From:

Robert Ready

Sent:

May 07, 2010 6:59 PM

To:

Mike Goldak

Subject: Attachments: Well Proposals-Taylor D 2,3,4,5-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM Proposal-Taylor D2,3,4,5-Tr Co of KS.pdf; OA-Taylor D2,3,4,5 Proposal-COG 5-7-10, AAPL

1989-Individual Loss.pdf

The Trust Company of Kansas, Trustee of the Dorothy Dell Graeber Trust dated May 5, 1978 Attn: Mr. Michael Goldak 5151 S. 4th Street Leavenworth, Kansas 66048

Dear Mr. Goldak,

As previously communicated, our records reflect that The Trust Company of Kansas, as Trustee of the Dorothy Dell Graeber Trust dated May 5, 1978, owns a 6.25% unleased mineral interest in the lands described below. COG Operating LLC owns the majority interest in the subject lands, and desires to acquire or obtain commitment of all outstanding interests in the following tract:

Section 9, T17S-R32E, NMPM, Lea County, New Mexico S/2 NE/4 and N/2 SE/4, as to depths below the base of the San Andres formation Containing 160 acres, more or less

We are prepared to commence drilling on the subject lands soon. To that end, please find the attached Well Proposals, AFEs and our proposed form of operating agreement. Feel free to contact me to discuss alternatives to your participation in the subject wells. I will be glad to work with you.

Best regards,

J. Robert Ready, Senior Landman, CPL COG OPERATING LLC 550 W. Texas Avenue, Suite 100 Midland, Texas 79701 Direct (432) 685-4345 Fax (432) 686-3000

CONFIDENTIALITY NOTICE: The information in this email may be confidential and/or privileged. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachments, if any, or the information contained herein, is prohibited. If you have received this email in error, please immediately notify the sender by return email and delete this email from your system. Thank you.

COG Operating LLC Cases 14490, 14491, 14492 and 14493

From:

Microsoft Exchange

To:

Mike Goldak

Sent:

May 07, 2010 7:02 PM

Subject:

Relayed: Well Proposals-Taylor D 2,3,4,5-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co.,

NM

Delivery to these recipients or distribution lists is complete, but delivery notification was not sent by the destination:

Mike Goldak

Subject: Well Proposals-Taylor D 2,3,4,5-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

Sent by Microsoft Exchange Server 2007

From:

Mike Goldak [msgoldak@tckansas.com]

To:

Robert Ready

Sent:

May 11, 2010 7:50 AM

Subject:

Read: Well Proposals-Taylor D 2,3,4,5-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co.,

NM

Your message was read on Tuesday, May 11, 2010 7:50:27 AM (GMT-06:00) Central Time (US & Canada).



May 7, 2010

Sent via Email to 'msgoldak@tckansas.com and Federal Express Airbill # 8709 3258 2653

The Trust Company of Kansas, Trustee of the Dorothy Dell Graeber Trust dated May 5, 1978 Attn: Mr. Michael Goldak 5151 S. 4th Street Leavenworth. Kansas 66048

RE: Well Proposals - COG Operating LLC ("COG")

- 1) Taylor D #2 well, NW/4 SE/4
- 2) Taylor D #3 well, SW/4 NE/4
- 3) Taylor D #4 well, SE/4 NE/4
- 4) Taylor D #5 well, NE/4 SE/4

All in Section 9-T17S-R32E, NMPM, Lea County, New Mexico

Gentlemen:

COG Operating LLC ("COG") proposes to drill the above-referenced wells vertical tests of the Yeso formation, as follows:

- 1) Taylor D #2 well, NW/4 SE/4, located 1,650' FSL & 1,650' FEL of said Section 9, to be drilled to a total depth of approximately 7,000'.
- 2) Taylor D #3 well, SW/4 NE/4, located 2,210' FNL & 1,650' FEL of said Section 9, to be drilled to a total depth of approximately 7,000'.
- 3) Taylor D #4 well, SE/4 NE/4, located 2,120' FNL & 475' FEL of said Section 9, to be drilled to a total depth of approximately 7,000'.
- 4) Taylor D #5 well l, NE/4 SE/4, located 1,650' FSL & 330' FEL of said Section 9, to be drilled to a total depth of approximately 7,100'.

The total estimated cost of each of the subject wells is \$1,650,000 which is described in more detail in the enclosed Authority for Expenditure ("AFE") for each well, attached to and made a part of this proposal. If you choose to participate in any or all of the wells, please evidence the same by signing, dating and returning to the undersigned the AFE that corresponds to the well(s) in which you choose to participate. For your convenience, you may return AFEs to me by mail to the letterhead address, by fax to (432) 686-3000, or by email to 'rready@conchoresources.com'. A copy of COG's proposed form of operating agreement for the subject wells is also enclosed.

