April 19, 2012

ConocoPhillips Company 600 N. Dairy Ashford 3WL-14066 Houston, TX 77079

Attn: Tom Scarbrough

Re:

Well Proposals

- Ouimet State Com #2H Well

T17S, R29E, Eddy County, New Mexico

Section 2: N/2N/2

SHL: 990' FNL & 330' FEL, or a legal location in Unit A BHL: 990' FNL & 330' FWL, or a legal location in Unit D

## Ouimet State Com #4H Well

T17S, R29E, Eddy County, New Mexico

Section 2: S/2N/2

SHL: 2310' FNL & 330' FEL, or a legal location in Unit H BHL: 2310' FNL & 330' FWL, or a legal location in Unit E

Dear Mr. Scarbrough:

COG Operating LLC (COG), as Operator, proposes to drill the Hogan State Com #4H & 2H wells as horizontal wells at the above-captioned locations to TVDs of approximately 5,250' and a MDs of 9,666' to test the Yeso Formation ("Operations"). The total cost of each Operation is estimated to be \$4,229,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). Agreement covers the entire N/2 of Section 2, T17S, R29E.

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

- 2 year primary term
- Delivering a 75% NRI, proportionately reduced
- \$1,000 per net acre bonus consideration

This offer is subject to management approval and approval of title.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Respectfully,

Brandon K. Gaynor Landman

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. 2 Submitted by:

COG OPERATING LLC Hearing Date: May 24, 2012

## COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

OUIMET STATE COM #2H PROSPECT NAME: EMPIRE 990' FNL & 330' FEL Sec 2 UL-A SHL: STATE & COUNTY: New Mexico, Eddy SH39 9666' MD (5250' TVD) NO PH P BHI: 990' FNL & 330' FWL Sec 2 UL-D OBJECTIVE: FORMATION: Lower Blinebry; Glorieta Yeso Formation LEGAL: SEC2 T17S-R29E UL- A - D **INTANGIBLE COSTS BCP** ACP TOTAL Title/Curative/Permit 201 10.000 10,000 Insurance 202 22,000 302 0 22,000 Damages/Right of Way 203 15,000 303 0 15,000 Survey/Stake Location 204 3,000 304 0 3,000 Location/Pits/Road Expense 205 50,000 305 15,000 65,000 Drilling / Completion Overhead 206 5.000 306 1.000 6.000 Turnkey Contract 207 0 307 0 0 Ó 0 Footage Contract 208 0 308 Daywork Contract (0 days f/spud-rls @ \$0) 209 336,000 280,000 309 56,000 Directional Drilling Services (0 dir days @ \$0) 175,000 210 175.000 310 0 Fuel & Power 211 60.000 311 12.000 72,000 Water 212 30,000 312 60,000 90,000 Bits 213 50,000 313 5,000 55,000 Mud & Chemicals 214 50,000 314 50,000 0 **Drill Stem Test** 215 0 315 0 0 Coring & Analysis 216 0 0 Cement Surface 217 40,000 40,000 Cement Intermediate 218 24,000 24,000 218 0 319 Cement 2nd Intermediate 7 33,135 33,135 Cement Squeeze & Other (Kickoff Plug) 220 0 320 0 0 Float Equipment & Centralizers 221 4.000 321 25.000 29.000 Casing Crews & Equipment 222 12.000 322 15,000 27,000 Fishing Tools & Service 223 323 Geologic/Engineering 1,000 11,000 224 10,000 324 325 Contract Labor 225 20,000 21,000 41,000 Company Supervision 226 2.000 326 2.000 4.000 Contract Supervision 227 6,400 38,400 32,000 327 Testing Casing/Tubing 228 5,000 328 12,000 17,000 Mud Logging Unit (logging f/24 days) 229 25,000 25,000 329 25,000 230 25.000 330 0 Perforating/Wireline Services 3,500 231 331 0 3.500 Stimulation/Treating 332 1,300,000 1,300,000 Completion Unit 333 24,000 24,000 3126 Swabbing Unit 334 335 Rentals-Surface 235 34,000 75.000 109.000 Rentals-Subsurface 236 52,000 336 10,000 62,000 Trucking/Forklift/Rig Mobilization 237 337 45,000 20.000 65,000 Welding Services 238 5,000 338 2,500 Water Disposal 239 15,000 15,000 339 Plug to Abandon 240 n 340 n n Seismid Analysis 241 0 341 0 0 Closed Loop & Environmental 244 96,000 344 0 96,000 Miscellaneous 242 5,000 342 1,000 6,000 Contingency 243 119,500 343 172,965 292,465 TOTAL INTANGIBLES 1,309,000 1,885,000 3,194,000 TANGIBLE COSTS Surface Casing (655' 13 3/8" 54.5# J55 STC) 401 29,000 29,000 Intermediate Casing(4050' 9 5/8" 36#/40# J55 BUTT) 503 402 36,000 36,000 Production Casing (13,450' 5 1/2" 17# N80/P.110) 503 234,000 234,000 35,000 Tubing 35,000 Wellhead Equipment 405 8,000 23,000 505 15,000 Pumping Unit 506 40,000 40,000 Prime Mover 507 20.000 20,000 Rods 508 24,000 24,000 Pumps 10,000 10,000 21,000 510 21,000 Flowlines 511 8,000 8,000 Heater Treater/Separator 512 30,000 30,000 Electrical System 513 11,250 11,250 Packers/Anchors/Hangers 335,000 335,000 Couplings/Fittings/Valves 415 2,500 515 45,000 47,500 Gas Compressors/Meters 516 14,500 14,500 Dehydrator 517 0 0 Injection Plant/CO2 Equipment ō 0 Miscellaneous 419 519 20,000 21,000 1,000 420 8.500 520 87.250 95,750 TOTAL TANGIBLES 85,000 950,000 1,035,000 TOTAL WELL COSTS 1,394,000 2,835,000 4,229,000 COG Oberating LLC Date Prepared: 4/17/12 JJ **COG Operating LLC** We approve: % Working Interest By: Chad Elliott Company: By Printed Name: Title: This AFE is only an estimate. By signing you agree to pay your share

