



NMOCD Case No. 14323
August 20, 2009
COG Operating LLC Ex. No. 5

August 11, 2009

VIA FEDERAL EXPRESS

Timothy R. MacDonald
23 Graham Ln.
Lucas, TX 75002

RE: Big Game Prospect
Blackhawk "11" Federal Com #1
S2S2 of Section 11-T16S-R28E
Eddy County, New Mexico

Dear Mr. MacDonald:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6680' and total measured depth being approximately 11,130'. The surface location for this well has been permitted at 430' FSL & 430' FWL with a bottomhole location at 330' FSL & 330' FEL with the dedicated project area being the S2S2 of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE dated August 10, 2009 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 Timothy R. McDonald's contractual and leasehold interests situated in Section 11-T16S-R28E, Eddy County, New Mexico.

Proposal 2:

Timothy R. McDonald will farmout all of his contractual and leasehold interests in Section 11-T16S-R28E, Eddy County, New Mexico, retaining an overriding royalty interest equal to the difference between existing lease burdens of record and twenty percent (20%), proportionately reduced.

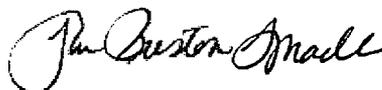
Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- 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 Operating LLC



Jan Preston Spradlin, CPL
Senior Landman

- I/We hereby elect to participate in the Blackhawk "11" Federal Com #1
- I/We hereby elect not to participate in the Blackhawk "11" Federal Com #1
- I/We hereby elect to pursue Proposal 1
- I/We hereby elect to pursue Proposal 2



TIMOTHY R. McDONALD

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Blackhawk "11" Fed Com #1
Surf. Loc: 430' FS&WL, Sec 11
B.H. Loc: 330' FS&EL, Sec 11
T16S - R28E w/pilot, wo/LWD

PROSPECT NAME: Crow Flats
COUNTY & STATE: Eddy, NM
OBJECTIVE: 10,900' MD (6680' TVD) Lwr Abo/Wolfcamp

		<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
INTANGIBLE COSTS				
Title/Curative/Permit	201	5,500		5,500
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	50,000
Drilling / Completion Overhead	206	5,000	306	6,000
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract 32:4 @ \$10,000/day	209	320,000	309	360,000
Directional Drilling Services, With out LWD	210	180,000	310	180,000
Fuel & Power	211	54,000	311	60,000
Water	212	30,000	312	80,000
Bits	213	50,000	313	51,000
Mud & Chemicals	214	60,000	314	60,000
Drill Stem Test	215		315	0
Coring & Analysis	216			0
Cement Surface	217	12,200		12,200
Cement Intermediate	218	15,000		15,000
Cement 2nd Intermediate 7"	218		319	23,400
Cement Squeeze & Other (Kickoff Plug)	220	18,700	320	18,700
Float Equipment & Centralizers	221	5,000	321	7,000
Casing Crews & Equipment	222	15,000	322	25,000
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	10,000	324	11,000
Contract Labor	225	10,000	325	40,000
Company Supervision	226	2,000	326	4,000
Contract Supervision	227	36,000	327	40,000
Testing Casing/Tubing	228	4,000	328	5,500
Mud Logging Unit	229	22,500	329	22,500
Logging	230	60,000	330	60,000
Perforating/Wireline Services	231	1,500	331	14,000
Stimulation/Treating			332	750,000
Completion Unit			333	18,000
Swabbing Unit			334	0
Rentals-Surface	235	100,000	335	145,000
Rentals-Subsurface	236	45,000	336	55,000
Trucking/Forklift/Rig Mobilization	237	80,000	337	95,000
Welding Services	238	3,000	338	4,500
Water Disposal	239		339	15,000
Plug to Abandon	240		340	0
Seismic Analysis	241		341	0
Closed Loop & Environmental	244	225,000	344	225,000
Miscellaneous	242	5,000	342	6,000
Contingency	243	146,600	343	251,700
TOTAL INTANGIBLES		1,606,000	1,150,000	2,756,000
TANGIBLE COSTS				
Surface Casing 500' 13 3/8"	401	18,000		18,000
Intermediate Casing 2300' 9 5/8", 6000' - 7"	402	59,000	503	204,000
Production Casing/Liner 4900' - 4.5"			503	59,000
Tubing 6000' 2 7/8"			504	34,000
Wellhead Equipment	405	10,000	505	18,000
Pumping Unit			506	0
Prime Mover			507	0
Rods			508	0
Pumps			509	0
Tanks			510	60,000
Flowlines			511	15,000
Heater Treater/Separator			512	25,000
Electrical System			513	0
Packers/Anchors/Hangers	414		514	200,000
Couplings/Fittings/Valves	415	2,000	515	52,000
Gas Compressors/Meters			516	4,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	1,000	519	2,000
Contingency	420	9,000	520	70,000
TOTAL TANGIBLES		99,000	662,000	761,000
TOTAL WELL COSTS		1,705,000	1,812,000	3,517,000

COG Operating LLC

By: J. Coffman / C. Bird

Date Prepared: 8/10/09

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.

