



July 29, 2011

**U.S. Certified Mail**  
**Return Receipt Requested**

Cimarex Energy Company  
600 N Marienfeld St Ste 600  
Midland, TX 79701

RE: **New Well Proposal**

Arabian "6" Fee #8H

SL: 150' FSL & 380' FEL (Unit P) of Section 6, T19S, R26E

BHL: 330' FNL & 380' FEL (Unit A) of Section 6, T19S, R26E

Eddy County, New Mexico

Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Arabian "6" Fee #8H at the captioned location, or at an approved surface location within Unit Location P, to a depth of approximately 2,600' TVD, penetrating the Yeso Formation at a legal location within Unit Location P, with a TVD of approximately 7,250' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$2,844,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

If you desire to receive well information regarding the subject operations please return a Well Information Requirements list to COG. Technical questions should be directed to Carl Bird at 432-683-7443 and land questions to the undersigned at 432-685-4354.

Yours truly,

COG Operating, LLC

Stuart A. Dirks, CPL  
Senior Landman

Enclosure (s)

Corporate Address: Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

Oil Conservation Division

Case No. 5

Exhibit No. 5

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: Arabian "6" Fee #8H	PROSPECT NAME: Lakewood
Surf. 150' FSL, 380' FEL, Section 6	COUNTY & STATE: Eddy Co. NM
BHL. 330' FNL, 380' FEL, Section 6	OBJECTIVE: 7,250' MD, (2600' TVD) Paddock Test
T19S, R26E (No Pilot Hole)	

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	10,000		10,000
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	40,000	305	55,000
Drilling / Completion Overhead	206	5,000	306	6,000
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract 12:1 @ \$12500/day	209	150,000	309	164,000
Directional Drilling Services	210	300,000	310	300,000
Fuel & Power	211	46,000	311	69,000
Water	212	18,000	312	78,000
Bits	213	30,000	313	31,000
Mud & Chemicals	214	28,000	314	28,000
Drill Stem Test	215		315	0
Coring & Analysis	216			0
Cement Surface	217	25,000		25,000
Cement Intermediate	218			0
Cement Production 5-1/2"	218		319	65,000
Cement Squeeze & Other (Kickoff Plug)	220		320	0
Float Equipment & Centralizers	221	7,000	321	25,000
Casing Crews & Equipment	222	5,000	322	17,000
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	10,000	324	11,000
Contract Labor	225	10,000	325	31,000
Company Supervision	226	2,000	326	4,000
Contract Supervision	227	18,000	327	20,000
Testing Casing/Tubing	228	4,000	328	16,000
Mud Logging Unit	229	13,000	329	13,000
Logging	230	15,000	330	15,000
Perforating/Wireline Services	231	3,500	331	43,500
Stimulation/Treating			332	950,000
Completion Unit			333	24,000
Swabbing Unit			334	0
Rentals-Surface	235	25,000	335	100,000
Rentals-Subsurface	236	45,000	336	55,000
Trucking/Forklift/Rig Mobilization	237	45,000	337	65,000
Welding Services	238	5,000	338	7,500
Water Disposal	239		339	15,000
Plug to Abandon	240		340	0
Seismic Analysis	241		341	
Closed Loop & Environmental	244	70,000	344	70,000
Miscellaneous	242	5,000	342	6,000
Contingency	243	98,500	343	218,000
<b>TOTAL INTANGIBLES</b>		<b>1,073,000</b>	<b>1,304,000</b>	<b>2,377,000</b>
TANGIBLE COSTS				
Surface Casing 1000' 8 5/8" 32#	401	26,500		26,500
Intermediate Casing	402		503	0
Production Casing/Liner 7400'-5 1/2" L80			503	130,000
Tubing 2600' 2 7/8"			504	19,000
Wellhead Equipment	405	8,000	505	20,000
Pumping Unit			506	40,000
Prime Mover			507	20,000
Rods			508	0
Pumps			509	10,000
Tanks			510	27,825
Flowlines			511	5,000
Heater Treater/Separator			512	48,500
Electrical System			513	2,500
Packers/Anchors/Hangers	414		514	0
Couplings/Fittings/Valves	415	2,500	515	47,750
Gas Compressors/Meters			516	4,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	1,000	519	22,000
Contingency	420	4,000	520	43,925
<b>TOTAL TANGIBLES</b>		<b>42,000</b>	<b>425,000</b>	<b>467,000</b>
<b>TOTAL WELL COSTS</b>		<b>1,115,000</b>	<b>1,729,000</b>	<b>2,844,000</b>

COG Operating LLC

By: J. Coffman / C. Bird / C. Elliott

Date Prepared: 07/19/2011

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.

COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING

WELL NAME: Arabian "6" Fee #8H  
Surf. 150' FSL, 380' FEL, Section 6  
BHL. 330' FNL, 380' FEL, Section 6  
T19S, R26E (No Pilot Hole)

PROSPECT NAME: Lakewood  
COUNTY & STATE: Eddy Co. NM  
OBJECTIVE: 7,250' MD, (2600' TVD) Paddock Test

INTANGIBLE COSTS		BCP		ACP		TOTAL
Title/Curative/Permit	201	10,000				10,000
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	40,000	305	15,000		55,000
Drilling / Completion Overhead	206	5,000	306	1,000		6,000
Turnkey Contract	207		307			0
Footage Contract	208		308			0
Daywork Contract 12:1 @ \$12500/day	209	150,000	309	14,000		164,000
Directional Drilling Services	210	300,000	310			300,000
Fuel & Power	211	46,000	311	23,000		69,000
Water	212	18,000	312	60,000		78,000
Bits	213	30,000	313	1,000		31,000
Mud & Chemicals	214	28,000	314			28,000
Drill Stem Test	215		315			0
Coring & Analysis	216					0
Cement Surface	217	25,000				25,000
Cement Intermediate	218					0
Cement Production 5-1/2"	218		319	65,000		65,000
Cement Squeeze & Other (Kickoff Plug)	220		320			0
Float Equipment & Centralizers	221	7,000	321	18,000		25,000
Casing Crews & Equipment	222	5,000	322	12,000		17,000
Fishing Tools & Service	223		323			0
Geologic/Engineering	224	10,000	324	1,000		11,000
Contract Labor	225	10,000	325	21,000		31,000
Company Supervision	226	2,000	326	2,000		4,000
Contract Supervision	227	18,000	327	2,000		20,000
Testing Casing/Tubing	228	4,000	328	12,000		16,000
Mud Logging Unit	229	13,000	329			13,000
Logging	230	15,000	330			15,000
Perforating/Wireline Services	231	3,500	331	40,000		43,500
Stimulation/Treating			332	750,000		950,000
Completion Unit			333	24,000		24,000
Swabbing Unit			334			0
Rentals-Surface	235	25,000	335	75,000		100,000
Rentals-Subsurface	236	45,000	336	10,000		55,000
Trucking/Forklift/Rig Mobilization	237	45,000	337	20,000		65,000
Welding Services	238	5,000	338	2,500		7,500
Water Disposal	239		339	15,000		15,000
Plug to Abandon	240		340			0
Seismic Analysis	241		341			
Closed Loop & Environmental	244	70,000	344			70,000
Miscellaneous	242	5,000	342	1,000		6,000
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TOTAL INTANGIBLES		1,073,000		1,304,000		2,377,000
TANGIBLE COSTS						
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Intermediate Casing	402		503			0
Production Casing/Liner 7400'-5 1/2" L80			503	130,000		130,000
Tubing 2600' 2 7/8"			504	19,000		19,000
Wellhead Equipment	405	8,000	505	12,000		20,000
Pumping Unit			506	40,000		40,000
Prime Mover			507	20,000		20,000
Rods			508			0
Pumps			509	10,000		10,000
Tanks			510	27,825		27,825
Flowlines			511	5,000		5,000
Heater Treater/Separator			512	48,500		48,500
Electrical System			513	2,500		2,500
Packers/Anchors/Hangers	414		514			0
Couplings/Fittings/Valves	415	2,500	515	45,250		47,750
Gas Compressors/Meters			516	4,000		4,000
Dehydrator			517			0
Injection Plant/CO2 Equipment			518			0
Miscellaneous	419	1,000	519	21,000		22,000
Contingency	420	4,000	520	39,925		43,925
TOTAL TANGIBLES		42,000		425,000		467,000
TOTAL WELL COSTS		1,115,000		1,729,000		2,844,000

COG Operating LLC

By: J. Coffman / C. Bird / C. Elliott

Date Prepared: 07/19/2011

We approve:  
\_\_\_\_\_% Working Interest

Company:

By:

Printed Name:

Title:

Date:

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July 21, 2011

**U.S. Certified Mail**

**Return Receipt Requested**

Cimarex Energy Company  
600 N. Marienfeld Street, Suite 600  
Midland, TX 79707

RE: **New Well Proposal**  
Arabian "6" Fee #7H  
SHL: 150' FSL & 1,700' FEL (Unit O) of Section 6, T19S, R26E  
BHL: 330' FNL & 1,700' FEL, (Unit B) of Section 6, T19S, R26E  
Eddy County, New Mexico

Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Arabian "6" Fee #7H at the captioned location, or at an approved surface location within Unit Location O, to a depth of approximately 2,600' TVD, penetrating the Yeso Formation at a legal location within Unit Location O, with a TVD of approximately 7,250' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$2,844,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

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COG Operating, LLC

Stuart A. Dirks, CPL  
Senior Landman

Enclosure (s)  
SAD/rc

COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING

WELL NAME: **Arabian "6" Fee #7H**  
SHL:150' FSL, 1700' FEL, (Unit O) Sec. 6  
BHL:330' FNL, 1700' FEL, ( Unit B) Sec. 6  
T19S, R26E (No Pilot Hole)

PROSPECT NAME: Zeus 1926  
COUNTY & STATE: Eddy Co. NM  
OBJECTIVE: 7,250' MD, (2600' TVD) Paddock Test

**INTANGIBLE COSTS**

		BCP	ACP	TOTAL
Title/Curative/Permit	201	10,000		10,000
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
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**TANGIBLE COSTS**

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**COG Operating LLC**

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Date Prepared: 07/19/2011

We approve:  
\_\_\_\_\_% Working Interest

Company:

By:

Printed Name:

Title:

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COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING

WELL NAME: **Arabian "6" Fee #7H**  
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