



Phone call 9/23/08 - James Baca  
Per James Baca Wolkovzon  
Chevron granted a 3/4 of  
its interest to Amex.  
Proposal will need to  
go to Amex.

September 15, 2008

**VIA CERTIFIED MAIL-Return Receipt Requested  
AND FACSIMILE (281) 561-3829 4874**

Chevron USA, Inc.  
P. O. Box 1635  
Houston, TX 77251  
Attn: Kevin McNally

RE: Turkey Track Prospect  
Taurus Federal #1  
S2S2 of Section 10-T15S-R31E  
Chaves County, New Mexico

New Letter

Ladies and Gentlemen:

COG Oil & Gas LP and its general partner COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Wolfcamp formation at an anticipated total vertical depth of 8900' and total measured depth being approximately 13,450'. The surface location for this well has been permitted at 330' FSL & 330' FWL with a bottomhole location at 330' FSL & 330' FEL with the dedicated project area being the S2S2 of Section 10, Township 15 South, Range 31 East, Chaves County, New Mexico. Included herein is our AFE dated August 20, 2007 as well as a copy the submitted Permit to Drill.

We ask that you join Concho to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided.

However, in the event you do not wish to participate, Concho respectfully requests that you consider as an alternative either of the below proposals:

**Proposal 1:**

Concho would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of Chevron USA, Inc.'s or its entity's of record contractual and leasehold interests situated in Section 10-T15S-R31E, Chaves County, New Mexico.

**Proposal 2:**

Chevron USA, Inc. or its entity of record will farmout all of its contractual and leasehold interests in Section 10-T15S-R31E, Chaves County, New Mexico, retain an overriding royalty interest of 5% proportionately reduced and will retain the right to convert said overriding royalty interest to a twenty-five percent (25%) proportionately reduced interest in subsequent proration units drilled in said section.

**Proposal 3:**

Chevron USA, Inc. agrees to enter into a mutually agreed to Operating Agreement in substantially the same form as attached hereto to develop the entirety of the South Half of Section 10, Township 15 South-Range 31 East, Chaves County, New Mexico as to all depths.

This proposal is a replacement of our proposal dated December 17, 2007. The AFE enclosed herewith has been updated to reflect current estimated costs.

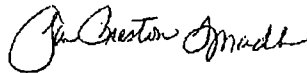
Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- US Mail – 550 West Texas Avenue, Suite 1300, Midland, Texas 79701
- Fax – 432.685.4398
- Email – Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.683.7443.

Very truly yours,

COG Oil & Gas LP  
by COG Operating LLC, general partner



Jan Preston Spradlin, CPL  
Senior Landman

\_\_\_\_\_/We hereby elect to participate in the Taurus Federal #1  
\_\_\_\_\_/We hereby elect not to participate in the Taurus Federal #1  
\_\_\_\_\_/We hereby elect to pursue Proposal 1  
\_\_\_\_\_/We hereby elect to pursue Proposal 2  
\_\_\_\_\_/We hereby elect to pursue Proposal 3

CHEVRON USA, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: Taurus Federal #1H  
Surf. 330' FSL & 330' FWL  
BHL 330' FSL & 330' FEL  
Section 10, T15S, R31E

PROSPECT NAME: Turkey Track  
COUNTY & STATE: CHAVES CO. NM  
OBJECTIVE: 13,330' MD(8680' TVD) Wolfcamp Test

