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April 8, 2016

Chevron U.S.A.
Attn: NOJV Group
1400 Smith Street, Ste. 3600
Houston, TX 77002-7342

RECEIVED

APR 13 2016

CHEVRON NOJV GRP

Re: **Well Proposal – Branex-COG Federal Com #15H**
T17S, R32E, N/2S/2 of Section 9
SHL: 2310' FSL & 150' FWL, (Unit L)
BHL: 2312' FSL & 330' FEL, (Unit I)
Lea County, New Mexico

Dear Sir or Madam,

COG Operating LLC (COG), as Operator, proposes to drill the Branex-COG Federal Com #15H well as a horizontal well at the above-captioned location to a TVD of approximately 5,750' and a TMD of approximately 10,330' to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$2,889,000 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 herein. The Operating Agreement covers T17S-R32E, N/2S/2 of Section 9, Lea County, New Mexico. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Producing rate
- COG named as Operator

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 have any questions, please do not hesitate to contact Joseph Scott at 432-688-6601 or by email at jscott@concho.com.

Respectfully,

COG OPERATING LLC

Katie Fields
Land Assistant, NM Shelf
JS/KF
Enclosure(s)

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 7
Submitted by: COG OPERATING LLC.
Hearing Date: March 29, 2016

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: Branex-COG Fed Com 15H	PROSPECT NAME: MALJAMAR LOWE (713083)
SHL: 2310' FSL & 150' FWL, Sec 9 (UL - L)	STATE & COUNTY: New Mexico, Lea
BHL: 2312' FSL & 330' FEL, Sec 9 (UL - I)	OBJECTIVE: Yeso Horizontal
FORMATION: YESO	DEPTH: 10,330
LEGAL: NWSW, NESE, Section 9, T17S-R32E	TVD: 5,750

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	11,000		11,000
Insurance	202	5,000	302 0	5,000
Damages/Right of Way	203	12,000	303 0	12,000
Survey/Stake Location	204	3,000	304 0	3,000
Location/Pits/Road Expense	205	60,000	305 9,000	69,000
Drilling / Completion Overhead	206	4,000	306 7,000	11,000
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract (0 days f/spud-rls @ \$0)	209	176,000	309 0	176,000
Directional Drilling Services (0 dir days @ \$0)	210	78,000	310	78,000
Fuel & Power	211	16,000	311 1,000	17,000
Water	212	32,000	312 127,000	159,000
Bits	213	41,856	313 5,000	46,856
Mud & Chemicals	214	33,000	314 0	33,000
Drill Stem Test	215		315 0	0
Coring & Analysis	216			0
Cement Surface	217	31,000		31,000
Cement Intermediate	218	25,000		25,000
Cement 2nd Intermediate/Production	218	0	319 53,000	53,000
Cement Squeeze & Other (Kickoff Plug)	220		320 0	0
Float Equipment & Centralizers	221	2,700	321 7,000	9,700
Casing Crews & Equipment	222	6,480	322 9,000	15,480
Fishing Tools & Service	223		323	0
Geologic/Engineering	224		324	0
Contract Labor	225	4,250	325 18,000	22,250
Company Supervision	226		326 7,000	7,000
Contract Supervision	227	20,000	327 56,000	76,000
Testing Casing/Tubing	228	2,490	328 4,000	6,490
Mud Logging Unit	229	19,000	329	19,000
Logging	230	16,560	330	16,560
Perforating/Wireline Services	231	1,500	331 115,000	116,500
Stimulation/Treating			332 777,000	777,000
Completion Unit			333 41,000	41,000
Swabbing Unit			334	0
Rentals-Surface	235	39,000	335 170,000	209,000
Rentals-Subsurface	236	47,000	336 16,000	63,000
Trucking/Forklift/Rig Mobilization	237	40,000	337 57,000	97,000
Welding Services	238	4,750	338 1,000	5,750
Water Disposal	239	0	339 8,000	8,000
Plug to Abandon	240	0	340 0	0
Seismic Analysis	241	0	341 0	0
Closed Loop & Environmental	244	59,000	344 0	59,000
Miscellaneous	242	0	342 0	0
Contingency 2%	243	16,414	343 46,000	62,414
TOTAL INTANGIBLES		807,000	1,534,000	2,341,000

TANGIBLE COSTS				
Surface Casing (13 3/8" 54.5# J55 STC)	401	25,000		25,000
Intermediate Casing (9 5/8" 40# J55 LTC)	402	45,000	503 0	45,000
Production Casing (7" 29# & 5 1/2" 17# L80)			503 154,000	154,000
Tubing			504 18,000	18,000
Wellhead Equipment	405	8,900	505 22,000	30,900
Pumping Unit			506 64,000	64,000
Prime Mover			507 0	0
Rods			508 15,000	15,000
Pumps			509 50,000	50,000
Tanks			510 15,000	15,000
Flowlines			511 20,000	20,000
Heater Treater/Separator			512 51,000	51,000
Electrical System			513 28,000	28,000
Packers/Anchors/Hangers	414	0	514 2,000	2,000
Couplings/Fittings/Valves	415	500	515 16,000	16,500
Gas Compressors/Meters			516 3,000	3,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	500	519 10,000	10,500
Contingency	420	100	520 0	100
TOTAL TANGIBLES		80,000	468,000	548,000
TOTAL WELL COSTS		887,000	2,002,000	2,889,000

COG Operating LLC

By: Carl Bird/Paul Fige!

We approve:
_____% Working Interest

Company:

By:

Printed Name:

Title:

Date:

Date Prepared: 3-16-

COG Operating LLC

By:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.