If you choose not to participate in the proposed wells, we will be glad to consider alternatives. Please feel free to contact me about this matter at phone (432) 685-4345 or by email to 'rready@conchoresources.com'.

Sincerely,

COG Operating LLC

Senior Landman

Enclosures: AFEs (4)

Operating Agreement

LOCATION: Section 9-T17S-R32E, NMP FOOTAGE: 1650' FSL & 1650' FEL	M	COUNTY & STATE: Lea County, NM OBJECTIVE: Yeso test (4 Fracs) 7000'				
OUTHOL. 1000 TOL & 1000 FEE		Objective. Teso test (4 Fracs) 7000				
NTANGIBLE COSTS		<u>BCP</u>		<u>ACP</u>	<u>TOTAL</u>	
itle/Curative/Permit	201	4,000	_		4,00	
surance	202	3,800	302 _		3,80	
amages/Right of Way	203		303 _			
urvey/Stake Location	204	2,500	304		2,50	
ocation/Pits/Road Expense	_ 205	30,000	305 _	5,000	35,00	
brilling / Completion Overhead umkey Contract	_ ²⁰⁶ -	2,500	306 307	2,000	4,50	
ootage Contract	- 20%		308			
Paywork Contract	— 209 ·	175,000	309		175,00	
Directional Drilling Services	210		310			
uel & Power	211	28,800	311	1,000	29,80	
Vater	212	14,000	312	32,000	46,00	
ils	213	24,000	313 _	500	24,50	
Mud & Chemicals	214	7,000	314 _		7.00	
orill Stem Test Coring & Analysis	215 216		315 _			
ement Surface	- 217	15,500	-		15,50	
Cement Intermediate #1	— 218 ·	16,400	-		16,40	
ement Intermediate #2			_	····		
Sement Production			319	30,000	30,00	
Cernent Squeeze	220		320			
loat Equipment & Centralizers	221	2,500	321	2,000	4,50	
Casing Crews & Equipment	222	4,000	322 _	5,500	9,50	
Ishing Tools & Service	_ 223		323 _			
Seologic/Engineering Contract Labor	224 225	3,000	324 325	10,000	13,00	
Company Supervision	- ²²⁵ -	3,000	326 -	10,000	13,00	
Contract Supervision	- 227	12,000	327	5,000	17,90	
esting Casing/Tubing	228	1,800	328	2,200	4,00	
Aud Logging Unit	229	6,000	329		6,00	
ogging	230	15,000	330		15,00	
Perforating/Wireline Services	231	.	331 _	24,000	24,00	
Stimulation/Treating (4 fracs)			332 _	369,000	369,00	
Completion Unit	_		333 _ 334 _	20,000	20,00	
Swabbing Unit Rentals-Surface	235	5,000	335	36,000	41,00	
Rentals-Subsurface	236	26,000	336	10,000	36,00	
Trucking/Forkliff/Rig Mobilization	237	40,000	337	8,000	48,00	
Velding Services	238	2,000	338	1,000	3,00	
Vater Disposal	239	500	339	3,000	3,50	
Plug to Abandon	240		340 _			
Seismic Analysis	- 241	400.000	341 _ 344		100,00	
Closed Loop & Environmental Miscellaneous	- 244 242	100,000	344 -		100,00	
Contingency 5%	— ²⁴²	27,065	343	28,310	55,37	
TOTAL INTANGIBLES	_	569,000		595,000	1,163,00	
TANGIBLE COSTS					04.00	
Surface Casing	— 401 402	31,200 75,300	-		31,20 75,30	
ntermediate Casing #2	402	75,500	-		70,50	
Production Casing/Liner	_		503	154,000	154,00	
Tubing	_		504	49,000	49,00	
Vellhead Equipment	405	6,000	505	3,000	9,0	
Pumping Unit			506 _	87,500	87.5	
Prime Mover			507	04.070	24.0	
Rods Pumps	_		508 509	21,376 4,500	21,3	
anks			510	3,000	3,0	
lowlines			511	5,000	5,0	
leater Treater/Separator			512	3,000	3,0	
lectrical System	_		513	10,000	10,0	
Packers/Anchors/Hangers	414		514	900	9	
Couplings/Fittings/Valves	415		515	7,000	7,0	
Sas Compressors/Meters	_		516			
Dehydrator	_		517			
njection Plant/CO2 Equipment	— ₄₁₉	500	518 519	500	1,0	
Ontingency 5%	- 419 420	5,700		18,600	24,3	
TOTAL TANGIBLES		118,700		367,376	486,0	
TOTAL WELL COSTS	_	688,000	-	963,000	1,650,0	
COG Operating LLC			_	_		
By: Erick W. Nelson		Date Prepared:		5/7/10		
We approve:		This AFE is only an of the actual costs is		a. By signing you agree to	pay your share	
Company:						
n						
By: Printed Name:		-				
Title:		-				
		_				

