



May 25, 2011

U.S. Certified Mail Return Receipt Requested

Burnett Oil Company Burnett Plaza, Unit 9 801 Cherry Street, Suite 1500 Fort Worth, Texas 76102

RE:

New Well Proposal

Puckett "24" Federal #2H

SHL: 75' FNL & 990' FWL (Unit M) of Section 24, T17S, R31E BHL: 330' FSL & 990' FWL, (Unit D) of Section 24, T17S, R31E

**Eddy County, New Mexico** 

#### Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Puckett "24" Federal #2H, with pilot hole to approximately 6,800' TD, as a triple lateral well at the captioned location, or a legal location within said Unit M, to depth's of approximately 5,500' TVD (Paddock lateral), 6,100' TVD (Upper Blinebry lateral), and 6,600' TVD (Lower Blinebry lateral) TVD, each to approximately 11,021' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$11,517,000.00 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

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 the undersigned at 432-818-2298.

Yours truly,

**COG Operating LLC** 

David REvans

David R. Evans New Mexico Shelf, Land Lead

Enclosure (s) DRE/rc

Corporate Address: Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

WELL NAME: Puckett "24" Federal #2H PROSPECT NAME: Tamano (Mack) 720017 COUNTY & STATE: Eddy Co, NM SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E BHL; 330' FSL & 990' FWL, Sec 24, 17S-31E OBJECTIVE: 11, 021' MD (6600' TVD) Lower Blinebry Pilot-160 Acre w Will **INTANGIBLE COSTS BCP** TOTAL ACP: Title/Curative/Permit 201 10,000 10.000 202 22,000 302 22,000 Damages/Right of Way 203 15,000 - 303 15,000 Survey/Stake Location 204 \_3,000\_304 3,000 Location/Pits/Road Expense 205 40.000 305 65,000 105.000 **Drilling / Completion Overhead** 206 5,000 306 1,000 6,000 Turnkey Contract 207 307 0 Footage Contract 208 308 Daywork Contract 24:2 @ \$13000/day 26,000 209 312,000 309 338,000 Directional Drilling Services, With RS **210** 400,000 310 400,000 Fuel & Power 211 135,000 11,250 Water 212 34,000 312 75,000 109,000 Bits 213 45,000 313 1,000 46,000 Mud & Chemicals 214 25,000 314 25.000 **Drill Stem Test** 215 0 Coring & Analysis 216 Cement Surface 217 16:000 16,000 Cement Intermediate 218 16,000 16,000 Cement Production 7"x5.5 218 319 70,000 70,000 Cement Squeeze & Other (Kickoff Plug) 25,000 320 220 25,000 3,500 321 Float Equipment & Centralizers 221 15,000 18,500 Casing Crews & Equipment 222 7,000 322 13,000 20,000 Fishing Tools & Service 223 323 Geologic/Engineering 224 324 1,000 11,000 Contract Labor 225 10,000 325 30,000 40,000 Company Supervision 226 2,000 326 2.000 4.000 Contract Supervision 32,000 227 28,000 327 4,000 Testing Casing/Tubing 228 4,000 328 1,500 5,500 Mud Logging Unit 229 20,000 329 20,000 230 30,000 330 5.000 35,000 Logging Perforating/Wireline Services 231 3,500 331 125,000 128,500 332 760,000 760,000 Stimulation/Treating 40,000 Completion Unit 333 40,000 334 n Swabbing Unit 100,000 Rentals-Surface 235 24,000 335 124,000 35,000 336 10,000 45,000 Rentals-Subsurface 236 40,000 337 100,000 140,000 Trucking/Forklift/Rig Mobilization 237 238 3,000 338 1.500 4.500 Welding Services Water Disposal 239 339 25,000 25.000 340 Plug to Abandon 240 Seismic Analysis 241 244 135,000 344 135,000 Closed Loop & Environmental Miscellaneous 242 5,000 342 1.000 6.000 296,750 Contingency
TOTAL INTANGIBLES 147,000 343 149,750 243 3,243,000 1,610,000 1,633,000 **TANGIBLE COSTS** 20,000 401 1.200 Surface Casing 550' 13 3/8" Intermediate Casing 1850' 9 5/8' 402 48,000 503 48,000 260,000 260,000 Production Casing/Liner 6900' - 7", 4200' - 5.5" 503 Tubing 6200' 2 7/8' 38,000 38,000 504 30,000 505 18,000 48,000 Wellhead Equipment 506 97,000 97,000 Pumping Unit 507 Prime Mover 508 39,000 39,000 Rods 509 4,500 4,500 Pumps 510 20 000 20,000 Tanks 15,000 511 15,000 25,000 512 25,000 Heater Treater/Separator Electrical System 514 n Packers/Anchors/Hangers 25,000 415 2,000 515 27,000 Couplings/Fittings/Valves 4,000 4,000 516 Gas Compressors/Meters 517 0 Dehydrator 518 0 Injection Plant/CO2 Equipment 2,000 1.000 1,000 419 519 Miscellaneous 66,500 11,000 520 Contingency 420 112,000 602,000 714.000 **TOTAL TANGIBLES** 3,957,000 TOTAL WELL COSTS 1,722,000 2,235,000 **COG Operating LLC** 5/24/11 By: J. Coffman I,C. Bird % Working Interest Printed Name This AFE is only an estimate. By signing you agree to pay your share Title: of the actual costs incurred. Date:

PROSPECT NAME: Tamano (Mack) 720017 COUNTY & STATE: Eddy Co, NM WELL NAME: Puckett "24" Federal #2H SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E BHL: 330' FSL & 990' FWL, Sec 24::17S-31E OBJECTIVE: 11, 021' MD (6600' TVD) Lower Blinebry Pilot- 160 Acre **INTANGIBLE COSTS BCP** ACP **TOTAL** Title/Curative/Permit 201 10,000 10,000 Insurance 202 22,000 302 22,000 Damages/Right of Way 203 15,000 303 15,000 Survey/Stake Location 204 3,000 304 3,000 Location/Pits/Road Expense 205 305 40.000 65.000 105.000 **Drilling / Completion Overhead** 206 5,000 306 1,000 6,000 Turnkey Contract 207 307 Footage Contract 208 308 Daywork Contract 24:2 @ \$13000/day 312,000 26,000 209 309 338,000 Directional Drilling Services, With RS. 400,000 310 210 400.000 Fuel & Power 135,000 311 11,250 146,250 Water 212 34,000 312 75,000 109,000 Bits 213 45,000 313 1,000 46,000 Mud & Chemicals 25,000 314 214 25.000 Drill Stem Test 215 Coring & Analysis 216 n 16,000 Cement Surface 217 16,000 Cement Intermediate 218 16,000 16,000 Cement Production 7"x5.5" 70,000 70,000 218 Cement Squeeze & Other (Kickoff Plug) 25,000 320 25,000 220 Float Equipment & Centralizers 221 3,500 321 15,000 18,500 Casing Crews & Equipment 222 7,000 322 13,000 20,000 Fishing Tools & Service 223 323 10,000 324 Geologic/Engineering 1,000 11,000 224 Contract Labor 10,000 325 30,000 40,000 Company Supervision 226 2.000 326 2.000 4.000 Contract Supervision 227 28,000 327 4,000 32,000 Testing Casing/Tubing 4,000 328 1,500 5,500 228 20,000 329 20,000 Mud Logging Unit 5.000 Logging 230 30,000 330 35,000 125,000 128,500 Perforating/Wireline Services 3,500 331 231 760,000 332 760,000 Stimulation/Treating 40,000 Completion Unit 333 40,000 334 0 Swabbing Unit Rentals-Surface 100,000 235 24,000 335 124,000 45,000 10,000 Rentals-Subsurface 236 35,000 336 140,000 337 100,000 40,000 237 Trucking/Forklift/Rig Mobilization 1,500 4,500 3,000 338 Welding Services 238 339 25,000 25,000 Water Disposal 239 Plug to Abandor 240 340 0 Seismic Analysis 241 341 135,000 135,000 344 Closed Loop & Environmental 244 5,000 342 1,000 6,000 242 Miscellaneous 147,000 343 149,750 296,750 TOTAL INTANGIBLES 1,610,000 1,633,000 3,243,000 **TANGIBLE COSTS** 401 Surface Casing 550' 13 3/8" 48,000 48,000 Intermediate Casing 1850' 9 5/8" 402 503 260,000 260,000 503 Production Casing/Liner 6900" - 7". 38,000 504 38,000 Tubing 6200° 2 7/8° 18,000 48,000 Wellhead Equipment 30.000 505 405 97,000 97,000 506 Pumping Unit 507 Prime Mover 508 39,000 39,000 Rods 4,500 4,500 509 Pumps 20,000 20,000 510 15,000 15,000 511 Flowlines 512 25,000 25,000 Heater Treater/Separator 513 Electrical System 514 Packers/Anchors/Hangers 414 25,000 27,000 2,000 415 Couplings/Fittings/Valves 4,000 516 4,000 Gas Compressors/Meters 517 Dehydrator Injection Plant/CO2 Equipment 2,000 1,000 1,000 519 66,500 55,500 420 11,000 520 602,000 714.000 112,000 2,235,000 3.957,000 1,722,000 TOTAL WELL COSTS COG Operating LLC Date Prepared: 5/24/11 By: J. Coffman / C. Bird % Working Interest Company: Ву: Printed Name: This AFE is only an estimate. By signing you agree to pay your share Title: of the actual costs incurred.

Date:

A 174 . P

PROSPECT NAME: Tamano (Mack) 720017 COUNTY & STATE: Eddy Co, NM WELL NAME: Puckett "24" Federal #2H SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E BHL: 330' FSL & 990' FWL, Sec 24, 17S-31E OBJECTIVE: 11, 021' MD (6600' TVD) Lower Blinebry Pilot- 160 Acre BCP **INTANGIBLE COSTS** <u>ACP</u> TOTAL Tille/Curative/Permit 201 10,000 10,000 Insurance 202 22,000 302 22,000 Damages/Right of Way 203 15,000 303 15,000 Survey/Stake Location 204 3,000 304 3,000 Location/Pits/Road Expense 205 40,000 305 65,000 105,000 Drilling / Completion Overhead 206 5,000 306 1,000 6,000 **Turnkey Contract** 207 307 0 Footage Contract 208 308 0 Daywork Contract 24:2 @ \$13000/day 312.000 26,000 338 000 209 309 Directional Drilling Services, With RS 210 310 400,000 400,000 Fuel & Power 135,000 311 11,250 146,250 Water 212 34,000 312 75,000 109,000 Bits 213 45,000 313 1,000 46,000 Mud & Chemicals 214 25,000 314 25,000 **Drill Stem Test** 215 315 0 Coring & Analysis 216 Cement Surface 217 16,000 16,000 Cement Intermediate 218 16,000 16,000 319 70,000 Cement Production 7"x5.5 218 70.000 25,000 320 Cement Squeeze & Other (Kickoff Plug) 220 25,000 Float Equipment & Centralizers 221 3,500 321 15,000 18,500 Casing Crews & Equipment 222 7,000 322 13,000 20,000 Fishing Tools & Service 223 323 Geologic/Engineering 10,000 1,000 11,000 224 324 Contract Labor 225 10,000 325 30,000 40,000 226 2,000 326 2,000 4,000 Company Supervision Contract Supervision 227 28.000 327 4.000 32,000 Testing Casing/Tubing 228 4.000 328 1,500 5.500 20,000 20,000 329 229 **Mud Logging Unit** 30,000 330 35,000 Logging 230 5,000 Perforating/Wireline Service 231 3,500 331 125,000 128,500 Stimulation/Treating 332 760,000 760,000 Completion Unit 333 40,000 40,000 Swabbing Unit 24,000 335 100,000 124,000 Rentals-Surface 235 Rentals-Subsurface 236 35,000 336 10,000 45,000 337 100,000 140,000 Trucking/Forklift/Rig Mobilization 237 40,000 1,500 4,500 238 3,000 338 Welding Services 339 25,000 25,000 Water Disposal 239 Plug to Abandon 240 340 Ö 341 Seismic Analysis 241 0 135,000 344 135,000 Closed Loop & Environmental 244 5,000 342 1,000 6,000 242 Miscellaneous 343 149,750 296,750 147,000 Contingency 243 TOTAL INTANGIBLES 1,610,000 1,633,000 3,243,000 **TANGIBLE COSTS** Surface Casing 550' 13:3/8' 401 20,000 48,000 48,000 503 Intermediate Casing 1850' 9 5/8' 402 503 260,000 260,000 Production Casing/Liner 6900' - 7", 4200' - 5.5 Tubing 6200' 2 7/8' 504 38.000 38.000 48,000 505 30,000 18,000 Wellhead Equipment 405 97,000 97,000 **Pumping Unit** 507 0 Prime Mover 508 39.000 39.000 Rods 4,500 509 4,500 Pumps 20,000 20,000 510 Tanks 511 15,000 15,000 Flowlines 512 25,000 25,000 Heater Treater/Separator Electrical System 513 Packers/Anchors/Hangers 514 414 27,000 2,000 515 25,000 415 Couplings/Fittings/Valves 4,000 516 4,000 Gas Compressors/Meters 517 0 Dehydrator 518 0 Injection Plant/CO2 Equipment 419 1,000 519 1.000 2.000 Miscellaneous 55,500 66,500 520 420 11.000 112,000 602,000 714 000 TOTAL TANGIBLES 1,722,000 2,235,000 3,957,000 TOTAL WELL COSTS COG Operating LLC By: J. Coffman / C. Bird Date Prepared: 5/24/11 We approve: % Working Interest 12 Company: Ву: Printed Name: This AFE is only an estimate. By signing you agree to pay your share Title: of the actual costs incurred. Date

Package ID: 9171999991703005145638 Destination ZIP Code: 76102 Confirmation Customer Reference: Services Recipient: Address

1. Article Addressed to:

or on the front if space permits.

D. Is delivery address different from item

□ □ ₹

If YES, eriter delivery address below:

Electronic Certified Priority Envelope or package CBP

> PBP Account #: 41592288 Serial #; 1364097 MAY 25 2011 4:36pm 4:36pm

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|  | Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Dalivery is desired.  Print your name and address on the reverse  | A Signature  |
| Service Control of the Control of th | So use we can return the card to you.  Attach this card to the back of the mailplece, or on the front if space permits.  1. Article Addressed to:  Burnett Oil Company   | B. Received by ( Printed Name) C. Date of Delivery  D. Is delivery address different from Item 17  |
|  | Puckett "24" Federal #2H   | 3. Service Type  Contified Mail DExpress Mail  Registered  Return Recept for Merchandise  C.O.D.  4. Restricted Delivery? (Extra Fee)  |
|  | 2. Afficie Number 91, 71,49 c (Transfer from service label) 91, 71,49 c PS Form 3811, February 2004 Domestic Re  | А  |
|  | SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |
|  | <ul> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the maliplece.</li> </ul> | A. Signature  A. Signature  A. Signature  A. Signature  A. Signature  A. Signature  Addressee  B. Riccorped by (Prinded Name)  B. Riccorped by (Prinded Name)  S. Date of belivery |
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PS Form 3811, February 2004

Domestic Return Receipt

Article Number

(Transfer from service label)

2

2198 8991 7030

hT50

9E95

.102595-02-M-1540

Puckett "24" Federal #2H

Fort Worth, TX 76102

Certifled Mail
Registered
Insured Mail

女皇 Express Mail 女皇 Return Receipt for Merchandise 口 C.O.D.

Service lype

Restricted Delivery? (Extra Fee)

□ Yes

801 Cherry Street, Suite 1500

Burnett Plaza, Unit 9 rnett Oil Company

#### **Transmission Report**

Local ID 1

05-25-2011 4326863000

03:00:36 p.m.

Transmit Header Text

Local Name 1

Land

This document: Failed (reduced sample and details below) Document size: 8.5"x14"

DATE: May 25, 2011

Burnett Oll Company-Attn: Land Manager

FAX:

(817) 332-7832

(432) 818-2324

(432) 686 3000

New Well Proposal Puckett "24" Federal 2-H

| Total P | ages Sca | nned : 5       | Total Pages Confirmed :  | 0        |       | T    | 1    | List Esses | Desults |
|---------|----------|----------------|--------------------------|----------|-------|------|------|------------|---------|
| No.     | dot      | Remote Station | Start Time               | Duration | Pages | Line | Mode | Job Type   | Results |
| 001     |          | 818173327832   | 02:57:17 p.m. 05-25-2011 | 00:00:00 | 0/5   | 1    |      | HS         | FA      |

Abbreviations:

HS: Host send

HR: Host receive WS: Walting send PL: Polled local

PR: Polled remote

MS: Mailbox save

MP: Mailbox print

RP: Report

FF: Fax Forward

**CP: Completed** 

FA: Fall

TU: Terminated by user

TS: Terminated by system

G3: Group 3 EC: Error Correct



### FAX COVER SHEET

PAGE \_\_1\_\_ OF \_5\_ PAGES

DATE:

May 25, 2011

TO:

Burnett Oil Company-Attn: Land Manager

FAX:

(817) 332-7832

NOTICE: This facsimile message contains PRIVILEGED and CONFIDENTIAL information and is intended only for the use of the specific individual or individuals to which it is addressed. If you are not an intended recipient of this facsimile, you are hereby notified that any unauthorized use, dissemination or copying of this facsimile or the information contained herein or attached hereto is strictly prohibited. If you receive this facsimile in error, please notify the sender named below by telephone and/or reply facsimile and destroy the facsimile received in error. Thank you.

FROM:

Robyn Cummins

Concho Resources Inc. - COG Oil & Gas LP / COG Operating LLC 550 West Texas Avenue, Suite 100, Midland, Texas 79701-4210

PHONE:

(432) 818-2324

**FAX:** 

(432) 686 3000

Re:

New Well Proposal Puckett "24" Federal 2-H

#### Lisa Wilson

From:

Lisä Wilson

Sent:

Wednesday, May 25, 2011 4:26 PM 'dsrhodes@burnettoil.com'

To:

Cc:

David Evans

Subject:

**Puckett Well Proposals** 

Attachments:

Burnett\_Puckett 24 Fed 2H.pdf; Burnett\_Puckett 24 Fed 6H.pdf; Burnett\_Puckett 12 Fed 7H.pdf;

Burnett\_Puckett 12 Fed 9H.pdf; Burnett\_Puckett 13 Fed 1H.pdf; Burnett\_Puckett 13 Fed 7H.pdf

Tracking:

Recipient

Delivery

'dsrhodes@burnettoil.com'

**David Evans** 

Delivered: 5/25/2011 4:26 PM

Read: 5/25/2011 4:27 PM

Mr. Rhodes,

Attached are scanned copies of 6 Puckett Well Proposals. The originals are being sent today via U.S. Certified Mail.

Thank you,

Lisa Wilson (Oetting) **Land Assistant COG OPERATING LLC** 550 W. Texas Avenue, Suite 100 Midland, Texas 79701 p.432.685.4366 f.432.686.3000



### Lisa Wilson

David Rhodes [dsrhodes@burnettoil.com]

Lisa Wilson

From: To: Sent: Subject:

Wednesday, May 25, 2011 4:29 PM Read: Puckett Well Proposals

Your message was read on Wednesday, May 25, 2011 4:28:31 PM (GMT-06:00) Central Time (US & Canada).



May 25, 2011

U.S. Certified Mail Return Receipt Requested

Javalina Partners 616 Texas Street Fort Worth, TX 76102

RE:

New Well Proposal

Puckett "24" Federal #2H

SHL: 75' FNL & 990' FWL (Unit M) of Section 24, T17S, R31E BHL: 330' FSL & 990' FWL, (Unit D) of Section 24, T17S, R31E

Eddy County, New Mexico

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Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

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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 the undersigned at 432-818-2298.

Yours truly,

**COG Operating LLC** 

David A. Erans

David R. Evans New Mexico Shelf, Land Lead

Enclosure (s) DRE/rc

Corporate Address: Fasken Center, Tower III 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

WELL NAME: **Puckett "24" Federal #2H**SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E
BHL: 330' FSL & 990' FWL, Sec 24, 17S-31E
Pilot- 160 Acre PROSPECT NAME: Tamano (Mack) 720017
COUNTY & STATE: Eddy Co, NM
OBJECTIVE: YESO (11, 021' MD) (6100' TVD) Upper Blinebry

1.3

|                                       | 10,0<br>22,0                          |
|---------------------------------------|---------------------------------------|
|                                       | ንባ ለ                                  |
|                                       |                                       |
|                                       | 15,0                                  |
|                                       | 3,0                                   |
| 65,000                                | 105,0                                 |
| 1,000                                 | 6,0                                   |
|                                       |                                       |
| -                                     |                                       |
| 26,000                                | 286,0                                 |
| 44.000                                | 400,0                                 |
| 11,250                                | 123,7                                 |
| 75,000                                | 105,0                                 |
| 1,000                                 | 46,0                                  |
|                                       | 25,0                                  |
| <del></del>                           |                                       |
| <del></del>                           | 40.0                                  |
|                                       | 16,0                                  |
| 70,000                                | 70,0                                  |
| 10,000                                | 70,0                                  |
| 15,000                                | 40 E                                  |
|                                       | 18,5                                  |
| 13,000                                | 20,0                                  |
| 4.000                                 | 44.0                                  |
| 1,000                                 | 11,0                                  |
| 30,000                                | 40,0                                  |
| 2,000                                 | 4,0                                   |
| 4,000                                 | 32,0                                  |
| 1,500                                 | 5,5                                   |
| 5.000                                 | 16,0                                  |
| 5,000                                 | 5,0                                   |
| 125,000                               | 128,5                                 |
| 760,000                               | 760,0                                 |
| 40,000                                | 40,0                                  |
| <del> </del>                          |                                       |
| 100,000                               | 120,0                                 |
| 10,000                                | 40,00                                 |
| 100,000                               | 140,0                                 |
| 1,500                                 | 4,5                                   |
| 25,000                                | 25,00                                 |
|                                       |                                       |
| <del></del> _                         |                                       |
| <del></del>                           | 120,00                                |
| 1,000                                 | 6,00                                  |
| 149,750                               | 281,2                                 |
| 1,633,000                             | 3,066,00                              |
|                                       |                                       |
|                                       | 1,20                                  |
| <del> </del>                          | 48,00                                 |
| 260,000                               | 260,0                                 |
| 38,000                                | 38,0                                  |
| 18,000                                | 48,0                                  |
| 97,000                                | 97,0                                  |
|                                       |                                       |
| 39,000                                | 39,0                                  |
| 4,500                                 | 4,5                                   |
| 20,000                                | 20,0                                  |
| 15,000                                | 15,0                                  |
| 25,000                                | 25,0                                  |
| <u> </u>                              |                                       |
|                                       |                                       |
| 25,000                                | 27,0                                  |
| 4,000                                 | 4,0                                   |
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|                                       |                                       |
| 1,000                                 | 2,0                                   |
| 55,500                                | 66,5                                  |
| 602,000                               | 714,0                                 |
| 2,235,000                             | 3,780,0                               |
|                                       | 1,000<br>55,500<br>602,000            |

| By: J. Coffman      | C. Bird     |   | <br> | Date Prepared: | 5/16/11 | · . |
|---------------------|-------------|---|------|----------------|---------|-----|
|                     | Ţ.          | , |      |                |         |     |
| We approve:% Workir | ng Interest |   |      |                |         |     |
| 0                   |             |   |      |                |         |     |

Printed Name:

Title:

Date:

