



Sent Certified Mail  
Receipt No. 91-7199-9991-7035-3203-8304

WPY  
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 #4H**  
SHL: 150' FSL & 990' FEL (Unit P)  
BHL: 330' FNL & 990' FEL (Unit A)  
Section 16, T19S, R26E, Eddy County, New Mexico

Dear Ms. Richardson,

COG Operating LLC ("COG"), as Operator, proposes to drill the Custer 16 State #4H well at the captioned location, or at an approved surface location within Unit Location P, to a depth of approximately 3,490' TVD, 8,290' MD, to test the Yaso 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. 12  
Submitted by: COG OPERATING  
Hearing Date: December 17, 2015

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME:	CUSTER 16 STATE #4H	PROSPECT NAME:	LAKEWOOD/CEMETARY
SHL:	150' FSL & 990' FEL (UL - P)	STATE & COUNTY:	New Mexico, Eddy
BHL:	330' FNL & 990' FEL (UL - A)	OBJECTIVE:	Yeso Horizontal
FORMATION:	YESO	DEPTH:	8,290
LEGAL:	T19S-R26E, SEC. 16 (E2E2)	TVD:	3,490

<b>INTANGIBLE COSTS</b>		<b>BCP</b>		<b>ACP</b>	<b>TOTAL</b>
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
<b>TOTAL INTANGIBLES</b>		<b>639,000</b>		<b>1,469,350</b>	<b>2,108,350</b>

<b>TANGIBLE COSTS</b>		<b>BCP</b>		<b>ACP</b>	<b>TOTAL</b>
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

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.