



NMOCD Case No. 14323  
August 20, 2009  
COG Operating LLC Ex. No. 5

August 11, 2009

**VIA FEDERAL EXPRESS**

Timothy R. MacDonald  
23 Graham Ln.  
Lucas, TX 75002

RE: Big Game Prospect  
Blackhawk "11" Federal Com #1  
S2S2 of Section 11-T16S-R28E  
Eddy County, New Mexico

Dear Mr. MacDonald:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6680' and total measured depth being approximately 11,130'. The surface location for this well has been permitted at 430' FSL & 430' FWL with a bottomhole location at 330' FSL & 330' FEL with the dedicated project area being the S2S2 of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE dated August 10, 2009 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 Timothy R. McDonald's contractual and leasehold interests situated in Section 11-T16S-R28E, Eddy County, New Mexico.

**Proposal 2:**

Timothy R. McDonald will farmout all of his contractual and leasehold interests in Section 11-T16S-R28E, Eddy County, New Mexico, retaining an overriding royalty interest equal to the difference between existing lease burdens of record and twenty percent (20%), proportionately reduced.


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 Operating LLC



Jan Preston Spradlin, CPL  
Senior Landman

☒ I/We hereby elect to participate in the Blackhawk "11" Federal Com #1  
☐ I/We hereby elect not to participate in the Blackhawk "11" Federal Com #1  
☐ I/We hereby elect to pursue Proposal 1  
☐ I/We hereby elect to pursue Proposal 2



TIMOTHY R. McDONALD

Date: \_\_\_\_\_

COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING

WELL NAME: Blackhawk "11" Fed Com #1	PROSPECT NAME: Crow Flats
Surf. Loc: 430' FS&WL, Sec 11	COUNTY & STATE: Eddy,NM
B.H. Loc: 330' FS&EL, Sec 11	OBJECTIVE: 10,900' MD (6680' TVD) Lwr Abo/Wolfcamp
T16S - R28E w/pilot, wo/LWD	

INTANGIBLE COSTS		BCP		ACP		TOTAL
Title/Curative/Permit	201	5,500				5,500
Insurance	202	22,000	302			22,000
Damages/Right of Way	203	15,000	303			15,000
Survey/Stake Location	204	3,000	304			3,000
Location/Pits/Road Expense	205	45,000	305	5,000		50,000
Drilling / Completion Overhead	206	5,000	306	1,000		6,000
Turnkey Contract	207		307			0
Footage Contract	208		308			0
Daywork Contract 32:4 @ \$10,000/day	209	320,000	309	40,000		360,000
Directional Drilling Services, With out LWD	210	180,000	310			180,000
Fuel & Power	211	54,000	311	6,000		60,000
Water	212	30,000	312	50,000		80,000
Bits	213	50,000	313	1,000		51,000
Mud & Chemicals	214	60,000	314			60,000
Drill Stem Test	215		315			0
Coring & Analysis	216					0
Cement Surface	217	12,200				12,200
Cement Intermediate	218	15,000				15,000
Cement 2nd Intermediate 7"	218		319	23,400		23,400
Cement Squeeze & Other (Kickoff Plug)	220	18,700	320			18,700
Float Equipment & Centralizers	221	5,000	321	2,000		7,000
Casing Crews & Equipment	222	15,000	322	10,000		25,000
Fishing Tools & Service	223		323			0
Geologic/Engineering	224	10,000	324	1,000		11,000
Contract Labor	225	10,000	325	30,000		40,000
Company Supervision	226	2,000	326	2,000		4,000
Contract Supervision	227	36,000	327	4,000		40,000
Testing Casing/Tubing	228	4,000	328	1,500		5,500
Mud Logging Unit	229	22,500	329			22,500
Logging	230	60,000	330			60,000
Perforating/Wireline Services	231	1,500	331	12,500		14,000
Stimulation/Treating			332	750,000		750,000
Completion Unit			333	18,000		18,000
Swabbing Unit			334			0
Rentals-Surface	235	100,000	335	45,000		145,000
Rentals-Subsurface	236	45,000	336	10,000		55,000
Trucking/Forklift/Rig Mobilization	237	80,000	337	15,000		95,000
Welding Services	238	3,000	338	1,500		4,500
Water Disposal	239		339	15,000		15,000
Plug to Abandon	240		340			0
Seismic Analysis	241		341			0
Closed Loop & Environmental	244	225,000	344			225,000
Miscellaneous	242	5,000	342	1,000		6,000
Contingency	243	146,600	343	105,100		251,700
TOTAL INTANGIBLES		1,606,000		1,150,000		2,756,000
TANGIBLE COSTS						
Surface Casing 500' 13 3/8"	401	18,000				18,000
Intermediate Casing 2300' 9 5/8", 6000' - 7"	402	59,000	503	145,000		204,000
Production Casing/Liner 4900' - 4.5"			503	59,000		59,000
Tubing 6000' 2 7/8"			504	34,000		34,000
Wellhead Equipment	405	10,000	505	8,000		18,000
Pumping Unit			506			0
Prime Mover			507			0
Rods			508			0
Pumps			509			0
Tanks			510	60,000		60,000
Flowlines			511	15,000		15,000
Heater Treater/Separator			512	25,000		25,000
Electrical System			513			0
Packers/Anchors/Hangers	414		514	200,000		200,000
Couplings/Fittings/Valves	415	2,000	515	50,000		52,000
Gas Compressors/Meters			516	4,000		4,000
Dehydrator			517			0
Injection Plant/CO2 Equipment			518			0
Miscellaneous	419	1,000	519	1,000		2,000
Contingency	420	9,000	520	61,000		70,000
TOTAL TANGIBLES		99,000		662,000		761,000
TOTAL WELL COSTS		1,705,000		1,812,000		3,517,000

COG Operating LLC

By: J. Coffman / C. Bird

Date Prepared: 8/10/09

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.

