



*Title Holder / of record*

December 17, 2007

**VIA CERTIFIED MAIL-Return Receipt Requested  
AND FACSIMILE (281) 561-3829**

Chevron USA, Inc.  
P. O. Box 1635  
Houston, TX 77251  
Attn: Kevin McNally

RE: Turkey Track Prospect  
Taurus Federal #1  
S252 of Section 10-T155-R31E  
Chaves County, New Mexico

*Dec 07  
"get Joinder"  
New ones in Sept.*

Ladies and Gentlemen:

COG Oil & Gas LP and its general partner COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Wolfcamp formation at an anticipated total vertical depth of 8900' and total measured depth being approximately 13,450'. The surface location for this well has been permitted at 330' FSL & 330' FWL with a bottomhole location at 330' FSL & 330' FEL with the dedicated project area being the S252 of Section 10, Township 15 South, Range 31 East, Chaves County, New Mexico. Included herein is our AFE dated August 20, 2007 as well as a copy the submitted Permit to Drill.

We ask that you join Concho to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided.

However, in the event you do not wish to participate, Concho respectfully requests that you consider as an alternative either of the below proposals:

**Proposal 1:**

Concho would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of Chevron USA, Inc.'s or its entity's of record contractual and leasehold interests situated in Section 10-T155-R31E, Chaves County, New Mexico.

**Proposal 2:**

Chevron USA, Inc. or its entity of record will farmout all of its contractual and leasehold interests in Section 10-T155-R31E, Chaves County, New Mexico, retain an overriding

royalty interest of 5% proportionately reduced and will retain the right to convert said overriding royalty interest to a twenty-five percent (25%) proportionately reduced interest in subsequent proration units drilled in said section.

**Proposal 3:**

Chevron USA, Inc. agrees to enter into a mutually agreed to Operating Agreement in substantially the same form as attached hereto to develop the entirety of the South Half of Section 10, Township 15 South-Range 31 East, Chaves County, New Mexico as to all depths.

Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- US Mail – 550 West Texas Avenue, Suite 1300, Midland, Texas 79701
- Fax – 432.685.4398
- Email – Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.683.7443.

Very truly yours,

**COG Oil & Gas LP**  
by COG Operating LLC, general partner



Jan Preston Spradlin, CPL  
Senior Landman

- \_\_\_\_\_ I/We hereby elect to participate in the Taurus Federal #1
- \_\_\_\_\_ I/We hereby elect not to participate in the Taurus Federal #1
- \_\_\_\_\_ I/We hereby elect to pursue Proposal 1
- \_\_\_\_\_ I/We hereby elect to pursue Proposal 2
- \_\_\_\_\_ I/We hereby elect to pursue Proposal 3

CHEVRON USA, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: Taurus Federal #1	PROSPECT NAME: Turkey Track
Surf. 330' FSL & 330' FWL	COUNTY & STATE: CHAVES CO. NM
BHL. 330' FSL & 330' FEL	OBJECTIVE: 13,450' MD(8900' TVD) Wolfcamp Test
Sec.10 , T15S, R31E	

