



March 6, 2012

Sent via Facsimile (713) 647-3003 and U.S. Mail

TOTAL E&P USA, INC.  
Total Plaza  
1201 Louisiana Street – Suite 1800  
Houston, TX 77002

RE: **Well Proposal: Burkett State #16H**  
COG Operating LLC (“COG”), as Operator  
SHL: 990’ FNL & 1470’ FEL (Unit D –NWNW or other legal location)  
BHL: 990’ FNL & 330’ FWL  
Section 16, T17S-R31E, Eddy County, New Mexico  
API # 30-015-37478

Gentlemen:

COG Operating LLC (“COG”) hereby proposes to drill the Burkett State #15H well on July 17, 2012 to a total measured depth of 9,575’ in the Yeso formation. Please find enclosed, for your review and approval, a copy of COG’s Authority for Expenditure (“AFE”) detailing the estimated costs for drilling and completing the Burkett State #16H well. Should Total be interested in participating in this proposal, please review and approve the enclosed Joint Operating Agreement.

Pursuant to Requirement No. 6 of the attached Title Opinion dated January 11, 2012, rendered by Kim Hamann, Total Petrochemical USA Inc. (“Total”) has 25% working interest in the captured lands as successor to American Petrofina, Inc.

However, should Total not be interested in participating in this proposal, COG respectfully requests a three year term assignment covering Total’s entire interest in the W/2NE/4 and N/2NW/4 of Section 16-T17S-R31E, Eddy County, NM, for the following terms:

- Bonus consideration of \$500 per net acre for your 20 acres.
- Total to deliver 75% NRI proportionately reduced.
- Continuous Development: 180 days

Corporate Address: Fasken Center, Tower II 550 West Texas Avenue, Suite 100 Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

NMOCD CASE NO. 14815  
APRIL 26, 2012  
COG EX. 3



Time is of the essence and a quick response would be greatly appreciated. Should you require additional information or have any questions, please do not hesitate to contact the undersigned at (432) 221-0333.

Thank you for your time and consideration of this proposal.

Sincerely,

COG Operating LLC

A handwritten signature in black ink, appearing to read "Katie Mohebkhosravi".

Katayoun "Katie" Mohebkhosravi  
Landman  
KMohebkhosravi@concho.com

**AUTHORITY FOR EXPENDITURE  
DRILLING**

|  |   |
|--|---|
| <b>WELL NAME: BURKETT 16 STATE #16H</b>      | <b>PROSPECT NAME: FREN</b>                        |
| <b>Surf. 990' FNL, 1470' FEL, Section 16</b> | <b>COUNTY &amp; STATE: Eddy Co. NM</b>            |
| <b>BHL. 990' FNL, 330' FWL, Section 16</b>   | <b>OBJECTIVE: 9575' MD, (6300' TVD) Yeso Test</b> |
| <b>TX17S, R31E</b>                           |   |

