontal well, Yates Brothers and other owner's rights have been and will continue to be subject to waste due to the smaller project area being left. Furthermore, there would be additional waste based on the known fracturing direction of east/west in this area. These area wells are clearly permitted by multiple operators and/or drilled on the preferred method of north/south since it is best to be drilled in a perpendicular alignment with the east/west fracturing direction.

If you have any question please contact the undersigned at the information indicated below. My direct phone number is (585) 736-8572.

Sincerely.

Jim Ball

Landman

Enclosures

Copy to: Mike Wallace/COG Operating LLC Sue Raby/Sugarberry Oil & Gas Corp. Jim Shultz/Southwestern Petroleum Land Services, LLC Jim Bruce/ Attorney



June 10, 2013

<u>VIA CERTIFIED MAIL</u> RETURN RECEIPT REQUESTED

JUN 12 2013 1500 AAH ROOM

TO: AFFECTED PARTIES LISTED ON EXHIBIT "A"

Re: DESIGNATION OF A NON-STANDARD PROJECT AREA BY COG OPERATING LLC LEA COUNTY, NEW MEXICO

Ladies and Gentlemen:

This letter is to advise you that COG Operating LLC has filed the enclosed Well Dedication and Acreage Plat (C-102) with the New Mexico Oil Conservation Division seeking to designate a non-standard project area in Sections 5 and 8; Township 26 South, Range 34 East, NMPM, Lea County, New Mexico.

As an owner of an interest that may be affected by this application, you are advised that if you have an objection to this application; it must be mailed to COG Operating LLC within twenty (20) days from the date COG Operating LLC mailed this notice. If no interest owner has filed an objection within the 20-day period, then the Division may approve the application.

If you have any questions or concerns, please feel free to contact me at (432) 221-0465. Thank you for your time and attention to this matter.

Sincerely, Mike Wallace pu SH Senior Landman NM Delaware Basin Team

Enclosures

EXHIBIT "A"

Chesapeake Exploration, LLC P.O. Box 18496 Oklahoma City, OK 73154

Devon Energy Production Company LP

20 Ň. Broadway Oklahoma City, OK 73102

Chevron U.S.A. Inc. 1400 Smith Street, Room #43028 Houston, TX 77002

EOG Resources, Inc.

4000 N. Big Spring, Suite 500 Midland, TX 79705

Southwest Petroleum Land Services, LLC 100 N. Pennsylvania Ave. Ròswell, NM 88203

Yates Brothers

105 S. 4th St. Artësia, NM 88210

Warren J. Bates P.O: Box 1387 Ada, OK 74820

Peder Monsen 515 Houston Ave. Houston, TX 77007-7706 Peder Monsen 5623 Indian Circle Houston, TX 77056-1006

Fay Bel Monsen

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515 Houston Ave. Houston, TX 77007-7706

Sugarberry Oil & Gas Corp. 5950 Cedar Springs Rd., Suite 230 Dallas, TX 75235-6803

Marc T. Wray

4 Serpentine Court Savenoaka, Kent TN 113XR United Kingdom

Andrew Wray

3406 Shadow Springs Ct. Houston, TX 77082-8302

DISTRICT I 1488 N. FRENCH DE., NOR DISTRICT II 1501 W. GRAND AVENUR, A DISTRICT III 1000 RIO BRAZOS RD.,	RTESIA, MM I	88210 C	1	ONSI 1885 S	ERVA	TIO T. F	Mexico mources Department N DIVIS RANCIS DR. rico 87505	SION ^{Submit}	Revised Octo to Appropriate D State Lease	
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3002528650	PRE-ONGARD WELL No. 001	PRE-ONGARD WELL OPERATOR	N -8-26S-34E (925 FSL & 1980 FWL)
3002538402	SALADO FEDERAL No. 001	CHI OPERATING INC	K -8-26S-34E (2310 FSL & 1850 FWL)
3002540309	GUNNER 8 FEDERAL No. 008H	COG OPERATING LLC	M -8-26S-34E (990 FSL & 330 FWL)
3002541180	GUNNER 8 FEDERAL No. 005H	COG OPERATING LLC	O -8-26S-34E (190 FSL & 1520 FEL)
3002541181	GUNNER 8 FEDERAL No. 006H	COG OPERATING LLC	N -8-26S-34E (190 FSL & 2625 FWL)
3002541187	GUNNER 8 FEDERAL COM No. 004H	COG OPERATING LLC	P -8-26S-34E (190 FSL & 380 FEL)
3002541211	GUNNER 8 FEDERAL No. 007H	COG OPERATING LLC	N -8-26S-34E (190 FSL & 1350 FWL)

ATTACHED TO THAT CERTAIN LETTER DATED JUNE 24, 2013 BETWEEN YATES HOLDINGS LLP ON BEHALF OF YATES BROTHERS AND THE NMOCD PERTAINING TO COG OPERATING LLC'S DEVELOPMENT OF SECTIONS 5 and 8 of T26S-R34E, LEA COUNTY, NM