Blackhawk "11" Fed Com #2		Drilling - AFE	Drilling - AFE dated 8/10/09		0	cc: Sandy, Renee, Noemi	e, Noemi	
Sec. 11-T116-R28E		Big Game Pr	Big Game Prospect 720002	a	1			A STATE OF THE STA
SHL: 1800' FSL & 1590' FWL		Eddy Co	Eddy County, NM		*	AFE Mailed 1/07/2010	2010	
BHL: 1650' FSL & 330' FEL								
							A CONTRACTOR OF THE CONTRACTOR	
OWNER	Interest	Drilling	Completion	Drig Proposal	Due	Drilling	Completion	NOTES
Chesapeake Exploration LP	14.04500000%			FedEx Trkg			Well proposal faxed & sent via FedEx 1/07/2010	
6100 N. Western Ave.				793160647525				
Oklahoma City, OK 73118								
Attn: Kevin Pfister								
Fax: 405-935-1450								
Devon Energy Production Co., LP	10.93750000%			FedEx Trkg			Well proposal faxed & sent via FedEx 1/07/2010	
20 N. Broadway, Suite 1500			A THE RESERVE THE PARTY OF THE	793160688650				The second section of the se
Okianoma City, OK /3102								
Phone: 405-552-8040		The second secon	The second secon		and the section of any of any or any or any or any or any or and or any or any or any or any	The second of th		
Fax: 405-552-8113								
Timothy R. MacDonald	0.01750000%	0.01750000%		FedEx Trkg		yes	Well proposal faxed & sent via FedEx 1/07/2010	
23 Graham Ln.				798281703841			Signed AFE returned 1/25/2010. OA executed.	
Lucas, TX 75002		And the state of t					The state of the s	to proceed and the contract of
Phone: 972-450-4552	And the state of t							
Fax: 972-450-4519	Property and the state of the s			And the state of t			the service of the factor of the service of the ser	manana di spirita della como del mi dendi della della como manana della como montro della como dell
Cell: 972-839-9531		And the same of th	mateka september de perdepart de despersiones de dependent de despersiones de despetables de despetables de des	The second secon				
tim_macdonald@nexeninc.com								
COG Operating LLC	75.00000000%	75.00000000%						
						a detailement winness after the contract of the party of the contract of the c		
	otal 100.00000%	75.01750%	0.0000%		The second section of section is a second section of the sect	The second secon		AND
LAND APPROVAL:								



VIA FEDERAL EXPRESS AND FACSIMILE (972) 450-4519

Timothy R. MacDonald 23 Graham Ln. Lucas, TX 75002

RE: Big Game Prospect

Blackhawk "11" Federal Com #2

NESW & N2SE of Section 11-T16S-R28E

Eddy County, New Mexico

Dear Mr. MacDonald:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6,686' and total measured depth being approximately 9,707'. The surface location for this well has been permitted at 1800' FSL & 1590' FWL with a bottomhole location at 1650' FSL & 330' FEL with the dedicated project area being the NESW & N2SE of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE as well as a copy of the Permit to Drill.

We ask that you join Concho to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided below and return one original each of this letter, a signed original of the enclosed AFE and executed signature pages to our proposed Operating Agreement.

However, in the event you do not wish to participate, Concho respectfully requests that you consider as an alternative either of the below proposals:

Proposal 1:

Concho would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of your contractual and leasehold interests situated in the NESW & N2SE of Section 11-T16S-R28E, Eddy County, New Mexico.

Timothy R. MacDonald will farmout all of his contractual and leasehold interests in the NESW & N2SE of Section 11-T16S-R28E, Eddy County, New Mexico, subject to reaching mutually agreeable terms.

This letter replaces our previous proposal dated August 11, 2009.

Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- US Mail ~ 550 West Texas Avenue, Suite 1300, Midland, Texas 79701
- Fax -7432.685.4398
- Email Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.685.4352.

