

November 8, 2011

*U.S. Certified Mail
Return Receipt Requested*

Address
Address
Address

RE: *New Well Proposal*
Falabella "31" Fee #1H
SL: 150' FSL & 380' FWL (Unit M) of Section 31, T18S, R26E
BHL: 330' FNL & 380' FWL (Unit D) of Section 31, T18S, R26E
Eddy County, New Mexico

Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Falabella "31" Fee #1H at the captioned location, or at an approved surface location within Unit Location M, with a landing point of the lateral at approximately 2750' TVD, 7400' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,296,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE"). These costs include the drilling of a pilot hole which may be determined at a later date to be unnecessary.

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)

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3A
Submitted by:
COG OPERATING LLC
Hearing Date: March 15, 2012

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Falabella 31 Fee #1H	PROSPECT NAME: Lakewood
Surf. 150' FSL, 380' FWL, Section 31	COUNTY & STATE: Eddy Co. NM
BHL: 330' FNL, 380' FWL, Section 31	OBJECTIVE: 7,400' MD, (2750' TVD) Paddock Test
T18S, R26E (Pilot Hole TD 4500')	

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 17:1 @ \$13500/day	209 229,500	309 13,500	243,000
Directional Drilling Services	210 300,000	310	300,000
Fuel & Power	211 65,000	311 23,000	88,000
Water	212 20,000	312 60,000	80,000
Bits	213 35,000	313 1,000	36,000
Mud & Chemicals	214 30,000	314	30,000
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 80,000	320	80,000
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 25,000	327 2,000	27,000
Testing Casing/Tubing	228 4,000	328 12,000	16,000
Mud Logging Unit	229 15,000	329	15,000
Logging	230 45,000	330	45,000
Perforating/Wireline Services	231 3,500	331 40,000	43,500
Stimulation/Treating		332 900,000	900,000
Completion Unit		333 24,000	24,000
Swabbing Unit		334	0
Rentals-Surface	235 30,000	335 75,000	105,000
Rentals-Subsurface	236 50,000	336 10,000	60,000
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	0
Closed Loop & Environmental	244 75,000	344	75,000
Miscellaneous	242 5,000	342 1,000	6,000
Contingency	243 122,000	343 134,000	256,000
TOTAL INTANGIBLES	1,338,000	1,468,000	2,806,000
TANGIBLE COSTS			
Surface Casing 1000' 8 5/8" 32#	401 26,500		26,500
Intermediate Casing	402	503	0
Production Casing/Liner 5100'-5 1/2" & 2300' 7"		503 151,100	151,100
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 42,000	520 41,825	83,825
TOTAL TANGIBLES	42,000	448,000	490,000
TOTAL WELL COSTS	1,380,000	1,916,000	3,296,000

COG Operating LLC

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

Date Prepared: 11/06/2011

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.

November 11, 2011

*U.S. Certified Mail
Return Receipt Requested*

Address
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Address

RE: *New Well Proposal*
Falabella "31" Fee #4H
SL: 150' FSL & 1040' FEL (Unit P) of Section 31, T18S, R26E
BHL: 330' FNL & 1040' FEL (Unit A) of Section 31, T18S, R26E
Eddy County, New Mexico

Dear Sirs:

COG Operating LLC ("COG") proposes to drill the Falabella "31" Fee #4H at the captioned location, or at an approved surface location within Unit Location P, with a landing point of the lateral at approximately 2750' TVD, 7400' MD, to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,296,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE"). These costs include the drilling of a pilot hole which may be determined at a later date to be unnecessary.

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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Yours truly,

COG Operating LLC

Stuart A. Dirks, CPL
Senior Landman

Enclosure (s)

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3B
Submitted by:
COG OPERATING LLC
Hearing Date: March 15, 2012

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Falabella 31 Fee #4H
Surf: 150' FSL, 1040' FEL, Section 31
BHL: 330' FNL, 1040' FEL, Section 31
T18S, R26E (Pilot Hole TD 4500')

PROSPECT NAME: Lakewood
COUNTY & STATE: Eddy Co. NM
OBJECTIVE: 7,400' MD, (2750' TVD) Paddock Test

INTANGIBLE COSTS	BCP	ACP	TOTAL
Title/Curative/Permit	201	10,000	10,000
Insurance	202	22,000	22,000
Damages/Right of Way	203	15,000	15,000
Survey/Stake Location	204	3,000	3,000
Location/Pits/Road Expense	205	40,000	55,000
Drilling / Completion Overhead	206	5,000	6,000
Turnkey Contract	207		0
Footage Contract	208		0
Daywork Contract 17:1 @ \$13500/day	209	229,500	243,000
Directional Drilling Services	210	300,000	300,000
Fuel & Power	211	65,000	88,000
Water	212	20,000	80,000
Bits	213	35,000	36,000
Mud & Chemicals	214	30,000	30,000
Drill Stem Test	215		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	80,000	80,000
Float Equipment & Centralizers	221	7,000	25,000
Casing Crews & Equipment	222	5,000	17,000
Fishing Tools & Service	223		0
Geologic/Engineering	224	10,000	11,000
Contract Labor	225	10,000	31,000
Company Supervision	226	2,000	4,000
Contract Supervision	227	25,000	27,000
Testing Casing/Tubing	228	4,000	16,000
Mud Logging Unit	229	15,000	15,000
Logging	230	45,000	45,000
Perforating/Wireline Services	231	3,500	43,500
Stimulation/Treating			900,000
Completion Unit			24,000
Swabbing Unit			0
Rentals-Surface	235	30,000	105,000
Rentals-Subsurface	236	50,000	60,000
Trucking/Forklift/Rig Mobilization	237	45,000	65,000
Welding Services	238	5,000	7,500
Water Disposal	239		15,000
Plug to Abandon	240		0
Seismic Analysis	241		
Closed Loop & Environmental	244	75,000	75,000
Miscellaneous	242	5,000	6,000
Contingency	243	122,000	256,000
TOTAL INTANGIBLES		1,338,000	2,806,000

TANGIBLE COSTS	BCP	ACP	TOTAL
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Intermediate Casing	402		0
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Pumping Unit		506	40,000
Prime Mover		507	20,000
Rods		508	0
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Miscellaneous	419	1,000	22,000
Contingency	420	4,000	45,825
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TOTAL WELL COSTS		1,380,000	3,296,000

COG Operating LLC

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We approve:
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Company:
By: _____

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Title: _____
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