| <b>INTANGIBLE COSTS</b>                     | <b>BCP</b>       | <b>ACP</b>       | <b>TOTAL</b>     |
|---|------------------|------------------|------------------|
| Title/Curative/Permit                       | 201 10,000       |                  | 10,000           |
| Insurance                                   | 202 22,000       | 302              | 22,000           |
| Damages/Right of Way                        | 203 15,000       | 303              | 15,000           |
| Survey/Stake Location                       | 204 3,000        | 304              | 3,000            |
| Location/Pits/Road Expense                  | 205 40,000       | 305 15,000       | 55,000           |
| Drilling / Completion Overhead              | 206 5,000        | 306 1,000        | 6,000            |
| Turnkey Contract                            | 207              | 307              | 0                |
| Footage Contract                            | 208              | 308              | 0                |
| Daywork Contract 20:4 @ \$14000/day         | 209 280,000      | 309 56,000       | 336,000          |
| Directional Drilling Services               | 210 175,000      | 310              | 175,000          |
| Fuel & Power                                | 211 59,500       | 311 11,900       | 71,400           |
| Water                                       | 212 25,000       | 312 60,000       | 85,000           |
| Bits  | 213 45,000       | 313 1,000        | 46,000           |
| Mud & Chemicals                             | 214 50,000       | 314              | 50,000           |
| Drill Stem Test                             | 215              | 315              | 0                |
| Coring & Analysis                           | 216              |                  | 0                |
| Cement Surface                              | 217 35,000       |                  | 35,000           |
| Cement Intermediate                         | 218 20,000       |                  | 20,000           |
| Cement Production 5-1/2"                    | 218              | 319 35,000       | 35,000           |
| Cement Squeeze & Other (Kickoff Plug)       | 220              | 320              | 0                |
| Float Equipment & Centralizers              | 221 4,000        | 321 25,000       | 29,000           |
| Casing Crews & Equipment                    | 222 12,000       | 322 12,000       | 24,000           |
| Fishing Tools & Service                     | 223              | 323              | 0                |
| Geologic/Engineering                        | 224 10,000       | 324 1,000        | 11,000           |
| Contract Labor                              | 225 10,000       | 325 21,000       | 31,000           |
| Company Supervision                         | 226 2,000        | 326 2,000        | 4,000            |
| Contract Supervision                        | 227 32,000       | 327 6,400        | 38,400           |
| Testing Casing/Tubing                       | 228 5,000        | 328 12,000       | 17,000           |
| Mud Logging Unit                            | 229 16,000       | 329              | 16,000           |
| Logging                                     | 230 20,000       | 330              | 20,000           |
| Perforating/Wireline Services               | 231 3,500        | 331              | 3,500            |
| Stimulation/Treating                        | 232              | 332 1,500,000    | 1,500,000        |
| Completion Unit                             | 233              | 333 24,000       | 24,000           |
| Swabbing Unit                               | 234              | 334              | 0                |
| Rentals-Surface                             | 235 35,000       | 335 75,000       | 110,000          |
| Rentals-Subsurface                          | 236 35,000       | 336 10,000       | 45,000           |
| Trucking/Forklift/Rig Mobilization          | 237 70,000       | 337 20,000       | 90,000           |
| Welding Services                            | 238 5,000        | 338 2,500        | 7,500            |
| Water Disposal                              | 239              | 339 20,000       | 20,000           |
| Plug to Abandon                             | 240              | 340              | 0                |
| Seismic Analysis                            | 241              | 341              | 0                |
| Closed Loop & Environmental                 | 244 75,000       | 344              | 75,000           |
| Miscellaneous                               | 242 5,000        | 342 1,000        | 6,000            |
| Contingency                                 | 243 113,000      | 343 192,200      | 305,200          |
| <b>TOTAL INTANGIBLES</b>                    | <b>1,237,000</b> | <b>2,104,000</b> | <b>3,341,000</b> |
| <b>TANGIBLE COSTS</b>                       |                  |                  |                  |
| Surface Casing 450' 13 3/8"                 | 401 15,300       |                  | 15,300           |
| Intermediate Casing 1350' 9 5/8" 36#        | 402 35,262       | 503              | 35,262           |
| Production Casing/Liner 5 1/2" 17# x 7" 26# |                  | 503 206,800      | 206,800          |
| Tubing .4300' 2 7/8"                        |                  | 504 25,800       | 25,800           |
| Wellhead Equipment                          | 405 8,000        | 505 15,000       | 23,000           |
| Pumping Unit                                |                  | 506 40,000       | 40,000           |
| Prime Mover                                 |                  | 507 20,000       | 20,000           |
| Rods  |                  | 508              | 0                |
| Pumps                                       |                  | 509 10,000       | 10,000           |
| Tanks                                       |                  | 510 27,825       | 27,825           |
| Flowlines                                   |                  | 511 5,000        | 5,000            |
| Heater Treater/Separator                    |                  | 512 48,500       | 48,500           |
| Electrical System                           |                  | 513 2,500        | 2,500            |
| Packers/Anchors/Hangers                     | 414              | 514 310,000      | 310,000          |
| Couplings/Fittings/Valves                   | 415 2,500        | 515 45,250       | 47,750           |
| Gas Compressors/Meters                      |                  | 516 4,000        | 4,000            |
| Dehydrator                                  |                  | 517              | 0                |
| Injection Plant/CO2 Equipment               |                  | 518              | 0                |
| Miscellaneous                               | 419 1,000        | 519 21,000       | 22,000           |
| Contingency                                 | 420 7,938        | 520 79,325       | 87,263           |
| <b>TOTAL TANGIBLES</b>                      | <b>70,000</b>    | <b>861,000</b>   | <b>931,000</b>   |
| <b>TOTAL WELL COSTS</b>                     | <b>1,307,000</b> | <b>2,965,000</b> | <b>4,272,000</b> |

