

FEDERAL EXPRESS

June 25, 2014

ConocoPhillips Company
[Successor-in-Interest to Burlington Resources]
600 N. Dairy Ashford
Houston, TX 77079
Attention: Mr. Renaldo Works

Re: **Well Proposal – Goldfinger 17 Federal Com #4H**

E/2E/2 of Section 17, T24S-R32E: Unit Area

SHL: 190' FSL & 660' FEL, or a legal location in Unit P

BHL: 330' FNL & 660' FEL, or a legal location in Unit A

Lea County, New Mexico

Gentlemen:

COG Operating LLC ("COG"), as Operator, proposes to drill the Goldfinger 17 Federal Com #4H well as a horizontal well at the above-captioned location to a TVD of approximately 8,505' and a MD of approximately 13,105' to test the Brushy Canyon (Delaware) Formation ("Operation"). The total cost of the Operation is estimated to be \$5,629,000.00 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG proposes forming a Working Interest Unit covering the E/2 and E/2W/2 Section 17, T24S-R32E, Lea Co., NM. COG proposes to form this Working Interest Unit under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. It has the following general provisions:


- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Producing rates
- COG Operating LLC named as Operator

If you do not wish to participate in the Operation, COG would like to acquire your leasehold via farmout or some other type of mutual agreement. This offer is subject to the approval of COG's management and verification of title.

Please indicate your participation election in the space provided below. Please sign and return this letter, along with a signed copy of the enclosed AFE, a signed copy of the JOA and a copy of your geologic well requirements to my attention at the letterhead address. You may also fax your response to (432) 221-0856 or by email to mwallace@concho.com.

If you have any questions, please do not hesitate to contact me at (432) 221-0465.

Sincerely,


Mike Wallace
Sr. Landman

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 12

Submitted by: COG OPERATING LLC

Hearing Date: July 24, 2014

CORPORATE ADDRESS: One Concho Center 600 W Illinois Avenue Midland, Texas 79701 Phone 432.683.7443 Fax 432.683.7441

ConocoPhillips Company

June 26, 2014

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_____ I/We hereby elect to participate in the Goldfinger 17 Federal Com #4H.

_____ I/We hereby elect **not** to participate in the Goldfinger 17 Federal Com #4H.

Company: _____

By: _____

Name: _____

Title: _____

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: GOLDFINGER 17.FED COM #4H PROSPECT NAME: BULLDOG2432
 SHL: 190 FSL & 660 FEL STATE & COUNTY: New Mexico, Lea
 BHL: 330 FNL & 660 FEL OBJECTIVE: DRILL AND COMPLETE
 FORMATION: BRUSHY DEPTH: 13,105'
 LEGAL: 17-24S-32E TVD: 8,505'

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/State Location	204 7,000	304	7,000
Location/Plus/Road Expense	205 100,000	305 25,000	125,000
Drilling / Completion Overhead	206 6,000	306	6,000
Turnkey Contract	207 0	307	0
Footage Contract	208 0	308	0
Daywork Contract	209 385,000	309	385,000
Directional Drilling Services	210 178,000	310	178,000
Fuel & Power	211 85,000	311 10,000	95,000
Water	212 70,000	312 175,000	245,000
Bits	213 78,000	313 4,500	82,500
Mud & Chemicals	214 65,000	314	65,000
Drill Stem Test	215 0	315	0
Coring & Analysis	216 0		0
Cement Surface	217 35,000		35,000
Cement Intermediate	218 55,000		55,000
Cement 2nd Intermediate/Production	218 0	319 100,000	100,000
Cement Squeeze & Other (Kickoff Plug)	220 0	320	0
Float Equipment & Centralizers	221 15,000	321 15,000	30,000
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 15,000	325 125,000	140,000
Company Supervision	226 0	326	0
Contract Supervision	227 41,600	327 50,000	91,600
Testing Casing/Tubing	228 7,000	328	7,000
Mud Logging Unit	229 21,000	329	21,000
Logging	230 75,000	330 10,000	85,000
Perforating/Wireline Services	231 5,000	331 120,000	125,000
Stimulation/Treating	231 0	332 1,400,000	1,400,000
Completion Unit	231 0	333 50,000	50,000
Swabbing Unit	231 0	334	0
Rentals-Surface	235 85,000	335 250,000	335,000
Rentals-Subsurface	236 105,000	336 25,000	130,000
Trucking/Forklift/Rig Mobilization	237 125,000	337 25,000	150,000
Welding Services	238 5,000	338 7,500	12,500
Water Disposal	239 0	339 150,000	150,000
Plug to Abandon	240 0	340	0
Seismic Analysis	241 0	341	0
Closed Loop & Environmental	244 180,000	344 10,000	190,000
Miscellaneous	243 0	342	0
Contingency	243 90,400	343 50,000	140,400
TOTAL INTANGIBLES	1,885,000	2,622,000	4,507,000
TANGIBLE COSTS			
Surface Casing	401 39,000		39,000
Intermediate Casing	402 116,000	503	116,000
Production Casing	402 0	503 208,000	208,000
Tubing	402 0	504 44,000	44,000
Wellhead Equipment	405 15,000	505 35,000	50,000
Pumping Unit	405 0	506 115,000	115,000
Prime Mover	405 0	507 20,000	20,000
Rods	405 0	508 40,000	40,000
Pumps	405 0	509 37,000	37,000
Tanks	405 0	510 75,000	75,000
Flowlines	405 0	511 70,000	70,000
Heater Treater/Separator	405 0	512 65,000	65,000
Electrical System	405 0	513	0
Packers/Anchors/Hangers	414 0	514 10,000	10,000
Couplings/Fittings/Valves	415 0	515 170,000	170,000
Gas Compressors/Meters	415 0	516 8,100	8,100
Dehydrator	415 0	517	0
Injection Plant/CO2 Equipment	415 0	518	0
Miscellaneous	419 0	519	0
Contingency	420 9,000	520 45,900	54,900
TOTAL TANGIBLES	179,000	943,000	1,122,000
TOTAL WELL COSTS	2,064,000	3,565,000	5,629,000

COG Operating LLC

Date Prepared: 4/16/2014

COG Operating LLC

By: Tim Smith

We approve:

Working Interest

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.