

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.
Exhibit No.

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

T19S, R26E (No Pilot Hole)					
INTANGIBLE COSTS		ВСР		ACP	TOTAL
Title/Curative/Permit	201	10,000		· <u>- 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 </u>	10,000
Insurance	202		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 6,000
Drilling / Completion Overhead Turnkey Contract	206 207	5,000	306 307	1,000	6,000
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	00.000	300,000
Fuel & Power Water	211 212	46,000 18,000	311 312	23,000	69,000 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 Cement Intermediate	217 218	25,000		<u>.</u>	25,000
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 Geologic/Engineering	223 224	10,000	323 324	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 Logging	229 230	13,000 15,000	329 330		13,000 15,000
Perforating/Wireline Services	231	3,500	331	40,000	43,500
Stimulation/Treating		0,000	332	750,000	950,000
Completion Unit			333	24,000	24,000
Swabbing Unit			334		0
Rentals-Surface Rentals-Subsurface	235	25,000	335	75,000	100,000
Trucking/Forklift/Rig Mobilization	236 237	45,000 45,000	336 337	10,000	55,000 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 Closed Loop & Environmental	241 244	70,000	341		70,000
Miscellaneous	244	5,000	344 342	1,000	70,000 6,000
Contingency	243	98,500		119,500	218,000
TOTAL INTANGIBLES		1,073,000		1,304,000	2,377,000
TANGER! = 000T0					
TANGIBLE COSTS Surface Casing 1000' 8 5/8" 32#	401	00.500			00.500
Intermediate Casing	401	26,500	503	<del></del> ,	26,500
Production Casing/Liner 7400'-5 1/2" L80	402		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 Prime Mover			506	40,000	40,000
Rods			507 508	20,000	20,000
Pumps			509	10,000	10,000
Tanks			510	27,825	27,825
Flowlines			511	5,000	5,000
Heater Treater/Separator Electrical System			512	48,500	48,500
Packers/Anchors/Hangers	414	•	513 514	2,500	2,500
Couplings/Fittings/Valves	415	2,500	515	45,250	47,750
Gas Compressors/Meters			516	4,000	4,000
Dehydrator Injection Plant/CO2 Equipment			517	,	0
Miscellaneous	419	1,000	518 519	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	9/2011	
•					
We approve:					
we approve:% Working Interest					:
<del>-</del>					
Company:					•
Ву:					
Printed Name:					
Title:		This AFE is only an	estim	nate. By signing you agre	e to pay your share
Date:		of the actual costs i			
,					

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)

