



Sent Certified Mail  
Receipt No. 91-7199-9991-7035-3203-8366

October 7, 2015

Yates Petroleum Corporation  
Abo Petroleum Corporation  
MYCO Industries, Inc.  
105 South 4<sup>th</sup> Street  
Artesia, NM 88210

Attn: Ms. Janet Richardson

RE: Well Proposal – Custer 16 State Com #2H  
SHL: 150' FSL & 1650' FWL (Unit N)  
BHL: 330' FNL & 1652' FWL (Unit C)  
Section 16, T19S, R26E, Eddy County, New Mexico

Dear Ms. Richardson,

COG Operating LLC ("COG"), as Operator, proposes to drill the Custer 16 State Com #2H well at the captioned location, or at an approved surface location within Unit Location N, to a depth of approximately 2,830' TVD, 7,630' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$2,562,350 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement. Enclosed is a 1989 AAPL form Operating Agreement. The Operating Agreement covers (T19S-R26E, Section 16 ALL). It has the following general provisions:

- 200/500 Non-consenting penalty
- \$5,450.00/\$545.00 Drilling and Producing rate
- COG named as Operator

If you do not wish to participate in the Operation, COG would like to acquire a Term Assignment of your leasehold for the following general terms:

- 3 year primary term
- Delivering a 1.00% ORRI, proportionately reduced
- \$250.00 per net acre bonus consideration

If an agreement cannot be negotiated within 30 days of the date of this letter, COG will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well.

If you desire to receive well information regarding the subject operations please return a Well Information Requirements list to COG. Technical questions should be directed to Carl Bird at 432-686-3057 and land questions to Stuart Dirks at 432-685-4354.

Yours Truly,  
COG Operating LLC

Stuart A. Dirks, CPL  
Senior Landman

Enclosure(s)  
SD/JKF

BEFORE THE OIL CONSERVATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 10  
Submitted by: COG OPERATING  
Hearing Date: December 17, 2015

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

|            |                               |                 |                   |
|------------|-------------------------------|-----------------|-------------------|
| WELL NAME: | CUSTER 16 STATE COM #2H       | PROSPECT NAME:  | LAKEWOOD/CEMETARY |
| SHL:       | 150' FSL & 1650' FWL (UL - N) | STATE & COUNTY: | New Mexico, Eddy  |
| BHL:       | 330' FNL & 1652' FWL (UL - C) | OBJECTIVE:      | Yeso Horizontal   |
| FORMATION: | YESO                          | DEPTH:          | 7,630             |
| LEGAL:     | T19S-R26E, SEC. 16 (E2W2)     | TVD:            | 2,830             |

