



Via Facsimile and Certified Mail
Certificate Number: 91-7199-9991-0517-1378

June 21, 2013

Pennie Mathewson, et vir
1413 Ramfield Road
Corpus Christi, TX 77058

RE: **Well Proposal – Lee 3 Fee #6H**
SHL: 150' FSL & 2310' FWL (Unit N)
BHL: 330' FNL & 2322' FWL (Unit C)
Section 3, T19S, R26E, Eddy County, New Mexico

Dear Mr. and Ms. Mathewson:

COG Operating LLC ("COG"), as Operator, proposes to drill the Lee 3 Fee #6H well at the above-captioned location or at an approved surface location within location unit letter N, to a depth of approximately 3000' TVD, 7415' MD to test the Yezo Formation ("Operation"). The total cost of the Operation is estimated to be \$3,940,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates that it will spud the well on or before September 1, 2013.

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement (OA) which is enclosed for your review and approval. The Operating Agreement covers the E ½ of the W ½ of Section 3, T-19-S, R-26-E. It has the following general provisions:

- 200/500 Non-consenting penalty
- Drilling and Producing rate:
\$4500/\$450 for vertical wells from surface to 8000'
\$5450/\$545 for vertical wells below 8000' and horizontal wells all depths
- COG named as Operator

According to the county records, Ms. Mathewson ratified the Oil and Gas Lease which was granted to Yates Petroleum Corporation, et al, recorded in Volume 885 at Page 1106. However, marital status was not indicated. Instruments purporting to convey community real property that are executed by only one spouse are void and have no effect. For the lease to be binding upon this interest, it is necessary to show the property is separate property or to have ratification by spouse.

If the lease is not valid, you have the option to participate in the well by signing and returning the enclosed OA and AFE. If we do not reach a resolution within 30 days of the date of this letter COG will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well.

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 432-686-3057 and land questions to the undersigned at 432-685-4354.

Yours Truly,

COG Operating, LLC


Stuart A. Dirks, CPL
Senior Landman

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 6
Submitted by: **COG OPERATING LLC**
Hearing Date: August 8, 2013

Concho Resources Inc.
One Concho Center
600 W. Illinois Avenue
Midland, Texas 79701

91 7199 9991 7030 0517 1378



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:

Pennie Mathewson
1413 Ramfield Road
Corpus Christi, TX 77058
Re: Well Proposal, JOA, and AFE
Lee 3 Fee #6H T19S-R26E, Sec. 3

2. Article Number

(Transfer from service label)

91 7199 9991 7030 0517 1378

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

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Pennie Mathewson

☐ Agent

☐ Addressee

B. Received by (Printed Name)

Pennie Mathewson

C. Date of Delivery

6/25/13

D. Is delivery address different from Item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

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☐ Insured Mail

☐ C.O.D.

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Pennie Mathewson
1413 Ramfield Road
Corpus Christi, TX 77058

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME:	Lee 3 Fee #6H	PROSPECT NAME:	LAKEWOOD/CEMETARY
SHL:	150' FSL & 2310' FWL	STATE & COUNTY:	New Mexico, Eddy
BHL:	330' FNL & 2322' FWL	OBJECTIVE:	SH12 Yeso Horizontal
FORMATION:	Yeso	DEPTH:	7,415
LEGAL:	SEC 3 T19S-26E	TVD:	3,000

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	50,000	303 0	50,000
Survey/Stake Location	204	3,000	304 0	3,000
Location/Pits/Road Expense	205	60,000	305 25,000	85,000
Drilling / Completion Overhead	206	2,500	306 2,000	4,500
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract (0 days f/spud-rts @ \$0)	209	218,000	309 44,000	262,000
Directional Drilling Services (0 dir days @ \$0)	210	140,000	310	140,000
Fuel & Power	211	57,000	311 12,000	69,000
Water	212	39,000	312 130,000	169,000
Bits	213	27,000	313 5,000	32,000
Mud & Chemicals	214	32,000	314 0	32,000
Drill Stem Test	215		315 0	0
Coring & Analysis	216			0
Cement Surface	217	48,000		48,000
Cement Intermediate	218	0		0
Cement 2nd Intermediate/Production	218	0	319 65,000	65,000
Cement Squeeze & Other (Kickoff Plug)	220	40,000	320 0	40,000
Float Equipment & Centralizers	221	2,000	321 30,000	32,000
Casing Crews & Equipment	222	5,000	322 12,000	17,000
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	10,000	324	10,000
Contract Labor	225	20,000	325 21,000	41,000
Company Supervision	226	2,000	326 2,000	4,000
Contract Supervision	227	26,000	327 20,000	46,000
Testing Casing/Tubing	228	3,000	328 12,000	15,000
Mud Logging Unit (logging f/24 days)	229	14,000	329	14,000
Logging	230	25,000	330	25,000
Perforating/Wireline Services	231	3,500	331 50,000	53,500
Stimulation/Treating			332 1,100,000	1,100,000
Completion Unit			333 30,000	30,000
Swabbing Unit			334	0
Rentals-Surface	235	24,000	335 250,000	274,000
Rentals-Subsurface	236	44,000	336 75,000	119,000
Trucking/Forklift/Rig Mobilization	237	47,000	337 25,000	72,000
Welding Services	238	5,000	338 2,500	7,500
Water Disposal	239	0	339 120,000	120,000
Plug to Abandon	240	0	340 0	0
Seismic Analysis	241	0	341 0	0
Closed Loop & Environmental	244	98,000	344 0	98,000
Miscellaneous	242	0	342 0	0
Contingency 10%	243	108,000	343 204,500	312,500
TOTAL INTANGIBLES		1,185,000	2,237,000	3,422,000
TANGIBLE COSTS				
Surface Casing (8 5/8" 32# J55 LTC)	401	27,000		27,000
Intermediate Casing(2150' 8 5/8" 32# J55 LTC)	402	0	503 0	0
Production Casing (5 1/2" 17# L80)			503 109,000	109,000
Tubing			504 21,000	21,000
Wellhead Equipment	405	6,000	505 20,000	26,000
Pumping Unit			506 60,000	60,000
Prime Mover			507 20,000	20,000
Rods			508 12,000	12,000
Pumps			509 70,000	70,000
Tanks			510 21,000	21,000
Flowlines			511 8,000	8,000
Heater Treater/Separator			512 30,000	30,000
Electrical System			513 20,000	20,000
Packers/Anchors/Hangers	414	0	514 2,500	2,500
Couplings/Fittings/Valves	415	500	515 60,000	60,500
Gas Compressors/Meters			516 5,000	5,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	500	519 500	1,000
Contingency	420	2,000	520 23,000	25,000
TOTAL TANGIBLES		36,000	482,000	518,000
TOTAL WELL COSTS		1,221,000	2,719,000	3,940,000

COG Operating LLC

By: Carl Bird

Date Prepared: 6/17/2013

We approve:
_____% Working Interest

COG Operating LLC

By: _____

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.