Insurance Damages/Right of Way Survey/Stake Location Location/Pits/Road Expense Drilling / Completion Overhead Turnkey Contract Footage Contract Daywork Contract 12:1 @ \$12500/day Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision Testing Casing/Tubing	202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 218 220 221 222 223 224	15,000 3,000 40,000 5,000 150,000 300,000 46,000 18,000 28,000 25,000	302	15,000 1,000 14,000 23,000 60,000 1,000	22,000 15,000 3,000 55,000 6,000 0 164,000 300,000 69,000 78,000 28,000
Survey/Stake Location Location/Pits/Road Expense Drilling / Completion Overhead Turnkey Contract Footage Contract Daywork Contract 12:1 @ \$12500/day Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 218 220 221 222 223	3,000 40,000 5,000 150,000 300,000 46,000 18,000 30,000 28,000 25,000	304 305 306 307 308 309 310 311 312 313 314 315	1,000 14,000 23,000 60,000	3,000 55,000 6,000 0 164,000 300,000 69,000 78,000 28,000 0 0 0 0
Location/Pits/Road Expense Drilling / Completion Overhead Turnkey Contract Footage Contract Daywork Contract 12:1 @ \$12500/day Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	205 206 207 208 209 210 211 212 213 214 215 216 217 218 218 220 221 222 223	40,000 5,000 150,000 300,000 46,000 18,000 30,000 28,000 25,000	305 306 307 308 309 310 311 312 313 314 315	1,000 14,000 23,000 60,000	55,000 6,000 0 0 164,000 300,000 69,000 78,000 28,000
Orilling / Completion Overhead Furnkey Contract Footage Contract Daywork Contract 12:1 @ \$12500/day Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	206 207 208 209 210 211 212 213 214 215 216 217 218 218 220 221 222 223	5,000 150,000 300,000 46,000 18,000 30,000 28,000 25,000	306	1,000 14,000 23,000 60,000	6,000 164,000 300,000 69,000 78,000 31,000 28,000
Furnkey Contract Footage Contract Daywork Contract 12:1 @ \$12500/day Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	207 208 209 210 211 212 213 214 215 216 217 218 218 220 221 222 223	150,000 300,000 46,000 18,000 30,000 28,000	307	23,000 60,000	164,000 300,000 69,000 78,000 31,000 28,000
Footage Contract Daywork Contract 12:1 @ \$12500/day Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Dement Surface Dement Intermediate Dement Production 5-1/2" Dement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	208 209 210 211 212 213 214 215 216 217 218 218 220 221 222 223	150,000 300,000 46,000 18,000 30,000 28,000 25,000	308 309 310 311 312 313 314 315 3	23,000	164,000 300,000 69,000 78,000 31,000 28,000
Daywork Contract 12:1 @ \$12500/day Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	209 210 211 212 213 214 215 216 217 218 218 220 221 222 223	150,000 300,000 46,000 18,000 30,000 28,000 25,000	309	23,000	164,000 300,000 69,000 78,000 31,000 28,000
Directional Drilling Services Fuel & Power Water Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	210 211 212 213 214 215 216 217 218 218 220 221 222 223	300,000 46,000 18,000 30,000 28,000 25,000	310	23,000	300,000 69,000 78,000 31,000 28,000 (0 25,000
Fuel & Power  Water  Bits  Mud & Chemicals  Drill Stem Test  Coring & Analysis  Cement Surface  Cement Intermediate  Cement Production 5-1/2"  Cement Squeeze & Other (Kickoff Plug)  Float Equipment & Centralizers  Casing Crews & Equipment  Fishing Tools & Service  Geologic/Engineering  Contract Labor  Company Supervision  Contract Supervision	211 212 213 214 215 216 217 218 218 220 221 222 223	46,000 18,000 30,000 28,000 25,000	311 312 313 314 315	60,000	69,000 78,000 31,000 28,000 (0 25,000
