



September 23, 2008

**VIA CERTIFIED MAIL-Return Receipt Requested**  
**AND FACSIMILE (432) 571-7832**

Cimarex Energy Co.  
600 N. Marienfield, Suite 600  
Midland, TX 79701  
Attn: Hayden Tresner

RE: Turkey Track Prospect  
Taurus Federal #1  
S2S2 of Section 10-T15S-R31E  
Chaves County, New Mexico

Not Just #1 well

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 S2S2 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 Cimarex Energy Company's or its entity's of record contractual and leasehold interests situated in Section 10-T15S-R31E, Chaves County, New Mexico.

**Proposal 2:**

Cimarex Energy Company 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:**

Cimarex Energy Company 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

CIMAREX ENERGY COMPANY

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

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: Taurus Federal #1H  
Surf. 330' FSL & 330' FWL  
BHL 330' FSL & 330' FEL  
Section 10, T15S, R31E

PROSPECT NAME: Turkey Track  
COUNTY & STATE: CHAVES CO. NM  
OBJECTIVE: 13,330' MD(8680' TVD) Wolfcamp Test

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Certificate/Permit	201	1,000		1,000
Insurance	202	22,000	302	22,000
Damages/Right of Way	203	15,000	303	15,000
Survey/State Location	204	3,000	304	3,000
Location/Pits/Road Expense	205	45,000	305	50,000
Drilling / Completion Overhead	206	5,000	306	6,000
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract 44.3 @ \$16000/day	209	748,000	309	788,000
Directional Drilling Services w/ LWD	210	384,000	310	384,000
Fuel & Power	211	210,000	311	220,000
Water	212	20,000	312	80,000
Bits	213	80,000	313	81,000
Mud & Chemicals	214	80,000	314	80,000
Drill Stem Test	215		315	0
Coring & Analysis	216			0
Cement Surface	217	13,000		13,000
Cement Intermediate	218	20,000		30,000
Cement 2nd Intermediate 7"	219	40,000	319	40,000
Cement Squeeze & Other (Kickoff Plug)	220	25,000	320	25,000
Float Equipment & Centralizers	221	7,000	321	7,000
Casing Crews & Equipment	222	15,000	322	25,000
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	10,000	324	11,000
Contract Labor	225	10,000	325	30,000
Company Supervision	226	2,000	326	4,000
Contract Supervision	227	56,400	327	70,400
Testing Casing/Tubing	228	4,000	328	5,500
Mud Logging Unit	229	35,000	329	35,000
Logging	230	55,000	330	55,000
Perforating/Wireline Services	231	5,000	331	17,500
Stimulation/Treating			332	750,000
Completion Unit			333	45,000
Swabbing Unit			334	0
Rentals-Surface	235	80,000	335	125,000
Rentals-Subsurface	236	45,000	336	55,000
Trucking/Forklift/Rig Mobilization	237	100,000	337	115,000
Welding Services	238	2,500	338	4,000
Water Disposal	239	15,000	339	30,000
Plug to Abandon	240		340	0
Seismic Analysis	241		341	
Closed Loop & Environmental	244	100,000	344	100,000
Miscellaneous	242	5,000	342	6,000
Contingency	243	225,790	343	331,940
<b>TOTAL INTANGIBLES</b>		<b>2,483,690</b>	<b>1,187,850</b>	<b>3,651,340</b>
<b>TANGIBLE COSTS</b>				
Surface Casing 500' 13 3/8"	401	32,000		32,000
Intermediate Casing 4000' 9 5/8", 8500'-7"	402	619,500		619,500
Production Casing/Liner , 8500'-4 1/2"			503	115,500
Tubing 8200' 2 7/8"			504	83,500
Wellhead Equipment	405	10,000	505	18,000
Pumping Unit			506	85,000
Prime Mover			507	30,000
Rods			508	20,000
Pumps			509	3,500
Tanks			510	25,000
Flowlines			511	1,000
Heater Treater/Separator			512	10,000
Electrical System			513	0
Packers/Anchors/Hangers	414		514	200,000
Couplings/Fittings/Valves	415	2,000	515	15,000
Gas Compressors/Meters			516	4,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	1,000	519	2,000
Contingency	420	66,450	520	127,400
<b>TOTAL TANGIBLES</b>		<b>730,950</b>	<b>670,450</b>	<b>1,401,400</b>
<b>TOTAL WELL COSTS</b>		<b>3,214,640</b>	<b>1,858,100</b>	<b>5,052,740</b>

COG Operating LLC

By: J. Coffman / M. Corcor

Date Prepared: 8/19/08

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)

