



Sent via Certified Mail
Return Receipt Requested: 91 7199 9991 7034 2038 2236

February 26, 2015

Occidental Permian Limited Partnership
Attn: Permian Basin Land Manager
P.O. Box 4294
Houston, TX 77210-4294

RE: **Well Proposal – Branex-COG Fed Com #18H**
T17S, R32E, Section 9: S2S2 & Section 10: SW4SW4
SHL: 330' FSL & 330' FWL (UL –M)
BHL: 330' FSL & 990' FWL (UL-M)
Lea County, New Mexico

To Whom It May Concern:

COG Operating LLC (COG), as Operator, proposes to drill the Branex-COG Fed Com #18H well as a horizontal well at the above-captioned location to a TVD of approximately 5,800' to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,988,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement modified for horizontal development, enclosed herein. The Operating Agreement covers, T17S-R32E, S/2S/2 of Section 9 and SW/4SW/4 of Section 10, Lea County, New Mexico. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Producing rate
- COG named as Operator

If you do not wish to participate in the Operation, COG would like to acquire a Term Assignment of your leasehold for the following general terms:

- 3 year primary term
- Delivering a 80.00% NRI, proportionately reduced
- \$700 per net acre bonus consideration

If an agreement can't be negotiated 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.

The offer is subject to final title verification. If you have any questions, please do not hesitate to contact Joseph Scott at 432-688-6601 or by email at jscott@concho.com.

Respectfully,

COG OPERATING LLC


Taylor Craighead
Land Coordinator

Enclosure(s)

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: COG OPERATING LLC
Hearing Date: June 25, 2015

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: BRANEX-COG FEDERAL COM #18H	PROSPECT NAME: MALJAMR - 713083
SHL: 330' FSL 330' FWL, UL - M	STATE & COUNTY: New Mexico, Lea
BHL: 330' FSL, 990' FWL, UL - M	OBJECTIVE: Yeso Horizontal
FORMATION: YESO	DEPTH: 11,550
LEGAL: SEC. 9, SW4SW4, T17S-R32E	TVD: 5,800

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	11,000		11,000
Insurance	202	5,000	302 0	5,000
Damages/Right of Way	203	12,000	303 0	12,000
Survey/Stake Location	204	3,000	304 0	3,000
Location/Pits/Road Expense	205	80,000	305 25,000	105,000
Drilling / Completion Overhead	206	4,000	306 2,000	6,000
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract (0 days f/spud-ris @ \$0)	209	208,000	309 0	208,000
Directional Drilling Services (0 dir days @ \$0)	210	103,000	310	103,000
Fuel & Power	211	40,000	311 5,000	45,000
Water	212	38,000	312 112,500	150,500
Bits	213	43,600	313 5,000	48,600
Mud & Chemicals	214	45,000	314 0	45,000
Drill Stem Test	215		315 0	0
Coring & Analysis	216			0
Cement Surface	217	31,000		31,000
Cement Intermediate	218	31,000		31,000
Cement 2nd Intermediate/Production	218	0	319 62,000	62,000
Cement Squeeze & Other (Kickoff Plug)	220		320 0	0
Float Equipment & Centralizers	221	2,000	321 18,000	20,000
Casing Crews & Equipment	222	4,250	322 10,200	14,450
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	2,000	324	2,000
Contract Labor	225	33,150	325 38,000	71,150
Company Supervision	226	2,000	326 2,000	4,000
Contract Supervision	227	28,000	327 46,000	74,000
Testing Casing/Tubing	228	2,490	328 4,500	6,990
Mud Logging Unit	229	25,000	329	25,000
Logging	230	18,000	330	18,000
Perforating/Wireline Services	231	1,500	331 162,500	164,000
Stimulation/Treating			332 1,150,000	1,150,000
Completion Unit			333 35,000	35,000
Swabbing Unit			334	0
Rentals-Surface	235	52,000	335 312,500	364,500
Rentals-Subsurface	236	70,000	336 28,000	98,000
Trucking/Forklift/Rig Mobilization	237	61,000	337 50,000	111,000
Welding Services	238	5,000	338 3,000	8,000
Water Disposal	239	0	339 5,000	5,000
Plug to Abandon	240	0	340 0	0
Seismic Analysis	241	0	341 0	0
Closed Loop & Environmental	244	89,000	344 0	89,000
Miscellaneous	242	0	342 0	0
Contingency 5%	243	53,010	343 104,800	157,810
TOTAL INTANGIBLES		1,103,000	2,181,000	3,284,000

TANGIBLE COSTS				
Surface Casing (13 3/8" 54.5# J55 STC)	401	34,000		34,000
Intermediate Casing (9 5/8" 40# J55 LTC)	402	69,000	503 0	69,000
Production Casing (7" 29# & 5 1/2" 17# L80)			503 241,000	241,000
Tubing			504 29,000	29,000
Wellhead Equipment	405	8,200	505 16,000	26,200
Pumping Unit			506 72,000	72,000
Prime Mover			507 0	0
Rods			508 11,000	11,000
Pumps			509 63,000	63,000
Tanks			510 19,000	19,000
Flowlines			511 11,000	11,000
Heater Treater/Separator			512 29,000	29,000
Electrical System			513 18,000	18,000
Packers/Anchors/Hangers	414	0	514 2,000	2,000
Couplings/Fittings/Valves	415	500	515 36,000	36,500
Gas Compressors/Meters			516 4,000	4,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	500	519 4,000	4,500
Contingency	420	6,800	520 28,000	34,800
TOTAL TANGIBLES		119,000	585,000	704,000
TOTAL WELL COSTS		1,222,000	2,766,000	3,988,000

COG Operating LLC

By: Carl Bird

Date Prepared: 2/20/2015 KF

COG Operating LLC

We approve:
_____% Working Interest

By: _____

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.