



Via Federal Express

March 5, 2015

OXY USA WTP Limited Partnership
Attention: Mark E. Hodge
5 Greenway Plaza
Houston, TX 77046

Re: **Well Proposal – Gunner 8 Federal Com #9H**
W/2 W/2, Section 5-T26S-R34E and W/2 W/2, Section 8-T26S-R34E
SHL: 200' FSL & 890' FWL, or a legal location in Sec 8 (Unit M)
BHL: 330' FNL & 990' FWL, or a legal location in Sec 5 (Unit D)
Lea County, New Mexico

To whom it may concern:

Pursuant to the Settlement Agreement dated June 16, 2014, by and between COG Operating LLC and Yates Brothers, et al. COG Operating LLC, as Operator, hereby proposes to drill the Gunner 8 Federal Com #9H at the above-captioned location to a of approximately 9,830' to the Upper Avalon formation. Total measured depth of the well is proposed to be approximately 19,700' from surface to terminus. The total cost of the Operation is estimated to be \$11,100,130.00 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 5 T26S-R34E and all of Section 8-T26S-R34E. It has the following general provisions:

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

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 do not wish to participate, COG proposes to acquire your interest via term assignment.

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

Respectfully,

Mike Wallace
Senior Landman

BEFORE THE OIL CONVERSION
DIVISION
Santa Fe, New Mexico
Exhibit No. 7
Submitted by: COG Operating LLC
Hearing Date: May 27, 2015

ELECTION TO PARTICIPATE
Gunner 8 Federal Com #9H

_____ I/We hereby elect to participate in the Gunner 8 Federal Com #9H

_____ I/We hereby elect not to participate in the Gunner 8 Federal Com #9H

Company: _____

By: _____

Name: _____

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Gunner 8 Federal Com #9H	PROSPECT NAME: BULLDOG 2634 (717038)
SHL: SEC 8: 200' FSL & 890' FWL	STATE & COUNTY: New Mexico, Lea
BHL: SEC 5: 330' FNL & 990' FWL	OBJECTIVE: DRILL & COMPLETE
FORMATION: Upper Avalon Formation	DEPTH: 19,700
LEGAL: 8-T26S-R34E & 5-T26S-R34E	TVD: 9,830

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Cursive/Permit	201	11,000		11,000
Insurance	202	5,000	302	5,000
Damages/Right of Way	203	5,000	303	5,000
Survey/Stake Location	204	7,000	304	7,000
Location/Pits/Road Expense	205	90,000	305 25,000	115,000
Drilling / Completion Overhead	206	0	306	0
Turnkey Contract	207	0	307	0
Footage Contract	208	0	308	0
Daywork Contract	209	810,000	309	810,000
Directional Drilling Services	210	187,000	310	187,000
Fuel & Power	211	106,000	311 10,000	116,000
Water	212	72,000	312 850,000	932,000
Bits	213	78,000	313 12,000	90,000
Mud & Chemicals	214	186,000	314 60,000	246,000
Drill Stem Test	215	0	315	0
Coring & Analysis	216	0		0
Cement Surface	217	31,500		31,500
Cement Intermediate	218	45,000		45,000
Cement 2nd Intermediate/Production	218	0	319 157,500	157,500
Cement Squeeze & Other (Kickoff Plug)	220	0	320 0	0
Float Equipment & Centralizers	221	4,000	321 18,000	22,000
Casing Crews & Equipment	222	17,000	322 17,000	34,000
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	0	325 176,500	176,500
Company Supervision	226	0	326	0
Contract Supervision	227	106,000	327 70,000	176,000
Testing Casing/Tubing	228	10,000	328	10,000
Mud Logging Unit	229	38,000	329	38,000
Logging	230	0	330	0
Perforating/Wireline Services	231	7,000	331 512,530	519,530
Stimulation/Treating		0	332 3,900,000	3,900,000
Completion Unit		0	333 280,000	280,000
Swabbing Unit		0	334	0
Rentals-Surface	235	129,000	335 195,000	324,000
Rentals-Subsurface	236	164,700	336 22,500	187,200
Trucking/Forklift/Rig Mobilization	237	130,000	337 45,000	175,000
Welding Services	238	5,000	338 5,000	10,000
Water Disposal	239	0	339 822,000	822,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	187,000	344 5,000	192,000
Miscellaneous	242	0	342	0
Contingency	243	49,000	343 50,000	99,000
TOTAL INTANGIBLES		2,482,200	7,243,030	9,725,230

TANGIBLE COSTS				
Surface Casing	401	37,000		37,000
Intermediate Casing	402	163,000	503	163,000
Production Casing		0	503 343,000	343,000
Tubing		0	504 60,000	60,000
Wellhead Equipment	405	24,000	505 34,000	58,000
Pumping Unit		0	506 115,000	115,000
Prime Mover		0	507	0
Rods		0	508 50,000	50,000
Pumps		0	509 35,000	35,000
Tanks		0	510 100,000	100,000
Flowlines		0	511 50,000	50,000
Heater Treater/Separator		0	512 65,000	65,000
Electrical System		0	513	0
Packers/Anchors/Hangers	414	0	514 10,000	10,000
Couplings/Fittings/Valves	415	0	515 225,000	225,000
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	5,000	520 50,000	55,000
TOTAL TANGIBLES		229,000	1,145,100	1,374,100
TOTAL WELL COSTS		2,712,000	8,388,130	11,100,130

COG Operating LLC

Date Prepared: 2/24/2015

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.