



Sent Certified Mail
Receipt #: 91-7199-9991-7030-0487-5673

April 30, 2013

Heirs of Otha Watkins
1545 West Olson Ave.
Reedley, CA 93654

Re: **Well Proposal – Arabian 6 Fee #6H**
T19S, R26E, Sections 6: E/2W/2 Unit Area
SHL: 150' FSL & 2267' FWL Section 6, or at a legal location
BHL: 330' FNL & 2177' FEL Section 6, or at a legal location
Eddy County, New Mexico

To Whom it May Concern:

COG Operating LLC (COG), as Operator, proposes to drill the Arabian 6 Fee #6H well as a horizontal well at the above-captioned location to a TVD of approximately 2,925' and a MD of 7,415' to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,709,000.00 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement modified for horizontal development. Enclosed is a 1989 AAPL for Operating Agreement, modifications for horizontal development will be added and sent for formal review at a later date. The Operating Agreement covers (T19S-R 26-E Section 6 E/2W/2). It has the following general provisions:

- 100/300 Non-consenting penalty
- \$5,450.00/\$545.00 Drilling and Producing rate
- COG named as Operator

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

- 3 year primary term
- Delivering a 80% NRI, proportionately reduced
- \$1,000.00 per net acre bonus consideration

If you have not leased the lands in section 6: E/2W/2 T19S, R26E then COG would offer to lease said lands under the following general terms:

- 3 year primary term
- Retain a 20% royalty
- \$1,000.00 per acre bonus consideration

The offer is subject to final title verification.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 6
Submitted by: **COG OPERATING LLC**
Hearing Date: July 11, 2013



If an agreement can't be negotiated 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 are an Heir(s) under the property and have leased or term assigned to a party then please disregard this proposal as compulsory pooling will not affect your interest.

If you have any questions, please do not hesitate to contact the undersigned at 432-818-2298.

Respectfully,

A handwritten signature in cursive script that reads "David R. Evans / B".

David Evans
NM Shelf Land Lead

Enclosure(s)
de

COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING

WELL NAME:	ARABIAN 6 FEE #6H	PROSPECT NAME:	ZEUS 1926 717088
SHL:	150' FSL & 2267' FWL UL-N	STATE & COUNTY:	New Mexico, Eddy
BHL:	330' FNL & 2177' FWL Lot 3	OBJECTIVE:	SH9 Yeso Horizontal
FORMATION:	Glorieta Yeso	DEPTH:	7,415
LEGAL:	SEC6 T19S-R26E API#: 30-015-39625	TVD:	2,925

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	10,000		10,000
Insurance	202	22,000	0	22,000
Damages/Right of Way	203	50,000	0	50,000
Survey/Stake Location	204	3,000	0	3,000
Location/Pits/Road Expense	205	60,000	25,000	85,000
Drilling / Completion Overhead	206	2,500	2,000	4,500
Turnkey Contract	207			0
Footage Contract	208			0
Daywork Contract (0 days f/spud-ris @ \$0)	209	160,000	44,000	204,000
Directional Drilling Services (0 dir days @ \$0)	210	140,000		140,000
Fuel & Power	211	42,000	12,000	54,000
Water	212	29,000	130,000	159,000
Bits	213	27,000	5,000	32,000
Mud & Chemicals	214	24,000	0	24,000
Drill Stem Test	215		0	0
Coring & Analysis	216			0
Cement Surface	217	48,000		48,000
Cement Intermediate	218	0		0
Cement 2nd Intermediate/Production	218	0	65,000	65,000
Cement Squeeze & Other (Kickoff Plug)	220		0	0
Float Equipment & Centralizers	221	2,000	30,000	32,000
Casing Crews & Equipment	222	5,000	12,000	17,000
Fishing Tools & Service	223			0
Geologic/Engineering	224	10,000		10,000
Contract Labor	225	20,000	21,000	41,000
Company Supervision	226	2,000	2,000	4,000
Contract Supervision	227	19,000	20,000	39,000
Testing Casing/Tubing	228	3,000	12,000	15,000
Mud Logging Unit (logging f/24 days)	229	10,000		10,000
Logging	230	10,000		10,000
Perforating/Wireline Services	231	3,500	50,000	53,500
Stimulation/Treating			1,100,000	1,100,000
Completion Unit			30,000	30,000
Swabbing Unit				0
Rentals-Surface	235	18,000	250,000	268,000
Rentals-Subsurface	236	32,000	75,000	107,000
Trucking/Forklift/Rig Mobilization	237	43,000	25,000	68,000
Welding Services	238	5,000	2,500	7,500
Water Disposal	239	0	120,000	120,000
Plug to Abandon	240	0	0	0
Seismic Analysis	241	0	0	0
Closed Loop & Environmental	244	72,000	0	72,000
Miscellaneous	242	0	0	0
Contingency 10%	243	88,000	204,500	292,500
TOTAL INTANGIBLES		960,000	2,237,000	3,197,000

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 15,000	15,000
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	476,000	512,000
TOTAL WELL COSTS		996,000	2,713,000	3,709,000

COG Operating LLC

By: Carl Bird

Date Prepared: 2/22/13 JJ

COG Operating LLC

We approve:
_____% Working Interest

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.