OCD-ARTESIA

ATS-08-118
ET-08-1146

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AUG - 6 2008

Form 3160-3
(February 2005)

OCD-ARTESIA

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

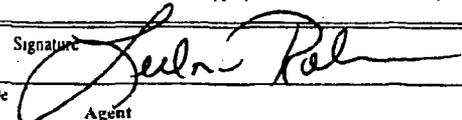
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

5a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No. NM 400844 95630
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> <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 229137		7 If Unit or CA Agreement, Name and No
3a Address 550 W. Texas Suite 1300 Midland, Texas 79701		8 Lease Name and Well No. 37327 Blackhawk "11" Federal Com #1
3b Phone No. (include area code) 432-683-7443		9 API Well No 30-015-36541
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 430' FSL & 430' FWL At proposed prod zone 330' FSL & 330' FEL		10 Field and Pool, or Exploratory Wolfcamp- Crow Flats
14 Distance in miles and direction from nearest town or post office*		11 Sec, T R M or Blk and Survey or Area Section 11 T16S R28E
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	12 County or Parish Eddy County
17 Spacing Unit dedicated to this well 160	18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	13 State NM
19 Proposed Depth 11130' MD 6680' TVD	20 BLM/BIA Bond No. on file NMB 000215	
21 Elevations (Show whether DF, KDB, RT, GL, etc) 3570 GL	22 Approximate date work will start* 06/01/2008	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

- | | |
|---|--|
| 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) Lee Ann Rollins	Date 04/30/2008
Title Agent		
Approved by (Signature) /s/ James Stovall	Name (Printed Typed) /s/ James Stovall	Date AUG 04 2008
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

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.

APPROVAL FOR TWO YEARS

Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

**NOTE: NEW PIT RULE
19-15-17 NMAC PART 17**

*(Instructions on page 2)

A form C-144 must be approved before starting drilling operations.

ROSWELL CONTROLLED WATER BASIN

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

Handwritten initials

DISTRICT I
1825 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 30-015-	Pool Code 97102	Pool Name CROW FLATS: WOLFCAMP
Property Code	Property Name BLACKHAWK "11" FEDERAL COM	Well Number 1
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3570'

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	11	16 S	28 E		430	SOUTH	430	WEST	EDDY

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	11	16 S	28 E		330	SOUTH	330	EAST	EDDY

Dedicated Acres 160	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>SURFACE LOCATION LAT.: N 32°55'55.47" LONG.: W104°09'13.98" SPC- N.: 702870.627 E.: 596395.029 (NAD-83)</p> <p>BOTTOM HOLE LOCATION LAT.: N 32°55'54.42" LONG.: W104°08'21.77" SPC- N.: 702772.089 E.: 600844.111 (NAD-83)</p> <p>PROJECT AREA</p> <p>PENETRATION POINT</p>	<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Phyllis A. Edwards</i> 8-14-08 Signature Date</p> <p>Phyllis A. Edwards Printed Name Regulatory Analyst</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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>DECEMBER 16, 2007 Date Surveyed</p> <p>GARY L. JONES Signature Professional Surveyor</p> <p>W.C. No. 18798</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY
FORM APPROVED
BLM-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.		5. Lease Serial No. NMNM-95630
1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name
2. Name of Operator COG Operating LLC		7. If Unit or CA/Agreement, Name and/or No.
3a. Address 550 W. Texas Ave., Suite 1300 Midland, TX 79701	3b. Phone No. (include area code) 432-685-4340	8. Well Name and No. Blackhawk 11 Federal Com #1
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SURFACE: 430' FSL & 430' FWL Section 11, T16S, R28E, UL M BHL: 330' FSL & 330' FEL Section 11, T16S, R28E, UL P		9. API Well No. 30-015-36541
		10. Field and Pool, or Exploratory Area Crow Flats, Wolfcamp
		11. County or Parish, State Eddy County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA				
TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Chg pool, casing & cementing program
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

COG respectfully requests permission:

to change Field and Pool from Wolfcamp to Crow Flats Abo;

to change proposed Casing & Cement Program;

for a variance to the 200' minimum tie back in order to set the pump as close to the formation as possible. The curve and horizontal are all located in the Abo Formation.

Attached is a revised plat and revised Form 3160-3 Drill Plan with changes reflected in shaded areas.

APPROVED

 OCT 18 2008

 JAMES A. AMOS
SUPERVISOR-EPS

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Phyllis A. Edwards		Title Regulatory Analyst
Signature <i>Phyllis A. Edwards</i>	Date 10/08/2008	

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by _____	Title _____	Date _____
Conditions of approval, if any, are attached. Approval of this notice 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.		
Office _____		

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.

(Instructions on page 2)