Water  Bits  Mud & Chemicals  Drill Stem Test  Coring & Analysis  Cement Surface  Cement Intermediate  Cement Production 5-1/2"  Cement Squeeze & Other (Kickoff Plug)  Float Equipment & Centralizers  Casing Crews & Equipment  Fishing Tools & Service  Geologic/Engineering  Contract Labor  Company Supervision  Contract Supervision	212 213 214 215 216 217 218 218 220 221 222 223	18,000 30,000 28,000 25,000	312 313 314 315	60,000	78,000 31,000 28,000 (0 25,000
Bits Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	213 214 215 216 217 218 218 220 221 222 223	30,000 28,000 25,000	313 314 315		31,000 28,000 ( ( 25,000
Mud & Chemicals Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	214 215 216 217 218 218 220 221 221 222 223	25,000	314	1,000	28,000 ( 25,000
Drill Stem Test Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	215 216 217 218 218 220 221 221 222 223	25,000	315		25,000
Coring & Analysis Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	216 217 218 218 220 221 221 222 223	25,000			25,000
Cement Surface Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	217 218 218 220 221 222 223	7,000	319		25,000
Cement Intermediate Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	218 218 220 221 221 222 223	7,000	319	<u>-</u>	
Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	218 220 221 222 223	· 7,000	319		(
Cement Squeeze & Other (Kickoff Plug) Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	220 221 222 223	· 7,000	319	65,000	65,000
Float Equipment & Centralizers Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	221 222 223	7,000	320	00,000	00,000
Casing Crews & Equipment Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	222 223		321	18,000	25,000
Fishing Tools & Service Geologic/Engineering Contract Labor Company Supervision Contract Supervision	223	5,000	322 —	12,000	17,000
Geologic/Engineering Contract Labor Company Supervision Contract Supervision			323 —	12,000	
Contract Labor Company Supervision Contract Supervision			324 —	1,000	11,000
Company Supervision Contract Supervision	225		325 —	21,000	31,000
Contract Supervision			326	2,000	4,000
			327	2,000	20,000
			328 —	12,000	16,00
Mud Logging Unit	229		329		13,00
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Swabbing Unit			334	, , , , , , , , , , , , , , , , , , ,	
Rentals-Surface	235		335 _	75,000	100,00
Rentals-Subsurface	236		336	10,000	55,00
Trucking/Forklift/Rig Mobilization	237		337 _	20,000	65,00
Welding Services	238		338	2,500	7,50
Water Disposal	239		339	15,000	15,000
Plug to Abandon	240 _		340		(
Seismic Analysis	241 _	70.000	341		70.00
Closed Loop & Environmental	244 _		344	1.000	70,000
Miscellaneous	242 _		342 —	1,000	6,000
Contingency TOTAL INTANGIBLES	243	98,500 1,073,000	343	119,500 1,304,000	218,000
TOTAL INTANCIDELO	<del></del> -	1,073,000		1,304,000	, 2,377,000
TANGIBLE COSTS					,
Surface Casing 1000' 8 5/8" 32#	401	26,500		•	26,500
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Rods			508		
Pumps			509	10,000	10,00
Tanks			510	27,825	27,82
Flowlines			511	5,000	5,00
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Gas Compressors/Meters	<del></del> -		516	4,000	4,00
Dehydrator Injection Plant/CO2 Equipment		<del></del>	517 —	· · · · · · · · · · · · · · · · · · ·	
Miscellaneous	419	1.000	518 —	24.000	22.00
Contingency	419 - 420 -		519	21,000	22,00
TOTAL TANGIBLES		4,000	520	39,925 425,000	43,92 467,00
. TOTAL WELL COSTS	<del></del>	1,115,000	_	1,729,000	2,844,00
		1,110,00,0		1,125,000	2,044,00
COG Operating LLC					
· -					
By: J. Coffman / C. Bird / C. Elliott		Date Prepared: (	07/19/20	011	
<b>14</b> 4		•			
We approve:					
% Working Interest				•	•
				,	
Company:	··			1	
Ву:					
		•			
Printed Name:					
Title:	٦	This AFE is only an	estimate	• Pu cianina vou saroo	to pay your share



