

April 10th, 2014

Oxy Y-1 Company
Attn: Permian Basin Manager
5 Greenway Plaza Ste. 110
Houston, TX 77046

RE: **Well Proposal – Bragg 10 Fee #2H**
T19S, R26E, Section 10
SHL: 150' FSL & 1655' FWL (or a legal location in Unit C – NENW)
BHL: 330' FNL & 1650' FWL (or a legal location in Unit N – SESW)
Eddy County, New Mexico

To Whom It May Concern,

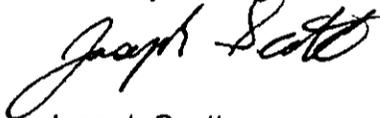
COG Operating LLC ("COG"), as Operator, proposes to drill the Bragg 10 Fee #2H well as a horizontal well at the above-captioned location to a TVD of approximately 3300' and a MD of 8100' to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,548,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

Please indicate your election to participate in the Operation by signing and returning the enclosed AFE. Pursuant to Article VI.B.1 of the Operating Agreement dated July 19th, 2013, between COG Operating LLC, as Operator, and Oxy Y-1 Company, as Non-Operator, which was proposed to Oxy Y-1 Company on July 19th, 2013. Your timely election is greatly appreciated.

Please do not hesitate to contact me at 432-688-6601 or by email at jscott@concho.com.

Respectfully,

COG Operating LLC



Joseph Scott
Landman

Enclosure(s)

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Bragg 10 Fee #2H	PROSPECT NAME: LAKEWOOD/CEMETARY
SHL: 150' FSL & 1655' FWL UL: N	STATE & COUNTY: New Mexico, Eddy
BHL: 330' FNL & 1650' FWL UL: C	OBJECTIVE: SH9 Yeso Horizontal
FORMATION: Yeso	DEPTH: 8,100
LEGAL: SEC. 10 T19S-R26E API#: 30-015-	TVD: 3,300

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 55,000	305 25,000	80,000
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-rts @ \$0)	209 160,000	309 29,000	189,000
Directional Drilling Services (0 dir days @ \$0)	210 125,000	310	125,000
Fuel & Power	211 33,000	311 6,000	39,000
Water	212 27,000	312 130,000	157,000
Bits	213 25,000	313 5,000	30,000
Mud & Chemicals	214 21,000	314 0	21,000
Drill Stem Test	215	315 0	0
Coring & Analysis	216		0
Cement Surface	217 42,000		42,000
Cement Intermediate	218 0		0
Cement 2nd Intermediate/Production	218 0	319 61,000	61,000
Cement Squeeze & Other (Kickoff Plug)	220	320 0	0
Float Equipment & Centralizers	221 2,000	321 20,000	22,000
Casing Crews & Equipment	222 5,000	322 12,000	17,000
Fishing Tools & Service	223	323	0
Geologic/Engineering	224 8,000	324	8,000
Contract Labor	225 16,000	325 21,000	37,000
Company Supervision	226 2,000	326 2,000	4,000
Contract Supervision	227 19,000	327 20,000	39,000
Testing Casing/Tubing	228 3,000	328 5,000	8,000
Mud Logging Unit (logging f/24 days)	229 10,000	329	10,000
Logging	230 0	330	0
Perforating/Wireline Services	231 1,500	331 95,000	96,500
Stimulation/Treating		332 1,100,000	1,100,000
Completion Unit		333 30,000	30,000
Swabbing Unit		334	0
Rentals-Surface	235 16,000	335 200,000	216,000
Rentals-Subsurface	236 26,000	336 60,000	86,000
Trucking/Forklift/Rig Mobilization	237 43,000	337 20,000	63,000
Welding Services	238 5,000	338 2,500	7,500
Water Disposal	239 0	339 130,000	130,000
Plug to Abandon	240 0	340 0	0
Seismic Analysis	241 0	341 0	0
Closed Loop & Environmental	244 55,000	344 0	55,000
Miscellaneous	242 0	342 0	0
Contingency 10%	243 79,000	343 198,500	277,500
TOTAL INTANGIBLES	866,000	2,174,000	3,040,000

TANGIBLE COSTS	BCP	ACP	TOTAL
Surface Casing (8 5/8" 32# J55 LTC)	401 25,000		25,000
Intermediate Casing(2150' 8 5/8" 32# J55 LTC)	402 0	503 0	0
Production Casing (5 1/2" 17# L80)		503 107,000	107,000
Tubing		504 15,000	15,000
Wellhead Equipment	405 6,000	505 20,000	26,000
Pumping Unit		506 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 60,000	60,500
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
TOTAL TANGIBLES	34,000	474,000	508,000
TOTAL WELL COSTS	900,000	2,648,000	3,548,000

COG Operating LLC

By: Carl Bird

Date Prepared: 4/9/2014

GB

COG Operating LLC

We approve:
_____% Working Interest

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.