

**From:** Brent Sawyer  
**Sent:** Wednesday, April 22, 2015 4:18 PM  
**To:** Randy Howard (rhoward@nearburg.com)  
**Cc:** Aaron Myers; John Turro (jturro@nearburg.com)  
**Subject:** Friday meeting  
**Attachments:** Agenda.docx; CA - SRO State Com #43H.pdf; CA - SRO State Com #44H.pdf

Randy:

I just finished putting together the attached list of the things we would like to discuss at our meeting on Friday.

One issue that we need to get resolved as soon as possible is the communitization agreements for the SRO 43H and 44H. I've also attached those for your review. As for the rest, I'll bring copies of all the farmout agreements, JOAs, term assignment and proposed correction, and probably put together a map or two.

Looking forward to seeing you Friday and getting all of this sorted.

Thanks

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**1) Comm. Agreements**

- a) SRO State Com #43H - W2W2 17-26S-28E, W2W2 20-26S-28E, spud 10/10/14
- b) SRO State Com #44H - E2W2 17-26S-28E, E2W2 20-26S-28E, spud 8/2/14

One of our regulatory employees who works in Santa Fe met with someone from the NMOCD who said that the Commissioner is very seriously considering suing the operators of several wells which have overdue comm. agreements. These two wells are some of the ones being considered, so it is crucial that we get these executed and approved as soon as possible.

**2) SRO**

- a) Correct term of assignment for W2 20-26S-28E:
  - 1) Correct term to the expiration of the SRO Unit Operating Agreement, instead of the SRO Unit Agreement.
  - 2) Correct assignees to include the other working interest owners, since contrary to what is said in the last page of the JOA's "Exhibit A-1", there was never an assignment into any of the other working interest partners.
  - 3) Exhibit A to assignment, well information requirements, needs review
- b) Discuss Nearburg SRO ORR
  - 1) After further internal review and discussion, this ORR should remain at 0.00415092 as stated in the last page of the JOA's "Exhibit A-1", regardless of how it may have been calculated. Proportionately reduced if a wellbore lies partially inside the SRO.

**3) Amend farmout agreements and their attached JOAs to compensate for wells that are not wholly within the contract area (longer than 1 mile).**

- a) This affects two farmout agreements:
  - 1) Way South/FUN State – E2 30-26S-28E, farmout dated 12/4/2009
  - 2) Honey Graham – lots 1,2,3,4, NW4NE4, N2W4 32-26S-28E, farmout dated 3/4/2010

**4) Discuss Nearburg Employee ORR in Cluster State wells**

- a) We have had incorrect title opinions issued, and consider that the employee ORR should not be proportionately reduced, but should be borne wholly by COG until Nearburg's BIAPO. After payout Nearburg should be burdened by said ORR proportionate to its back-in working interest.