



COPY

April 7, 2015

Via Certified Mail, Return Receipt Requested
No. 91 7199 9991 7033 2406 5570
EOG Resources, Inc.
P.O. Box 2267
Midland, TX 79702

Re: Cookie Tossler State Com #2H
SHL: 300' FNL & 1180' FEL, or at a legal location in Unit A
BHL: 330' FSL & 2260' FEL, or at a legal location in Unit O
Eddy County, New Mexico

Dear Gentlemen,

COG Operating LLC ("COG") hereby proposes the drilling of a horizontal well to a depth sufficient to test the 2nd Bone Spring formation at a total measured depth being approximately 13,290'. Included herewith is our Authority for Expenditure ("AFE") in the gross amount of \$6,101,420, being the total estimated cost to drill and complete said well.

COG is proposing to drill this well under the terms of a modified 1989 A.A.P.L Form 610 Model Form Operating Agreement, which is enclosed herewith for your review and execution. The Operating Agreement covers the E/2 of Section 16, Township 18 South, Range 30 East, Eddy County, New Mexico. It has the following general terms:

- 100%/300% Non-consenting penalty
- \$7,000/\$700 Drilling and Producing Rate
- COG named as Operator

Please have the appropriate party execute, notarize and return one (1) original of each signatory page, being the Operating Agreement and Recording Memorandum or Exhibit "H". If you do not wish to participate in the operation, COG would like to negotiate a Term Assignment or Farmout of your leasehold interest.

If an agreement is not reached 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 for the proposed well.

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 requirements, to my attention at the letterhead address or by email to ayoung@concho.com.

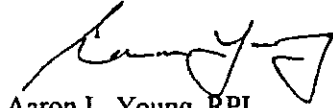
Should you have any questions, please do not hesitate to contact me at 432.221.0343.

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: COG OPERATING LLC
Hearing Date: July 9, 2015

April 7, 2015
Page 2

Sincerely,

COG Operating LLC



Aaron L. Young, RPL
Landman

AY:bh
Enc

_____ I/We hereby elect to participate in the Cookie Tosser State Com #2H.

_____ I/We hereby elect not to participate in the Cookie Tosser State Com #2H.

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

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: COOKIE TOSSER STATE COM #2H	PROSPECT NAME: ZEUS 1830 (717101)
SHL: 300 FNL & 1180 FEL	STATE & COUNTY: New Mexico, Eddy
BHL: 330 FSL & 2260 FEL	OBJECTIVE: DRILL & COMPLETE
FORMATION: LBSS/2ND BSS	DEPTH: 13,290
LEGAL: 16-18S-30E	TVD: 8,170

<u>INTANGIBLE COSTS</u>		<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Title/Cursive/Permit	201	11,000		11,000
Insurance	202	5,000	302	5,000
Damages/Right of Way	203	5,000	303	5,000
Survey/Strike Location	204	7,000	304	7,000
Locabor/Pax/Road Expense	205	90,000	305 20,000	110,000
Drilling / Completion Overhead	206	9,000	306	9,000
Turnkey Contract	207	0	307	0
Footage Contract	208	0	308	0
Daywork Contract	209	368,000	309	368,000
Directional Drilling Services	210	137,000	310	137,000
Fuel & Power	211	65,000	311 8,500	73,500
Water	212	63,000	312 340,000	403,000
Bits	213	69,000	313 3,000	72,000
Mud & Chemicals	214	47,000	314 12,750	59,750
Drill Stem Test	215	0	315	0
Coreng & Analysis	216	0		0
Cement Surface	217	33,300		33,300
Cement Intermediate	218	63,000		63,000
Cement 2nd Intermediate/Production	218	0	319 81,900	81,900
Cement Squeeze & Other (Kickoff Plug)	220	0	320 0	0
Float Equipment & Centralizers	221	22,000	321 6,000	28,000
Casing Crews & Equipment	222	18,000	322 11,900	29,900
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	10,000	325 198,500	208,500
Company Supervision	226	0	326	0
Contract Supervision	227	35,000	327 70,000	105,000
Testing Casing/Tubing	228	10,000	328	10,000
Mud Logging Unit	229	23,000	329	23,000
Logging	230	0	330	0
Perforating/Wireline Services	231	7,000	331 119,000	126,000
Simulation/Treating		0	332 2,020,000	2,020,000
Completion Unit		0	333 42,500	42,500
Swabbing Unit		0	334	0
Rentals-Surface	235	55,000	335 185,000	240,000
Rentals-Subsurface	236	84,600	336	84,600
Trucking/Forklift/Rig Mobilization	237	100,000	337 45,000	145,000
Welding Services	238	5,000	338 5,000	10,000
Water Disposal	239	0	339 260,000	260,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	127,000	344 5,000	132,000
Miscellaneous	242	0	342	0
Contingency	243	30,000	343 50,000	80,000
TOTAL INTANGIBLES		1,498,800	3,484,050	4,982,850
TANGIBLE COSTS				
Surface Casing	401	23,000		23,000
Intermediate Casing	402	127,000	503	127,000
Production Casing		0	503 215,000	215,000
Tubing		0	504 57,000	57,000
Wellhead Equipment	405	24,000	505 34,000	58,000
Pumping Unit		0	506 103,500	103,500
Prime Mover		0	507	0
Rods		0	508 40,500	40,500
Pumps		0	509 31,500	31,500
Tanks		0	510 90,000	90,000
Flowlines		0	511 22,500	22,500
Heater Treater/Separator		0	512 49,500	49,500
Electrical System		0	513 36,000	36,000
Packers/Anchors/Hangers	414	0	514 1,080	1,080
Couplings/Fittings/Valves	415	0	515 202,500	202,500
Gas Compressors/Meters		0	516 7,290	7,290
Dehydrator		0	517	0
Injection Plant/CO2 Equipment		0	518	0
Miscellaneous	419	0	519	0
Contingency	420	4,000	520 50,000	54,000
TOTAL TANGIBLES		178,000	940,370	1,118,370
TOTAL WELL COSTS		1,677,800	4,424,420	6,101,420

COG Operating LLC

Date Prepared 4/6/2015

We approve _____
% Working Interest

COG Operating LLC

By: TIM SMITH/KEN LAFORTUNE AW

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