



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

January 23, 2014

Working Interest Owners
Listed on Exhibit "A"

Re: **Well Proposal – Sebastian Federal Com No. 1H**
W/2 W/2, Section 18-T24S-R34E: Unit Area
SHL: 190' FNL & 660' FWL, or a legal location in Lot 1
BHL: 330' FSL & 660' FWL, or a legal location in Lot 4
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Sebastian Federal 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 10,885' and a MD of 15,400' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$7,063,000.00 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 all of Section 18-T24S-R34E. It has the following general provisions:

- 200/400 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC named as Operator

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

- \$750/Net Mineral Acre
- 3 Yr. Primary Term
- Delivery of an 80% NRI, proportionately reduced

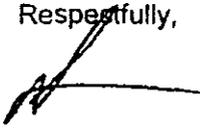
BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 5
Submitted by: COG OPERATING LLC
Hearing Date: March 20, 2014

Working Interest Owners – Exhibit "A"
Sebastian Federal Com No. 1H
January 23, 2014
Page 2

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 Sebastian Federal Com No. 1H

_____ I/We hereby elect not to participate in the Sebastian Federal Com No. 1H.

Company or
Individual Name: _____

By: _____

Name: _____

Title: _____

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: SEBASTIAN FEDERAL COM #1H	PROSPECT NAME: BULLDOG 717040
SHL: 190 FNL & 660 FWL	STATE & COUNTY: New Mexico, Lea
BHL: 330 FSL & 660 FWL	OBJECTIVE: DRILL AND COMPLETE
FORMATION: 2nd BSS	DEPTH: 15,400'
LEGAL: 18-24S-34E	TVD: 10,885'

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	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	525,000	309	525,000
Directional Drilling Services	210	188,000	310	188,000
Fuel & Power	211	149,000	311	159,000
Water	212	100,000	312	310,000
Bits	213	69,000	313	73,500
Mud & Chemicals	214	80,000	314	80,000
Drill Stem Test	215	0	315	0
Coring & Analysis	216	0		0
Cement Surface	217	40,000		40,000
Cement Intermediate	218	100,000		100,000
Cement 2nd Intermediate/Production	218	0	319	110,000
Cement Squeeze & Other (Kickoff Plug)	220	0	320	0
Float Equipment & Centralizers	221	35,000	321	55,000
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	10,000	325	135,000
Company Supervision	226	0	326	0
Contract Supervision	227	35,000	327	85,000
Testing Casing/Tubing	228	7,000	328	7,000
Mud Logging Unit	229	30,000	329	30,000
Logging	230	50,000	330	60,000
Perforating/Wireline Services	231	15,000	331	185,000
Stimulation/Treating		0	332	2,100,000
Completion Unit		0	333	125,000
Swabbing Unit		0	334	0
Rentals-Surface	235	125,000	335	375,000
Rentals-Subsurface	236	120,000	336	185,000
Trucking/Forklift/Rig Mobilization	237	200,000	337	225,000
Welding Services	238	5,000	338	12,500
Water Disposal	239	0	339	150,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	160,000	344	170,000
Miscellaneous	242	0	342	0
Contingency	243	111,000	343	161,000
TOTAL INTANGIBLES		2,318,000	3,517,000	5,833,000

TANGIBLE COSTS				
Surface Casing	401	58,000		58,000
Intermediate Casing	402	144,000	503	144,000
Production Casing		0	503	244,000
Tubing		0	504	65,000
Wellhead Equipment	405	20,000	505	55,000
Pumping Unit		0	506	115,000
Prime Mover		0	507	20,000
Rods		0	508	55,000
Pumps		0	509	75,000
Tanks		0	510	75,000
Flowlines		0	511	30,000
Heater Treater/Separator		0	512	80,000
Electrical System		0	513	0
Packers/Anchors/Hangers	414	0	514	10,000
Couplings/Fittings/Valves	415	0	515	135,000
Gas Compressors/Meters		0	516	8,100
Dehydrator		0	517	0
Injection Plant/CO2 Equipment		0	518	0
Miscellaneous	419	0	519	0
Contingency	420	12,000	520	80,900
TOTAL TANGIBLES		234,000	996,000	1,230,000
TOTAL WELL COSTS		2,550,000	4,513,000	7,063,000

COG Operating LLC

Date Prepared: 10/23/2013

We approve:
_____% Working Interest

COG Operating LLC

By: Seth Wild

Company: _____
By: _____
Printed Name: _____
Title: _____
Date: _____

**KEEP THIS COPY
FOR YOUR FILE**

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

January 23, 2014

Working Interest Owners
Listed on Exhibit "A"

Re: **Well Proposal – Sebastian Federal Com No. 2H**
E/2 W/2, Section 18-T24S-R34E: Unit Area
SHL: 190' FNL & 1830' FWL, or a legal location in Unit C
BHL: 330' FSL & 2100' FWL, or a legal location in Unit N
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Sebastian Federal Com No. 2H 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 10,865' and a MD of 15,400' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$7,063,000.00 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 all of Section 18-T24S-R34E. It has the following general provisions:

- 200/400 Non-Consenting Penalty
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Working Interest Owners – Exhibit "A"
Sebastian Federal Com No. 2H
January 23, 2014
Page 2

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Individual Name: _____

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BHL: 330 FSL & 2100 FWL	OBJECTIVE: DRILL AND COMPLETE
FORMATION: 2nd BSS	DEPTH: 15,400'
LEGAL: 18-24S-34E	TVD: 10,865'

INTANGIBLE COSTS		BCP	ACP	TOTAL
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Water	212	100,000	312 210,000	310,000
Bits	213	69,000	313 4,500	73,500
Mud & Chemicals	214	80,000	314	80,000
Drill Stem Test	215	0	315	0
Coring & Analysis	216	0		0
Cement Surface	217	40,000		40,000
Cement Intermediate	218	100,000		100,000
Cement 2nd Intermediate/Production	218	0	318 110,000	110,000
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Stimulation/Treating		0	332 2,100,000	2,100,000
Completion Unit		0	333 125,000	125,000
Swabbing Unit		0	334	0
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Pumps		0	509 75,000	75,000
Tanks		0	510 75,000	75,000
Flowlines		0	511 30,000	30,000
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