



August 5, 2014

Via Certified Mail, Return Receipt Requested
Working Interest Owners Listed on Attached Exhibit "A"

Re: **Well Proposal – Scooter Federal Com #1H**

T18S -R33E, Section 23: W½

All depths below 100' below the base of the Queen Sand formation

SHL: 190' FNL & 460' FWL, or a legal location in Unit D

BHL: 330' FSL & 380' FWL, or a legal location in Unit M

Lea County, New Mexico

To whom it may concern:

COG Operating LLC (COG), as Operator, proposes to drill the Scooter Federal Com #1H well as a horizontal well at the above-captioned location to a TVD of approximately 9,580' and a MD of 14,100' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$7,063,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates that it will spud the well on or before September 29, 2014.

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement. The Operating Agreement will cover the W/2 Section 23, Township 18S, Range 33E, Lea County, New Mexico ("Contract Area") and has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Producing rate
- COG named as Operator

If you elect to participate, said Operating Agreement will be forwarded to you for review and execution. If you do not wish to participate in the Operation, COG would like to acquire a Term Assignment of your leasehold for the following general terms:

- 1 year primary term
- Delivering a 75% NRI, proportionately reduced
- \$1,000 per net acre bonus consideration:
(Per Drilling Title Opinion dated August 2, 2014 your Working Interest in well is
.750000% x \$1,000pnma = \$750.00)

This Term Assignment offer is subject to the approval of COG's management and verification of title.

**BEFORE THE OIL CONVERSATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 4
Submitted by: **COG OPERATING LLC**
Hearing Date: October 16, 2014

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) 221-0856 or by email to DMcElyea@concho.com. If you have any questions, please do not hesitate to contact the undersigned at 432-221-0447.

Sincerely,

COG Operating LLC

David McElyea
Senior Landman

_____ I/we hereby elect to participate in the Scooter Federal Com #1H.

_____ I/we hereby elect **not to** participate in the Scooter Federal Com #1H.

Company Name: _____

Title: _____

By: _____

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: SCOOTER FED COM #1H	PROSPECT NAME: ZEUS 1833 (717098)
SHL: 190 FNL & 460 FWL	STATE & COUNTY: New Mexico, Lea
BHL: 330 FSL & 380 FWL	OBJECTIVE: DRILL & COMPLETE
FORMATION: 2BS	DEPTH: 14,100
LEGAL: 23-18S-33E	TVD: 9,580

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	525,000	309	525,000
Directional Drilling Services	210	186,000	310	186,000
Fuel & Power	211	149,000	311 10,000	159,000
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	319 110,000	110,000
Cement Squeeze & Other (Kickoff Plug)	220	0	320	0
Float Equipment & Centralizers	221	35,000	321 20,000	55,000
Casing Crows & 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	325 125,000	135,000
Company Supervision	226	0	326	0
Contract Supervision	227	39,000	327 50,000	89,000
Testing Casing/Tubing	228	7,000	328	7,000
Mud Logging Unit	229	30,000	329	30,000
Logging	230	50,000	330 10,000	60,000
Perforating/Wireline Services	231	15,000	331 150,000	165,000
Stimulation/Treating		0	332 2,100,000	2,100,000
Completion Unit		0	333 125,000	125,000
Swabbing Unit		0	334	0
Rentals-Surface	235	125,000	335 250,000	375,000
Rentals-Subsurface	236	120,000	336 65,000	185,000
Trucking/Forklift/Rig Mobilization	237	200,000	337 25,000	225,000
Welding Services	238	5,000	338 7,500	12,500
Water Disposal	239	0	339 150,000	150,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	160,000	344 10,000	170,000
Miscellaneous	242	0	342	0
Contingency	243	111,000	343 50,000	161,000
TOTAL INTANGIBLES		2,316,000	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	244,000
Tubing		0	504 65,000	65,000
Wellhead Equipment	405	20,000	505 35,000	55,000
Pumping Unit		0	506 115,000	115,000
Prime Mover		0	507 20,000	20,000
Rods		0	508 55,000	55,000
Pumps		0	509 75,000	75,000
Tanks		0	510 75,000	75,000
Flowlines		0	511 30,000	30,000
Heater Treated Separator		0	512 80,000	80,000
Electrical System		0	513	0
Packers/Anchors/Hangers	414	0	514 10,000	10,000
Couplings/Fittings/Valves	415	0	515 135,000	135,000
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	12,000	520 48,900	60,900
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: 4/7/2014

We approve:
_____% Working Interest

COG Operating LLC

By: MARK ELLERBE

AW

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.