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

| SHL: 75' FNL & 990' FWL, Sec 24, 17S-31  | <u> </u>                                   |  |                  | E: Tamano (Maci                        | <u>() 720017</u>        |
|--|--|--|------------------|--|-------------------------|
| BHL: 330' FSL & 990' FWL, Sec 24, 17S-3  | <u>  [</u><br> 1   F                       | COUNTY & S   |                  |  | 00170700114             |
| Pilot- 160 Acre  | 7114                                       | OBJECTIVE.   | 153              | U (11, 021 MD) (61                     | 00' TVD) Upper Blinebry |
| *  |  | • 4 .  |                  |  |                         |
| INTANGIBLE COSTS   |  | BCP  |                  | ACP                                    | TOTAL                   |
| Title/Curative/Permit  | 201  | 10,000   |                  |  | 10,000                  |
| Insurance  | 202  | 22,000   | 302              |  | 22,000                  |
| Damages/Right of Way   | 203  | 15,000   | 303              | ·                                      | 15,000                  |
| Survey/Stake Location  | 204  | 3,000  | 304              |  | 3,000                   |
| Location/Pits/Road Expense   | 205  | 40,000   | 11               |  | 105,000                 |
| Orilling / Completion Overhead Turnkey Contract  | 206<br>207                                 | 5,000  | 306<br>307       | 1,000                                  | 6,000                   |
| Footage Contract   | 208  | , P.   | 308              |  | 0                       |
| Daywork Contract 20:2 @ \$13000/day  | 209  | 260,000  | 309              | 26,000                                 | 286,000                 |
| Directional Drilling Services, With RS   | 210  | 400,000  | 310              |  | 400,000                 |
| Fuel & Power   | 211  | 112,500  | 311              | 11,250                                 | 123,750                 |
| Water  | 212  | 30,000   | 312              |  | 105,000                 |
| Bits Mud & Chemicals   | 213  | 45,000   | 313              | 1,000                                  | 46,000                  |
| Drill Stem Test  | 214<br>215                                 | 25,000   | 314<br>315       | <del></del>                            | 25,000                  |
| Coring & Analysis  | 216  |  | 0.0              |  |                         |
| Cement Surface   | 217  | 16,000   |                  |  | 16,000                  |
| Cement Intermediate  | 218  | 16,000   |                  |  | 16,000                  |
| Cement Production 7"x5.5"  | 218  |  | 319              | 70,000                                 | 70,000                  |
| Cement Squeeze & Other (NO Kickoff Plug) Float Equipment & Centralizers  | 220.<br>221                                | 3,500  | 320<br>321       | 15,000                                 | 0<br>18.500             |
| Casing Crews & Equipment   | 222  | 7,000  | 322              | 13,000                                 | 20,000                  |
| Fishing Tools & Service  | 223  |  | 323              | 10,000                                 | 20,000                  |
| Geologic/Engineering   | 224  | 10,000   | 324              | 1,000                                  | 11,000                  |
| Contract Labor   | 225  | 10,000   | 325              | 30,000                                 | 40,000                  |
| Company Supervision  | 226  | 2,000  | 326              | 2,000                                  | 4,000                   |
| Contract Supervision   | 227  | 28,000   | 327              | 4,000                                  | 32,000                  |
| Testing Casing/Tubing  | 228  | 4,000  | 328<br>329       | 1,500                                  | 5,500                   |
| Mud Logging Unit<br>Logging  | . 229<br>230                               | 16,000   | 330              | 5,000                                  | 16,000<br>5,000         |
| Perforating/Wireline Services  | 231  | 3,500  | 331              | 125,000                                | 128,500                 |
| Stimulation/Treating   | . 231                                      | 3,500  | 332              | 760,000                                | 760,000                 |
| Completion Unit  | •  |  | 333              | 40,000                                 | 40,000                  |
| Swabbing Units And Adaptive Control of the Annual Control of the A | ·<br>· · · · · · · · · · · · · · · · · · · | A 47 04 140 W.   | 334.             | Carl Charles Andria                    | 0                       |
| Rentals-Surface  | 235  | 20,000   | 335              | 100,000                                | 120,000                 |
| Rentals-Subsurface   | 236  | 30,000   |                  | 10,000                                 | 40,000                  |
| Trucking/Forklift/Rig Mobilization   | 237  | 40,000   | 337              | 100,000                                | 140,000                 |
| Welding Services   | 238  | 3,000  | 338              | 1,500                                  | 4,500                   |
| Water Disposal   | 239  |  | 339<br>340       | 25,000                                 | 25,000                  |
| 1103.101.1001.001  | 240<br>241                                 |  | 341              |  | - 0                     |
| Seismic Analysis Closed Loop & Environmental   | 241  | 120.000  | A . S . S        | ************************************** | 120,000                 |
| Miscellaneous  | 242  | 5,000  | 342              | 1,000                                  | 6,000                   |
| Contingency  | 243  | 131,500  | 343              | 149,750                                | 281,250                 |
| TOTAL INTANGIBLES  | •  | 1,433,000  |                  | 1,633,000                              | 3,066,000               |
|  | -  |  |                  |  |                         |
| TANGIBLE COSTS   |  |  |                  | `,                                     |                         |
| Surface Casing 550 13 3/8*   | 401  | 20,000   |                  | ***                                    | 1,200<br>48,000         |
| Intermediate Casing 1850' 9 5/8"   | 402  | 48,000   | 503<br>503       | 260,000                                | 260,000                 |
| Production Casing/Liner 6900' - 7", 4200' - 5.5"  Tubing 6200' 2 7/8"  | •  |  | 504              | 38,000                                 | 38,000                  |
| Welthead Equipment   | 405  | 30,000   | 505              | 18,000                                 | 48,000                  |
| Pumping Unit   |  |  | 506              | 97,000                                 | 97,000                  |
| Prime Mover  | •  |  | <sup>*</sup> 507 |  | 0                       |
| Rods   |  |  | 508              | 39,000                                 | 39,000                  |
| Pumps  | -  |  | 509              | 4,500                                  | 4,500                   |
| Tanks  | -  | <del></del>  | 510<br>511       | 20,000<br>15,000                       | 20,000<br>15,000        |
| Flowlines Heater Treater/Separator   | •  | •  | 512              | 25,000                                 | 25,000                  |
| Electrical System  | •  |  | 513              |  | 0                       |
| Packers/Anchors/Hangers  | 414  |  | 514              |  | 0                       |
| Couplings/Fittings/Valves  | 415  | 2,000  | 515              | 25,000                                 | 27,000                  |
| Gas Compressors/Meters   |  |  | 516              | 4,000                                  | 4,000                   |
| Dehydrator   | _  |  | 517              |  | 0                       |
| Injection Plant/CQ2 Equipment  |  | 4.000  | 518              | 1,000                                  | 2,000                   |
| Miscellaneous  | - 419<br>- 420                             | 1,000  | 519<br>520       |  | 66,500                  |
| TOTAL TANGIBLES  | - 420                                      | 112,000  | 520              | 602,000                                | 714,000                 |
| TOTAL WELL COSTS   |  | 1,545,000  |                  | 2,235,000                              | 3,780,000               |
|  | •  | •  |                  |  |                         |
|  |  |  |                  | e.                                     | •                       |
| COG Operating LLC  |  |  |                  |  |                         |
|  |  | Data Promovide   | 6/40/            |  | •                       |
| By: J. Coffman / C. Bird   | -  | Date Prepared:   | 5/16/            | 11                                     |                         |
|  |  |  |                  |  |                         |
| We approve:  |  | *  |                  | **                                     |                         |
| % Working Interest   |  |  |                  |  |                         |
|  |  | ***  |                  |  |                         |
| Company:   |  | · · · · · · · · · · · · · · · · · · ·  |                  |  |                         |
| By:  | -  | STATE OF THE STATE |                  | • •                                    | *                       |
|  |  | (A)  | *                |  | •                       |
| Printed Name:  | ٠.٠٠                                       | This AFF is only an  | estin            | nate. By signing you ag                | ree to pay your share   |
| Title:   |  | of the actual costs i  |                  |  | . • • •                 |

 WELL NAME: Puckett "24" Federal #2H
 PROSPECT NAME: Tamano (Mack) 720017

 SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E
 COUNTY & STATE: Eddy Co, NM

 BHL: 330' FSL & 990' FWL, Sec 24, 17S-31E
 OBJECTIVE: YESO (11, 021' MD) (6100' TVD) Upper Blinebry

| INTANGIBLE COSTS                                 |                   | BCP  | µ 16         | ACP                                   | TOTAL                                 |
|--|-------------------|--|--------------|---------------------------------------|---------------------------------------|
| Title/Curative/Permit                            | 201               | 10,000   | . 77         | AVE                                   |                                       |
| Insurance  | 202               | 22,000   | 302          | · · · · · · · · · · · · · · · · · · · | 10,0                                  |
| Damages/Right of Way                             | 203               | 15,000   | 303          |                                       | · · · · · · · · · · · · · · · · · · · |
| Survey/Stake Location                            | 204               | 3,000  | 304          |                                       | 15,0                                  |
| ocation/Pits/Road Expense                        | 205 -             | 40,000   | 305          | 65,000                                | 3,0                                   |
| Drilling / Completion Overhead                   | 206 -             | 5,000  | 306          | 1,000                                 | 105,0                                 |
| Turnkey Contract                                 | 207 -             | 3,000  | 307          | 1,000                                 | 6,0                                   |
| Footage Contract                                 | 208               |  | 308          |                                       |                                       |
| Daywork Contract 20:2 @ \$13000/day              | 209               | 260,000  | 309          | 26,000                                | 286,0                                 |
| Directional Drilling Services, With RS           | 210               | 400,000  | 310          | 20,000                                | 400,0                                 |
| Fuel & Power                                     | 211               | 112,500  | 311          | 11.250                                | 123,7                                 |
| Water  | 212               | 2 30,000   | 312          | 75,000                                | 105,0                                 |
| Bits 1871 1871 1871                              | 213               | 45,000   | 313          | 1,000                                 | 46,0                                  |
| Mud & Chemicals                                  | 214               | 25,000   | 314          |                                       | 25,0                                  |
| Drill Stem Test                                  | 215               |  | 315          | <del></del>                           | 20,0                                  |
| Coring & Analysis                                | 216               |  |              |                                       |                                       |
| Dement Surface                                   | 217               | 16,000   |              |                                       | 16,00                                 |
| Dement Intermediate                              | 218               | 16,000   | <b>'</b> ; , |                                       | 16,00                                 |
| Cement Production 7"x5.5"                        | 218               | 7.75   | 319          | 70,000                                | 70,00                                 |
| Cement Squeeze & Other (NO Kickoff Plug)         | 220               | 12.  | 320          |                                       |                                       |
| loat Equipment & Centralizers                    | 221               | 3,500  | 321          | 15,000                                | 18,50                                 |
| Casing Crews & Equipment                         | 222               | 7,000  | 322          | 13,000                                | 20,00                                 |
| Ishing Tools & Service                           | 223               |  | 323          |                                       |                                       |
| Geologic/Engineering                             | 224               | 10,000   | 324          | 1,000                                 | 11,00                                 |
| Contract Labor                                   | 225               | 10,000   | 325          | 30,000                                | 40,00                                 |
| Company Supervision                              | 226               | 2,000  | 326          | 2,000                                 | 4,00                                  |
| Contract Supervision                             | 227               | 28,000   | 327          | 4,000                                 | 32,00                                 |
| Testing Casing/Tubing                            | 228               | 4,000  | 328          | 1,500                                 | 5,50                                  |
| Mud Logging Unit                                 | 229               | 16,000   | 329          |                                       | 16,00                                 |
| .ogging  | 230               | 0  | 330          | 5,000                                 | 5,00                                  |
| Perforating/Wireline Services                    | 231               | 3,500  | 331          | 125,000                               | 128,50                                |
| Stimulation/Treating                             | _                 | ` `  | 332          | 760,000                               | 760,00                                |
| Completion Unit                                  |                   |  | 333          | 40,000                                | 40,00                                 |
| Swabbing Unit                                    | _                 |  | 334          |                                       |                                       |
| Rentals-Surface                                  | 235               | 20,000   | 335          | 100,000                               | 120,00                                |
| Rentals-Subsurface                               | 236               | 30,000   | 336          | 10,000                                | 40,00                                 |
| Trucking/Forklift/Rig Mobilization               | 237               | 40,000   | 337          | 100,000                               | 140,00                                |
| Nelding Services                                 | 238 _             | 3,000  | 338          | 1,500                                 | 4,50                                  |
| Nater Disposal                                   | 239 _             |  | 339          | 25,000                                | 25,00                                 |
| Plug to Abandon                                  | 240 _             |  | 340          |                                       |                                       |
| Seismic Analysis                                 | 241 _             |  | 341          |                                       |                                       |
| Closed Loop & Environmental                      | 244 _             | 120,000  | 344          |                                       | 120,00                                |
| Miscellaneous                                    | 242               | 5,000  | 342          | 1,000                                 | 6,00                                  |
| Contingency                                      | 243               | 131,500  | 343          | 149,750                               | 281,25                                |
| TOTAL INTANGIBLES                                | _                 | 1,433,000  |              | 1,633,000                             | 3,066,00                              |
|  |                   |  |              |                                       |                                       |
| TANGIBLE COSTS                                   |                   |  |              | γ.                                    |                                       |
| Surface Casing 550' 13 3/8"                      | 401               | 20,000   |              |                                       | 1,20                                  |
| ntermediate Casing 1850' 9 5/8"                  | 402               | 48,000   | 503          |                                       | 48,00                                 |
| Production Casing/Liner 6900' - 7", 4200' - 5.5" | _                 |  | 503          | 260,000                               | 260,00                                |
| Tubing 6200' 2 7/8"                              |                   |  | 504          | 38,000                                | 38,00                                 |
| Vellhead Equipment                               | 405               | 30,000   | 505          | 18,000                                | 48,00                                 |
| Pumping Unit                                     | _                 | 8° 2° .  | 506          | 97,000                                | 97,00                                 |
| Prime Mover                                      | _                 |  | 507          | ·                                     |                                       |
| Rods   |                   |  | 508          | 39,000                                | 39,00                                 |
| umps   | ·                 | <del>*************************************</del> | 509          | 4,500                                 | 4,50                                  |
| anks   |                   |  | 510          | 20,000                                | 20,00                                 |
| lowlines   | _                 | <del></del>                                      | 511          | 15,000                                | 15,00                                 |
| leater Treater/Separator                         |                   |  | 512          | 25,000                                | 25,00                                 |
| Electrical System                                | 3 3 3 5 <b>-</b>  | - 10 °   | 513          | <del></del>                           |                                       |
| Packers/Anchors/Hangers                          | 414 _             |  | 514          | 05.000                                | 07.00                                 |
| Couplings/Fittings/Valves                        | 415               | 2,000  | 515          | 25,000                                | 27,00                                 |
| Gas Compressors/Meters                           | –                 |  | 516          | 4,000                                 | 4,00                                  |
| Dehydrator                                       | <u> -</u> المهرية |  | 517          |                                       |                                       |
| njection Plant/CO2 Equipment                     |                   |  | 518          | <del></del>                           | 2,00                                  |
| Miscellaneous                                    | 419 _             | 1,000  | 519          | 1,000                                 |                                       |
| Contingency                                      | 420               | 11,000   | 520          | 55,500                                | 66,50                                 |
| TOTAL TANGIBLES                                  | <u>.</u>          | 112,000  |              | 602,000                               | 714,00<br>3,780,00                    |
| TOTAL WELL COSTS                                 |                   | 1,545,000  |              | 2,235,000                             | 3,700,00                              |

### COG Operating LLC

Printed Name: Title:

Date:

| By: J. Coffman / C   | . Bird   | ٠.    |    | \$ | Date Prepared | 5/16/11 | . :          |
|----------------------|----------|-------|----|----|---------------|---------|--------------|
|                      |          | i jai | 14 |    | 1 July        |         | <u>,</u> 5 , |
| We approve:% Working | Interest |       |    |    | *. *.         |         |              |
| Company:             |          |       |    |    |               |         |              |
| Ву:                  | his.     |       |    | •  |               | . ,     |              |

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

7604361 # Ishe2 MM 882Seet \* # InubooA 989

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

Ruguily Envelope or package CBP Electronic Certified

Recipient Destination 21P Code 76102 Customer Reference

Services Confirmation

PS Form 381,1, February 2004 2. Article Number Article Addressed to: SENDER: COMPLETE THIS SECTION Attach this card to the back of the mailpiece, (Transfer from service label) Print your name and address on the reverse ■ Complete Items 1, 2, and 3. Also complete tem 4 if Restricted Delivery is desired. or on the front if space permits. 616 Texas Street Fort Worth, TX 76102 Javelina Partners so that we can return the card to you. Puckett "24" Federal #2H 드 Domestic Return Receipt 7199 1525 hrsD 0802 rebb D. is delivery address different from item 10 If YES, enter delivery address below: A. Signature B. Received by (Printed Name) COMPLETE THIS SECTION ON DELIVERY Certified Mail CI Express Mail
CHAppistered CA Return Receipt for Merchandise
CI Insured Mail CO.D. Restricted Dalivery? (Extra Fee) Service Type C. Date of Delivery \_ D Yœ

102595-02-M-1540

□ □ % %

☐ Agent ☐ Addressee

Article Number Puckett "24" Federal #2H Fort Worth, TX 76102 616 Texas Street or on the front if space permits. so that we can return the card to you.

Attach this card to the back of the mallpiece, Print your name and address on the reverse Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Javelina Partners Article Addressed to: (Transfer from service label) 2 7199 9991 7030 0514 5751 I3. Service Type

St.Certified Mail
Registered
Insured Mail B. /Pec COMPLITE THIS SECTION ON DELIVERY 4. Restricted Delivery? (Extra Fee) Stalivery address different from Item 17 (1788) If YES, enter delivery address below: (100) No. ☐ C.O.D. Return Receipt for Merchandise Express Mail C. Date of Delivery Addressee **?** ′ ′ ′ ′ ′ , ☐ Agent 

#### **Transmission Report**

Date/Time Local ID 1

05-25-2011 4326863000 04:19:24 p.m.

Transmit Header Text Local Name 1

Land

This document: Confirmed (reduced sample and details below) Document size: 8.5"x14"



DATE:

May 25, 2011

TO:

Javelina Partners-Mr. E. Randall Hudson III

FAX:

(817) 334-0442

Robyn Cummins
Conclin Resources Inc. - COG Oil & Gas LP / COG Operating LLC
550 West Texas Avenue, Suite 100, Midland, Texas 79701-4210

PHONE:

(432) 818-2324

FAX:

(432) 686 3000

| - 1  | iotai ra | iges sca | nnea : 5       | Total rages commined       | 10 1 - 1 2 - 1 miles 20 10 2 10 2 | Mooothing and Meaniffer Di | ***** | <u> </u> |          | <u></u> | ļ.,. |
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| ी    | No.      | Job      | Remote Station | Start Time                 | Duration                          | Pages -                    | Line  | Mode     | Job Type | Results |      |
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Abbreviations:

HS: Host send

HR: Host receive

WS: Waiting send

PL: Polled local

PR: Polled remote

MS: Mailbox save

MP: Mailbox print

RP: Report FF: Fax Forward

**CP:** Completed FA: Fail

TU: Terminated by user

TS: Terminated by system

G3: Group 3

**EC: Error Correct** 



### FAX COVER SHEET

PAGE \_\_1\_ OF \_5\_ PAGES

DATE:

May 25, 2011

 $TO \cdot$ 

Javelina Partners-Mr. E. Randall Hudson III

FAX:

(817) 334-0442

NOTICE: This facsimile message contains PRIVILEGED and CONFIDENTIAL information and is intended only for the use of the specific individual or individuals to which it is addressed. If you are not an intended recipient of this facsimile, you are hereby notified that any unauthorized use, dissemination or copying of this facsimile or the information contained herein or attached hereto is strictly prohibited. If you receive this facsimile in error, please notify the sender named below by telephone and/or reply facsimile and destroy the facsimile received in error. Thank you.

FROM:

**Robyn Cummins** 

Concho Resources Inc. - COG Oil & Gas LP / COG Operating LLC 550 West Texas Avenue, Suite 100, Midland, Texas 79701-4210

PHONE:

(432) 818-2324

FAX:

(432) 686 3000

Re:

New Well Proposal Puckett "24" Federal 2-H



May 25, 2011

U.S. Certified Mail Return Receipt Requested

Zorro Partners 616 Texas Street Fort Worth, TX 76102

RE:

New Well Proposal

Puckett "24" Federal #2H

SHL: 75' FNL & 990' FWL (Unit M) of Section 24, T17S, R31E BHL: 330' FSL & 990' FWL, (Unit D) of Section 24, T17S, R31E

**Eddy County, New Mexico** 

#### Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Puckett "24" Federal #2H, with pilot hole to approximately 6,800' TD, as a triple lateral well at the captioned location, or a legal location within said Unit M, to depth's of approximately 5,500 TVD (Paddock lateral), 6,100' TVD (Upper Blinebry lateral), and 6,600' TVD (Lower Blinebry lateral) TVD, each to approximately 11,021' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$11,517,000.00 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

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 the undersigned at 432-818-2298.

Yours truly,

**COG Operating LLC** 

David R. Evans

David R. Evans

New Mexico Shelf, Land Lead

Enclosure (s)

DRE/rc

Corporate Address: Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7444

 WELL NAME:
 Puckett "24" Federal #2H
 PROSPECT NAME:
 Tamano (Mack) 720017

 SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E
 COUNTY & STATE:
 Eddy Co, NM

 BHL: 330' FSL & 990' FWL, Sec 24, 17S-31E
 OBJECTIVE: YESO (11, 021' MD) (5500' TVD) Paddock

| BHL: 330 FSL & 990 FWL, Sec 24, 175-3            | 31E                                   |                |            | O (11, 021' MD) (55                     | 500' TVD) Paddock |
|--|---------------------------------------|----------------|------------|---|-------------------|
| Pilot- 160 Acre                                  | · · · · · · · · · · · · · · · · · · · |                |            |   |                   |
|  |                                       | •              |            | *                                       |                   |
| INTANGIBLE COSTS                                 | ,                                     | <u>BCP</u>     |            | ACP                                     | <u>TOTAL</u>      |
| Title/Curative/Permit                            | 201                                   | 10,000         |            | •                                       | 10,0              |
| Insurance  | 202                                   | 22,000         | 302        |   | 22,0              |
| Damages/Right of Way                             | 203                                   | 15,000         | 303        | 10 - N                                  | 15,0              |
| Survey/Stake Location                            | 204                                   | 3,000          | 304        | •                                       | 3,0               |
| Location/Pits/Road Expense                       | 205                                   | 40,000         | 305        | 65,000                                  | 105,0             |
| Orilling / Completion Overhead                   | 206                                   | 5,000          | - 306      | 1,000                                   | 6,0               |
| Furnkey Contract                                 | 207                                   | 5 5.3          | 307        | 75                                      |                   |
| ootage Contract                                  | 208                                   |                | 308        |   |                   |
| Daywork Contract 20:2 @ \$13000/day              | 209                                   | 260,000        | 309        | 26,000                                  | 286,0             |
| Directional Drilling Services, With RS           | 210                                   | 400,000        | 310        |   | 400,0             |
| uel & Power                                      | 211                                   | 112,500        | 311        | 11,250                                  | 123,7             |
| Vater  | 212                                   | 30,000         | 312        | 75,000                                  | 105,0             |
| Bits   | 213                                   | 45,000         | 313        | 1,000                                   | 46,0              |
| Aud & Chemicals                                  | 214                                   | 25,000         | 314        |   | 25,0              |
| Orill Stem Test                                  | 215                                   |                | 315        |   |                   |
| Coring & Analysis                                | 216                                   |                |            |   |                   |
| Cement Surface                                   | 217                                   | 16,000         |            |   | 16,0              |
| Cement Intermediate                              | 218                                   | 16,000         |            |   | 16,0              |
| Cement Production 7"x5.5"                        | 218                                   |                | 319        | 70,000                                  | 70,0              |
| cement Squeeze & Other (NO Kickoff Plug)         | 220                                   |                | 320        |   |                   |
| loat Equipment & Centralizers                    | 221                                   | 3,500          | 321        | 15,000                                  | 18,5              |
| Casing Crews & Equipment                         | 222                                   | 7,000          | 322        | 13,000                                  | 20,0              |
| ishing Tools & Service                           | 223                                   |                | 323        |   |                   |
| Geologic/Engineering                             | 224                                   | 10,000         | 324        | 1,000                                   | 11,0              |
| Contract Labor                                   | 225                                   | 10,000         | 325        | 30,000                                  | 40,0              |
| Company Supervision                              | 226                                   | 2,000          | 326        | 2,000                                   | 4,0               |
| Contract Supervision                             | 227                                   | 28,000         | 327        | 4,000                                   | 32,0              |
| esting Casing/Tubing                             | 228                                   | 4,000          | 328        | 1,500                                   | 5,5               |
| Aud Logging Unit                                 | 229                                   | 16,000         | 329        |   | 16,0              |
| ogging   | 230                                   | , 0            | 330        | 5,000                                   | 5,0               |
| erforating/Wireline Services                     | 231                                   | 3,500          | 331        | 125,000                                 | 128,5             |
| timulation/Treating                              | - · ««». ·                            | 19 3 m         | 332        | 760,000                                 | 760,0             |
| Completion Unit                                  |                                       | <u> </u>       | 333        | 40,000                                  | , 40,0            |
| Swabbing Unit                                    | -                                     | . v. *.i       | 334        |   |                   |
| Rentals-Surface                                  | 235                                   | 20,000         | 335        | 100,000                                 | 120,0             |
| Rentals-Subsurface                               | 236                                   | 30,000         | 336        | 10,000                                  | 40.0              |
| rucking/Forklift/Rig Mobilization                | 237                                   | 40,000         | 337        | 100,000                                 | 140,0             |
| Velding Services                                 | 238                                   | 3,000          | 338        | 1,500                                   | 4,5               |
| Vater Disposal                                   | 239                                   | 1955 A. 18     | 339        | 25,000                                  | 25,0              |
| Plug to Abandon                                  | 240                                   |                | 340        |   | ·                 |
| Seismic Analysis                                 | 241                                   |                | 341        |   |                   |
| Closed Loop & Environmental                      | 244                                   | 120,000        | 344        | ·                                       | 120,0             |
| Miscellaneous                                    | 242                                   | 5,000          |            | 1,000                                   | 6,0               |
| Contingency                                      | 243                                   | 131,500        | 343        | 149,750                                 | 281,2             |
| TOTAL INTANGIBLES                                | _                                     | 1,433,000      |            | 1,633,000                               | 3,066,0           |
| <del>,</del>                                     |                                       |                |            |   |                   |
| FANGIBLE COSTS                                   |                                       |                |            |   | 1,2               |
| Surface Casing 550' 13 3/8"                      | 401                                   | 20,000         | 500        |   | 48,0              |
| ntermediate Casing 1850' 9 5/8"                  | 402                                   | 48,000         |            | 260,000                                 | 260,0             |
| Production Casing/Liner 6900' - 7", 4200' - 5.5" | _                                     |                | 503        |   | 38,0              |
| ubing 6200' 2 7/8"                               |                                       | 00.000         | 504        | 38,000<br>18,000                        | 48,0              |
| Vellhead Equipment                               | _ 405                                 | 30,000         | 505<br>506 | 97,000                                  | 97,0              |
| Pumping Unit                                     | _                                     |                |            | 37,000                                  |                   |
| nme Mover  | _                                     |                | 507        | 39,000                                  | 39.0              |
| Rods   | _                                     |                | 508        | 4,500                                   | 4,5               |
| umps   | -                                     |                | 509        | 20,000                                  | 20,0              |
| anks   | _                                     |                | 510<br>511 | 15,000                                  | 15,0              |
| lowlines   | -                                     |                |            | 25,000                                  | 25,0              |
| leater Treater/Separator                         | -                                     |                | 512<br>513 | 20,000                                  |                   |
| Electrical System                                |                                       |                | 514        |   |                   |
| Packers/Anchors/Hangers                          | - 414<br>- 415                        | 2,000          | 515        | 25,000                                  | 27,               |
| Couplings/Fittings/Valves                        | <b>-</b> 415                          | 2,000          | 516        | 4,000                                   | 4,0               |
| Gas Compressors/Meters                           | _                                     | <del>-</del>   | 517        |   |                   |
| Dehydrator                                       |                                       | <del></del>    | 518        |   |                   |
| njection Plant/CO2 Equipment                     | 419                                   | 1,000          | 519        | 1,000                                   | 2,                |
| Viscellaneous                                    | 420                                   | 11,000         |            | 55,500                                  | 66,               |
| Contingency TOTAL TANCIPLES                      | 20                                    | 112,000        | <b>-</b>   | 602,000                                 | 714,              |
| TOTAL TANGIBLES                                  | <b>–</b> 90                           | 1,545,000      |            | 2,235,000                               | 3,780,            |
| TOTAL WELL COSTS                                 | <b>-</b> .                            | .,0-10,000     |            |   |                   |
|  |                                       |                |            |   |                   |
| COG Operating LLC                                |                                       |                |            | RR DEC DO                               |                   |
| <del> </del>                                     |                                       |                | EMPI       |   |                   |
| By: J. Coffman / C. Bird                         |                                       | Date Prepared: | 5/16/      | <u> </u>                                |                   |
|  | .5.7                                  |                |            | viet v v                                |                   |
|  | -                                     |                |            | * |                   |

| We approve:   | ng Interest |          | , |
|---------------|-------------|----------|---|
| , -           | ig interest | <br>2.5. | • |
| Company:      |             | <br>     |   |
| By:           | 7.7         | <br>     |   |
| Printed Name: |             | *        |   |

This AFE is only an estimate. By signing you agree to pay your share

WELL NAME: Puckett "24" Federal #2H

PROSPECT NAME: Tamano (Mack) 720017 SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E

