



March 6, 2012

Sent via Facsimile (713) 647-3003 and U.S. Mail

TOTAL E&P USA, INC.
Total Plaza
1201 Louisiana Street – Suite 1800
Houston, TX 77002

RE: **Well Proposal: Burkett State #16H**
COG Operating LLC ("COG"), as Operator
SHL: 990' FNL & 1470' FEL (Unit D –NWNW or other legal location)
BHL: 990' FNL & 330' FWL
Section 16, T17S-R31E, Eddy County, New Mexico
API # 30-015-37478

Gentlemen:

COG Operating LLC ("COG") hereby proposes to drill the Burkett State #15H well on July 17, 2012 to a total measured depth of 9,575' in the Yeso formation. Please find enclosed, for your review and approval, a copy of COG's Authority for Expenditure ("AFE") detailing the estimated costs for drilling and completing the Burkett State #16H well. Should Total be interested in participating in this proposal, please review and approve the enclosed Joint Operating Agreement.

Pursuant to Requirement No. 6 of the attached Title Opinion dated January 11, 2012, rendered by Kim Hamann, Total Petrochemical USA Inc. ("Total") has 25% working interest in the captured lands as successor to American Petrofina, Inc.

However, should Total not be interested in participating in this proposal, COG respectfully requests a three year term assignment covering Total's entire interest in the W/2NE/4 and N/2NW/4 of Section 16-T17S-R31E, Eddy County, NM, for the following terms:

- Bonus consideration of \$500 per net acre for your 20 acres.
- Total to deliver 75% NRI proportionately reduced.
- Continuous Development: 180 days

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



Time is of the essence and a quick response would be greatly appreciated. Should you require additional information or have any questions, please do not hesitate to contact the undersigned at (432) 221-0333.

Thank you for your time and consideration of this proposal.

Sincerely,

COG Operating LLC

A handwritten signature in black ink, appearing to read "Katie Mohebkhosravi".

Katayoun "Katie" Mohebkhosravi
Landman
KMohebkhosravi@concho.com

**AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: BURKETT 16 STATE #16H	PROSPECT NAME: FREN
Surf. 990' FNL, 1470' FEL, Section 16	COUNTY & STATE: Eddy Co. NM
BHL. 990' FNL, 330' FWL, Section 16	OBJECTIVE: 9575' MD, (6300' TVD) Yeso Test
TX17S, R31E	

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 20:4 @ \$14000/day	209	280,000	309 56,000	336,000
Directional Drilling Services	210	175,000	310	175,000
Fuel & Power	211	59,500	311 11,900	71,400
Water	212	25,000	312 60,000	85,000
Bits	213	45,000	313 1,000	46,000
Mud & Chemicals	214	50,000	314	50,000
Drill Stem Test	215		315	0
Coring & Analysis	216			0
Cement Surface	217	35,000		35,000
Cement Intermediate	218	20,000		20,000
Cement Production 5-1/2"	218		319 35,000	35,000
Cement Squeeze & Other (Kickoff Plug)	220		320	0
Float Equipment & Centralizers	221	4,000	321 25,000	29,000
Casing Crews & Equipment	222	12,000	322 12,000	24,000
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	32,000	327 6,400	38,400
Testing Casing/Tubing	228	5,000	328 12,000	17,000
Mud Logging Unit	229	16,000	329	16,000
Logging	230	20,000	330	20,000
Perforating/Wireline Services	231	3,500	331	3,500
Stimulation/Treating			332 1,500,000	1,500,000
Completion Unit			333 24,000	24,000
Swabbing Unit			334	0
Rentals-Surface	235	35,000	335 75,000	110,000
Rentals-Subsurface	236	35,000	336 10,000	45,000
Trucking/Forklift/Rig Mobilization	237	70,000	337 20,000	90,000
Welding Services	238	5,000	338 2,500	7,500
Water Disposal	239		339 20,000	20,000
Plug to Abandon	240		340	0
Seismic Analysis	241		341	
Closed Loop & Environmental	244	75,000	344	75,000
Miscellaneous	242	5,000	342 1,000	6,000
Contingency	243	113,000	343 192,200	305,200
TOTAL INTANGIBLES		1,237,000	2,104,000	3,341,000
TANGIBLE COSTS				
Surface Casing 450' 13 3/8"	401	15,300		15,300
Intermediate Casing 1350' 9 5/8" 36#	402	35,262	503	35,262
Production Casing/Liner 5 1/2" 17# x 7" 26#			503 206,800	206,800
Tubing .4300' 2 7/8"			504 25,800	25,800
Wellhead Equipment	405	8,000	505 15,000	23,000
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		514 310,000	310,000
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	7,938	520 79,325	87,263
TOTAL TANGIBLES		70,000	861,000	931,000
TOTAL WELL COSTS		1,307,000	2,965,000	4,272,000

COG Operating LLC

By: C. Effort

Date Prepared: 02/29/2012

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.

