



*Via Certified Mail  
Return Receipt Requested*

October 21, 2015

**Working Interest Owners – Attached Listing**

**Re: Well Proposal – Goose State Com #2H**  
Section 32: W½W½  
Township 20 South, Range 34 East  
Section 5: Lots 1, 8, 9 and 16  
Township 21 South, Range 33 East  
SHL: 190' FNL & 330' FWL, or a legal location in Unit D (Sec. 32)  
BHL: 2970' FSL & 660' FEL, or a legal location in Unit 16 (Sec. 5)  
Lea County, New Mexico

Gentlemen:

COG Operating LLC (COG), as Operator, proposes to drill the Goose State Com #2H well as a horizontal well at the above-captioned location to a TVD of approximately 11,255' and a MD of 21,100' to test the 3<sup>rd</sup> Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$13,462,500 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE"). COG anticipates that it will spud the well on or before December 25, 2015.

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement, which is enclosed herewith for your review and execution. The Operating Agreement covers W½W½ of Section 32, T20S-R34E and Lots 1, 8, 9 and 16 of Section 5, T21S-R33E, Lea County, New Mexico. It contains the following general provisions:

- 100/300/300 Non-consent penalty
- \$7,000/\$700 Drilling and Producing overhead rates
- COG named as Operator for the Contract Area

If you do not wish to participate in the Operation, COG would like to acquire your leasehold via Term Assignment or some other type of mutually acceptable agreement. This offer is subject to the approval of COG's management and verification of title.

If we do not reach an agreement within 30 days of receipt 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.

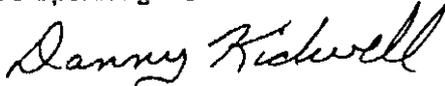
BEFORE THE OIL CONSERVATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 3  
Submitted by: COG OPERATING LLC  
Hearing Date: December 3, 2015

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE, a signed copy of the JOA signature pages, and a copy of your geologic well requirements to my attention at the letterhead address. You may also fax your response to (432) 221-0856 or by email to [lreyna@concho.com](mailto:lreyna@concho.com)

If you have any questions, please do not hesitate to contact the undersigned at 432-685-2535.

Sincerely,

COG Operating LLC



Danny Kidwell  
Senior Landman, NM Basin - North

DK:lr  
Encl.

\_\_\_\_\_ I/we hereby elect to participate in the drilling and completion of the Goose State Com #2H

\_\_\_\_\_ I/we hereby elect not to participate in the drilling and completion of the Goose State Com #2H

Company/Individual Name: \_\_\_\_\_

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

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

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

**WORKING INTEREST OWNERS**

**Hand Delivered**

Rubicon Oil and Gas II, LP  
Attn: Mr. W. Brett Smith  
508 W. Wall Avenue, Suite 500  
Midland, Texas 79701

**Via Certified Mail # 91 7199 9991 3278 2177**

EOG Resources, Inc.  
P. O. Box 2267  
Midland, Texas 79702

**Via Certified Mail # 91 7199 9991 3278 2160**

Chevron Midcontinent, LP  
1400 Smith Street  
Houston, Texas 77002

**Via Certified Mail # 91 7199 9991 3278 2153**

LR Energy, Inc.  
807 Brazos, Suite 1002  
Austin, Texas 78701

**Via Certified Mail # 91 7199 9991 3278 2146**

Crump Energy Partners II, LLC  
P. O. Box 50820  
Midland, Texas 79710

**Via Certified Mail # 91 7199 9991 3278 2139**

Crown Oil Partners V, LP  
P. O. Box 50820  
Midland, Texas 79710

**Via Certified Mail # 91 7199 9991 3278 2122**

Slash Exploration, Ltd  
P. O. Box 1973  
Roswell, New Mexico 88202

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: <b>Goose State Com #2H</b>	PROSPECT NAME: <b>Zeus 2034</b>
SHL: <b>Sec. 32: 190' FNL &amp; 330' FWL (D)</b>	STATE & COUNTY: <b>New Mexico, Lea</b>
BHL: <b>Sec. 5: 2970' FSL &amp; 660' FEL (16)</b>	OBJECTIVE: <b>Dril and Complete</b>
FORMATION: <b>Deep BSS/3BSS</b>	DEPTH: <b>21,100</b>
LEGAL: <b>Sec. 32, T20S-R34E</b>	TVD: <b>11,255</b>