COUNTY & STATE: Eddy Co, NM BHL: 330' FSL & 990' FWL, Sec 24, 17S-31E OBJECTIVE: YESO (11, 021' MD) (5500' TVD) Paddock Pilot- 160 Acre **INTANGIBLE COSTS BCP ACP** TOTAL Title/Curative/Permit 201 10,000 10,000 Insurance 202 22,000 302 22,000 Damages/Right of Way 203 15,000 303 15,000 Survey/Stake Location 204 3,000 304 3,000 Location/Pits/Road Expense 40,000 305 65,000 105.000 **Drilling / Completion Overhead** 206 5,000 306 1,000 6,000 Turnkey Contract 207 307 0 Footage Contract 208 308 Daywork Contract 20:2 @ \$13000/day 209 260,000 309 26,000 286,000 Directional Drilling Services, With RS 210 400,000 310 400,000 Fuel & Power 211 112,500 311 11,250 123,750 Water 212 30,000 312 75,000 105,000 Bits 213 45,000 313 1,000 46,000 Mud & Chemicals 214 25,000 314 25,000 **Drill Stem Test** 215 315 Coring & Analysis Cement Surface 217 16,000 16,000 Cement Intermediate 218 16,000 16,000 Cement Production 7"x5.5" 70,000 218 319 70.000 Cement Squeeze & Other (NO Kickoff Plug) 220 320 Float Equipment & Centralizers 221 3,500 15,000 18,500 Casing Crews & Equipment 222 7,000 322 13,000 20,000 Fishing Tools & Service 223 323 Geologic/Engineering 224 10,000 1,000 11,000 225 10,000 325 30,000 40,000 Contract Labor Company Supervision 226 2,000 326 2,000 4.000 Contract Supervision 227 28,000 327 4.000 32.000 Testing Casing/Tubing 4,000 328 1,500 5,500 228 16,000 16,000 Mud Logging Unit 229 329 230 330 5,000 5,000 Logging Perforating/Wireline Services 231 3,500 331 125,000 128,500 Stimulation/Treating 332 760,000 760,000 333 40,000 40,000 Completion Unit 334 Swabbing Unit 100,000 Rentals-Surface 235 20,000 335 120,000 40,000 Rentals-Subsurface 236 30,000 336 10.000 40,000 337 100,000 140,000 Trucking/Forklift/Rig Mobilization 237 4,500 3,000 338 238 Welding Services 339 25,000 25,000 Water Disposal 239 Plug to Abandon 240 340 341 Ó Seismic Analysis 241 120,000 120,000 244 Closed Loop & Environmental 5,000 342 1,000 6,000 242 Miscellaneous 131,500 343 149,750 281,250 Contingency TOTAL INTANGIBLES 1,433,000 1.633.000 3.066.000 TANGIBLE COSTS 20,000 401 Surface Casing 550' 13 3/8' 48,000 503 48,000 Intermediate Casing 1850' 9 5/8' 402 260,000 Production Casing/Liner 6900' - 7", 4200' - 5.5" 503 260,000 38,000 38,000 Tubing 6200' 2 7/8' 504 18,000 30,000 48,000 405 Wellhead Equipment 506 97,000 97,000 **Pumping Unit** Prime Mover 507 39,000 39,000 508 Rods 4,500 4,500 509 Pumps 510 20,000 20,000 Tanks 511 15,000 15,000 Flowlines 25,000 Heater Treater/Separator 512 25,000 513 Electrical System 0 Packers/Anchors/Hangers 25,000 27,000 415 515 2,000 Couplings/Fittings/Valves 4,000 516 4,000 Gas Compressors/Meters 517 Dehydrator ō 518 Injection Plant/CO2 Equipment 1,000 2,000 519 1,000 419 Miscellaneous 66,500 55,500 420 11,000 520 Contingency 602,000 714,000 112,000 TOTAL TANGIBLES 2,235,000 3,780,000 1,545,000 TOTAL WELL COSTS COG Operating LLC 5/16/11 Date Prepared: By: J. Coffman / C. Bird

| Title'                   |            |    | <br>2007 |    | 17 | 11S AFE | IS OUIN | an esti | mate. E   | y signin  | ig you agi  | ae to puy  | ,00, 0,,0,0 |
|--------------------------|------------|----|----------|----|----|---------|---------|---------|-----------|-----------|-------------|------------|-------------|
| Printed Name:            |            |    | <br>     | ·. | -  |         | المدادة |         | imata : E | ky cianir | ים אטוו פטו | ree to pay | vour share  |
|                          |            |    |          |    |    |         |         |         |           |           |             |            |             |
| By:                      |            | ٠, | <br>     |    |    |         | . *     |         |           |           |             |            |             |
| Company:                 |            |    | <br>     |    |    | * *     |         |         |           |           |             |            |             |
| 78 VVOI KIII             | g microsi  |    |          |    |    |         |         |         |           |           | . •         |            |             |
| We approve:<br>% Working | a Interest | ·. |          |    |    |         |         |         |           | •         |             |            |             |
|                          |            |    |          |    |    |         |         |         |           |           |             |            |             |

Title:

PROSPECT NAME: Tamano (Mack) 720017
COUNTY & STATE: Eddy Co, NM
OBJECTIVE: YESO (11, 021' MD) (5500' TVD) Paddock WELL NAME: Puckett "24" Federal #2H

SHL: 75' FNL & 990' FWL, Sec 24, 17S-31E BHL: 330' FSL & 990' FWL, Sec 24, 17S-31E

Pilot- 160 Acre

| INTANGIBLE COSTS  |                        | BCP                                     |            | ACP               | TOTAL              |
|---|------------------------|---|------------|-------------------|--------------------|
| Title/Curative/Permit   | 201                    | 10,000                                  |            | -                 | 10,000             |
| Insurance   | 202                    | 22,000                                  | 302        |                   | 22,000             |
| Damages/Right of Way  | 203                    | 15,000                                  | 303        |                   | 15,000             |
| Survey/Stake Location   | 204                    | 3,000                                   | 304        |                   | 3,000              |
| Location/Pits/Road Expense  | 205                    | 40,000                                  | 305        | 65,000            | 105,000            |
| Drilting / Completion Overhead  | 206                    | 5,000                                   | 306        | 1,000             | 6,000              |
| Turnkey Contract  | _ 207 _                |   | 307        |                   | 0                  |
| Footage Contract  | 208 _                  | 200 000                                 | 308        |                   | 0                  |
| Daywork Contract 20:2 @ \$13000/day  Directional Drilling Services, With RS | 209<br>210             | 260,000<br>400,000                      | 309<br>310 | 26,000            | 286,000            |
| Fuel & Power  | $-\frac{210}{211}$ $-$ | 112,500                                 | 311        | 11,250            | 123,750            |
| Water   | $-\frac{211}{212}$ $-$ | 30,000                                  | 312        | 75,000            | 105,000            |
| Bits  | — <sub>213</sub> —     | 45,000                                  | 313        | 1,000             | 46,000             |
| Mud & Chemicals   |                        | 25,000                                  | 314        |                   | 25,000             |
| Drill Stem Test   | 215                    |   | 315        |                   | 0                  |
| Coring & Analysis   | 216                    |   |            |                   | 0                  |
| Cement Surface  | 217                    | 16,000                                  |            |                   | 16,000             |
| Cement Intermediate   | 218                    | 16,000                                  |            |                   | 16,000             |
| Cement Production 7"x5.5"   | 218                    |   | 319        | 70,000            | 70,000             |
| Cement Squeeze & Other (NO Kickoff Plug) Float Equipment & Centralizers     | _ <sup>220</sup>       | 3,500                                   | 320<br>321 | 15,000            | 18,500             |
| Casing Crews & Equipment  | - <sup>221</sup> -     | 7,000                                   | 321        | 13,000            | 20,000             |
| Fishing Tools & Service   | <del>-</del> 222 -     | 7,000                                   | 323        | 10,000            | 20,000             |
| Geologic/Engineering  | <b>–</b> 224 –         | 10,000                                  | 324        | 1,000             | 11,000             |
| Contract Labor  | — <sub>225</sub> —     | 10,000                                  | 325        | 30,000            | 40,000             |
| Company Supervision   | _ 226 _                | 2,000                                   | 326        | 2,000             | 4,000              |
| Contract Supervision  |                        | 28,000                                  | 327        | 4,000             | 32,000             |
| Testing Casing/Tubing   | 228                    | 4,000                                   | 328        | 1,500             | 5,500              |
| Mud Logging Unit  | 229                    | 16,000                                  | 329        | ·                 | 16,000             |
| Logging   | 230 _                  | 0                                       | 330        | 5,000             | 5,000              |
| Perforating/Wireline Services   | 231                    | 3,500                                   | 331<br>332 | 125,000           | 128,500<br>760,000 |
| Stimulation/Treating Completion Unit  |                        | <del></del>                             | 333        | 760,000<br>40,000 | 40,000             |
| Swabbing Unit   |                        |   | 334        | 40,000            | 40,000             |
| Rentals-Surface   |                        | 20,000                                  | 335        | 100,000           | 120,000            |
| Rentals-Subsurface  | 236                    | 30,000                                  | 336        | 10,000            | 40,000             |
| Trucking/Forklift/Rig Mobilization  |                        | 40,000                                  | 337        | 100,000           | 140,000            |
| Welding Services  | 238                    | 3,000                                   | 338        | 1,500             | 4,500              |
| Water Disposal  | 239                    |   | 339        | 25,000            | 25,000             |
| Plug to Abandon   | 240                    |   | 340        |                   | 0                  |
| Seismic Analysis  | 241 _                  |   | 341        |                   | 0                  |
| Closed Loop & Environmental   | _ 244 _                | 120,000                                 | 344        |                   | 120,000            |
| Miscellaneous   | 242                    | 5,000<br>131,500                        | 342<br>343 | 1,000             | 6,000<br>281,250   |
| Contingency TOTAL INTANGIBLES   | 243                    | 1,433,000                               | 343        | 1,633,000         | 3,066,000          |
| TOTAL INTANGIBLES   |                        | 1,433,000                               |            | 1,000,000         | 0,000,000          |
| TANGIBLE COSTS  |                        |   |            |                   |                    |
| Surface Casing 550' 13 3/8"   | 401                    | 20,000                                  |            |                   | 1,200              |
| Intermediate Casing 1850' 9 5/8"  | 402                    | 48,000                                  | 503        |                   | 48,000             |
| Production Casing/Liner 6900' - 7", 4200' - 5.5"                            |                        |   | 503        | 260,000           | 260,000            |
| Tubing 6200' 2 7/8"   |                        |   | 504        | 38,000            | 38,000             |
| Wellhead Equipment  | 405                    | 30,000                                  | 505        | 18,000            | 48,000             |
| Pumping Unit  |                        |   | 506        | 97,000            | 97.000             |
| Prime Mover   |                        |   | 507        |                   | 0 000              |
| Rods  |                        | · · · · · · · · · · · · · · · · · · ·   | 508        | 39,000            | 39,000<br>4,500    |
| Pumps   |                        |   | 509<br>510 | 4,500             | 20,000             |
| Tanks Flowlines   |                        | · · · · · · · · · · · · · · · · · · ·   | 511        | 15,000            | 15,000             |
| Heater Treater/Separator  |                        |   | 512        | 25,000            | 25,000             |
| Electrical System   |                        |   | 513        | 20,000            | 0                  |
| Packers/Anchors/Hangers   | — <sub>414</sub> —     |   | 514        |                   | 0                  |
| Couplings/Fittings/Valves   | 415                    | 2,000                                   | 515        | 25,000            | 27,000             |
| Gas Compressors/Meters  | <u> </u>               | . <u> </u>                              | 516        | 4,000             | 4,000              |
| Dehydrator  |                        |   | 517        |                   | 0                  |
| Injection Plant/CO2 Equipment   | <u> </u>               | 4 000                                   | 518        | 4.000             | 3,000              |
| Miscellaneous   | 419                    | 1,000                                   | 519<br>520 | 1,000<br>55,500   | 2,000<br>66,500    |
| Contingency TOTAL TANCISI ES  | 420 _                  | 112,000                                 | UZU        | 602,000           | 714,000            |
| TOTAL TANGIBLES TOTAL WELL COSTS  | <del>-</del>           | 1,545,000                               | 1          | 2,235,000         | 3,780,000          |
| TOTAL WELL COSTS  |                        | , ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |            |                   |                    |

| COG        | 000 | rating | 110 |
|------------|-----|--------|-----|
| <b>500</b> | Ope | nauny  |     |

| By: J. Coffman / C. Bird              | Date Prepared: | 5/16/11 |   |   |
|---------------------------------------|----------------|---------|---|---|
| -,,                                   |                | ٠.      | - |   |
| · · · · · · · · · · · · · · · · · · · |                | ,       |   | * |

| We approve:% Working Interest |  |
|-------------------------------|--|
| Company:                      |  |
| Ву:                           |  |
| Printed Name:                 |  |
| Title:                        |  |
| Date:                         |  |

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

Package ID: 9171999993703006145553
Postination Certifined
Confirmation Services
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|                     |   | om jot did til Marit Med   | 75 TA<br>11874 (1884) (4  |  | * *** **  |  |  |   |
|---------------------|---|--|---|--|---|--|--|---|
| 22. Article Number  | Zorro Partners<br>616 Texas Street<br>Fort Worth, TX 76102<br>Puckett "24" Federal #2H  | Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.  1. Article Addressed to: | SENDER: COMPLETE THIS SECTION  Complete items 1, 2, and 3. Also complete item 4 if Perinded Delivory is desired | 2: Article Number 91 7199 9 (Transfer from service label) 91 7199 9 PS Form 3811, February 2004 Domestic R | olb lexas Street<br>Fort Worth, TX 76102<br>Puckett "24" Federal #2 | 1. Article Addressed to:  Zorro Partners   | so that we can return the card to you:  Attach this card to the back of the mailpiece, or on the front if space permits. | Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. |
| 9991 7030 0514 5553 | 3. Service Type 3. Service Type 2. Certified Mail D'Express Mail 2. Registered D'Afetum Receipt for Merchandise. 3. Service Mail D'Express Mail 4. Restricted Delivery? (Extra Fee) | B. Bacelved by (Printed Name) TIME bateof 2004y  D. Is delivery address different from item 17 19 Yes  If YES, enter delivery address below: 10 No   |   | 199 9991 7030 0514 5553  Domestic Return Receipt 102595-0244-1540  | ×   0 + 1 m   | If YES, enter delivery address below: ☐ No | B. Received by (Printed Name) C. Date of Delivery D. Is delivery address different from Item 1?  Yes                     | A. Signature  |

#### **Transmission Report**

Date/Time Local ID 1

05-25-2011 4326863000

02:51:48 p.m.

Transmit Header Text Local Name 1

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This document: Confirmed (reduced sample and details below) Document size: 8.5"x14"



FAX COVER SHEET

PAGE \_1\_ OF 5\_ PAGES

DATE:

May 25, 2011

TO:

Zorro Partners-Mr. William A. Hudson II

FAX:

(817) 334-0442

destroy the

FROM:

Robyn Cumralus Concho Resources Inc. - COG Oil & Ons LP / COG Operating LLC 550 West Texas Avenue, Suite 100, Midland, Texas 79701-4210

PRONE:

(432) 686 3000

New Well Proposal Puckett "24" Federal 2-H

Total Pages Scanned: 5

**Total Pages Confirmed: 5** 

| No. | Job | Remote Station | Start Time               | Duration | Pages | Line | Mode | Job Type | Results |
|-----|-----|----------------|--------------------------|----------|-------|------|------|----------|---------|
| 001 | 161 | 8173340442     | 02:22:11 p.m. 05-25-2011 | 00:04:09 | 5/5   | 1    | EC   | HS       | CP9600  |

Abbreviations:

HS: Host send HR: Host receive WS: Waiting send PL: Polled local PR: Polled remote MS: Mallbox save

MP: Mailbox print **RP: Report** 

FF: Fax Forward

**CP:** Completed FA: Fall

TU: Terminated by user

TS: Terminated by system

G3: Group 3 EC: Error Correct



### FAX COVER SHEET

PAGE \_\_1\_\_ OF \_5\_ PAGES

DATE:

May 25, 2011

TO:

8. G W 🕏

Zorro Partners-Mr. William A. Hudson II

FAX:

(817) 334-0442

NOTICE: This facsimile message contains PRIVILEGED and CONFIDENTIAL information and is intended only for the use of the specific individual or individuals to which it is addressed. If you are not an intended recipient of this facsimile, you are hereby notified that any unauthorized use, dissemination or copying of this facsimile or the information contained herein or attached hereto is strictly prohibited. If you receive this facsimile in error, please notify the sender named below by telephone and/or reply facsimile and destroy the facsimile received in error. Thank you.

FROM:

**Robyn Cummins** 

Concho Resources Inc. - COG Oil & Gas LP / COG Operating LLC 550 West Texas Avenue, Suite 100, Midland, Texas 79701-4210

PHONE:

(432) 818-2324

FAX:

(432) 686 3000

Re:

New Well Proposal Puckett "24" Federal 2-H



August 8, 2011

U.S. Certified Mail Return Receipt Requested

Burnett Oil Company Burnett Plaza, Unit 9 801 Cherry Street, Suite 1500 Fort Worth, Texas 76102

RE: Amendment to New Well Proposal

Puckett "24" Federal #2H

SL: 10' FSL & 805' FWL (Unit M) of Section 13, T17S, R31E BHL: 330' FSL & 990' FWL (Unit M) of Section 24, T17S, R31E Eddy County, New Mexico

Dear Sirs:

Reference is made to our letter to you dated May 25, 2011 proposing the subject well. Please note the following corrections:

- The well will be drilled at an approved surface location within location unit letter M in Section 13.
- The well will be drilled with a pilot hole to an estimated TD of 6800.
- The two subsequent laterals will be drilled to approximately 9900' MD for the Paddock and 10500' MD for the upper Blinebry.
- The total cost of the Operation is estimated to be \$9,825,000.00. A set of AFEs (Authority for Expenditure) are enclosed to replace those sent previously.

If you have any questions, please do not hesitate to contact the undersigned at 432-685-4354.

Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL Senior Landman

Enclosure (s)

DRILLING PROSPECT NAME: Puckett
COUNTY & STATE: Eddy Co, NM WELL NAME: Puckett "24" Federal #2H Surf. Loc: 10' FSL, 805' FWL, Sec 13-17S-31E OBJECTIVE: 11021' MD (6600' TVD) Blinebry B.H. Loc: 330' FSL, 990' FWL, Sec 24-17S-31E W/Pilot, 160 Acre **INTANGIBLE COSTS BCP ACP** TOTAL Title/Curative/Permit 201 10,000 10,000 Insurance 202 22,000 302 22,000 Damages/Right of Way 203 15,000 303 15,000 304 3,000 105,000 Survey/Stake Location 204 3,000 Location/Pits/Road Expense 65.000 205 40.000 305 206 306 6,000 Drilling / Completion Overhead 5,000 1,000 Turnkey Contract 207 307 Footage Contract 208 308 Daywork Contract 24:2 @ \$13000/day 312,000 338.000 209 309 26,000 400 000 Directional Drilling Services, With RS 210 310 400.000 Fuel & Power 211 11,250 146,250 135,000 311 Water 212 34,000 75,000 312 109,000 213 45,000 313 1,000 46,000 Mud & Chemicals 214 25,000 314 25,000 **Drill Stem Test** 215 315 0 Coring & Analysis 216 Cement Surface 16,000 16,000 Cement Intermediate 218 16,000 16,000 70,000 Cement Production 7"x5.5" 218 319 70,000 25,000 320 Cement Squeeze & Other (Kickoff Plug) 220 25,000 221 3,500 321 Float Equipment & Centralizers 15,000 Casing Crews & Equipment 222 7,000 322 13,000 20,000 Fishing Tools & Service 223 323 Geologic/Engineering 11,000 224 10,000 1,000 324 Contract Labor 10,000 325 30,000 40,000 Company Supervision 226 2,000 326 2,000 Contract Supervision 227 28,000 327 4,000 32,000 228 4.000 Testing Casing/Tubing 328 1,500 5.500 Mud Logging Unit 229 20,000 329 20,000 230 30,000 330 5,000 35,000 Logging Perforating/Wireline Services 231 3,500 331 125,000 128,500 Stimulation/Treating 332 760,000 760,000 Completion Unit 333 40,000 40,000 Swabbing Unit 334 Rentals-Surface 235 24,000 100,000 124,000 Rentals-Subsurface 236 35,000 336 10,000 45,000 Trucking/Forklift/Rig Mobilization 237 40.000 337 100,000 140.000 Welding Services 238 3,000 338 1,500 4,500 Water Disposal 239 339 25,000 25,000 Plug to Abandon 240 340 Seismic Analysis 241 341 o 135.000 135,000 Closed Loop & Environmental 244 344 242 5,000 342 1,000 6,000 Miscellaneous 243 343 149,750 296,750 Contingency 147,000 TOTAL INTANGIBLES 3,243,000 1,610,000 1,633,000 **TANGIBLE COSTS** 401 Surface Casing 550' 13 3/8" 20,000 1,200 Intermediate Casing 1850' 9 5/8' 402 48,000 48,000 503 Production Casing/Liner 6900' - 7", 4200' - 5.5" 260,000 260,000 Tubing 6200' 2 7/8" 504 38,000 38,000 Wellhead Equipment 405 30,000 505 18,000 48,000 Pumping Unit 506 97,000 97,000 Prime Mover 507 39,000 39,000 Pumps 509 4,500 4,500 Tanks 510 20.000 20,000 Flowlines 511 15.000 15,000 Heater Treater/Separator 512 25,000 25,000 Electrical System 513 Packers/Anchors/Hangers 414 514 n Couplings/Fittings/Valves 25,000 27,000 415 2,000 515 516 4,000 Gas Compressors/Meters 4,000 517 Dehydrator Injection Plant/CO2 Equipment 518 0 2,000 419 1.000 519 Miscellaneous 1.000 Contingency 420 11,000 520 55,500 66,500 TOTAL TANGIBLES 112,000 602,000 714.000 TOTAL WELL COSTS 2,235,000 1,722,000 3,957,000 COG Operating LLC Date Prepared: By: J. Coffman / C. Bird 5/24/11 % Working Interest Company: Ву: Printed Name:

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

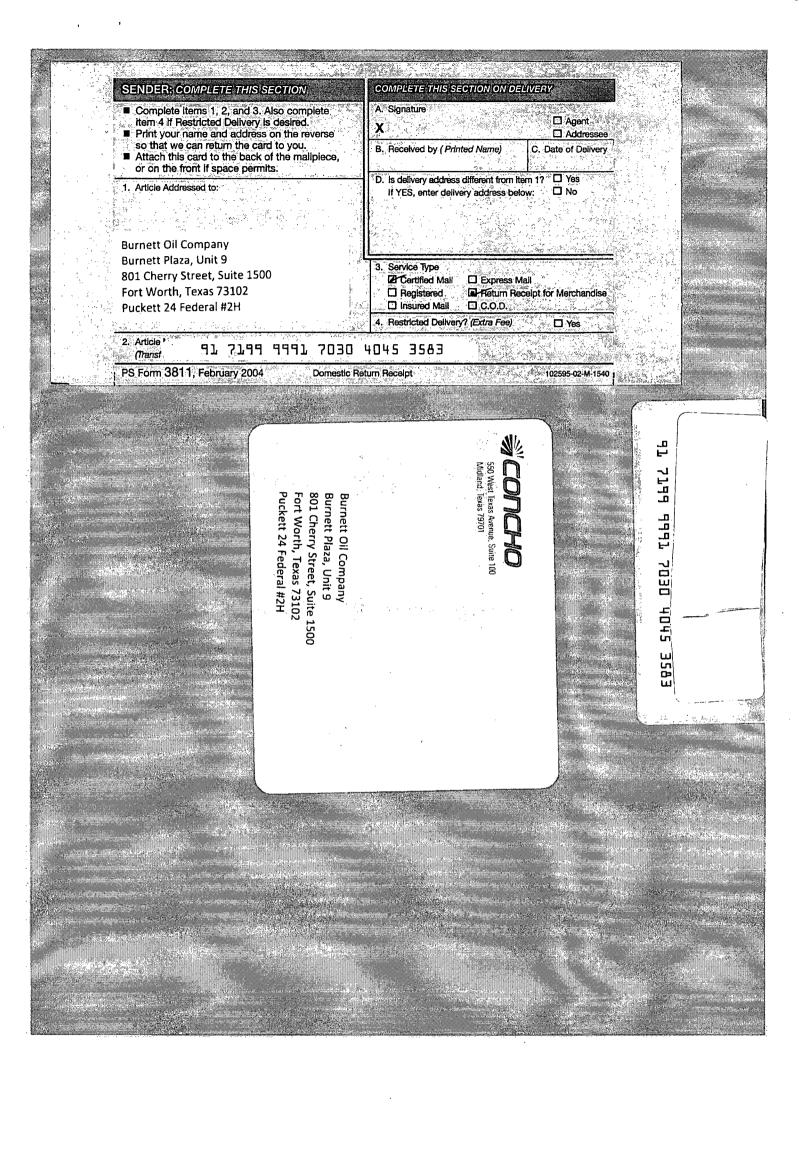
Title:

Date

| 7S-31E<br><br>201 |                        | 10500'           | MD (6100' TVD) L     | Jpper Blinebry   |
|-------------------|------------------------|------------------|----------------------|------------------|
| <br>201           | 505                    |                  |                      |                  |
| . 201             | 200                    |                  |                      |                  |
| 201               |                        |                  | 4.00                 | TOT 41           |
| 201               | BCP                    |                  | ACP                  | TOTAL            |
|                   | 10,000                 |                  |                      | 10               |
| _ 202             | 22,000                 |                  |                      | 22               |
| 203               |                        | 303              |                      |                  |
| 204               | - 10 000               | 304              | 10,000               | 20               |
| <del></del>       |                        |                  |                      | <u>20</u>        |
|                   | 3,000                  |                  | 1,000                |                  |
| _                 |                        |                  |                      |                  |
| 209               | 156,000                | 309              | 39,000               | 195              |
| 210               | 350,000                | 310              |                      | 350              |
| 211               | 68,000                 | 311              | 17,000               | 85               |
| 212               | 25,000                 | 312              | 75,000               | 100              |
| 213               | 30,000                 | 313              | 1,000                | 31               |
|                   | 15,000                 |                  |                      | 15               |
|                   |                        | <sup>315</sup> — |                      |                  |
|                   |                        | _                |                      |                  |
|                   |                        |                  |                      | <del></del>      |
| 218               |                        | 319              |                      |                  |
| 220               |                        | 320              | <del></del>          |                  |
| 221               |                        | 321              |                      |                  |
| 222               |                        | 322              | 13,000               | 13               |
| 223               | 100,000                | 323              |                      | 100              |
|                   | 10,000                 |                  |                      | 11.              |
|                   |                        |                  |                      | 40               |
| _                 |                        |                  |                      | 21               |
|                   |                        |                  |                      | 5                |
|                   |                        | -                | 1,500                | 12,              |
| 230               | 12,000                 |                  |                      |                  |
| 231               | 15,000                 | 331              | 12,500               | 27,              |
|                   |                        | 332              | 950,000              | 950,             |
|                   | 12,000                 | 333              | 45,000               | 57,              |
|                   |                        |                  |                      |                  |
| _                 |                        |                  |                      | 60,              |
| _                 |                        |                  |                      |                  |
|                   |                        |                  |                      | 4,               |
|                   | 3,000                  |                  |                      | 25,              |
| 240               |                        | 340              | 20,000               |                  |
| 241               |                        | 341 —            |                      |                  |
| 244               | 50,000                 | 344              |                      | 50,              |
| 242               | 5,000                  | 342              | 1,000                | 6,               |
| 243 .             |                        | 343              |                      | 236,             |
|                   | 1,151,000              |                  | 1,436,000            | 2,587,           |
|                   |                        |                  |                      |                  |
| 401               |                        |                  |                      | 1,               |
| 402               |                        | 503              |                      |                  |
|                   |                        | 503              | 51,000               | 51,              |
|                   |                        | 504              |                      |                  |
| 405               |                        | 505              |                      |                  |
|                   |                        | 506              |                      |                  |
|                   |                        |                  |                      |                  |
|                   |                        |                  |                      |                  |
|                   |                        |                  | <del></del>          |                  |
| <del>.</del> -    |                        |                  |                      |                  |
| <del></del> -     | <del></del>            | 512 —            |                      |                  |
|                   |                        | 513              |                      |                  |
| 414               |                        | 514              | 230,000              | 230,0            |
| 415               | 2,000                  | 515              | 25,000               | 27,1             |
|                   |                        | 516              | 4,000                | 4,6              |
|                   |                        |                  |                      |                  |
|                   | 1.000                  |                  | 1.000                | 2,0              |
|                   |                        |                  |                      | 33,0             |
|                   |                        |                  |                      | 347,0            |
|                   | 1,155,000              |                  | 1,779,000            | 2,934,0          |
|                   |                        |                  |                      | -                |
|                   |                        |                  |                      |                  |
|                   |                        |                  |                      |                  |
| ,                 | Data Bassasala (       | . 147144         |                      |                  |
| <del>-</del> -    | Date Prepared:         | 5/17/11          |                      |                  |
|                   |                        |                  |                      |                  |
|                   |                        |                  |                      |                  |
| _                 |                        |                  |                      |                  |
| _                 |                        |                  |                      |                  |
| _                 |                        |                  |                      |                  |
|                   | •                      |                  | By signing you agree | o pay your share |
| _                 | of the actual costs in | curred.          |                      |                  |
|                   | 210                    | 206              | 206                  | 206              |