WELL NAME: Taylor D #3	PROSPECT NAME: Maljamar (Lowe) Prospect
LOCATION: Section 9-T17S-R32E, NMPM	COUNTY & STATE: Lea County, NM
FOOTAGE: 2210' FNL & 1650' FEL	OBJECTIVE: Yeso test (4 Fracs) 7000'

POOTAGE. 2210 FRE & 1000 FEE		020201112		Teso lesi (4 Flacs)	,	
INTANGIBLE COSTS	204	BCP		ACP	TOTAL	
Title/Curative/Permit	- 201 202	3,800	302		4,000 3,800	
Damages/Right of Way	203	- 0,000	303		0	
Survey/Stake Location		2,500	304		2,500	
Location/Pits/Road Expense	205	30,000	305	5,000	35,000	
Dritting / Completion Overhead	206	2,500	306	2,000	4,500	
Tumkey Contract	207		307		0	
Footage Contract	208		308		. 0	
Daywork Contract		175,000	309		175,000	
Directional Drilling Services	210		310		0	
Fuel & Power Water	211	28,800	311	1,000	29,800	
Bits	212 213	24,000	312 313	500	46,000 24,500	
Mud & Chemicals	214	7,000	314		7,000	
Drill Stem Test	215		315			
Coring & Analysis	216				0	
Cement Surface	217	15,500			15,500	
Cement Intermediate #1	218	16,400			16,400	
Cement Intermediate #2	_				0	
Cement Production			319	30,000	30,000	
Cernent Squeeze	220		320		0	
Float Equipment & Centralizers	221	2,500	321	2,000	4,500	
Casing Crews & Equipment	222	4,000	322	5,500	9,500	
Fishing Tools & Service	— ²²³		323 324		0	
Geologic/Engineering Contract Labor	224 225	3,000	325	10,000	13,000	
Company Supervision	- 226	0,000	326	10,000	15,000	
Contract Supervision	— ₂₂₇	12,000	327	5,000	17,000	
Testing Casing/Tubing	228	1,800	328	2,200	4,000	
Mud Logging Unit	229	6,000	329		6,000	
Logging	230	15,000	330		15,000	
Perforating/Wireline Services	231		331	24,000	24,000	
Stimulation/Treating (4 fracs)			332	369,000	369,0 00	
Completion Unit	_		333	20,000	20,000	
Swabbing Unit	_ ~-	F 000	334	00.000	44.000	
Rentals-Surface Rentals-Subsurface	235 236	5,000 26,000	335 336	36,000	41,000 36,000	
Trucking/Forklift/Rig Mobilization	— ²³⁷	40,000	337	8,000	48,000	
Welding Services	— 238	2,000	338	1,000	3,000	
Waler Disposal	239	500	339	3,000	3,500	
Plug to Abandon	240		340		0	
Seismic Analysis	241		341		0	
Closed Loop & Environmental	244	100,000	344		100,000	
Miscellaneous	242		342		0	
Contingency 5% TOTAL INTANGIBLES	243	27,065 569,000	343	28,310 595,000	55,375 1,163,000	
TANGIBLE COSTS						
Surface Casing	401	31,200			31,200	
Intermediate Casing #1	402	75,300			75,300	
Intermediate Casing #2					0	
Production Casing/Liner			503	154,000	154,000	
Tubing		0.000	504	49,000	49,000	
Wellhead Equipment Pumping Unit	405	6,000	505 506	3,000 87,500	9,000 87,500	
Prime Mover			507	07,500	000,16	
Rods	_		508	21,376	21,376	
Pumps			509	4,500	4,500	
Tanks	_		510	3,000	3,000	
Flowlines			511	5,000	5,000	
Heater Treater/Separator	_		512	3,000	3,000	
Electrical System			513	10,000	10,000	
Packers/Anchors/Hangers	414		514	900	900	
Couplings/Fittings/Valves	— ⁴¹⁵		515	7,000	7,000	
Gas Compressors/Meters			516			
Dehydrator Injection Plant/CO2 Equipment			517 518			
Miscellaneous	419	500	519	500	1,000	
Contingency 5%	420	5,700	520	18,600	24,300	
TOTAL TANGIBLES		118,700		367,376	486,076	
TOTAL WELL COSTS		688,000		963,000	1,650,000	
COG Operating LLC						
By: Erick W. Nelson		Date Prepared:		5/7/10		
Me conserve		This ACE is set	nation :	to Bucionica	to any must chara	
We approve:		of the actual socialis		ste. By signing you agree	w pay your snare	

approve: This ArE is only an estimate. By signing you agree to pay your shall of the actual costs incurred.