INTANGIBLE COSTS	BCP	ACP	TOTAL
Title/Curative/Permit	201 1,000		1,000
Insurance	202 22,000	302	22,000
Damages/Right of Way	203 15,000	303	15,000
Survey/Stake Location	204 3,000	304	3,000
Location/Pits/Road Expense	205 45,000	305 5,000	50,000
Drilling / Completion Overhead	208 5,000	306 1,000	6,000
Turnkey Contract	207	307	0
Footage Contract	208	308	0
Daywork Contract 44:3 @ \$18000/day	209 748,000	309 51,000	799,000
Directional Drilling Services w/ LWD	210 364,000	310	364,000
Fuel & Power	211 210,000	311 10,000	220,000
Water	212 30,000	312 60,000	90,000
Bits	213 60,000	313 1,000	61,000
Mud & Chemicals	214 80,000	314	80,000
Drill Stem Test	215	315	0
Coring & Analysis	216		0
Cement Surface	217 13,000		13,000
Cement Intermediate	218 30,000		30,000
Cement 2nd Intermediate 7"	218 40,000	319	40,000
Cement Squeeze & Other (Kickoff Plug)	220 25,000	320	25,000
Float Equipment & Centralizers	221 7,000	321	7,000
Casing Crews & Equipment	222 15,000	322 10,000	25,000
Fishing Tools & Service	223	323	0
Geological/Engineering	224 10,000	324 1,000	11,000
Contract Labor	225 10,000	325	20,000
Company Supervision	226 2,000	326 2,000	4,000
Contract Supervision	227 56,400	327 14,000	70,400
Testing Casing/Tubing	228 4,000	328 1,500	5,500
Mud Logging Unit	229 35,000	329	35,000
Logging	230 55,000	330	55,000
Perforating/Wireline Services	231 5,000	331 12,500	17,500
Stimulation/Treatment		332 750,000	750,000
Completion Unit		333 45,000	45,000
Swabbing Unit		334	0
Rentals-Surface	235 80,000	335 45,000	125,000
Rentals-Subsurface	236 45,000	336 10,000	55,000
Trucking/Forklift/Rig Mobilization	237 100,000	337 15,000	115,000
Welding Services	238 2,500	338 1,500	4,000
Water Disposal	239 15,000	339 15,000	30,000
Plug to Abandon	240	340	0
Seismic Analysis	241	341	
Closed Loop & Environmental	244 100,000	344	100,000
Miscellaneous	242 5,000	342 1,000	6,000
Contingency	243 225,790	343 108,150	333,940
<b>TOTAL INTANGIBLES</b>	<b>2,483,690</b>	<b>1,167,650</b>	<b>3,651,340</b>
<b>TANGIBLE COSTS</b>			
Surface Casing 500' 13 3/8"	401 32,000		32,000
Intermediate Casing 4000' 9 5/8", 8500'-7"	402 619,500		619,500
Production Casing/Liner, 5500'-4 1/2"		503 115,500	115,500
Tubing 8200' 2 7/8"		504 93,500	93,500
Wellhead Equipment	405 10,000	505 8,000	18,000
Pumping Unit		506 85,000	85,000
Prime Mover		507 30,000	30,000
Rods		508 20,000	20,000
Pumps		509 3,500	3,500
Tanks		510 25,000	25,000
Flowlines		511 1,000	1,000
Heater Treater/Separator		512 10,000	10,000
Electrical System		513	0
Packers/Anchors/Hangers	414	514 200,000	200,000
Couplings/Fittings/Valves	415 2,000	515 13,000	15,000
Gas Compressors/Meters		516 4,000	4,000
Dehydrator		517	0
Injection Plant/CO2 Equipment		518	0
Miscellaneous	419 1,000	519 1,000	2,000
Contingency	420 66,450	620 80,960	127,400
<b>TOTAL TANGIBLES</b>	<b>730,950</b>	<b>670,450</b>	<b>1,401,400</b>
<b>TOTAL WELL COSTS</b>	<b>3,214,640</b>	<b>1,838,100</b>	<b>5,052,740</b>

COG Operating LLC

By: J. Goffman / M. Corser

Date Prepared: 5/19/08

We approve:  
% Working Interest

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.

Form 3160-3  
(August 2007)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT


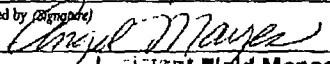
APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED  
OMB No. 1004-0137  
Expires July 31, 2010

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SL NMLC 105885 BHL State of NM
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other, <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator COG Operating, LLC		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 550 West Texas, Suite 1300 Midland, TX 79701	3b. Phone No. (include area code) (432) 685-9158	8. Lease Name and Well No. Taurus Federal #1H
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 330' FSL & 330' FWL, Unit M At proposed prod. zone 330' FSL & 330' FEL, Unit P ROSWELL CONTROLLED WATER BASIN		9. API Well No.
14. Distance in miles and direction from nearest town or post office* Approx 15 miles North of Midland, New Mexico		10. Field and Pool, or Exploratory Undesignated Wolfcamp
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)	16. No. of acres in lease 800	11. Sec., T. R. M. or Blk. and Survey or Area Section 10, T15S, R31E
17. Spacing Unit dedicated to this well 180	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	12. County or Parish Chaves Co.
19. Proposed Depth 13300' MD 8680' TVD	20. BLM/BIA Bond No. on file NMB 000215	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4415' GL	22. Approximate date work will start* 04/01/2008	23. Estimated duration 45 Days
24. Attachments		

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

25. Signature 	Name (Printed/Typed) Duwayne Moore	Date 09/12/2007
Title Agent for COG Operating LLC		
Approved by (Signature) 	Name (Printed/Typed) /S/ Angel Mayes	Date DEC 12 2007
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

\*(Instructions on page 2)

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS ATTACHED

DISTRICT I  
1600 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1941 V. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Pecos Rd., Aztec, NM 87410

DISTRICT IV  
1800 E. H. Pecos Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number	Pool Code	Pool Name
Property Code	Property Name <b>TAURUS FEDERAL</b>	Well Number <b>1H</b>
OCRII No.	Operator Name <b>C.O.G. OPERATING L.L.C.</b>	Elevation <b>4415'</b>

