

Via Certified Mail: 7013 3020 0000 8748 9093

January 13, 2016

Devon Energy Production Company, L.P.
333 West Sheridan Avenue
Oklahoma City, OK 73102-5015
Attention: Peter Jessee

RE: Well Re-Proposal – Admiral Federal Com #2H
Township 25 South, Range 29 East, N.M.P.M.
Section 28: W/2 E/2 SHL: 190' FSL & 1980' FEL (Or at a legal location in Unit O)
Section 21: W/2 E/2 BHL: 330' FNL & 1980' FEL (Or at a legal location in Unit B)
Eddy County, New Mexico

Dear Mr. Jessee:

COG Operating LLC ("COG"), as Operator, hereby re-proposes to drill the Admiral Federal Com #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 10,154' and a MD of 20,000' with a PH-TD of 11,300' to test the Wolfcamp Formation ("Operation"). The total cost of the Operation is estimated to be \$11,872,908 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates to spud the well on or before February 17, 2016.

COG has proposed to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement. Enclosed are updated pages containing agreed upon changes for your review and approval. The Operating Agreement covers the W/2E/2 of Sections 21 & 28, T25S – R29E. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,500/\$750 Drilling and Producing Rate
- COG Operating LLC named as Operator

Please indicate your participation election in the space provided below and return this letter, along with an executed AFE and a copy of your geological well requirements to the corporate address below, attention Amanda Neagle.

Should you have any questions, please do not hesitate to contact Amanda Neagle at 432-688-6602.

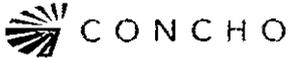
Very truly yours,
COG Operating LLC

Savannah Haller
Land Technician - Delaware Basin

CORPORATE ADDRESS
One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701
PHONE 432.683.7443 | FAX 432.683.7441

LOCAL ADDRESS
Concho West | 2208 Main Street | Artesia, New Mexico 88210
PHONE 575.748.6940 | FAX 575.746.2096

BEFORE THE OIL CONVERSATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: COG OPERATING LLC
Hearing Date: March 17, 2016



Admiral Federal Com #2H
January 13, 2016
Page No. 2

_____ I/We hereby elect to participate in the Admiral Federal Com #2H.

_____ I/We hereby elect not to participate in the Admiral Federal Com #2H.

Company or
Individual Name: _____

By: _____

Name: _____

Title: _____

Date: _____

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**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

| | |
|---|---|
| WELL NAME: ADMIRAL FEDERAL COM #2H | PROSPECT NAME: ATLAS 2529 (717050) |
| SHL: 190 FSL & 1980 FEL | STATE & COUNTY: New Mexico, Eddy |
| BHL: 330 FNL & 1980 FEL | OBJECTIVE: DRILL & COMPLETE |
| FORMATION: WOLFCAMP | DEPTH: 20,000 PH: 11300 |
| LEGAL: 28-25S-29E | TVD: 10,154 |

