



**CERTIFIED MAIL &
FEDERAL EXPRESS**

July 17, 2013

Working Interest Owners
Listed on Exhibit "A"

Re: **Well Proposal – Gunner 5 Fee Com No. 1H**
N/2 N/2, Section 5-T26S-R34E: Unit Area
SHL: 660' FNL & 190' FEL, or a legal location in Unit A
BHL: 660' FNL & 330' FWL, or a legal location in Unit D
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Gunner Fee Com No. 1H well as a horizontal well at the above-captioned location, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 9,900' and a MD of 14,300' to test the Avalon Shale Formation ("Operation"). The total cost of the Operation is estimated to be \$6,376,000.00 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers the N/2 N/2 of Section 5. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC named as Operator

If you have unleased minerals and do not wish to participate in the Operation, COG would like to lease your minerals under the following general terms:

- \$2,000/Net Mineral Acre
- 3 Yr. Primary Term
- Delivery of an 80% NRI, proportionately reduced

If you own leasehold in the above referenced acreage and do not wish to participate in the Operation, COG would like to farm-in your acreage under the following general terms:

- Delivery of 80% NRI, proportionately reduced
- Option to convert ORRI after 100% payout to a 25% WI, proportionately reduced
- 180 Day Continuous Development

Corporate Address One Concho Center 600 West Illinois Avenue Midland, Texas 79701 Phone: 432 683 7443 Fax: 432 683 7441

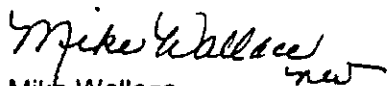
BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 7
Submitted by: **COG OPERATING LLC**
Hearing Date: **September 18, 2013**

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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. A self-addressed, postage paid envelope is enclosed for your convenience.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0465.

Respectfully,



Mike Wallace
Senior Landman

_____ I/We hereby elect to participate in the Gunner 5 Fee Com #1H.

_____ I/We hereby elect not to participate in the Gunner 5 Fee Com #1H.

Company or
Individual Name: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT "A"

EOG Resources, Inc.
5509 Champions Dr.
Midland, TX 79706
Attn: Patrick Tower

Yates Brothers
105 S. 4th St.
Artesia, NM 88210
Attn: Jim Ball

Sugarberry Oil & Gas Corp.
5950 Cedar Springs Rd., Suite 230
Dallas, TX 75235-6803
Attn: Sue Rahy

Devon Energy Production Company LP
Devon Energy Center Tower, OKDEC30.314
333 W. Sheridan Avenue
Oklahoma City, OK 73102-5015
Attn: Carri Allen

Inland Title Co.
C/O Germaine R. Chappelle
Gallagher & Kennedy, P.A.
1233 Paseo de Peralta
Santa Fe, NM 87501

Chevron U.S.A. Inc.
Attn: NOJV Group
P. O. Box 3200
Houston, TX 77252

The Estate of Warren J. Bates
P.O. Box 1357
Ada, OK 74820

Argent Properties Services, LLC
500 East Reynolds Dr.
Ruston, LA 71270
Attn: Matt P. Barham

Peder Monsen
515 Houston Ave.
Houston, TX 77007-7706

Peder Monsen
5623 Indian Circle
Houston, TX 77056-1006

Fay Bel Monsen
515 Houston Ave.
Houston, TX 77007-7706

Marc T. Wray
4 Serpentine Court
Savenoaka, Kent TN 113 XR
United Kingdom

Andrew Wray
3406 Shadow Springs Ct.
Houston, TX 77082-8302

Chesapeake Exploration, LLC
P. O. Box 18496
Oklahoma City, OK 73154

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME:	GUNNER 5 FEE COM #1H	PROSPECT NAME:	BULLDOG 717038
SHL:	660 FNL & 190 FEL	STATE & COUNTY:	New Mexico, Lea
BHL:	660 FNL & 330 FWL	OBJECTIVE:	DRILL & COMPLETE
FORMATION:	AVALON SHALE	DEPTH:	14,300'
LEGAL:	5-26S-34E	TVD:	9,900'

INTANGIBLE COSTS		BCP		ACP	TOTAL
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	25,000	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	458,000	309		458,000
Directional Drilling Services	210	170,000	310		170,000
Fuel & Power	211	158,000	311	10,000	168,000
Water	212	75,000	312	250,000	325,000
Bits	213	78,000	313	4,500	82,500
Mud & Chemicals	214	70,000	314		70,000
Drill Stem Test	215	0	315		0
Coring & Analysis	216	0			0
Cement Surface	217	40,000			40,000
Cement Intermediate	218	60,000			60,000
Cement 2nd Intermediate/Production	218	0	319	125,000	125,000
Cement Squeeze & Other (Kickoff Plug)	220	40,000	320		40,000
Float Equipment & Centralizers	221	15,000	321	20,000	35,000
Casing Crews & Equipment	222	20,000	322	20,000	40,000
Fishing Tools & Service	223	0	323		0
Geologic/Engineering	224	0	324		0
Contract Labor	225	10,000	325	160,000	170,000
Company Supervision	226	0	326		0
Contract Supervision	227	42,000	327	50,000	92,000
Testing Casing/Tubing	228	7,000	328		7,000
Mud Logging Unit	229	32,000	329		32,000
Logging	230	100,000	330	10,000	110,000
Perforating/Wireline Services	231	15,000	331	125,000	140,000
Stimulation/Treating		0	332	1,500,000	1,500,000
Completion Unit		0	333	50,000	50,000
Swabbing Unit		0	334		0
Rentals-Surface	235	125,000	335	250,000	375,000
Rentals-Subsurface	236	110,000	336	25,000	135,000
Trucking/Forklift/Rig Mobilization	237	140,000	337	25,000	165,000
Welding Services	238	5,000	338	7,500	12,500
Water Disposal	239	0	339	280,000	280,000
Plug to Abandon	240	0	340		0
Seismic Analysis	241	0	341		0
Closed Loop & Environmental	244	150,000	344	10,000	160,000
Miscellaneous	242	0	342		0
Contingency	243	104,000	343	150,000	254,000
TOTAL INTANGIBLES		2,168,000		3,097,000	5,265,000

TANGIBLE COSTS		BCP		ACP	TOTAL
Surface Casing	401	39,000			39,000
Intermediate Casing	402	124,000	503		124,000
Production Casing		0	503	218,000	218,000
Tubing		0	504	60,000	60,000
Wellhead Equipment	405	20,000	505	35,000	55,000
Pumping Unit		0	508	115,000	115,000
Prime Mover		0	507	20,000	20,000
Rods		0	508	50,000	50,000
Pumps		0	509	22,000	22,000
Tanks		0	510	75,000	75,000
Flowlines		0	511	50,000	50,000
Heater Treater/Separator		0	512	50,000	50,000
Electrical System		0	513		0
Packers/Anchors/Hangers	414	0	514	10,000	10,000
Couplings/Fittings/Valves	415	0	515	160,000	160,000
Gas Compressors/Meters		0	516	8,100	8,100
Dehydrator		0	517		0
Injection Plant/CO2 Equipment		0	518		0
Miscellaneous	419	0	519		0
Contingency	420	10,000	520	44,900	54,900
TOTAL TANGIBLES		193,000		918,000	1,111,000
TOTAL WELL COSTS		2,361,000		4,015,000	6,376,000

COG Operating LLC

Date Prepared: 7/15/2013

We approve:
_____% Working Interest

COG Operating LLC

By: SETH WILD SH

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.