



April 16, 2014

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

Re: **Well Proposal – Scooter Federal Com #2H**
T18S-R33E, Section 23: E/2W/2
Limited to the Bone Spring Formation
SHL: 190' FNL & 1650' FWL, or a legal location in Unit C
BHL: 330' FSL & 1650' FWL, or a legal location in Unit N
Lea County, New Mexico

To whom it may concern:

COG Operating LLC (COG), as Operator, hereby proposes to drill the Scooter Federal Com #2H well as a horizontal well at the above-captioned location to a TVD of approximately 9,570' and a MD of 14,100' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$5,583,670 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 1, 2015.

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 E/2W/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

Said Operating Agreement is enclosed herein for your review. If you do not wish to participate in the Operation, COG would like to acquire a Term Assignment for your interest in the Contract Area under the following general terms:

- 18 month primary term
- Delivering a 75% NRI, retaining the difference between existing leasehold burdens and 25.00% as an overriding royalty interest, proportionately reduced
- \$1,500 per net acre bonus consideration
- Limited to the Bone Spring Formation
- Offer subject to COG managerial approval 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 jlierly@concho.com. If you have any questions, please do not hesitate to contact the undersigned at 432-221-0485.

Sincerely,

COG Operating LLC



Jeff Lierly, CPL
Landman

R

_____ I/we hereby elect to participate in the Scooter Federal Com #2H.

_____ I/we hereby elect **not to** participate in the Scooter Federal Com #2H.

Company Name: _____

Title: _____

By: _____

Date: _____

Exhibit "A"
Working Interest Owners

COG Operating LLC*
600 W. Illinois Avenue
Midland, Texas 79701
Attention: Laura Reyna

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8441

Devon Energy Production Company, L.P.
Attn: Maggie Crook
333 W. Sheridan Avenue
Oklahoma City, Oklahoma 73102

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8433

J. Cleo Thompson and James Cleo Thompson, Jr., a partnership
325 North Street, Suite 4500
Dallas, Texas 75201

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8426

Burnett Oil Company
801 Cherry Street, Suite 1500
Fort Worth, Texas 76102

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8419

Seely Petroleum Partners, LP
SSV&H Associates
David L. Henderson and wife Dawn Henderson
815 West Tenth Street
Fort Worth, Texas 76102

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8402

James Robert Hill, Virginia Glenn Hill Lattimore and John A. Styrsky, Trustee of the Houston and Emma Hill Trust Estate
500 West 7th Street, Suite 1802
Fort Worth, Texas 76102-4740

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8389

Express Air Drilling, Inc.
3838 Oak Lawn Avenue, Suite 1525
Dallas, Texas 75129

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8396

Boswell Interests, Ltd.
EAB Oil Company
PVB Oil Company
CEB Oil Company
John P. Oil Company
1320 Lake Street
Fort Worth, Texas 76102

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8372

Wes-Tex Drilling Company
P.O. Box 3739
Abilene, Texas 79604

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8365

Michael J. Havel and wife Kathleen A. Havel
7607 Chalkstone
Dallas, Texas 75219

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8358

Everett L. Andrews, Jr., Trustee of the Everett L. Andrews Jr. Trust
1715 North Wolcott Avenue
Chicago, Illinois 60622

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8341

Adelaide Y. Thomson, Trustee of the Adelaide Y. Thomson Trust
11117 Blue Sky Drive
Haslet, Texas 76052

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8334

William E. Alexander as Trustee of the Amy Vernae Dahlin Trust
William E. Alexander as Trustee of the Merlya Holand Wright Family Trust
6300 Ridglea Place, Suite 611
Fort Worth, Texas 76116

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2216 8327

Chisos, LTD
670 Dona Ana Road SW
Deming, NM 88030

Via Certified Mail, Return Receipt Requested

No. 91 7199 9991 7033 2216 8310

Cross Border Resources, Inc.