COG Operating LLC

By: C. Effort

Date Prepared: 02/29/2012

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

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.

**AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: **BURKETT 16 STATE #16H** PROSPECT NAME: **FREN**  
 Surf. 990' FNL, 1470' FEL, Section 16 COUNTY & STATE: **Eddy Co. NM**  
 BHL 990' FNL, 330' FWL, Section 16 OBJECTIVE: **9575' MD, (6300' TVD) Yeso Test**  
 TX17S, R31E

| <b>INTANGIBLE COSTS</b>                     |     | <b>BCP</b>       | <b>ACP</b>       | <b>TOTAL</b>     |
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| Turnkey Contract                            | 207 |                  | 307              | 0                |
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| Daywork Contract 20:4 @ \$14000/day         | 209 | 280,000          | 309              | 336,000          |
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| Fuel & Power                                | 211 | 59,500           | 311              | 71,400           |
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| Bits  | 213 | 45,000           | 313              | 46,000           |
| Mud & Chemicals                             | 214 | 50,000           | 314              | 50,000           |
| Drill Stem Test                             | 215 |                  | 315              | 0                |
| Coring & Analysis                           | 216 |                  |                  | 0                |
| Cement Surface                              | 217 | 35,000           |                  | 35,000           |
| Cement Intermediate                         | 218 | 20,000           |                  | 20,000           |
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| Contract Labor                              | 225 | 10,000           | 325              | 31,000           |
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| Contract Supervision                        | 227 | 32,000           | 327              | 38,400           |
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| Logging                                     | 230 | 20,000           | 330              | 20,000           |
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| Stimulation/Treating                        |     |                  | 332              | 1,500,000        |
| Completion Unit                             |     |                  | 333              | 24,000           |
| Swabbing Unit                               |     |                  | 334              | 0                |
| Rentals-Surface                             | 235 | 35,000           | 335              | 110,000          |
| Rentals-Subsurface                          | 236 | 35,000           | 336              | 45,000           |
| Trucking/Forklift/Rig Mobilization          | 237 | 70,000           | 337              | 90,000           |
| Welding Services                            | 238 | 5,000            | 338              | 7,500            |
| Water Disposal                              | 239 |                  | 339              | 20,000           |
| Plug to Abandon                             | 240 |                  | 340              | 0                |
| Seismic Analysis                            | 241 |                  | 341              |                  |
| Closed Loop & Environmental                 | 244 | 75,000           | 344              | 75,000           |
| Miscellaneous                               | 242 | 5,000            | 342              | 6,000            |
| Contingency                                 | 243 | 113,000          | 343              | 305,200          |
| <b>TOTAL INTANGIBLES</b>                    |     | <b>1,237,000</b> | <b>2,104,000</b> | <b>3,341,000</b> |
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| Pumping Unit                                |     |                  | 506              | 40,000           |
| Prime Mover                                 |     |                  | 507              | 20,000           |
| Rods  |     |                  | 508              | 0                |
| Pumps                                       |     |                  | 509              | 10,000           |
| Tanks                                       |     |                  | 510              | 27,825           |
| Flowlines                                   |     |                  | 511              | 5,000            |
| Heater Treater/Separator                    |     |                  | 512              | 48,500           |
| Electrical System                           |     |                  | 513              | 2,500            |
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| Couplings/Fittings/Valves                   | 415 | 2,500            | 515              | 47,750           |
| Gas Compressors/Meters                      |     |                  | 516              | 4,000            |
| Dehydrator                                  |     |                  | 517              | 0                |
| Injection Plant/CO2 Equipment               |     |                  | 518              | 0                |
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| <b>TOTAL WELL COSTS</b>                     |     | <b>1,307,000</b> | <b>2,965,000</b> | <b>4,272,000</b> |

