



**CERTIFIED MAIL &
FEDERAL EXPRESS**

July 17, 2013

Working Interest Owners
Listed on Exhibit "A"

Re: **Well Proposal – Gunner 5 Fee Com No. 1H**
N/2 N/2, Section 5-T26S-R34E: Unit Area
SHL: 660' FNL & 190' FEL, or a legal location in Unit A
BHL: 660' FNL & 330' FWL, or a legal location in Unit D
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Gunner Fee Com No. 1H well as a horizontal well at the above-captioned location, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 9,900' and a MD of 14,300' to test the Avalon Shale Formation ("Operation"). The total cost of the Operation is estimated to be \$6,376,000.00 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers the N/2 N/2 of Section 5. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC named as Operator

If you have unleased minerals and do not wish to participate in the Operation, COG would like to lease your minerals under the following general terms:

- \$2,000/Net Mineral Acre
- 3 Yr. Primary Term
- Delivery of an 80% NRI, proportionately reduced

If you own leasehold in the above referenced acreage and do not wish to participate in the Operation, COG would like to farm-in your acreage under the following general terms:

- Delivery of 80% NRI, proportionately reduced
- Option to convert ORRI after 100% payout to a 25% WI, proportionately reduced
- 180 Day Continuous Development

Corporate Address One Concho Center 600 West Illinois Avenue Midland, Texas 79701 Tel: 432 683 7443 Fax: 432 683 7441

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 7

Submitted by: **COG OPERATING LLC**

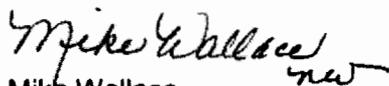
Hearing Date: September 18, 2013

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Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements. A self-addressed, postage paid envelope is enclosed for your convenience.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0465.

Respectfully,



Mike Wallace
Senior Landman

_____ I/We hereby elect to participate in the Gunner 5 Fee Com #1H.

_____ I/We hereby elect not to participate in the Gunner 5 Fee Com #1H.

Company or
Individual Name: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT "A"

EOG Resources, Inc.
5509 Champions Dr.
Midland, TX 79706
Attn: Patrick Tower

Yates Brothers
105 S. 4th St.
Artesia, NM 88210
Attn: Jim Ball

Sugarberry Oil & Gas Corp.
5950 Cedar Springs Rd., Suite 230
Dallas, TX 75235-6803
Attn: Sue Raby

Devon Energy Production Company LP
Devon Energy Center Tower, OKDEC30.314
333 W. Sheridan Avenue
Oklahoma City, OK 73102-5015
Attn: Carri Allen

Inland Title Co.
C/O Germaine R. Chappelle
Gallagher & Kennedy, P.A.
1233 Pasco de Peralta
Santa Fe, NM 87501

Chevron U.S.A. Inc.
Attn: NOJV Group
P. O. Box 3200
Houston, TX 77252

The Estate of Warren J. Bates
P.O. Box 1357
Ada, OK 74820

Argent Properties Services, LLC
500 East Reynolds Dr.
Ruston, LA 71270
Attn: Matt P. Barham

Peder Monsen
515 Houston Ave.
Houston, TX 77007-7706

Peder Monsen
5623 Indian Circle
Houston, TX 77056-1006

Fay Bel Monsen
515 Houston Ave.
Houston, TX 77007-7706

Marc T. Wray
4 Serpentine Court
Savenoaka, Kent TN 113 XR
United Kingdom

Andrew Wray
3406 Shadow Springs Ct.
Houston, TX 77082-8302

Chesapeake Exploration, LLC
P. O. Box 18496
Oklahoma City, OK 73154

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: GUNNER 5 FEE COM #1H	PROSPECT NAME: BULLDOG 717038
SHL: 660 FNL & 190 FEL	STATE & COUNTY: New Mexico, Lea
BHL: 660 FNL & 330 FWL	OBJECTIVE: DRILL & COMPLETE
FORMATION: AVALON SHALE	DEPTH: 14,300'
LEGAL: 5-26S-34E	TVD: 9,900'

