

## **Goetze, Phillip, EMNRD**

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**From:** Bill Carr <WCarr@concho.com>  
**Sent:** Friday, March 16, 2018 11:15 AM  
**To:** Goetze, Phillip, EMNRD  
**Cc:** raymond.padony@state.nm.us; Ramon Reyes; Harvin Broughton; Tom Kendall; Jackie Chatterton; Ryan Murphy  
**Subject:** Ronco Federal SWD # 1Well (API #30-015-44420)  
**Attachments:** 2018-03-16 Letter Agreement.pdf

Attached is a copy of the March 15, 2018 Letter Agreement ("Agreement") between COG Operating LLC ("COG") and ConocoPhillips Company ("COPC") in which COPC, for itself as operator under a JOA covering the subject land and other non-operators under this JOA, agrees to allow COG to sell and transport any oil and associated hydrocarbons that have been produced or will be produced from the Ronco Federal SWD #1 Well during BLM or New Mexico Oil Conservation Division required testing of the well. COG agrees to hold any and all proceeds from the sale of these hydrocarbons in suspense as provided in the Agreement.

On this date COG is filing Form C-104 (Request for Allowable and Authorization to Transport) with the OCD's Artesia district office and, by copy of this e-mail, I am providing a copy of the Agreement to Mr. Raymond Podany in the Artesia office.

If you have questions concerning this matter please contact me at (505)780-8000 (office) or (505)927-2838 (mobile) or [wcarr@concho.com](mailto:wcarr@concho.com) or Harvin Broughton at (432)686-3016 (office) or (423)934-1238 (mobile) or [hbroughton@concho.com](mailto:hbroughton@concho.com).

Thank you for your attention to this matter.

Bill Carr

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Hunter Smith  
Landman, SENM  
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Hunter.A.Smith@conocophillips.com  
EC3-07-W336  
600 N. Dairy Ashford  
Houston, TX 77079-1175

## LETTER AGREEMENT

DELIVERED VIA EMAIL AND OVERNIGHT COURIER

March 15, 2018

COG Operating LLC  
Concho Center 1  
600 W. Illinois Avenue  
Attention: Jackie Chatterton

Re: Ronco Federal SWD #1 Well (API: 30-015-44420)  
660' FNL & 1650' FWL, Unit C  
Section 19, T17S - R30E  
Eddy County, NM

Dear Ms. Chatterton,

ConocoPhillips Company ("COPC") is the record title holder to BLM lease NMLC 0028793A covering the N/2 of Section 19, T17S-R30E, Eddy County, NM, among other lands, and owns operating rights in the Cisco Canyon formation under such lease. COPC is the operator of the Operating Agreement dated March 1, 1978, covering Section 19, T17S-R30E, Eddy County, NM, among other lands (the "JOA"). COPC, on behalf of itself and the non-operators under the JOA, agrees to allow COG Operating LLC ("COG") to sell and transport any oil and associated hydrocarbons ("Hydrocarbons") that have been produced or will be produced by the captioned saltwater disposal well (the "Well") during BLM or New Mexico Oil Conservation Division required testing ("Required Testing"). COG agrees to hold any and all proceeds from the sale of Hydrocarbons produced from the Well during Required Testing in suspense. Subject to concurrence from the non-operators under the JOA, COG shall deliver fifty percent (50%) of such proceeds to COPC, who will distribute to the non-operators under the JOA, and applicable royalty and overriding royalty owners. COG shall also deliver to COPC the applicable royalties and overriding royalties relative to the fifty percent (50%) of proceeds retained by COG. Such funds would be delivered by wire transfer in accordance with payment instructions to be provided by COPC. COG will also provide COPC with all volume information necessary to properly report and pay all necessary royalties and overriding royalties owed with respect to the Hydrocarbons. In exchange, COPC and the non-operators will have no liability for the cost of drilling the Well or costs associated with Required Testing and sale of the Hydrocarbons produced in connection therewith.

COG AGREES TO FULLY DEFEND, PROTECT, INDEMNIFY, AND HOLD COPC HARMLESS FROM AND AGAINST EACH AND EVERY CLAIM, DEMAND, PENALTY, FINE, LIEN, JUDGMENT, ACTION, CAUSE OF ACTION, OR LAWSUIT, AND ANY LIABILITY, COST, EXPENSE, DAMAGE OR LOSS, INCLUDING, WITHOUT LIMITATION, JUDGMENTS, PENALTIES, INTEREST, COURT COSTS AND ATTORNEYS' FEES INCURRED BY COPC, WHETHER DIRECT OR INDIRECT, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, INCLUDING ENVIRONMENTAL LIABILITIES AND DAMAGES, ARISING FROM COG'S OCCUPANCY AND OPERATIONS IN CONNECTION WITH PRODUCTION OF HYDROCARBONS FROM THE WELL BY COG, REQUIRED TESTING OF THE WELL, AND SELLING AND TRANSPORTING HYDROCARBONS FROM THE WELL.



