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FOR YOUR FILE

**FEDERAL EXPRESS**

July 31, 2015

Working Interest Owners  
Listed on Exhibit "A"

Re: **Well Proposal – Resolver Fed Com 2H**  
Sec 12: E/2 W/2 - T23S-R32E  
SHL: 190' FNL/2260' FWL, or a legal location in Sec 12 (Unit C)  
BHL: 330' FSL/2260' FWL, or a legal location in Sec 12 (Unit N)  
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, hereby proposes to drill the Resolver Fed Com No. 2H well as a horizontal well at the above-captioned location, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 9,826' and a MD of 14,400' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$5,749,590.00 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 which is enclosed for your review and approval. The Operating Agreement covers Sec 12: W/2 - T23S-R32E. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC named as Operator

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements. A self-addressed, postage paid envelope is enclosed for your convenience. If you do not wish to participate, COG proposes to acquire your interest via term assignment.

If you have any questions, please do not hesitate to contact the undersigned at 432-685-2514.

Respectfully,

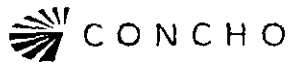
Andrew Wenzel  
Landman

Cc: Mike Wallace

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | P 432.683.7443 | F 432.683.7441

OCD Case No. 15381

COG OPERATING  
Exhibit #3



\_\_\_\_\_ I/We hereby elect to participate in the Resolver Fed Com No. 1H.

\_\_\_\_\_ I/We hereby elect not to participate in the Resolver Fed Com No. 1H.

Company or  
Individual Name: \_\_\_\_\_

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

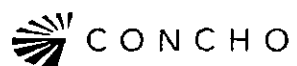


Exhibit "A"

**COG Operating LLC**  
600 West Illinois Ave  
Midland, TX 79701

**ConocoPhillips Company**  
600 North Dairy Ashford  
Houston, TX 77079  
Attention: Andy Harmon

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

Cost Estimate

<b>WELL NAME:</b> Resolver Federal Com #2H	<b>PROSPECT NAME:</b> Bulldog 2332 / 717112
<b>SHL:</b> 190' FNL & 2260' FWL (Unit C)	<b>STATE &amp; COUNTY:</b> New Mexico, Lea
<b>BHL:</b> 330' FSL & 2260' FWL (Unit N)	<b>OBJECTIVE:</b> Drill & Complete
<b>FORMATION:</b> Bone Spring	<b>DEPTH:</b> 14,400'
<b>LEGAL:</b> E/2W/2 Sec. 12, T23S-R32E	<b>TVD:</b> 9,826'

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	11,000		11,000
Insurance	202	4,000	302	4,000
Damages/Right of Way	203	5,000	303	5,000
Survey/Stake Location	204	7,000	304	7,000
Location/Pls/Road Expense	205	80,000	305	100,000
Drilling / Completion Overhead	206	8,000	306	8,000
Turnkey Contract	207	0	307	0
Foelage Contract	208	0	308	0
Daywork Contract	209	290,000	309	290,000
Directional Drilling Services	210	112,000	310	112,000
Fuel & Power	211	44,000	311	52,500
Water	212	45,000	312	441,000
Bits	213	55,000	313	58,000
Mud & Chemicals	214	42,000	314	50,500
Drill Stem Test	215	0	315	0
Coring & Analysis	216	0		0
Cement Surface	217	28,000		28,000
Cement Intermediate	218	38,000		38,000
Cement 2nd Intermediate/Production	218	0	319	100,000
Cement Squeeze & Other (Kickoff Plug)	220	0	320	0
Float Equipment & Centralizers	221	5,000	321	14,000
Casing Crews & Equipment	222	15,000	322	30,000
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	8,000	325	184,500
Company Supervision	226	0	326	0
Contract Supervision	227	30,000	327	100,000
Testing Casing/Tubing	228	10,000	328	20,000
Mud Logging Unit	229	16,000	329	16,000
Logging	230	0	330	0
Perforating/Wireline Services	231	6,000	331	200,800
Stimulation/Treating		0	332	1,600,000
Completion Unit		0	333	42,500
Swabbing Unit		0	334	0
Rentals-Surface	235	70,000	335	175,000
Rentals-Subsurface	236	77,000	336	22,500
Trucking/Forklift/Rig Mobilization	237	115,000	337	45,000
Welding Services	238	4,000	338	9,000
Water Disposal	239	0	339	360,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	128,000	344	5,000
Miscellaneous	242	0	342	0
Contingency	243	26,000	343	50,000
<b>TOTAL INTANGIBLES</b>		<b>1,279,000</b>	<b>3,322,300</b>	<b>4,601,300</b>

TANGIBLE COSTS				
Surface Casing	401	36,000		36,000
Intermediate Casing	402	148,000	503	148,000
Production Casing		0	503	212,000
Tubing		0	504	60,000
Wellhead Equipment	405	30,000	505	15,000
Pumping Unit		0	506	103,500
Prime Mover		0	507	0
Rods		0	508	50,000
Pumps		0	509	31,500
Tanks		0	510	90,000
Flowlines		0	511	45,000
Heater Treater/Separator		0	512	58,500
Electrical System		0	513	0
Packers/Anchors/Hangers	414	0	514	9,000
Couplings/Fittings/Valves	415	0	515	202,500
Gas Compressors/Meters		0	516	7,290
Dehydrator		0	517	0
Injection Plant/CO2 Equipment		0	518	0
Miscellaneous	419	0	519	0
Contingency	420	0	520	50,000
<b>TOTAL TANGIBLES</b>		<b>214,000</b>	<b>934,290</b>	<b>1,148,290</b>
<b>TOTAL WELL COSTS</b>		<b>1,493,000</b>	<b>4,256,590</b>	<b>5,749,590</b>

COG Operating LLC

Date Prepared: 7/30/15

We approve:  
\_\_\_\_\_% Working Interest

COG Operating LLC

By: Travis Newman (Drig)

Company: ConocoPhillips 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.