



**CERTIFIED MAIL &  
FEDERAL EXPRESS**

April 28, 2015

Kelly Van Zandt  
6265 C.R. 423  
Grandview, TX 76050

Re: **Well Proposal – Salvador Fee #4H**  
W/2 W/2 of Section 10:T24S-R34E: Unit Area  
SHL: 190' FSL & 660' FWL, or a legal location in Unit M  
BHL: 330' FNL & 660' 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 Salvador Fee No. 4H 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 10,985' and a MD of 15,600' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$6,905,040.00 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 W/2 of Section 10 T24S-R34E. 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 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 (1/5 Royalty)

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.

BEFORE THE OIL CONSERVATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 7  
Submitted by: COG OPERATING LLC  
Hearing Date: June 25, 2015



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 Salvador Fee No. 4H.

\_\_\_\_\_ I/We hereby elect **not** to participate in the Salvador Fee No. 4H.

Company or  
Individual Name: Kelly Van Zandt

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

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

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

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

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

<b>WELL NAME:</b> SALVADOR FEE #4H	<b>PROSPECT NAME:</b> BULLDOG 2434 (717040)
<b>SHL:</b> 190 FSL & 660 FWL	<b>STATE &amp; COUNTY:</b> New Mexico, Lea
<b>BHL:</b> 330 FNL & 660 FWL	<b>OBJECTIVE:</b> DRILL & COMPLETE
<b>FORMATION:</b> DBSS/2ND BSS	<b>DEPTH:</b> 15,800
<b>LEGAL:</b> 10-24S-34E	<b>PH:</b> 12200
	<b>TVD:</b> 10,985

<b>INTANGIBLE COSTS</b>		<b>BCP</b>	<b>ACP</b>	<b>TOTAL</b>
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	400,000	309	400,000
Directional Drilling Services	210	145,000	310	145,000
Fuel & Power	211	58,000	311 8,500	66,500
Water	212	53,000	312 370,000	423,000
Bits	213	64,000	313 6,000	70,000
Mud & Chemicals	214	50,000	314 21,250	71,250
Drill Stem Test	215	0	315	0
Coring & Analysis	216	0		0
Cement Surface	217	33,000		33,000
Cement Intermediate	218	55,000		55,000
Cement 2nd Intermediate/Production	218	0	319 135,000	135,000
Cement Squeeze & Other (Kickoff Plug)	220	0	320	0
Fleet Equipment & Centralizers	221	22,000	321 14,000	36,000
Casing Crews & Equipment	222	15,000	322 17,000	32,000
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	6,000	325 178,500	184,500
Company Supervision	226	0	326	0
Contract Supervision	227	38,000	327 70,000	108,000
Testing Casing/Tubing	228	10,000	328	10,000
Mud Logging Unit	229	21,000	329	21,000
Logging	230	250,000	330	250,000
Perforating/Wireline Services	231	6,000	331 192,000	198,000
Simulation/Treating		0	332 2,200,000	2,200,000
Completion Unit		0	333 80,000	80,000
Swabbing Unit		0	334	0
Rentals-Surface	235	85,000	335 185,000	270,000
Rentals-Subsurface	236	85,000	336 20,000	105,000
Trucking/Forklift/Rig Mobilization	237	115,000	337 45,000	160,000
Welding Services	238	4,000	338 5,000	9,000
Water Disposal	239	0	339 362,000	362,000
Plug to Abandon	240	0	340	0
Selamix Analysis	241	0	341	0
Closed Loop & Environmental	244	140,000	344 5,000	145,000
Miscellaneous	242	0	342	0
Contingency	243	36,000	343 50,000	86,000
<b>TOTAL INTANGIBLES</b>		<b>1,808,000</b>	<b>3,982,250</b>	<b>5,790,250</b>
<b>TANGIBLE COSTS</b>				
Surface Casing	401	54,000		54,000
Intermediate Casing	402	138,000	503	138,000
Production Casing		0	503 234,000	234,000
Tubing		0	504 65,000	65,000
Wellhead Equipment	405	15,000	505 15,000	30,000
Pumping Unit		0	506 103,500	103,500
Prime Mover		0	507	0
Rods		0	508 55,000	55,000
Pumps		0	508 36,000	36,000
Tanks		0	510 90,000	90,000
Flowlines		0	511 27,000	27,000
Heater Treater/Separator		0	512 54,000	54,000
Electrical System		0	513 36,000	36,000
Peckers/Anchors/Hangers	414	0	514 0	0
Couplings/Fittings/Valves	415	0	515 135,000	135,000
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
<b>TOTAL TANGIBLES</b>		<b>207,000</b>	<b>807,790</b>	<b>1,114,790</b>
<b>TOTAL WELL COSTS</b>		<b>2,015,000</b>	<b>4,890,040</b>	<b>6,905,040</b>

COG Operating LLC

Date Prepared: 4/14/2015

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

COG Operating LLC

By: ALEX KORZENIEWSKI KG

Company: Kelly Van Zandt

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

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

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

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

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



**FEDERAL EXPRESS**

April 28, 2015

Kelly Van Zandt  
6265 C.R. 423  
Grandview, TX 76050

Re: **Well Proposal – Salvador Fee No. 3H**  
E/2 W/2 of Section 10:T24S-R34E: Unit Area  
SHL: 190' FSL & 1,470' FWL, or a legal location in Unit N  
BHL: 330' FNL & 1,980' FWL, or a legal location in Unit C  
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Salvador Fee No. 3H 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 11,000' and a MD of 15,600' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$6,655,040.00 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 W/2 of Section 10 T24S-R34E. 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 do not wish to participate in the Operation, COG would like to lease your minerals under the following general terms:

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- 3 Yr. Primary Term
- Delivery of an 80% NRI, proportionately reduced (1/5 Royalty)

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Senior Landman

\_\_\_\_\_ I/We hereby elect to participate in the Salvador Fee No. 3H.

