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October 7, 2015

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

Attn: Ms. Janet Richardson

RE: Well Proposal – Custer 16 State Com #3H
SHL: 150' FSL & 2310' FEL (Unit O)
BHL: 330' FNL & 2310' FEL (Unit B)
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 #3H well at the captioned location, or at an approved surface location within Unit Location O, to a depth of approximately 3,390' TVD, 8,190' 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. 11
Submitted by: COG OPERATING
Hearing Date: December 17, 2015

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME:	CUSTER 16 STATE COM #3H	PROSPECT NAME:	LAKEWOOD/CEMETARY
SHL:	150' FSL & 2310' FEL (UL - O)	STATE & COUNTY:	New Mexico, Eddy
BHL:	330' FNL & 2310' FEL (UL - B)	OBJECTIVE:	Yeso Horizontal
FORMATION:	YESO	DEPTH:	8,190
LEGAL:	T19S-R26E, SEC. 16 (W2E2)	TVD:	3,390

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-ris @ \$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
TOTAL INTANGIBLES		639,000		1,469,350		2,108,350

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
TOTAL TANGIBLES		29,000		425,000		454,000
TOTAL WELL COSTS		668,000		1,894,350		2,562,350

COG Operating LLC

By: Carl Bird

Date Prepared: 10/6/15

JKF

COG Operating LLC

We approve:

_____% Working Interest

By: _____

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.