

CERTIFIED MAIL RETURN RECEIPT REQUESTED

January 23, 2014

Working Interest Owners Listed on Exhibit "A"

Well Proposal - Sebastian Federal Com No. 1H Re: W/2 W/2, Section 18-T24S-R34E: Unit Area SHL: 190' FNL & 660' FWL, or a legal location in Lot 1 BHL: 330' FSL & 660' FWL, or a legal location in Lot 4 Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Sebastian Federal Com No. 1H well as a horizontal well at the above-captioned location, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 10,885' and a MD of 15,400' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$7,063,000.00 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers all of Section 18-T24S-R34E. Thas the following general provisions:

200/400 Non-Consenting Penalty

- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC pamed as Operator

If you do not wish to participate in the Operation, COG would like to lease your minerals under the following general terms:

- \$750/Net Mineral Acre
- 3 Yr. Primary Term .
- Delivery of an 80% NRI, proportionately reduced .

BEFORE THE OIL CONVERSATION DIVISION Santa Fe, New Mexico Exhibit No. 5 Submitted by: COG OPERATING LLC Hearing Date: March 20, 2014

Working Interest Owners - Exhibit "A" Sebastian Federal Com No. 1H January 23, 2014 Page 2

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements. A self-addressed, postage paid envelope is enclosed for your convenience.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0465.

Respertfully,

.

J

Mike Wallace Senior Landman

I/We hereby elect to participate in the Sebastian Federal Com No. 1H

_____ I/We hereby elect <u>not</u> to participate in the Sebastian Federal Com No. 1H.

Company or Individual Name:_____

By:	 	 	
Name:	 	 	
Title:	 	 	
Date:		 	

COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

OBJECTIVE: DEPTH: TVD: 11,000 5,000 15,000 7,000 100,000 6,000 0 525,000 166,000 166,000 100,000 69,000 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 100,000 0 <th>DRill 15,4 10,8 302 303 304 305 306 307 307 307 307 311 312 313 314 315 319 320 321 324 325 326 327 326 329 320 321 322 323 324 325 326 329 330 331 322 323 324 325 326 329 330 331 322 323 324 325 326 329 330 331 322 323 324 325 326 329 329 330 331 322 323 324 325 326 329 320 321 322 323 324 325 326 327 326 327 327 327 327 327 327 327 327 327 327</th> <th></th> <th><u>TOTAL</u> 11,0 5,0 15,0 7,0 125,0 525,0 188,0 135,0 10,0 135,0 10,0</th>	DRill 15,4 10,8 302 303 304 305 306 307 307 307 307 311 312 313 314 315 319 320 321 324 325 326 327 326 329 320 321 322 323 324 325 326 329 330 331 322 323 324 325 326 329 330 331 322 323 324 325 326 329 330 331 322 323 324 325 326 329 329 330 331 322 323 324 325 326 329 320 321 322 323 324 325 326 327 326 327 327 327 327 327 327 327 327 327 327		<u>TOTAL</u> 11,0 5,0 15,0 7,0 125,0 525,0 188,0 135,0 10,0 135,0 10,0
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COG Operating LLC

We approve: ____% Working Interest

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Company: By: Printed Name; Title: Date.

Date Prepared: 10/23/2013

COG Operating LLC

By: Seth Wild

KEEP THUS COPY FOR YO-JR FILE

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

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<u>CERTIFIED MAIL</u> <u>RETURN RECEIPT REQUESTED</u>

January 23, 2014

Working Interest Owners Listed on Exhibit "A"

Re: <u>Well Proposal – Sebastian Federal Com No. 2H</u> E/2 W/2, Section 18-T24S-R34E: Unit Area SHL: 190' FNL & 1830' FWL, or a legal location in Unit C BHL: 330' FSL & 2100' FWL, or a legal location in Unit N Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Sebastian Federal Com No. 2H well as a horizontal well at the above-captioned location, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 10,865' and a MD of 15,400' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$7,063,000.00 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

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- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC named as Operator

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- \$750/Net Mineral Acre
- 3 Yr. Primary Term
- Delivery of an 80% NRI, proportionately reduced

Working Interest Owners – Exhibit "A" Sebastian Federal Com No. 2H January 23, 2014 Page 2

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If you have any questions, please do not hesitate to contact the undersigned at 432-221-0465.

Respectfully,

Mike Wallace Senior Landman

I/We hereby elect to participate in the Sebastian Federal Com No. 2H

I/We hereby elect not to participate in the Sebastian Federal Com No. 2H.

