

August 13, 2015

Janet M. Hanley 5422 Beaver Lodge Drive Kingwood, TX 77345

RE: Well Proposal - Bone Yard 11 Fee #11H

SL: 10' FSL & 130' FWL (Unit M)

BHL: 330' FNL & 330' FWL (Unit D)

Section 11, T20S, R25E, Eddy County, New Mexico

Dear Ms. Hanley:

COG Operating LLC ("COG"), as Operator, proposes to drill the Bone Yard 11 Fee #11H as a horizontal well at the above-captioned location or at an approved surface location within location unit letter M, to a depth of approximately 2880' TVD, 7825' MD to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$2,786,000 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 in the second quarter of 2016.

COG is proposing to drill this well under the terms of a modified 1989 AAPL Model Form Operating Agreement ("OA") covering the W ½ of the W ½ of Section 11, T-20-S, R-25-E, with the following general provisions:

- 100/300 Non-consenting penalty
- \$6000 per month drilling rate \$600 per month producing rate
- COG named as Operator (a draft of our proposed OA is enclosed)

If you wish to participate in the Operation, please sign and return the AFE. If you desire to receive well information regarding the subject operations, please include a Well Information Requirements list with the AFE. Upon receipt of your signed AFE, we will send an executable copy of the OA.

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

- · Three year primary term
- · 3/16 Royalty Interest, proportionately reduced
- \$150 per net acre bonus consideration

COG will apply to the New Mexico Oil Conservation Division for compulsory pooling for the proposed well. If we do not reach an agreement within 30 days of the date of this letter, your interest will be named in the application.

Please direct any technical questions 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

CORPORATE ADDRESS: One Concho Center 600 W Illinois Avenue Midland, Texas 79701 Phone 432.683.7443 Fax 432.683.7441

COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

SHL: BHL:	BONE YARD 11 FEE #11H		PROSPECT NA		
RHI ·	10' FSL 130' FWL (UL - M)			VTY: New Mexico, Ed	
	330' FNL 330' FWL (UL - D)		OBJECTIVE:	Yeso Horizontal	
FORMATION:			DEPTH:	7,825	
LEGAL:	T20S-R25E, SEC. 11		TVD:	2,880	
NTANGIBLE	COSTS		BCP	ACP	TOTAL
Fitte/Curative/Per	mit	201	11,000		11,
nsurance		202	4,000	302 0	4
Damages/Right o	f Way	203	40,000	303 0	40
		204	7,000		7,
Survey/Stake Loc				304	-
.ocation/Pits/Roa		205	85,000	305 25,000	110,
Oritling / Comptet	ion Overhead	206	3,000	306 2,000	5,
Turnkey Contract	***	207		307	
ootage Contract		208		308	
	(0 days l/spud-ris @ \$0)	209	156,000	309 0	156,
		•			
	Services (0 dir days @ 50)	210	99,000	310	99.
uel & Power		211	24,000	311 5.000	29,
Nater		212	29,000	312 85 000	114,
3its		213	20,000	313 5 000	25.
Aud & Chemicals		214	34,000	314 0	34,
orial Stem Test		215		315 0	
		-		313	
Conng & Analysis	<u> </u>	216			
ement Surface		217	32,000		32,
Cement Intermed	late	218	0		
ement 2nd Inter	mediate/Production	218	0	319 38,000	38,
	& Other (Kickoff Plug)	220		320 0	
		•	4 400		
loat Equipment &		221		321 7,000	8,
asing Crews & E		222	3,800	322 9.000	12,
ishing Tools & S		223		323	
eologic/Enginee	ang	224		324	
Contract Labor		225		325 42,000	47,
Company Supervi		226		328 2,000	4,
Contract Supervis		227		327 46,000	64,
esting Casing/Tu		228		328 4,500	6,
Aud Logging Unit		229	18,000	329	18.
phippo		230	18,000	330	18,6
erioraling/Wirelli	ne Services	231	1,500	331 118,000	119,
Umulation Treati	ng			332 824,000	824,0
ompletion Unit		•		333 35,000	35.0
wabbing Unit		•		334	·
lemais-Surface		235		335 220,000	235,0
lentals-Subsurtac	:0	238	28,000	338 15,000	43,0
rucking/Forklift/R		237		337 60,000	104,0
Velding Services		238		338 3,000	В,
Valer Disposal	·	239		339 20,000	20,0
lug to Abandon		240		340 0	20,1
eismic Analysis		241		341 0	
losed Loop & En	wishnental	244		344 0	42,0
liscellaneous	· · · · · · · · · · · · · · · · · · ·	242		342	463
ontingency 2%		243		343 32,500	47,
TOTAL INTAN	GIBLES		763,000	1,598,000	2,361,0
		•		1,000,000	
ANCIDLECO	NOTO				
ANGIBLE CO					
	5/8° 32# J55 LTC)	401	25,000		25,0
	ng (8 5/8" 32# J55 LTC)	402		503 0	
	(5 1/2" 17# LBO)			503 109,000	109,0
ubing				504 15,000	15,0
elhead Equipme	eni	405		505 18,000	23,7
umping Unit				506 54,000	54,0
ime Mover				5070	
					11,0
				508 11,000	
umps				509 63,000	63,0
umps anks					
umps anks owlines				509 63,000	19,0
umps anks owlines	parator			509 63,000 510 19,000	19,0 11,0
umps anks owlines eater Treater/Sep	paraior			509 63,000 510 19,000 511 11,000	19,0 11,0 29.0
umps anks owlines eater Treater/Sep ectrical System		414		63,000 510 19,000 511 11,000 512 29,000 513 18,000	19,0 11,0 29,0 18,0
umps anks owlines sater Treater/Sep ectrical System ackers/Anchors/h	langers		0	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000	19,0 11,0 29,0 18,0 2,0
amps anks owlines sater Treater/Sep sectrical System ackers/Anchors/h ouplings/Fittings/	langers Valves	414 415	0 500	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000	19,6 11,6 29,6 18,6 2,0 36,5
umps anks owlines eater Treater/Sep ectrical System ackers/Anchors/h ouplings/Fittings/ as Compressors/	langers Valves		0 500	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000	19,6 11,6 29,6 18,6 2,0 36,5
umps anks owlines eater Treater/Se; ectrical System ackers/Anchors/H ouptings/Fittings/ as Compressors/ ehydrator	langers Valves Meters		0 500	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000	19,6 11,6 29,6 18,6 2,0 36,5
amps anks owlines eater Treater/Sep ectrical System ackers/Anchors/h ouplings/Fittings/ as Compressors/ ehydrator lection Plant/CO2	langers Valves Meters	415	0 500	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000	19,6 11,0 29,0 18,0 2,0 36,5 4,0
umps anks owlines eater Treater/Sep ectrical System ackers/Anchors/houptings/Fittings/ as Compressors/ entydrator ection Plant/CO2 iscetlaneous	langers Valves Meters	415	500	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517 55,000 518 4,000	19,6 11,0 29,0 18,6 2,0 36,5 4,0
umps anks owlines eater Treater/Sej ectrical System ackers/Anchors/ suplings/Fittings/ as Compressors/ ehydrator escettaneous ontingency	langers Valves Meters Z Equipment	415	0 500 500 210	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,0 36,5 4,0
umps anks owlines earlier Treater/Sej ectrical System ackers/Anchors/- pupings/Fittings/- as Compressors/ entydrator jection Plant/CO/ scetlaneous ontingency TOTAL TANGIT	Hangers Valves Meters Equipment	415	0 500 500 210 32,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517 18 519 4,000 520 0	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps anks owlines earlier Treater/Sej ectrical System ackers/Anchors/- pupings/Fittings/- as Compressors/ entydrator jection Plant/CO/ scetlaneous ontingency TOTAL TANGIT	langers Valves Meters Z Equipment	415	0 500 500 210	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps anks owlines earlier Treater/Sej ectrical System ackers/Anchors/- pupings/Fittings/- as Compressors/ entyloration performed plant/CO/ scetlaneous ontingency TOTAL TANGIT	Hangers Valves Meters Equipment	415	0 500 500 210 32,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517 18 519 4,000 520 0	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps sinks sinks sowlines seater Treater/Set sectical System sckers/Anchors/I supplings/Fittings/ sa Compressors/ shydrator lection PlanulCO/ scellaneous portingency TOTAL TANGIL	langers Valves Meters Equipment SLES WELL COSTS	415	0 500 500 210 32,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517 18 519 4,000 520 0	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps sinks sowkines saiter Treater/Set sectrical System sckers/Anchors/i sa Compressors/shydrator section PlanulCO/ scellaneous ontingency TOTAL TANGIL	langers Valves Meters Equipment SLES WELL COSTS	415	0 500 500 210 32,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517 18 519 4,000 520 0	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps sinks solvented by the solvented by	langers Valves Meters Equipment SLES WELL COSTS	415	500 500 500 210 32,000 795,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps anks owlines eater Treater/Set eater/Set	langers Valves Meters Equipment SLES WELL COSTS	415	500 500 500 210 32,000 795,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517 18 519 4,000 520 0	19,0 11,0 29,0 18,0 2,0 36,5 4,0 4,5 2 2
umps anks owlines eater Treater/Set eater/Set	langers Valves Meters Equipment SLES WELL COSTS	415	0 500 500 210 32,000 795,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,0 11,0 29,0 18,0 2,0 36,5 4,0 4,5 2 2
umps anks owlines eater Treater/Ser eaterial System ackers/Anchors/i- ouplings/Fikings/ as Compressors/ ehydrator jection Plant/CO/ iscellaneous ondingency TOTAL TANGII TOTAL OG Operating LL: // Carl Bird	langers Valves Meters Equipment SLES WELL COSTS	415 418	500 500 500 210 32,000 795,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps anks anks owlines earler Treater/Set earlerd System ackers/Anchors/ supplyings/Fikings/ as Compressors/ ehydrator jection Plani/CO/ scellaneous ontingency TOTAL TANGII TOTAL OG Operating LL C Carl Bird e approve:	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	500 500 210 32,000 795,000 Date Prepared: &	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps anks owlines parier Treater/Ser pacterial System ackers/Anchors/ poppings/Fittings/ as Compressors/ shydrator perion Plant/CO/ scellaneous ontingency TOTAL TANGII TOTAL OG Operating LL: r. Carl Bird	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	0 500 500 210 32,000 795,000	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 4,2 4,2 4,2 4,2 4,2 4,2
umps anks owlines safer Treater/Ser sectrical System seckers/Anchors/F suppings/Fittings/ as Compressors/ shydrator jection Plant/CO2 scellaneous ontingency TOTAL TANGIT TOTAL OG Operating LL r. Carl Bird e approve:	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	500 500 210 32,000 795,000 Date Prepared: &	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 425,0
umps anks owlines safer Treater/Ser sectrical System seckers/Anchors/F suppings/Fittings/ as Compressors/ shydrator jection Plant/CO2 scellaneous ontingency TOTAL TANGIT TOTAL OG Operating LL r. Carl Bird e approve:	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	500 500 210 32,000 795,000 Date Prepared: &	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,6 11,0 29,0 18,0 2,6 36,5 4,0 4,5 2 425,0
umps anks onkines eater Treater/Set eater/Set eater/Set eater/Set eater/Set eater/Set eater/Set eater/Set eater/Set ouppings/Fikings/ as Compressors/ entydrator jection PlanyCO/ scetlaneous ontingency TOTAL TANGIT TOTAL OG Operating LL Carl Bird e approve: % Working I empany.	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	500 500 210 32,000 795,000 Date Prepared: &	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,0 11,0 29,0 18,0 2,0 36,5 4,0 4,5 2 2
umps anks onkines eater Treater/Set eater/Set eater/Set eater/Set eater/Set eater/Set eater/Set eater/Set eater/Set ouppings/Fikings/ as Compressors/ entydrator jection PlanyCO/ scetlaneous ontingency TOTAL TANGIT TOTAL OG Operating LL Carl Bird e approve: % Working I empany.	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	500 500 210 32,000 795,000 Date Prepared: &	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,0 11,0 29,0 18,0 2,0 36,5 4,0 4,5 2 2
umps anks owlines saler Treater/Sep sectrical System sectrical System suckers/Anchors/ republings/Fittings/ as Compressors/ eliston Plant/CO2 scellaneous TOTAL TANGIT TOTAL TOTAL OG Operating LL r. Carl Bird e approve: % Working i	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	500 500 210 32,000 795,000 Date Prepared: &	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	63,6 19,6 11,0 29,0 18,0 2,0 36,5 4,0 4,5 2 425,0 2,786,0
TOTAL OG Operating Lt. c. Carl Bird e approve:	Hangers Values Meiers P Equipment BLES WELL COSTS	415 418	0 500 500 500 700 700 700 700 700 700 70	509 63,000 510 19,000 511 11,000 512 29,000 513 18,000 514 2,000 515 36,000 516 4,000 517	19,0 11,0,0 29,0 18,0 36,5 4,0 4,5 2 4,5,0 2,786,0