**Surface Location**

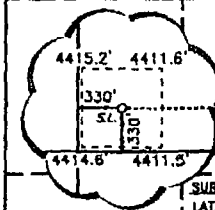
UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
M	10	15 S	31 E		330	SOUTH	330	WEST	CHAVES

**Bottom Hole Location If Different From Surface**

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
P	10	15 S	31 E		330	SOUTH	330	EAST	CHAVES

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
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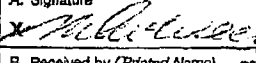
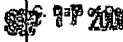
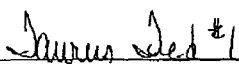
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

 <p><b>SURFACE LOCATION</b> LAT.: N 33°01'28.57" LONG.: W103°49'01.63" SPC- N: 736870.8 E: 699356.0 (NAD-83)</p>	<p><b>BOTTOM HOLE LOCATION</b> LAT.: N 33°01'28.72" LONG.: W103°48'07.25" SPC- N: 736716.220 E: 704116.485 (NAD-83)</p>
	<p><b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this representation either comes a working interest or retained mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or is a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
<p><b>SURVEYOR CERTIFICATION</b> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p><b>JULY 27, 2007</b></p> <p>Date Surveyed _____ Signature _____ Professional Surveyor</p> <p><b>W.O. JONES</b></p> <p>Certificate No. Gary L. Jones 7977</p> <p><b>BASIN SURVEYS</b></p>	

Jaurus Sed #1

Confirmation Services	Package ID: 91710821333933933120567	E-CERTIFIED
	Destination ZIP Code: 77251	1ST CLASS MAIL
	Customer Reference:	P&P Account #: 41582220
	Recipient:	Serial #: 0655810
	Address:	SEP 15 2008 11 19A

Chevron USA, Inc.  
P. O. Box 1635  
Houston, TX 77251  
Attn: Kevin McNally

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"><li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>■ Print your name and address on the reverse so that we can return the card to you.</li><li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>	<p>A. Signature  <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name)  <input type="checkbox"/> Restricted Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
1. Article Addressed to:  Chevron USA, Inc. P. O. Box 1635 Houston, TX 77251 Attn: Kevin McNally  	<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. <input type="checkbox"/> Yes</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
2. Article Number (Transfer from serial number) 91 7108 2133 3933 5312 8587	
PS Form 3811, February 2004	Domestic Return Receipt 102595-02-M-1040

## **Jan Spradlin**

---

**Full Name:** Kevin McNally  
**Last Name:** McNally  
**First Name:** Kevin

**Business Address:** Chevron North America Exploration and Production  
11111 S. Wilcrest  
Houston, TX 77099

**Business:** (281) 561-3829  
**Business Fax:** (281) 561-4874

**E-mail:** kmcnally@chevrontexaco.com  
**E-mail Display As:** kmcnally@chevrontexaco.com



FAX

Fasken Center, Tower II  
550 West Texas Avenue, Suite 1300  
Midland, TX 79701

Phone: (432) 683-7443  
Land Dept. Fax: (432) 685-4398

Total Pages (including cover): 6

Privileged and Confidential

Date: Sept 15, 2008

To: Kevin McNally

Fax: Choupan USA  
281-561-3829  
281-561-4874

From: Jan Spradlin

Subject: Laurens Ind #1

The information transmitted by this Facsimile is considered privileged and confidential, and is intended only for the use of the individual or entity named. If the reader of this message is not the intended recipient or the employee or agent responsible to deliver it to the intended recipient, you should be aware that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone, and return the original message to us at the above address via the U.S. Postal Service.  
Thank you.

If you have any difficulty in receiving this fax, please call



Confirmation Report - Memory Send

Page : 001  
Date & Time: 09-15-08 10:20am  
Line 1 : +4326854398  
Line 2 : +  
Machine ID : Concho Land

Job number : 087  
Date : 09-15 10:19am  
To : 212815614874  
Number of pages : 006  
Start time : 09-15 10:19am  
End time : 09-15 10:20am  
Pages sent : 006  
Status : OK

Job number : 087 \*\*\* SEND SUCCESSFUL \*\*\*

**CONCHO**

FAX

Fasken Center, Tower II  
550 West Texas Avenue, Suite 1300  
Midland, TX 79701

Phone: (432) 683-7443  
Land Dept. Fax: (432) 685-4398

Total Pages (including cover): 6

Privileged and Confidential

Date: Sept 15, 2008  
To: Kevin McNally  
Chapman USA  
Fax: 281-561-3634  
281-561-4874  
From: Jan Spradlin  
Subject: Insurance bid #1

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