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Title/Curative/Permit	1,000		1,000
Insurance	22,000		22,000
Damages/Right of Way	15,000		15,000
Survey/Stake Location	2,000		2,000
Location/Pits/Road Expense	45,000	50,000	95,000
Drilling / Completion Overhead	5,000	1,000	6,000
Turnkey Contract			0
Footage Contract			0
Daywork Contract 44:3 @ \$18000/day	792,000	54,000	846,000
Directional Drilling Services	280,000		280,000
Fuel & Power	85,000	5,000	90,000
Water	27,000	35,000	62,000
Bits	60,000	1,000	61,000
Mud & Chemicals	80,000		80,000
Drill Stern Test			0
Coring & Analysis			0
Cement Surface	8,000		8,000
Cement Intermediate	30,000		30,000
Cement Production		65,000	65,000
Cement Squeeze & Other (Kickoff Plug)	25,000		25,000
Float Equipment & Centralizers	4,000	7,000	11,000
Casing Crews & Equipment	9,500	10,000	19,500
Fishing Tools & Service			0
Geologic/Engineering	1,000	1,000	2,000
Contract Labor	10,000	20,000	30,000
Company Supervision	2,000	2,000	4,000
Contract Supervision	44,000	15,000	59,000
Testing Casing/Tubing	3,000	3,000	6,000
Mud Logging Unit	22,000		22,000
Logging	135,000		135,000
Perforating/Wireline Services		85,000	85,000
Stimulation/Treating		730,000	730,000
Completion Unit		35,000	35,000
Swabbing Unit			0
Rentals-Surface	60,000	20,000	80,000
Rentals-Subsurface	45,000	10,000	55,000
Trucking/Forklift/Rig Mobilization	80,000	15,000	95,000
Welding Services	1,500	1,500	3,000
Water Disposal		10,000	10,000
Plug to Abandon			0
Seismic Analysis			0
Miscellaneous	1,000	1,000	2,000
Contingency	189,800	117,650	307,250
<b>TOTAL INTANGIBLES</b>	<b>2,085,500</b>	<b>1,284,150</b>	<b>3,379,750</b>
<u>TANGIBLE COSTS</u>			
Surface Casing 500' 13 3/8"	14,500		14,500
Intermediate Casing 4000' 8 5/8"	92,000		92,000
Production Casing/Liner 9900' 6 1/2"		228,650	228,650
Tubing 5600' 2 7/8"		35,000	35,000
Wellhead Equipment	8,000	8,000	16,000
Pumping Unit		85,000	85,000
Prime Mover		30,000	30,000
Rods		20,000	20,000
Pumps		3,500	3,500
Tanks		25,000	25,000
Flowlines		1,000	1,000
Heater Treater/Separator		10,000	10,000
Electrical System			0
Packers/Anchors/Hangers		1,000	1,000
Couplings/Fittings/Valves	2,000	13,000	15,000
Gas Compressors/Meters		4,000	4,000
Dehydrator			0
Injection Plant/CO2 Equipment			0
Miscellaneous	1,000	1,000	2,000
Contingency	11,750	46,515	58,265
<b>TOTAL TANGIBLES</b>	<b>129,250</b>	<b>511,865</b>	<b>640,915</b>
<b>TOTAL WELL COSTS</b>	<b>2,214,850</b>	<b>1,805,815</b>	<b>4,020,665</b>

COG Operating LLC

By: Erick W. Nelson/Matt Coraer \_\_\_\_\_

Date Prepared: 08/02/2007 \_\_\_\_\_

We approve:  
\_\_\_\_\_  
% Working Interest

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.

Form 3160-3  
(August 2007)

FORM APPROVED  
OMB No. 1004-0137  
Expires July 31, 2010

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.  
SL NMLC 105885 BHL State of NM

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA Agreement, Name and No.  
N/A

8. Lease Name and Well No.  
Taurus Federal #1H

9. API Well No.

1a. Type of work:  DRILL  REENTER

1b. Type of Well:  Oil Well  Gas Well  Other  Single Zone  Multiple Zone

2. Name of Operator COG Operating, LLC

3a. Address 550 West Texas, Suite 1300  
Midland, TX 79701

3b. Phone No. (include area code)  
(432)-685-9158

10. Field and Pool, or Exploratory  
Undesignated Wolfcamp

4. Location of Well (Report location clearly and in accordance with any State requirements)  
At surface 330' FSL & 330' FWL, Unit M  
At proposed prod. zone 330' FSL & 330' FEL, Unit P  
ROSWELL CONTROLLED WATER BASIN

11. Sec., T.R.M. or Bk. and Survey or Area  
Section 10, T15S, R31E

14. Distance in miles and direction from nearest town or post office\*  
Approx 15 miles North of Matjamar, New Mexico

12. County or Parish  
Chaves Co..

13. State  
NM

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)  
330

16. No. of acres in lease  
800

17. Spacing Unit dedicated to this well  
160

18. Distance from proposed location\* to nearest well, drilling, completed, applied for, on this lease, ft.  
N/A

19. Proposed Depth  
13300' MD  
8680' TVD

20. BLM/BIA Bond No. on file  
NMB 000215

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
4415' GL

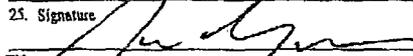
22. Approximate date work will start\*  
04/01/2008

23. Estimated duration  
45 Days

24. Attachments

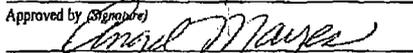
The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

25. Signature   
Title Agent for COG Operating LLC

Name (Printed/Typed)  
Dwayne Moore

Date  
09/12/2007

Approved by   
Title Assistant Field Manager,  
Lands And Minerals

Name (Printed/Typed) ISI Angel Mayes

Date DEC 12 2007

Office ROSWELL FIELD OFFICE

APPROVED FOR 2 YEARS

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

\*(Instructions on page 2)