moany:

By:
Printed Name:
Title:
Date:

INTANGIBLE COSTS BCF TitlefCuralive/Permit 201 Intranscript 202 Intranscript 202 Intranscript 203 Intranscript 203 Intranscript 204 Intranscript 204 Intranscript 205 Intranscript 206 Intranscript 206 Intranscript 206 Intranscript 206 Intranscript 207 Intranscript 208 Intranscript 208 Intranscript 208 Intranscript 209 Intranscript 200 Intermediate	ECTIVE			PROSPECT NAME: Maljamar (Lowe) Prospect COUNTY & STATE: Lea County, NM				
Title/Curative/Permit 201		•	Yeso test (4 Fracs) 7000					
Italic Curative Permit 201	•		ACP	TOTAL				
Damages/Right of Way 203	4,000			4,000				
Survey/Stake Location 204		302		3,800				
Survey/Stake Location 204		303						
Ceation/Pits/Road Expenses 205		304		2,500				
Description Completion Overhead 206		305	5,000	35,000				
Cotage Contract 208		306	2,000	4,500				
Degwork Contract 209 1		307						
Directional Drilling Services 210	3	308						
Valer 211 Valer 212 212 213 213 214 215 213 214 215 215 215 215 215 215 215 215 215 216 216 216 217 216 216 217 216 216 217 216 217 216 216 217 216 216 217 216 216 217 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 217 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216 216	75,000 3	309		175,000				
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Aud & Chemicals Aud & Chemicals Aud & Chemicals Aud Strill Stear Test Aud Strill Stear Test Aud Strill Stear Test Cement Surface Cement Surface Cement Intermediate #1 218 Cement Intermediate #2 Cement Intermediate #2 Cement Production Cement Squeeze Coordinate Suppress Coat Equipment & Centralizers 221 Casing Crews & Equipment 222 Central Suppress Coordinate Supervision Correspy Supervision Correspy Supervision Correspy Supervision Correspy Supervision Correspy Supervision Corresping Casing/Tubing Aud Logging Unit Cogging Cesting Casing/Tubing Aud Logging Unit Cogging Certificating/Wireline Services Correlating/Wireline Services Correlating/Wireline Services Correlating/Wireline Services Correlating-Wireline Services Completion Unit Completion Unit Completion Unit Completion Unit Contract Supervision Correlating-Wireline Services Contract Supervision Correlating-Wireline Services Contract Supervision Correlating-Wireline Services Contract Supervision Correlation-Treating (4 fracs) Correlati		312 .	32,000	46,000				
Description		313	500	24,500				
Coring & Analysis		314		7,000				
Cerment Surface 217 218	*	315						
Cerment Intermediate #1 218	1E E00			45.50				
Cerment Intermediate #2 Cerment Production	15,500 16,400			15,500 16,400				
Cement Production	10,400			10,400				
Cament Squeeze		319	30,000	30,000				
Total Equipment & Centralizers		320	30,000	30,000				
Casing Crews & Equipment 222 15thing Tools & Service 223 23 24 24 24 25 25 25 25 26 26 26 26		321	2,000	4,500				
Contract Labor Contract Supervision Contract Supervi		322	5,500	9,500				
Decologic/Engineering		323		(
Contract Labor 225		324						
Contract Supervision	3,000 3	325	10,000	13,000				
Casting Casting/Tubing		326						
Multi-Logging Unit 229 230	12,000 3	327	5,000	17,000				
Cogging Cogging Cogging Cogging Cogging Cogging Completion Unit Completion Unit Completion Unit Completion Unit Completion Unit Completion Unit Cogging Coggin		328	2,200	4,000				
Perforating Wireline Services 231		329		6,000				
Silmulation/Treating (4 fracs)		330		15,000				
Completion Unit Completion Unit Completion Unit Completion Unit Completing		331	24,000	24,000				
Swabbing Unit Sentals-Surface 235		332	369,000	369,000				
Rentals-Subsurface 235		333 334	20,000	20,000				
Rentals-Subsurface 236		335 335	36,000	41,000				
Trucking Forklift/Rig Mobilization 237 Nelding Services 238 Nelding Services 238 Nelding Services 239 Nater Disposal 239 Pug to Abandon 240 Selsmic Analysis 241 Closed Loop & Environmental 244 1 Miscellaneous 242 Contingency 5% 243 TOTAL INTANGIBLES 5 TANGIBLE COSTS Surface Casing 401 Intermediate Casing #1 402 Intermediate Casing #1 402 Intermediate Casing #1 405 Production Casing/Liner Fubing Verification 405 Pumping Unit Prime Mover 405 Rods Pumps 1 Tanks Flowlines Fleater Treater/Separator Electrical System 2 Packers/Anchors/Hangers 414 Couplings/Fittings/Valves 415 Gas Compressors/Meters 2 Debydrator 2 Injection Plant/CO2 Equipment Miscellaneous 419 Contingency 5% 420 TOTAL WELL COSTS 5 COG Operating LLC By: Erick W. Nelson Date Prepa		336 `	10,000	36,000				