Very truly yours,

COG Operating LLC

Jan Preston Spradlin, CPL

The Greston Opride

Senior Landman

	I/We hereby elect to participate in the Blackhawk "11" Federal Com #2
	I/We hereby elect <u>not</u> to participate in the Blackhawk "11" Federal Com #2
	I/We hereby elect to pursue Proposal 1
	I/We hereby elect to pursue Proposal 2
AVUTONALT	-MAGDONALD
TIVIOTATE	NACOUNALD
1/2	$\mathcal{W}(\mathcal{N})$
	1/11/12
Date:	1// 5/ / 0



VIA FEDERAL EXPRESS AND FACSIMILE (972) 450-4519

Timothy R. MacDonald 23 Graham Ln. Lucas, TX 75002

RE:

Big Game Prospect

Blackhawk "11" Federal Com #2

NESW & N2SE of Section 11-T16S-R28E

Eddy County, New Mexico

Dear Mr. MacDonald:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6,686' and total measured depth being approximately 9,707'. The surface location for this well has been permitted at 1800' FSL & 1590' FWL with a bottomhole location at 1650' FSL & 330' FEL with the dedicated project area being the NESW & N2SE of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE as well as a copy of the Permit to Drill.

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- Fax 432.685.4398
- Email Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.685.4352.

Very truly yours,

COG Operating LLC

Jan Preston Spradlin, CPL Senior Landman

h Greston Oprede

 	//We hereby elect to participate in the Blackhawk "11" Federal Com #2
	I/We hereby elect <u>not</u> to participate in the Blackhawk "11" Federal Com #2
	/We hereby elect to pursue Proposal 1
	I/We hereby elect to pursue Proposal 2
TIMOTHY R.	MACDONALD
Data	

COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

 WELL NAME: Blackhawk "11" Fed Com #2
 PROSPECT NAME: Crow Flats

 Surf. Loc: 1650' FS&WL, Sec 11
 COUNTY & STATE: Eddy,NM

 B.H. Loc: 1650' FSL & 330' FEL, Sec 11
 OBJECTIVE: 9,778' MD (6690' TVD) Lwr Abo/Wolfcamp

