



December 17, 2007

VIA CERTIFIED MAIL-Return Receipt Requested
AND FACSIMILE (505) 748-7374

Caza Energy LLC
P. O. Box 1767
Artesia, NM 88211-1767
Attn: Ronald W. Lanning, Land Manager

RE: Turkey Track Prospect
Andromeda Federal #2 (API #30-005-27976)
S2N2 of Section 14-T15S-R31E
Chaves County, New Mexico

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 1980' FNL & 850' FEL with a bottomhole location at 1980' FNL & 330' FWL with the dedicated project area being the S2N2 of Section 14, 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 approved 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 Caza Energy LLC's or its entity's of record contractual and leasehold interests situated in Section 14-T15S-R31E, Chaves County, New Mexico.

Proposal 2:

Caza Energy LLC or its entity of record will farmout all of its contractual and leasehold interests in Section 14-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:

Caza Energy LLC agrees to enter into a mutually agreed to Operating Agreement in substantially the same form as attached hereto to develop the entirety of the North Half of Section 14, Township 15 South-Range 31 East, Chaves County, New Mexico as to all depths.

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

- _____ I/We hereby elect to participate in the Andromeda Federal #2
- _____ I/We hereby elect **not** to participate in the Andromeda Federal #2
- _____ I/We hereby elect to pursue Proposal 1
- _____ I/We hereby elect to pursue Proposal 2
- _____ I/We hereby elect to pursue Proposal 3

CAZA ENERGY LLC

By: _____
Name: _____
Title: _____
Date: _____

Confirmation Report - Memory Send

Page : 001
Date & Time: 12-17-07 03:48pm
Line 1 : +4326854398
Line 2 : +
Machine ID : Concho Land

Job number : 610
Date : 12-17 03:46pm
To : 80215057487374
Number of pages : 006
Start time : 12-17 03:46pm
End time : 12-17 03:48pm
Pages sent : 006
Status : OK

Job number : 610 *** SEND SUCCESSFUL ***



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): _____

Privileged and Confidential

Date: 12/17/07

To: Concho Energy LLC
Attn: Ronald W. Lanning

Fax: 505-748-7374

From: Wes Robertson

Subject: Andromeda Fed #2 AFE
pls to follow by US mail

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
(432) 685-4306

Confirmation Services	Package ID: 9171082133393479747990	E-CERTIFIED
	Destination ZIP Code: 88211	1ST CLASS FLAT
	Customer Reference:	
	Recipient: <u>Caza</u>	PBP Account #: 41592288
	Address: <u>At #2</u>	Serial #: 3055926
		DEC 18 2007 3:42P

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>X <u>[Signature]</u></p> <p>B. Received by <u>[Signature]</u> (Printed Name) <u>[Signature]</u> Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below <input checked="" type="checkbox"/> No</p>
<p>1. Article Addressed to:</p> <p>Caza Energy LLC PO BOX 1767 Artesia, NM 88211-1767 Attn: Ronald W. Lanning (Andromeda Fed #2)</p>	<p>3. Service Type</p> <p><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.</p>
<p>2. Article Number (Transfer from service label)</p> <p><u>91 7108 2133 3934 7974 7990</u></p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: <u>Andromeda Federal #2</u>	PROSPECT NAME: <u>Turkey Track</u>
Surf. 1980' FNL & 850' FEL	COUNTY & STATE: <u>CHAVES CO. NM</u>
BHL. 1980' FNL & 330' FWL	OBJECTIVE: <u>13,450' MD(8900' TVD) Wolfcamp Test</u>
Sec.14 , T15S, R31E	