Welding Services 238 Nater Disposal 239 Plug to Abandon 240 Seismic Analysis 241 Closed Loop & Environmental 244 1 Miscellaneous 242 Contingency 5% 243 TOTAL INTANGIBLES 5 TANGIBLE COSTS Surface Casing 401 Intermediate Casing #1 402 Intermediate Casing #2 Production Casing/Liner Production Casing/Liner Production Casing/Liner Pumping Unit Prime Mover Rods Pumping Unit Prime Mover Prime Mover Rods Pumps Tanks Plowlines Heater Treater/Separator Electrical System Packers/Anchors/Hangers 414 Couplings/Fittings/Valves 3 Gas Compressors/Meters Doetydrator Injection Plant/CO2 Equipment Miscellaneous Contingency 5% 420 TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC		337	8,000	48,000				
Value		338	1,000	3,000				
### Purp to Abandon		339	3,000	3,500				
Seismic Analysis 241		340						
Closed Loop & Environmental 244 1 Miscellaneous 242 243 TOTAL INTANGIBLES 5 TANGIBLE COSTS 3 Surface Casing 401 Intermediate Casing #1 402 Intermediate Casing #2 7 Production Casing/Liner 7 Tubing 7 Wellhead Equipment 405 Pumping Unit 7 Prime Mover 7 Rods 7 Pumping Unit 7 Prime Mover 7 Rods 7 Pankers/Anchors/Hangers 414 Couplings/Fittings/Valves 415 Gas Compressors/Meters 7 Oethydrator 7 Injection Plant/CO2 Equipment 419 Contingency 5% 420 TOTAL TANGIBLES 7 TOTAL WELL COSTS 6 CoG Operating LLC 6 By: Erick W. Nelson Date Prepa		341						
Miscellaneous	00,000 3	344		100,000				
TOTAL INTANGIBLES 5 TANGIBLE COSTS Surface Casing	3	342						
TANGIBLE COSTS Surface Casing 401 Intermediate Casing #1 402 Intermediate Casing #2 Production Casing/Liner Tubing Wellhead Equipment Pumping Unit Prime Mover Rods Pumps Tanks Flowlines Heater Treater/Separator Electrical System Packers/Anchors/Hangers 414 Couplings/Fittings/Valves Gas Compressors/Meters Dehydrator Injection Plant/CO2 Equipment Miscellaneous 419 Contingency 5% 420 TOTAL TANGIBLES TOTAL WELL COSTS Code Operating LLC By: Erick W. Nelson Date Prepa	27,065 3	343	28,310	55,375				
Surface Casing 401 Intermediate Casing #1 402 Intermediate Casing #2 Production Casing/Liner Fubing Wellhead Equipment 405 Pumping Unit Prime Mover Rods Powlines Flowlines Flowlines Fleater Treater/Separator Electrical System Packers/Anchors/Hangers 414 Couplings/Fittings/Valves 415 Gas Compressors/Meters Debydrator Injection Plant/CO2 Equipment Miscellaneous 419 Contingency 5% 420 TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: Erick W. Nelson Date Prepa	69,000		595,000	1,163,000				
Intermediate Casing #1 402 Intermediate Casing #2 Production Casing #2 Production Casing // Production Casing Production Casin								
Intermediate Casing #2 Production Casing/Liner Tubing Wellhead Equipment Pumping Unit Prime Mover Rods Pumps Tanks Flowlines Heater Treater/Separator Electrical System Packers/Anchors/Hangers Coupings/Fittings/Valves Gas Compressors/Meters Dehydrator Injection Plant/CO2 Equipment Miscellaneous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: Erick W. Nelson Date Prepa	31,200			31,200				
Production Cosing/Liner	75,300			75,300				
Fubing	 .	503	154,000	154,000				
Wellhead Equipment Pumping Unit Prime Mover Rods Pumps Tanks Flowlines Heater Treater/Separator Electrical System Packers/Anchors/Hangers Couplings/Fittings/Valves Gas Compressors/Meters Detrydrator Injection Plant/CO2 Equipment Miscellaneous TOTAL TANGIBLES TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: Erick W. Nelson Date Prepa		504	49,000	49,000				
Pumping Unit Prime Mover Rods Pumps Flowlines		505	3,000	9,000				
Prime Mover Rods Rods Pumps Tanks Tanks Towlines Teater/Separator Electrical System Packers/Anchors/Hangers Coupings/Fittings/Valves Gas Compressors/Meters Dethydrator Injection Plant/CO2 Equipment Miscellaneous Contingency 5% TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: Erick W. Nelson Date Prepa		506	87,500	87,50				
Rods Pumps		507		9,,55				
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TOTAL TANGIBLES TOTAL WELL COSTS COG Operating LLC By: Erick W. Nelson Date Prepa		520	18,600	24,30				
TOTAL WELL COSTS COG Operating LLC By: Erick W. Nelson Date Prepa	18,700	J20	367,376	486,07				
By: Erick W. Nelson Date Prepa	88,000		963,000	1,650,00				
By: Erick W. Nelson Date Prepa								
We approve: This AFE is	red:		5/7/10					
of the actual			ote. By signing you agree to pa	y your share				
Company:	vosus inic	JII 00	•					
By:								
Printed Name: Title:								

