



Melissa L. Dimit  
Land Coordinator

September 2, 2015

Via FedEx

**Working Interest Owners - Listed on Attached Exhibit "A"**

**RE: Well Proposal – Populus Federal #3H**  
Township 25 South, Range 27 East, N.M.P.M.  
Section 20: SE/SW (SHL Only) SHL: 100' FSL & 1980' FWL (Or at a legal location in Unit N)  
Section 29: E/2 W/2 (Producing Area) BHL: 330' FSL & 1980' FWL (Or at a legal location in Unit N)  
Eddy County, New Mexico

Dear Working Interest Owners:

COG Operating LLC ("COG"), as Operator, proposes to drill the Populus Federal #3H well as a horizontal well at the above-captioned location to a TVD of approximately 7,430' and a MD of 12,300' with a PH-TD of 8,800' to test the 2<sup>nd</sup> Bone Spring Sand Formation ("Operation"). The total cost of the Operation is estimated to be \$6,096,000, and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates spudding the well on or before October 16, 2015.

Enclosed herewith is the JOA, dated effective May 28, 2015, by and between COG Operating LLC, as Operator, and OXY Y-1 Company, et al, as Non-Operator(s). Please sign two (2) originals and return one (1) to me at the address listed at the bottom of this letter.

Additionally, please indicate your participation election in the space provided below and return this letter, along with an executed AFE and a copy of your geological well requirements to my attention. Should you have any questions, please do not hesitate to contact Aaron Myers at [amyers@concho.com](mailto:amyers@concho.com) or by phone at 432-688-6674.

Sincerely,

**COG Operating LLC**

Melissa Dimit  
Land Coordinator  
Delaware Basin – South NM

\_\_\_\_\_ I/We hereby elect to participate in the Populus Federal #3H, with working interest as set out in Exhibit "A" under the proposed Operating Agreement dated May 28, 2015.

\_\_\_\_\_ I/We hereby elect **not** to participate in the Populus Federal #3H.

Company: \_\_\_\_\_

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

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

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

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

**BEFORE THE OIL CONVERSATION  
DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. 3**  
Submitted by: **COG OPERATING LLC**  
Hearing Date: November 12, 2015

**EXHIBIT "A".**  
**Working Interest Owners**

**COG Operating LLC**  
One Concho Center  
600 W. Illinois Ave.  
Midland, TX 79701  
Attention: Aaron Myers

**ABO Petroleum Corporation**  
105 S. Fourth St.  
Artesia, NM 88210  
Attention: Janet Richardson

**Myco Industries, Inc.**  
P.O. Box 840  
Artesia, NM 88211  
Attention: Hannah Palomin

**OXY Y-1 Company**  
P.O. Box 4294  
Houston, TX 77210-4294  
Attention: Permian Land Manager - NM

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: POPULUS FEDERAL #3H	PROSPECT NAME: ATLAS 2527 (717054)
SHL: SEC 20: 100 FSL & 1980 FWL	STATE & COUNTY: New Mexico, Eddy
BHL: SEC 29: 330 FSL & 1980 FWL	OBJECTIVE: DRILL & COMPLETE
FORMATION: SLBSS/2ND BSS	DEPTH: 12,300 PH-TD: 8,800
LEGAL: 20-25S-27E	TVD: 7,430

<b>INTANGIBLE COSTS</b>		<b>BCP</b>	<b>ACP</b>	<b>TOTAL</b>
Title/Curative/Permit	201	11,000		11,000
Insurance	202	5,000	302	5,000
Damages/Right of Way	203	5,000	303	5,000
Survey/Stake Location	204	7,000	304	7,000
Location/Pits/Road Expense	205	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	352,000	309	352,000
Directional Drilling Services	210	138,000	310	138,000
Fuel & Power	211	61,000	311 8,500	69,500
Water	212	45,000	312 340,000	385,000
Bits	213	69,000	313 3,000	72,000
Mud & Chemicals	214	56,000	314 12,750	68,750
Drill Stem Test	215	0	315	0
Coring & Analysis	216	100,000		100,000
Cement Surface	217	18,000		18,000
Cement Intermediate	218	36,000		36,000
Cement 2nd Intermediate/Production	218	0	319 85,500	85,500
Cement Squeeze & Other (Kickoff Plug)	220	45,000	320 0	45,000
Float Equipment & Centralizers	221	9,000	321 14,000	23,000
Casing Crews & Equipment	222	17,000	322 17,000	34,000
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	10,000	325 178,500	188,500
Company Supervision	226	0	326	0
Contract Supervision	227	33,000	327 70,000	103,000
Testing Casing/Tubing	228	10,000	328	10,000
Mud Logging Unit	229	21,000	329	21,000
Logging	230	150,000	330	150,000
Perforating/Wireline Services	231	7,000	331 119,000	126,000
Stimulation/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	63,000	335 185,000	248,000
Rentals-Subsurface	236	63,000	336	63,000
Trucking/Forklift/Rig Mobilization	237	110,000	337 45,000	155,000
Welding Services	238	5,000	338 5,000	10,000
Water Disposal	239	0	339 100,000	100,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	111,000	344 5,000	116,000
Miscellaneous	242	0	342	0
Contingency	243	32,000	343 50,000	82,000
<b>TOTAL INTANGIBLES</b>		<b>1,688,000</b>	<b>3,318,750</b>	<b>5,006,750</b>

<b>TANGIBLE COSTS</b>				
Surface Casing	401	12,000		12,000
Intermediate Casing	402	71,000	503	71,000
Production Casing		0	503 219,000	219,000
Tubing		0	504 44,000	44,000
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 40,000	40,000
Pumps		0	509 31,500	31,500
Tanks		0	510 90,000	90,000
Flowlines		0	511 63,000	63,000
Heater Treater/Separator		0	512 58,500	58,500
Electrical System		0	513 36,000	36,000
Packers/Anchors/Hangers	414	0	514 0	0
Couplings/Fittings/Valves	415	0	515 202,500	202,500
Gas Compressors/Meters		0	516 7,250	7,250
Dehydrator		0	517	0
Injection Plant/CO2 Equipment		0	518	0
Miscellaneous	419	0	519	0
Contingency	420	3,000	520 50,000	53,000
<b>TOTAL TANGIBLES</b>		<b>110,000</b>	<b>979,250</b>	<b>1,089,250</b>
<b>TOTAL WELL COSTS</b>		<b>1,798,000</b>	<b>4,298,000</b>	<b>6,096,000</b>

COG Operating LLC

Date Prepared: 4/10/2015

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

COG Operating LLC

By: TRAVIS NEWMAN / 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.