COG will conduct any additional Required Testing on the Well at its sole cost, COG agrees to keep COPC informed of any further Required Testing of the Well and provide COPC with copies of the results thereof, along with copies of any BLM/NMOCD correspondence, within 15 days after the date of such test results or correspondence.

The permission granted to COG under this Letter Agreement only applies to the Hydrocarbons that have been produced or will be produced during Required Testing. Upon completion of Required Testing, COG does not have permission from COPC or the non-operators to enter onto the lands covered by BLM lease NMLC 0028793A to produce, sell, or transport Hydrocarbons from the Well. COG may not engage in any activities or perform any operations that may damage the Well or compromise subsurface integrity, unless such activities or operations are required by the BLM or, during the period of Required Testing, would otherwise be performed by a reasonably prudent operator engaged in the testing of a well in an effort to determine whether such well was capable of producing Hydrocarbons in paying quantities or would otherwise be suitable for use as a salt water disposal well.

If the BLM determines the Cisco Canyon formation may contain recoverable amounts of Hydrocarbons, COG agrees to notify COPC within 5 business days of such determination, so that the parties may determine how to proceed, which may include COPC taking over operation of the wellbore.

If COG agrees to the terms and provisions of this Letter Agreement, please indicate so by signing below in the space provided for its signature and returning one fully executed original of this letter to COPC for its files.