OCD-ARTESIA

ATS-08-118  
ET-08-1146Form 3160-3  
(February 2005)

AUG - 6 2008

OCD-ARTESIA

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

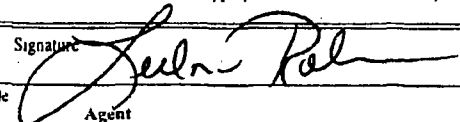
FORM APPROVED  
OMB No 1004-0137  
Expires March 31, 2007

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No. NM <del>400844</del> 95630
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 229137		7 If Unit or CA Agreement, Name and No
3a Address 550 W. Texas Suite 1300 Midland, Texas 79701	3b Phone No. (include area code) 432-683-7443	8 Lease Name and Well No. 37327 Blackhawk "11" Federal Com #1
4 Location of Well (Report location clearly and in accordance with any State requirements *) At surface 430' FSL & 430' FWL At proposed prod zone 330' FSL & 330' FEL		9 API Well No. 30-015-36541
14 Distance in miles and direction from nearest town or post office*		10 Field and Pool, or Exploratory Wolfcamp- Crow Flats
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	11 Sec, T R M or Blk and Survey or Area Section 11 T16S R28E
17 Spacing Unit dedicated to this well 160	18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	12 County or Parish Eddy County
19 Proposed Depth 11130' MD 6680' TVD	20 BLM/BIA Bond No. on file NMB 000215	13 State NM
21 Elevations (Show whether DF, KDB, RT, GL, etc) 3570 GL	22 Approximate date work will start* 06/01/2008	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) Lee Ann Rollins	Date 04/30/2008
Title Agent		
Approved by (Signature) /s/ James Stovall	Name (Printed Typed) /s/ James Stovall	Date AUG 04 2008
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

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.

## APPROVAL FOR TWO YEARS

Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

NOTE: NEW PIT RULE  
19-15-17 NMAC PART 17

\*(Instructions on page 2)

A form C-144 must be approved  
before starting drilling operations.

ROSWELL CONTROLLED WATER BASIN

SEE ATTACHED FOR  
CONDITIONS OF APPROVALAPPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

DISTRICT I  
1825 N. French Dr., Hobbs, NM 88240  
DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210  
DISTRICT III  
1000 Rio Brazos Rd., Aztec, 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 30-015-	Pool Code 97102	Pool Name CROW FLATS: WOLFCAMP
Property Code	Property Name BLACKHAWK "11" FEDERAL COM	Well Number 1
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3570'

Surface Location

UL or lot No. M	Section 11	Township 16 S	Range 28 E	Lot Idn	Feet from the 430	North/South line SOUTH	Feet from the 430	East/West line WEST	County EDDY
--------------------	---------------	------------------	---------------	---------	----------------------	---------------------------	----------------------	------------------------	----------------

Bottom Hole Location If Different From Surface

UL or lot No. P	Section 11	Township 16 S	Range 28 E	Lot Idn	Feet from the 330	North/South line SOUTH	Feet from the 330	East/West line EAST	County EDDY
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.						

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>OPERATOR CERTIFICATION</b>  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 to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature: <u>Phyllis A. Edwards</u> 8-14-08 Date: _____  Printed Name: <u>Phyllis A. Edwards</u> Regulatory Analyst	
				<b>SURVEYOR CERTIFICATION</b>  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.  Date Surveyed: <u>DECEMBER 16, 2007</u> Signature: <u>GARY L. JONES</u> Professional Surveyor Certificate No. <u>Gary L. Jones 7977</u>  BASIN SURVEYS	

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTOPERATOR'S COPY  
FORM APPROVED  
BLM-0137  
Expires: March 31, 2007

## SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

## SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well  
☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator  
COG Operating LLC3a. Address  
550 W. Texas Ave., Suite 1300 Midland, TX 797013b. Phone No. (include area code)  
432-685-4340

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

SURFACE: 430' FSL & 430' FWL  
Section 11, T16S, R28E, UL MBHL: 330' FSL & 330' FEL  
Section 11, T16S, R28E, UL P

5. Lease Serial No.

NMNM-95630

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Blackhawk 11 Federal Com #1

9. API Well No.

30-015-36541

10. Field and Pool, or Exploratory Area  
Crow Flats, Wolfcamp

11. County or Parish, State

Eddy County, NM

## 12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Chg pool, casing & cementing program
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

COG respectfully requests permission:

to change Field and Pool from Wolfcamp to Crow Flats Abo;

to change proposed Casing &amp; Cement Program;

for a variance to the 200' minimum tie back in order to set the pump as close to the formation as possible. The curve and horizontal are all located in the Abo Formation.

Attached is a revised plat and revised Form 3160-3 Drill Plan with changes reflected in shaded areas.

APPROVED

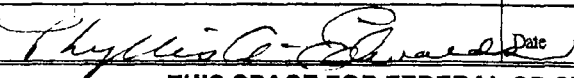
OCT 18 2008

14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)

Phyllis A. Edwards

Title Regulatory Analyst

Signature



Date

10/08/2008

JAMES A. AMOS  
SUPERVISOR-EPS

## THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice 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.

Title

Date

Office

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.

(Instructions on page 2)