**AUTHORITY FOR EXPENDITURE
DRILLING**

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COG Operating LLC

By: C. Elliott

Date Prepared: 02/29/2012

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
Section 16, T19S, R31E: N/2NW and W2/NE
January 11, 2012
Page 10

Requirement No. 6. This Requirement concerns the 25% leasehold interest herein credited to Total Petrochemicals USA, Inc. In 1963, American Petrofina, Inc. acquired the interest of Cosden Petroleum Corporation, which had among its assets a one-fourth interest below 4,000' in the subject leasehold. This is evidenced by Assignment to American Petrofina recorded in Book 134, Page 1 ECR. In 1991, American Petrofina, Inc. became FINA, Inc. In 1997 another "FINA" related entity, Fina Oil and Chemical Company (whose name prior to 1985 had been American Petrofina Company of Texas – not the same as "American Petrofina, Inc.") by a term assignment (one year plus drilling requirements) purports to assign its interest in the subject leasehold to Chase Oil Corporation. There were no warranties of title. According to the Materials Examined, this Assignor, Fina Oil and Chemical Company, never had record title interest. On April 29, 1999, effective January 1, 1999, Fina Oil and Chemical Company purports to assign this same interest, without warranty of title, to Manix Energy, LLC. There is no recorded documentation evidencing the termination of the prior assignment to Chase Oil Corporation for failure to fulfill the drilling commitment but, for purposes of scheduling ownership, we assumed the drilling requirement was not met and, since Fina Oil and Chemical Company is a stranger to title, we have scheduled Total Petrochemicals USA Inc. (as the successor to FINA, Inc.), as the owner of this 25% interest.

There is a lengthy chain of title following the assignment from Fina Oil and Chemical Company to Manix Energy, LLC. The last related conveyance entry filed December 22, 2010, appearing in Book 838, Page 242 ECR, is an Assignment to Apache Corporation. All of these assignments, commencing with Manix Energy, LLC, are blanket assignments of multiple interests; they are not assignments of interest only in the subject lease. There is nothing in the Materials Examined to indicate that American Petrofina, Inc. or FINA, Inc. conveyed or otherwise transferred its interest to Fina Oil and Chemical Company, a wholly owned subsidiary of American Petrofina, Inc. The Corporate website for Total Petrochemicals USA, Inc., corporate successor to FINA, does not represent that FINA, Inc. and Fina Oil and Chemical Company were ever one and the same by merger/name change or otherwise. The New Mexico Public Regulation Commission website represents that American Petrofina, Inc. never owned assets in New Mexico. Further, we did find an entry in the NMSLO tract book for Section 16 that identifies an application for a salt water disposal well in Section 16 that was submitted on November 8, 2011 by Apache Corp. Since the application is pending, its contents are not yet public information. It is, however, an indication that Apache claims an interest in these lease lands.

As a result of the foregoing facts and analysis, there are three potential scenarios regarding ownership of the 25% working interest scheduled in Total Petrochemicals USA Inc.:

- a. As shown in our ownership schedule, the interest is owned by Total Petrochemicals USA Inc., as successor by merger or name change to the record title owner, American Petrofina, Inc.;

**This opinion furnished by COG Operating LLC.
Anyone relying upon the contents
herein does so at his own risk and with-
out recourse to COG Operating LLC.**

BEATTY & WOZNAK, P.C.

COG Operating LLC

Section 16, T19S, R31E: N/2NW and W2/NE

January 11, 2012

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- b. Assuming Fina Oil and Chemical Company succeeded, by name change or merger (we could find no evidence supporting this assumption), to the interest owned of record by American Petrofina, Inc., and assuming the term assignment referenced in the comment terminated for failure of the assignee to satisfy the drilling requirement, then the interest would be owned by the successors and assigns of Manix Energy, LLC; and
- c. Assuming Fina Oil and Chemical Company succeeded, by name change or merger (we could find no evidence supporting this assumption), to the interest owned of record by American Petrofina, Inc., and assuming the term assignment referenced in the comment was continued in effect by satisfaction of the drilling requirement, then the interest would be owned by COG Oil & Gas, LP.

REQUIREMENT: You should inquire with both Apache Corporation and Total Petrochemicals USA Inc. regarding their claim to ownership, if any, of the referenced 25% working interest. You should determine whether Fina Oil and Chemical Company succeeded to the interest of FINA, Inc. If so, you should record appropriate documentation of such succession in Eddy County. You should also determine whether the term assignment referenced in the comment terminated for failure to satisfy the drilling requirement. You should return to us with the results of your investigations so that we can revise this Opinion accordingly and make the appropriate additional requirements.

Transmission Report

Date/Time
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03-06-2012
4326863000

01:54:18 p.m.

Transmit Header Text
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Land

This document : Confirmed
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Document size : 8.5"x14"



FAX COVER SHEET

PAGE 1 OF 62 PAGES

DATE: March 6, 2012

TO: Total E&P USA, Inc.

FAX: (713)647-3003

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FROM: Katayoun "Katie" Mohabbathosravi
Concho Resources Inc. - COG Oil & Gas LP / COG Operating LLC
550 West Texas Avenue, Suite 100, Midland, Texas 79701-4210

PHONE: (432) 221- 0333

FAX: (432) 686 3000

Re: Well Proposal Burket State #15H & #16H

Total Pages Scanned : 62

Total Pages Confirmed : 62

No.	Job	Remote Station	Start Time	Duration	Pages	Line	Mode	Job Type	Results
001	717	7136473003	01:11:36 p.m. 03-06-2012	00:40:41	62/62	1	EC	HS	CP14400

Abbreviations:

HS: Host send
HR: Host receive
WS: Waiting send

PL: Polled local
PR: Polled remote
MS: Mailbox save

MP: Mailbox print
RP: Report
FF: Fax Forward

CP: Completed
FA: Fail
TU: Terminated by user

TS: Terminated by system
G3: Group 3
EC: Error Correct

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

TOTAL E&P USA, INC.
Total Plaza
1201 Louisiana Street, Suite 1800
Houston, TX 77002
Well Proposals

2. Article Number
(Transfer from service label)

91 7199 9991 7030 4042 4842

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☒ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

91 7199 9991 7030 4042 4842

CERTIFIED MAIL

CONCHO

550 West Texas Avenue, Suite 100
Midland, Texas 79701

TOTAL E&P USA, INC.
Total Plaza
1201 Louisiana Street, Suite 1800
Houston, TX 77002