Date:

## COG OPERATING LLC AUTHORITY FÖR EXPENDITURE DRILLING

A/EL   N.C.	ON ON THE COMMENT		LING	8 A F	CMDIDE	
NELL NAME	2310' FNL & 330' FEL Sec 2 UL-H		PROSPECT NA		: New Mexico, Edd	v
BHL:	2310' FNL & 330' FWL Sec 2 UL-E		OBJECTIVE:			5250' TVD) NO PH
ORMATION		ation				
EGAL:	SEC2 T17S-R29E UL- H - E				· · · · · · · · · · · · · · · · · · ·	
NTANGIBLI	E COSTS		BCP		ACP	TOTAL
itle/Curative/Po		201	10,000			10,0
nsurance		202	22,000	302	. 0	22,0
amages/Right	of Way	203	15,000	303	0	15,0
urvey/Stake Lo		204	3,000	304	0	3,0
ocation/Pits/Ro		205	50,000	305	15,000	65,0
	etion Overhead	_ 206	5,000	306	1,000	6,0
urnkey Contra- ootage Contra-		- <sup>207</sup>	0	307 308	0	
	ct (0 days f/spud-ris @ \$0)	- 200 209	280,000	309	56,000	336,0
	ng Services (0 dir days @ \$0)	- 210	175,000	310	0	175,0
uel & Power		211	60,000	311	12,000	72,0
Vater		212	30,000	312	60,000	90,0
its		213	50,000	313	5,000	55,0
fud & Chemica	ls	_ 214	50,000	314	0	50,0
rill Stem Test		215	0	315	0	
oring & Analys		_ 216	0		and the second second	
ement Surface		- <sup>217</sup> <sub>218</sub>	40,000			40,0
ement 2nd Inte		- 218 218	24,000	319	33,135	33,1
	e & Other (Kickoff Plug)	- 210		320	33,139	
<del> </del>	t & Centralizers	- 221	4,000	321	25,000	29,0
asing Crews &	Equipment	222	12,000	322	15,000	27,0
ishing Tools &		_ 223	0	323	0	
Seologic/Engine Contract Labor	eering	_ · 224	10,000	324 325	1,000	11,0 41,0
ompany Super	vision	- 226	2,000	326	2,000	4,0
ontract Superv	rision	227	32,000	327	6,400	38,4
esting Casing/		228	5,000	328	12,000	17,0
lud Logging Ur ogging	nit (logging f/24 days)	- <sup>229</sup>	25,000 25,000	329 330	0	25,0 25,0
erforating/Wire	line Services	- <sup>230</sup>	3,500	331		3,5
timulation/Trea				332	1,300,000	1,300,0
ompletion Unit				333	24,000	24,0
wabbing Unit entals-Surface		<sub>235</sub>	34,000	334 335	75,000	109,0
entals-Subsur		- <sup>236</sup>	52,000		10,000	62,0
	/Rig Mobilization	237	45,000	337	20,000	65,0
Velding Service	es	238	5,000	338	2,500	7,5
Vater Disposal lug to Abandor	<u> </u>	<sup>239</sup> 240	0	339 340	15,000	15,0
eismic Analysi		241	- 0	341	0	
losed Loop & I	Environmental	244	96,000	344	0	96,0
discellaneous		- <sup>242</sup>	5,000	342	1,000	6,0
Contingency TOTAL INTA	NGIBLES	_ 243	119,500	343	172,965 1,885,000	292,4 3,194,0
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ANGIBLE (						
	(655' 13 3/8" 54.5# J55 STC) sing(4050' 9 5/8" 36#/40# J55 BUTT)	- <sup>401</sup> 402	29,000	503	0	29,0
	ng (13,450' 5 1/2" 17# N80/P110)	_ 402	38,000	503	234,000	36,0 234,0
ubing		_	6432530437537532	504	35,000	35,0
Vellhead Equip	ment	405	8,000	505	15,000	23,0
umping Unit				506 507	40,000	40,0 20,0
Rods				508	24,000	24,0
umps	***			509	10,000	10,0
anks		_		510	21,000	21,0
lowlines	Separator		A SHOWN THE	511 512	8,000 30,000	8,0
leater Treater/S		_		512 513	11,250	30,0 11,2
ackers/Anchor		414	0	514	335,000	335,0
ouplings/Fittin		415	2,500	515	45,000	47,5
Sas Compresso Pehydrator	ors/Meters	_		516	14,500	14,5
	O2 Equipment	_	enja di	517 518	0	
liscellaneous		419	1,000	519	20,000	21,0
ontingency		420	8,500	520		95,7
TOTAL TAN	AL WELL COSTS	_	85,000 1,394,000		950,000 2,835,000	1,035,0 4,229,0
101	AL WELL COSTS	_	1,394,000		2,835,000	4,225,0
OG Operating	LLC				•	
			Date Prepared:		4/17/12	JJ
		_				<del></del>
			COG Operating LLC			
Ve approve:	ng Interest		Bur Chad Elli-H			
10 VVOIKII	ig interest		By: Chad Elliott			<del></del>
Company:		_				
By:		_	•			
Printed Name:						
itle:		_	This AFE is only an	estin	nate. By signing you ag	ree to pay your share
ate:		_	of the actual costs i			
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