



September 11, 2017

RECEIVED OGD

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Via Certified Mail, Return Receipt Requested 2017 SEP 14 P 1:44
Uncommitted Working Interest Owners on Attached Exhibit "A"

Re: Well Proposal to Uncommitted Working Interest Owner
Under Compulsory Pooling Order No. R-14429
Tankless Federal Com #2H
E/2 E/2 Section 35, T22S-R31E
E/2 SE/4 Section 26, T22S-R31E
Eddy County, New Mexico

Core 15741

Dear Gentlemen:

COG Operating, LLC ("COG") hereby proposes the drilling of the above-referenced horizontal well. The Tankless Federal Com #2H well will be drilled to a depth sufficient to adequately test the 2nd Bone Spring formation at a total measured depth of approximately 17,300'. The surface location for this well is proposed at a legal location in Unit P, Section 35-T22S-R31E with a bottom hole location at a legal location in Unit I, Section 26, T22S-R31E, with the dedicated project area being the E/2 E/2 of Section 35 and the E/2 SE/4 of Section 26, Township 22 South, Range 31 East, Eddy County, New Mexico. The total cost of the Operation is estimated to be \$8,553,900, and a detailed description of the cost is set out in the enclosed Authority for Expenditure.

COG is proposing to drill this well under the attached Order granted by the NMOCD (R-14429). Please make your election by signing the attached AFE and prepaying your share of the cost within 30 days of receipt of the AFE herein. Failure to prepay or lack of response will be deemed a non-consent election pursuant to the enclosed order, and your working interest will be subject to said order.

Should you have any questions, please do not hesitate to contact me at 432.818.2358.

Sincerely,

COG Operating LLC

Ashley Roush

Ashley Roush, RPL
Landman

AR:bh
Enc

✓ cc: Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7036 0804 7261
David R. Catanach
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

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_____ I/We hereby elect to participate in the Tankless Federal Com #2H.

_____ I/We hereby elect not to participate in the Tankless Federal Com #2H.

By: _____

Name: _____

Title: _____

Date: _____

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EXHIBIT "A"
UNCOMMITTED WORKING INTEREST OWNERS

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7036 0804 7278
OXY USA, Inc.
Attn: Courtney Carr
5 Greenway Plaza, Suite 110
Houston, TX 77046

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7036 0804 7285
Oil & Gas Equity Holding LLC
777 N. Eldridge Parkway, Suite 270
Houston, TX 77079

COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING

WELL NAME:	Tankless Federal #2H	PROSPECT NAME:	#717164	Deep 2BSS no PH 1.5M
SHL:	SEC 35: 190 FSL & 560 FEL	STATE & COUNTY:	New Mexico, Eddy	
BHL:	SEC 26: 2440 FSL & 380 FEL	OBJECTIVE:	Drill & Complete	
FORMATION:	2BS	DEPTH:	17,300	
LEGAL:	35-22S-31E	TVD:	10,165	

INTANGIBLE COSTS		Drig - Rig Release(D)	Completion(C)	Tank Btty Constrctn(TB)	Pmpg Equipment(PEQ)	TOTAL
Title/Curative/Permit	201	11,000				11,000
Insurance	202	4,000	302			4,000
Damages/Right of Way	203	5,000	303	351		5,000
Survey/Stake Location	204	6,000		352		6,000
Location/Pits/Road Expense	205	120,000	305 10,000	353 145,000	366	275,000
Drilling / Completion Overhead	206	10,000	306			10,000
Turnkey Contract	207	0	307			0
Footage Contract	208	0	308			0
Daywork Contract	209	565,000	309			565,000
Directional Drilling Services	210	137,000	310			137,000
Fuel & Power	211	93,000	311 3,500	354	367	96,500
Water	212	95,000	312 756,000		368	851,000
Bits	213	66,000	313 6,000		369	72,000
Mud & Chemicals	214	70,000	314 34,000		370	104,000
Drill Stem Test	215	0	315			0
Coring & Analysis	216	0				0
Cement Surface	217	32,000				32,000
Cement Intermediate	218	50,000				50,000
Cement 2nd Intermediate/Production	219	130,000				130,000
Cement Squeeze & Other (Kickoff Plug)	220	0			371	0
Float Equipment & Centralizers	221	35,000				35,000
Casing Crews & Equipment	222	35,000				35,000
Fishing Tools & Service	223	0	323		372	0
Geologic/Engineering	224	0	324	355	373	0
Contract Labor	225	7,000	325 23,800	356 110,000	374	140,800
Company Supervision	226	60,000	326 30,000	357	375	90,000
Contract Supervision	227	98,000	327 103,000	358	376 5,500	206,500
Testing Casing/Tubing	228	20,000	328 10,000		377	30,000
Mud Logging Unit	229	37,000	329			37,000
Logging	230	0			378	0
Perforating/Wireline Services	231	4,000	331 299,000		379	303,000
Stimulation/Treating			332 2,450,000		380	2,450,000
Completion Unit			333 118,000		381 7,700	125,700
Swabbing Unit			334		382	0
Rentals-Surface	235	135,000	335 229,000	359	383 6,600	370,600
Rentals-Subsurface	236	80,000	336 60,000		384	140,000
Trucking/Forklift/Rig Mobilization	237	135,000	337 40,000	360	385 5,500	180,500
Welding Services	238	4,000	338 5,000	361	386	9,000
Water Disposal	239	0	339 60,000	362 135,000	387	195,000
Plug to Abandon	240	0	340			0
Seismic Analysis	241	0	341			0
Miscellaneous	242	0	342		389	0
Contingency	243	123,000	343 175,000	363	390	298,000
Closed Loop & Environmental	244	150,000	344 5,000	364	388	155,000
Coil Tubing			346			0
Flowback Crews & Equip			347 72,000			72,000
Offset Directional/Frac	248	0	348			0
TOTAL INTANGIBLES		2,317,000	4,489,300	390,000	25,300	7,221,600

TANGIBLE COSTS						
Surface Casing	401	23,000				23,000
Intermediate Casing	402	115,000	0			115,000
Production Casing/Liner	403	250,000				250,000
Tubing			504 48,600		530	48,600
Wellhead Equipment	405	25,000	505 20,900		531 3,300	49,200
Pumping Unit					506 111,000	111,000
Prime Mover			0		507	0
Rods					508 49,500	49,500
Pumps-Sub Surfaces (BH)			509 0		532 6,600	6,600
Tanks				510 75,000		75,000
Flowlines				511 35,000		35,000
Heater Treater/Separator				512 91,000		91,000
Electrical System				513 75,000	533	75,000
Packers/Anchors/Hangers	414	0	514 5,000		534	5,000
Couplings/Fittings/Valves	415	0		515 250,000		250,000
Dehydration				517		0
Injection Plant/CO2 Equipment			0	518		0
Pumps-Surface			0	521 25,000		25,000
Instrumentation/SCADA/POC				522	529 4,400	4,400
Miscellaneous	419	0	519	523	535	0
Contingency	420	0	520	524	536	0
Meters/LACT				525 29,000		29,000
Flares/Combusters/Emission				526 50,000		50,000
Gas Lift/Compression			527 15,000	516 25,000	528	40,000
TOTAL TANGIBLES		413,000	89,500	655,000	174,800	1,332,300
TOTAL WELL COSTS		2,730,000	4,578,800	1,045,000	200,100	8,553,900

COG Operating LLC	% of Total Well Cost	32%	54%	12%	2%
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Date Prepared: 3/21/2017

COG Operating LLC

We approve:
% Working Interest

By: RSL IV TC 3-31-17

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.