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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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) SAD/rc

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

 WELL NAME:
 Arabian "6" Fee #7H
 PROSPECT NAME:
 Zeus 1926

 SHL:150' FSL, 1700' FEL, (Unit 0) Sec. 6
 COUNTY & STATE:
 Eddy Co. NM

 BHL:330' FNL, 1700' FEL, (Unit B) Sec, 6
 OBJECTIVE: 7,250' MD, (2600' TVD) Paddock Test

TitleCurativePermit	TOTAL	<u>ACP</u>		<u>BCP</u>		NTANGIBLE COSTS
DamagesPight of Way   203   15,000   303   304   304   305	10,00	<del></del> ,		10,000	_ 201 _	
uneys/Stakle Location         204         3,000         304           containor/PistrAson         205         40,000         305         15,000           crising / Completion Overhead         206         5,000         306         1,000           crising / Completion Overhead         206         5,000         308         1,000           collage Contract         208         30,000         309         14,000           collage Contract         208         150,000         309         14,000           recipional Drilling Services         210         300,000         310         23,000           vale R. Pewer         211         40,000         312         25,000           vale R. Chemicals         214         28,000         314         23,000           visits         213         30,000         314         31,000           visits France         217         25,000         314         31,000           visits Stam Test         215         25,000         32         32,000           visits Stam Test         215         25,000         32         32,000           visits Stam Test         216         28,000         32         32,000         32         32,000	22,00					
Desidon/Pits/Road Expense   205   40,000   305   15,000   305   15,000   305   15,000   305   15,000   305   1,000   305   3,000   305   3,000   305   3,000   305   3,000   305   3,000   3	15,00	<u> </u>	-			
miling   Completion Overhead   206   5,000   306   1,000	3,00 55,00	45,000				
Section	6,00					
Design	0,01	1,000		5,000		
Saywork Centract 12:1 @ \$12500/day   209   15,0000 309   14,000   Interestional Drilling Services   210   300,000 310   23,000   24   26,000   24   27   28   28   28   28   28   28   28		<del></del>		<del></del>		<del></del>
Interclanal Drilling Services   210   300,000   310   311   23,000   314   23,000   314   23,000   315   315   30,000   314   30,000   315   30,000   315   30,000   315   30,000   325   30,000   325   30,000   326   326	164,0	14,000		150.000		<del></del>
Variety   Vari	300,0				<u> </u>	
Its   13   30,000   313   1,000   1,	69,0	23,000	311	46,000	_ 211 _	
Must & Chemicals	78,0		312	18,000	· 212	Vater
rill Stem Test	31,0	1,000				
coring & Analysis         216           ement Surface         217         25,000           ement Froduction 5-1/2"         218         319         65,000           ement Froduction 5-1/2"         218         319         65,000           ement Froduction 5-1/2"         218         320         320           loat Equipment & Centralizers         221         7,000         321         18,000           asing Crews & Equipment         222         5,000         322         12,000           sishing Tools & Service         223         32         1,000           ontract Luper Supervision         226         2,000         326         2,000           ontract Supervision         226         2,000         326         2,000           ontract Supervision         227         18,000         328         12,000           ontract Supervision         228         4,000         328         12,000           usting Casing/Tubing         228         4,000         328         12,000           usting Loging Unit         229         13,000         331         40,000           using Casing/Wireline Services         231         3,500         334         4,000           using Logial Marce<	28,0			28,000		
Rement Surface   217   25,000			315			
Intermet Intermediate	05.0			05.000		
Immain Froduction 5-1/2"   218   319   66,000	25,0	· · ·	· · —	25,000		· · · · · · · · · · · · · · · · · · ·
Internat Squeeze & Other (Kickoff Plug)   220   320   18,000   221   17,000   321   18,000   321   32,000   322   32,000   322   32,000   323   323   324	65,0	65,000	210 —			
	65,0	65,000				
Assing Crews & Equipment   222   5,000   322   12,000	25.0	18 000	-	7.000		
Ishing Tools & Service   223   323   1,000	17,0					
Reclogic/Engineering   224   10,000   324   1,000	17,0	12,000		. 3,000		
Contract Labor   Company Supervision   Com	11,0	1,000		10,000		
Company Supervision   226   2,000   326   2,000   326   3,000   326   3,000   327   3,000   328   12,000   328   12,000   328   12,000   328   3,000   329   328   3,000   329   329   3300   329   3300   329   3300   330   3,000   330   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   330   3,000   3,	31,0					
Contract Supervision   227	4,0					
Sesting Casing/Tubing   228	20,0	2,000	327			
230   15,000   330	16,0		328			esting Casing/Tubing
Introduction Casing/Liner 7400-5 1/2" L80   L8	13,0		329	13,000	229	lud Logging Unit
Stimulation/Treating   332   750,000	15,0		330	15,000	230	
