



Sent Certified Mail  
Receipt No. 91-7199-9991-7030-0512-3018

August 29, 2013

Oxy Y-1 Company  
5 Greenway Plaza, Suite 110  
Houston, TX 77046-0521

Attn: Becky Bledsoe

RE: Well Proposal – Lee 3 Fee #8H  
SHL: 150' FSL & 330' FEL (Unit P)  
BHL: 330' FNL & 330' FEL (Unit A)  
Section 3, T19S, R26E, Eddy County, New Mexico

Dear Ms. Bledsoe:

COG Operating LLC ("COG"), as Operator, proposes to drill the Lee 3 Fee #8H well as a horizontal well at the above-captioned location or at an approved surface location within location unit letter P, to a depth of approximately 3000' TVD, 7415' MD to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,940,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates that it will spud the well on or before November 1, 2013.

COG is proposing to drill this well under the terms of the enclosed modified 1989 AAPL Model Form Operating Agreement ("OA") covering the E ½ of the E ½ of Section 3, T-19-S, R-26-E, with the following general provisions:

- 100/300 Non-consenting penalty
- Drilling and Producing rate:  
\$4500/\$450 for vertical wells from surface to 8000'  
\$5450/\$545 for vertical wells below 8000' and horizontal wells all depths
- COG named as Operator

This is the same form of OA with the same terms to which OXY and COG have previously agreed.

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

- Three year primary term
- Delivering a 77.5% NRI, proportionately reduced
- \$500 per net acre bonus consideration

This offer to acquire your interest is subject to the approval of COG's management and verification of title.

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

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. 5  
Submitted by: COG OPERATING LLC  
Hearing Date: October 3, 2013

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: Lee 3 Fee #8H	PROSPECT NAME: LAKEWOOD/CEMETARY
SHL: 150' FSL & 330' FEL	STATE & COUNTY: New Mexico, Eddy
BHL: 330' FNL & 330' FEL	OBJECTIVE: SH12 Yeso Horizontal
FORMATION: Yeso	DEPTH: 7,415
LEGAL: SEC 3 T19S-26E	TVD: 3,000

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	50,000	303	0	50,000
Survey/Stake Location	204	3,000	304	0	3,000
Location/Pits/Road Expense	205	60,000	305	25,000	85,000
Drilling / Completion Overhead	206	2,500	306	2,000	4,500
Turnkey Contract	207		307		0
Footage Contract	208		308		0
Daywork Contract (0 days f/spud-ris @ \$0)	209	218,000	309	44,000	262,000
Directional Drilling Services (0 dir days @ \$0)	210	140,000	310		140,000
Fuel & Power	211	57,000	311	12,000	69,000
Water	212	39,000	312	130,000	169,000
Bits	213	27,000	313	5,000	32,000
Mud & Chemicals	214	32,000	314	0	32,000
Drill Stem Test	215		315	0	0
Coring & Analysis	216				0
Cement Surface	217	48,000			48,000
Cement Intermediate	218	0			0
Cement 2nd Intermediate/Production	218	0	319	65,000	65,000
Cement Squeeze & Other (Kickoff Plug)	220	40,000	320	0	40,000
Float Equipment & Centralizers	221	2,000	321	30,000	32,000
Casing Crews & Equipment	222	5,000	322	12,000	17,000
Fishing Tools & Service	223		323		0
Geologic/Engineering	224	10,000	324		10,000
Contract Labor	225	20,000	325	21,000	41,000
Company Supervision	226	2,000	326	2,000	4,000
Contract Supervision	227	26,000	327	20,000	46,000
Testing Casing/Tubing	228	3,000	328	12,000	15,000
Mud Logging Unit (logging f/24 days)	229	14,000	329		14,000
Logging	230	25,000	330		25,000
Perforating/Wireline Services	231	3,500	331	50,000	53,500
Stimulation/Treating			332	1,100,000	1,100,000
Completion Unit			333	30,000	30,000
Swabbing Unit			334		0
Rentals-Surface	235	24,000	335	250,000	274,000
Rentals-Subsurface	236	44,000	336	75,000	119,000
Trucking/Forklift/Rig Mobilization	237	47,000	337	25,000	72,000
Welding Services	238	5,000	338	2,500	7,500
Water Disposal	239	0	339	120,000	120,000
Plug to Abandon	240	0	340	0	0
Seismic Analysis	241	0	341	0	0
Closed Loop & Environmental	244	98,000	344	0	98,000
Miscellaneous	242	0	342	0	0
Contingency 10%	243	108,000	343	204,500	312,500
<b>TOTAL INTANGIBLES</b>		<b>1,185,000</b>		<b>2,237,000</b>	<b>3,422,000</b>
TANGIBLE COSTS					
Surface Casing (8 5/8" 32# J55 LTC)	401	27,000			27,000
Intermediate Casing(2150' 8 5/8" 32# J55 LTC)	402	0	503	0	0
Production Casing (5 1/2" 17# L80)			503	109,000	109,000
Tubing			504	21,000	21,000
Wellhead Equipment	405	6,000	505	20,000	26,000
Pumping Unit			508	60,000	60,000
Prime Mover			507	20,000	20,000
Rods			508	12,000	12,000
Pumps			509	70,000	70,000
Tanks			510	21,000	21,000
Flowlines			511	8,000	8,000
Heater Treater/Separator			512	30,000	30,000
Electrical System			513	20,000	20,000
Packers/Anchors/Hangers	414	0	514	2,500	2,500
Couplings/Fittings/Valves	415	500	515	80,000	80,500
Gas Compressors/Meters			516	5,000	5,000
Dehydrator			517		0
Injection Plant/CO2 Equipment			518		0
Miscellaneous	419	500	519	500	1,000
Contingency	420	2,000	520	23,000	25,000
<b>TOTAL TANGIBLES</b>		<b>36,000</b>		<b>482,000</b>	<b>518,000</b>
<b>TOTAL WELL COSTS</b>		<b>1,221,000</b>		<b>2,719,000</b>	<b>3,940,000</b>

COG Operating LLC

By: Carl Bird

Date Prepared: 7/2/2013

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

COG Operating LLC

By: \_\_\_\_\_

Company:  
By: \_\_\_\_\_

Printed Name:  
Title:  
Date:

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