COG Operating LLC

By: C. Elliott

Date Prepared: 02/29/2012

We approve:  
% Working Interest

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.

COG Operating LLC  
Section 16, T19S, R31E: N/2NW and W2/NE  
January 11, 2012  
Page 10

**Requirement No. 6.** This Requirement concerns the 25% leasehold interest herein credited to Total Petrochemicals USA, Inc. In 1963, American Petrofina, Inc. acquired the interest of Cosden Petroleum Corporation, which had among its assets a one-fourth interest below 4,000' in the subject leasehold. This is evidenced by Assignment to American Petrofina recorded in Book 134, Page 1 ECR. In 1991, American Petrofina, Inc. became FINA, Inc. In 1997 another "FINA" related entity, Fina Oil and Chemical Company (whose name prior to 1985 had been American Petrofina Company of Texas – not the same as "American Petrofina, Inc.") by a term assignment (one year plus drilling requirements) purports to assign its interest in the subject leasehold to Chase Oil Corporation. There were no warranties of title. According to the Materials Examined, this Assignor, Fina Oil and Chemical Company, never had record title interest. On April 29, 1999, effective January 1, 1999, Fina Oil and Chemical Company purports to assign this same interest, without warranty of title, to Manix Energy, LLC. There is no recorded documentation evidencing the termination of the prior assignment to Chase Oil Corporation for failure to fulfill the drilling commitment but, for purposes of scheduling ownership, we assumed the drilling requirement was not met and, since Fina Oil and Chemical Company is a stranger to title, we have scheduled Total Petrochemicals USA Inc. (as the successor to FINA, Inc.), as the owner of this 25% interest.

There is a lengthy chain of title following the assignment from Fina Oil and Chemical Company to Manix Energy, LLC. The last related conveyance entry filed December 22, 2010, appearing in Book 838, Page 242 ECR, is an Assignment to Apache Corporation. All of these assignments, commencing with Manix Energy, LLC, are blanket assignments of multiple interests; they are not assignments of interest only in the subject lease. There is nothing in the Materials Examined to indicate that American Petrofina, Inc. or FINA, Inc. conveyed or otherwise transferred its interest to Fina Oil and Chemical Company, a wholly owned subsidiary of American Petrofina, Inc. The Corporate website for Total Petrochemicals USA, Inc., corporate successor to FINA, does not represent that FINA, Inc. and Fina Oil and Chemical Company were ever one and the same by merger/name change or otherwise. The New Mexico Public Regulation Commission website represents that American Petrofina, Inc. never owned assets in New Mexico. Further, we did find an entry in the NMSLO tract book for Section 16 that identifies an application for a salt water disposal well in Section 16 that was submitted on November 8, 2011 by Apache Corp. Since the application is pending, its contents are not yet public information. It is, however, an indication that Apache claims an interest in these lease lands.

As a result of the foregoing facts and analysis, there are three potential scenarios regarding ownership of the 25% working interest scheduled in Total Petrochemicals USA Inc.:

- a. As shown in our ownership schedule, the interest is owned by Total Petrochemicals USA Inc., as successor by merger or name change to the record title owner, American Petrofina, Inc.;

**This opinion furnished by COG Operating LLC.  
Anyone relying upon the contents  
herein does so at his own risk and with-  
out recourse to COG Operating LLC.**

**BEATTY & WOZNAK, P.C.**

COG Operating LLC  
Section 16, T19S, R31E: N/2NW and W2/NE  
January 11, 2012  
Page 11

