



January 13, 2015

**VIA FedEx Overnight**

**Chevron U.S.A. Inc.**  
Attention: Jason Levine  
1400 Smith Street, Room 43028  
Houston, Texas 77002

Re: **Well Proposal – Van Gogh Fee No. 2H**  
W/2 E/2 of Section 11:T24S-R34E: Unit Area  
SHL: 150' FSL & 1,980' FEL, or a legal location in Unit O  
BHL: 330' FNL & 1,980' FEL, or a legal location in Unit B  
Lea County, New Mexico

Gentlemen:

COG Operating LLC ("COG"), as Contract Operator for COG Production LLC, proposes to drill the Van Gogh Fee No. 2H well as a horizontal well at the above-captioned location to a TVD of approximately 10,800' and a MD of approximately 15,400' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$8,672,600 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 E/2 W/2 and the W/2 E/2 of Section 11-T24S-R34E, Lea Co., NM. It has the following general provisions:

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

If you do not wish to participate in the Operation, COG would like to acquire your leasehold via farmout under the following general terms:

- Delivery of a 75% NRI, proportionately reduced
- Option to convert ORRI after 100% payout to a 25% WI, proportionately reduced

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

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 [mwallace@concho.com](mailto:mwallace@concho.com).

BEFORE THE OIL CONVERSATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 5  
Submitted by: COG Operating LLC  
Hearing Date: April 30, 2015



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

Sincerely,

**COG PRODUCTION LLC**

A handwritten signature in black ink, appearing to read "Mike Wallace".

Mike Wallace  
Senior Landman

\_\_\_\_\_ I/We hereby elect to participate in the Van Gogh Fee 2H

\_\_\_\_\_ I/We hereby elect **not** to participate in the Van Gogh Fee 2H

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

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

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

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

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

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: VAN GOGH FEE #2H	PROSPECT NAME: BULLDOG 2434 (717040)
SHL: 150 FSL & 1980 FEL	STATE & COUNTY: New Mexico, Lea
BHL: 330 FNL & 1980 FEL	OBJECTIVE: DRILL & COMPLETE
FORMATION: DBSS/2ND BSS	DEPTH: 15,400
LEGAL: 11-24S-34E	TVD: 10,800

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Title/Curative/Permit	201 11,000		11,000
Insurance	202 8,000	302	8,000
Damages/Right of Way	203 5,000	303	5,000
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	209 608,000	309	608,000
Directional Drilling Services	210 230,000	310	230,000
Fuel & Power	211 137,000	311 10,000	147,000
Water	212 65,000	312 242,000	307,000
Bits	213 96,000	313 4,500	100,500
Mud & Chemicals	214 50,000	314 25,000	75,000
Drill Stem Test	215 0	315	0
Coring & Analysis	216 0		0
Cement Surface	217 35,000		35,000
Cement Intermediate	218 70,000		70,000
Cement 2nd Intermediate/Production	218 0	319 150,000	150,000
Cement Squeeze & Other (Kickoff Plug)	220 50,000	320 0	50,000
Float Equipment & Centralizers	221 20,000	321 15,000	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 17,500	325 200,000	217,500
Company Supervision	226 0	326	0
Contract Supervision	227 48,000	327 70,000	118,000
Testing Casing/Tubing	228 10,000	328	10,000
Mud Logging Unit	229 33,000	329	33,000
Logging	230 150,000	330	150,000
Perforating/Wireline Services	231 10,000	331 150,000	160,000
Stimulation/Treating	0	332 3,400,000	3,400,000
Completion Unit	0	333 100,000	100,000
Swabbing Unit	0	334	0
Rentals-Surface	235 125,000	335 250,000	375,000
Rentals-Subsurface	236 125,000	336 55,000	180,000
Trucking/Forklift/Rig Mobilization	237 150,000	337 25,000	175,000
Welding Services	238 5,000	338 5,000	10,000
Water Disposal	239 0	339 200,000	200,000
Plug to Abandon	240 0	340	0
Seismic Analysis	241 0	341	0
Closed Loop & Environmental	244 176,000	344 5,000	180,000
Miscellaneous	242 0	342	0
Contingency	243 48,000	343 50,000	98,000
<b>TOTAL INTANGIBLES</b>	<b>2,414,500</b>	<b>5,001,500</b>	<b>7,416,000</b>
<u>TANGIBLE COSTS</u>			
Surface Casing	401 41,000		41,000
Intermediate Casing	402 165,000	503	165,000
Production Casing	0	503 262,000	262,000
Tubing	0	504 65,000	65,000
Wellhead Equipment	405 25,000	505 35,000	60,000
Pumping Unit	0	506 115,000	115,000
Prime Mover	0	507	0
Rods	0	508 65,000	65,000
Pumps	0	509 40,000	40,000
Tanks	0	510 100,000	100,000
Flowlines	0	511 30,000	30,000
Heater Treater/Separator	0	512 60,000	60,000
Electrical System	0	513 40,000	40,000
Packers/Anchors/Hangers	414 0	514 10,000	10,000
Couplings/Fittings/Valves	415 0	515 150,000	150,000
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 5,000	520 50,000	55,000
<b>TOTAL TANGIBLES</b>	<b>236,000</b>	<b>1,020,100</b>	<b>1,256,100</b>
<b>TOTAL WELL COSTS</b>	<b>2,651,000</b>	<b>6,021,600</b>	<b>8,672,600</b>

COG Operating LLC

Date Prepared: 1/13/2015

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

COG Operating LLC

By: ALEX KORZENEWSKI KG

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.