



Federal Express

February 10, 2016

**Energien Resources Corporation
605 Richard Arrington, Jr. Blvd., N.
Birmingham, AL 35203**

Attention: Susan Tanis

**Re: Well Proposal – Stove Pipe Federal Com #2H
W/2E/2, Section 6(2)-7(G) -- T25S-R35E: Unit Area
SHL: 225' FNL & 1905' FEL, or a legal location in Sec 6 (Lot 2)
BHL: 2310' FNL & 1980' FEL, or a legal location in Sec 7 (Unit G)
Lea County, New Mexico**

Dear Ms. Tanis:

COG Operating LLC ("COG"), as Operator, proposes to drill the Stove Pipe Federal Com #2H well as a horizontal well at the above-captioned location to a TVD of approximately 12,574' and a MD of 19,729' to test the Bone Spring/Wolfcamp Formation ("Operation"). The total cost of the Operation is estimated to be \$12,417,600.00 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 the W/2E/2 of Section 6 and W/2NE/4 of Section 7, T25S-R35E, Lea Co., 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 your leasehold via farmout under the following general terms:

- Delivery of a 75% NRI, proportionately reduced
- Option to convert ORRI after 100% payout to a 25% WI, proportionately reduced

This farmout offer is subject to the approval of COG's management and verification of title.

BEFORE THE OIL CONVERSION
DIVISION

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: COG OPERATING LLC

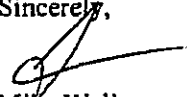
Hearing Date: March 31, 2016

Stove Pipe Federal Com #2H
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Please indicate your participation election in the space provided below and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address. You may also email your response to mwallace@concho.com.

Should you have any questions, please do not hesitate to contact the undersigned at 432-221-0465.

Sincerely,


Mike Wallace
Senior Landman

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

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

Company: ENERGEN RESOURCES CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

| | |
|--|--------------------------------------|
| WELL NAME: VIKING HELMET STATE COM #2H | PROSPECT NAME: BULLDOG 2435 (717008) |
| SHL: SEC 29: 190 FNL & 1980 FEL | STATE & COUNTY: New Mexico, Lea |
| BHL: SEC 32: 2310 FNL & 1980 FEL | OBJECTIVE: DRILL & COMPLETE |
| FORMATION: WOLFCAMP | DEPTH: 19,602 |
| LEGAL: 29-24S-35E | TVD: 12478' / PHTD: 12750' |

| 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 | 253,648 |
| Drilling / Completion Overhead | 206 | 8,000 | 306 | 8,000 |
| Turnkey Contract | 207 | 0 | 307 | 0 |
| Footage Contract | 208 | 0 | 308 | 0 |
| Daywork Contract | 209 | 990,000 | 309 | 990,000 |
| Directional Drilling Services | 210 | 244,000 | 310 | 244,000 |
| Fuel & Power | 211 | 96,000 | 311 10,000 | 106,000 |
| Water | 212 | 75,000 | 312 664,000 | 739,000 |
| Bits | 213 | 77,000 | 313 4,500 | 81,500 |
| Mud & Chemicals | 214 | 167,000 | 314 25,000 | 192,000 |
| Drill Stem Test | 215 | 0 | 315 | 0 |
| Coring & Analysis | 216 | 30,000 | | 30,000 |
| Cement Surface | 217 | 19,000 | | 19,000 |
| Cement Intermediate | 218 | 38,000 | | 38,000 |
| Cement 2nd Intermediate/Production | 218 | 76,000 | 319 128,250 | 204,250 |
| Cement Squeeze & Other (Kickoff Plug) | 220 | 43,000 | 320 | 43,000 |
| Float Equipment & Centralizers | 221 | 7,000 | 321 15,000 | 22,000 |
| Casing Crews & Equipment | 222 | 30,000 | 322 22,000 | 52,000 |
| Fishing Tools & Service | 223 | 0 | 323 | 0 |
| Geologic/Engineering | 224 | 0 | 324 | 0 |
| Contract Labor | 225 | 6,500 | 325 179,000 | 185,500 |
| Company Supervision | 226 | 0 | 326 | 0 |
| Contract Supervision | 227 | 125,000 | 327 70,000 | 195,000 |
| Testing Casing/Tubing | 228 | 10,000 | 328 10,000 | 20,000 |
| Mud Logging Unit | 229 | 33,000 | 329 | 33,000 |
| Logging | 230 | 250,000 | 330 | 250,000 |
| Perforating/Wireline Services | 231 | 4,000 | 331 372,000 | 376,000 |
| Stimulation/Treating | | 0 | 332 4,772,000 | 4,772,000 |
| Completion Unit | | 0 | 333 155,000 | 155,000 |
| Swabbing Unit | | 0 | 334 | 0 |
| Rentals-Surface | 235 | 200,000 | 335 286,000 | 486,000 |
| Rentals-Subsurface | 236 | 220,000 | 336 75,000 | 295,000 |
| Trucking/Forklift/Rig Mobilization | 237 | 125,000 | 337 25,000 | 150,000 |
| Welding Services | 238 | 4,000 | 338 5,000 | 9,000 |
| Water Disposal | 239 | 0 | 339 936,000 | 936,000 |
| Plug to Abandon | 240 | 0 | 340 | 0 |
| Seismic Analysis | 241 | 0 | 341 | 0 |
| Closed Loop & Environmental | 244 | 160,000 | 344 5,000 | 165,000 |
| Miscellaneous | 242 | 0 | 342 | 0 |
| Contingency | 243 | 64,000 | 343 50,000 | 114,000 |
| TOTAL INTANGIBLES | | 3,247,500 | 7,942,398 | 11,189,898 |
| | | | | |
| TANGIBLE COSTS | | | | |
| Surface Casing | 401 | 14,000 | | 14,000 |
| Intermediate Casing | 402 | 421,000 | 503 | 421,000 |
| Production Casing | | 0 | 503 187,000 | 187,000 |
| Tubing | | 0 | 504 45,000 | 45,000 |
| Wellhead Equipment | 405 | 25,000 | 505 30,000 | 55,000 |
| Pumping Unit | | 0 | 506 | 0 |
| Prime Mover | | 0 | 507 | 0 |
| Rods | | 0 | 508 | 0 |
| Pumps | | 0 | 509 30,000 | 30,000 |
| Tanks | | 0 | 510 90,000 | 90,000 |
| Flowlines | | 0 | 511 | 0 |
| Heater Treater/Separator | | 0 | 512 95,000 | 95,000 |
| Electrical System | | 0 | 513 50,000 | 50,000 |
| Packers/Anchors/Hangers | 414 | 0 | 514 6,000 | 6,000 |
| Couplings/Fittings/Valves | 415 | 0 | 515 220,000 | 220,000 |
| Gas Compressors/Meters | | 0 | 516 35,000 | 35,000 |
| Dehydrator | | 0 | 517 | 0 |
| Injection Plant/CO2 Equipment | | 0 | 518 | 0 |
| Miscellaneous | 419 | 0 | 519 70,000 | 70,000 |
| Contingency | 420 | 0 | 520 25,000 | 25,000 |
| TOTAL TANGIBLES | | 460,000 | 883,000 | 1,343,000 |
| TOTAL WELL COSTS | | 3,708,000 | 8,825,398 | 12,533,398 |

COG Operating LLC

Date Prepared: 11/5/2015

We approve:
% Working Interest

COG Operating LLC

By: TRAVIS NEWMAN/KEN LAFORTUNE KG

Company: CHEVRON U.S.A. INC.
By:

Printed Name:
Title:
Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.