PROSPECT NAME: Maljamar (Lowe) Prospect WELL NAME: Taylor D #5 LOCATION: Section 9-T17S-R32E, NMPM COUNTY & STATE: Lea County, NM FOOTAGE: 1650' FSL & 330' FEL OBJECTIVE: Yeso test (4 Fracs) 7100' **INTANGIBLE COSTS** TOTAL <u>BCP</u> <u>ACP</u> Title/Curative/Permit 201 4,000 4,000 Insurance 202 3,800 302 3,800 Damages/Right of Way 203 303 0 2,500 35,000 Survey/Stake Location 204 2,500 304 Location/Pits/Road Expense 205 30,000 5,000 Drilling / Completion Overhead 206 2,500 306 2,000 4,500 Turnkey Contract 207 307 Footage Contract 208 308 0 175,000 Daywork Contract 209 309 175,000 Directional Drilling Services 210 310 Fuel & Power 28,800 311 1,000 29,800 Water 212 14,000 312 32,000 46,000 Bits 213 24,000 313 500 24,500 Mud & Chemicals 214 7,000 314 7,000 Drill Stem Test 215 315 ō Coring & Analysis 216 n 15,500 15.500 Cement Surface 217 Cement Intermediate #1 218 16,400 16,400 Cement Intermediate #2 Cement Production 30,000 30,000 Cement Squeeze 220 Float Equipment & Centralizers 221 2,500 321 2,000 4,500 Casing Crews & Equipment 222 4,000 322 5,500 9,500 Fishing Tools & Service 223 323 0 0 Geologic/Engineering 224 324 Contract Labor 225 3,000 325 10,000 13,000 Company Supervision 226 326 Contract Supervision 227 12,000 327 5.000 17,000 228 Testing Casing/Tubing 1,800 328 2,200 4,000 Mud Logging Unit 229 6,000 329 6,000 230 15,000 330 Logging 15,000 Perforating/Wireline Services 231 331 24,000 24,000 Stimulation/Treating (4 fracs) 332 369,000 369,000 Completion Unit 333 20,000 20,000 Swabbing Unit 334 41,000 Rentals-Surface 235 5.000 335 36,000 Rentals-Subsurface 236 26,000 336 10,000 36,000 Trucking/Forklift/Rig Mobilization 237 337 40,000 8,000 48,000 Welding Services 238 2,000 338 1,000 3,000 3,500 Water Disposal 239 500 339 3,000 Plug to Abandon 240 340 0 Seismic Analysis 241 341 Closed Loop & Environmental 244 344 100,000 100,000 242 342 0 27,065 55 375 Contingency 5% 243 28,310 TOTAL INTANGIBLES 569,000 595,000 1,163,000 **TANGIBLE COSTS** Surface Casing 401 31,200 75,300 31,200 75,300 Intermediate Casing #1 402 Intermediate Casing #2 503 154,000 154,000 Production Casing/Lines Tubing 504 49,000 49,000 Weilhead Equipment 405 6,000 505 3.000 9.000 506 87,500 87,500 Pumping Unit Prime Mover 507 Rods 508 21,376 21,376 Pumps 509 4,500 4.500 3,000 3,000 510 Tanks 5,000 5,000 511 Flowlines Heater Treater/Separator 3,000 3,000 512 Electrical System 513 10,000 10.000 900 Packers/Anchors/Hangers 414 514 900 7,000 7,000 515 Couplings/Fittings/Valves 415 516 0 Gas Compressors/Meters Ō 517 Dehydrator 518 n Injection Plant/CO2 Equipment Miscellaneous 500 419 500 519 1.000 Contingency 5% 420 5,700 520 18,600 24,300 TOTAL TANGIBLES 486,076 118,700 367.376 1,650,000 TOTAL WELL COSTS 963,000 688,000 COG Operating LLC

