April 19, 2012

ConocoPhillips Company
600 N. Dairy Ashford
3WL-14066
Houston, TX 77079

Attn: Tom Scarbrough

Re: **Well Proposals**
– Ouimet State Com #2H Well
T17S, R29E, Eddy County, New Mexico
Section 2: N/2N/2
SHL: 990' FNL & 330' FEL, or a legal location in Unit A
BHL: 990' FNL & 330' FWL, or a legal location in Unit D

– Ouimet State Com #4H Well
T17S, R29E, Eddy County, New Mexico
Section 2: S/2N/2
SHL: 2310' FNL & 330' FEL, or a legal location in Unit H
BHL: 2310' FNL & 330' FWL, or a legal location in Unit E

Dear Mr. Scarbrough:

COG Operating LLC (COG), as Operator, proposes to drill the Hogan State Com #4H & 2H wells as horizontal wells at the above-captioned locations to TVDs of approximately 5,250' and a MDs of 9,666' to test the Yeso Formation ("Operations"). The total cost of each Operation is estimated to be $4,229,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). The Operating Agreement covers the entire N/2 of Section 2, T17S, R29E.

If you do not wish to participate in the Operation, COG would like to acquire a Term Assignment of your leasehold in the above captioned lands for the following general terms:

- 2 year primary term
- Delivering a 75% NRI, proportionately reduced
- $1,000 per net acre bonus consideration

This offer is subject to management approval and approval of title.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Respectfully,

Brandon K. Gaynor
Landman

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 2
Submitted by:
COG OPERATING LLC
Hearing Date: May 24, 2012

COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING

WELL NAME:	OUIMET STATE COM #2H	PROSPECT NAME:	EMPIRE
SHL:	990' FNL & 330' FEL Sec 2 UL-A	STATE & COUNTY:	New Mexico, Eddy
BHL:	990' FNL & 330' FWL Sec 2 UL-D	OBJECTIVE:	SH39 9666' MD (5250' TVD) NO PH P
FORMATION:	Lower Blinebry; Glorieta Yeso Formation		
LEGAL:	SEC2 T17S-R29E UL- A - D		

INTANGIBLE COSTS		**BCP**		**ACP**	**TOTAL**
Title/Curative/Permit	201	10,000			10,000
Insurance	202	22,000	302	0	22,000
Damages/Right of Way	203	15,000	303	0	15,000
Survey/Stake Location	204	3,000	304	0	3,000
Location/Pits/Road Expense	205	50,000	305	15,000	65,000
Drilling / Completion Overhead	206	5,000	306	1,000	6,000
Turnkey Contract	207	0	307	0	0
Footage Contract	208	0	308	0	0
Daywork Contract (0 days f/spud-rls @ $0)	209	280,000	309	56,000	336,000
Directional Drilling Services (0 dir days @ $0)	210	175,000	310	0	175,000
Fuel & Power	211	60,000	311	12,000	72,000
Water	212	30,000	312	60,000	90,000
Bits	213	50,000	313	5,000	55,000
Mud & Chemicals	214	50,000	314	0	50,000
Drill Stem Test	215	0	315	0	0
Coring & Analysis	216	0			0
Cement Surface	217	40,000			40,000
Cement Intermediate	218	24,000			24,000
Cement 2nd Intermediate 7"	218	0	319	33,135	33,135
Cement Squeeze & Other (Kickoff Plug)	220	0	320	0	0
Float Equipment & Centralizers	221	4,000	321	25,000	29,000
Casing Crews & Equipment	222	12,000	322	15,000	27,000
Fishing Tools & Service	223	0	323	0	0
Geologic/Engineering	224	10,000	324	1,000	11,000
Contract Labor	225	20,000	325	21,000	41,000
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 (logging f/24 days)	229	25,000	329	0	25,000
Logging	230	25,000	330	0	25,000
Perforating/Wireline Services	231	3,500	331	0	3,500
Stimulation/Treating			332	1,300,000	1,300,000
Completion Unit			333	24,000	24,000
Swabbing Unit			334	0	0
Rentals-Surface	235	34,000	335	75,000	109,000
Rentals-Subsurface	236	52,000	336	10,000	62,000
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	0	339	15,000	15,000
Plug to Abandon	240	0	340	0	0
Seismic Analysis	241	0	341	0	0
Closed Loop & Environmental	244	96,000	344	0	96,000
Miscellaneous	242	5,000	342	1,000	6,000
Contingency	243	119,500	343	172,965	292,465
TOTAL INTANGIBLES		1,309,000		1,885,000	3,194,000

TANGIBLE COSTS					
Surface Casing (655' 13 3/8" 54.5# J55 STC)	401	29,000			29,000
Intermediate Casing(4050' 9 5/8" 36#/40# J55 BUTT)	402	36,000	503	0	36,000
Production Casing (13,450' 5 1/2" 17# N80/P110)			503	234,000	234,000
Tubing			504	35,000	35,000
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	24,000	24,000
Pumps			509	10,000	10,000
Tanks			510	21,000	21,000
Flowlines			511	8,000	8,000
Heater Treater/Separator			512	30,000	30,000
Electrical System			513	11,250	11,250
Packers/Anchors/Hangers	414	0	514	335,000	335,000
Couplings/Fittings/Valves	415	2,500	515	45,000	47,500
Gas Compressors/Meters			516	14,500	14,500
Dehydrator			517	0	0
Injection Plant/CO2 Equipment			518	0	0
Miscellaneous	419	1,000	519	20,000	21,000
Contingency	420	8,500	520	87,250	95,750
TOTAL TANGIBLES		85,000		950,000	1,035,000
TOTAL WELL COSTS		1,394,000		2,835,000	4,229,000

COG Operating LLC

Date Prepared: 4/17/12 JJ

COG Operating LLC

By: Chad Elliott

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
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