Company or Individual Name:_____

By:	
Name:	
Title:	
Date:	

COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

WELL NAME: SEBASTIAN FEDERAL COM #2H SHL: 190 FNL & 1830 FWL				BULLDOG 717040 New Mexico, Lea	
BHL: 330 FSL & 2100 FWL				LL AND COMPLETE	
FORMATION: 2nd BSS		DEPTH:	15,4	the second se	<u> </u>
LEGAL: 18-24S-34E	<u> </u>		10,8	the second s	
INTANGIBLE COSTS		BCP		ACP	TOTAL
Title/Curative/Permit	201	11,000			11,00
Insurance	202	5,000	302		5,00
Damages/Right of Way	203	15,000	303		15,00
Survey/Stake Location	204	7,000	304		7,00
Location/Pits/Road Expense		100,000	305	25,000	125,00
Dritting / Completion Overhead	206	6,000	306		6,00
Turnkey Contract	207	0	307		
Footage Contract	208	0	308		
Daywork Contract	209	525,000	309		525,00
Directional Drilling Services	210	186,000	310		188,00
Fuel & Power	211	149,000	311	10,000	159,00
Water	212	100,000	312	210,000	310,00
Bits	213	000,69	313	4,500	73,50
Mud & Chemicals	214	80,000	314		80,00
Drill Sløm Test	215	0	315		
Coring & Analysis	216	0			
Cement Surface	217	40,000			40,00
Cement Intermediate	218	100,000			100,00
Cement 2nd Intermediate/Production	218	0	319	110,000	110,00
Cement Squeeze & Other (Kickoff Plug)	220	0	320		
Float Equipment & Centralizars	221	35,000	321	20,000	55,00
Casing Crews & Equipment	222	20,000	322	20,000	40,00
Fishing Tools & Service		0	323		
Geologic/Engineering	224	0	324		
Contract Labor	225	10,000	325	125,000	135,00
Company Supervision	226	0	326		
Contract Supervision	227	35,000	327	50,000	85,00
Testing Casing/Tubing	228	7,000	328		7,00
Mud Logging Unit	229	30,000	329		30,00
Logging	230	50,000	330	10.000	60,00
Perforating/Wireline Services	231	15,000	331	150,000	165,00
Stimutation/Treating		0	332	2,100,000	2,100,00
Completion Unit			333	125,000	125,00
Swabbing Unit		0	334		
Rentais-Surface	235	125,000	335	250,000	375,00
Rentals-Subsurface	236	120,000	336	65,000	185,00
Trucking/Forklift/Rig Mobilization	237	200,000	337	25,000	225.00
Welding Services	238	5,000	338	7,500	12.50
Water Disposal	239	0	339	150,000	150,00
Plug to Abandon	240		340		
Seismic Analysis	241	0	341	·	
Closed Loop & Environmental		180,000	344	10,000	170,00
Miscellaneous	242	0	342		
Contingency	243	111,000	343	50,000	161,00
TOTAL INTANGIBLES		2,316,000	2.10	3,517,000	5,833,00
TANGIBLE COSTS					
Surface Casing	401	58,000			58,00
Intermediate Casing	402	144,000	503		144.00
Production Casing			503	244,000	244.00
Tubing		0	504	65,000	65.00
Wellhead Equipment	405	20,000	505	35,000	55,00
Pumping Unit		0	506	115,000	115,00
Prime Mover	_	0	507	20,000	20.00
Rods		0	508	55,000	55,00
Pumps	-	0	509	75,000	75,00
Fanks	_	0	510	75,000	75,00
Flawines	-	0	511	30,000	30,00
Heater Troater/Separator		0	512	50,000	80,00
Electrical System	<u> </u>		513		00,00
Packers/Anchors/Hangers	414		514	10,000	10,00
Couplings/Fittings/Valves	415	0	515	135,000	135,00
Gaa Compressors/Meters		0	516	8,100	8.10
		<u>c</u>	517		
Dehydrator					····
		n	314		
Injection PlanVCO2 Equipment	419	0	518 519	····	
Injection Plan/CO2 Equipment Miscellaneous		0	519		
Dehydrator Injection Plant/CO2 Equipment Miscallaneous Contingoncy TOTAL TANGIBLES	419 420	The second s		48,900	

COG Operating LLC

We approve: ____% Working interest

Company: By: Printed Name: Title: Date

KEEP THIS COPY KOD VO IR FILE

Date Prepared: 10/23/2013

COG Operating LLC

By: Soih Wild

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

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