**INTANGIBLE COSTS**

|  |     | BCP            | ACP              | TOTAL            |
|--|-----|----------------|------------------|------------------|
| Title/Curative/Permit                            | 201 | 11,000         |                  | 11,000           |
| Insurance  | 202 | 3,000          | 302 0            | 3,000            |
| Damages/Right of Way                             | 203 | 40,000         | 303 0            | 40,000           |
| Survey/Stake Location                            | 204 | 7,000          | 304 0            | 7,000            |
| Location/Pits/Road Expense                       | 205 | 65,000         | 305 6,000        | 71,000           |
| Drilling / Completion Overhead                   | 206 | 3,000          | 306 2,000        | 5,000            |
| Turnkey Contract                                 | 207 |                | 307              | 0                |
| Footage Contract                                 | 208 |                | 308              | 0                |
| Daywork Contract (0 days f/spud-rls @ \$0)       | 209 | 125,000        | 309 0            | 125,000          |
| Directional Drilling Services (0 dir days @ \$0) | 210 | 73,000         | 310              | 73,000           |
| Fuel & Power                                     | 211 | 17,000         | 311 3,000        | 20,000           |
| Water  | 212 | 24,000         | 312 57,000       | 81,000           |
| Bits   | 213 | 20,000         | 313 5,000        | 25,000           |
| Mud & Chemicals                                  | 214 | 25,000         | 314 0            | 25,000           |
| Drill Stem Test                                  | 215 |                | 315 0            | 0                |
| Coring & Analysis                                | 216 |                |                  | 0                |
| Cement Surface                                   | 217 | 30,000         |                  | 30,000           |
| Cement Intermediate                              | 218 | 0              |                  | 0                |
| Cement 2nd Intermediate/Production               | 218 | 0              | 319 36,000       | 36,000           |
| Cement Squeeze & Other (Kickoff Plug)            | 220 |                | 320 0            | 0                |
| Float Equipment & Centralizers                   | 221 | 1,100          | 321 7,000        | 8,100            |
| Casing Crews & Equipment                         | 222 | 3,420          | 322 8,000        | 11,420           |
| Fishing Tools & Service                          | 223 |                | 323              | 0                |
| Geologic/Engineering                             | 224 |                | 324              | 0                |
| Contract Labor                                   | 225 | 5,000          | 325 44,000       | 49,000           |
| Company Supervision                              | 226 | 2,000          | 326 2,000        | 4,000            |
| Contract Supervision                             | 227 | 15,000         | 327 38,000       | 53,000           |
| Testing Casing/Tubing                            | 228 | 2,490          | 328 3,000        | 5,490            |
| Mud Logging Unit                                 | 229 | 15,000         | 329              | 15,000           |
| Logging  | 230 | 18,000         | 330              | 18,000           |
| Perforating/Wireline Services                    | 231 | 1,500          | 331 110,000      | 111,500          |
| Stimulation/Treating                             |     |                | 332 897,000      | 897,000          |
| Completion Unit                                  |     |                | 333 18,000       | 18,000           |
| Swabbing Unit                                    |     |                | 334              | 0                |
| Rentals-Surface                                  | 235 | 12,000         | 335 158,000      | 170,000          |
| Rentals-Subsurface                               | 236 | 22,000         | 336 7,000        | 29,000           |
| Trucking/Forklift/Rig Mobilization               | 237 | 45,000         | 337 52,000       | 97,000           |
| Welding Services                                 | 238 | 4,750          | 338 2,850        | 7,600            |
| Water Disposal                                   | 239 | 0              | 339 6,000        | 6,000            |
| Plug to Abandon                                  | 240 | 0              | 340 0            | 0                |
| Seismic Analysis                                 | 241 | 0              | 341 0            | 0                |
| Closed Loop & Environmental                      | 244 | 35,000         | 344 0            | 35,000           |
| Miscellaneous                                    | 242 | 0              | 342 0            | 0                |
| Contingency 2%                                   | 243 | 13,740         | 343 7,500        | 21,240           |
| <b>TOTAL INTANGIBLES</b>                         |     | <b>639,000</b> | <b>1,469,350</b> | <b>2,108,350</b> |

**TANGIBLE COSTS**

|  |     |                |                  |                  |
|--|-----|----------------|------------------|------------------|
| Surface Casing (8 5/8" 32# J55 LTC)      | 401 | 22,000         |                  | 22,000           |
| Intermediate Casing (8 5/8" 32# J55 LTC) | 402 | 0              | 503 0            | 0                |
| Production Casing (5 1/2" 17# L80)       |     |                | 503 96,000       | 96,000           |
| Tubing                                   |     |                | 504 12,000       | 12,000           |
| Wellhead Equipment                       | 405 | 5,500          | 505 16,150       | 21,650           |
| Pumping Unit                             |     |                | 506 54,000       | 54,000           |
| Prime Mover                              |     |                | 507 0            | 0                |
| Rods                                     |     |                | 508 11,000       | 11,000           |
| Pumps                                    |     |                | 509 55,000       | 55,000           |
| Tanks                                    |     |                | 510 12,000       | 12,000           |
| Flowlines                                |     |                | 511 15,000       | 15,000           |
| Heater Treater/Separator                 |     |                | 512 56,000       | 56,000           |
| Electrical System                        |     |                | 513 30,000       | 30,000           |
| Packers/Anchors/Hangers                  | 414 | 0              | 514 2,000        | 2,000            |
| Couplings/Fittings/Valves                | 415 | 500            | 515 55,000       | 55,500           |
| Gas Compressors/Meters                   |     |                | 516 3,000        | 3,000            |
| Dehydrator                               |     |                | 517              | 0                |
| Injection Plant/CO2 Equipment            |     |                | 518              | 0                |
| Miscellaneous                            | 419 | 500            | 519 7,000        | 7,500            |
| Contingency                              | 420 | 500            | 520 850          | 1,350            |
| <b>TOTAL TANGIBLES</b>                   |     | <b>29,000</b>  | <b>425,000</b>   | <b>454,000</b>   |
| <b>TOTAL WELL COSTS</b>                  |     | <b>668,000</b> | <b>1,894,350</b> | <b>2,562,350</b> |

COG Operating LLC

By: Carl Bird

Date Prepared: 10/6/15

JKF

COG Operating LLC

By:

We approve:  
\_\_\_\_\_% Working Interest

Company:

By:

Printed Name:

Title:

Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.