 T16S - R28E w/pilot, wo/LWD

NITANOIDI E COSTO		BOB		400	TOTAL
INTANGIBLE COSTS	004	BCP		<u>ACP</u>	TOTAL
Title/Curative/Permit	²⁰¹ _	5,500 22,000	302		5,500 22,000
Insurance			_	···········	15,000
Damages/Right of Way	$ \frac{203}{904}$ $-$	15,000	303 _		
Survey/Stake Location Location/Pits/Road Expense	204 205	3,000 45,000	304 305	5,000	3,000
Drilling / Completion Overhead	- ²⁰⁵ -	5,000	306	1,000	6,000
Turnkey Contract	- ²⁰⁰ -	3,000	307	1,000	0,000
Footage Contract			308	***************************************	
Daywork Contract 29:4 @ \$10,000/day	209	290,000	309	40,000	330,000
Directional Drilling Services, With out LWD		160,000	310	<u> </u>	160,000
Fuel & Power	211	48,000	311	6,000	54,000
Water	212	30,000	312	50,000	80,000
Bits	213	50,000	313	1,000	51,000
Mud & Chemicals	214 _	60,000	314 _		60,000
Drill Stem Test	215	 	315 _		0
Coring & Analysis	216 _	40.000	_		0
Cement Surface Cement Intermediate	- ²¹⁷ -	12,200 15,000	-		12,200 15,000
Cement 2nd Intermediate 7"	218 _	15,000	319	23,400	
Cement Squeeze & Other (Kickoff Plug)	- 220 -	18,700	320 -	23,400	23,400 18,700
Float Equipment & Centralizers	- ²²³ -	5,000	321	2,000	7,000
Casing Crews & Equipment	_ 222 _	15,000	322	10,000	25,000
Fishing Tools & Service	223	· · · · · · · · · · · · · · · · · · ·	323		0
Geologic/Engineering	224	10,000	324	1,000	11,000
Contract Labor	225	10,000	325	30,000	40,000
Company Supervision	226	2,000	326	2,000	4,000
Contract Supervision	227	36,000	327	4,000	40,000
Testing Casing/Tubing	228	4,000	328 _	1,500	5,500
Mud Logging Unit	229	19,500	329 _	······································	19.500
Logging	230 _	60,000	330 _	10.500	60,000
Perforating/Wireline Services	231	1,500	³³¹ –	12,500	14,000
Stimulation/Treating Completion Unit			333 -	750,000 18,000	750,000
Swabbing Unit			334	10,000	18,000
Rentals-Surface	235	90,000	335	45,000	135,000
Rentals-Subsurface	236	40,000	336	10,000	50,000
Trucking/Forklift/Rig Mobilization	237	80,000	337	15,000	95,000
Welding Services	238	3,000	338	1,500	4,500
Water Disposal	239		339	15,000	15,000
Plug to Abandon	240 _		340 _		0
Seismic Analysis	241		341 _		0
Closed Loop & Environmental	244 _	210,000	344 _		210,000
Miscellaneous	242 _	5,000	342 _	1,000	6,000
Contingency TOTAL INTANGIBLES	_ ²⁴³ _	138,600 1,509,000	343 _	105,100	243,700
TOTAL INTANGIBLES		1,509,000	-	1,150,000	2,659,000
TANGIBLE COSTS					
Surface Casing 500' 13 3/8"	401	18,000			18,000
Intermediate Casing 2300' 9 5/8", 6000' - 7"	402	59,000	503	145,000	204,000
Production Casing/Liner 4900' - 4.5"		,	503	59,000	59,000
Tubing 6000' 2 7/8"			504	34,000	34,000
Wellhead Equipment	405	10,000	505	8,000	18,000
Pumping Unit			506		0
Prime Mover			507		0
Rods			508 _		0
Pumps		<u>-</u>	509 _		0
Tanks			510 _	60,000	60,000
Flowlines Heater Treater/Separator			511 -	15,000	15,000
Electrical System			512	25,000	25,000
Packers/Anchors/Hangers	— ₄₁₄ —		513 _ 514	200,000	200,000
Couplings/Fittings/Valves	- 415 -	2,000	515	50,000	52,000
Gas Compressors/Meters			516	4,000	4,000
Dehydrator			517	<u> </u>	0
Injection Plant/CO2 Equipment			518		0
Miscellaneous	419	1,000	519	1,000	2.000
Contingency	420 _	9,000	520 _	61,000	70,000
TOTAL WELL COSTS		99,000		662,000	761,000
TOTAL WELL COSTS		1,608,000		1,812,000	3,420,000

COG Operating LLC

By: J. Coffman / C. Bird Date Prepared: 8/10/09

We approve:

Company By:

Date:

_____% Working Interest

Printed Name: TIMOTHY R MAC DOWNED
Title:

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

1/7/2010



VIA FEDERAL EXPRESS AND FACSIMILE (405) 552-8113

Devon Energy Production Co., LP 20 N. Broadway, Suite 1500 Oklahoma City, OK 73102

Attn: Mr. Ken Gray

RE: **Big Game Prospect**

Blackhawk "11" Federal Com #2

NESW & N2SE of Section 11-T16S-R28E

Eddy County, New Mexico

Dear Mr. Gray:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6,686' and total measured depth being approximately 9,707'. The surface location for this well has been permitted at 1800' FSL & 1590' FWL with a bottomhole location at 1650' FSL & 330' FEL with the dedicated project area being the NESW & N2SE of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE as well as a copy of the Permit to Drill.

We ask that you join Concho to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided below and return one original each of this letter, a signed original of the enclosed AFE and executed signature pages to our proposed Operating Agreement.