<b>INTANGIBLE COSTS</b>		<b>BCP</b>	<b>ACP</b>	<b>TOTAL</b>
Tide/Corative/Permit	201	11,000		11,000
Insurance	202	4,000	302	4,000
Damages/Right of Way	203	5,000	303	5,000
Survey/State Location	204	6,000	304	6,000
Location/Pits/Road Expense	205	120,000	305 32,000	152,000
Drilling / Completion Overhead	206	8,000	306	8,000
Turnkey Contract	207	0	307	0
Footage Contract	208	0	308	0
Daywork Contract	209	1,058,000	309	1,058,000
Directional Drilling Services	210	206,000	310	206,000
Fuel & Power	211	103,000	311 8,500	111,500
Water	212	85,000	312 714,000	799,000
Bits	213	94,000	313 9,000	103,000
Mud & Chemicals	214	100,000	314 46,000	146,000
Drill Stem Test	215	0	315	0
Coring & Analysis	216	30,000		30,000
Cement Surface	217	31,350		31,350
Cement Intermediate	218	52,250		52,250
Cement 2nd Intermediate/Production	218	0	319 171,000	171,000
Cement Squeeze & Other (Kickoff Plug)	220	43,000	320	43,000
Float Equipment & Centralizers	221	22,000	321 25,000	47,000
Casing Crews & Equipment	222	18,000	322 35,000	53,000
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	6,500	325 154,000	160,500
Company Supervision	226	0	326	0
Contract Supervision	227	133,000	327 70,000	203,000
Testing Casing/Tubing	228	10,000	328 10,000	20,000
Mud Logging Unit	229	38,000	329	38,000
Logging	230	250,000	330 0	250,000
Perforating/Wireline Services	231	4,000	331 400,000	404,000
Stimulation/Treating		0	332 6,100,000	6,100,000
Completion Unit		0	333 145,000	145,000
Swabbing Unit		0	334	0
Rentals-Surface	235	165,000	335 165,000	330,000
Rentals-Subsurface	236	182,000	336 80,000	262,000
Trucking/Forklift/Rlg Mobilization	237	140,000	337 45,000	185,000
Welding Services	238	4,000	338 5,000	9,000
Water Disposal	239	0	339 883,000	883,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	180,000	344 5,000	185,000
Miscellaneous	242	0	342	0
Contingency	243	63,000	343 50,000	113,000
<b>TOTAL INTANGIBLES</b>		<b>3,172,100</b>	<b>9,152,500</b>	<b>12,324,600</b>

<b>TANGIBLE COSTS</b>				
Surface Casing	401	46,000		46,000
Intermediate Casing	402	126,000	503	126,000
Production Casing		0	503 324,000	324,000
Tubing		0	504 45,000	45,000
Wellhead Equipment	405	25,000	505 20,000	45,000
Pumping Unit		0	506 102,000	102,000
Prime Mover		0	507	0
Rods		0	508 45,000	45,000
Pumps		0	509 55,000	55,000
Tanks		0	510 0	0
Flowlines		0	511 51,000	51,000
Heater Treater/Separator		0	512 32,000	32,000
Electrical System		0	513 15,000	15,000
Packers/Anchors/Hangers	414	0	514 8,000	8,000
Couplings/Fittings/Valves	415	0	515 115,000	115,000
Gas Compressors/Meters		0	516 35,000	35,000
Dehydrator		0	517	0
Injection Plant/CO2 Equipment		0	518	0
Miscellaneous	419	0	519 43,000	43,000
Contingency	420	0	520 50,000	50,000
<b>TOTAL TANGIBLES</b>		<b>197,000</b>	<b>940,000</b>	<b>1,137,000</b>
<b>TOTAL WELL COSTS</b>		<b>3,370,000</b>	<b>10,092,500</b>	<b>13,462,500</b>

COG Operating LLC

Date Prepared: 10-20-2015

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

COG Operating LLC

By: Alex Korzenewski / Kenneth LaFortune LR

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.