

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

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: 6,505'

	BCP	ACP	TOTAL
INTANGIBLE COSTS			
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/Stake Location	204 7,000	304	7,000
Location/Pits/Road Expense	205 100,000	305	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	95,000
Water	212 70,000	312	245,000
Blts	213 78,000	313	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
Cement Squeeze & Other (Kickoff Plug)	220 0	320	0
Float Equipment & Centralizers	221 15,000	321	30,000
Casing Crews & Equipment	222 20,000	322	40,000
Fishing Tools & Service	223 0	323	0
Geologic/Engineering	224 0	324	0
Contract Labor	225 15,000	325	140,000
Company Supervision	226 0	326	0
Contract Supervision	227 41,600	327	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	85,000
Perforating/Wireline Services	231 5,000	331	120,000
Stimulation/Treating	232 0	332	1,400,000
Completion Unit	233 0	333	50,000
Swabbing Unit	234 0	334	0
Rentals-Surface	235 85,000	335	335,000
Rentals-Subsurface	236 105,000	336	25,000
Trucking/Forklift/Rig Mobilization	237 125,000	337	25,000
Welding Services	238 5,000	338	7,500
Water Disposal	239 0	339	150,000
Plug to Abandon	240 0	340	0
Seismic Analysis	241 0	341	0
Closed Loop & Environmental	244 180,000	344	180,000
Miscellaneous	242 0	342	0
Contingency	243 90,400	343	50,000
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	403 0	503	208,000
Tubing	404 0	504	44,000
Wellhead Equipment	405 15,000	505	35,000
Pumping Unit	406 0	506	115,000
Prime Mover	407 0	507	20,000
Rods	408 0	508	40,000
Pumps	409 0	509	37,000
Tanks	410 0	510	75,000
Flowlines	411 0	511	70,000
Heater Treater/Separator	412 0	512	65,000
Electrical System	413 0	513	0
Packers/Anchors/Hangers	414 0	514	10,000
Couplings/Fittings/Valves	415 0	515	170,000
Gas Compressors/Meters	416 0	516	8,100
Dehydrator	417 0	517	0
Injection Plant/CO2 Equipment	418 0	518	0
Miscellaneous	419 0	519	0
Contingency	420 19,000	520	45,900
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

We approve:
Working Interest

COG Operating LLC

By: Tim Smith

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.