



May 29, 2012

**VIA CERTIFIED USPS MAIL**

Working Interest Owners  
Address list attached

RE: Tomahawk 2328; Prospect 717059  
Loving Falcon 28 #1H  
S2N2 of Section 28, T23S-R28E  
Eddy County, New Mexico

Gentlemen:

COG Production LLC hereby proposes the drilling of a horizontal well to a depth sufficient to adequately test the Bone Spring formation at a total measured depth being approximately 11,580'. The surface location for this well is proposed at 1980' FNL & 530' FEL with a bottom hole location at 1980' FNL & 350' FWL and the dedicated project area being the S2N2 of Section 28, Township 23 South, Range 28 East, Eddy County, New Mexico.

Included herewith is our AFE dated January 26, 2012, and in the amount of \$5,586,000.00. Due to your unleased mineral interest of 0.0277778 (2.78%) in the SENW of Section 28, T23S-R28E, COG has calculated your proportionate mineral interest in the proration unit to be 0.6944%, therefore, your proportionate share in the drilling of the subject well would be \$38,789.18, should you elect to participate. Operations for this well will be conducted by COG Operating LLC, as contract operator for COG Production LLC.

Calculation:

- $.0277778 \text{ MI} \times (40 \text{ acres} / 160 \text{ acres}) \text{ proportionately reduced to unit} = 0.06944\% \text{ WI}$

In lieu of participation, COG would like to acquire an Oil and Gas Lease of your mineral interest for the following terms:

- Paid-Up Oil and Gas Lease
- Three (3) year primary term
- Twenty percent (20%) royalty
- \$500/net mineral acre (nma)
- $.0277778 \text{ MI} \times 40.00 \text{ gross acres} = 1.111112 \text{ nma} \times \$500 = \underline{\$555.56}$

Attached for your review and approval, please find the lease form along with a W-9 form needed in order to send your bonus consideration in the amount of \$555.56 for your 02.78% mineral interest or 1.11 net mineral acres.

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address. You may also fax your response to 432.686.3011 or by email to [leggemeyer@concho.com](mailto:leggemeyer@concho.com).

Should you have any questions, please do not hesitate to contact me at 432.686.3011.

Very truly yours,

COG Production LLC

Lisa Eggemeyer  
Land Coordinator II

Corporate Address: Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. 4  
Submitted by:  
**COG OPERATING LLC**  
Hearing Date: July 25, 2012

\_\_\_\_\_ I/We hereby elect to participate in the Loving Falcon 28 1H

\_\_\_\_\_ I/We hereby elect not to participate in the Loving Falcon 28 1H

Company: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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**Working Interest Owners  
Loving Falcon 28 #1H**

COG Production LLC  
550 W. Texas Ave, Suite 100  
Midland, Texas 79701

Estate of Robert J. Jones, Dec'd  
Larry A. Jones, as Executor of the Estate  
Route #1 Box 29  
Central City, Nebraska 68826

Estate of Robert J. Jones, Dec'd  
Marjorie Deines  
76195 Road 429  
Lexington, Nebraska 68850

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**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

<b>WELL NAME:</b> Loving Falcon 28 #1H	<b>PROSPECT NAME:</b> Tomahawk 717059
<b>SHL:</b> 1980 FNL & 530 FEL	<b>STATE &amp; COUNTY:</b> New Mexico, Eddy
<b>BHL:</b> 1980 FNL & 350 FWL	<b>OBJECTIVE:</b> 1st BSS@ 7230' TVD/ 11580' MD
<b>FORMATION:</b> 1st BSS	<b>DEPTH:</b>
<b>LEGAL:</b> Sec 28-T23S-R28E	