\_\_\_\_\_ I/We hereby elect **not** to participate in the Salvador Fee No. 3H.

Company or  
Individual Name: Kelly Van Zandt

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

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

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

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



**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: SALVADOR FEE #3H	PROSPECT NAME: BULLDOG 2434 (717040)
SHL: 190 FSL & 1470 FWL	STATE & COUNTY: New Mexico, Lea
BHL: 330 FNL & 1980 FWL	OBJECTIVE: DRILL & COMPLETE
FORMATION: DBSS/2ND BSS	DEPTH: 15,600
LEGAL: 10-24S-34E	IVD: 11,000

	BCP	ACP	TOTAL
Title/Curative/Permit	11,000		11,000
Insurance	4,000	302	4,000
Damages/Right of Way	5,000	303	5,000
Survey/Stake Location	7,000	304	7,000
Location/Pits/Road Expense	80,000	305 20,000	100,000
Drilling / Completion Overhead	8,000	308	8,000
Turnkey Contract	0	307	0
Footage Contract	0	308	0
Daywork Contract	400,000	309	400,000
Directional Drilling Services	145,000	310	145,000
Fuel & Power	58,000	311 8,500	66,500
Water	53,000	312 370,000	423,000
Bits	64,000	313 8,000	70,000
Mud & Chemicals	50,000	314 21,250	71,250
Drill Stem Test	0	315	0
Coring & Analysis	0		0
Cement Surface	33,000		33,000
Cement Intermediate	55,000		55,000
Cement 2nd Intermediate/Production	0	319 135,000	135,000
Cement Squeeze & Other (Kickoff Plug)	0	320 0	0
Floot Equipment & Centralizers	22,000	321 14,000	38,000
Casing Crews & Equipment	15,000	322 17,000	32,000
Fishing Tools & Service	0	323	0
Geologic/Engineering	0	324	0
Contract Labor	8,000	325 178,500	184,500
Company Supervision	0	328	0
Contract Supervision	38,000	327 70,000	108,000
Testing Casing/Tubing	10,000	328	10,000
Mud Logging Unit	21,000	329	21,000
Logging	0	330	0
Perforating/Wireline Services	8,000	331 182,000	198,000
Stimulation/Treating	0	332 2,200,000	2,200,000
Completion Unit	0	333 80,000	80,000
Swabbing Unit	0	334	0
Rentals-Surface	85,000	335 185,000	270,000
Rentals-Subsurface	85,000	336 20,000	105,000
Trucking/Forklift/Rig Mobilization	115,000	337 45,000	160,000
Welding Services	4,000	338 5,000	8,000
Water Disposal	0	339 382,000	382,000
Plug to Abandon	0	340	0
Seismic Analysis	0	341	0
Closed Loop & Environmental	140,000	344 5,000	145,000
Miscellaneous	0	342	0
Contingency	36,000	343 50,000	88,000
<b>TOTAL INTANGIBLES</b>	<b>1,558,000</b>	<b>3,982,250</b>	<b>5,540,250</b>

	BCP	ACP	TOTAL
Surface Casing	54,000		54,000
Intermediate Casing	138,000	503	138,000
Production Casing	0	503 234,000	234,000
Tubing	0	504 85,000	85,000
Wellhead Equipment	15,000	505 15,000	30,000
Pumping Unit	0	508 103,500	103,500
Prime Mover	0	507	0
Rods	0	508 55,000	55,000
Pumps	0	509 38,000	38,000
Tanks	0	510 90,000	90,000
Flowlines	0	511 27,000	27,000
Heater Treater/Separator	0	512 54,000	54,000
Electrical System	0	513 38,000	38,000
Packers/Anchors/Hangers	0	514 0	0
Couplings/Fittings/Valves	0	515 135,000	135,000
Gas Compressors/Meters	0	518 7,290	7,290
Dehydrator	0	517	0
Injection Plant/CO2 Equipment	0	518	0
Miscellaneous	0	519	0
Contingency	0	520 50,000	50,000
<b>TOTAL TANGIBLES</b>	<b>207,000</b>	<b>907,790</b>	<b>1,114,790</b>
<b>TOTAL WELL COSTS</b>	<b>1,785,000</b>	<b>4,890,040</b>	<b>6,655,040</b>

COG Operating LLC

Date Prepared: 4/14/2015

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

COG Operating LLC  
By: ALEX KORZENIEWSKI KG

Company: Kelly Van Zandt  
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