CONOCOPHILLIPS COMPANY

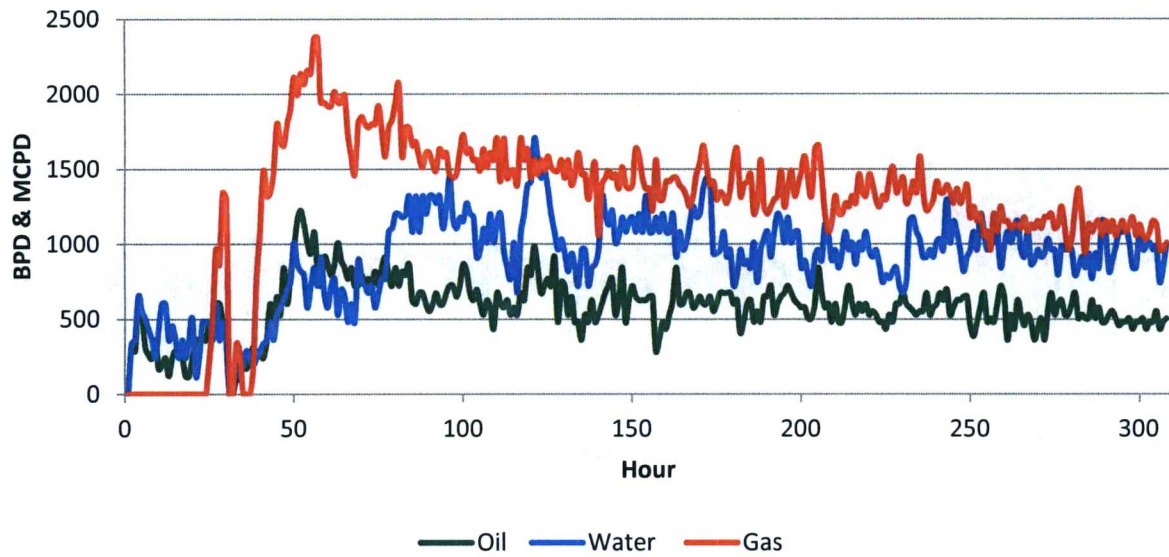
  
J. E. Carlton  
Attorney-in-Fact  
HAS  


AGREED TO AND ACCEPTED ON THIS 16<sup>th</sup> DAY OF MARCH, 2018

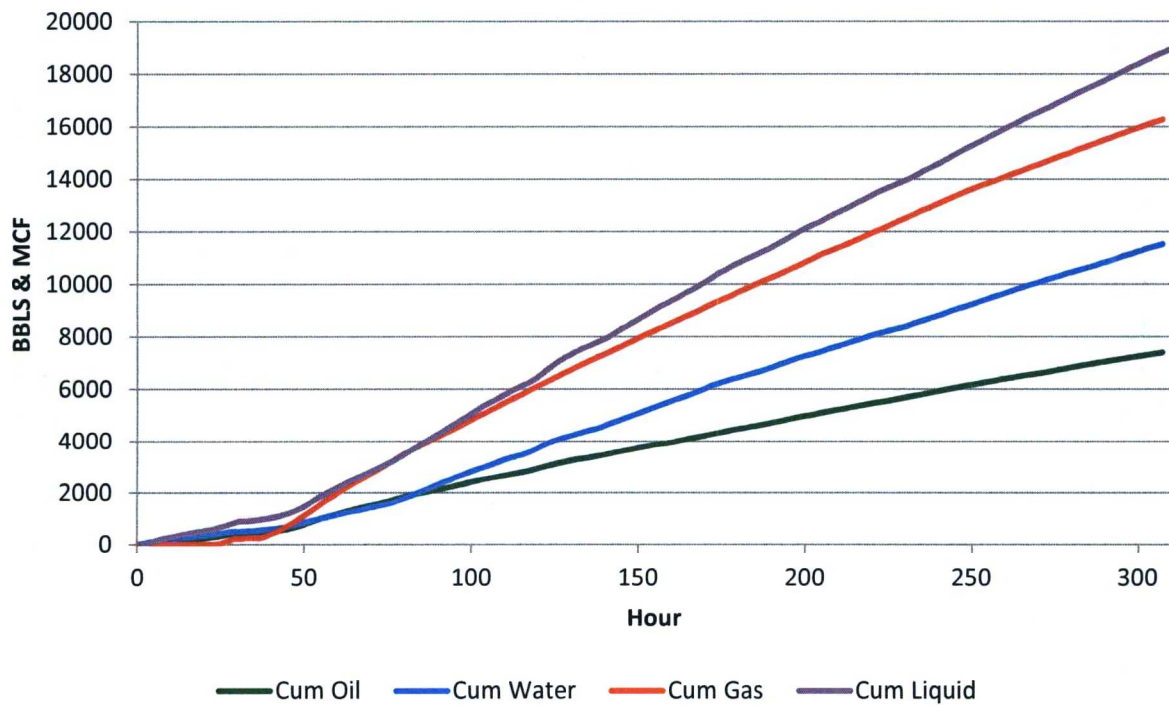
COG Operating LLC

By: Mark A Carter  
Name: MARK A CARTER  
Title: Attorney in Fact

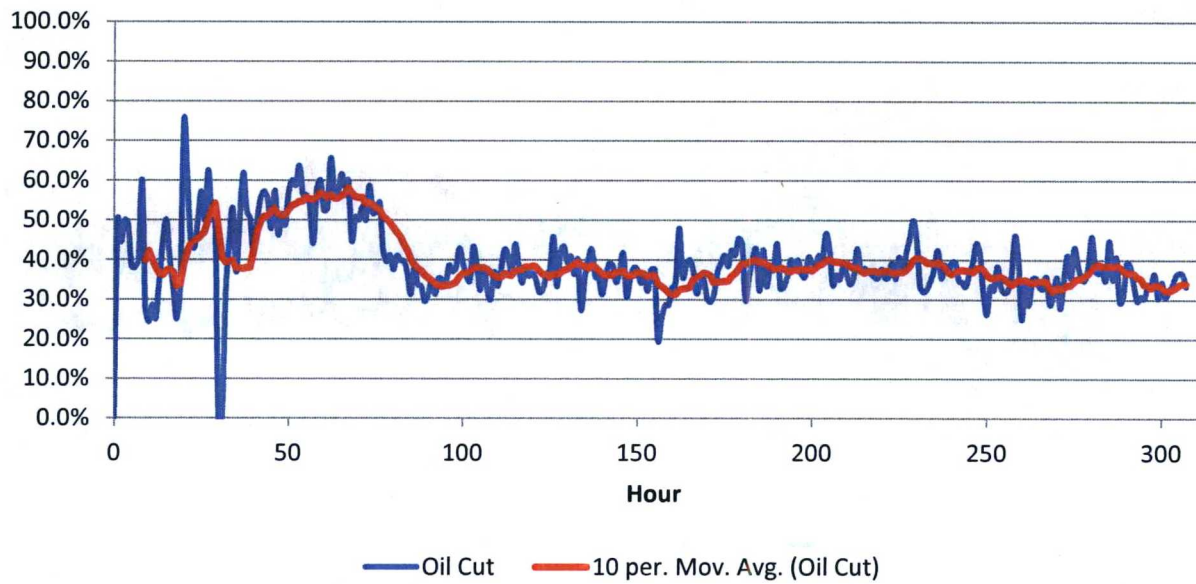
## Production Rates



## Cumulative Production



## Oil Cut



## Tubing Pressure