WELL NAME: Puckett "24" Federal #2H Surf. Loc: 10' FSL, 805' FWL, Sec 13-17S-31E PROSPECT NAME: Puckett COUNTY & STATE: Eddy Co, NM B.H. Loc: 330' FSL, 990' FWL, Sec 24-17S-31E OBJECTIVE: 9900' MD (5500' TVD) Paddock WO/Pilot, 160 Acre **INTANGIBLE COSTS** <u>ACP</u> **BCP TOTAL** Title/Curative/Permit 201 10,000 10,000 Insurance 202 22,000 302 22,000 Damages/Right of Way 203 303 0 Survey/Stake Location 204 304 0 20.000 Location/Pits/Road Expense 205 10,000 305 10,000 **Drilling / Completion Overhead** 6.000 206 5,000 306 1,000 Turnkey Contract 207 307 Footage Contract 208 308 0 Daywork Contract 12:3 @ \$13000/day 209 156,000 309 39,000 195,000 Directional Drilling Services, With RS 210 350,000 310 350,000 17,000 Fuel & Power 211 68,000 311 85.000 Water 212 25,000 312 75.000 100.000 Bits 213 30,000 313 31,000 1,000 Mud & Chemicals 214 15,000 15,000 314 **Drill Stem Test** 215 315 Coring & Analysis 216 0 Cement Surface 217 Cement Intermediate 218 0 Cement 2nd Intermediate 7 218 319 0 Cement Squeeze & Other (NO Kickoff Plug) 220 320 0 Float Equipment & Centralizers 221 321 0 Casing Crews & Equipment 222 322 13.000 13,000 Fishing Tools & Service 223 100,000 323 100,000 Geologic/Engineering 224 10,000 324 1,000 11,000 30,000 Contract Labor 225 10.000 325 40.000 Company Supervision 226 2.000 326 4.000 227 17,000 327 21,200 Contract Supervision 4,200 Testing Casing/Tubing 228 4,000 328 1,500 5,500 Mud Logging Unit 229 12,000 329 12,000 230 330 Perforating/Wireline Services 27,500 15,000 331 12,500 231 Stimulation/Treating 950,000 950,000 Completion Unit 12,000 333 45,000 57,000 Swabbing Unit 334 60,000 235 15,000 335 Rentals-Surface 45,000 Rentals-Subsurface 236 60,000 336 10,000 70,000 Trucking/Forklift/Rig Mobilization 237 40,000 337 20,000 60,000 Welding Services 238 3,000 338 1,500 4.500 Water Disposal 239 339 25,000 25,000 Plug to Abandon 240 340 n Seismic Analysis 241 50.000 Closed Loop & Environmental 244 50,000 344 Miscellaneous 242 5,000 342 1,000 6,000 236,300 243 105,000 343 131,300 Contingency TOTAL INTANGIBLES 2,587,000 1,151,000 1,436,000 **TANGIBLE COSTS** Surface Casing 401 1,200 Intermediate Casing 402 503 51,000 51,000 Production Casing/Liner 4200' - 4.5' 503 Tubing 504 0 Wellhead Equipment 405 505 0 506 0 Pumping Unit Prime Mover 507 0 Rods 508 0 Pumps 509 Ω Tanks 510 0 Flowlines 511 Heater Treater/Separator 0 Electrical System 513 O Packers/Anchors/Hangers 230,000 414 514 Couplings/Fittings/Valves 415 2,000 515 25,000 Gas Compressors/Meters 516 4,000 4,000 Dehydrator 517 Injection Plant/CO2 Equipment 518 419 1.000 2,000 Miscellaneous 519 1,000 Contingency 420 1,000 520 32,000 33,000 TOTAL TANGIBLES 347.000 4.000 343,000 2,934,000 TOTAL WELL COSTS 1,155,000 1,779,000 COG Operating LLC: 5/17/11 By: J. Coffman / C. Bird Date Prepared: We approve: \_% Working Interest Company: Ву: Printed Name:

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





August 8, 2011

U.S. Certified Mail
Return Receipt Requested

Javelina Partners 616 Texas Street Fort Worth, TX 76102

RE: Amendment to New Well Proposal

Puckett "24" Federal #2H

SL: 10' FSL & 805' FWL (Unit M) of Section 13, T17S, R31E BHL: 330' FSL & 990' FWL (Unit M) of Section 24, T17S, R31E

Eddy County, New Mexico

Dear Sirs:

Reference is made to our letter to you dated May 25, 2011 proposing the subject well. Please note the following corrections:

- The well will be drilled at an approved surface location within location unit letter M in Section 13.
- The well will be drilled with a pilot hole to an estimated TD of 6800'.
- The two subsequent laterals will be drilled to approximately 9900' MD for the Paddock and 10500' MD for the upper Blinebry.
- The total cost of the Operation is estimated to be \$9,825,000.00. A set of AFEs (Authority for Expenditure) are enclosed to replace those sent previously.

If you have any questions, please do not hesitate to contact the undersigned at 432-685-4354.

Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL Senior Landman

Enclosure (s)

Corporate Address: Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

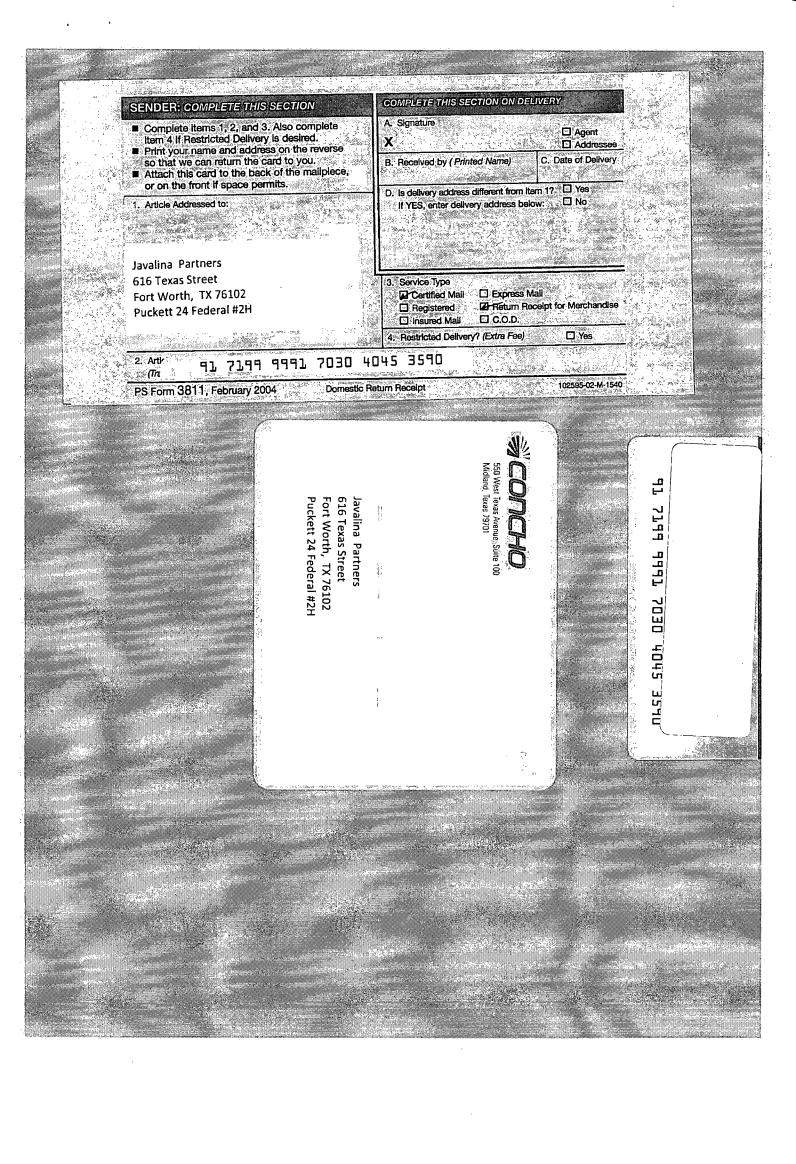
WELL NAME: Puckett "24" Federal #2H Surf. Loc: 10' FSL, 805' FWL, Sec 13-17S-31E PROSPECT NAME: Puckett COUNTY & STATE: Eddy Co, NM B.H. Loc: 330' FSL, 990' FWL, Sec 24-17S-31E OBJECTIVE: 11021' MD (6600' TVD) Blinebry W/Pilot, 160 Acre INTANGIBLE COSTS <u>ACP</u> TOTAL **BCP** Title/Curative/Permit 201 10,000 10.000 Insurance 202 22,000 302 22,000 15,000 Damages/Right of Way 203 15.000 303 Survey/Stake Location 204 3.000 304 3.000 Location/Pits/Road Expense 205 105,000 305 65,000 40.000 Drilling / Completion Overhead 1,000 6,000 206 5,000 306 Turnkey Contract 207 307 0 Footage Contract 208 308 0 312,000 338 000 26,000 Daywork Contract 24:2 @ \$13000/day 209 309 Directional Drilling Services, With RS 400.000 400.000 210 310 Fuel & Power 11.250 146,250 211 135.000 311 Water 212 34,000 312 75,000 109,000 Bits 213 45,000 313 46,000 1,000 Mud & Chemicals 214 25,000 314 25,000 Drill Stem Test 215 315 0 Coring & Analysis 216 0 Cement Surface 16,000 217 16,000 16,000 Cement Intermediate 218 16,000 Cement Production 7"x5.5" 218 319 70,000 70.000 Cement Squeeze & Other (Kickoff Plug) 25,000 320 220 25,000 Float Equipment & Centralizers 3,500 321 15,000 18,500 Casing Crews & Equipment 222 7,000 322 20,000 13,000 Fishing Tools & Service 223 323 n 10,000 11,000 1,000 Geologic/Engineering 224 324 Contract Labor 225 10,000 325 30,000 40,000 Company Supervision 2,000 326 2,000 4,000 226 Contract Supervision 227 28,000 327 4,000 32,000 Testing Casing/Tubing 228 4,000 328 1,500 5.500 Mud Logging Unit 229 329 20,000 20,000 230 30,000 330 5,000 35,000 Logging Perforating/Wireline Services 231 3,500 331 125,000 128,500 Stimulation/Treating 332 760,000 760,000 Completion Unit 333 40,000 40,000 Swabbing Unit 334 Rentals-Surface 235 24,000 335 100,000 124,000 Rentals-Subsurface 236 35,000 336 10,000 45,000 Trucking/Forklift/Rig Mobilization 237 40.000 337 100,000 140,000 Welding Services 238 3,000 338 1.500 4.500 Water Disposal 239 25,000 339 25,000 Plug to Abandon 240 Seismic Analysis 241 341 0 Closed Loop & Environm 244 135,000 344 135.000 242 342 Miscellaneous 5.000 1.000 6.000 243 147,000 343 149,750 Contingency 1,633,000 TOTAL INTANGIBLES 3,243,000 1,610,000 **TANGIBLE COSTS** Surface Casing 550' 13 3/8" 401 20,000 1.200 Intermediate Casing 1850' 9 5/8" 402 503 48,000 48,000 Production Casing/Liner 6900' - 7", 4200' - 5.5" 503 260,000 260,000 Tubing 6200' 2 7/8" 504 38,000 38,000 Wellhead Equipment 405 30,000 505 18,000 48,000 **Pumping Unit** 506 97,000 97,000 Prime Mover 507 Rods 508 39,000 39,000 Pumps 509 4,500 4,500 Tanks 510 20,000 20,000 Flowlines 15,000 511 15,000 Heater Treater/Separator 25,000 25,000 Electrical System 513 Packers/Anchors/Hangers 414 514 0 Couplings/Fittings/Valves 27,000 415 2,000 515 25,000 Gas Compressors/Meters 516 4,000 4,000 Dehydrator 517 0 Injection Plant/CO2 Equipment 518 0 Miscellaneous 419 1,000 519 1,000 2,000 420 11,000 520 55,500 66,500 Contingency TOTAL TANGIBLES 112,000 602,000 714.000 TOTAL WELL COSTS 1,722,000 2.235.000 3.957.000 COG Operating LLC By: J. Coffman / C. Bird Date Prepared: 5/24/11 We approve: \_% Working Interest Company: By: Printed Name: This AFE is only an estimate. By signing you agree to pay your share Date: of the actual costs incurred.

| Surf. Loc: 10' FSL, 805' FWL, Sec 13-17<br>B.H. Loc: 330' FSL, 990' FWL, Sec 24-1 |                   | OB JECTIVE:                             | 10500        | Eddy Co, NM<br>MD (6100' TVD) U | nner Blinehry   |
|---|-------------------|---|--------------|---------------------------------|-----------------|
| WO/Pilot, 160 Acre  | 173-31            | OBJECTIVE.                              | 10000        | WD (0100 1VD) 0                 | pper Billiony   |
|   | _                 |   |              |                                 |                 |
| INTANGIBLE COSTS  |                   | BCP                                     |              | <u>ACP</u>                      | TOTAL           |
| Title/Curative/Permit   | 201               | 10,000                                  |              |                                 | 10,00           |
| Insurance   | 202<br>203        | 22,000                                  | · 302 —      |                                 | 22,00           |
| Damages/Right of Way Survey/Stake Location  | — <sup>203</sup>  |   | . 303<br>304 |                                 |                 |
| Location/Pits/Road Expense  | — 20 <del>4</del> | 10,000                                  | _            | 10,000                          | 20.00           |
| Drilling / Completion Overhead  | 206               | 5,000                                   |              | 1,000                           | 6,00            |
| Turnkey Contract  | 207               |   | 307          | *                               |                 |
| Footage Contract  | 208               |   | 308          |                                 |                 |
| Daywork Contract 12:3 @ \$13000/day   | 209               | 156,000                                 | _            | 39,000                          | 195,00          |
| Directional Drilling Services, With RS Fuel & Power                               | 210<br>211        | 350,000<br>68,000                       |              | 17,000                          | 350,00<br>85,00 |
| Water   | 212               | 25,000                                  | _            | 75,000                          | 100,00          |
| Bits  | 213               | 30,000                                  |              | 1,000                           | 31,00           |
| Mud & Chemicals   | 214               | 15,000                                  | _            |                                 | 15,00           |
| Drill Stem Test   | 215               |   | 315          |                                 |                 |
| Coring & Analysis Cement Surface  | 216<br>217        |   |              |                                 |                 |
| Cement Intermediate   | — 218             |   |              |                                 |                 |
| Cement 2nd Intermediate 7"  | 218               |   | 319          |                                 |                 |
| Cement Squeeze & Other (NO Kickoff Plug)  | 220               |   | 320          |                                 |                 |
| Float Equipment & Centralizers  | 221               |   | 321          |                                 |                 |
| Casing Crews & Equipment  | 222               | 100,000                                 | 322          | 13,000                          | 13,00           |
| Fishing Tools & Service Geologic/Engineering                                      | — <sup>223</sup>  | 100,000                                 | _            | 1,000                           | 100,00          |
| Contract Labor  | — 224<br>225      | 10,000                                  |              | 30,000                          | 40,00           |
| Company Supervision   |                   | 2,000                                   |              | 2,000                           | 4,00            |
| Contract Supervision  | 227               | 17,000                                  | 327          | 4,200                           | 21,20           |
| Testing Casing/Tubing   | 228               | 4,000                                   | 328          | 1,500                           | 5,50            |
| Mud Logging Unit  |                   | 12,000                                  | 329          |                                 | 12,00           |
| Logging Perforating/Wireline Services   | — <sup>230</sup>  | 15,000                                  | 330<br>331   | 12,500                          | 27,50           |
| Stimulation/Treating  |                   | 13,000                                  | 332 —        | 950,000                         | 950,00          |
| Completion Unit   |                   | 12,000                                  | 333          | 45,000                          | 57,00           |
| Swabbing Unit   | _                 |   | 334          |                                 |                 |
| Rentals-Surface   | 235               | 15,000                                  | 335          | 45,000                          | 60,00           |
| Rentals-Subsurface  | 236               | 60,000                                  | 336          | 10,000                          | 70,00           |
| Trucking/Forklift/Rig Mobilization Welding Services                               | 237               | 40,000                                  | 337 —        | 20,000                          | 60,000          |
| Water Disposal  | 238<br>239        | 3,000                                   | 338          | 1,500<br>25,000                 | 4,500<br>25,000 |
| Plug to Abandon   | — <sup>233</sup>  |   | 340          | 25,000                          | 20,000          |
| Seismic Analysis  | 241               |   | 341          |                                 |                 |
| Closed Loop & Environmental   | 244               | 50,000                                  | 344          |                                 | 50,000          |
| Miscellaneous   | 242               | 5,000                                   | 342          | 1,000                           | 6,000           |
| Contingency TOTAL INTANGIBLES   | 243               | 105,000                                 | 343          | 131,300                         | 236,300         |
| TOTAL INTANGIBLES   |                   | 1,151,000                               |              | 1,436,000                       | 2,587,000       |
| TANGIBLE COSTS  |                   |   |              |                                 |                 |
| Surface Casing  | 401               |   |              |                                 | 1,200           |
| Intermediate Casing   | 402               |   | 503          |                                 | C               |
| Production Casing/Liner 4200' - 4.5"  |                   |   | 503          | 51,000                          | 51,000          |
| Tubing  |                   |   | 504          |                                 |                 |
| Wellhead Equipment Pumping Unit   | 405               |   | 505<br>506   |                                 |                 |
| Prime Mover   | _                 |   | 507          |                                 |                 |
| Rods  | <del></del>       |   | 508          |                                 |                 |
| Pumps   | _                 |   | 509          |                                 | O               |
| Tanks   |                   |   | 510          |                                 |                 |
| Flowlines   |                   |   | 511          |                                 |                 |
| Heater Treater/Separator<br>Electrical System                                     | ,::               |   | 512          |                                 | 0               |
| Packers/Anchors/Hangers   | 414               |   | 513<br>514   | 230,000                         | 230,000         |
| Couplings/Fittings/Vaives   | 415               | 2,000                                   | 515          | 25,000                          | 27,000          |
| Gas Compressors/Meters  | _                 |   | 516          | 4,000                           | 4,000           |
| Dehydrator  | _                 |   | 517          |                                 | C               |
| njection Plant/CO2 Equipment  |                   | , | 518          | 4 - 2 - 2                       | 0               |
| Viscellaneous<br>Contingency  | - 419<br>420      | 1,000                                   | 519<br>520   | 1,000<br>32,000                 | 33,000          |
| TOTAL TANGIBLES   |                   | 4,000                                   |              | 343,000                         | 347,000         |
| TOTAL WELL COSTS  |                   | 1,155,000                               |              | 1,779,000                       | 2,934,000       |
|   |                   |   |              |                                 |                 |
| COG Operating LLC   | ÷                 |   |              |                                 |                 |
| · · ·   |                   |   |              |                                 |                 |
| By: J. Coffman / C. Bird  | _                 | Date Prepared: 5                        | 5/17/11      | <del></del>                     |                 |
| Ve approve:   |                   |   |              |                                 |                 |
| % Working Interest  | Ç4                |   | Þ            |                                 |                 |
| Company:  | _                 |   |              |                                 |                 |
| By:   | _                 |   |              |                                 |                 |
| Printed Name:   |                   |   |              |                                 |                 |
|   |                   |   |              |                                 | * 4             |
| Title:  |                   | This AFE is only an                     | estimate.    | By signing you agree to         | pay your share  |

PROSPECT NAME: Puckett
COUNTY & STATE: Eddy Co, NM
OBJECTIVE: 9900' MD (5500' TVD) Paddock WELL NAME: Puckett "24" Federal #2H Surf. Loc: 10' FSL, 805' FWL, Sec 13-17S-31E B.H. Loc: 330' FSL, 990' FWL, Sec 24-17S-31E WO/Pilot, 160 Acre **INTANGIBLE COSTS BCP ACP** TOTAL Title/Curative/Permit 201 10,000 10,000 202 302 22,000 insurance 22,000 Damages/Right of Way 203 303 0 Survey/Stake Location 204 304 0 Location/Pits/Road Expense 205 10,000 305 10,000 20,000 6,000 Drilling / Completion Overhead 206 5,000 306 1,000 **Turnkey Contract** 207 307 n Footage Contract 208 308 0 Daywork Contract 12:3 @ \$13000/day 156,000 39,000 195,000 209 309 Directional Drilling Services, With RS 350,000 210 310 350,000 Fuel & Power 211 68,000 311 17,000 85,000 Water 212 25,000 312 75,000 100,000 Bits 213 30,000 313 1,000 31.000 Mud & Chemicals 214 15,000 314 15,000 Drill Stem Test 215 0 315 Coring & Analysis 216 n Cement Surface 217 0 Cement Intermediate 218 0 Cement 2nd Intermediate 7" 218 319 0 Cement Squeeze & Other (NO Kickoff Plug) 220 320 0 Float Equipment & Centralizers 221 321 0 13,000 Casing Crews & Equipment 222 322 13,000 Fishing Tools & Service 223 100,000 100,000 323 Geologic/Engineering 224 10,000 11,000 324 Contract Labor 225 10,000 325 30,000 40,000 2,000 Company Supervision 226 2,000 326 4,000 Contract Supervision 17,000 4,200 21,200 227 327 Testing Casing/Tubing 5,500 228 4,000 328 1,500 Mud Logging Unit 229 12,000 329 12,000 Logging 230 330 Perforating/Wireline Services 27,500 231 15,000 331 12,500 Stimulation/Treating 950,000 950,000 332 Completion Unit 12,000 333 45,000 57,000 Swabbing Unit 334 n 15.000 60,000 Rentals-Surface 235 335 45,000 Rentals-Subsurface 70,000 236 60,000 336 10,000 60,000 Trucking/Forklift/Rig Mobilization 40,000 20,000 Welding Services 238 3,000 338 1,500 4 500 Water Disposal 239 339 25,000 25.000 Plug to Abandon 240 340 Seismic Analysis 241 341 50,000 Closed Loop & Environmental 244 50,000 344 1,000 Miscellaneous 242 5,000 342 6,000 Contingency 243 131.300 105,000 236,300 343 TOTAL INTANGIBLES 1,151,000 1,436,000 2,587,000 **TANGIBLE COSTS** Surface Casing 401 1,200 Intermediate Casino 402 503 Production Casing/Liner 4200' - 4.5' 503 51,000 51,000 Tubing 504 Wellhead Equipment 405 505 ō Pumping Unit 506 0 Prime Mover 507 0 Rods 508 0 Pumps 509 Tanks 510 0 Flowlines 511 0 Heater Treater/Separator 512 0 Electrical System 513 0 Packers/Anchors/Hangers 414 514 230,000 230,000 Couplings/Fittings/Valves 415 2,000 515 25,000 27,000 Gas Compressors/Meters 516 4,000 4,000 517 Dehydrator Injection Plant/CO2 Equipment 518 0 1,000 Miscellaneous 419 519 1.000 2.000 Contingency 420 1,000 520 32,000 33,000 TOTAL TANGIBLES 4,000 343,000 347,000 TOTAL WELL COSTS 2.934.000 1,155,000 1,779,000 COG Operating LLC By: J. Coffman / C. Bird Date Prepared: 5/17/11 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.





August 8, 2011

U.S. Certified Mail
Return Receipt Requested

Zorro Partners, Ltd. 616 Texas Street Fort Worth, TX 76102

RE: Amendment to New Well Proposal

Puckett "24" Federal #2H

SL: 10' FSL & 805' FWL (Unit M) of Section 13, T17S, R31E BHL: 330' FSL & 990' FWL (Unit M) of Section 24, T17S, R31E

Eddy County, New Mexico

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If you have any questions, please do not hesitate to contact the undersigned at 432-685-4354.

Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL Senior Landman

Enclosure (s)

Corporate Address: Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

WELL NAME: Puckett "24" Federal #2H PROSPECT NAME: Puckett COUNTY & STATE: Eddy Co, NM OBJECTIVE: 11021' MD (6600' TVD) Blinebry Surf. Loc: 10' FSL, 805' FWL, Sec 13-17S-31E B.H. Loc: 330' FSL, 990' FWL, Sec 24-17S-31E W/Pilot, 160 Acre **INTANGIBLE COSTS BCP** <u>ACP</u> **TOTAL** 10.000 Title/Curative/Permit 201 10,000 22,000 302 22,000 202 Insurance 15.000 Damages/Right of Way 203 15,000 303 304 Survey/Stake Location 204 3.000 3,000 Location/Pits/Road Expense 205 40,000 305 65,000 105,000 6,000 Drilling / Completion Overhead 206 306 5,000 1,000 Turnkey Contract 207 307 Footage Contract 208 308 0 338 000 Daywork Contract 24:2 @ \$13000/day 209 312,000 309 26,000 Directional Drilling Services, With RS 210 400,000 310 400,000 135,000 11,250 146,250 Fuel & Power 211 311 Water 212 34,000 75,000 109,000 312 Bits 45,000 313 46,000 213 1,000 Mud & Chemicals 214 25,000 314 25,000 Drill Stem Test 215 315 0 0 Coring & Analysis 216 16,000 16,000 Cement Surface 217 16,000 Cement Intermediate 218 16,000 Cement Production 7"x5.5" 218 319 70,000 70,000 25,000 320 Cement Squeeze & Other (Kickoff Plug) 220 25,000 15,000 Float Equipment & Centralizers 221 3,500 321 18,500 Casing Crews & Equipment 222 20,000 7,000 322 13,000 Fishing Tools & Service 223 11,000 Geologic/Engineering 224 10,000 324 1,000 225 30,000 Contract Labor 10,000 325 40,000 Company Supervision 2,000 4,000 226 2,000 326 Contract Supervision 227 4,000 32,000 28,000 327 Testing Casing/Tubing 228 4,000 328 1,500 5,500 20.000 Mud Logging Unit 229 20,000 329 230 5,000 35,000 Logging 30.000 330 Perforating/Wireline Services 3,500 331 125,000 128,500 231 Stimulation/Treating 760,000 760,000 Completion Unit 333 40,000 40,000 Swabbing Unit 334 Rentals-Surface 24,000 124,000 235 100,000 335 45,000 Rentals-Subsurface 236 35,000 336 10,000 Trucking/Forklift/Rig Mobilization 237 40,000 337 100,000 140,000 Welding Services 238 3,000 338 1.500 4.500 Water Disposal 239 25,000 339 25,000 Plug to Abandon 240 340 Seismic Analysis 241 341 0 Closed Loop & Environmental 244 135,000 344 135,000 242 1.000 Miscellaneous 5.000 342 6.000 Contingency 147,000 243 149,750 296,750 343 TOTAL INTANGIBLES 1,610,000 1,633,000 3,243,000 TANGIBLE COSTS Surface Casing 550' 13 3/8" 401 20,000 1,200 Intermediate Casing 1850' 9 5/8' 48,000 402 48,000 503 Production Casing/Liner 6900' - 7" 260,000 260,000 503 Tubing 6200' 2 7/8' 504 38,000 38,000 Wellhead Equipment 405 30,000 505 18.000 48,000 Pumping Unit 506 97,000 97.000 Prime Mover 507 Rods 508 39,000 39,000 Pumps 509 4,500 4,500 Tanks 510 20.000 20,000 15,000 511 15,000 Heater Treater/Separator 512 25,000 25,000 Electrical System 513 Packers/Anchors/Hangers 414 514 0 Couplings/Fittings/Valves 25,000 27,000 415 2,000 515 4,000 Gas Compressors/Meters 516 4,000 Dehydrator 517 0 Injection Plant/CO2 Equipment 518 Miscellaneous 419 1,000 1,000 2,000 519 Contingency
TOTAL TANGIBLES 420 11,000 520 55,500 66,500 112.000 602,000 714,000 TOTAL WELL COSTS 1,722,000 3,957,000 2,235,000 COG Operating LLC By: J. Coffman / C. Bird 5/24/11 Date Prepared: We approve: % Working Interest Company: By: Printed Name: Title: This AFE is only an estimate. By signing you agree to pay your share Date

of the actual costs incurred.

|   | I                | DRILLING                 |            |                         |                      |
|---|------------------|--------------------------|------------|-------------------------|----------------------|
| WELL NAME: Puckett "24" Federal #2H                   |                  | PROSPECT                 | NAME       | : Puckett               |                      |
| Surf. Loc: 10' FSL, 805' FWL, Sec 13-175              |                  |                          |            | : Eddy Co, NM           |                      |
| B.H. Loc: 330' FSL, 990' FWL, Sec 24-17               | 7S-31E           | OBJECTIVE:               | 1050       | 0' MD (6100' TVD        | ) Upper Blinebry     |
| WO/Pilot, 160 Acre                                    |                  |                          |            |                         |                      |
| INTANGIBLE COSTS                                      | •                | ВСР                      |            | ACP                     | <u>TO⊺AL</u>         |
| Title/Curative/Permit                                 | 201              | 10,000                   |            | AUF                     | 10,000               |
| Insurance   | - 201<br>202     | 22,000                   | 302        | <del> </del>            | 22,000               |
| Damages/Right of Way                                  | 203              |                          | 303        |                         | 0                    |
| Survey/Stake Location                                 | 204              |                          | 304        |                         | 0                    |
| Location/Pits/Road Expense                            | 205              | 10,000                   | 305        | 10,000                  | 20,000               |
| Drilling / Completion Overhead                        | 206              | 5,000                    | 306        | 1,000                   | 6,000                |
| Turnkey Contract                                      | _ 207            |                          | 307        |                         | 0                    |
| Footage Contract  Daywork Contract 12:3 @ \$13000/day | _ 208<br>209     | 156,000                  | 308<br>309 | 39,000                  | 195,000              |
| Directional Drilling Services, With RS                | - 203<br>210     | 350,000                  | 310        | 33,000                  | 350,000              |
| Fuel & Power  | _ 211            | 68,000                   | 311        | 17,000                  | 85,000               |
| Water   | 212              | 25,000                   | 312        | 75,000                  | 100,000              |
| Bits  | 213              | 30,000                   | 313        | 1,000                   | 31,000               |
| Mud & Chemicals                                       | _ 214            | 15,000                   | 314        |                         | 15,000               |
| Drill Stem Test Coring & Analysis                     | - 215<br>216     |                          | 315        |                         | 0                    |
| Cement Surface  | - 217            |                          |            |                         |                      |
| Cement Intermediate                                   | 218              |                          | •          |                         | 0                    |
| Cement 2nd Intermediate 7"                            | 218              | _                        | 319        |                         | 0                    |
| Cement Squeeze & Other (NO Kickoff Plug)              | 220              |                          | 320        |                         | 0                    |
| Float Equipment & Centralizers                        |                  |                          | 321        |                         | 0                    |
| Casing Crews & Equipment                              | _ 222            | 400.000                  | 322        | 13,000                  | 13,000               |
| Fishing Tools & Service Geologic/Engineering          | - <sup>223</sup> | 100,000                  | 323<br>324 | 1,000                   | 100,000              |
| Contract Labor  | - 224<br>225     | 10,000                   |            | 30,000                  | 40,000               |
| Company Supervision                                   | 226              | 2,000                    | 326        | 2,000                   | 4,000                |
| Contract Supervision                                  | 227              | 17,000                   | 327        | 4,200                   | 21,200               |
| Testing Casing/Tubing                                 | 228              | 4,000                    | 328        | 1,500                   | 5,500                |
| Mud Logging Unit                                      | _ 229            | 12,000                   | 329        |                         | 12,000               |
| Logging Perforating/Wireline Services                 | _ 230<br>231     | 15,000                   | 330<br>331 | 12,500                  | 27,500               |
| Stimulation/Treating                                  | _ 231            | 13,000                   | 332        | 950,000                 | 950,000              |
| Completion Unit                                       |                  | 12,000                   | 333        | 45,000                  | 57,000               |
| Swabbing Unit   | _                |                          | 334        |                         | 0                    |
| Rentals-Surface                                       | 235              | 15,000                   | 335        | 45,000                  | 60,000               |
| Rentals-Subsurface                                    | 236              | 60,000                   | 336        | 10,000                  | 70,000               |
| Trucking/Forklift/Rig Mobilization Welding Services   | 237<br>238       | 40,000                   | 337<br>338 | 20,000<br>1,500         | 60,000<br>4,500      |
| Water Disposal  | - 239<br>239     | 3,000                    | 339        | 25,000                  | 25,000               |
| Plug to Abandon                                       | 240              | <del></del>              | 340        | 20,000                  | 0                    |
| Seismic Analysis                                      | 241              |                          | 341        |                         | 0                    |
| Closed Loop & Environmental                           | 244              | 50,000                   | 344        |                         | 50,000               |
| Miscellaneous   | 242              | 5,000                    | 342        | 1,000                   | 6,000                |
| Contingency TOTAL INTANGIBLES                         | _ 243            | 105,000                  | 343 _      | 131,300                 | 236,300              |
| TOTAL INTARGIBLES                                     |                  | 1,151,000                | -          | 1,436,000               | 2,587,000            |
| TANGIBLE COSTS  |                  |                          | 2-         |                         |                      |
| Surface Casing  | 401              | _                        |            |                         | 1,200                |
| Intermediate Casing                                   | 402              |                          | 503        |                         | 0                    |
| Production Casing/Liner 4200' - 4.5"                  |                  |                          | 503        | 51,000                  | 51,000               |
| Tubing Wellhead Equipment                             |                  |                          | 504<br>505 | <del></del>             | 0                    |
| Pumping Unit  | _ 400            |                          | 506        |                         | 0                    |
| Prime Mover   | _                |                          | 507        |                         | 0                    |
| Rods  | _                |                          | 508        |                         | 0                    |
| Pumps   | _                |                          | 509        |                         | 0                    |
| Tanks   | _                |                          | 510        |                         | 0                    |
| Flowlines Heater Treater/Separator                    | _                | <del></del>              | 511<br>512 |                         | 0                    |
| Electrical System                                     |                  | <del></del>              | 513        |                         | 0                    |
| Packers/Anchors/Hangers                               | 414              |                          | 514        | 230,000                 | 230,000              |
| Couplings/Fittings/Valves                             | 415              | 2,000                    | 515        | 25,000                  | 27,000               |
| Gas Compressors/Meters                                | _                |                          | 516        | 4,000                   | 4,000                |
| Dehydrator Injection Plant/CO2 Equipment              | _                |                          | 517<br>518 |                         | 0                    |
| Miscellaneous   | _<br>419         | 1,000                    | 519        | 1,000                   | 2,000                |
| Contingency   | 420              | 1,000                    | 520        | 32,000                  | 33,000               |
| TOTAL TANGIBLES                                       | _                | 4,000                    | _          | 343,000                 | 347,000              |
| TOTAL WELL COSTS                                      | _                | 1,155,000                | _          | 1,779,000               | 2,934,000            |
| COG Operating LLC                                     |                  |                          |            |                         |                      |
| · ·   |                  |                          |            |                         |                      |
| By: J. Coffman / C. Bird                              |                  | Date Prepared:           | 5/17/11    | 1                       |                      |
| We approve:% Working Interest                         |                  |                          |            | ·                       |                      |
|   |                  |                          |            |                         |                      |
| Company: By:  | _                |                          |            |                         |                      |
|   | <del></del>      |                          |            |                         |                      |
| Printed Name:   | _                | This AFF:                |            | ta Division to          |                      |
| Title: Date:  |                  | of the actual costs in   |            | te. By signing you agro | ee to pay your snare |
| Duic.   | _                | or one actual COS(\$ II) |            | •                       |                      |

 WELL NAME: Puckett "24" Federal #2H
 PROSPECT NAME: Puckett

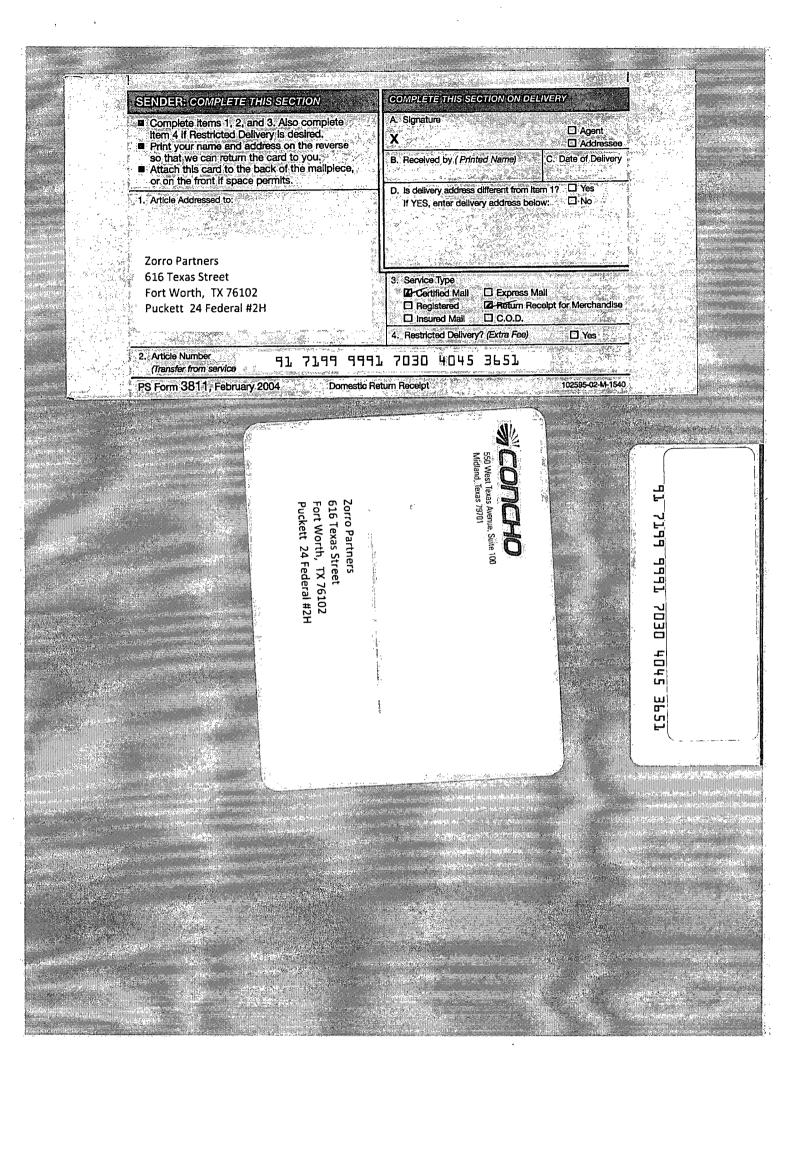
 Surf. Loc: 10' FSL, 805' FWL, Sec 13-17S-31E
 COUNTY & STATE: Eddy Co, NM

 B.H. Loc: 330' FSL, 990' FWL, Sec 24-17S-31E
 OBJECTIVE: 9900' MD (5500' TVD) Paddock

 WO/Pilot, 160 Acre
 OBJECTIVE: 9900' MD (5500' TVD)

| B.H. Loc: 330' FSL, 990' FWL, Sec 24-1 WO/Pilot, 160 Acre | 17S-31E                 | OBJECTIVE:        | 990(       | )' MD (5500' TVD) F   | Paddock                     |
|---|-------------------------|-------------------|------------|-----------------------|-----------------------------|
| INTANGIBLE COSTS  |                         | * <u>BCP</u>      |            | ACP                   | TOTAL                       |
| Tille/Curative/Permit                                     | 201                     | 10,000            |            |                       | 10,000                      |
| Insurance Damages/Right of Way                            | 202<br>203              | 22,000            | 302<br>303 |                       | 22,000                      |
| Survey/Stake Location                                     | 203                     |                   | 304        |                       | 0                           |
| Location/Pits/Road Expense                                | 204                     | 10,000            | 305        | 10,000                | 20,000                      |
| Drilling / Completion Overhead                            | 206                     | 5,000             | 306        | 1,000                 | 6,000                       |
| Turnkey Contract  | 207                     |                   | 307        |                       | 0                           |
| Footage Contract  | 208                     |                   | 308        |                       | 0                           |
| Daywork Contract 12:3 @ \$13000/day                       | 209                     | 156,000           | 309        | 39,000                | 195,000                     |
| Directional Drilling Services, With RS Fuel & Power       | 210<br>211              | 350,000<br>68,000 | 310<br>311 | 17,000                | 350,000<br>85,000           |
| Water   | 212                     | 25,000            | 312        | 75,000                | 100,000                     |
| Bits  | 213                     | 30,000            | 313        | 1,000                 | 31,000                      |
| Mud & Chemicals   | 214                     | 15,000            | 314        |                       | 15,000                      |
| Drill Stem Test   | 215                     |                   | 315        |                       | 0                           |
| Coring & Analysis   | 216                     |                   |            |                       | 0                           |
| Cement Surface  | 217                     |                   |            |                       | 0                           |
| Cement Intermediate Cement 2nd Intermediate 7"            | — <sup>218</sup><br>218 |                   | 319        |                       | 0                           |
| Cement Squeeze & Other (NO Kickoff Plug)                  | - 210                   | <del></del>       | 320        |                       | 0                           |
| Float Equipment & Centralizers                            | - 221                   |                   | 321        |                       |                             |
| Casing Crews & Equipment                                  | 222                     |                   | 322        | 13,000                | 13,000                      |
| Fishing Tools & Service                                   | 223                     | 100,000           | 323        |                       | 100,000                     |
| Geologic/Engineering                                      | 224                     | 10,000            | 324        | 1,000                 | 11,000                      |
| Contract Labor  | 225                     | 10,000            | 325        | 30,000                | 40,000                      |
| Company Supervision Contract Supervision                  | 226<br>227              | 2,000<br>17,000   | 326<br>327 | <u>2.000</u><br>4.200 | 4,000<br>21,200             |
| Testing Casing/Tubing                                     |                         | 4,000             | 328        | 1,500                 | 5,500                       |
| Mud Logging Unit  | 229                     | 12,000            | 329        |                       | 12,000                      |
| Logging   | 230                     |                   | 330        |                       | 0                           |
| Perforating/Wireline Services                             | 231                     | 15,000            | 331        | 12,500                | 27,500                      |
| Stimulation/Treating                                      | _                       |                   | 332        | 950,000               | 950,000                     |
| Completion Unit Swabbing Unit                             |                         | 12,000            | 333<br>334 | 45,000                | 57,000                      |
| Rentals-Surface   | <del></del> 235         | 15,000            | 335        | 45,000                | 60,000                      |
| Rentals-Subsurface  | 236                     | 60,000            | 336        | 10,000                | 70,000                      |
| Trucking/Forklift/Rig Mobilization                        |                         | 40,000            | 337        | 20,000                | 60,000                      |
| Welding Services  | 238                     | 3,000             | 338        | 1,500                 | 4,500                       |
| Water Disposal  | 239                     |                   | 339        | 25,000                | 25,000                      |
| Plug to Abandon   |                         |                   | 340        |                       | 0                           |
| Seismic Analysis Closed Loop & Environmental              | — <sup>241</sup><br>244 | 50,000            | 341<br>344 | # \$15                | 50,000                      |
| Miscellaneous   | - 242                   | 5,000             | 342        | 1,000                 | 6,000                       |
| Contingency   | 243                     | 105,000           |            | 131,300               | 236,300                     |
| TOTAL INTANGIBLES   | _                       | 1,151,000         |            | 1,436,000             | 2,587,000                   |
| TANGIBLE COSTS Surface Casing                             | 401                     |                   |            |                       | 1,200                       |
| Intermediate Casing                                       | 402                     |                   | 503        |                       | 0                           |
| Production Casing/Liner 4200' - 4.5"                      |                         |                   | 503        | 51,000                | 51,000                      |
| Tubing  |                         | 4                 | 504        |                       | 0                           |
| Wellhead Equipment  | 405                     |                   | 505        |                       | 0                           |
| Pumping Unit  |                         |                   | 506        |                       | 0                           |
| Prime Mover<br>Rods                                       | _                       |                   | 507<br>508 | <del></del>           | 0                           |
| Pumps   |                         |                   | 509        |                       |                             |
| Tanks   | <del></del>             |                   | 510        |                       | :                           |
| Flowlines   | <del></del>             |                   | 511        |                       | 0                           |
| Heater Treater/Separator                                  |                         |                   | 512        |                       | 0                           |
| Electrical System   | <del>_</del>            |                   | 513        |                       | 0                           |
| Packers/Anchors/Hangers Couplings/Fittings/Valves         | — 414<br>415            | 2 000             | 514        | 230,000               | 230,000                     |
| Gas Compressors/Meters                                    | 415                     | 2,000             | 515<br>516 | 25,000<br>4,000       | 27,000<br>4,000             |
| Dehydrator  | -                       |                   | 517        | -1,000                |                             |
| Injection Plant/CO2 Equipment                             |                         |                   | 518        | <del></del> -         | 0                           |
| Miscellaneous   | 419                     | 1,000             | 519        | 1,000                 | 2,000                       |
| Contingency   | 420                     |                   | 520        | 32,000                | 33,000                      |
| TOTAL TANGIBLES TOTAL WELL COSTS                          | <del>_</del>            | 1,155,000         |            | 343,000<br>1,779,000  | <u>347,000</u><br>2,934,000 |
| COG Operating LLC   | _                       |                   |            |                       |                             |
| By: J. Coffman / C. Bird                                  | _                       | Date Prepared:    | 5/17/1     | 1                     |                             |
| We approve:   |                         |                   |            |                       |                             |
| We approve% Working Interest                              |                         |                   |            |                       |                             |
| Company:  |                         |                   |            |                       |                             |
| By:   | <del></del>             |                   |            |                       | •                           |
|   |                         |                   |            |                       |                             |

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



|  | an page 3000 page page 32 hours south seek 32  |
|--|--|
| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |
| Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.  Print your name and address on the reverse so that we can return the card to you.  Attach this card to the back of the malipiece, or on the front if space permits. | Signature  X Gent Addressee  By Reckiving by (Printed Nazab)  D. is delivery address different from Item 17/ 12 Yes  |
| 1. Article Addressed to:  Burnett Oil Company  | If YES, enter delivery address below:  |
| Burnett Plaza, Unit 9<br>801 Cherry Street, Suite 1500<br>Fort Worth, Texas 73102<br>Puckett 24 Federal #2H  | 3. Service Type  2. Certified Mail  Express Mail Registered  C-Feturn Receipt for Merchandise  C.O.D.  4. Restricted Delivery? (Extra Fee)   |
| 2. Article / 91. 7199 [9991] 7030  | No. of the second secon |
| PS Form 3811, February 2004 Domestic R   | letum Receipt \$102595-02-M-1540   |

| Printed Name)  G. Dete of Jelly  O I A 1 0 2001              |  |  |  |  |
|--|--|--|--|--|
| D. Is defivery address different from item 17.               |  |  |  |  |
| ill D Express Mail  2-Return Receipt for Merchands  D C.O.D. |  |  |  |  |
| very? (Extra Fee)  |  |  |  |  |
| Mai<br>Deli  |  |  |  |  |

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| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |
|--|--|
| Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.  Print your name and address on the reverse so that we can return the card to you.  Attach this card to the back of the malipiece, or on the front if space permits. | A. Signature  X. C. L. O. C. Date of Deliver  B. Received by (Printed Name) C. Date of Deliver  L. O. L. A. A. S. J. O. 2005 |
| Article Addressed to:  Zorro Partners  | D. is delivery address different from item 1?   If YES, enter delivery address below:   No                                   |
| 616 Texas Street Fort Worth, TX 76102 Puckett 24 Federal #2H   | 3. Service Type  ID Certified Mall   |
|  | 4. Restricted Delivery? (Extra Fee)  |
| 2. Article Number<br>(Transfer from service) 91 7199 999   | 1 7030 4045 3651   |

| The second second  | in the second second   |
|--|--|
| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |
| Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.  Print your name and address on the reverse so that we can return the card to you.  Attach this card to the back of the maliplece, or on the front if space permits. | A Signature Agent Agent Agent Address  B. Reccludic by (Printed Name) Q. Date of Detv.  D. is delivery address different from item 17: |
| I. Article Addressed to:  Burnett Oil Company Burnett Plaza, Unit 9  | If YES, enter delivery address below:  |
| 801 Cherry Street, Suite 1500 Fort Worth, Texas 73102 Puckett 24 Federal #8H   | 3. Service Type  Z/ Certified Mall  Express Mall   |
|  | Registered Return Receipt for Merchand   |
|  | 4. Restricted Delivery? (Extra Fee)  |
| 2: Article Number 9, 71,999  | 991 7030 4047 8180   |
| PS Form 3811, February 2004 Domestic F   | Return Receipt 102595-02-M-  |

SENDER: COMPLETE THIS SECTION COMPLETE THIS SECTION ON DELIVERY Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse ☐ Addressee so that we can return the card to you. Attach this card to the back of the mailpiece. or on the front if space permits. If YES, enter delivery address below: Javalina Partners 616 Texas Street Fort Worth, TX 76102 Service Type Certified Mail Express Mail Puckett 24 Federal #8H ☐ Registered Return Receipt for Merchand ☐ Insured Mail □ C.O.D. 4. Restricted Delivery? (Extra Fee) 2. Article Number 91 7199 9991 7030 4047 8173 PS Form 3811, February 2004 Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. A. Signature Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mallplece, or on the front if space permits. D. Is delivery address different from item 17. 

Yes 1. Article Addressed to: If YES, enter delivery address below: Zorro Partners 616 Texas Street 3. Service Type Fort Worth, TX 76102 Puckett 24 Federal #8H ☐ Registered Return Receipt for Merchandise ☐ Insured Mail ☐ C.O.D. 4. Restricted Delivery? (Extra Fee) 91 7199 9991 7030 4047 8166 PS Form 3811, February 2004 Domestic Return Receipt

### U.S. Certified Mail Return Receipt Requested

Burnett Oil Company Burnett Plaza, Unit 9 801 Cherry Street, Suite 1500 Fort Worth, Texas 76102

COPY

RE:

New Well Proposal

Puckett "24" Federal #4H

SHL: 75' FSL & 1902' FWL (Unit N) of Section 24, T17S, R31E BHL: 330' FNL & 1980 FWL, (Unit C) of Section 24, T17S, R31E

Eddy County, New Mexico

#### Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Ruckett "24" Federal #4H, as a triple lateral well at the captioned location, or a legal location within said Unit N, to depths of approximately 5,500" TVD, 9.900' MD for a Paddock lateral; 6,100' TVD, 10,500' MD for an Upper Blinebry lateral; and 6,600 TVD, 11,021' MD for a Lower Blinebry lateral ("Operation"). The total cost of the Operation is estimated to be \$9,648,000.00 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

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 the undersigned at 432-685-4354.

Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL<sup>(</sup> Senior Landman

Enclosure (s) DRE/rc

Package ID 9171999991703040428321

Confirmation Confirmation Services

Recipient Bundl Gell Part 41592288

Address Serial # 1364097

| NDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |  |  |  |  |
|--|--|--|--|--|--|
| Complete Items 1, 2, and 3, Also complete Item 4 if Restricted Delivery is desired.  Print your name and address on the reverse so that we can return the card to you.  Attach this card to the back of the malipiece, or on the front if space permits. | A Pigneture    Dagent   Dagent |  |  |  |  |
| Article Addressed to:  | D. Is delivery address different from Item 17  |  |  |  |  |
| Burnett Oil Company<br>Burnett Plaza, Unit 9<br>801 Cherry Street, Suite 1500  |  |  |  |  |  |
| Fort worth, Texas 76102 Puckett 24 Federal #4H   | 3. Service Type  Di Certified Mail Dexpress Mail Registered Patturn Receipt for Merchandise  |  |  |  |  |
|  | Insured Mail: C.O.D.;  4. Restricted Delivery?(Extra Fee). Yes   |  |  |  |  |
| Article Number,<br>(Transfer from service label) 91 7199   | 9991 7030 4042 8321  |  |  |  |  |
| Form 3811, February 2004 Domestic  | Return Receipt: 102595-02-M-1540   |  |  |  |  |



Title:



# COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

 WELL NAME:
 Puckett "24" Federal #4H
 PROSPECT NAME:
 Puckett

 Surf. Loc:
 75' FSL, 1902' FWL, Sec 24, 17S-31E
 COUNTY & STATE:
 Eddy Co, NM

 BHL:
 330' FNL, 1980' FWL, Sec 24, 17S-31E
 OBJECTIVE: 11021' MD (6600' TVD) Lower Blinebry

 WO/Pilot, 160 Acre
 OBJECTIVE: 11021' MD (6600' TVD)

| WO/Filot, 100 Acre                               | -          |                        |                                       |           |
|--|------------|------------------------|---------------------------------------|-----------|
| INTANGIBLE COSTS                                 |            | BCP                    | ACP                                   | TOTAL *   |
| Title/Curative/Permit                            | 201        |                        | AUF                                   |           |
| Insurance  | 202        | 10,000<br>22,000 302   |                                       | 10,000    |
|  | 203        |                        | <del></del>                           |           |
| Damages/Right of Way                             | -          |                        |                                       | 15,000    |
| Survey/Stake Location                            | 204        | 3,000 304              | 25.000                                | 3,000     |
| Location/Pits/Road Expense                       | 205        | 40,000 305             | 65,000                                | 105,000   |
| Drilling / Completion Overhead                   | 206        | 5,000 306              | g 1,000                               | 6,000     |
| Turnkey Contract Footage Contract                | 207<br>208 | 307                    |                                       | 0         |
| Daywork Contract 20:2 @ \$13000/day              | 209        | 260,000 309            | 26,000                                | 286,000   |
| Directional Drilling Services, With RS           | - 210      | 400,000 310            | 20,000                                | 400,000   |
| Fuel & Power                                     | 211        | 112,500 311            | 11,250                                | 123,750   |
| Water  | 212        | 30,000 312             | 75,000                                | 105,000   |
| Bits   | 213        | 45,000 313             | 1,000                                 | 46,000    |
| Mud & Chemicals                                  | 214        | 25,000 314             | 1,000                                 | 25,000    |
| Drill Stem Test                                  | 215        | 315                    |                                       | 0         |
| Coring & Analysis                                | 216        | 74.                    |                                       |           |
| Cement Surface                                   | 217        | 16,000                 |                                       | 16,000    |
| Cement Intermediate                              | 218        | 16,000                 |                                       | 16,000    |
| Cement Production 7"x5.5"                        | 218        | 319                    | 70,000                                | 70,000    |
| Cement Squeeze & Other (NO Kickoff Plug)         | 220        | 320                    |                                       | 0         |
| Float Equipment & Centralizers                   | 221        | 3,500 321              | 15,000                                | 18,500    |
| Casing Crews & Equipment                         | 222        | 7,000 322              | 13,000                                | 20,000    |
| Fishing Tools & Service                          | 223        | 323                    |                                       | 0         |
| Geologic/Engineering                             | 224        | 10,000 324             | 1,000                                 | 11,000    |
| Contract Labor                                   | 225        | 10,000 325             | 30,000                                | 40,000    |
| Company Supervision                              | 226        | 2,000 326              | 2,000                                 | 4,000     |
| Contract Supervision                             | 227        | 28,000 327             | 4,000                                 | 32,000    |
| Testing Casing/Tubing                            | 228        | 1,000                  | 1,500                                 | 5,500     |
| Mud Logging Unit                                 | 229        | 16,000 329             |                                       | 16,000    |
| Logging  | 230        | 0 330                  | 5,000                                 | 5,000     |
| Perforating/Wireline Services                    | 231        | 3,500 331              | 125,000                               | 128,500   |
| Stimulation/Treating                             |            | 332                    | 760,000                               | 760,000   |
| Completion Unit                                  |            | 333                    | 40,000                                | 40,000    |
| Swabbing Unit                                    |            | 334                    | · · · · · · · · · · · · · · · · · · · | 0         |
| Rentals-Surface                                  | . 235      | 20,000 335             | 100,000                               | 120,000   |
| Rentals-Subsurface                               | 236        | 30,000 336             | 10,000                                | 40,000    |
| Trucking/Forklift/Rig Mobilization               | 237        | 40,000 337             | 100,000                               | 140,000   |
| Welding Services                                 | 238        | 3,000 338              | 1,500                                 | 4,500     |
| Water Disposal                                   | 239        | 339                    | 25,000                                | 25,000    |
| Plug to Abandon                                  | 240        | 340                    |                                       | 0         |
| Seismic Analysis                                 | 241        | 341                    |                                       | 0         |
| Closed Loop & Environmental                      | 244        | 120,000 344            | <del></del>                           | 120,000   |
| Miscellaneous                                    | 242        | 5,000 342              | 1,000                                 | 6,000     |
| Contingency                                      | 243        | 131,500 343            | 149,750                               | 281,250   |
| TOTAL INTANGIBLES                                |            | 1,433,000              | 1,633,000                             | 3,066,000 |
| TANCIPI E COSTO                                  |            |                        |                                       | .,        |
| TANGIBLE COSTS                                   |            |                        |                                       |           |
| Surface Casing 550' 13 3/8"                      | 401        | 20,000                 |                                       | 1,200     |
| Intermediate Casing 1850' 9 5/8"                 | 402        | 48,000 503             |                                       | 48,000    |
| Production Casing/Liner 6900' - 7", 4200' - 5.5" |            | 503                    | 260,000                               | 260,000   |
| Tubing 6200' 2 7/8"                              | 405        | 504                    | 38,000                                | 38,000    |
| Wellhead Equipment                               | 405        | 30,000 505             | 18,000                                | 48,000    |
| Prime Mover                                      |            | 506                    | 97,000                                | 97,000    |
| Rods   |            | 507                    | 20,000                                | 30,000    |
| Pumps  |            | 509                    | 39,000                                | 39,000    |
| Tanks  |            | 510                    | 4,500<br>20,000                       | 4,500     |
| Flowlines  |            | 511 -                  | 15,000                                | 15,000    |
| Heater Treater/Separator                         |            | 512                    | 25,000                                | 25,000    |
| Electrical System                                |            | 513                    | 23,000                                | 25,000    |
| Packers/Anchors/Hangers                          | 414        | 514                    |                                       |           |
| Couplings/Fittings/Valves                        | 415        | 2,000 515              | 25,000                                | 27,000    |
| Gas Compressors/Meters                           |            | 516                    | 4,000                                 | 4,000     |
| Dehydrator                                       |            | 517                    |                                       | 0         |
| Injection Plant/CO2 Equipment                    |            | 518                    | <del>,</del>                          | 0         |
| Miscellaneous                                    | 419        | 1,000 519              | 1,000                                 | 2,000     |
| Contingency                                      | 420        | 11,000 520             | 55,500                                | 66,500    |
| TOTAL TANGIBLES                                  |            | 112,000                | 602,000                               | 714,000   |
| TOTAL WELL COSTS                                 |            | 1,545,000              | 2,235,000                             | 3,780,000 |
|  |            |                        |                                       |           |
| 77 566 2m  |            |                        |                                       |           |
| COG Operating (LC                                |            |                        |                                       |           |
|  |            |                        | <b>k</b>                              |           |
| By: J. Coffman / C. Bird                         |            | Date Prepared: 5/16/11 |                                       |           |
|  |            |                        |                                       |           |
| ***  |            |                        |                                       |           |
| We approve:                                      |            |                        |                                       | •         |
| % Working Interest                               |            |                        |                                       | γ.,       |
| 0  |            |                        |                                       |           |
| Company:   |            |                        |                                       |           |
| <u>By:</u>                                       |            |                        |                                       |           |
| <b>*</b>   |            |                        |                                       |           |
| Printed Name:                                    |            |                        | •                                     |           |

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





 WELL NAME: Puckett "24" Federal #4H
 PROSPECT NAME: Puckett

 Surf. Loc: 75' FSL, 1902' FWL, Sec 24, 17S-31E
 COUNTY & STATE: Eddy Co, NM<sup>2</sup>

 BHL: 330' FNL, 1980' FWL, Sec 24, 17S-31E
 OBJECTIVE: 10500' MD (6100' TVD) Upper Blinebry

| INTANGIBLE COSTS  |                          | <u>BCP</u>         |                  | <u>ACP</u>                            | TOTAL       |
|---|--------------------------|--------------------|------------------|---------------------------------------|-------------|
| Title/Curative/Permit                                     | 201                      | 10,000             |                  | ** * *                                | 10,0        |
| nsurance  | 202                      | 22,000             | 302              | · ·                                   | 22,00       |
| Damages/Right of Way                                      |                          | _ <del>.</del>     | 303              |                                       |             |
| Survey/Stake Location                                     | _ 204 _                  |                    | 304              |                                       |             |
| ocation/Pits/Road Expense  Orilling / Completion Overhead | _ <sup>205</sup> -       | 5,000              | <sup>305</sup> — | 10,000                                | 20,0        |
| Turnkey Contract  | - <sup>206</sup> -       | 5,000              | 307 —            | 1,000                                 | 0,0         |
| oolage Contract   | 208                      | ·                  | 308              |                                       |             |
| Daywork Contract 12:3 @ \$13000/day                       | _ 209 -                  | 156,000            | 309 —            | 39,000                                | 195,00      |
| Directional Drilling Services, With RS                    | 210                      | 350,000            | 310              |                                       | 350,0       |
| uel & Power   | 211                      | 68,000             | 311              | 17,000                                | 85.0        |
| Vater   | 212                      | 25,000             | 312              | 75,000                                | 100,0       |
| fils fuld & Chemicals                                     | - <sup>213</sup> -       | 30,000             | 313 —<br>314     | 1,000                                 | 31,0        |
| Orill Stem Test   | - 214 -                  | 15,000             | 314 —            | · · · · · · · · · · · · · · · · · · · | 15,0        |
| Coring & Analysis   | — 216 —                  |                    | ··· —            |                                       |             |
| Cement Surface  | 217                      |                    |                  |                                       |             |
| Cement Intermediate                                       | 218                      |                    | _                |                                       |             |
| Cement 2nd Intermediate 7"                                | 218                      |                    | 319              |                                       |             |
| Cement Squeeze & Other (NO Kickoff Plug)                  | _ 220 _                  |                    | 320              |                                       |             |
| loat Equipment & Centralizers Casing Crews & Equipment    | 221<br>                  |                    | <sup>321</sup> — | 13,000                                | 13,0        |
| ishing Tools & Service                                    | - 222 -                  | 100,000            | 323 —            | 13,000                                | 100,0       |
| Geologic/Engineering                                      | - <sup>224</sup> -       | 10,000             | 324 —            | 1,000                                 | 11,0        |
| Contract Labor  | 225                      | 10,000             | 325              | 30,000                                | 40,0        |
| Company Supervision                                       | 226                      | 2,000              | 326              | 2,000                                 | 4,0         |
| Contract Supervision                                      | 227                      | 17,000             | 327              | 4,200                                 | 21,2        |
| esting Casing/Tubing                                      | 228 _                    | 4,000              | 328              | 1,500                                 | 5,5         |
| Aud Logging Unit  | 229 _                    | 12,000             | 329 —            |                                       | 12,0        |
| ogging<br>erforating/Wireline Services                    | _ <sup>230</sup> _ 231 _ | 15,000             | 330              | 12,500                                | 27,5        |
| timulation/Treating                                       |                          | 70,000             | 332              | 950,000                               | 950,0       |
| ompletion Unit  |                          | 12,000             | 333              | 45,000                                | 57,0        |
| wabbing Unit  |                          |                    | 334              |                                       |             |
| Rentals-Surface   | 235                      | 15,000             | 335              | 45,000                                | 60,0        |
| Rentals-Subsurface  | 236                      | 60,000             | 336              | 10,000                                | 70,0        |
| rucking/Forklift/Rig Mobilization                         | <u> </u>                 | 40,000             | 337              | 20,000                                | 60,0        |
| Velding Services  | 238<br>239               | 3,000              | 338              | 1,500                                 | 4,5<br>25,0 |
| Vater Disposal<br>Tug to Abandon                          | - <sup>239</sup> -       |                    | 340 —            | 25,000                                | 25,0        |
| eismic Analysis   | - <sup>240</sup> -       |                    | 341              |                                       |             |
| Closed Loop & Environmental                               | 244                      | 50,000             | 344 —            |                                       | 50,0        |
| Aiscellaneous   | _ 242 _                  | 5,000              | 342              | 1,000                                 | 6,00        |
| Contingency   | 243                      | 105,000            | 343              | 131,300                               | 236,30      |
| TOTAL INTANGIBLES   | : _                      | 1,151,000          |                  | 1,436,000                             | 2,587,00    |
| ANOIDI E COSTO  |                          |                    |                  |                                       |             |
| ANGIBLE COSTS   | 404                      |                    | FK               |                                       | 4.00        |
| urface Casing<br>stermediate Casing                       | _ 401 _<br>402 _         |                    | 503              |                                       | 1,20        |
| roduction Casing/Liner 4200' - 4.5"                       | _ 402 _                  |                    | 503              | 51,000                                | 51,00       |
| ubing   |                          |                    | 504              | 01,000                                | 01,00       |
| /ellhead Equipment  | 405                      |                    | 505              | <del></del>                           |             |
| umping Unit   |                          |                    | 506              |                                       |             |
| rime Mover  |                          |                    | 507              |                                       |             |
| ods   |                          |                    | 508              |                                       |             |
| umps  |                          |                    | 509              |                                       |             |
| anks  |                          |                    | 510              |                                       |             |
| owlines<br>eater Treater/Separator                        |                          | <del></del>        | 511              |                                       |             |
| ectrical System   |                          | <del></del>        | 512<br>513       |                                       |             |
| ackers/Anchors/Hangers                                    | - <sub>414</sub> -       |                    | 514              | 230,000                               | 230,0       |
| ouplings/Fittings/Valves                                  | 415                      | 2,000              | 515              | 25,000                                | 27,0        |
| as Compressors/Meters                                     |                          |                    | 516              | 4,000                                 | 4,00        |
| ehydrator   |                          |                    | 517              |                                       |             |
| jection Plant/CO2 Equipment                               |                          |                    | 518              |                                       | <del></del> |
| scellaneous   | _ 419 _                  |                    | 519              | 1,000                                 | 2,00        |
| ontingency TOTAL TANGERIES                                | _ 420 _                  | 1,000              | 520              | 32,000                                | 33,00       |
| TOTAL TANGIBLES ,.  |                          | 4,000<br>1,155,000 |                  | 343,000<br>1,779,000                  | 2,934,00    |
| TOTAL WELL COSTS  |                          |                    |                  |                                       |             |

By: J. Coffman / C. Bird Date Prepared: 5/17/11

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

This AFE is only an estimate. By signing you agree to pay your share





WELL NAME: Puckett "24" Federal #4H
Surf. Loc: 75' FSL, 1902' FWL, Sec 24, 17S-31E
BHL: 330' FNL, 1980' FWL, Sec 24, 17S-31E PROSPECT NAME: Puckett
COUNTY & STATE: Eddy Co, NM
OBJECTIVE: 9900' MD (5500' TVD) Paddock

WO/Pilot, 160 Acre

| INTANGIBLE COSTS   |                    | <u>BCP</u>      |                  | <u>ACP</u>      | <u>TOTAL</u>         |
|--|--------------------|-----------------|------------------|-----------------|----------------------|
| Title/Curative/Permit                                      | 201 _              | <u>* 10,000</u> |                  |                 | 10,00                |
| Insurance  | 202                | 22,000          | _                |                 | 22,00                |
| Damages/Right of Way                                       | 203 _              |                 | 303              |                 | - 39                 |
| Survey/Stake Location                                      | 204 _              |                 | 304 _            | <u> </u>        |                      |
| _ocation/Pits/Road Expense  Orilling / Completion Overhead | <sup>205</sup> _   | 10,000          | 305              | 10,000          | 20,00                |
| Turnkey Contract   | 206<br>207         | 5,000           | <sup>306</sup> – | 1,000           | 6,00                 |
| Foolage Contract   | 208                | 40              | 308              |                 | <del></del>          |
| Daywork Contract 12:3 @ \$13000/day                        | — <sub>209</sub> – | 156,000         | 309              | 39.000          | 195,00               |
| Directional Drilling Services, With RS                     | 210                | 350,000         | 310              |                 | 350,00               |
| Fuel & Power   |                    | 68,000          | 311              | 17,000          | 85,00                |
| Water  | 212                | 25,000          | 312              | 75,000          | 100,00               |
| Bits   | 213                | 30,000          | 313              | 1,000           | 31,00                |
| Mud & Chemicals  | 214                | 15,000          | 314              |                 | 15,00                |
| Orill Stem Test  | 215                |                 | 315 _            |                 |                      |
| Coring & Analysis  | 216                |                 | _                |                 | ·                    |
| Cement Surface Cement Intermediate                         | 217 _              |                 | _                | *s.             | <                    |
| Dement 2nd Intermediate 7"                                 | — <sup>218</sup> – | <del></del>     | 319              | <del></del>     |                      |
| Cement Squeeze & Other (NO Kickoff Plug)                   | — <sub>220</sub> – |                 | 320 —            | <del> </del>    | <del></del>          |
| loat Equipment & Centralizers                              | <u> </u>           |                 | 321              |                 |                      |
| Casing Crews & Equipment                                   | 222                |                 | 322              | 13,000          | 13,00                |
| ishing Tools & Service                                     | 223                | 100,000         | 323              |                 | 100,00               |
| Geologic/Engineering                                       | 224                | 10,000          | 324 _            | 1,000           | 11,00                |
| Contract Labor   | 225 _              | 10,000          | 325              | 30,000          | 40,00                |
| Company Supervision  | 226 _              | 2,000           | 326 _            | 2,000           | 4,00                 |
| Contract Supervision                                       |                    | 17,000          | 327              | 4,200           | 21,20                |
| Festing Casing/Tubing  Mud Logging Unit                    | <sup>228</sup> _   | 12,000          | <sup>328</sup> – | 1,500           | 5,50<br>12,00        |
| od togging ont   | <sup>229</sup> -   | 12,000          | 330 -            |                 | 12,00                |
| Perforating/Wireline Services                              |                    | 15,000          | 331              | 12,500          | 27,50                |
| Stimulation/Treating                                       |                    |                 | 332              | 950,000         | 950,00               |
| Completion Unit  |                    | 12,000          | 333              | 45,000          | 57,00                |
| Swabbing Unit  |                    |                 | 334              |                 |                      |
| Rentals-Surface  | 235                | 15,000          | 335              | 45,000          | 60,000               |
| Rentals-Subsurface   | 236                | 60,000          | 336 _            | 10,000          | 70,00                |
| Trucking/Forklift/Rig Mobilization                         | 237 _              | 40,000          | 337              | 20,000          | <u>, 60,000</u>      |
| Welding Services Water Disposal                            | <sup>238</sup> _   | 3,000           | <sup>338</sup> — | 1,500<br>25,000 | 4,500<br>25,000      |
| Plug to Abandon  | — <sup>239</sup> — | <del></del>     | 340              | 20,000          | 20,00                |
| Seismic Analysis   | 241                |                 | 341              |                 |                      |
| Closed Loop & Environmental                                | 244                | 50,000          | 344              | ·               | 50,00                |
| Miscellaneous  | 242                | 5,000           | 342              | 1,000           | 6,000                |
| Contingency  | 243                | 105,000         | 343              | 131,300         | 236,30               |
| TOTAL INTANGIBLES  |                    | 1,151,000       | _                | 1,436,000       | 2,587,000            |
| TANGIBLE COSTS   |                    |                 |                  |                 |                      |
| Surface Casing   | 401 _              |                 |                  | <del> </del>    | 1,200                |
| intermediate Casing Production Casing/Liner 4200' - 4.5"   | 402 _              | <del> </del>    | <sup>503</sup> – | 51,000          | 51,000               |
| Fubing   |                    |                 | 504              | 31,000          | 31,000               |
| Vellhead Equipment   | <u> </u>           | <del></del>     | 505 —            |                 |                      |
| Pumping Unit   |                    | <del></del>     | 506 —            |                 |                      |
| Prime Mover  |                    |                 | 507              |                 |                      |
| Rods   |                    |                 | 508              |                 |                      |
| Pumps  | <del></del>        |                 | 509              |                 |                      |
| anks   |                    |                 | 510              |                 |                      |
| lowlines   |                    |                 | 511 _            | <del>_</del>    |                      |
| leater Treater/Separator                                   |                    |                 | 512 —            | <del> </del>    | <del></del>          |
| lectrical System   | <del>-</del> 414   |                 | 513<br>514       | 230,000         | 230,00               |
| Packers/Anchors/Hangers<br>Couplings/Fittings/Valves       | 414 -              | 2,000           | 515              | 25,000          | 27,00                |
| Gas Compressors/Meters                                     |                    | -1-30           | 516 —            | 4,000           | 4,00                 |
| Dehydrator   |                    |                 | 517              |                 |                      |
| njection Plant/CO2 Equipment                               |                    |                 | 518              |                 |                      |
| /iscellaneous  | 419                | 1,000           | 519              | 1,000           | 2,00                 |
| Contingency  | 420                | 1,000           | 520              | 32,000          | 33,00                |
| TOTAL TANGIBLES  | <del></del>        | 4,000           |                  | 343,000         | 347,000<br>2,934,000 |
| TOTAL WELL COSTS   |                    | 1,155,000       |                  | 1,779,000       | 2.934.000            |

| COG | Operating | LLC |
|-----|-----------|-----|
|-----|-----------|-----|

| By: J. Coffman / C. Bird | Date Prepared: | 5/1//11 |
|--------------------------|----------------|---------|
|                          |                |         |

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

Ву:

Printed Name:

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

#### U.S. Certified Mail Return Receipt Requested

Javalina Partners 616 Texas Street Fort Worth, TX 76102

RE:

New Well Proposal

Puckett "24" Federal #4H

SHL: 75' FSL & 1902' FWL (Unit N) of Section 24, T17S, R31E BHL: 330' FNL & 1980 FWL, (Unit C) of Section 24, T17S, R31E

Eddy County, New Mexico

#### Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Puckett "24" Federal #4H, as a triple lateral well at the captioned location, or a legal location within said Unit N, to depths of approximately 5,500° TVD, 9.900° MD for a Paddock lateral; 6,100° TVD, 10,500° MD for an Upper Blinebry lateral; and 6,600° TVD, 11,021' MD for a Lower Blinebry lateral ("Operation"). The total cost of the Operation is estimated to be \$9,648,000.00 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

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 the undersigned at 432-685-4354.

Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL Senior Landman

N

Confirmation

Services

Enclosure (s)

DRE/rc

Package ID: 9171999991703040428307

Destination ZIP Code, 76102

Customer Reference

Customer Reference:
Recipient: Javalina:
Address:

Electronic Certified First Class Large Envelope

国

PBP Account #: 41592288 Serial #: 1364097 JUN 20 2011 4:14 PM

T

| IDER: COMPLETE THIS SECTION   | COMPLETE THIS SECTION ON DELIVERY   |
|---|---|
| complete Items 1, 2, and 3. Also complete em 4 if Restricted Delivery is desired rint your name and address on the reverse o that we can return the card to you. ttach this card to the back of the malipiece, r on the front if space permits. | A. Signature  Addressee  B. Received by (Printed Name)  C. Date of Delivery  C. 7.7   |
| nice Addressed to:  avalina Partners 16 Texas Street  | D. Is delivery address different from item 1?  Yes  If YES, enter delivery address below:  No   |
| ort Worth, TX 76102   | J   |
| Jckett 24 Federal #4H   | 3. Service Type  Discretified Mail Dexpress Mail Registered Discretifier Receipt for Merchandlee Discretifier Mail Discretifier C.O.D.: |
|   | 4. Restricted Delivery? (Extra Fee) Yes   |
| rticle Number 91 7199   | 9991 7030 4042 8307   |
| orm 3811, February 2004 Domestic  | Return Receipt 102595-02-M-1540   |