However, in the event you do not wish to participate, Concho respectfully requests that you consider as an alternative either of the below proposals:

Proposal 1:

Concho would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of Devon Energy Production Co., LP's or its entity's of record contractual and leasehold interests situated in the NESW & N2SE of Section 11-T16S-R28E, Eddy County, New Mexico.

Devon Energy Production Co., LP or its entity of record will farmout all of its contractual and leasehold interests in the NESW & N2SE of Section 11-T16S-R28E, Eddy County, New Mexico, subject to reaching mutually agreeable terms.

Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- US Mail 550 West Texas Avenue, Suite 1300, Midland, Texas 79701
- Fax 432.685.4398
- Email Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.685.4352.

Very truly yours,

COG Operating LLC

Jan Preston Spradlin, CPL Senior Landman

Suster Made

	I/We hereby elect to participate in the Blackhawk "11" Federal Com #2
	I/We hereby elect <u>not</u> to participate in the Blackhawk "11" Federal Com #2
	I/We hereby elect to pursue Proposal 1
	I/We hereby elect to pursue Proposal 2
_	
D	EVON ENERGY PRODUCTION CO., LP
р.	
В	y
Ν	ame:
т	tle:
1 9	ue.
_	



VIA FEDERAL EXPRESS **AND FACSIMILE (405) 935-4251**

Chesapeake Exploration, L.L.C. 6100 N. Western Avenue Oklahoma City, OK 73118 Attn: Craig B. Barnard

RF: **Big Game Prospect**

Blackhawk "11" Federal Com #2

NESW & N2SE of Section 11-T16S-R28E

Eddy County, New Mexico

Dear Mr. Barnard:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6,686' and total measured depth being approximately 9,707'. The surface location for this well has been permitted at 1800' FSL & 1590' FWL with a bottomhole location at 1650' FSL & 330' FEL with the dedicated project area being the NESW & N2SE of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE as well as a copy of the Permit to Drill.

We ask that you join Concho to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided below and return one original each of this letter, a signed original of the enclosed AFE and executed signature pages to our proposed Operating Agreement.

However, in the event you do not wish to participate, Concho respectfully requests that you consider as an alternative either of the below proposals:

Proposal 1:

Concho would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of Chesapeake Exploration, L.L.C.'s or its entity's of record contractual and leasehold interests situated in the NESW & N2SE of Section 11-T16S-R28E, Eddy County, New Mexico.

Chesapeake Exploration, L.L.C. or its entity of record will farmout all of its contractual and leasehold interests in the NESW & N2SE of Section 11-T16S-R28E, Eddy County, New Mexico, subject to reaching mutually agreeable terms.

This letter replaces our previous proposal dated August 11, 2009.

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- Email Jspradlin@conchoresources.com

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Very truly yours,

COG Operating LLC

Jan Preston Spradlin, CPL Senior Landman

	I/We hereby elect to participate in the Blackhawk "11" Federal Com #2 I/We hereby elect <u>not</u> to participate in the Blackhawk "11" Federal Com #2
	I/We hereby elect to pursue Proposal 1
	I/We hereby elect to pursue Proposal 2
	•
CHESAPEAK	E EXPLORATION, L.L.C.
Ву:	·
Name:	
Title:	
Data	

COG OPERATING LLC **AUTHORITY FOR EXPENDITURE** DRILLING

WELL NAME: Blackhawk "11" Fed Com #2 Surf. Loc: 1650' FS&WL, Sec 11 B.H. Loc: 1650' FSL & 330' FEL, Sec 11 PROSPECT NAME: Crow Flats
COUNTY & STATE: Eddy,NM
OBJECTIVE: 9,778' MD (6690' TVD) Lwr Abo/Wolfcamp