Sompletion Unit   333   24,000   334   335   75,000   335   75,000   335   75,000   336   32,000   336   32,000   336   32,000   336   32,000   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   338   2,500   339   35,000   344   340	43,5	40,000	331	3,500	231	erforating/Wireline Services
wabbing Unit     334       tentals-Surface     235     25,000     336     75,000       tentals-Subsurface     236     45,000     336     10,000       rucking/Forklift/Rig Mobilization     237     45,000     337     20,000       Velding Services     238     5,000     338     2,500       Vater Disposal     239     330     15,000       lug to Abandon     240     340       eismic Analysis     241     341       losed Loop & Environmental     244     70,000     344       iliscellaneous     242     5,000     342     1,000       contingency     243     98,500     343     119,500       TOTAL INTANGIBLES     1,073,000     1,304,000       **ANGIBLE COSTS**       urface Casing 1000' 8 5/8" 32#     401     26,500       verificate Casing     402     503     130,000       verificate Casing     402     503     130,000       ubing 2600' 2 7/8"     504     19,000       verificate Equipment     405     8,000     505     12,000       torduction Casing/Liner 7400'-5 1/2" L80     507     20,000     506     40,000       tormps     509     10,000     506     40,000     <	. 950,0	750,000	332			timulation/Treating
Sentals-Subsurface	24,0	24,000				
Sentals-Subsurface   236						
Tucking/Forklift/Rig Mobilization   237   45,000   337   20,000     Velding Services   238   5,000   338   2,500     Velding Services   239   339   15,000     Velding Services   240   340     Velding Services   240   340     Velding Services   241   341     Velding Services   241   341     Velding Services   242   344   70,000     Veldineous   242   5,000   342   1,000     Veldineous   242   5,000   342   1,000     Veldineous   243   98,500   342   1,000     Velding Services   243   98,500   343   119,500     TOTAL INTANGIBLES   1,073,000   1,304,000     Velding Services   243   26,500     Velding Services   243   26,500     Veldined Educion   2500   1,304,000     Veldined Educion   2500   27/8"     Veldined Equipment   402   503   130,000     Veldined Equipment   405   8,000   505   12,000     Veldined Equipment   405   8,000   505   12,000     Veldined Equipment   506   40,000     Veldined Equipment   506   40,000     Veldined Equipment   507   20,000     Veldined Equipment   509   10,000     Veldined Equipment   511   5,000     Veldined Equipment   511   5,000     Veldined Equipment   511   5,000     Veldined Equipment   511   5,000     Veldined Equipment   512   48,500     Veldined Equipment   513   2,500     Veldined Equipment   514   5,000     Veldined Equipment   518   5,000     Veldined Equipment   510   510   520   33,925     Veldined Equipmency   420   4,000   520   33,925     Veldined Equipmency   500   500   30,925     Veldined Equipment   500	100,0					
Velding Services   238	55,0					
Value   Disposal   239   339   15,000   240   340   240   340   240   340   240   340   240   340   240   340   240   340   240   340   240   340   240   340	65,0					
Puly to Abandon	7,5			5,000		
Seismic Analysis   241   341   341   341   344   70,000   344   345	15,0	15,000		<del></del>		
Closed Loop & Environmental   244   70,000   344   345   342   1,000   342   1,000   345						
Aliscellaneous	70,0			70.000		
Contingency   243   98,500   343   119,500   1,304,000	6,0	1.000				
TOTAL INTANGIBLES	218,0					
Surface Casing 1000' 8 5/8" 32#	2,377,0		_			TOTAL INTANGIBLES
Production Casing		•				
Production Casing/Liner 7400'-5 1/2" L80   503   130,000     Publing 2600' 2 7/8"   504   19,000     Pullhead Equipment   405   8,000   505   12,000     Pumping Unit   506   40,000     Prime Mover   507   20,000     Rods   508     Pumps   509   10,000     Fanks   510   27,825     Flowlines   511   5,000     Heater Treater/Separator   512   48,500     Electrical System   513   2,500     Packers/Anchors/Hangers   414   514     Couplings/Fittings/Valves   415   2,500   515   45,250     Gas Compressors/Meters   516   4,000     Dehydrator   517     njection Plant/CO2 Equipment   518     Miscellaneous   419   1,000   519   21,000     Contingency   420   4,000   520   39,925     TOTAL TANGIBLES   425,000	26,5			26,500		
Fubing 2600' 2 7/8"     504     19,000       Vellhead Equipment     405     8,000     505     12,000       Pumping Unit     506     40,000       Prime Mover     507     20,000       Rods     508       Pumps     509     10,000       Fanks     510     27,825       Flowlines     511     5,000       feater Treater/Separator     512     48,500       Electrical System     513     2,500       Packers/Anchors/Hangers     414     514       Couplings/Fittings/Valves     415     2,500     515     45,250       Gas Compressors/Meters     516     4,000       Dehydrator     517     517       njection Plant/CO2 Equipment     518     4100       Miscellaneous     419     1,000     519     21,000       Contingency     420     4,000     520     39,925       TOTAL TANGIBLES     425,000	400.0				402 _	