, <sup>8</sup>1





 WELL NAME:
 Puckett "24" Federal #4H
 PROSPECT NAME:
 Puckett

 Surf. Loc:
 75' FSL, 1902' FWL, Sec 24, 17S-31E
 COUNTY & STATE:
 Eddy Co, NM

 BHL:
 330' FNL, 1980' FWL, Sec 24, 17S-31E
 OBJECTIVE: 11021' MD (6600' TVD) Lower Blinebry

| INTANGIBLE COSTS  Title/Curalive/Permit Insurance  Damages/Right of Way  Survey/Stake Location  Location/Pits/Road Expense  Drilling / Completion Overhead  Turnkey Contract  Footage Contract | 201<br>202<br>203<br>204<br>205<br>206<br>207 | 10,000<br>22,000<br>15,000<br>3,000 | 302 _            | ACP               | TOTAL<br>10,00  |
|--|---|-------------------------------------|------------------|-------------------|-----------------|
| Insurance  Damages/Right of Way  Survey/Stake Location  Location/Pits/Road Expense  Drilling / Completion Overhead  Turnkey Contract   | 202<br>203<br>204<br>205<br>206               | 22,000<br>15,000                    | _                |                   |                 |
| Survey/Stake Location<br>Location/Pits/Road Expense<br>Drilling / Completion Overhead<br>Turnkey Contract  | 204<br>205<br>206                             |                                     | <del>-</del>     |                   | 22,00           |
| Location/Pits/Road Expense<br>Drilling / Completion Overhead<br>Turnkey Contract   | 205<br>206                                    | 3,000                               | 303              | . <u> </u>        | 15,00           |
| Orilling / Completion Overhead Turnkey Contract  | 206   | 3,000                               | 304              |                   | 3,00            |
| Turnkey Contract   |   | 40,000                              | 305              | 65,000            | 105,00          |
|  | 207   | 5,000                               | 306              | 1,000             | 6,00            |
| Footage Contract   |   | <del></del>                         | 307              |                   |                 |
| Daywork Contract 20:2 @ \$13000/day  | 208<br>209 =                                  | 260,000                             | 308<br>309       | 26,000            | 286,00          |
| Directional Drilling Services, With RS   | — 209 -                                       | 400,000                             | 310              | 20,000            | 400,00          |
| Fuel & Power   |   | 112,500                             | 311              | 11,250            | 123,75          |
| Water  | 212   | 30,000                              | 312              | 75,000            | 105,00          |
| Bits   | 213   | 45,000                              | 313              | 1,000             | 46,00           |
| Mud & Chemicals  | — <sup>214</sup> -                            | 25,000                              | 314              |                   | 25,00           |
| Drill Stem Test<br>Coring & Analysis   | 215 -<br>216 -                                | <u> </u>                            | 315              |                   |                 |
| Cement Surface   | — <sub>217</sub> -                            | 16,000                              | _                |                   | 16,00           |
| Cement Intermediate  | — <sub>218</sub> -                            | 16,000                              |                  |                   | 16,00           |
| Cement Production 7"x5.5"  | 218   |                                     | 319              | 70,000            | 70,00           |
| Cement Squeeze & Other (NO Kickoff Plug)   | 220   |                                     | 320              |                   |                 |
| Float Equipment & Centralizers   | 221   | 3,500                               | 321              | 15,000            | 18,50           |
| Casing Crews & Equipment Fishing Tools & Service   | <sup>222</sup> -                              | 7,000                               | 322 <u> </u>     | 13,000            | 20,00           |
| Geologic/Engineering   | — 223 -                                       | 10,000                              | 323 -            | 1,000             | 11,00           |
| Contract Labor   |   | 10,000                              | 325              | 30,000            | 40,00           |
| Company Supervision  | 226   | 2,000                               | 326              | 2,000             | 4,00            |
| Contract Supervision   | 227   | 28,000                              | 327              | 4,000             | 32,00           |
| Testing Casing/Tubing  | 228 _   | 4,000                               | 328 _            | 1,500             | 5,50            |
| Mud Logging Unit   | <sup>229</sup> -                              | 16,000<br>0                         | 329<br>330       | 5,000             | 16,00           |
| Perforating/Wireline Services  | <sup>230</sup> -                              | 3,500                               | 331 -            | 125,000           | 128,50          |
| Stimulation/Treating   |   |                                     | 332              | 760,000           | 760,00          |
| Completion Unit  |   |                                     | 333              | 40,000            | 40,00           |
| Swabbing Unit  |   |                                     | 334              |                   |                 |
| Rentals-Surface  | 235 _   | 20,000                              | 335 _            | 100,000           | 120,00          |
| Rentals-Subsurface Frucking/Forklift/Rig Mobilization  | <sup>236</sup> -                              | 30,000<br>40,000                    | 336<br>337       | 10,000<br>100,000 | 40,00<br>140,00 |
| Welding Services   | — <sup>237</sup> -                            | 3,000                               | 338 —            | 1,500             | 4,50            |
| Vater Disposal   | 239   |                                     | 339              | 25,000            | 25,00           |
| Plug to Abandon  | 240   |                                     | 340 _            |                   |                 |
| Seismic Analysis   | 241 _   |                                     | 341              |                   |                 |
| Closed Loop & Environmental  Miscellaneous   | <sup>244</sup> _                              | 120,000                             | 344<br>342       | 1,000             | 120,00          |
| Contingency  | 242 -<br>243 -                                | 5,000<br>131,500                    | 343              | 149,750           | 6,00<br>281,25  |
| TOTAL INTANGIBLES  |   | 1,433,000                           | _                | 1,633,000         | 3,066,00        |
| TANGIBLE COSTS   |   |                                     |                  |                   |                 |
| Surface Casing 550' 13 3/8"  | 401   | 20,000                              |                  |                   | 1,20            |
| ntermediate Casing 1850' 9 5/8"  | 402   |                                     | 503              |                   | 48,00           |
| Production Casing/Liner 6900' - 7", 4200' - 5.5"   |   |                                     | 503              | . 260,000         | 260,00          |
| ubing 6200 2 7/8"  |   |                                     | 504              | 38,000            | 38,00           |
| Vellhead Equipment   | <del></del> 405 -                             | 30,000                              | 505 —            | 18,000            | 48,00           |
| Pumping Unit Prime Mover   |   | <del></del>                         | 506<br>507       | 97,000            | 97,00           |
| Rods   |   |                                     | 508 —            | 39,000            | 39,00           |
| Pumps  |   |                                     | 509 —            | 4,500             | 4,50            |
| anks   |   |                                     | 510 _            | 20,000            | 20,00           |
| lowlines   |   |                                     | <sup>511</sup> — | 15,000            | 15,00           |
| leater Treater/Separator<br>lectrical System   |   |                                     | <sup>512</sup> — | 25,000            | 25,00           |
| Packers/Anchors/Hangers  | <sub>414</sub> -                              |                                     | 514 —            |                   | <del></del>     |
| Couplings/Fittings/Valves  | 415   | 2,000                               | 515              | 25,000            | 27,00           |
| Gas Compressors/Meters   |   |                                     | 516              | 4,000             | 4,00            |
| Dehydrator   |   |                                     | 517 -            |                   | <del></del>     |
| njection Plant/CO2 Equipment   | - <sub>419</sub> -                            | 1,000                               | 518 —<br>519     | 1,000             | 2,00            |
| Contingency  | - 413 -                                       |                                     | 520 -            | 55,500            | 66,50           |
| TOTAL TANGIBLES  |   | 112,000                             | -                | 602,000           | 714,00          |
| TOTAL WELL COSTS   |   | 1,545,000                           | _                | 2,235,000         | 3,780,000       |
|  |   |                                     |                  |                   |                 |
| COG Operating LLC  |   |                                     |                  |                   |                 |
| ly: J. Coffman / C. Bird   | -   | ate Prepared:                       | 5/16/11          |                   |                 |

| We approve:        |  |  |  |  |  |  |
|--------------------|--|--|--|--|--|--|
| % Working Interest |  |  |  |  |  |  |
|                    |  |  |  |  |  |  |
| Company:           |  |  |  |  |  |  |
| By:                |  |  |  |  |  |  |
| ۷.                 |  |  |  |  |  |  |
| Printed Name:      |  |  |  |  |  |  |
| Title:             |  |  |  |  |  |  |
| Date:              |  |  |  |  |  |  |
|                    |  |  |  |  |  |  |





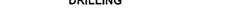
WELL NAME: Puckett "24" Federal #4H Surf. Loc:, 75' FSL, 1902' FWL, Sec 24, 17S-31E BHL: 330' FNL, 1980' FWL, Sec 24, 17S-31E PROSPECT NAME: Puckett
COUNTY & STATE: Eddy Co, NM
OBJECTIVE: 10500' MD (6100' TVD) Upper Blinebry

| Insurance  | INTANGIBLE COSTS                            |                    | BCP                                    |                  | <u>ACP</u>  | TOTAL          |
|--|---|--------------------|--|------------------|-------------|----------------|
| Damages/Right of Way   203   303   303   303   303   305     | Title/Curative/Permit                       | 201                | 10,000                                 |                  |             | 10,00          |
| Survey  Surv   | Insurance                                   | 202                | 22,000                                 | 302              |             | 22,00          |
| Location/Pik/Road Expense   205   10,000   305   10,000   2   2   2   2   3   3   3   3   3   3  | Damages/Right of Way                        | 203                |  | 303              |             |                |
| Drilling / Completion Overhead   | Survey/Stake Location                       | 204                |  | 304              |             |                |
| Turnskey Contract    207   307   508   308   308   308   308   308   308   308   308   308   308   308   308   308   308   309 |   |                    |  | _                |             | 20,00          |
| Finding Contract   208   308   308   308   309   30,000   319  |   |                    | 5,000                                  |                  | 1,000       | 6,00           |
| Daywork Contract 123.0g 13000/day   209   150.000   390.000   19   |   |                    |  |                  |             |                |
| Directional Drilling Services, With RS   |   |                    | 156 000                                | _                | 39,000      | 195,00         |
| Fleet & Power  |   |                    |  | _                |             | 350,00         |
| Bis  |   |                    |  | _                | 17,000      | 85,00          |
| Mad & Chemicals  | Water                                       | 212                | 25,000                                 | 312              | 75,000      | 100,00         |
| Drill Stem Test  |   |                    |  | _                | 1,000       | 31,00          |
| Corring & Analysis   |   |                    | / 15,000                               | _                | <u> </u>    | 15,00          |
| Cament Intermediate   218  |   |                    |  | 315 _            |             |                |
| Cement Intermediate  |   |                    |  | <del>, -</del>   |             |                |
| Cement Squeeze & Other (NO Kickoff Plug)   220   320   |   |                    | <del></del>                            | -                |             |                |
| Float Equipment & Centralizers   |   |                    | ······································ | 319              |             |                |
| Casing Crows & Equipment   222   322   13,000   1  | Cement Squeeze & Other (NO Kickoff Plug)    | 220                |  | 320              |             |                |
| Fishing Tools & Service   223   100,000   323   323   325    |   |                    |  | _                |             |                |
| Geologic/Engineering   224   10,000   324   1,000   1  |   | _                  |  | _                | 13,000      | 13,00          |
| Contract Labor   |   |                    |  | _                | 4.000       | 100,00         |
| Company Supervision         226         2,000         22         2,000         2         2,000         2         2,000         2         2,000         2         2,000         2         2,000         2         2,000         2         2,000         2         2,000         2         2,000         2         2,000         2         1,500         32         1,500         3         1,500         3         1,500         30         1,500         2         1,500         30         1,500         30         1,500         2         2,500         2,500         30         30         2         1,500         32         950,000         95         30         2         350,000         35         3,500         5         30         3   |   |                    |  | _                |             | 11,00<br>40,00 |
| Contract Supervision   227   17,000   327   4,200   27   1,500   328   1,500   328   1,500   328   1,500   328   3,500   328   3,500   328   3,500   330     |   |                    |  | _                |             | 4,00           |
| Testing Casing/Tubing  |   |                    |  | ******           | ···         | 21,20          |
| Mud Logging Unit Logging   12,000   329   12,000   329   12,000   330    |   |                    |  |                  |             | 5,50           |
| Perforating/Wireline Services  |   |                    |  | _                |             | 12,00          |
| Simulation/Treating  |   | 230                |  | 330              |             |                |
| Completion Unit  |   | 231                | 15,000                                 |                  |             | 27,50          |
| Swabbing Unit   334   335   45,000   6   6   6   6   6   6   6   6   6   |   |                    |  | _                |             | 950,00         |
| Rentals-Surface   235  |   |                    | 12,000                                 |                  | 45,000      | 57,00          |
| Rentals-Subsurface         236         60,000         336         10,000         7           Trucking/Forkitif/Rig Mobilization         237         40,000         337         20,000         6           Welding Services         238         3,000         338         1,500           Water Disposal         239         399         25,000         2           Plug to Abandon         240         344         341         341         341         341         341         341         341         341         342         342         340         342         340         5         342         1,000         2         500         342         1,000         2         500         342         1,000         2         343         131,300         233         2,58         343         131,300         233         2,58         343         131,300         2,38         343         131,300         2,38         343         131,300         2,38         343         131,300         2,38         343         131,300         2,38         2,58         343         131,300         2,38         343         343         343         343         343         343         343         343         343         344 <td></td> <td> 225</td> <td>45 000</td> <td></td> <td>45.000</td> <td>60,00</td>   |   | 225                | 45 000                                 |                  | 45.000      | 60,00          |
| Trucking/Forklift/Rig Mobilization         237         40,000         337         20,000         6           Welding Services         238         3,000         338         1,500         2           Welding Services         239         339         25,000         2           Plug to Abandon         240         340         341         341           Closed Loop & Environmental         244         50,000         344         5           Miscellaneous         242         5,000         342         1,000         23           Contingency         243         105,000         343         131,300         23           TANGIBLE COSTS         341 <td></td> <td></td> <td></td> <td></td> <td></td> <td>70,00</td>   |   |                    |  |                  |             | 70,00          |
| Welding Services         238         3,000         338         1,500           Water Disposal         239         339         25,000         2           Plug to Abandon         240         340         341         541           Closed Loop & Environmental         244         50,000         344         5           Miscellaneous         242         5,000         342         1,000         23           Contingency         243         105,000         343         131,300         23           TOTAL INTANGIBLES         1,151,000         1,436,000         2,58           TANGIBLE COSTS           Surface Casing         401         402         503         51,000         5           TOTAL INTANGIBLE CASING         402         503         51,000         5         5           Froduction Casing/Liner 4200' - 4.5"         503         51,000         5 <t< td=""><td></td><td></td><td></td><td></td><td></td><td>60,00</td></t<>  |   |                    |  |                  |             | 60,00          |
| Plug to Abandon   240  |   |                    |  |                  |             | 4,50           |
| Seismic Analysis   241   341   | Water Disposal                              | 239                |  | 339              | 25,000      | 25,00          |
| Closed Loop & Environmental       244       50,000       344       5         Miscellaneous       242       5,000       342       1,000         Contingancy       243       105,000       343       131,300       23         TOTAL INTANGIBLES       1,151,000       1,436,000       2,58         TANGIBLE COSTS         Surface Casing       401       402       503       51,000       5         Production Casing/Liner 4200' - 4.5"       503       51,000       5       5         Tubing       504       506       505       5       5       5       6       7   | <del></del>                                 |                    |  |                  |             |                |
| Miscellaneous       242       5,000       342       1,000         Contingency       243       105,000       343       131,300       23         TOTAL INTANGIBLES       1,151,000       1,436,000       2,58         TANGIBLE COSTS         Surface Casing       401       402       503       51,000       5         Production Casing/Liner 4200' - 4.5"       503       51,000       5         Tubing       504       505       505       505       505       505       505       505       506       507       506 <td></td> <td></td> <td></td> <td>****</td> <td></td> <td></td>  |   |                    |  | ****             |             |                |
| Contingency         243         105,000 1,151,000         343         131,300 2,358           TOTAL INTANGIBLES         1,151,000         1,436,000         2,588           TANGIBLE COSTS           Surface Casing         401         402         503         51,000         5           Intermediale Casing         402         503         51,000         5           Production Casing/Liner 4200' - 4.5"         503         51,000         5           Wellhead Equipment         405         505         505           Pumping Unit         506         508         508         508           Pumping Unit         506         508         508         508         508         508         509   |   |                    |  | _                | 1.000       | 50,00          |
| TOTAL INTANGIBLES         1,151,000         1,436,000         2,58           TANGIBLE COSTS           Surface Casing         401           Intermediate Casing         402         503           Production Casing/Liner 4200' - 4.5"         503         51,000         5           Tubing         504         505         505           Pumping Unit         506         507         6           Pumping Unit         506         507         6         507         6 <t< td=""><td></td><td></td><td></td><td>_</td><td></td><td>236,300</td></t<>  |   |                    |  | _                |             | 236,300        |
| TANGIBLE COSTS   Surface Casing   401  |   |                    |  | <sup>343</sup> – |             | 2,587,000      |
| Surface Casing   |   |                    | 7,101,000                              | _                | 1,400,000   | 2,007,000      |
| Surface Casing   | TANGIBLE COSTS                              |                    |  |                  |             |                |
| Production Casing/Liner 4200' - 4.5"   | Surface Casing                              | 401                |  |                  |             | 1,200          |
| Tubing   |   | 402                |  | 503              |             |                |
| Wellhead Equipment       405       505         Pumping Unit       506         Prime Mover       507         Rods       508         Pumps       509         Tanks       510         Flowlines       511         Heater Treater/Separator       512         Electrical System       513         Packers/Anchors/Hangers       414       514       230,000       230         Couplings/Fittings/Valves       415       2,000       515       25,000       27         Gas Compressors/Meters       516       4,000       4   |   |                    |  |                  | 51,000      | 51,000         |
| Pumping Unit   So6   Prime Mover   So7   So8   So8   So8   So8   So8   So8   So9     |   |                    |  | _                |             |                |
| Prime Mover         507           Rods         508           Pumps         509           Tanks         510           Flowlines         511           Heater Treater/Separator         512           Electrical System         513           Packers/Anchors/Hangers         414         514         230,000         230           Couplings/Fittings/Valves         415         2,000         515         25,000         27           Gas Compressors/Meters         516         4,000         4           Dehydrator         517         517         518           Miscellaneous         419         1,000         519         1,000         2           Contingency         420         1,000         520         32,000         33         34           TOTAL TANGIBLES         4,000         343,000         343         34   |   | <del>- 405</del> - |  | _                |             |                |
| Solution    |   |                    |  | _                | <del></del> |                |
| Pumps   509  |   |                    |  |                  | ···         |                |
| Tanks  |   |                    | <del></del>                            |                  | *           |                |
| Flowlines  |   | _                  |  |                  |             |                |
| Section   Sect   |   |                    |  | _                |             | <del></del>    |
| Packers/Anchors/Hangers     414     514     230,000     230       Couplings/Fittings/Valves     415     2,000     515     25,000     27       Gas Compressors/Meters     516     4,000     4       Dehydrator     517     ***       njection Plant/CO2 Equipment     518     ***       Miscellaneous     419     1,000     519     1,000     2       Contingency     420     1,000     520     32,000     33       TOTAL TANGIBLES     4,000     343,000     347       TOTAL WELL COSTS     1,155,000     1,779,000     2,934  | Heater Treater/Separator                    |                    |  | 512              |             |                |
| Couplings/Fittings/Valves         415         2,000         515         25,000         27           Gas Compressors/Meters         516         4,000         4           Dehydrator         517         ***           njection Plant/CO2 Equipment         518         ***           Wiscellaneous         419         1,000         519         1,000         2           Contingency         420         1,000         520         32,000         33           TOTAL TANGIBLES         4,000         343,000         347           TOTAL WELL COSTS         1,155,000         1,779,000         2,934  |   |                    |  | 513              |             |                |
| Gas Compressors/Meters     516     4,000     4       Dehydrator     517        njection Plant/CO2 Equipment     518        Viscellaneous     419     1,000     519     1,000     2       Contingency     420     1,000     520     32,000     33       TOTAL TANGIBLES     4,000     343,000     343       TOTAL WELL COSTS     1,155,000     1,779,000     2,934  |   |                    |  | _                |             | 230,000        |
| Selection   Sele   |   | <del></del> 415    | 2,000                                  |                  | <del></del> | 27,000         |
| njection Plant/CO2 Equipment         518           Viscellaneous         419         1,000         519         1,000         2           Contingency         420         1,000         520         32,000         33           TOTAL TANGIBLES         4,000         343,000         347           TOTAL WELL COSTS         1,155,000         1,779,000         2,934  | DES COMPTOSSOS MECOTS                       |                    |  | _                | 4,000       | 4,000          |
| Wiscellaneous         419         1,000         519         1,000         2           Contingency         420         1,000         520         32,000         33           TOTAL TANGIBLES         4,000         343,000         347           TOTAL WELL COSTS         1,155,000         1,779,000         2,934   |   |                    |  |                  |             | <u></u>        |
| Contingency         420         1,000         520         32,000         33           TOTAL TANGIBLES         4,000         343,000         347           TOTAL WELL COSTS         1,155,000         1,779,000         2,934   |   | — <sub>419</sub> — | 1.000                                  |                  | 1.000       | 2,000          |
| TOTAL TANGIBLES         4,000         343,000         347           TOTAL WELL COSTS         1,155,000         1,779,000         2,934   |   |                    |  |                  |             | 33,000         |
| TOTAL WELL COSTS 1,155,000 1,779,000 2,934   |   |                    |  | _                |             | 347,000        |
|  |   |                    |  |                  |             | 2,934,000      |
|  | <b>\$</b>                                   |                    |  | _                |             |                |
| LLL 1 Verboar  | Section                                     |                    |  |                  |             |                |
| COG Operating LLC  | COG Operating LLC  By: J. Coffman / C. Bird | <u>D</u>           | ate Prepared:                          | 5/17/11          |             |                |

| By: J. Comman / C. Bird | Date Prepared: 5/1//11 |
|-------------------------|------------------------|
| <del></del>             |                        |

| % Working Interest |  |
|--------------------|--|
| Company:           |  |
| Ву:                |  |
| Printed Name:      |  |





 WELL NAME: Puckett "24" Federal #4H
 PROSPECT NAME: Puckett

 Surf. Loc:
 75' FSL, 1902' FWL, Sec 24, 17S-31E
 COUNTY & STATE: Eddy Co, NM

 BHL:
 330' FNL, 1980' FWL, Sec 24, 17S-31E
 OBJECTIVE: 9900' MD (5500' TVD) Paddock

| INTANGIBLE COSTS  |            | <u>BCP</u>                            |                  | <u>ACP</u>           | TOTAL              |
|---|------------|---------------------------------------|------------------|----------------------|--------------------|
| Title/Curative/Permit   | 201        | 10,000                                | —                |                      | 10,00              |
| nsurance  | 202        | 22,000                                | 302 _            | <del></del>          | 22,00              |
| Damages/Right of Way  | 203        |                                       | 303              |                      |                    |
| Survey/Stake Location<br>Location/Pits/Road Expense                 | 204<br>205 | 10,000                                | 304<br>305       | 10,000               | 20,00              |
| Orilling / Completion Overhead                                      | 206        | 5,000                                 | 306 —            | 1,000                | 6,00               |
| Furnkey Contract  | 207        |                                       | 307              | 1,000                | 0,0                |
| ootage Contract   | 208        |                                       | 308              | <del></del>          |                    |
| Daywork Contract 12:3 @ \$13000/day                                 | 209        | 156,000                               | 309              | 39,000               | 195,00             |
| Directional Drilling Services, With RS                              | 210        | 350,000                               | 310              |                      | 350,00             |
| Fuel & Power  | 211        | 68,000                                | 311 —            | 17,000               | 85,00              |
| Vater<br>Bits   | 212<br>213 | 25,000<br>30,000                      | 312<br>313       | 75,000<br>1,000      | 100,00             |
| Aud & Chemicals   | 214        | 15,000                                | 314              | 1,000                | 15,00              |
| Orill Stem Test   | 215        |                                       | 315              |                      |                    |
| Coring & Analysis   | 216        |                                       |                  |                      |                    |
| Cement Surface  | 217        |                                       |                  |                      |                    |
| Cement Intermediate   | 218        |                                       | 240 -            |                      |                    |
| Cement 2nd Intermediate 7" Cement Squeeze & Other (NO Kickoff Plug) | 218<br>220 | ^^                                    | 319<br>320 —     | <u>^</u>             |                    |
| loat Equipment & Centralizers                                       | 221 -      | · · · · · · · · · · · · · · · · · · · | 321 —            |                      |                    |
| Casing Crews & Equipment  | 222        |                                       | 322              | 13,000               | 13,00              |
| ishing Tools & Service*   | 223        | 100,000                               | 323              |                      | 100,00             |
| Geologic/Engineering  | 224        | 10,000                                | 324              | 1,000                | 11,00              |
| Contract Labor  | 225        | 10,000                                | 325              | 30,000               | 40,00              |
| Company Supervision   | 226        | 2,000                                 | 326              | 2,000                | 4,00               |
| Contract Supervision  | 227        | 17,000                                | 327              | 4,200                | 21,20              |
| esting Casing/Tubing //ud Logging Unit                              | 228<br>229 | 12,000                                | 328 <u> </u>     | 1,500                | 5,50<br>12,00      |
| ogging Chit   | 230        | 12,000                                | 330              |                      | 12,00              |
| Perforating/Wireline Services                                       | 231        | 15,000                                | 331              | 12,500               | 27,50              |
| Stimulation/Treating  | -          |                                       | 332              | 950,000              | 950,00             |
| Completion Unit   | _          | 12,000                                | 333              | 45,000               | 57,00              |
| Swabbing Unit   |            |                                       | 334              |                      |                    |
| Rentals-Surface   | 235        | 15,000                                | 335              | 45,000               | 60,00              |
| Rentals-Subsurface<br>Frucking/Forklift/Rig Mobilization            | 236<br>237 | 60,000<br>40,000                      | <sup>336</sup> — | 20,000               | 70,00              |
| Velding Services  | 238        | 3,000                                 | 338              | 1,500                | 4,50               |
| Vater Disposal  | 239        | 0,000                                 | 339              | 25,000               | 25,00              |
| Plug to Abandon   | 240        |                                       | 340 —            |                      |                    |
| Seismic Analysis  | 241        |                                       | 341              |                      |                    |
| Closed Loop & Environmental   | 244        | 50,000                                | 344              |                      | 50,00              |
| Miscellaneous   | 242        | 5,000                                 | 342 —            | 1,000                | 6,00               |
| Contingency TOTAL INTANGIBLES                                       | 243 _      | 105,000<br>1,151,000                  | 343              | 131,300<br>1,436,000 | 236,30<br>2,587,00 |
| TOTAL INTANGIBLES   | -          | 1,131,000                             | -                | 1,430,000            | 2,367,00           |
| TANGIBLE COSTS  |            |                                       |                  |                      |                    |
| urface Casing   | 401        |                                       |                  |                      | 1,20               |
| ntermediate Casing  | 402        |                                       | 503              |                      |                    |
| roduction Casing/Liner 4200' - 4.5"                                 |            |                                       | 503              | 51,000               | 51,00              |
| ubing   |            |                                       | 504              | <del></del>          |                    |
| Vellhead Equipment  | 405        | ·                                     | 505              | ····                 |                    |
| umping Unit   | _          |                                       | 506              | <del></del>          |                    |
| rime wover<br>lods  | -          |                                       | 507<br>508       | <del></del>          |                    |
| umps  | -          | <del></del>                           | 509 —            |                      |                    |
| anks  |            |                                       | 510 —            |                      |                    |
| lowlines  | -          | <del></del>                           | 511              | · ·                  |                    |
| eater Treater/Separator   | _          |                                       | 512              |                      |                    |
| lectrical System  |            |                                       | 513              |                      |                    |
| ackers/Anchors/Hangers  | 414 -      | 2.000                                 | 514              | 230,000<br>25,000    | 230,00             |
| ouplings/Fittings/Valves<br>as Compressors/Meters                   | 415 _      | 2,000                                 | <sup>515</sup> — | 4,000                | 4,00               |
| ehydrator   | -          | <del></del>                           | 517 —            | -1,000               | 4,00               |
| errydrator  | -          |                                       | 518              |                      | ·                  |
| liscellaneous   | 419        | 1,000                                 | 519              | 1,000                | 2,00               |
| onlingency  | 420        |                                       | 520              | 32,000               | 33,00              |
| TOTAL TANGIBLES   | _ =        | 4,000                                 |                  | 343,000              | 347,00             |
| TOTAL WELL COSTS  |            | 1,155,000                             |                  | 1,779,000            | 2,934,00           |
|   |            |                                       |                  |                      |                    |

We approve:

Printed Name: Title:

\_% Working Interest

Company: By:

This AFE is only an estimate. By signing you agree to pay your share

#### U.S. Certified Mail Return Receipt Requested

Zorro Partners 616 Texas Street Fort Worth, TX 76102

RE:

New Well Proposal

Puckett "24" Federal #4H

SHL: 75' FSL & 1902' FWL (Unit N) of Section 24, T17S, R31E BHL: 330' FNL & 1980 FWL, (Unit C) of Section 24, T17S, R31E

Eddy County, New Mexico

#### Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Puckett "24" Federal #4H, as a triple lateral well at the captioned location, or a legal location within said Unit N, to depths of approximately 5,500' TVD, 9.900' MD for a Paddock lateral; 6,100' TVD, 10,500' MD for an Upper Blinebry lateral; and 6,600' TVD, 11,021' MD for a Lower Blinebry lateral ("Operation"). The total cost of the Operation is estimated to be \$9,648,000.00 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

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 the undersigned at 432-685-4354.

Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL Senior Landman

Enclosure (-)

Package ID: 9171999991703040428314

Electronic Certified First Class Large Envelope

Confirmation Services Destination ZIP Code: 76102 Customer Reference: Recipient: <u>ARRO</u>

PBP Account #: 41592288 Serial #: 1364097

| IDER: COMPLETE THIS SECTION  |                | COMPLETE THI                                | S SECTION ON DE  | LIVERY   |
|--|----------------|---|--|--|
| iomplete items 1, 2, and 3. Also complete<br>em 4. if Restricted Delivery is desired.<br>rint your name and address on the reverse |                | A. Signature                                | 20ec   | Agent Addressee  |
| o that we can return the card to you:<br>ttach this card to the back of the ma<br>r on the front if space permits.                 |                | B. Received by (                            | Printed Name)  | C. Date of Delivery  |
| rticle Addressed to  |                | 27 C.   | dress different from It<br>delivery address beli               | White the second |
| rro Partners   |                |   |  | 1.   |
| le Texas Street rt Worth, TX 76102   |                |   | A. Ant. N  |  |
| ckett 24 Federal #4H   |                | 3. Service Type  IV Certified M  Registered | e Saudi III (Carrotti Vivolati II rom Saudi III (Carrotti III) | fall<br>celpt for Merchandise  |
|  |                | ☐ Negistaled<br>☐ Insured Ma                |  | Celpt for Merchandise  |
|  |                | 4. Restricted De                            | livery? (Extra Fee)  | ☐ Yes  |
| rticle Number cransfer from service label)   | 11 7199        | 9991 7D3                                    | 30 4042 <b>8</b>   | 314  |
| om 3811, February 2004   | Domestic Retur | n Receipt                                   |  | 102595-02-M-1540   |





 WELL NAME:
 Puckett "24" Federal #4H
 PROSPECT NAME:
 Puckett

 Surf. Loc:
 75' FSL, 1902' FWL, Sec 24, 17S-31E
 COUNTY & STATE:
 Eddy Co, NM

 BHL:
 330' FNL, 1980' FWL, Sec 24, 17S-31E
 OBJECTIVE: 11021' MD (6600' TVD) Lower Blinebry

 WO/Pilot, 160 Acre
 OBJECTIVE: 11021' MD (6600' TVD)

| INTANGIBLE COSTS   |     | ВСР                    | ž'         | ACP                  | TOTAL                   |
|--|-----|------------------------|------------|----------------------|-------------------------|
| Title/Curative/Permit  | 201 | 10,000                 |            |                      | 10,000                  |
| Insurance  | 202 | 22,000                 | 302        |                      | 22,000                  |
| Damages/Right of Way   | 203 | 15,000                 | 303        |                      | 15,000                  |
| Survey/Stake Location  | 204 | 3,000                  | 304        |                      | 3,000                   |
| Location/Pits/Road Expense                                   | 205 | 40,000                 | 305        | 65,000               | 105,000                 |
| Drilling / Completion Overhead                               | 206 | 5,000                  | 306        | 1,000                | 6,000                   |
| Turnkey Contract   | 207 |                        | 307        |                      | 0                       |
| Footage Contract   | 208 |                        | 308        |                      | 0                       |
| Daywork Contract 20:2 @ \$13000/day                          | 209 | 260,000                | 309        | 26,000               | 286,000                 |
| Directional Drilling Services, With RS                       | 210 | 400,000                | 310        |                      | 400,000                 |
| Fuel & Power   | 211 | 112,500                | 311        | 11,250               | 123,750                 |
| Water  | 212 | 30,000                 | 312        | 75,000               | 105,000                 |
| Bits   | 213 | 45,000                 | 313        | 1,000                | 46,000                  |
| Mud & Chemicals  | 214 | 25,000                 | 314        |                      | 25,000                  |
| Drill Stem Test  | 215 |                        | 315        |                      | 0                       |
| Coring & Analysis  | 216 | \$                     |            |                      | 0                       |
| Cement Surface   | 217 | 16,000                 |            |                      | 16,000                  |
| Cement Intermediate  | 218 | 16,000                 |            |                      | 16,000                  |
| Cement Production 7"x5.5"                                    | 218 |                        | 319        | 70,000               | 70,000                  |
| Cement Squeeze & Other (NO Kickoff Plug)                     | 220 |                        | 320        |                      | 0                       |
| Float Equipment & Centralizers                               | 221 | 3,500                  | 321        | 15,000               | 18,500                  |
| Casing Crews & Equipment                                     | 222 | 7,000                  | 322        | 13,000               | 20,000                  |
| Fishing Tools & Service                                      | 223 |                        | 323        |                      | 0                       |
| Geologic/Engineering   | 224 | 10,000                 | 324        | 1,000                | 11,000                  |
| Contract Labor   | 225 | 10,000                 | 325        | 30,000               | 40,000                  |
| Company Supervision  | 226 | 2,000                  | 326        | 2,000                | 4,000                   |
| Contract Supervision   | 227 | 28,000                 | 327        | 4,000                | 32,000                  |
| Testing Casing/Tubing  | 228 | 4,000                  | 328        | 1,500                | 5,500                   |
| Mud Logging Unit   | 229 | 16,000                 | 329        |                      | 16,000                  |
| Logging  | 230 | , , 0                  | 330        | 5,000                | 5,000                   |
| Perforating/Wireline Services                                | 231 | 3,500                  | 331        | 125,000              | 128,500                 |
| Stimulation/Treating   |     |                        | 332        | 760,000              | 760,000                 |
| Completion Unit  |     |                        | 333        | 40,000               | 40,000                  |
| Swabbing Unit  |     |                        | 334        |                      | 0                       |
| Rentals-Surface  | 235 | 20,000                 | 335        | 100,000              | 120,000                 |
| Rentals-Subsurface   | 236 | 30,000                 | 336        | 10,000               | 40,000                  |
| Trucking/Forklift/Rig Mobilization                           | 237 | 40,000                 | 337        | 100,000              | 140,000                 |
| Welding Services   | 238 | 3,000                  | 338        | 1,500                | 4,500                   |
| Water Disposal   | 239 |                        | 339        | 25,000               | 25,000                  |
| Plug to Abandon  | 240 |                        | 340        |                      | 0                       |
| Seismic Analysis   | 241 |                        | 341        |                      | 0                       |
| Closed Loop & Environmental                                  | 244 | 120,000                | 344        |                      | 120,000                 |
| Miscellaneous  | 242 | 5,000                  | 342        | 1,000                | 6,000                   |
| Contingency  | 243 | 131,500                | 343        | 149,750              | 281,250                 |
| TOTAL INTANGIBLES  |     | 1,433,000              |            | 1,633,000            | 3,066,000               |
| TANCIDI E COSTE  |     |                        |            | •                    |                         |
| TANGIBLE COSTS   | 404 | 22.022                 |            |                      | 4.000                   |
| Surface Casing 550' 13 3/8" Intermediate Casing 1850' 9 5/8" | 401 | 20,000                 |            |                      | 1,200                   |
| Production Casing/Liner 6900' - 7", 4200' - 5.5"             | 402 | 48,000                 | 503        |                      | 48,000                  |
| Tubing 6200' 2 7/8"  |     |                        | 503        | 260,000              | 260,000                 |
| Wellhead Equipment   | 405 |                        | 504        | 38,000               | 38,000                  |
| Pumping Unit   | 405 |                        | 505        | 18,000               | 48,000                  |
| Prime Mover  |     |                        | 506        | 97,000               | 97,000                  |
| Rods   |     |                        | 507        | 20,000               | 0 000                   |
| Pumps  |     |                        | 508<br>509 | 39,000<br>4,500      | 39,000                  |
| Tanks  |     |                        | 509<br>510 | 20,000               | 20,000                  |
| Flowlines  |     |                        | 510<br>511 | 15,000               | 15,000                  |
| Heater Treater/Separator                                     |     |                        | 512        | 25,000               | 25,000                  |
| Electrical System  |     |                        | 512<br>513 | 20,000               | 25,000                  |
| Packers/Anchors/Hangers                                      | 414 |                        | 514 ·      |                      |                         |
| Couplings/Fittings/Valves                                    | 415 |                        | 515        | 25,000               | 27,000                  |
| Gas Compressors/Meters                                       |     |                        | 516        | 4,000                | 4,000                   |
| Dehydrator   |     |                        | 517        |                      | 0                       |
| Injection Plant/CO2 Equipment                                |     |                        | 518        | 4                    | 0                       |
| Miscellaneous  | 419 | 1,000                  | 519 Î      | 1,000                | 2,000                   |
| Contingency  | 420 | 11,000                 | 520 Î      | 55,500               | 66,500                  |
| TOTAL TANGIBLES  |     | 112,000                | •          | 602,000              | 714,000                 |
| TOTAL WELL COSTS   |     | 1,545,000              | •          | 2,235,000            | 3,780,000               |
|  |     |                        |            |                      |                         |
|  |     |                        |            |                      |                         |
| COG Operating LLC  |     |                        |            |                      |                         |
|  |     | _                      |            | e fi                 |                         |
| By: J. Coffman / C. Bird                                     |     | Date Prepared: 5       | /16/1      | 1                    |                         |
|  |     |                        |            |                      |                         |
|  |     |                        |            |                      |                         |
| We approve:  |     |                        |            |                      | .es                     |
| % Working Interest   |     |                        |            |                      | <b>\$</b> Ĵ             |
| Ö  |     |                        |            |                      |                         |
| Company:   |     |                        |            |                      | •                       |
| Ву:  |     |                        |            |                      |                         |
| Printed Name:  |     |                        |            |                      |                         |
| Printed Name: Title:   |     | This AFF is selver a   | e:         | ata Ryelaniaa yay aa | gree to pay your share  |
| Date:  |     | of the actual costs in |            |                      | tion to buy your ariate |
| •••••  |     | I I I I I I I I I I    |            |                      |                         |





PROSPECT NAME: Puckett
COUNTY & STATE: Eddy Co, NM
OBJECTIVE: 10500' MD (6100' TVD) Upper Blinebry WELL NAME: Puckett "24" Federal #4H Surf. Loc: 75' FSL, 1902' FWL, Sec 24, 17S-31E BHL: 330' FNL, 1980' FWL, Sec 24, 17S-31E

WO/Pilot, 160 Acre **INTANGIBLE COSTS** <u>ACP</u> TOTAL **BCP** 201 10,000 10,000 Title/Curative/Permit-202 22,000 302 22,000 Insurance Damages/Right of Way 203 303 0 Survey/Stake Location 204 304 0 205 10,000 305 Location/Pits/Road Expense 10,000 20,000 6,000 Drilling / Completion Overhead 206 5,000 306 1,000 Turnkey Contract 207 307 0 Footage Contract 208 308 n 195,000 156,000 Daywork Contract 12:3 @ \$13000/day 209 309 39,000 Directional Drilling Services, With RS 210 350,000 310 350.000 17,000 85,000 211 311 68,000 Fuel & Power 100,000 Water 212 25,000 312 75,000 Bits 213 30,000 313 31,000 1,000 Mud & Chemicals 214 15,000 314 15,000 **Drill Stem Test** 215 315 0 216 0 Coring & Analysis 0 Cement Surface 217 Cement Intermediate 218 0 Cement 2nd Intermediate 7 218 319 0 Cement Squeeze & Other (NO Kickoff Plug) 220 320 0 221 0 Float Equipment & Centralizers 321 Casing Crews & Equipment 222 322 13,000 13,000 Fishing Tools & Service 223 100,000 100,000 323 Geologic/Engineering 224 10,000 324 1,000 11.000 Contract Labor 225 10.000 325 30,000 40,000 Company Supervision 226 2,000 2,000 4,000 326 Contract Supervision 227 17,000 327 4,200 21,200 Testing Casing/Tubing 228 4,000 328 1,500 5,500 Mud Logging Unit 229 12,000 329 12,000 230 Logging 330 0 Perforating/Wireline Services 12,500 27,500 231 15,000 331 Stimulation/Treating 950,000 950,000 Completion Unit 12,000 333 45,000 57,000 Swabbing Unit 334 0 Rentals-Surface 235 15,000 45,000 60,000 335 Rentals-Subsurface 236 60,000 336 10,000 70,000 Trucking/Forklift/Rig Mobilization 237 40,000 337 20,000 60,000 Welding Services 238 3,000 338 1.500 4,500 Water Disposal 239 339 25,000 25,000 Plug to Abandon 240 340 Seismic Analysis 241 341 0 50,000 50,000 Closed Loop & Environmental 244 344 242 5,000 342 1,000 Miscellaneous 6,000 105,000 236,300 Contingency 243 131,300 343 TOTAL INTANGIBLES 1,436,000 2,587,000 1,151,000 **TANGIBLE COSTS** Surface Casing 401 1,200 Intermediate Casing 402 503 0 Production Casing/Liner 4200' - 4.5' 51,000 51,000 503 Tubing 504 0 Wellhead Equipment 405 505 0 0 Pumping Unit 506 Prime Mover 507 Rods 508 0 Pumps 509 0 Tanks 510 n 511 0 Heater Treater/Separator 512 ō Electrical System 513 Packers/Anchors/Hangers 230,000 230,000 414 514 Couplings/Fittings/Valves 415 2,000 515 25,000 27,000 Gas Compressors/Meters 516 4,000 4,000 Dehydrator 517 Injection Plant/CO2 Equipment 518 Miscellaneous 419 1,000 1,000 519 2,000 Contingency
TOTAL TANGIBLES 420 1,000 32,000 33,000 520 4,000 343.000 347,000 TOTAL WELL COSTS 1,155,000 1,779,000 2,934,000 COG Operating LLC By: J. Coffman / C. Bird Date Prepared: 5/17/11 We approve: \_% Working Interest Company: By: Printed Name: Title:

This AFE is only an estimate. By signing you agree to pay your share





WELL NAME: Puckett "24" Federal #4H
Surf. Loc: 75' FSL, 1902' FWL, Sec 24, 17S-31E
BHL: 330' FNL, 1980' FWL, Sec 24, 17S-31E
WO/Pilot, 160 Acre PROSPECT NAME: Puckett
COUNTY & STATE: Eddy Co, NM
OBJECTIVE: 9900' MD (5500' TVD) Paddock

| WO/Pilot, 160 Acre                                | -                     |                        |            |                          |                      |
|---|-----------------------|------------------------|------------|--------------------------|----------------------|
| INTANGIBLE COSTS                                  |                       | BCP                    |            | ACP                      | TOTAL                |
| Title/Curative/Permit                             | _ 201                 | 10,000                 |            | <del>~~~~</del>          | 10,000               |
| Insurance   | _ 202                 | 22,000                 | 302        |                          | 22,000               |
| Damages/Right of Way                              | _ 203                 | <u>-</u>               | 303        |                          | 0                    |
| Survey/Stake Location Location/Pits/Road Expense  | - 204<br>205          | 10,000                 | 304<br>305 | 40.000                   | 0 20 200             |
| Drilling / Completion Overhead                    | - 205<br>206          | 5,000                  | 306        | 10,000<br>1,000          | 20,000               |
| Turnkey Contract                                  | 207                   | *:                     | 307        | 7,000,1                  | 0,000                |
| Foolage Contract                                  | 208                   |                        | 308        |                          |                      |
| Daywork Contract 12:3 @ \$13000/day               | 209                   | 156,000                | 309        | 39,000                   | 195,000              |
| Directional Drilling Services, With RS            | 210                   | 350,000                | 310        |                          | 350,000              |
| Fuel & Power                                      | 211                   | 68,000                 | 311        | 17,000                   | 85,000               |
| Water   | 212                   | 25,000                 | 312        | 75,000                   | 100,000              |
| Bits  | 213                   | 30,000                 | 313        | 1,000                    | 31,000               |
| Mud & Chemicals                                   | 214                   | 15,000                 | 314        |                          | 15,000               |
| Drill Stem Test                                   | 215                   |                        | 315        |                          | 0                    |
| Coring & Analysis Cement Sürface                  | _ 216                 |                        |            |                          | 0                    |
| Cement Intermediate                               | - 217<br>- 218        | <del></del>            |            | <del></del>              |                      |
| Cement 2nd Intermediate 7"                        | - 218                 |                        | 319        |                          | 0                    |
| Cement Squeeze & Other (NO Kickoff Plug)          | 220                   |                        | 320        |                          |                      |
| Float Equipment & Centralizers                    | - 221                 |                        | 321        |                          |                      |
| Casing Crews & Equipment                          | 222                   |                        | 322        | 13,000                   | 13,000               |
| Fishing Tools & Service                           | 223                   | 100,000                | 323        |                          | 100,000              |
| Geologic/Engineering                              | 224                   | 10,000                 | 324        | 1,000                    | 11,000               |
| Contract Labor                                    | 225                   | 10,000                 | 325        | 30,000                   | 40,000               |
| Company Supervision                               | 226                   | . 2,000                | 326        | 2,000                    | 4,000                |
| Contract Supervision                              | 227                   | 17,000                 | 327        | 4,200                    | 21,200               |
| Testing Casing/Tubing                             | 228                   | 4,000                  | 328        | 1,500                    | 5,500                |
| Mud Logging Unit                                  | _ 229                 | 12,000                 | 329        |                          | 12,000               |
| Logging   | 230                   | 45.000                 | 330        | 40.500                   | 0                    |
| Perforating/Wireline Services                     | _ ` 231               | 15,000                 | 331        | 12,500                   | 27,500               |
| Stimulation/Treating  Completion Unit             | -                     | 12,000                 | 332<br>333 | 950,000<br>45,000        | 950,000<br>57,000    |
| Swabbing Unit ::                                  | -                     | 12,000                 | 334        | 43,000                   | 37,000               |
| Rentals-Surface                                   | 235                   | 15,000                 | 335        | 45,000                   | 60,000               |
| Rentals-Subsurface                                | 236                   | 60,000                 | 336        | 10,000                   | 70,000               |
| Trucking/Forklift/Rig Mobilization                | 237                   | 40,000                 | 337        | 20,000                   | , 60,000             |
| Welding Services                                  | 238                   | 3,000                  | 338        | 1,500                    | 4,500                |
| Water Disposal                                    | 239                   |                        | 339        | 25,000                   | 25,000               |
| Plug to Abandon                                   | 240                   |                        | 340        |                          | 0                    |
| Seismic Analysis                                  | 241                   |                        | 341        |                          | 0                    |
| Closed Loop & Environmental                       | 244                   | 50,000                 | 344        |                          | 50,000               |
| Miscellaneous                                     | - 242                 | 5,000                  | 342        | 1,000                    | 6,000                |
| Contingency TOTAL INTANGIBLES                     | - <sup>243</sup><br>- | 105,000<br>1,151,000   | 343        | 131,300<br>1,436,000     | 236,300<br>2,587,000 |
| TANCIDI E COSTO                                   |                       |                        |            |                          |                      |
| TANGIBLE COSTS                                    | 404                   |                        |            |                          | 4 200                |
| Surface Casing Intermediate Casing                | 401<br>402            | <del></del>            | 503        |                          | 1,200                |
| Production Casing/Liner 4200' - 4.5"              | - 402                 |                        | 503        | 51,000                   | 51,000               |
| Tubing  | -                     | ·                      | 504        | 31,000                   | 0                    |
| Wellhead Equipment                                | 405                   |                        | 505        |                          | 0                    |
| Pumping Unit                                      | -                     | <del></del>            | 506        | <del> </del>             |                      |
| Prime Mover                                       | -                     |                        | 507        |                          | 0                    |
| Rods  | •                     |                        | 508        |                          | 0                    |
| Pumps   | <u>-</u>              |                        | 509        |                          | 0                    |
| Tanks   | -                     |                        | 510        |                          | 0                    |
| Flowlines   |                       |                        | 511        |                          | ·0                   |
| Heater Treater/Separator                          | -                     |                        | 512        |                          | 0                    |
| Electrical System                                 | - 44.                 |                        | 513        | 000 000                  | 220,000              |
| Packers/Anchors/Hangers Countings/Fittings//alves | - 414<br>- 415        | 2,000                  | 514<br>515 | 230,000                  | 230,000              |
| Couplings/Fittings/Valves Gas Compressors/Meters  | - 415                 |                        | 516        | 4,000                    | 4,000                |
| Dehydrator  | -                     |                        | 517        | 7,000                    | 4,000                |
| Injection Plant/CO2 Equipment                     | -                     |                        | 518        |                          | 0                    |
| Miscellaneous                                     | 419                   | ···                    | 519        | 1,000                    | 2,000                |
| Contingency y                                     | 420                   | 1,000                  | 520        | 32,000                   | 33,000               |
| TOTAL TANGIBLES                                   | <u>-</u>              | 4,000                  |            | 343,000                  | 347,000              |
| TOTAL WELL COSTS                                  | - 40                  | 1,155,000              |            | 1,779,000                | 2,934,000            |
|   |                       |                        |            |                          |                      |
| COG Operating LLC                                 |                       |                        |            |                          |                      |
| By: J. Coffman / C. Bird                          |                       | Date Prepared: 5       | 5/17/1     | l1                       |                      |
|   | -                     |                        |            |                          |                      |
| We approve:% Working Interest                     |                       |                        |            |                          |                      |
| -   |                       |                        |            |                          |                      |
| Company:  | •                     |                        |            |                          | •                    |
| Ву:   | -                     |                        |            |                          |                      |
|   |                       |                        |            |                          |                      |
| Printed Name:                                     | -                     | This AEE is asked      | -c1i       | ate. By signing you agre | ee to nav vour share |
| Title:  | -                     | of the actual costs in |            |                          | to pay your oriers   |
|   |                       |                        |            |                          |                      |



June 20, 2011

U.S. Certified Mail Return Receipt Requested

Burnett Oil Company Burnett Plaza, Unit 9 801 Cherry Street, Suite 1500 Fort Worth, Texas 76102

RE: Amendment to New Well Proposal

Puckett "24" Federal #4H SL: 75' FSL & 1902' FWL (Unit N) of Section 24, T17S, R31E BHL: 330' FNL & 2310' FWL, (Unit C) of Section 24, T17S, R31E

Eddy County, New Mexico

Dear Sirs:

Reference is made to our letter to you dated June 20, 2011 proposing the subject well. Please note the following correction:

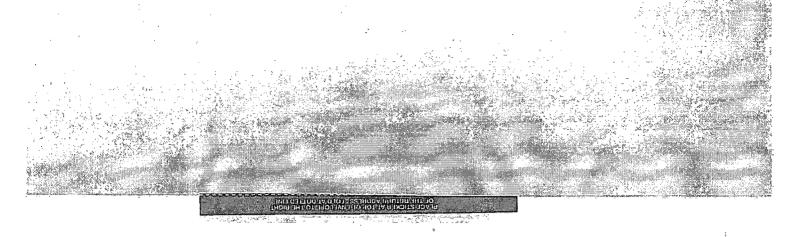
- The well will be drilled at an approved surface location within location unit letter N in Section 24.
- The approximate BHL has been moved to 330' FNL & 2310' FWL of Section 24.

If you have any questions, please do not hesitate to contact the undersigned at 432-685-4354.

Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL Senior Landman



| SENDER: COMPLETE THIS SECTION   | COMPLETE THIS SECTION ON DELIVERY  |
|---|--|
| Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.  Print your name and address on the reverse | A. Signature  X  |
| so that we can return the card to you.  Attach this card to the back of the mailplece, or on the front if space permits.        | B. Received by ( Printed Name) C. Date of Delivery   |
| 1. Article Addressed to:  | D. Is delivery address different from item 17  |
| Burnett Oil Company   |  |
| Burnett Plaza, Unit 9 801 Cherry Street, Suite 1500   | 3. Septice Type  |
| Fort Worth, Texas 73102<br>Puckett 24 Federal #4H   | ☐ Registered Mail ☐ Express Mail ☐ Registered ☐ Return Receipt for Merchandlee ☐ Insured Mail ☐ C.O.D. |
|   | 4. Restricted Delivery? (Extra Fee)  |
| 2. Article Numt 91 7199 9991 703  | 0 4047 8210  |
| PS Form 3811, February 2004 Domestic Ret  | turn Receipt 102595-02-M-1540  |



June 20, 2011

U.S. Certified Mail Return Receipt Requested

Javelina Partners 616 Texas Street Fort Worth, TX 76102

RE: Amendment to New Well Proposal

Puckett "24" Federal #4H

SL: 75' FSL & 1902' FWL (Unit N) of Section 24, T17S, R31E BHL: 330' FNL & 2310' FWL, (Unit C) of Section 24, T17S, R31E

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COG Operating LLC

Stuart A. Dirks, CPL Senior Landman



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|--|---|
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| 1. Article Addressed to:  Javalina Partners  616 Texas Street  | D: Is delivery address different from flem 1?  Yes  |
| Fort Worth, TX 76102<br>Puckett 24 Federal #4H   | 3. Service Type  72 Certified Mail Dexpress Mail  Registered Affecturn Receipt for Merchandise  Insured Mail C.O.D. |
| 2. Article Number 91 7199 9991   | 4. Restricted Delivery? (Extra Fee)   |
| PS Form 3811, February 2004 Domestic Ret   | um Recelpt 102595-02-M-1540   |



June 20, 2011

U.S. Certified Mail Return Receipt Requested

Zorro Partners, Ltd. 616 Texas Street Fort Worth, TX 76102

RE: Amendment to New Well Proposal

Puckett "24" Federal #4H SL: 75' FSL & 1902' FWL (Unit N) of Section 24, T17S, R31E BHL: 330' FNL & 2310' FWL, (Unit C) of Section 24, T17S, R31E Eddy County, New Mexico

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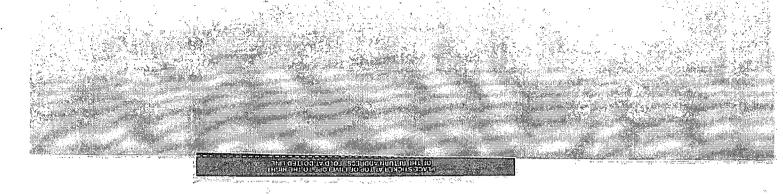
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Yours truly,

CQG Operating LLC

Stuart A. Dirks, CPL Senior Landman



| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY   |
|--|---|
| Complete items 1; 2; and 3. Also comitem 4 if Restricted Delivery is desired.  Print your name and address on the reso that we can return the card to you. | Yerse ☐ Agent ☐ Addressee   |
| Attach this card to the back of the ma or on the front if space permits.   | Ilplece; C. Date of Delivery  |
| 1. Article Addressed to:   | D. Is delivery address different from Item 17:  Yes If YES, enter delivery address below:  No |
| Zorro Partners   |   |
| 616 Texas Street   |   |
| Fort Worth, TX 76102<br>Puckett 24 Federal #4H   | 3. Seryice Type   |
|  | ☐ Insured Mail ☐ C.O.D.  4. Restricted Delivery? (Extra Fee) ☐ Yes                            |
| 2. Article Number 91 719   | 9 9991, 2030 4042 8192  |

| SENDER: COMPLETE THIS SECTION  | COMPLETE THIS SECTION ON DELIVERY  |  |
|--|--|--|
| Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.  Print your name and address on the reverse so that we can return the card to you.  Attach this card to the back of the malipiece, or on the front if space permits. | B. Received by (Penter Name) pate of Delvery  D. Is delivery address different from item 17. Yes |  |
| Burnett Oil Company Burnett Plaza, Unit 9 801 Cherry Street, Suite 1500 Fort Worth, Texas 73102 Puckett 24 Federal #4H   | D. Is delivery address different from item 1?  |  |
|  | 3. Sepvice Type  CP Certified Mail   |  |
|  | 4. Restricted Delivery? (Extra Fee)  |  |

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2 COMPLETE THIS SECTION ON DELIVERY SENDER: COMPLETE THIS SECTION Complete Items 1, 2, and 3. Also complete Item 4 If Restricted Delivery is desired.
 Print your name and address on the reverse □ Agent ☐ Addressee B. Received by (Printed Name) so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. ☐ Yes D. Is delivery address different from Item 17 1. Article Addressed to: If YES, enter delivery address below: Javalina Partners 616 Texas Street Service Type
 Certified Mail Fort Worth, TX 76102 ☐ Express Mall Puckett 24 Federal #4H ☐ Registered Aetum Receipt for Merchandise ☐ Insured Mail □ C.O.D: 4. Restricted Delivery? (Extra Fee) 2. Article Number 91 7199 9991 7030 4047 8203 (Transfer from servic PS Form 3811, February 2004 Domestic Return Receipt

| SENDER: COMPLETE THIS SECTION   | COMPLETE THIS SECTION ON DELIVERY   |
|---|-------------------------------------|
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|   | 4. Restricted Delivery? (Extra Fee) |