



Federal Express

February 10, 2016

**Energen Resources Corporation
605 Richard Arrington, Jr. Blvd., N.
Birmingham, AL 35203**

Attention: Susan Tanis

**Re: Well Proposal – Stove Pipe Federal Com #2H
W/2E/2, Section 6(2)-7(G) -- T25S-R35E: Unit Area
SHL: 225' FNL & 1905' FEL, or a legal location in Sec 6 (Lot 2)
BHL: 2310' FNL & 1980' FEL, or a legal location in Sec 7 (Unit G)
Lea County, New Mexico**

Dear Ms. Tanis:

COG Operating LLC ("COG"), as Operator, proposes to drill the Stove Pipe Federal Com #2H well as a horizontal well at the above-captioned location to a TVD of approximately 12,574' and a MD of 19,729' to test the Bone Spring/Wolfcamp Formation ("Operation"). The total cost of the Operation is estimated to be \$12,417,600.00 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 the W/2E/2 of Section 6 and W/2NE/4 of Section 7, T25S-R35E, Lea Co., New Mexico. It has the following general provisions:

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

If you do not wish to participate in the Operation, COG would like to acquire your leasehold via farmout under the following general terms:

- Delivery of a 75% NRI, proportionately reduced
- Option to convert ORRI after 100% payout to a 25% WI, proportionately reduced

This farmout offer is subject to the approval of COG's management and verification of title.

BEFORE THE OIL CONVERSATION
DIVISION

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: COG OPERATING LLC

Hearing Date: March 31, 2016

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Please indicate your participation election in the space provided below and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address. You may also email your response to mwallace@concho.com.

Should you have any questions, please do not hesitate to contact the undersigned at 432-221-0465.

Sincerely,



Mike Wallace
Senior Landman

_____ I/We hereby elect to participate in the Stove Pipe Federal Com #2H.

_____ I/We hereby elect *not* to participate in the Stove Pipe Federal Com #2H.

Company: ENERGEN RESOURCES CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: VIKING HELMET STATE COM #2H	PROSPECT NAME: BULLDOG 2435 (717008)
SHL: SEC 29: 190 FNL & 1980 FEL	STATE & COUNTY: New Mexico, Lea
BHL: SEC 32: 2310 FNL & 1980 FEL	OBJECTIVE: DRILL & COMPLETE
FORMATION: WOLFCAMP	DEPTH: 19,602
LEGAL: 29-24S-35E	TVD: 12478' / PHTD: 12750'

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/State Location	204	6,000	304	6,000
Location/Pits/Road Expense	205	120,000	305 133,648	253,648
Drilling / Completion Overhead	206	8,000	306	8,000
Turnkey Contract	207	0	307	0
Footage Contract	208	0	308	0
Daywork Contract	209	990,000	309	990,000
Directional Drilling Services	210	244,000	310	244,000
Fuel & Power	211	96,000	311 10,000	106,000
Water	212	75,000	312 664,000	739,000
Bits	213	77,000	313 4,500	81,500
Mud & Chemicals	214	167,000	314 25,000	192,000
Drill Stem Test	215	0	315	0
Coring & Analysis	218	30,000		30,000
Cement Surface	217	19,000		19,000
Cement Intermediate	218	38,000		38,000
Cement 2nd Intermediate/Production	218	76,000	319 128,250	204,250
Cement Squeeze & Other (Kickoff Plug)	220	43,000	320	43,000
Float Equipment & Centralizers	221	7,000	321 15,000	22,000
Casing Crews & Equipment	222	30,000	322 22,000	52,000
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	6,500	325 179,000	185,500
Company Supervision	226	0	326	0
Contract Supervision	227	125,000	327 70,000	195,000
Testing Casing/Tubing	228	10,000	328 10,000	20,000
Mud Logging Unit	229	33,000	329	33,000
Logging	230	250,000	330	250,000
Perforating/Wireline Services	231	4,000	331 372,000	376,000
Stimulation/Treating		0	332 4,772,000	4,772,000
Completion Unit		0	333 155,000	155,000
Swabbing Unit		0	334	0
Rentals-Surface	235	200,000	335 286,000	486,000
Rentals-Subsurface	236	220,000	336 75,000	295,000
Trucking/Forklift/Rig Mobilization	237	125,000	337 25,000	150,000
Welding Services	238	4,000	338 5,000	9,000
Water Disposal	239	0	339 936,000	936,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	160,000	344 5,000	165,000
Miscellaneous	242	0	342	0
Contingency	243	64,000	343 50,000	114,000
TOTAL INTANGIBLES		3,247,500	7,942,398	11,189,898

TANGIBLE COSTS				
Surface Casing	401	14,000		14,000
Intermediate Casing	402	421,000	503	421,000
Production Casing		0	503 187,000	187,000
Tubing		0	504 45,000	45,000
Wellhead Equipment	405	25,000	505 30,000	55,000
Pumping Unit		0	506	0
Prime Mover		0	507	0
Rods		0	508	0
Pumps		0	509 30,000	30,000
Tanks		0	510 90,000	90,000
Flowlines		0	511	0
Heater Treater/Separator		0	512 95,000	95,000
Electrical System		0	513 50,000	50,000
Packers/Anchors/Hangers	414	0	514 6,000	6,000
Couplings/Fittings/Valves	415	0	515 220,000	220,000
Gas Compressors/Meters		0	516 35,000	35,000
Dehydrator		0	517	0
Injection Plant/CO2 Equipment		0	518	0
Miscellaneous	419	0	519 70,000	70,000
Contingency	420	0	520 25,000	25,000
TOTAL TANGIBLES		460,000	883,000	1,343,000
TOTAL WELL COSTS		3,708,000	8,825,398	12,533,398

COG Operating LLC

Date Prepared: 11/5/2015

We approve:
% Working Interest

COG Operating LLC

By: TRAVIS NEWMAN/KEN LAFORTUNE KG

Company: CHEVRON U.S.A. INC.
By:

Printed Name:
Title:
Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.