

COPY

June 26, 2017

Via Certified Mail, Return Receipt Requested

No. 91 7199 9991 7036 0761 6130

Judkins T. Walton, SSP

P.O. Box 375

Midland, TX 79702

2017 JUN 29 10:00 AM

Case 15679

Re: **Well Proposal to Uncommitted Working Interest Owner
Under Compulsory Pooling Order No. R-14372
Sidewinder Federal Com #4H
Lot 1 and NW/4 NW/4 Section 32-T26S-R29E
and W/2 W/2 Section 29-T26S-R29E
Eddy County, New Mexico**

Dear Mr. Walton:

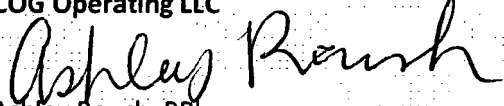
COG Operating, LLC ("COG"), as Operator, proposes to drill the Sidewinder Federal Com #4H well as a horizontal well at the above-captioned location to a TVD of approximately 10,704' and a TMD of 17,800' to test the Wolfcamp formation ("Operation"). The surface location for this well is proposed at a legal location in Lot 1, Section 32-T26S-R29E with a bottom hole location at a legal location in Unit D, Section 29, T26S-R29E, with the dedicated project area being Lot 1, 2, and the N/2 NW/4 of Section 32, and the W/2 of Section 29, Township 26 South, Range 29 East, Eddy County, New Mexico. The total cost of the Operation is estimated to be \$8,886,998, and a detailed description of the cost is set out in the enclosed Authority for Expenditure.

COG is proposing to drill this well under the attached Order granted by the NMOCD (R-14372). Please make your election by signing the attached AFE and prepaying your share of the cost within 30 days of receipt of the AFE herein. Failure to prepay or lack of response will be deemed a non-consent election pursuant to the enclosed order, and your working interest will be subject to said order.

Should you have any questions, please do not hesitate to contact me at 432.818.2358.

Sincerely,

COG Operating LLC


Ashley Roush, RPL
Landman

AR:bh
Enc



cc: David R. Catanach
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

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

_____ I/We hereby elect **not** to participate in the Sidewinder Fed Com #4H.

By: _____

Name: _____

Title: _____

Date: _____

COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING

COPY

WELL NAME:	GRAHAM NASH FEDERAL COM #7H	PROSPECT NAME:	ATLAS 2628 (717052)	State Line BSS n
SHL:	SEC 21: 200 FSL & 1450 FWL	STATE & COUNTY:	New Mexico, Eddy	
BHL:	SEC 33: 330 FSL & 1980 FWL	OBJECTIVE:	DRILL & COMPLETE	
FORMATION:	SLBSS/2ND BSS	DEPTH:	15,000	
LEGAL:	21-26S-28E	TVD:	7,879	

INTANGIBLE COSTS		Drllg - Rig Release(D)		Completion(C)		Tank Btty Constrctn(TB)		Pmpq Equipment(PEQ)		TOTAL
Title/Curative/Permit	201	11,000								11,000
Insurance	202	4,000	302							4,000
Damages/Right of Way	203	5,000	303		351					5,000
Survey/State Location	204	6,000			352					6,000
Location/Pits/Rod Expense	205	120,000	305	12,200	353	85,000	366			217,200
Drilling / Completion Overhead	206	5,400	306							5,400
Turnkey Contract	207	0	307							0
Footage Contract	208	0	308							0
Daywork Contract	209	336,000	309							336,000
Directional Drilling Services	210	100,000	310							100,000
Fuel & Power	211	42,000	311	5,000	354		367			47,000
Water	212	43,000	312	435,000			368			478,000
Bits	213	51,000	313	3,500			369			54,500
Mud & Chemicals	214	60,000	314	20,000			370			80,000
Drill Stem Test	215	0	315							0
Coring & Analysis	216	0								0
Cement Surface	217	14,250								14,250
Cement Intermediate	218	23,750								23,750
Cement 2nd Intermediate/Production	219	95,000								95,000
Cement Squeeze & Other (Kickoff Plug)	220	0					371			0
Float Equipment & Centralizers	221	25,700								25,700
Casing Crews & Equipment	222	28,800								28,800
Fishing Tools & Service	223	0	323				372			0
Geologic/Engineering	224	0	324		355		373			0
Contract Labor	225	6,500	325	40,000	356	82,000	374			128,500
Company Supervision	226	32,400	326	30,000	357		375			62,400
Contract Supervision	227	59,000	327	80,000	358		376	5,000		144,000
Testing Casing/Tubing	228	20,000	328	10,000			377			30,000
Mud Logging Unit	229	15,000	329							15,000
Logging	230	0		0			378			0
Perforating/Wireline Services	231	4,000	331	135,000			379			139,000
Stimulation/Treating				1,747,000			380			1,747,000
Completion Unit			333	43,000			381	7,000		50,000
Swabbing Unit			334				382			0
Rentals-Surface	235	110,000	335	212,000	359		383	6,000		328,000
Rentals-Subsurface	236	90,000	336				384			90,000
Trucking/Forklift/Rig Mobilization	237	130,000	337	40,000	360		385	5,000		175,000
Welding Services	238	3,000	338	5,000	361		386			8,000
Water Disposal	239	0	339	150,000	362	116,000	387			266,000
Plug to Abandon	240	0	340							0
Seismic Analysis	241	0	341							0
Miscellaneous	242	0	342				389			0
Contingency	243	29,000	343	251,300	363		390			280,300
Closed Loop & Environmental	244	170,000	344	5,000	364		388			175,000
Coil Tubing			346							0
Flowback Crews & Equip			347	127,000						127,000
Offset Directional/Frac	248	0	348							0
TOTAL INTANGIBLES		1,639,800		3,351,000		283,000		23,000		5,296,800
TANGIBLE COSTS										
Surface Casing	401	9,000								9,000
Intermediate Casing	402	44,000								44,000
Production Casing/Liner	403	159,000								159,000
Tubing			504	35,000			530			35,000
Wellhead Equipment	405	25,000	505	12,000			531	3,000		40,000
Pumping Unit							506	87,173		87,173
Prime Mover							507			0
Rods							508	35,000		35,000
Pumps-Sub Surface (BH)			509				532	8,000		8,000
Tanks					510	75,000				75,000
Flowlines					511	20,000				20,000
Heater Treater/Separator					512	95,000				95,000
Electrical System					513	65,000				65,000
Packers/Anchors/Hangers	414	0	514	5,000			534			5,000
Couplings/Fittings/Valves	415	0			515	218,353				218,353
Dehydration					517					0
Injection Plant/CO2 Equipment					518					0
Pumps-Surface					521	27,000				27,000
Instrumentation/SCADA/POC					522		529	4,000		4,000
Miscellaneous	419	0	519		523	33,592	535			33,592
Contingency	420	0	520		524		536			0
Meters/LACT					525	25,000				25,000
Flares/Combusters/Emission					526	45,000				45,000
Gas Lift/Compression			527	10,000	516	25,000	528			35,000
TOTAL TANGIBLES		237,000		62,000		628,945		137,173		1,065,118
TOTAL WELL COSTS		1,876,800		3,413,000		911,945		160,173		6,361,918
% of Total Well Cost		30%		54%		14%		3%		

COG Operating LLC

Date Prepared: 9/27/16

COG Operating LLC

We approve:
% Working Interest

By: TRAVIS NEWMAN/KEN LAFORTUNE

KG

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.