



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 State #2 (API #30-005-27995)
N2S2 of Section 10-T15S-R31E
Chaves County, New Mexico

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 1980 FSL & 330' FEL with a bottomhole location at 1980' FSL & 430' FWL with the dedicated project area being the N2S2 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 approved 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-T15S-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-T15S-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

_____/We hereby elect to participate in the Taurus State #2
_____/We hereby elect not to participate in the Taurus State #2
_____/We hereby elect to pursue Proposal 1
_____/We hereby elect to pursue Proposal 2
_____/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 #2

PROSPECT NAME: Turkey Track

Surf. 1980' FSL & 330' FEL

COUNTY & STATE: CHAVES CO. NM

BHL. 1980' FSL & 430' FWL

OBJECTIVE: 13,450' MD(8900' TVD) Wolfcamp Test

Sec.10, T15S, R31E

INTANGIBLE COSTS

	BCP	ACP	TOTAL
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	80,000	1,000	81,000
Mud & Chemicals	80,000		80,000
Drill Stem Test			0
Coring & Analysis			0
Cement Surface	9,000		9,000
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 Craws & 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	80,000	20,000	100,000
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	189,600	117,650	307,250
TOTAL INTANGIBLES	2,085,600	1,294,150	3,379,750

TANGIBLE COSTS

Surface Casing 500' 13 3/8"	14,500		14,500
Intermediate Casing 4000' 9 5/8"	92,000		92,000
Production Casing/Liner 8900' 5 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
TOTAL TANGIBLES	129,250	511,665	640,915
TOTAL WELL COSTS	2,214,850	1,805,815	4,020,665

COG Operating LLC

By: Erick W. Nelson/Matt Corser

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.

Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address COG OPERATING LLC 550 W TEXAS MIDLAND, TX 79701		2. OGRID Number 228137
		3. API Number 30-05-27995
4. Property Code 36890	5. Property Name TAURUS STATE COM	6. Well No. 802

7. Surface Location

TL - Lot	Section	Township	Range	Lot 1/4	Feet From	N/S Line	Feet From	E/W Line	County
1	10	15S	31E	1	1980	S	330	E	CHAVES

8. Pool Information

WILDCAT WOLFCAMP 0

Additional Well Information

9. Well Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4396
14. Multiple N	15. Proposed Depth 8900	16. Formation Wolfcamp	17. Contractor	18. Spud Date 2/20/2008
Depth to Ground water 110		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12" pipe thick Clay <input type="checkbox"/> Pit Volume: 30000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/lb	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	400	450	0
Int1	12.25	9.625	40	4000	1000	0
Int2	8.75	5.5	17	8900	200	8200
Prod	7.875	5.5	17	13450	900	8200

Casing/Cement Program: Additional Comments

COG proposes to drill 17-1/2" hole to 400', set 13-3/8" casing & cement to surface. Drill a 12-1/4" hole to 4000', set 9-5/8" casing & cement to surface. Drill 8-3/4" Pilot hole to 8950' TD & run O/H logs. Spot cement KO plug from 8650' to 8250'. Time dr & KO 7-7/8" hole @ 8250' building curve over +/- 475' to horizontal @ 8675' TVD. Dr horizontal in a westerly direction for +/- 4500' lateral to 13,450' MD. Run 5-1/2" casing & cement.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	3000	1250	
Double Ram	3000	3000	
Annular	3000	1500	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.
I further certify that the drilling pit will be constructed according to NMOCB guidelines ☒ a general permit ☐ or an (attached) alternative OCB-approved plan ☐.

Printed Name: Electronically filed by Diane Kuykendall

Title: Regulatory Analyst

Email Address: dkuykendall@conchoresources.com

Date: 12/13/2007

Phone: 432-683-7443

OIL CONSERVATION DIVISION

Approved By: Paul Kautz

Title: Geologist

Approved Date: 12/14/2007

Expiration Date: 12/14/2008

Conditions of Approval Attached

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720

District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1383 Fax:(505) 748-9720

District III
1000 Rio Bravo Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources

Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised 6/5/55

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-05-27995	2. Pool Code	3. Pool Name WILDCAT WOLFCAMP
4. Property Code 36890	5. Property Name TAURUS STATE COM	6. Well No. 002
7. UPRID No. 229137	8. Operator Name COG OPERATING LLC	9. Elevation 4396