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Title/Curative/Permit	1,000		1,000
Insurance	22,000		22,000
Damages/Right of Way	15,000		15,000
Survey/Stake Location	2,000		2,000
Location/Pits/Road Expense	45,000	50,000	95,000
Drilling / Completion Overhead	5,000	1,000	8,000
Turnkey Contract			0
Footage Contract			0
Daywork Contract 44:3 @ \$18000/day	792,000	54,000	846,000
Directional Drilling Services	280,000		280,000
Fuel & Power	85,000	5,000	90,000
Water	27,000	35,000	62,000
Bits	60,000	1,000	61,000
Mud & Chemicals	80,000		80,000
Drill Stem Test			0
Coring & Analysis			0
Cement Surface	9,000		9,000
Cement Intermediate	30,000		30,000
Cement Production		65,000	65,000
Cement Squeeze & Other (Gckoff Plug)	25,000		25,000
Float Equipment & Centralizers	4,000	7,000	11,000
Casing Crews & Equipment	9,500	10,000	19,500
Fishing Tools & Service			0
Geologic/Engineering	1,000	1,000	2,000
Contract Labor	10,000	20,000	30,000
Company Supervision	2,000	2,000	4,000
Contract Supervision	44,000	15,000	59,000
Testing Casing/Tubing	3,000	3,000	6,000
Mud Logging Unit	22,000		22,000
Logging	135,000		135,000
Perforating/Wireline Services		85,000	85,000
Stimulation/Treating		730,000	730,000
Completion Unit		35,000	35,000
Swabbing Unit			0
Rentals-Surface	60,000	20,000	80,000
Rentals-Subsurface	45,000	10,000	55,000
Trucking/Forklift/Rig Mobilization	80,000	15,000	95,000
Welding Services	1,500	1,500	3,000
Water Disposal		10,000	10,000
Plug to Abandon			0
Seismic Analysis			0
Miscellaneous	1,000	1,000	2,000
Contingency	189,600	117,650	307,250
TOTAL INTANGIBLES	2,085,600	1,294,150	3,379,750

<u>TANGIBLE COSTS</u>			
Surface Casing 500' 13 3/8"	14,500		14,500
Intermediate Casing 4000' 9 5/8"	92,000		92,000
Production Casing/Liner 9900' 5 1/2"		228,650	228,650
Tubing 5600' 2 7/8"		35,000	35,000
Wellhead Equipment	8,000	8,000	16,000
Pumping Unit		85,000	85,000
Prime Mover		30,000	30,000
Rods		20,000	20,000
Pumps		3,500	3,500
Tanks		25,000	25,000
Flowlines		1,000	1,000
Heater Treater/Separator		10,000	10,000
Electrical System			0
Packers/Anchors/Hangers		1,000	1,000
Couplings/Fittings/Valves	2,000	13,000	15,000
Gas Compressors/Meters		4,000	4,000
Dehydrator			0
Injection Plant/CO2 Equipment			0
Miscellaneous	1,000	4,000	2,000
Contingency	11,750	46,515	58,265
TOTAL TANGIBLES	129,250	511,665	640,915
TOTAL WELL COSTS	2,214,850	1,805,815	4,020,665

COG Operating LLC

By: Erick W. Nelson/Matt Corser

Date Prepared: 08/02/2007

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.

New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

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 105887 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. 56797 Andromeda Federal #28
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 1980' FNL & 850' FEL, Unit H At proposed prod. zone 1980' FNL & 330' FWL, Unit E		9. API Well No. 30-005-27976
14. Distance in miles and direction from nearest town or post office* Approx 15 miles North of Maljamar, 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) 330	16. No. of acres in lease 640	11. Sec., T. R. M. or Blk. and Survey or Area Section 14, T15S, R31E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft N/A	19. Proposed Depth 13000' MD 8810' TVD	12. County or Parish Chaves Co.
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4375' GL	22. Approximate date work will start* 12/15/2007	13. State NM
17. Spacing Unit dedicated to this well 160		
20. BLM/BIA Bond No. on file NMB 000215		
23. Estimated duration 45 Days		

24. Attachments

ROSWELL CONTROLLED WATER BASIN

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

- | | |
|---|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature	Name (Printed/Typed) Dwaine Moore	Date 09/12/2007
Title Agent for COG Operating LLC		
Approved by (Signature) <i>ISI Angel Mayes</i>	Name (Printed/Typed) <i>ISI Angel Mayes</i>	Date OCT 16 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**



DECLARED WATER BASIN

CEMENT BEHIND THE 13 1/2" CASING MUST BE CIRCULATED

WITNESS

DISTRICT I
10220 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name ANDROMEDA FEDERAL	Well Number 2H
OGHD No.	Operator Name C.O.G. OPERATING L.L.C.	Elevation 4375'