| 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 | 6,000 | 304 | 6,000 |
| Location/Pits/Road Expense | 205 | 120,000 | 305 | 133,648 |
| Drilling / Completion Overhead | 206 | 8,000 | 306 | 8,000 |
| Turnkey Contract | 207 | 0 | 307 | 0 |
| Footage Contract | 208 | 0 | 308 | 0 |
| Daywork Contract | 209 | 954,000 | 309 | 954,000 |
| Directional Drilling Services | 210 | 204,000 | 310 | 204,000 |
| Fuel & Power | 211 | 77,000 | 311 | 10,000 |
| Water | 212 | 45,000 | 312 | 964,260 |
| Bits | 213 | 82,000 | 313 | 9,000 |
| Mud & Chemicals | 214 | 175,000 | 314 | 25,000 |
| Drill Stem Test | 215 | 0 | 315 | 0 |
| Coring & Analysis | 216 | 47,000 | | 47,000 |
| Cement Surface | 217 | 14,250 | | 14,250 |
| Cement Intermediate | 218 | 50,000 | | 50,000 |
| Cement 2nd Intermediate/Production | 218 | 0 | 319 | 150,000 |
| Cement Squeeze & Other (Kickoff Plug) | 220 | 45,000 | 320 | 45,000 |
| Float Equipment & Centralizers | 221 | 6,500 | 321 | 15,000 |
| Casing Crews & Equipment | 222 | 30,000 | 322 | 25,000 |
| Fishing Tools & Service | 223 | 0 | 323 | 0 |
| Geologic/Engineering | 224 | 0 | 324 | 0 |
| Contract Labor | 225 | 6,500 | 325 | 156,000 |
| Company Supervision | 226 | 0 | 326 | 0 |
| Contract Supervision | 227 | 102,000 | 327 | 70,000 |
| Yessing Casing/Tubing | 228 | 10,000 | 328 | 10,000 |
| Mud Logging Unit | 229 | 24,000 | 329 | 24,000 |
| Logging | 230 | 200,000 | 330 | 0 |
| Perforating/Wireline Services | 231 | 4,000 | 331 | 530,000 |
| Stimulation/Treating | | 0 | 332 | 4,290,000 |
| Completion Unit | | 0 | 333 | 150,000 |
| Swabbing Unit | | 0 | 334 | 0 |
| Rentals-Surface | 235 | 235,000 | 335 | 211,000 |
| Rentals-Subsurface | 236 | 225,000 | 336 | 65,000 |
| Trucking/Forklift/Rig Mobilization | 237 | 125,000 | 337 | 22,500 |
| Welding Services | 238 | 4,000 | 338 | 5,000 |
| Water Disposal | 239 | 0 | 339 | 472,000 |
| Plug to Abandon | 240 | 0 | 340 | 0 |
| Seismic Analysis | 241 | 0 | 341 | 0 |
| Closed Loop & Environmental | 244 | 160,000 | 344 | 5,000 |
| Miscellaneous | 242 | 0 | 342 | 0 |
| Contingency | 243 | 60,000 | 343 | 25,000 |
| TOTAL INTANGIBLES | | 3,039,250 | 7,343,408 | 10,382,658 |

| TANGIBLE COSTS | | | | |
|-------------------------------|-----|------------------|------------------|-------------------|
| Surface Casing | 401 | 18,000 | | 18,000 |
| Intermediate Casing | 402 | 373,000 | 503 | 373,000 |
| Production Casing | | 0 | 503 | 245,000 |
| Tubing | | 0 | 504 | 45,000 |
| Wellhead Equipment | 405 | 25,000 | 505 | 30,000 |
| Pumping Unit | | 0 | 506 | 88,500 |
| Prime Mover | | 0 | 507 | 0 |
| Rods | | 0 | 508 | 35,000 |
| Pumps | | 0 | 509 | 10,000 |
| Tanks | | 0 | 510 | 90,000 |
| Flowlines | | 0 | 511 | 55,000 |
| Heater Treater/Separator | | 0 | 512 | 95,000 |
| Electrical System | | 0 | 513 | 50,000 |
| Packers/Anchors/Hangers | 414 | 0 | 514 | 15,000 |
| Couplings/Fittings/Valves | 415 | 0 | 515 | 220,000 |
| Gas Compressors/Meters | | 0 | 516 | 0 |
| Dehydrator | | 0 | 517 | 0 |
| Injection Plant/CO2 Equipment | | 0 | 518 | 0 |
| Miscellaneous | 419 | 0 | 519 | 70,000 |
| Contingency | 420 | 0 | 520 | 25,000 |
| TOTAL TANGIBLES | | 416,000 | 1,073,500 | 1,489,500 |
| TOTAL WELL COSTS | | 3,455,000 | 8,416,908 | 11,872,908 |

COG Operating LLC

Date Prepared: 1/13/2016

We approve:
% Working Interest

COG Operating LLC

By: SETH WILD/KEN LAFORTUNE KG

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.