10. Surface Location

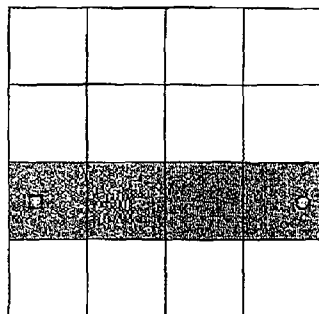
UL - Lot	Section	Township	Range	Lot Km	Feet From	N/S Line	Feet From	E/W Line	County
I	10	15S	31E		1980	S	330	E	CHAVES

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Km	Feet From	N/S Line	Feet From	E/W Line	County
L	10	15S	31E	L	1980	S	430	W	CHAVES

12. Dedicated Acres 160.00	13. Joint or Infill	14. Consolidation Code	15. 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



OPERATOR CERTIFICATION

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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Diane Kuykendall
Title: Regulatory Analyst
Date: 12/13/2007

SURVEYOR CERTIFICATION

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.

Surveyed By: Gary Jones
Date of Survey: 12/11/2007
Certificate Number: 7977

Permit Comments

Operator: COG OPERATING LLC, 229137

Well: TAURUS STATE COM #002

API: 30-05-27995

Created By	Comment	Comment Date
PEDWARDS	H2S concentrations of wells in this area from surface to TD are low enough that a contingency plan is not required.	12/13/2007
PEDWARDS	C-102 & directional plan to follow	12/13/2007

Permit Conditions of Approval

Operator: COG OPERATING LLC, 229137

Well: TAURUS STATE COM #002

API: 30-05-27995

OCD Reviewer	Condition
pkautz	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.16.2.50, and the Pit and Below-Grade Tank Guidelines

DISTRICT I
1026 N. French Dr., Hobbs, NM 88240
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Artesia, NM 87410
DISTRICT IV
1220 S. St. 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 TAURUS STATE COM	Well Number 2H
OGRID No.	Operator Name C.O.G. OPERATING L.L.C.	Elevation 4396'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	10	15 S	31 E		1980	SOUTH	330	EAST	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
L	10	15 S	31 E		1980	SOUTH	430	WEST	CHAVES

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

<p>BOTTOM HOLE LOCATION LAT.: N 33°01'42.90" LONG.: W103°49'00.46" SPC- N.: 738324.776 E.: 699645.621 (NAD-83)</p>		<p>SURFACE LOCATION LAT.: N 33°01'43.070" LONG.: W103°48'07.24" SPC- N.: 738364.797 E.: 704176.362 (NAD-83)</p>		<p>OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization wishes to work an 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 to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> Signature _____ Date _____ Printed Name _____</p>
<p>SURVEYOR CERTIFICATION <i>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.</i> DECEMBER 12, 2007 Date Surveyed Signature & Seal of Professional Surveyor W.O. Jones 7977 Certificates No. Gary L Jones 7977 BASIN SURVEYS</p>				

Confirmation Report - Memory Send

Page : 001
Date & Time: 12-17-07 04:23pm
Line 1 : +4326854398
Line 2 : +
Machine ID : Concho Land

Job number : 618
Date : 12-17 04:19pm
To : 80212815613576
Number of pages : 012
Start time : 12-17 04:20pm
End time : 12-17 04:23pm
Pages sent : 012
Status : OK

Job number : 618

*** SEND SUCCESSFUL ***

 **CONCHO**

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: Chascom, USA

Attn: Kevin McNally

Fax: 802-430-0838 761-561-3876

From: Lisa Robertson

Subject: Thomas State #2 AFE, original + JAA to
Followed by U.S. 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

432/685-4300

Confirmation Services	Package ID: 9171062133393479747945	POSTED
	Destination ZIP Code: 77251	1ST CLASS MAIL
	Customer Reference:	
	Recipient: <u>Chevron</u>	PBP Account #: 41530180
	Address: <u>TF #2</u>	Serial #: 3850526
		DEC 12 2007 3:42P

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p>Chevron USA, Inc. PO BOX 1635 Houston, TX 77251 Attn: Kevin McNally</p> <p>(Taurus Fed #2)</p>	<p>A. Signature <u>Kevin McNally</u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <u>Kevin McNally</u> C. Date of Delivery <u>DEC 12 2007</u></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p> <p>91 7106 2133 3934 7974 7945</p>	
PS Form 3811, February 2004	Domestic Return Receipt 102595-02-M-1540