

Blackhawk "11" Fed Com #2

Sec. 11-T116-R28E
 SHL: 1800' FSL & 1690' FWL
 BHL: 1650' FSL & 330' FEL

Drilling - AFE dated 8/1/09
 Big Game Prospect 720002
 Eddy County, NM

cc: Sandy, Renee, Noemi
 AFE Mailed 8/1/09

OWNER	Interest	WI Approved Drilling	WI Approved Completion	RETURN RECEIPT Dig Proposal	Due	PARTICIPATE Drilling	PARTICIPATE Completion	NOTES
Chesapeake Exploration LP 6100 N. Western Ave. Oklahoma City, OK 73118 Attn: Kevin Pfister Fax: 405-935-1450	49.93750000%			FedEx Trkg 796850192521				Well proposal faxed & sent via FedEx 8/1/09
Tom MacDonald 23 Graham Ln. Lucas, TX 75002 Phone: 972-450-4552 Fax: 972-450-4519 Cell: 972-839-9531 tim_macdonald@nexeninc.com	0.06250000%	0.06250000%		FedEx Trkg 797837549874		yes		Well proposal sent via FedEx 8/1/09 Election to participate received via email from Tim MacDonald to Jan Spradlin 8/13/09
COG Operating LLC	50.00000000%	50.00000000%						
	Total	100.000000%	50.062500%					

LAND APPROVAL:



August 11, 2009

VIA FEDERAL EXPRESS

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

RE: Big Game Prospect
Blackhawk "11" Federal Com #2
N2S2 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 6686' and total measured depth being approximately 9,709'. The surface location for this well has been permitted at 1800' FSL & 1590' FWL with a bottomhole location at 1650' FSL & 330' FEL with the dedicated project area being the N2S2 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.

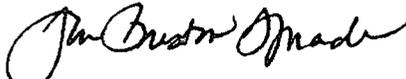
Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

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



TIMOTHY R. McDONALD

Date:

8/13/09



August 11, 2009

VIA FEDERAL EXPRESS

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

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Blackhawk "11" Federal Com #2
N2S2 of Section 11-T16S-R28E
Eddy County, New Mexico

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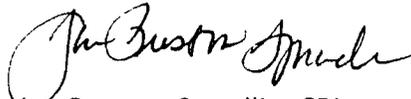
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- _____ I/We hereby elect to pursue Proposal 1
- _____ I/We hereby elect to pursue Proposal 2

TIMOTHY R. McDONALD

Date: _____



Shipment Receipt

Address Information**Ship to:**
Timothy R. MacDonald

23 GRAHAM LN

LUCAS, TX
750028431
US
9723908106**Ship from:**
COG Operating LLC

550 W. Texas Ave., Ste. 100

Midland, TX
79701
US
4326837443**Shipping Information**Tracking number: 797837549874
Ship date: 08/11/2009
Estimated shipping charges: 17.51**Package Information**Service type: Priority Overnight
Package type: FedEx Envelope
Number of packages: 1
Total weight: 0.20LBS
Declared value: 0.00USD
Special Services: Residential Delivery
Pickup/Drop-off: Drop off package at FedEx location**Billing Information**Bill transportation to: Sender
Your reference: Blackhawk 11 FC #2
P.O. no.:
Invoice no.:
Department no.:**Thank you for shipping online with FedEx ShipManager at fedex.com.****Please Note**

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August 11, 2009

VIA FEDERAL EXPRESS
AND FACSIMILE (405) 935-1450

Chesapeake Exploration LP
6100 N. Western Avenue
Oklahoma City, OK 73118
Attn: Kevin Pfister

RE: Big Game Prospect
Blackhawk "11" Federal Com #2
N2S2 of Section 11-T16S-R28E
Eddy County, New Mexico

Dear Mr. Pfister:

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 6686' and total measured depth being approximately 9,709'. The surface location for this well has been permitted at 1800' FSL & 1590' FWL with a bottomhole location at 1650' FSL & 330' FEL with the dedicated project area being the N2S2 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.

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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 Chesapeake Exploration LP's or its entity's of record contractual and leasehold interests situated in Section 11-T16S-R28E, Eddy County, New Mexico.

Proposal 2:

Chesapeake Exploration LP or its entity of record will farmout all of its contractual and leasehold interests in Section 11-T16S-R28E, Eddy County, New Mexico, retaining an

overriding royalty interest equal to difference between existing lease burdens of record and twenty percent (20%), proportionately reduced.

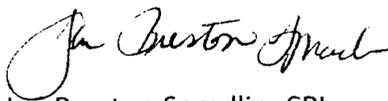
Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

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

CHESAPEAKE EXPLORATION LP

By: _____

Name: _____

Title: _____

Date: _____

From: Origin ID: MAFA (432) 683-7443
COG Operating LLC



Ship Date: 11AUG09
Act/Wgt: 0.2 LB
CAD: 100831517/NET9060
Account#: S *****

550 W. Texas Ave., Ste. 100

Midland, TX 79701

405-935-4732

109289506152023

SHIP TO: (405) 707-4752

BILL SENDER

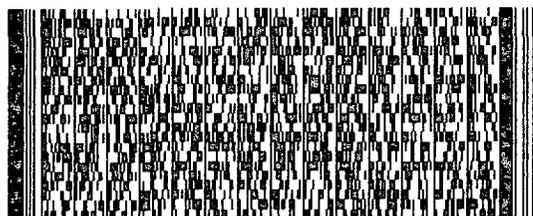
Kevin Pfister
Chesapeake Exploration LP
6100 N WESTERN AVE

OKLAHOMA CITY, OK 73118

Delivery Address Bar Code



Ref # Blackhawk 11 FC #2
Invoice #
PO #
Dept #



TRK# 7968 5019 2521
0201

WED - 12AUG A1
PRIORITY OVERNIGHT

XH TIKA

73118
OK-US
OKC



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Detailed Results	Notifications
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Tracking no.: 796850192521