INTANGIBLE COSTS		<u>BCP</u>		<u>ACP</u>	<u>TOTAL</u>
Title/Curative/Permit	201	5,500			5,50
nsurance	202	22,000	302 —		22,00
Damages/Right of Way	203	15,000	303 304		15,00 3,00
Survey/Stake Location Location/Pits/Road Expense	204 <u> </u>	3,000 45,000	305	5,000	50,00
Orilling / Completion Overhead	₂₀₆	5,000	306	1,000	6,00
Furnkey Contract	207		307		
Footage Contract	208		308		
Daywork Contract 29:4 @ \$10,000/day	209	290,000	309	40,000	330,00
Directional Drilling Services, With out LWD	210	160,000	310	·	160,00
Fuel & Power	211	48,000	311	6,000	54,00
Vater Bits	212 213	30,000 50,000	312 313	50,000 1,000	80,00 51,00
Mud & Chemicals	<u> </u>	60,000	314	1,000	60,00
Orill Stem Test	215		315		
Coring & Analysis	216				
Cement Surface	217	12,200	_		12,20
Cement Intermediate	218	15,000		· · · · · · · · · · · · · · · · · · ·	15,00
Cement 2nd Intermediate 7"	218		319	23,400	23,40
Cement Squeeze & Other (Kickoff Plug)	220	18,700	320	2.000	18,70
Float Equipment & Centralizers	221 _	5,000	321 —	2,000	7,00
Casing Crews & Equipment Fishing Tools & Service	$\frac{222}{223}$	15,000	322 323 —	10,000	25,00
Geologic/Engineering	223 <u></u>	10,000	324	1,000	11,00
Contract Labor	225	10,000	325	30,000	40,00
Company Supervision	226	2,000	326	2,000	4,00
Contract Supervision	227	36,000	327	4,000	40,00
Testing Casing/Tubing	228	4,000	:328	1,500	5,50
Mud Logging Unit	229	19,500	329		19,50
ogging	230	60,000	330		60,00
Perforating/Wireline Services	231	1,500	331 _	12,500	14,00
Stimulation/Treating Completion Unit			332 333	750,000 18,000	750,00 18,00
Swabbing Unit			334	10,000	18,00
Rentals-Surface	235	90,000	335	45,000	135,00
Rentals-Subsurface	236	40,000	336	10,000	50,00
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Welding Services	238	3,000	338	1,500	4,50
Water Disposal	239		339 _	15,000	15,00
Plug to Abandon	240	 	340 _		
Seismic Analysis Closed Loop & Environmental	241	210,000	341 _		210,00
Miscellaneous	²⁴⁴	5,000	344 342	1,000	6,00
Contingency	₂₄₃	138,600	343	105,100	243,70
TOTAL INTANGIBLES		1,509,000		1,150,000	2,659,00
TANGIBLE COOTS					
TANGIBLE COSTS	404	18.000			19.00
Surface Casing 500' 13 3/8" Intermediate Casing 2300' 9 5/8", 6000' - 7"	401 <u>-</u> 402	18,000 59,000	503	145,000	18,00 204,00
Production Casing/Liner 4900' - 4.5"		33,000	503	59,000	59,00
Tubing 6000' 2 7/8"			504	34,000	34,00
Wellhead Equipment	405	10,000	505	8,000	18,00
Pumping Unit			506		
Prime Mover			507		
Rods			508		
Oumps			509	00.000	
Flowlines			510 —	60,000 15,000	60,00
Heater Treater/Separator		······································	⁵¹¹ —	25,000	15,00 25,00
Electrical System			513	20,000	20,00
Packers/Anchors/Hangers	414		514	200,000	200,00
Couplings/Fittings/Valves	415	2,000	515	50,000	52,00
Gas Compressors/Meters,			516	4,000	4,00
Dehydrator			517		
njection Plant/CO2 Equipment			518		
Miscellaneous	419 <u></u>	1,000	519	1,000	2,00
Contingency TOTAL TANGIBLES	⁴²⁰	9,000 99,000	520 _	61,000 662,000	70,00
		1,608,000	_	1,812,000	761,00 3,420,00
TOTAL WELL COSTS					

Date Prepared: By: J. Coffman / C. Bird 8/10/09

We approve:
____% Working Interest Company: Ву: Printed Name: Title:

Date:

1/7/2010