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**FEDERAL EXPRESS**

July 31, 2015

Working Interest Owners  
Listed on Exhibit "A"

Re: **Well Proposal – Resolver Fed Com 1H**  
Sec 12: W/2 W/2 - T23S-R32E  
SHL: 190' FNL/380' FWL, or a legal location in Sec 12 (Unit D)  
BHL: 330' FSL/380' FWL, or a legal location in Sec 12 (Unit M)  
Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, hereby proposes to drill the Resolver Fed Com No. 1H 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 9,776' (12,500' PH) and a MD of 14,300' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$6,291,590.00 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 12: W/2 - T23S-R32E. 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 432-685-2514.

Respectfully,

Andrew Wenzel  
Landman

Cc: Mike Wallace

One Concho Center | 1000 West Illinois Avenue | Midland, Texas 79701 | P 432-683-7443 | F 432-683-7444

OCD Case No. 15380

COG OPERATING  
Exhibit #3



\_\_\_\_\_ I/We hereby elect to participate in the Resolver Fed Com No. 2H.

\_\_\_\_\_ I/We hereby elect not to participate in the Resolver Fed Com No. 2H.

Company or  
Individual Name: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



Exhibit "A"

**COG Operating LLC**  
600 West Illinois Ave  
Midland, TX 79701

**ConocoPhillips Company**  
600 North Dairy Ashford  
Houston, TX 77079  
Attention: Andy Harmon

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

Cost Estimate

WELL NAME: <b>Resolver Federal 1H</b>	PROSPECT NAME: <b>Bulldog 2332 (717122)</b>
SHL: <b>190' FNL &amp; 380' FWL (Unit D)</b>	STATE & COUNTY: <b>New Mexico, Lea</b>
BHL: <b>330' FSL &amp; 380' FWL (Unit M)</b>	OBJECTIVE: <b>Drill &amp; Complete</b>
FORMATION: <b>Bone Spring</b>	DEPTH: <b>14,300</b>
LEGAL: <b>W/2W/2 Sec. 12, T23S-R32E</b>	TVD: <b>9,776 (12,500 PH)</b>

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	7,000	304		7,000
Location/Pits/Road Expense	205	80,000	305	20,000	100,000
Drilling / Completion Overhead	208	8,000	308		8,000
Turnkey Contract	207	0	307		0
Footage Contract	206	0	306		0
Daywork Contract	209	377,000	309		377,000
Directional Drilling Services	210	129,000	310		129,000
Fuel & Power	211	58,000	311	8,500	66,500
Water	212	49,000	312	396,000	445,000
Bits	213	64,000	313	3,000	67,000
Mud & Chemicals	214	52,000	314	8,500	60,500
Drill Stem Test	215	0	315		0
Coring & Analysis	216	30,000			30,000
Cement Surface	217	28,000			28,000
Cement Intermediate	218	38,000			38,000
Cement 2nd Intermediate/Production	218	0	319	100,000	100,000
Cement Squeeze & Other (Kickoff Plug)	220	45,000	320	0	45,000
Float Equipment & Centralizers	221	5,000	321	9,000	14,000
Casing Crews & Equipment	222	15,000	322	15,000	30,000
Fishing Tools & Service	223	0	323		0
Geologic/Engineering	224	0	324		0
Contract Labor	225	8,000	325	176,500	184,500
Company Supervision	226	0	326		0
Contract Supervision	227	39,000	327	70,000	109,000
Testing Casing/Tubing	228	19,000	328	10,000	29,000
Mud Logging Unit	229	24,000	329		24,000
Logging	230	250,000	330		250,000
Perforating/Wireline Services	231	6,000	331	200,800	206,800
Stimulation/Treating		0	332	1,600,000	1,600,000
Completion Unit		0	333	42,500	42,500
Swabbing Unit		0	334		0
Rentals-Surface	235	91,000	335	175,000	266,000
Rentals-Subsurface	236	105,000	336	22,500	127,500
Trucking/Forklift/Rig Mobilization	237	115,000	337	45,000	160,000
Welding Services	238	4,000	338	5,000	9,000
Water Disposal	239	0	339	360,000	360,000
Plug to Abandon	240	0	340		0
Seismic Analysis	241	0	341		0
Closed Loop & Environmental	244	128,000	344	5,000	133,000
Miscellaneous	242	0	342		0
Contingency	243	38,000	343	50,000	88,000
<b>TOTAL INTANGIBLES</b>		<b>1,821,000</b>		<b>3,322,300</b>	<b>5,143,300</b>

TANGIBLE COSTS		BCP		ACP	TOTAL
Surface Casing	401	36,000		0	36,000
Intermediate Casing	402	148,000	503	0	148,000
Production Casing		0	503	212,000	212,000
Tubing		0	504	60,000	60,000
Wellhead Equipment	405	30,000	505	15,000	45,000
Pumping Unit		0	506	103,500	103,500
Prime Mover		0	507		0
Rods		0	508	50,000	50,000
Pumps		0	509	31,500	31,500
Tanks		0	510	90,000	90,000
Flowlines		0	511	45,000	45,000
Heater Treater/Separator		0	512	58,500	58,500
Electrical System		0	513		0
Packers/Anchors/Hangers	414	0	514	9,000	9,000
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	0	520	50,000	50,000
<b>TOTAL TANGIBLES</b>		<b>214,000</b>		<b>934,290</b>	<b>1,148,290</b>
<b>TOTAL WELL COSTS</b>		<b>2,035,000</b>		<b>4,256,590</b>	<b>6,291,590</b>

COG Operating LLC

Date Prepared: 7/30/15

COG Operating LLC

By: Travis Newman (Drilling)

We approve:  
% Working Interest

Company: ConocoPhillips 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.