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS ATTACHED

**DISTRICT I**  
1622 N. French Dr., Hobbs, NM 88240

**DISTRICT II**  
1201 V. Grand Avenue, Artesia, NM 88210

**DISTRICT III**  
1000 Rio Grande Rd., Aztec, NM 87410

**DISTRICT IV**  
1222 S. M. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

**OIL CONSERVATION DIVISION**

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number	Pool Code	Pool Name
Property Code	Property Name <b>TAURUS FEDERAL</b>	
OCRID No.	Operator Name <b>C.O.G. OPERATING L.L.C.</b>	Well Number <b>1H</b>
		Elevation <b>4415'</b>

**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
M	10	15 S	31 E		330	SOUTH	330	WEST	CHAVES

**Bottom Hole Location If Different From Surface**

UL or lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
P	10	15 S	31 E		330	SOUTH	330	EAST	CHAVES

Dedicated Area	Joint or Infill	Consolidation Code	Order No.
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**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

	<p><b>SURFACE LOCATION</b> LAT.: N 33°01'26.57" LONG.: W103°49'01.63" SPC- N.: 736670.6 E.: 699556.0 (NAD-83)</p>	<p><b>BOTTOM HOLE LOCATION</b> LAT.: N 33°01'26.72" LONG.: W103°48'02.25" SPC- N.: 736718.220 E.: 704118.495 (NAD-83)</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or is a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
			<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p><b>JULY 28 2007</b></p> <p>Date Surveyed _____ Signature _____ Professional Surveyor _____ W.C. _____ 2570</p> <p>Certificate No. Gary L. Jones 7977</p> <p><b>Basin Surveys</b></p>

Confirmation Report - Memory Send

Page : 001  
Date & Time: 12-17-07 04:19pm  
Line 1 : +4326854398  
Line 2 : +  
Machine ID : Concho Land

Job number : 616  
Date : 12-17 04:17pm  
To : 280212815619576  
Number of pages : 006  
Start time : 12-17 04:17pm  
End time : 12-17 04:19pm  
Pages sent : 006  
Status : OK

Job number : 616 \*\*\* SEND SUCCESSFUL \*\*\*



FAX

Fasken Center, Tower II  
550 West Texas Avenue, Suite 1300  
Midland, TX 79701  
Phone: (432) 683-7443  
Land Dept. Fax: (432) 685-4398

Total Pages (including cover): \_\_\_\_\_  
Privileged and Confidential

Date: 12/17/07

To: ONYXON USA  
Attn: Kevin McNally

Fax: ~~281-444-9559~~ 806-420-0285

From: Lisa Robertson

Subject: TAMMIS Fed #1 AFE, Original + JDA to follow  
by US Mail.

The information transmitted by this Facsimile is considered privileged and confidential, and is intended only for the use of the individual or entity named. If the reader of this message is not the intended recipient or the employee or agent responsible to deliver it to the intended recipient, you should be aware that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone and return the original message to us at the above address via the U.S. Postal Service.  
Thank you.

If you have any difficulty in receiving this fax, please call  
(432) 685-4398

Confirmation Services	Package ID: 91 7108 2133 3934 7974 7952	5. CERTIFIED MAIL
	Destination ZIP Code: 77251	1ST CLASS MAIL
	Customer Reference: <u>Chevron</u>	PSBP Account #: 41531233
	Recipient: <u>Chevron</u>	Serial #: 13071923
Address: <u>TF #1</u>	DEC 18 2007 3 40P	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature <input type="checkbox"/> Agent  <input checked="" type="checkbox"/> Addressee  <i>Kevin McNally</i></p> <p>B. Received by (Printed Name) <input type="checkbox"/> C. Date of Delivery  <u>DEC 21 2007</u></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes          If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">Chevron USA, Inc.          PO BOX 1635          Houston, TX 77251          Attn: Kevin McNally</p> <p style="text-align: right;">(Taurus Fed #1)</p>	<p>3. Service Type</p> <p><input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
<p>2. Article Number          (Transfer from service label)</p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>91 7108 2133 3934 7974 7952</p>	
<p>PS Form 3811, February 2004 Domestic Return Receipt 102695-02-44-1540</p>	