Wellhead Equipment     405     8,000     505     12,000       Pumping Unit     506     40,000       Prime Mover     507     20,000       Rods     508       Pumps     509     10,000       Tanks     510     27,825       Clowlines     511     5,000       deater Treater/Separator     512     48,500       Electrical System     513     2,500       Packers/Anchors/Hangers     414     514       Couplings/Fittings/Valves     415     2,500     515     45,250       Sea Compressors/Meters     516     4,000       Dehydrator     517     517       njection Plant/CO2 Equipment     518     419     1,000     519     21,000       Contingency     420     4,000     520     39,925       TOTAL TANGIBLES     425,000     425,000	130,0					
Pumping Unit         506         40,000           Prime Mover         507         20,000           Rods         508         508           Pumps         509         10,000           Inchiting         510         27,825           Rodines         511         5,000           Reater Treater/Separator         512         48,500           Rectrical System         513         2,500           Packers/Anchors/Hangers         414         514           Couplings/Fittings/Valves         415         2,500         515         45,250           Sea Compressors/Meters         516         4,000         500         500         500           See Compressors/Meters         517         517         517         517         517         518 <td>19,0</td> <td></td> <td></td> <td>9.000</td> <td></td> <td></td>	19,0			9.000		
Prime Mover   507   20,000	40,0			. 6,000	_ 405 _	
Rods         508           Pumps         509         10,000           lanks         510         27,825           clowlines         511         5,000           leater Treater/Separator         512         48,500           clectrical System         513         2,500           Packers/Anchors/Hangers         414         514           Couplings/Fittings/Valves         415         2,500         515         45,250           Gas Compressors/Meters         516         4,000         4,000         517         517         517         517         517         518         518         518         518         518         518         518         518         518         518         518         519         21,000         519         21,000         519         21,000         520         33,925         510	20,0			·		
Pumps     509     10,000       lanks     510     27,825       clowlines     511     5,000       leater Treater/Separator     512     48,500       Electrical System     513     2,500       Packers/Anchors/Hangers     414     514       Couplings/Fittings/Valves     415     2,500     515     45,250       Sas Compressors/Meters     516     4,000       Dehydrator     517       njection Plant/CO2 Equipment     518       Miscellaneous     419     1,000     519     21,000       Contingency     420     4,000     520     39,925       TOTAL TANGIBLES     42,000     425,000	20,0	20,000				
Sanks         510         27,825           Blowlines         511         5,000           Bleater Treater/Separator         512         48,500           Blectrical System         513         2,500           Packers/Anchors/Hangers         414         514           Couplings/Fittings/Valves         415         2,500         515         45,250           Sas Compressors/Meters         516         4,000         4,000         517         517         517         518         518         518         518         518         518         519         21,000         519         21,000         500         39,925         510         510         39,925         39,925         510 <td>10,0</td> <td>10.000</td> <td></td> <td><del></del></td> <td></td> <td></td>	10,0	10.000		<del></del>		
Solution   Solution	27,8			<del></del>		
Heater Treater/Separator	5,0			<del></del>		lowlines
Selectrical System	48,5			<del></del>		leater Treater/Separator
Packers/Anchors/Hangers     414     514       Couplings/Fittings/Valves     415     2,500     515     45,250       Coas Compressors/Meters     516     4,000       Dehydrator     517       Dejection Plant/CO2 Equipment     518       Aliscellaneous     419     1,000     519     21,000       Contingency     420     4,000     520     39,925       TOTAL TANGIBLES     42,000     425,000	2,5		-			lectrical System
Gas Compressors/Meters     516     4,000       Dehydrator     517       njection Plant/CO2 Equipment     518       Miscellaneous     419     1,000     519     21,000       Contingency     420     4,000     520     39,925       TOTAL TANGIBLES     42,000     425,000			~			
Dehydrator         517           njection Plant/CO2 Equipment         518           discellaneous         419         1,000         519         21,000           contingency         420         4,000         520         39,925           TOTAL TANGIBLES         42,000         425,000	47,7			2,500	415	
S18   S19   S19	4,0	4,000				
discellaneous         419         1,000         519         21,000           contingency         420         4,000         520         39,925           TOTAL TANGIBLES         42,000         425,000						
Contingency         420         4,000         520         39,925           TOTAL TANGIBLES         42,000         425,000		64 666			_ ,,, _	
TOTAL TANGIBLES         42,000         425,000	22,0					
	43,9		520		420 _	
1,113,000 1,729,000	2 844 (					
	2,844,0	1,729,000	_	1,115,000	<del>-</del>	TO THE WILL GOODS
COG Operating LLC						COG Operating LLC