[E-mail notifications](#)

Delivered



Delivered
Signed for by: B.TATE

Shipment Dates

Destination

Ship date Aug 11, 2009
Delivery date Aug 12, 2009 8:41 AM

OKLAHOMA CITY, OK
[Signature Proof of Delivery](#)

Shipment Facts

[Help](#)

Service type	Priority Envelope	Delivered to	Mailroom
Weight	0.5 lbs/0.2 kg	Reference	Blackhawk 11 FC #2

Shipment Travel History

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All shipment travel activity is displayed in local time for the location

Date/Time	Activity	Location	Details
Aug 12, 2009 8:41 AM	Delivered	OKLAHOMA CITY, OK	
Aug 12, 2009 7:53 AM	On FedEx vehicle for delivery	OKLAHOMA CITY, OK	
Aug 12, 2009 6:56 AM	At local FedEx facility	OKLAHOMA CITY, OK	
Aug 12, 2009 4:07 AM	Departed FedEx location	MEMPHIS, TN	
Aug 12, 2009 12:56 AM	Arrived at FedEx location	MEMPHIS, TN	
Aug 11, 2009 7:37 PM	Left FedEx origin facility	MIDLAND, TX	
Aug 11, 2009 5:33 PM	Picked up	MIDLAND, TX	
Aug 11, 2009 10:19 AM	Shipment information sent to FedEx		

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Confirmation Report - Memory Send

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Line 1 : +4326854398
Line 2 : +
Machine ID : Concho Land

Job number : 488
Date : 08-11 10:45am
To : 14059351450
Number of pages : 006
Start time : 08-11 10:45am
End time : 08-11 10:46am
Pages sent : 006
Status : OK

Job number : 488

*** 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): 6

Privileged and Confidential

Date: August 11, 2009

To: Kevin Rister

Fax: Chesapeake Expt. 405-935-1450

From: Jan Spradlin

Subject: Blackhawk II Se #2

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If you have any difficulty in receiving this fax, please call
Steve Conner 432-686-3006

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Blackhawk "11" Fed Com #2	PROSPECT NAME: Crow Flats
Surf. Loc: 1650' FS&WL, Sec 11	COUNTY & STATE: Eddy, NM
B.H. Loc: 1650' FSL & 330' FEL, Sec 11	OBJECTIVE: 9,778' MD (6690' TVD) Lwr Abo/Wolfcamp
T16S - R28E w/pilot, wo/LWD	

		<u>BCP</u>		<u>ACP</u>		<u>TOTAL</u>
<u>INTANGIBLE COSTS</u>						
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	5,000		50,000
Drilling / Completion Overhead	206	5,000	306	1,000		6,000
Turnkey Contract	207		307			0
Footage Contract	208		308			0
Daywork Contract 29:4 @ \$10,000/day	209	290,000	309	40,000		330,000
Directional Drilling Services, With out LWD	210	160,000	310			160,000
Fuel & Power	211	48,000	311	6,000		54,000
Water	212	30,000	312	50,000		80,000
Bits	213	50,000	313	1,000		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		23,400
Cement Squeeze & Other (Kickoff Plug)	220	18,700	320			18,700
Float Equipment & Centralizers	221	5,000	321	2,000		7,000
Casing Crews & Equipment	222	15,000	322	10,000		25,000
Fishing Tools & Service	223		323			0
Geologic/Engineering	224	10,000	324	1,000		11,000
Contract Labor	225	10,000	325	30,000		40,000
Company Supervision	226	2,000	326	2,000		4,000
Contract Supervision	227	36,000	327	4,000		40,000
Testing Casing/Tubing	228	4,000	328	1,500		5,500
Mud Logging Unit	229	19,500	329			19,500
Logging	230	60,000	330			60,000
Perforating/Wireline Services	231	1,500	331	12,500		14,000
Stimulation/Treating			332	750,000		750,000
Completion Unit			333	18,000		18,000
Swabbing Unit			334			0
Rentals-Surface	235	90,000	335	45,000		135,000
Rentals-Subsurface	236	40,000	336	10,000		50,000
Trucking/Forklift/Rig Mobilization	237	80,000	337	15,000		95,000
Welding Services	238	3,000	338	1,500		4,500
Water Disposal	239		339	15,000		15,000
Plug to Abandon	240		340			0
Seismic Analysis	241		341			0
Closed Loop & Environmental	244	210,000	344			210,000
Miscellaneous	242	5,000	342	1,000		6,000
Contingency	243	138,600	343	105,100		243,700
TOTAL INTANGIBLES		1,509,000		1,150,000		2,659,000
<u>TANGIBLE COSTS</u>						
Surface Casing 500' 13 3/8"	401	18,000				18,000
Intermediate Casing 2300' 9 5/8", 6000' - 7"	402	59,000	503	145,000		204,000
Production Casing/Liner 4900' - 4.5"			503	59,000		59,000
Tubing 6000' 2 7/8"			504	34,000		34,000
Wellhead Equipment	405	10,000	505	8,000		18,000
Pumping Unit			506			0
Prime Mover			507			0
Rods			508			0
Pumps			509			0
Tanks			510	60,000		60,000
Flowlines			511	15,000		15,000
Heater Treater/Separator			512	25,000		25,000
Electrical System			513			0
Packers/Anchors/Hangers	414		514	200,000		200,000
Couplings/Fittings/Valves	415	2,000	515	50,000		52,000
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	9,000	520	61,000		70,000
TOTAL TANGIBLES		99,000		662,000		761,000
TOTAL WELL COSTS		1,608,000		1,812,000		3,420,000

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.