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

Date Prepared:

By: Erick W. Nelson

We approve:

Printed Name: Title: Date:

Company:

5/7/10

From:

Robert Ready

Sent:

May 24, 2010 11:44 AM

To:

Mike Goldak

Subject:

Oil and Gas Lease Offer-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

Dear Mr. Goldak,

Per our earlier conversation, COG Operating LLC desires to purchase an oil and gas lease from The Trust Company of Kansas and Clyde Dell Graeber, co-trustees of the Dorothy Dell Graeber Trust dated May 5, 1978, covering the lands and mineral interest described in the message below. COG hereby offers \$250 per net mineral acre to purchase an oil and gas lease with 3 year primary term and 3/16 royalty, subject to approval of title, covering the 10 net mineral acre interest.

Based on our conversation, it is my understanding that you are receptive to leasing the subject mineral interest. With that in mind, I will submit a proposed form of oil and gas lease to you by email tomorrow. Thank you for your cooperation and consideration. Should you have questions about this matter, do not hesitate to contact me.

Best regards,

J. Robert Ready, Senior Landman COG OPERATING LLC 550 W. Texas Avenue, Suite 100 Midland, Texas 79701 Direct (432) 685-4345 Fax (432) 686-3000

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From: Robert Ready Sent: May 07, 2010 6:59

To: Mike Goldak

Subject: Well Proposals-Taylor D 2,3,4,5-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

The Trust Company of Kansas, Trustee of the Dorothy Dell Graeber Trust dated May 5, 1978 Attn: Mr. Michael Goldak 5151 S. 4th Street Leavenworth, Kansas 66048

Dear Mr. Goldak,

As previously communicated, our records reflect that The Trust Company of Kansas, as Trustee of the Dorothy Dell Graeber Trust dated May 5, 1978, owns a 6.25% unleased mineral interest in the lands described below. COG Operating LLC owns the majority interest in the subject lands, and desires to acquire or obtain commitment of all outstanding interests in the following tract:

Section 9, T17S-R32E, NMPM, Lea County, New Mexico

S/2 NE/4 and N/2 SE/4, as to depths below the base of the San Andres formation Containing 160 acres, more or less

We are prepared to commence drilling on the subject lands soon. To that end, please find the attached Well Proposals, AFEs and our proposed form of operating agreement. Feel free to contact me to discuss alternatives to your participation in the subject wells. I will be glad to work with you.

Best regards,

J. Robert Ready, Senior Landman, CPL COG OPERATING LLC 550 W. Texas Avenue, Suite 100 Midland, Texas 79701 Direct (432) 685-4345 Fax (432) 686-3000

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From:

Robert Ready

Sent:

June 01, 2010 2:39 PM

To:

Mike Goldak

Subject:

Oil and Gas Lease Offer-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

Attachments:

Graeber Trust OGL 6-1-2010.pdf

Dear Mr. Goldak,

In connection with our earlier communications, COG Operating LLC hereby offers \$250 per net mineral acre to purchase an oil and gas lease covering the 10 net mineral acre interest described below, using the attached form, with 3 year primary term and 1/4 royalty (increased from the 3/16 offered below). This offer is subject to approval of title.

Please review this offer and contact me with your questions or acceptance. Should you agree to it, please provide information to complete the signature block and acknowledgment for The Trust Company of Kansas in the oil and gas lease. I will then send the lease to you for execution. After it has been executed by TCK and Mr. Graeber, you can fax the executed document to me and I will send a company check to you in payment of the \$2,500 bonus consideration, in exchange for the original lease.

In anticipation of such requirement by our title attorney, please provide a copy of the trust agreement for our review. Should you have questions about this matter, do not hesitate to contact me.

Best regards,

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From: Robert Ready Sent: May 24, 2010 11:44

To: Mike Goldak

Subject: Oil and Gas Lease Offer-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

Dear Mr. Goldak,

Per our earlier conversation, COG Operating LLC desires to purchase an oil and gas lease from The Trust Company of Kansas and Clyde Dell Graeber, co-trustees of the Dorothy Dell Graeber Trust dated May 5, 1978, covering the lands and mineral interest described in the message below. COG hereby offers \$250 per net mineral acre to purchase an oil and gas lease with 3 year primary term and 3/16 royalty, subject to approval of title, covering the 10 net mineral acre interest.