- b. Assuming Fina Oil and Chemical Company succeeded, by name change or merger (we could find no evidence supporting this assumption), to the interest owned of record by American Petrofina, Inc., and assuming the term assignment referenced in the comment terminated for failure of the assignee to satisfy the drilling requirement, then the interest would be owned by the successors and assigns of Manix Energy, LLC; and
- c. Assuming Fina Oil and Chemical Company succeeded, by name change or merger (we could find no evidence supporting this assumption), to the interest owned of record by American Petrofina, Inc., and assuming the term assignment referenced in the comment was continued in effect by satisfaction of the drilling requirement, then the interest would be owned by COG Oil & Gas, LP.

**REQUIREMENT:** You should inquire with both Apache Corporation and Total Petrochemicals USA Inc. regarding their claim to ownership, if any, of the referenced 25% working interest. You should determine whether Fina Oil and Chemical Company succeeded to the interest of FINA, Inc. If so, you should record appropriate documentation of such succession in Eddy County. You should also determine whether the term assignment referenced in the comment terminated for failure to satisfy the drilling requirement. You should return to us with the results of your investigations so that we can revise this Opinion accordingly and make the appropriate additional requirements.

**This opinion furnished by COG Operating LLC.  
Anyone relying upon the contents  
herein does so at his own risk and with-  
out recourse to COG Operating LLC.**

# Transmission Report

Date/Time 03-06-2012 01:54:18 p.m. Transmit Header Text  
Local ID 1 4326863000 Local Name 1 Land

This document : Confirmed  
(reduced sample and details below)  
Document size : 8.5"x14"



FAX COVER SHEET

PAGE 1 OF 62 PAGES

DATE: March 6, 2012  
TO: Total E&P USA, Inc.  
FAX: (713)647-3003

NOTICE: This facsimile message contains PRIVILEGED and CONFIDENTIAL information and is intended only for the use of the specific individual or individuals to which it is addressed. If you are not an intended recipient of this facsimile, you are hereby notified that any unauthorized use, dissemination or copying of this facsimile or the information contained herein or attached hereto is strictly prohibited. If you receive this facsimile in error, please notify the sender named below by telephone and/or reply facsimile and destroy the facsimile received in error. Thank you.

FROM: Katyann "Katie" Mohabbathosravi  
Concho Resources Inc. - COG Oil & Gas LP / COG Operating LLC  
550 West Texas Avenue, Suite 100, Midland, Texas 79701-4210  
PHONE: (432) 221- 0333 FAX: (432) 686 3000

Re: Well Proposal Burket State #15H & #16H

Total Pages Scanned : 62

Total Pages Confirmed : 62

| No. | Job | Remote Station | Start Time               | Duration | Pages | Line | Mode | Job Type | Results |
|-----|-----|----------------|--------------------------|----------|-------|------|------|----------|---------|
| 001 | 717 | 7136473003     | 01:11:36 p.m. 03-06-2012 | 00:40:41 | 62/62 | 1    | EC   | HS       | CP14400 |

Abbreviations:

HS: Host send      PL: Polled local      MP: Mailbox print      CP: Completed      TS: Terminated by system  
HR: Host receive      PR: Polled remote      RP: Report      FA: Fall      G3: Group 3  
WS: Waiting send      MS: Mailbox save      FF: Fax Forward      TU: Terminated by user      EC: Error Correct

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

TOTAL E&P USA, INC.  
Total Plaza  
1201 Louisiana Street, Suite 1800  
Houston, TX 77002  
Well Proposals

2. Article Number  
(Transfer from service label)

91 7199 9991 7030 4042 4842

PS Form 3811, February 2004

Domestic Return Receipt

102585-02-M-1640

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
**X**  Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

91 7199 9991 7030 4042 4842

CERTIFIED MAIL



550 West Texas Avenue, Suite 100  
Midland, Texas 79701

TOTAL E&P USA, INC.  
Total Plaza  
1201 Louisiana Street, Suite 1800  
Houston, TX 77002