

May 1, 2012

Ann Lou Homes

*U.S. Certified Mail
Return Receipt Requested*

RE: New Well Proposal

Bradley 8 Fee #3H

SL: 150' FSL & 2,260' FEL (Unit O) of Section 8, T19S, R26E

BHL: 330' FNL & 2,260' FEL (Unit B) of Section 8, T19S, R26E

Eddy County, New Mexico

Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Bradley 8 Fee #3H at the captioned location, or at an approved surface location within Unit Location O, with a landing point of the lateral at approximately 3,000' TVD, 7,415' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,974,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A revised Exhibit A will be sent when our Division Order Title Opinion has been completed and reviewed.

The subject well is set for a tentative spud date of November 11th, 2012. This approximate spud date is subject to change depending on rig availability and title clearance.

In lieu of participating in the proposed well, COG is prepared to assume all of your working interest in the drilling unit pursuant to an oil and gas lease between you, as lessor, and COG, as lessee. If you wish to discuss, please contact me at (432) 221-0465 or via email at mwallace@concho.com.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address. You may also fax your election to (432) 686-3000.

If you desire to receive well information regarding the subject operations please return a Well Information Requirements List to COG. Technical questions should be directed to Carl Bird at (432) 683-7443 and land questions to the undersigned at (432) 221-0465.

Yours truly,

COG Operating LLC

Mike Wallace

Senior Landman

Enclosure (s)

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 2
Submitted by:
COG OPERATING LLC
Hearing Date: July 12, 2012

COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING

| | | | |
|------------|-----------------------------------|-----------------|------------------------------------|
| WELL NAME: | BRADELY 8 FEE #3H | PROSPECT NAME: | LAKEWOOD |
| SHL: | 150' FSL & 2260' FEL UL-O | STATE & COUNTY: | New Mexico, Eddy |
| BHL: | 330' FNL & 2260' FEL UL-B | OBJECTIVE: | SH6 7415' MD, (3000' TVD) Yeso Tes |
| FORMATION: | Glorieta Yeso | DEPTH: | 7,392 |
| LEGAL: | SEC8 T19S-R26E API#: 30-015-39812 | TVD: | |

