
From: Randy Howard <rhoward@nearburg.com> on behalf of Randy Howard
Sent: Tuesday, January 20, 2015 3:18 PM
To: Brent Sawyer
Cc: John Turro
Subject: FW: SRO correction term assignment
Attachments: SRO UNIT WELLS per DOTO.xlsx

Brent,

If I understand the logic in the new DOTO, Nearburg would have a .00362319 ORRI in any wells in the SRO State Exploratory Unit Operating Agreement, proportionately reduced if the well path wasn't completely within Unit lands. Attached is my spreadsheet which uses the calculations of the new DOTO. Nearburg's ORRI in each well is set out in the column highlighted in blue.

Please review and let me know if you agree.

Thanks,

Randy Howard

Land Manager

Nearburg Producing Company

432-818-2914 (direct line)

432-599-0382 (cell)

From: Brent Sawyer [mailto:BSawyer@concho.com]
Sent: Monday, January 19, 2015 4:17 PM
To: Randy Howard
Subject: RE: SRO correction term assignment

Randy:

One of the phantom SRO opinions finally came in late last week. I've not had a chance to review it in detail, but requirement E on page 20 is the one we've been working on.

Thanks

Brent

From: Randy Howard [mailto:rhoward@nearburg.com]
Sent: Monday, January 19, 2015 3:47 PM
To: Brent Sawyer
Cc: Linda Parker; John Turro
Subject: RE: SRO correction term assignment

Thank you Brent. We'll get back to you on this shortly.

Randy

From: Brent Sawyer [mailto:BSawyer@concho.com]
Sent: Monday, January 19, 2015 3:40 PM
To: Randy Howard
Cc: Linda Parker; John Turro
Subject: RE: SRO correction term assignment

Randy:

I am terribly sorry for not getting this to you sooner. Attached is a scan of the letter that will be going in the mail today.

Heritage has been helping me with curative. I'll get them to stop asking you about this, as I should have done before I tasked them.

Thanks

Brent

From: Randy Howard [mailto:rhoward@nearburg.com]
Sent: Monday, January 19, 2015 2:07 PM
To: Brent Sawyer
Cc: Linda Parker; John Turro
Subject: FW: SRO correction term assignment

Brent,

You mentioned in a prior email that one of the Honey Graham wells had reached payout. You also mentioned you would be forwarding an official letter regarding same. Nearburg has now received a request from Heritage Land Services regarding this well, a copy of which is attached. We would like to respond to Heritage's request, but we are still awaiting an official letter from COG.

Kindly forward a letter to my attention regarding the recent payout of the Honey Graham well you referenced in your prior email so that we might make our election.

Thank you,

Randy Howard

Land Manager

Nearburg Producing Company

432-818-2914 (direct line)

432-599-0382 (cell)

From: Linda Parker
Sent: Monday, January 19, 2015 1:43 PM
To: Randy Howard
Subject: RE: SRO correction term assignment

As we discussed, attached is a copy of a letter received in the Dallas office last week from Heritage Land Services regarding title curative related to our Farmout covering the Honey Graham wells operated by COG. I spoke to the Curative Title Agent with Heritage this morning and advised her that we had not yet received an official payout election notice and, therefore, could not respond to her request at this time.

Please let me know if you hear or receive anything further from COG and when our election is finally made. THX!!

From: Randy Howard
Sent: Monday, January 19, 2015 12:55 PM
To: Linda Parker
Subject: FW: SRO correction term assignment

Linda,

In response to your voice mail regarding payout of one of the Honey Graham wells, please see COG's email below. I have never received "official" notice about this payout.

Please let me know if you have any questions or comments.

Thank you,

Randy

From: Brent Sawyer [mailto:BSawyer@concho.com]
Sent: Tuesday, December 23, 2014 3:15 PM
To: Randy Howard
Cc: Aaron Myers
Subject: RE: SRO correction term assignment

Randy:

Well, another holiday is upon us already and we still need to straighten this all out. Let's get together again and nail it down? January 8th at 3pm?

Also, we've got another well that has paid out that Nearburg has an option for a BIAPO. One of the 1.5 mile Honey Graham wells in sections 29+32-26S-28E. I'll be in the office next week Mon and Tues so I should be able to get the official letter in the mail then. It will have a 60 day election period per the farmout (attached) so there is no rush.

This 'Honey Graham' farmout uses the same form as the Cluster State and Way South ones, so I expect we will want to amend it to add the BIAPO re-assignment form like we are on the others. I'll also try to do some research next week to see if I can find any other places this form got used so we can knock them all out at once.

