



**CERTIFIED MAIL &  
FEDERAL EXPRESS**

July 17, 2013

Working Interest Owners  
Listed on Exhibit "A"

Re: **Well Proposal – Gunner 5 Fee Com No. 1H**  
N/2 N/2, Section 5-T26S-R34E: Unit Area  
SHL: 660' FNL & 190' FEL, or a legal location in Unit A  
BHL: 660' FNL & 330' FWL, or a legal location in Unit D  
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Gunner Fee 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 9,900' and a MD of 14,300' to test the Avalon Shale Formation ("Operation"). The total cost of the Operation is estimated to be \$6,376,000.00 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 the N/2 N/2 of Section 5. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC named as Operator

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

- \$2,000/Net Mineral Acre
- 3 Yr. Primary Term
- Delivery of an 80% NRI, proportionately reduced

If you own leasehold in the above referenced acreage and do not wish to participate in the Operation, COG would like to farm-in your acreage under the following general terms:

- Delivery of 80% NRI, proportionately reduced
- Option to convert ORRI after 100% payout to a 25% WI, proportionately reduced
- 180 Day Continuous Development

Corporate Address One Concho Center 600 West Illinois Avenue Midland, Texas 79701 TEL: 432 683 7443 FAX: 432 683 7441

BEFORE THE OIL CONVERSATION  
COMMISSION  
Santa Fe, New Mexico  
Exhibit No. 5  
Submitted by: COG OPERAING LLC  
Hearing Date: June 19, 2014

Gunner 5 Fee Com 1H  
July 17, 2013  
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.

Respectfully,

  
Mike Wallace  
Senior Landman

\_\_\_\_\_ I/We hereby elect to participate in the Gunner 5 Fee Com #1H.

\_\_\_\_\_ I/We hereby elect not to participate in the Gunner 5 Fee Com #1H.

Company or  
Individual Name: \_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT "A"**

**EOG Resources, Inc.**  
5509 Champions Dr.  
Midland, TX 79706  
Attn: Patrick Tower

**Yates Brothers**  
105 S. 4<sup>th</sup> St.  
Ariesia, NM 88210  
Attn: Jim Ball

**Sugarberry Oil & Gas Corp.**  
5950 Cedar Springs Rd., Suite 230  
Dallas, TX 75235-6803  
Attn: Sue Rahy

**Devon Energy Production Company LP**  
Devon Energy Center Tower, OKDEC30.314  
333 W. Sheridan Avenue  
Oklahoma City, OK 73102-5015  
Attn: Carri Allen

**Inland Title Co.**  
C/O Germaine R. Chappelle  
Gallagher & Kennedy, P.A.  
1233 Pasco de Peralta  
Santa Fe, NM 87501

**Chevron U.S.A. Inc.**  
Attn: NOJV Group  
P. O. Box 3200  
Houston, TX 77252

**The Estate of Warren J. Bates**  
P.O. Box 1387  
Ada, OK 74820

**Argent Properties Services, LLC**  
500 East Reynolds Dr.  
Ruston, LA 71270  
Attn: Matt P. Barham

**Peder Monsen**  
515 Houston Ave.  
Houston, TX 77007-7706

**Peder Monsen**  
5623 Indian Circle  
Houston, TX 77056-1006

**Fay Bel Monsen**  
515 Houston Ave.  
Houston, TX 77007-7706

**Marc T. Wray**  
4 Serpentine Court  
Savenoaka, Kent TN 113 XR  
United Kingdom

**Andrew Wray**  
3406 Shadow Springs Ct.  
Houston, TX 77082-8302

**Chesapeake Exploration, LLC**  
P. O. Box 18496  
Oklahoma City, OK 73154

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

|            |                      |                 |                  |
|------------|----------------------|-----------------|------------------|
| WELL NAME: | GUNNER 5 FEE COM #1H | PROSPECT NAME:  | BULLDOG 717038   |
| SHL:       | 660 FNL & 190 FEL    | STATE & COUNTY: | New Mexico, Lea  |
| BHL:       | 660 FNL & 330 FWL    | OBJECTIVE:      | DRILL & COMPLETE |
| FORMATION: | AVALON SHALE         | DEPTH:          | 14,300'          |
| LEGAL:     | 5-26S-34E            | TVD:            | 9,900'           |