INTANGIBLE COSTS

| | | BCP | ACP | TOTAL |
|--|-----|-----------|-----------|-----------|
| Title/Curative/Permit | 201 | 10,000 | | 10,000 |
| Insurance | 202 | 22,000 | 0 | 22,000 |
| Damages/Right of Way | 203 | 15,000 | 0 | 15,000 |
| Survey/Stake Location | 204 | 3,000 | 0 | 3,000 |
| Location/Pits/Road Expense | 205 | 50,000 | 15,000 | 65,000 |
| Drilling / Completion Overhead | 206 | 5,000 | 1,000 | 6,000 |
| Turnkey Contract | 207 | 0 | 0 | 0 |
| Footage Contract | 208 | 0 | 0 | 0 |
| Daywork Contract (0 days f/spud-rls @ \$0) | 209 | 266,000 | 42,000 | 308,000 |
| Directional Drilling Services (0 dir days @ \$0) | 210 | 165,000 | 0 | 165,000 |
| Fuel & Power | 211 | 57,000 | 9,000 | 66,000 |
| Water | 212 | 28,500 | 60,000 | 88,500 |
| Bits | 213 | 40,000 | 5,000 | 45,000 |
| Mud & Chemicals | 214 | 35,000 | 0 | 35,000 |
| Drill Stem Test | 215 | 0 | 0 | 0 |
| Coring & Analysis | 216 | 0 | | 0 |
| Cement Surface | 217 | 50,000 | | 50,000 |
| Cement Intermediate | 218 | 0 | | 0 |
| Cement 2nd Intermediate 7" | 218 | 0 | 25,000 | 25,000 |
| Cement Squeeze & Other (Kickoff Plug) | 220 | 40,000 | 0 | 40,000 |
| Float Equipment & Centralizers | 221 | 2,000 | 25,000 | 27,000 |
| Casing Crews & Equipment | 222 | 5,000 | 12,000 | 17,000 |
| Fishing Tools & Service | 223 | 0 | 0 | 0 |
| Geologic/Engineering | 224 | 10,000 | 1,000 | 11,000 |
| Contract Labor | 225 | 20,000 | 21,000 | 41,000 |
| Company Supervision | 226 | 2,000 | 2,000 | 4,000 |
| Contract Supervision | 227 | 30,400 | 4,800 | 35,200 |
| Testing Casing/Tubing | 228 | 2,500 | 12,000 | 14,500 |
| Mud Logging Unit (logging f/24 days) | 229 | 23,750 | 0 | 23,750 |
| Logging | 230 | 25,000 | 0 | 25,000 |
| Perforating/Wireline Services | 231 | 3,500 | 0 | 3,500 |
| Stimulation/Treating | | | 1,300,000 | 1,300,000 |
| Completion Unit | | | 24,000 | 24,000 |
| Swabbing Unit | | | 0 | 0 |
| Rentals-Surface | 235 | 32,300 | 75,000 | 107,300 |
| Rentals-Subsurface | 236 | 49,400 | 10,000 | 59,400 |
| Trucking/Forklift/Rig Mobilization | 237 | 45,000 | 20,000 | 65,000 |
| Welding Services | 238 | 5,000 | 2,500 | 7,500 |
| Water Disposal | 239 | 0 | 15,000 | 15,000 |
| Plug to Abandon | 240 | 0 | 0 | 0 |
| Seismic Analysis | 241 | 0 | 0 | 0 |
| Closed Loop & Environmental | 244 | 88,000 | 0 | 88,000 |
| Miscellaneous | 242 | 5,000 | 1,000 | 6,000 |
| Contingency | 243 | 114,650 | 169,700 | 284,350 |
| TOTAL INTANGIBLES | | 1,250,000 | 1,852,000 | 3,102,000 |

TANGIBLE COSTS

| | | | | |
|--|-----|-----------|-----------|-----------|
| Surface Casing (655' 13 3/8" 54.5# J55 STC) | 401 | 35,000 | | 35,000 |
| Intermediate Casing(4050' 9 5/8" 36#/40# J55 BUTT) | 402 | 0 | 0 | 0 |
| Production Casing (13,450' 5 1/2" 17# N80/P110) | | | 150,000 | 150,000 |
| Tubing | | | 16,000 | 16,000 |
| Wellhead Equipment | 405 | 5,000 | 15,000 | 20,000 |
| Pumping Unit | | | 40,000 | 40,000 |
| Prime Mover | | | 20,000 | 20,000 |
| Rods | | | 12,000 | 12,000 |
| Pumps | | | 10,000 | 10,000 |
| Tanks | | | 21,000 | 21,000 |
| Flowlines | | | 8,000 | 8,000 |
| Heater Treater/Separator | | | 30,000 | 30,000 |
| Electrical System | | | 11,250 | 11,250 |
| Packers/Anchors/Hangers | 414 | 0 | 335,000 | 335,000 |
| Couplings/Fittings/Valves | 415 | 2,500 | 45,000 | 47,500 |
| Gas Compressors/Meters | | | 14,500 | 14,500 |
| Dehydrator | | | 0 | 0 |
| Injection Plant/CO2 Equipment | | | 0 | 0 |
| Miscellaneous | 419 | 1,000 | 20,000 | 21,000 |
| Contingency | 420 | 5,500 | 75,250 | 80,750 |
| TOTAL TANGIBLES | | 49,000 | 823,000 | 872,000 |
| TOTAL WELL COSTS | | 1,299,000 | 2,675,000 | 3,974,000 |

COG Operating LLC

Date Prepared: 4/20/12 JJ

We approve:
_____% Working Interest

COG Operating LLC

By: Chad Elliott

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.