Based on our conversation, it is my understanding that you are receptive to leasing the subject mineral interest. With that in mind, I will submit a proposed form of oil and gas lease to you by email tomorrow. Thank you for your cooperation and consideration. Should you have questions about this matter, do not hesitate to contact me.

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From: Robert Ready Sent: May 07, 2010 6:59

To: Mike Goldak

Subject: Well Proposals-Taylor D 2,3,4,5-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

The Trust Company of Kansas, Trustee of the Dorothy Dell Graeber Trust dated May 5, 1978 Attn: Mr. Michael Goldak 5151 S. 4th Street Leavenworth, Kansas 66048

Dear Mr. Goldak,

As previously communicated, our records reflect that The Trust Company of Kansas, as Trustee of the Dorothy Dell Graeber Trust dated May 5, 1978, owns a 6.25% unleased mineral interest in the lands described below. COG Operating LLC owns the majority interest in the subject lands, and desires to acquire or obtain commitment of all outstanding interests in the following tract:

Section 9, T17S-R32E, NMPM, Lea County, New Mexico S/2 NE/4 and N/2 SE/4, as to depths below the base of the San Andres formation Containing 160 acres, more or less

We are prepared to commence drilling on the subject lands soon. To that end, please find the attached Well Proposals, AFEs and our proposed form of operating agreement. Feel free to contact me to discuss alternatives to your participation in the subject wells. I will be glad to work with you.

Best regards,

J. Robert Ready, Senior Landman, CPL COG OPERATING LLC 550 W. Texas Avenue, Suite 100 Midland, Texas 79701 Direct (432) 685-4345

From:

Robert Ready

Sent:

June 08, 2010 11:16 PM

To:

'Jane Meyer' 'Tully Davis'

Cc: Subject:

OGL Offer-Taylor "D" #2, #3, #4 & #5 wells, Lea County, New Mexico

Dear Ms. Meyer,

In accordance with our conversation on 6/7, it is my understanding that RAM Energy, Inc. has determined not to participate in the drilling of the Taylor D wells and is interested in pursuing an oil and gas lease to COG covering RAM's interest in the subject lands. Further, we understand that RAM desires certain changes to the oil and gas lease offer and that you will provide the details of such changes for our consideration, at your earliest convenience.

Please be advised that COG will proceed with the compulsory pooling hearing on 6/10 and will honor our offer to lease the RAM interest, on mutually agreeable terms, after the hearing. Should you have questions about this matter, do not hesitate to contact me.

Best regards,

J. Robert Ready, Senior Landman COG OPERATING LLC 550 W. Texas Avenue, Suite 100 Midland, Texas 79701 Direct (432) 685-4345 Fax (432) 686-3000

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From:

Robert Ready

Sent:

June 08, 2010 11:21 PM

To:

Mike Goldak

Subject:

RE: Oil and Gas Lease Offer-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

Dear Mr. Goldak,

It is our understanding that The Trust Company of Kansas and Clyde Dell Graeber, Co-Trustees of the Dorothy Dell Graeber Trust dated May 5, 1978, are interested in entering into an oil and gas lease with COG covering the interest of the Trust in the subject lands. To that end, we respectfully request your response to the offer submitted with the email of 6/1 below.

Please be advised that COG will proceed with the compulsory pooling hearing on 6/10 and will honor our offer to lease the Trust interest, on mutually agreeable terms, after the hearing. Should you have questions about this matter, do not hesitate to contact me.

Best regards,

J. Robert Ready, Senior Landman COG OPERATING LLC 550 W. Texas Avenue, Suite 100 Midland, Texas 79701 Direct (432) 685-4345 Fax (432) 686-3000

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From: Robert Ready Sent: June 01, 2010 2:39

To: Mike Goldak

Subject: Oil and Gas Lease Offer-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

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Please review this offer and contact me with your questions or acceptance. Should you agree to it, please provide information to complete the signature block and acknowledgment for The Trust Company of Kansas in the oil and gas lease. I will then send the lease to you for execution. After it has been executed by TCK and Mr. Graeber, you can fax the executed document to me and I will send a company check to you in payment of the \$2,500 bonus consideration, in exchange for the original lease.

In anticipation of such requirement by our title attorney, please provide a copy of the trust agreement for our review. Should you have guestions about this matter, do not hesitate to contact me.

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From: Robert Ready Sent: May 24, 2010 11:44

To: Mike Goldak

Subject: Oil and Gas Lease Offer-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM

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Best regards,

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From: Robert Ready Sent: May 07, 2010 6:59

To: Mike Goldak

Subject: Well Proposals-Taylor D 2,3,4,5-Trust Co of KS, Tr'ee-Section 9-T17S-R32E, Lea Co., NM