

From: Brent Sawyer
Sent: Monday, March 30, 2015 9:18 AM
To: Stephanie Barber
Cc: Aaron Myers; Amanda Neagle; Brett B. Wiersum
Subject: RE: SRO Documents
Attachments: Nearburg Correction Term Asmt.docx; 0790-0530.pdf; Nearburg SRO Unit rat.pdf

Stephanie:

We have a lot of moving parts here, so I'll try to be succinct.

1) I can confirm that Nearburg has agreed to sign the attached correction assignment so its term will be tied to that of the Unit Operating Agreement (instead of the unit agreement, which was terminated). They have not signed it yet because we have some unrelated outstanding issues that they want to get resolved at the same time. Work in progress.

2) I believe your ORR calculation is incorrect. For the 38H, 39H, 40H I believe it should be: $1/4$ minus $1/6$ lease royalty (from the assignment), proportionately reduced by the unit (320ac divided by the gross committed acres in the unit, 7360ac), further proportionately reduced by $1/2$ (half of the spacing units are in the SRO unit) i.e. $(1/4 - 1/6)(320/7360)(1/2) = 0.00181159$

Of note is that the 0.00415092 you mention in your previous email I believe is erroneous. That is derived by $(1/4 - 1/6) \times (320\text{ac}/6424.280592\text{ac})$. However, the 6424ac used is the net acres in the unit, not gross. I think Nearburg's ORR in the unit should be $(1/4 - 1/6)(320/7360) = 0.00362319$.

3) As far as who is burdened by this ORR, the effective date of Nearburg's assignment is after the effective date of their ratification of the unit and unit operating agreement. However, the assignment is clearly to Marbob and the unit operating agreement has the pref right stricken. I can find no evidence of any assignments of this interest to anyone else. In my opinion I believe the proportionate distribution of Nearburg's working interest to the other parties was an error and it should have been wholly Marbob's (aka now ours). However, I am unsure how we want to handle this and need to talk to Amanda and Aaron about it.

I expect you might have some questions, so please feel free to give me a call.

Thanks

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From: Stephanie Barber [mailto:stephanie.barber@learlaw.com]
Sent: Friday, March 27, 2015 4:21 PM
To: Brent Sawyer
Subject: RE: SRO Documents

Hi Brent,

I just wanted to see if you'd had a chance to review the email from my co-worker, Brett Wiersum, regarding the Nearburg overriding royalty interest. We have continued to use the calculations in the SRO Unit Operating Agreement as far as crediting Nearburg with a 0.00415092 overriding royalty interest in the S/2, borne by the parties to the OA (or their successors) as set forth in Exhibit A-1.

We plan to finalize the opinion early next week to meet the April 1 deadline. Would you please let us know if there is an agreement with Nearburg to calculate the overriding royalty interest in another manner?

Thanks,
Stephanie