



Sent Certified Mail
Receipt No. 91-7199-9991-7033-2437-5686

December 4, 2014

Timothy Leahy
P.O. Box 1096
Londonderry, NH 03053

RE: Well Proposal – Lee 3 Fee #7H
SHL: 150' FSL & 1650' FEL (Unit O)
BHL: 330' FNL & 1652' FEL (Unit B)
Section 3, T19S, R26E, Eddy County, New Mexico

Dear Mr. Timothy Leahy:

COG Operating LLC ("COG"), as Operator, proposes to drill the Lee 3 Fee #7H at the above-captioned location or at an approved surface location within location unit letter O, to a depth of approximately 3,200' TVD, 7,615'MD to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,267,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates that it will spud the well on or before April 1, 2015.

Pending reaching an agreement on your current Oil & Gas lease negotiations with COG, we are required to send a well proposal allowing you the opportunity to participate in the Operation. COG is proposing to drill this well under the terms of the modified 1989 AAPL Model Form Operating Agreement ("OA") draft enclosed, covering the W ½ of the E ¼ of Section 3, T-19-S, R-26-E, with the following general provisions:

- 200/500 Non-consenting penalty
- Drilling and Producing rate:
\$4500/\$450 for vertical wells from surface to 8000'
\$5450/\$545 for vertical wells below 8000' and horizontal wells all depths
- COG named as Operator

If you wish to participate in the Operation, COG will send forth an Operating Agreement for you to sign and execute.

If we do not reach an agreement within 30 days of the date of this letter COG will apply to the New Mexico Oil Conservation Division for Compulsory Pooling of your interest into a spacing unit for the proposed well.

If you desire to receive well information regarding the subject operations, please return a Well Information Requirements list to COG. Technical questions should be directed to Carl Bird at 432-686-3057 and land questions to the undersigned at 432-685-4354.

Yours Truly,

COG Operating LLC

Pedie Monta
Landman

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: COG Operating LLC
Hearing Date: January 8, 2015