| INTANGIBLE COSTS                      |     | BCP              |     | ACP              | TOTAL            |
|---------------------------------------|-----|------------------|-----|------------------|------------------|
| Title/Curative/Permit                 | 201 | 11,000           |     |                  | 11,000           |
| Insurance                             | 202 | 5,000            | 302 |                  | 5,000            |
| Damages/Right of Way                  | 203 | 15,000           | 303 |                  | 15,000           |
| Survey/Stake Location                 | 204 | 7,000            | 304 |                  | 7,000            |
| Location/Pits/Road Expense            | 205 | 100,000          | 305 | 25,000           | 125,000          |
| Drilling / Completion Overhead        | 206 | 5,000            | 306 |                  | 6,000            |
| Turnkey Contract                      | 207 | 0                | 307 |                  | 0                |
| Footage Contract                      | 208 | 0                | 308 |                  | 0                |
| Daywork Contract                      | 209 | 458,000          | 309 |                  | 458,000          |
| Directional Drilling Services         | 210 | 170,000          | 310 |                  | 170,000          |
| Fuel & Power                          | 211 | 158,000          | 311 | 10,000           | 168,000          |
| Water                                 | 212 | 75,000           | 312 | 250,000          | 325,000          |
| Blits                                 | 213 | 78,000           | 313 | 4,500            | 82,500           |
| Mud & Chemicals                       | 214 | 70,000           | 314 |                  | 70,000           |
| Drill Stem Test                       | 215 | 0                | 315 |                  | 0                |
| Coring & Analysis                     | 216 | 0                |     |                  | 0                |
| Cement Surface                        | 217 | 40,000           |     |                  | 40,000           |
| Cement Intermediate                   | 218 | 60,000           |     |                  | 60,000           |
| Cement 2nd Intermediate/Production    | 218 | 0                | 319 | 125,000          | 125,000          |
| Cement Squeeze & Other (Kickoff Plug) | 220 | 40,000           | 320 |                  | 40,000           |
| Float Equipment & Centralizers        | 221 | 15,000           | 321 | 20,000           | 35,000           |
| Casing Crews & Equipment              | 222 | 20,000           | 322 | 20,000           | 40,000           |
| Fishing Tools & Service               | 223 | 0                | 323 |                  | 0                |
| Geologic/Engineering                  | 224 | 0                | 324 |                  | 0                |
| Contract Labor                        | 225 | 10,000           | 325 | 160,000          | 170,000          |
| Company Supervision                   | 226 | 0                | 326 |                  | 0                |
| Contract Supervision                  | 227 | 42,000           | 327 | 50,000           | 92,000           |
| Testing Casing/Tubing                 | 228 | 7,000            | 328 |                  | 7,000            |
| Mud Logging Unit                      | 229 | 32,000           | 329 |                  | 32,000           |
| Logging                               | 230 | 100,000          | 330 | 10,000           | 110,000          |
| Perforating/Wireline Services         | 231 | 15,000           | 331 | 125,000          | 140,000          |
| Stimulation/Treating                  |     | 0                | 332 | 1,500,000        | 1,500,000        |
| Completion Unit                       |     | 0                | 333 | 50,000           | 50,000           |
| Swabbing Unit                         |     | 0                | 334 |                  | 0                |
| Rentals-Surface                       | 235 | 125,000          | 335 | 250,000          | 375,000          |
| Rentals-Subsurface                    | 236 | 110,000          | 336 | 25,000           | 135,000          |
| Trucking/Forklift/Rig Mobilization    | 237 | 140,000          | 337 | 25,000           | 165,000          |
| Welding Services                      | 238 | 5,000            | 338 | 7,500            | 12,500           |
| Water Disposal                        | 239 | 0                | 339 | 280,000          | 280,000          |
| Plug to Abandon                       | 240 | 0                | 340 |                  | 0                |
| Seismic Analysis                      | 241 | 0                | 341 |                  | 0                |
| Closed Loop & Environmental           | 244 | 150,000          | 344 | 10,000           | 160,000          |
| Miscellaneous                         | 242 | 0                | 342 |                  | 0                |
| Contingency                           | 243 | 104,000          | 343 | 150,000          | 254,000          |
| <b>TOTAL INTANGIBLES</b>              |     | <b>2,168,000</b> |     | <b>3,097,000</b> | <b>5,265,000</b> |
| <b>TANGIBLE COSTS</b>                 |     |                  |     |                  |                  |
| Surface Casing                        | 401 | 39,000           |     |                  | 39,000           |
| Intermediate Casing                   | 402 | 124,000          | 503 |                  | 124,000          |
| Production Casing                     |     | 0                | 503 | 218,000          | 218,000          |
| Tubing                                |     | 0                | 504 | 60,000           | 60,000           |
| Wellhead Equipment                    | 405 | 20,000           | 505 | 35,000           | 55,000           |
| Pumping Unit                          |     | 0                | 506 | 115,000          | 115,000          |
| Prime Mover                           |     | 0                | 507 | 20,000           | 20,000           |
| Rods                                  |     | 0                | 508 | 50,000           | 50,000           |
| Pumps                                 |     | 0                | 509 | 22,000           | 22,000           |
| Tanks                                 |     | 0                | 510 | 75,000           | 75,000           |
| Flowlines                             |     | 0                | 511 | 50,000           | 50,000           |
| Heater Treater/Separator              |     | 0                | 512 | 50,000           | 50,000           |
| Electrical System                     |     | 0                | 513 |                  | 0                |
| Packers/Anchors/Hangers               | 414 | 0                | 514 | 10,000           | 10,000           |
| Couplings/Fittings/Valves             | 415 | 0                | 515 | 160,000          | 160,000          |
| Gas Compressors/Meters                |     | 0                | 516 | 8,100            | 8,100            |
| Dehydrator                            |     | 0                | 517 |                  | 0                |
| Injection Plant/CO2 Equipment         |     | 0                | 518 |                  | 0                |
| Miscellaneous                         | 419 | 0                | 519 |                  | 0                |
| Contingency                           | 420 | 10,000           | 520 | 44,900           | 54,900           |
| <b>TOTAL TANGIBLES</b>                |     | <b>193,000</b>   |     | <b>918,000</b>   | <b>1,111,000</b> |
| <b>TOTAL WELL COSTS</b>               |     | <b>2,361,000</b> |     | <b>4,015,000</b> | <b>6,376,000</b> |

COG Operating LLC

Date Prepared: 7/15/2013

We approve:  
\_\_\_\_\_/s/ Working Interest

COG Operating LLC

By: SETH WILD SH

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.