2515 McKinney Ave., Ste 900

Dallas, TX 75201

Via Certified Mail, Return Receipt Requested

No. 91 7199 9991 7033 2216 8303

David L. Henderson SSP

815 West Tenth Street

Fort Worth, Texas 76102

Via Certified Mail, Return Receipt Requested

No. 91 7199 9991 7033 9269 4092

Linda Sheryl Seely Van Sickle

9975 J-2 Ranch Road

Inez, Texas 77968

** Working Interest Owners subject to OA dated 12/1/2004*

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: SCOOTER FEDERAL COM #2H	PROSPECT NAME: ZEUS 1833 (717098)
SHL: 190 FNL & 1650 FWL	STATE & COUNTY: New Mexico, Lea
BHL: 330 FSL & 1650 FWL	OBJECTIVE: DRILL & COMPLETE
FORMATION: LBSS/2ND BSS	DEPTH: 14,100
LEGAL: 23-18S-33E	TVD: 9,570

		<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
INTANGIBLE COSTS				
Title/Curative/Permit	201	11,000		11,000
Insurance	202	4,000	302	4,000
Damages/Right of Way	203	5,000	303	5,000
Survey/Stake Location	204	7,000	304	7,000
Location/Pits/Road Expense	205	80,000	305 20,000	100,000
Drilling / Completion Overhead	206	8,000	306	8,000
Turnkey Contract	207	0	307	0
Footage Contract	208	0	308	0
Daywork Contract	209	336,000	309	336,000
Directional Drilling Services	210	112,000	310	112,000
Fuel & Power	211	48,000	311 8,500	56,500
Water	212	57,000	312 340,000	397,000
Bits	213	68,000	313 3,000	71,000
Mud & Chemicals	214	40,000	314 8,500	48,500
Drill Stem Test	215	0	315	0
Coring & Analysis	216	0		0
Cement Surface	217	26,000		26,000
Cement Intermediate	218	54,000		54,000
Cement 2nd Intermediate/Production	218	0	319 82,000	82,000
Cement Squeeze & Other (Kickoff Plug)	220	0	320 0	0
Float Equipment & Centralizers	221	22,000	321 6,000	28,000
Casing Crews & Equipment	222	14,000	322 11,900	25,900
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	8,000	325 198,500	206,500
Company Supervision	226	0	326	0
Contract Supervision	227	32,000	327 70,000	102,000
Testing Casing/Tubing	228	10,000	328	10,000
Mud Logging Unit	229	17,000	329	17,000
Logging	230	0	330	0
Perforating/Wireline Services	231	6,000	331 106,400	112,400
Stimulation/Treating		0	332 1,720,000	1,720,000
Completion Unit		0	333 42,500	42,500
Swabbing Unit		0	334	0
Rentals-Surface	235	45,000	335 165,000	210,000
Rentals-Subsurface	236	80,000	336	80,000
Trucking/Forklift/Rig Mobilization	237	100,000	337 45,000	145,000
Welding Services	238	4,000	338 5,000	9,000
Water Disposal	239	0	339 260,000	260,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	119,200	344 5,000	124,200
Miscellaneous	242	0	342	0
Contingency	243	27,000	343 50,000	77,000
TOTAL INTANGIBLES		1,340,200	3,147,300	4,487,500

TANGIBLE COSTS				
Surface Casing	401	32,000		32,000
Intermediate Casing	402	114,000	503	114,000
Production Casing		0	503 208,000	208,000
Tubing		0	504 57,000	57,000
Wellhead Equipment	405	15,000	505 35,000	50,000
Pumping Unit		0	506 103,500	103,500
Prime Mover		0	507	0
Rods		0	508 40,500	40,500
Pumps		0	509 31,500	31,500
Tanks		0	510 90,000	90,000
Flowlines		0	511 22,500	22,500
Heater Treater/Separator		0	512 49,500	49,500
Electrical System		0	513 36,000	36,000
Packers/Anchors/Hangers	414	0	514 1,080	1,080
Couplings/Fittings/Valves	415	0	515 202,500	202,500
Gas Compressors/Meters		0	516 7,290	7,290
Dehydrator		0	517	0
Injection Plant/CO2 Equipment		0	518	0
Miscellaneous	419	0	519	0
Contingency	420	0	520 50,000	50,000
TOTAL TANGIBLES		161,000	934,370	1,095,370
TOTAL WELL COSTS		1,502,000	4,081,670	5,583,670

COG Operating LLC

Date Prepared: 4/15/2015

We approve:
0.046628% Working Interest

COG Operating LLC
By: ALEX KORZENIEWSKI / KEN LAFORTUNE 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.