



Bonnie Blue
Landman

August 24, 2015

Occidental Permian Limited Partnership
Attn: Permian Land Manager – New Mexico
P.O. Box 4294
Houston, Texas 77210-4294

RE: **Well Proposal – Ragnar Federal Com #25H**
Township 17 South, Range 32 East
Section 15: W2E2
SHL: 185' FNL & 2358' FEL, Section 22 (Unit B)
BHL: 330' FNL & 2304' FEL, Section 15 (Unit B)
Lea County, New Mexico

Dear Sir or Madam,

COG Operating LLC ("COG"), as Operator, proposes to drill the Ragnar Federal Com #25H well as a horizontal well at the above captioned location to a TVD of approximately 6,350' to test the Yeso Formation ("Operation"). The total cost of the operation is estimated to be \$3,593,000 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. A completed copy will be sent at a later date for proper execution. The Operating Agreement covers, T17S-R32E, W/2E/2 of Section 15, Lea County, NM with the following general provisions:

- 100/300 Non-consenting penalty
- \$6,000/\$600 Drilling and Producing rate
- COG named as Operator

If you do not wish to participate in the Operation, COG would like to acquire your interest per the terms of that certain offer letter dated August 12, 2015 provided by COG.

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/project area for the proposed well.

Should you have any questions please contact the undersigned direct at 432-688-6648, or via email at bblue@concho.com.

Sincerely,

Bonnie Blue

OCD Case No. 15392

**COG OPERATING
Exhibit #3**