COG Operating LLC			
By: J. Coffman / C. Bird / C. Elliott	 Date Prepared:	07/19/2011	
•	-		
We approve:% Working Interest			
Company:			
Ву:			
Delated Names			

Title:

Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

 WELL NAME:
 Arabian "6" Fee #7H
 PROSPECT NAME:
 Zeus 1926

 SHL:150' FSL, 1700' FEL, (Unit O) Sec. 6
 COUNTY & STATE:
 Eddy Co. NM

 BHL:330' FNL, 1700' FEL, (Unit B) Sec, 6
 OBJECTIVE: 7,250' MD, (2600' TVD) Paddock Test

 T19S, R26E (No Pilot Hole)
 OBJECTIVE: 7,250' MD, (2600' TVD) Paddock Test

INTANGIBLE COSTS	204	BCP		<u>ACP</u>	TOTAL 10,000
Title/Curative/Permit Insurance	201 202	10,000 22,000	302 —	1	22,000
Damages/Right of Way		15,000	303		15,000
Survey/Stake Location	— <sup>203</sup> —	3,000	304		3,000
Location/Pits/Road Expense		40,000	305 -	15,000	55,000
Drilling / Completion Overhead	206	5,000	306	1,000	6,000
Turnkey Contract			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		_	<del></del>	0 000
Cement Surface	217	25,000	_		25,000
Cement Intermediate	218		240 -	GE 000	65,000
Cement Production 5-1/2" Cement Squeeze & Other (Kickoff Plug)	$ \frac{218}{220}$ $-$		319 320	65,000	05,000
Float Equipment & Centralizers	— <sup>220</sup> —	7;000	321 -	18,000	25,000
Casing Crews & Equipment	$-\frac{221}{222}$ $-$	5,000	322 -	12,000	17,000
Fishing Tools & Service	— <sub>223</sub> —	0,000	323	12,000	0
Geologic/Engineering		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		05.000	334 _	75.000	100,000
Rentals-Surface Rentals-Subsurface	$ \frac{235}{236}$ $-$	25,000 45,000	335 336	75,000 10,000	100,000 55,000
Trucking/Forklift/Rig Mobilization	237 _	45,000	337 -	20,000	65,000
Welding Services	— <sup>237</sup> —	5,000	338 -	2;500	7,500
Water Disposal		3,000	339 -	15,000	15,000
Plug to Abandon	— <sub>240</sub> —		340 -	, 10,000	0
Seismic Analysis	241		341	N	
Closed Loop & Environmental	244	70,000	344		70,000
Miscellaneous	242	5,000	342	1,000	6,000
Contingency	243	98,500	343	119,500	218,000
TOTAL INTANGIBLES		1,073,000	_	1,304,000	2,377,000
TANGIBLE COSTS Surface Casing 1000' 8 5/8" 32#	401	26 500			20 500
Intermediate Casing	<sup>401</sup>	26,500	503	<del></del>	26,500
Production Casing/Liner 7400'-5 1/2" L80	402		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	<del></del>	0,000	506	40,000	40,000
Prime Mover	<del></del>		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  Dehydrator			516	4,000	4,000
Injection Plant/CO2 Equipment		<del></del>	517 518	<del></del> .	0
Miscellaneous	419	1,000	518 -	21,000	22,000
Miscellaneous		UUUU	U 1 U	£ 1.000	22.000
			-		
Contingency TOTAL TANGIBLES	420	4,000 42,000	520	39,925 425,000	43,925 467,000

#### **COG Operating LLC**

Printed Name: Title:

By: J. Coffman / C. Bird / C. Elliott	<del></del>	Date Prepared:	07/19/2011	 _
We approve:% Working Interest				
Company:	·			
By:		•		

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.