INTANGIBLE COSTS	BCP	ACP	TOTAL
Title/Curative/Permit	201 11,000		11,000
Insurance	202 5,000	302	5,000
Damages/Right of Way	203 15,000	303	15,000
Survey/Stake Location	204 7,000	304	7,000
Location/Pits/Road Expense	205 100,000	305 25,000	125,000
Drilling / Completion Overhead	206 6,000	306	6,000
Turnkey Contract	207 0	307	0
Footage Contract	208 0	308	0
Daywork Contract	209 458,000	309	458,000
Directional Drilling Services	210 170,000	310	170,000
Fuel & Power	211 158,000	311 10,000	168,000
Water	212 75,000	312 250,000	325,000
Bits	213 78,000	313 4,500	82,500
Mud & Chemicals	214 70,000	314	70,000
Drill Stem Test	215 0	315	0
Coring & Analysis	216 0		0
Cement Surface	217 40,000		40,000
Cement Intermediate	218 60,000		60,000
Cement 2nd Intermediate/Production	218 0	319 125,000	125,000
Cement Squeeze & Other (Kickoff Plug)	220 40,000	320	40,000
Float Equipment & Centralizers	221 15,000	321 20,000	35,000
Casing Crews & Equipment	222 20,000	322 20,000	40,000
Fishing Tools & Service	223 0	323	0
Geologic/Engineering	224 0	324	0
Contract Labor	225 10,000	325 160,000	170,000
Company Supervision	226 0	326	0
Contract Supervision	227 42,000	327 50,000	92,000
Testing Casing/Tubing	228 7,000	328	7,000
Mud Logging Unit	229 32,000	329	32,000
Logging	230 100,000	330 10,000	110,000
Perforating/Wireline Services	231 15,000	331 125,000	140,000
Stimulation/Treating	0	332 1,500,000	1,500,000
Completion Unit	0	333 50,000	50,000
Swabbing Unit	0	334	0
Rentals-Surface	235 125,000	335 250,000	375,000
Rentals-Subsurface	236 110,000	336 25,000	135,000
Trucking/Forklift/Rig Mobilization	237 140,000	337 25,000	165,000
Welding Services	238 5,000	338 7,500	12,500
Water Disposal	239 0	339 280,000	280,000
Plug to Abandon	240 0	340	0
Seismic Analysis	241 0	341	0
Closed Loop & Environmental	244 150,000	344 10,000	160,000
Miscellaneous	242 0	342	0
Contingency	243 104,000	343 150,000	254,000
TOTAL INTANGIBLES	2,168,000	3,097,000	5,265,000
TANGIBLE COSTS			
Surface Casing	401 39,000		39,000
Intermediate Casing	402 124,000	503	124,000
Production Casing	0	503 218,000	218,000
Tubing	0	504 60,000	60,000
Wellhead Equipment	405 20,000	505 35,000	55,000
Pumping Unit	0	506 115,000	115,000
Prime Mover	0	507 20,000	20,000
Rods	0	508 50,000	50,000
Pumps	0	509 22,000	22,000
Tanks	0	510 75,000	75,000
Flowlines	0	511 50,000	50,000
Heater Treater/Separator	0	512 50,000	50,000
Electrical System	0	513	0
Packers/Anchors/Hangers	414 0	514 10,000	10,000
Couplings/Fittings/Valves	415 0	515 160,000	160,000
Gas Compressors/Meters	0	516 8,100	8,100
Dehydrator	0	517	0
Injection Plant/CO2 Equipment	0	518	0
Miscellaneous	419 0	519	0
Contingency	420 10,000	520 44,900	54,900
TOTAL TANGIBLES	193,000	918,000	1,111,000
TOTAL WELL COSTS	2,361,000	4,015,000	6,376,000

COG Operating LLC

Date Prepared: 7/15/2013

We approve
_____ 1/2 Working Interest

COG Operating LLC

By: SETH WILD SH

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.