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


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

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. SL NMLC 105885 BHL State of NM
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator COG Operating, LLC		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 550 West Texas, Suite 1300 Midland, TX 79701		8. Lease Name and Well No. Taurus Federal #1H
3b. Phone No. (include area code) (432)-685-9158		9. API Well No.
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		10. Field and Pool, or Exploratory Undesignated Wolfcamp
14. Distance in miles and direction from nearest town or post office* Approx 15 miles North of Midland, New Mexico		11. Sec., T. R. M. or BLM Survey or Area Section 10, T15S, R31E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. 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

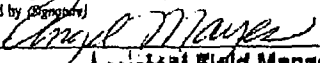
24. Attachments

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

- |  |   |
|--|---|
| 1. Well plat certified by a registered surveyor.   | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). |
| 2. A Drilling Plan.  | 5. Operator certification   |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM.             |

25. Signature 	Name (Printed/Typed) Dwaine Moore	Date 09/12/2007
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Title Agent for COG Operating, LLC	Name (Printed/Typed) IS/ Angel Mayes	Date DEC 12 2007
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Approved by 	Name (Printed/Typed) IS/ Angel Mayes	Date DEC 12 2007
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Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS
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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  
1025 N. Fourth St., Santa Fe, NM 87505

DISTRICT II  
1001 E. Grand Avenue, Alameda, NM 87010

DISTRICT III  
1000 N. Broadway Blvd., Las Vegas, NM 87410

DISTRICT IV  
1200 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

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

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

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

Surface Location

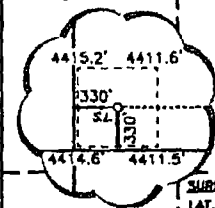
UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
M	10	15 S	31 E		330	SOUTH	330	WEST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	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 Acres	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

	<b>SURFACE LOCATION</b> LAT.: N 33°01'28.57" LONG.: W103°49'01.63" N.: 738670.6 E.: 889556.0 (NAD-83)	<b>BOTTOM HOLE LOCATION</b> LAT.: N 33°01'28.72" LONG.: W103°48'07.25" N.: 738716.320 E.: 704118.493 (NAD-83)
	4415.2' 4411.6' 330' 330' 4414.6' 4411.5' 330' 330' 4415.2' 4411.6' 330' 330'	

**OPERATOR CERTIFICATION**

I hereby certify that the information furnished herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided 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.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

**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.

**JULY 27, 2007**

Date Surveyed \_\_\_\_\_

Signature \_\_\_\_\_  
Professional Surveyor

**W.C. JONES 7977**

Certificate No. Gary L. Jones 7977

**BASIN SURVEYS**

Confirmation Services	Package ID: 9171032131333333128455	CONFIRMED
	Destination ZIP Code: 79701	INT. CLASS FLAT
	Customer Reference:	PBP Account #: 41001263
	Cimarex Energy Co. 600 N. Marienfield, Suite 600 Midland, TX 79701 Attn: Hayden Tresner	Serial #: 10000006 SEP 27 2004 4 48P

<b>SENDER: COMPLETE THIS SECTION</b> ■ Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits.		<b>COMPLETE THIS SECTION ON DELIVERY</b>	
1. Article Addressed to:  Cimarex Energy Co. 600 N. Marienfield, Suite 600 Midland, TX 79701 Attn: Hayden Tresner		A. Signature X <i>Stefan McQuery</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
2. Article Number <i>Saurus Jed #1</i> (Transfer from se)		B. Received by (Printed Name) <i>STEFAN MCQUERY</i> Date of Delivery <i>9-26-08</i>	
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.		D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:	
PS Form 3811, February 2004		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
Domestic Return Receipt		102595-02-M-1640	

91 7108 2133 3933 5312 8655

Confirmation Report - Memory Send

Page : 001  
Date & Time: 09-23-08 03:34pm  
Line 1 : +4326854398  
Line 2 : +  
Machine ID : Concho Land

Job number : 098  
Date : 09-23 03:33pm  
To : 85717832  
Number of pages : 006  
Start time : 09-23 03:33pm  
End time : 09-23 03:34pm  
Pages sent : 006  
Status : OK  
Job number : 098

\*\*\* 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: Sept 23, 2008  
To: Rayden Chavez  
Fax: 432-671-7832  
From: Jan Spradlin  
Subject: Survey and #1

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 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 \_\_\_\_\_



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: Sept 23, 2008

To: Gayden J. Fisher

Fax: Pimprok Energy Co  
432-671-7832

From: Jan Spradlin

Subject: Survey Job #1

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Thank you.

If you have any difficulty in receiving this fax, please call  
\_\_\_\_\_