Thanks

Brent

From: Randy Howard [mailto:rhoward@nearburg.com]
Sent: Tuesday, November 25, 2014 3:30 PM
To: Brent Sawyer
Cc: Aaron Myers
Subject: RE: SRO correction term assignment

Brent,

It sounds like we are in agreement in that this is a mess that we are going to have to try to fix despite the fact that neither of us had anything to do with creating it. That said, I hope you have a Happy Thanksgiving as well. Let's touch base after the turkey's been put away and see if we can reach some sort of agreement that suits both sides.

Thanks again,

Randy

From: Brent Sawyer [mailto:BSawyer@concho.com]
Sent: Tuesday, November 25, 2014 3:22 PM
To: Randy Howard
Cc: Aaron Myers
Subject: RE: SRO correction term assignment

Randy:

I was thinking we could address this later, but I think you are correct and it would be better to address this issue now and stipulate, especially considering I think the JOA exhibit calculated the override incorrectly. It was an easy mistake to make and long story short:

When the unit was formed your ORR was calculated as;

$$(1/4-1/6) \times (320/6424.80592) = 0.00415092 \text{ (shown on exhibit A to JOA)}$$

However, I think it should have been;

$$(1/4-1/6) \times (320/7360) = 0.00362319$$

The first uses the net (6424) acres, the second is the gross (7360).

I realize this probably doesn't affect you but contrary to the JOA Exhibit A the term assignment was to Marbob, not to all parties proportionately. I can't find any evidence that any of the other parties consented to take their proportionate share of your term assigned interest, nor that Marbob even offered it. Since the pref right is struck from the JOA this is going to be an interesting problem to untangle. The reason I mention it is that it's possible that we might want to add the other parties as grantors, but I don't think we will want to open that can of worms.

I'll get together with Aaron next week and hopefully we can get a plan together.

I hope you have a great Thanksgiving. I know I'm looking forward to a little vacation!

Thanks

Brent

From: Randy Howard [mailto:rhoward@nearburg.com]
Sent: Tuesday, November 25, 2014 1:13 PM
To: Brent Sawyer
Subject: FW: SRO correction term assignment

Brent,

The way I read the Correction Term Assignment, Nearburg would own an overriding royalty as allocated under the JOA. However, the JOA states Nearburg owns a 0.00415092 ORI in all wells. Please confirm how COG plans to allocate per the JOA and not pay based on the interest set out therein. We are not trying to complicate matters, but feel we need to stipulate exactly what we own, or will own, after executing the Corr. Term Asgmt.

Thank you,

Randy

From: Brent Sawyer [mailto:BSawyer@concho.com]
Sent: Monday, November 24, 2014 7:40 AM
To: Randy Howard
Subject: RE: SRO correction term assignment

Randy:

Here you go!

Also, seems I forgot to mention that the body of the form is the one you have seen before. When we spoke in our meeting a few weeks ago you said it was ok.

Thanks

Brent

From: Randy Howard [mailto:rhoward@nearburg.com]
Sent: Friday, November 21, 2014 3:53 PM
To: Brent Sawyer
Cc: Aaron Myers
Subject: RE: SRO correction term assignment

Brent,

I am working on this, but have hit a snag myself. It appears Nearburg never received a copy of the SRO Unit Operating Agreement. Is there any way you could have someone scan a copy and forward it to my attention?

Thank you,

Randy Howard

Land Manager

Nearburg Producing Company

432-818-2914 (direct line)

432-599-0382 (cell)

From: Brent Sawyer [mailto:BSawyer@concho.com]
Sent: Tuesday, November 18, 2014 11:32 AM
To: Randy Howard
Cc: Aaron Myers

Subject: SRO correction term assignment

Randy:

Attached you should find the form of correction assignment we hope you will find acceptable. As we discussed a few weeks ago in our meeting, this correction will be to tie the term of the assignment to the Unit Operating Agreement (which will persist as long as any contributed leases persist), instead of to the Unit Agreement (already voluntarily dissolved). I think everything should be acceptable except there are probably some changes to the well information requirements on "Exhibit A"?

If you would like any changes go right ahead but please track them.

Thanks

Brent Sawyer, RPL

Land Specialist

One Concho Center

600 W. Illinois Avenue

Midland, Texas 79701

p.432.686.3015

c.512.997.5954

f.432.221.0856

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If you would like any changes go right ahead but please track them.

Thanks

Brent Sawyer, RPL

Land Specialist

One Concho Center

600 W. Illinois Avenue

Midland, Texas 79701

p.432.686.3015

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