	<b>BCP</b>	<b>ACP</b>	<b>TOTAL</b>
<b>INTANGIBLE COSTS</b>			
Title/Curative/Permit	201 10,000		10,000
Insurance	202 22,000	302	22,000
Damages/Right of Way	203 15,000	303	15,000
Survey/Stake Location	204 3,000	304	3,000
Location/Pits/Road Expense	205 80,000	305 25,000	105,000
Drilling / Completion Overhead	206 5,000	306 1,000	6,000
Turnkey Contract	207 0	307	0
Footage Contract	208 0	308	0
Daywork Contract (0 days f/spud-ft @ \$0)	209 330,000	309	330,000
Directional Drilling Services (0 dir days @ \$0)	210 135,000	310	135,000
Fuel & Power	211 84,000	311	84,000
Water	212 45,000	312 98,000	143,000
Bits	213 57,500	313 2,000	59,500
Mud & Chemicals	214 45,000	314	45,000
Drill Stem Test	215 0	315	0
Coring & Analysis	216 0		0
Cement Surface	217 25,000		25,000
Cement Intermediate	218 45,000		45,000
Cement 2nd Intermediate 7"	218 0	319 100,000	100,000
Cement Squeeze & Other (Kickoff Plug)	220 0	320	0
Float Equipment & Centralizers	221 10,000	321 30,000	40,000
Casing Crews & Equipment	222 15,000	322 25,000	40,000
Fishing Tools & Service	223 0	323	0
Geologic/Engineering	224 10,000	324 1,000	11,000
Contract Labor	225 10,000	325 70,000	80,000
Company Supervision	226 2,000	326 2,000	4,000
Contract Supervision	227 28,000	327 12,000	40,000
Testing Casing/Tubing	228 7,000	328	7,000
Mud Logging Unit (logging 1/24 days)	229 24,000	329	24,000
Logging	230 50,000	330	50,000
Perforating/Wireline Services	231 10,000	331 135,000	145,000
Stimulation/Treating		332 2,080,000	2,080,000
Completion Unit		333 175,000	175,000
Swabbing Unit		334	0
Rentals-Surface	235 45,000	335 247,500	292,500
Rentals-Subsurface	236 50,000	336 55,000	105,000
Trucking/Forklift/Rig Mobilization	237 80,000	337 55,000	135,000
Welding Services	238 5,000	338 7,500	12,500
Water Disposal	239 0	339 100,000	100,000
Plug to Abandon	240 0	340	0
Seismic Analysis	241 0	341	0
Closed Loop & Environmental	244 175,000	344 10,000	185,000
Miscellaneous	242 5,000	342	5,000
Contingency	243 72,500	343 162,000	234,500
<b>TOTAL INTANGIBLES</b>	<b>1,500,000</b>	<b>3,393,000</b>	<b>4,893,000</b>
<b>TANGIBLE COSTS</b>			
Surface Casing (655' 13 3/8" 54.5# J55 STC)	401 18,000		18,000
Intermediate Casing(4050' 9 5/8" 36#40# J55 BU/T)	402 75,400	503 0	75,400
Production Casing (13,450' 5 1/2" 17# N80/P110)		503 216,000	216,000
Tubing		504 45,000	45,000
Wellhead Equipment	405 20,000	505 25,000	45,000
Pumping Unit		506	0
Prime Mover		507	0
Rods		508	0
Pumps		509	0
Tanks		510 48,000	48,000
Flowlines		511 3,000	3,000
Heater Treater/Separator		512 65,000	65,000
Electrical System		513	0
Packers/Anchors/Hangers	414 0	514 6,000	6,000
Couplings/Fittings/Valves	415 0	515 100,000	100,000
Gas Compressors/Meters		516 8,100	8,100
Dehydrator		517	0
Injection Plant/CO2 Equipment		518	0
Miscellaneous	419	519	0
Contingency	420 12,600	520 52,900	65,500
<b>TOTAL TANGIBLES</b>	<b>128,000</b>	<b>567,000</b>	<b>695,000</b>
<b>TOTAL WELL COSTS</b>	<b>1,628,000</b>	<b>3,960,000</b>	<b>5,588,000</b>

COG Operating LLC

Date Prepared: 1/26/12

We approve:  
\_\_\_\_\_% Working Interest

COG Operating LLC

Seth Wild - Orig

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.