



FEDERAL EXPRESS & CERTIFIED MAIL

March 24, 2015

Energen Resources Corp.
3300 North A St., STE 100
Midland, TX 79705

Re: **Well Proposal – Skull Cap State Com No. 2H**
Sec 32: W/2 SE/4 - T24S-R35E
Sec 5: W/2 NE/4, NW/4 SE/4 - T25S-R35E
SHL: 2590' FSL/1980' FEL, or a legal location in Sec 32 (Unit J)
BHL: 1650' FSL/1980' FEL, or a legal location in Sec 5 (Unit J)
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, hereby retracts the Well Proposal for the Deerstalker Fed Com #2H dated February 19th, 2015.

Now therefor, COG hereby proposes to drill the Skull Cap State 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 12,423' and a MD of 18,650' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$13,944,040.00 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 32: W/2 SE/4 - T24S-R35E and Sec 5: W/2 NE/4, NW/4 SE/4 - T25S-R35E. 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 432-221-0465.

Respectfully,

Mike Wallace
Senior Landman

OCD Case No. 15295
COG OPERATING
Exhibit # 3



_____ I/We hereby elect to participate in the Skull Cap State Com No. 2H.

_____ I/We hereby elect not to participate in the Skull Cap State Com No. 2H.

Company or
Individual Name: Energen Resources Corp.

By: _____
Name: _____
Title: _____
Date: _____