

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Leo 3 Fed Com #1H	PROSPECT NAME: TURKEY TRACK
Surf. 660' FSL, 430' FEL, Section 3	COUNTY & STATE: CHAVES CO. NM
BHL. 660' FSL, 330' FWL, Section 3	OBJECTIVE: 13,450' MD, (8775' TVD) W/lfcmp/Lwr Abo
T15S, R31E	

INTANGIBLE COSTS	BCP	ACP	TOTAL
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		307	0
Footage Contract		308	0
Daywork Contract 38:4 @ \$12000/day	209 456,000	309 48,000	504,000
Directional Drilling Services w/o LWD	210 275,000	310	275,000
Fuel & Power	211 136,000	311 15,000	151,000
Water	212 30,000	312 100,000	130,000
Bits	213 70,000	313 1,000	71,000
Mud & Chemicals	214 80,000	314	80,000
Drill Stem Test		315	0
Coring & Analysis			0
Cement Surface	217 12,200		12,200
Cement Intermediate	218 28,000		28,000
Cement 2nd Intermediate 7"	218	319 37,400	37,400
Cement Squeeze & Other (Kickoff Plug)	220 18,700	320	18,700
Float Equipment & Centralizers	221 7,000	321 2,000	9,000
Casing Crews & Equipment	222 15,000	322 10,000	25,000
Fishing Tools & Service		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 42,000	327 4,400	46,400
Testing Casing/Tubing	228 4,000	328 1,500	5,500
Mud Logging Unit	229 26,250	329	26,250
Logging	230 60,000	330	60,000
Perforating/Wireline Services	231 2,000	331 12,500	14,500
Stimulation/Treating		332 900,000	900,000
Completion Unit		333 24,000	24,000
Swabbing Unit		334	0
Rentals-Surface	235 100,000	335 45,000	145,000
Rentals-Subsurface	236 50,000	336 10,000	60,000
Trucking/Forklift/Rig Mobilization	237 80,000	337 20,000	100,000
Welding Services	238 3,000	338 1,500	4,500
Water Disposal	239	339 15,000	15,000
Plug to Abandon		340	0
Seismic Analysis		341	0
Closed Loop & Environmental	244 180,000	344	180,000
Miscellaneous	242 5,000	342 1,000	6,000
Contingency	243 180,350	343 129,700	310,050
TOTAL INTANGIBLES	1,978,000	1,417,000	3,395,000
TANGIBLE COSTS			
Surface Casing 500' 13 3/8"	401 16,000		16,000
Intermediate Casing 4000' 9 5/8", 8000'-7"	402 108,000	503 195,000	303,000
Production Casing/Liner 5500'-4 1/2"		503 66,000	66,000
Tubing 8000' 2 7/8"		504 47,000	47,000
Wellhead Equipment	405 10,000	505 8,000	18,000
Pumping Unit		506 97,000	97,000
Prime Mover		507 20,000	20,000
Rods		508 39,000	39,000
Pumps		509 4,500	4,500
Tanks		510 60,000	60,000
Flowlines		511 15,000	15,000
Heater Treater/Separator		512 35,000	35,000
Electrical System		513 20,000	20,000
Packers/Anchors/Hangers	414	514 250,000	250,000
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 14,000	520 92,500	106,500
TOTAL TANGIBLES	151,000	1,004,000	1,155,000
TOTAL WELL COSTS	2,129,000	2,421,000	4,550,000

COG Operating LLC

By: J. Coffman / C. Bird

Date Prepared: 4/20/10

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.