



May 13, 2010

MFairchild@conchoresources.com

C.O.G. Operating
550 W. Texas, Ste 100
Midland, TX 79701

Attn: **MARK FAIRCHILD**
30-015-30690
RE: CONOCO 9 STATE COM #1
Eddy County, NM

*APR well
to - EMPIRE STATE SWD #2
30-015-37787
SWD-1214
5/3/10
8300-8900 Perf
C1500 Ref*

Procedures:

1. M.I. R.U. P&A equip. Build WH. NU to drill out well – Reverse Unit, 6 collars
2. After well drilled out – RIH w/ 2 7/8" WS to 10,488' – Spot 40sx cmt. WOC to Tag
3. Tag plug. Mix circulate hole w/ MLF.
4. PUH to 9,880' – Spot 40sx H cmt.
5. PUH to 8,950' – Spot 40sx H cmt. WOC-Tag. ✓
6. PUH to 8,380' – Spot 80sx H cmt. WOC-Tag. ✓
7. PUH to 7,450' – Spot 70sx H cmt.
8. PUH to 6,014' – Spot 45sx H cmt.
9. PUH to 3,900' – Spot 40sx cmt.
10. PUH to 2,700' – Spot 40sx cmt. WOC-Tag.
11. PUH to 500' – Spot 70sx cmt to surface.
12. Top well off w/ 15sx cmt.
13. R.D. M.O.

Estimate: \$42,929.00 for Plugging
Estimate: \$12,874.00 for Reverse Unit (5 days)
(\$3,879 1st Day, \$1,900/day after, \$159/day for stripper rubber, \$600 water)

Prices are subject to change after P & A procedure begins if problems arise during plugging procedure. This bid does not include any "Off Turn Key" charges. Any Off Turn Key charges will be added at the end of the job, if we do job as a bid. Location must be cleared/cleaned before P & A Rig can move in/out.

Estimate will expire 90 days from May 13, 2010.

COG Operating will furnish the workstring.

Any drilling that has to be done will be at Company's own expense. Also, Workstring will have to be furnished for drilling.

Bid includes 2 3/8" Workstring, BOP, pumps & cement equipment. Basic Energy will provide Wireline services per estimate (CIBP, perforating, cutting, etc.)

All fluids "hauled off" will be charged to COG Operating. Disposal will be furnished by COG Operating.

COG Operating will furnish their own flow pit according to the O.C.D. & B.L.M. rules & regulations. Basic Energy Services will furnish the split frac tank for all M.L.F.

If any changes are made in the field by the B.L.M., O.C.D. or Texas Railroad Commission, additional charges will be incurred.

In Texas, it is required that the oil company is to provide a company representative on location while cementing.

This Estimate is based on information furnished to Basic Energy by your company. In the event operations are delayed or restricted because of unknown wellbore conditions or changes beyond our control to original approved regulatory form, charges will revert to standard hourly rates until such problems are corrected. In the event that this occurs, your company representative will be notified. As of March 01, 2003, all anchors must have been tested within the last two years. If a Basic Energy Services flow pit is used to circulate into, it will be cleaned at Customer's expense.

***** Due to shortage Water Truck availability, any "unforeseen" downtime, due to waiting on Water Trucks, will be charged at regular rig rate.**

Thank you for this opportunity to furnish this Estimate for your plugging and abandonment.

Sincerely,

Randall Minear,
P & A Area Manager

RM/gb