Surface Location

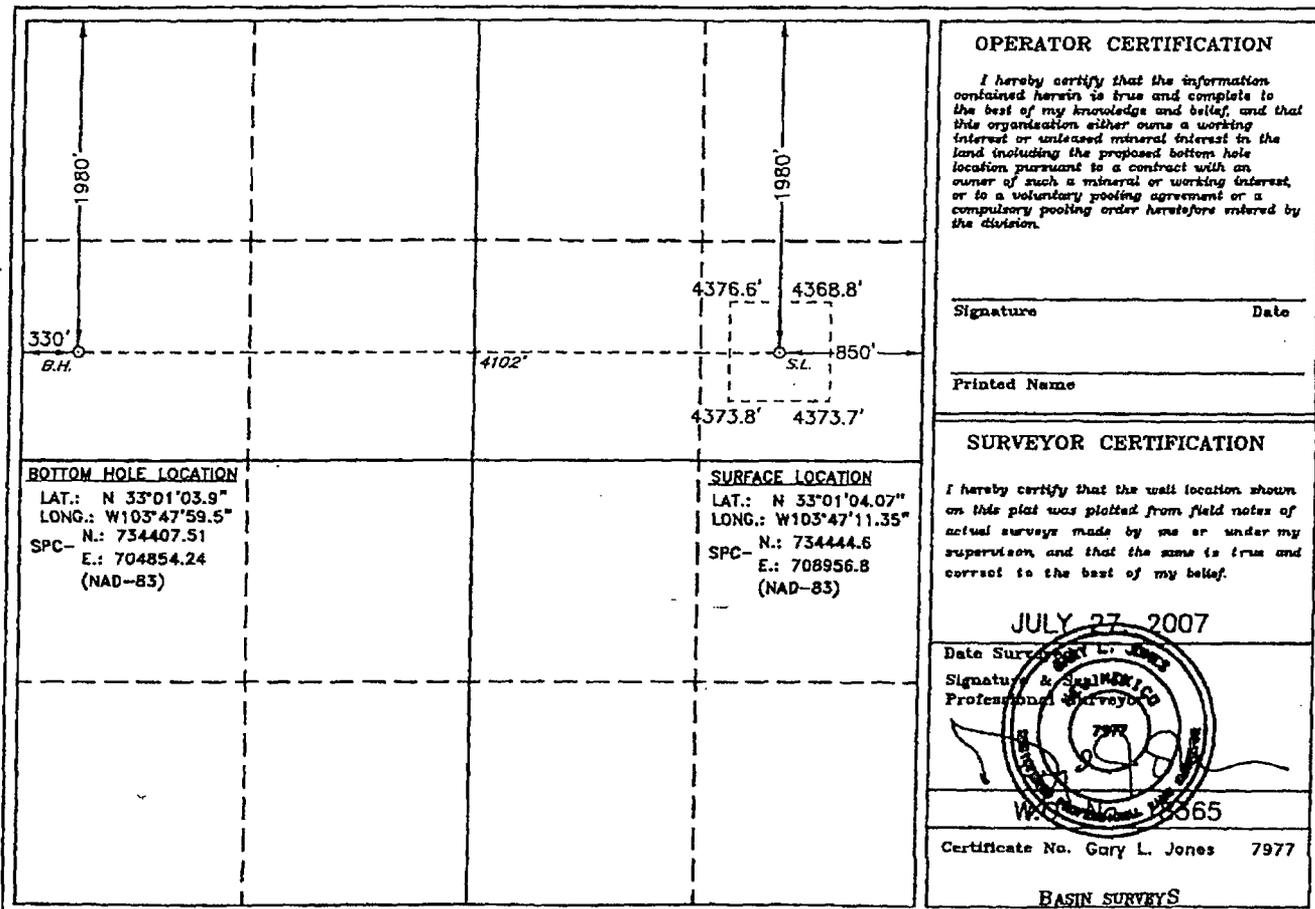
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	14	15 S	31 E		1980	NORTH	850	EAST	CHAVES

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
E	14	15 S	31 E		1980	NORTH	330	WEST	CHAVES

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased 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 to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

SURVEYOR CERTIFICATION

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.

Date Surveyed **JULY 27 2007**

Date Surveyed _____
Signature _____
Professional Surveyor



Certificate No. Gary L. Jones 7977

BASIN SURVEYS