



Jon-Aaron House  
Senior Landman

April 20, 2016

**Working Interest Owners – Attached Listing**

**Re: Well Proposal – Lajitas BWQ State Com #1H**  
Section 26: S½SE¼  
Section 25: S½S½  
Township 18 South, Range 28 East, N.M.P.M.  
SHL: 660' FSL & 2440' FEL, or a legal location in Unit O (Sec. 26)  
BHL: 660' FSL & 50' FEL, or a legal location in Unit P (Sec. 25)  
Eddy County, New Mexico

Gentlemen:

COG Operating LLC (COG), as Operator, hereby proposes to drill the Lajitas BWQ State Com #1H well as a horizontal well at the above-captioned location to a TVD of approximately 7,385' and a MD of 14,400' to test the 2<sup>ND</sup> Bone Spring Sand Formation ("Operation"). The total cost of the Operation is estimated to be \$8,339,552 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 May 31, 2016.

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 Contract Area covers the S½SE¼ of Section 26 and the S½S½ of Section 25, T18S-R28E, Eddy County, New Mexico. It contains the following general provisions:

- 100/300/300 Non-consent penalty
- \$6,300/\$630 Drilling and Producing overhead rates
- COG named as Operator for the Contract Area

If you do not wish to participate in the proposed Well, COG would like to acquire a Term Assignment of your leasehold for the following general terms:

- Two (2) year primary term
- Delivering a 80 % NRI, proportionately reduced
- \$1,000.00 / net mineral acres bonus consideration

This Term Assignment is subject to COG's management approval and the verification of title.

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).

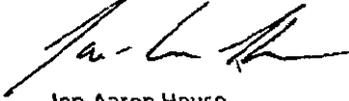
OCD Case No. 15500

COG OPERATING  
Exhibit # 3

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.

If you have any questions, please do not hesitate to contact the undersigned at 432.221.0349.

Sincerely,  
COG Operating LLC



Jon-Aaron House  
Senior Landman, NM Basin - North

JAH/lr  
Encl.

\_\_\_\_\_ I/we hereby elect to participate in the drilling and completion of the Lajitas BWQ State Com #1H

\_\_\_\_\_ I/we hereby elect **not to** participate in the drilling and completion of the Lajitas BWQ State Com #1H

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

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

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

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

**WORKING INTEREST OWNERS**

**Federal Express**

Patsy A. Huegler  
1800 South Missouri  
Roswell, NM 88203

**Federal Express**

Don Bell, II  
2580 West Camp Wisdom Road, Suite 100  
Grand Prairie, TX 75052

**Federal Express**

Don Bell, II, Trustee  
The 2012 DCB3 Southwestern Irrevocable Trust  
3713 Southwestern Boulevard  
Dallas, TX 75225

**Federal Express**

Hervey A. Priddy, Trustee  
The Amsler young Priddy Irrevocable Trust  
3713 Southwestern Boulevard  
Dallas, TX 75225

**Federal Express**

HHB Limited Partnership  
6823 S. Florence Avenue  
Tulsa, OK 74136

**Via Certified Mail # 91 7199 9991 7035 2752 9534**

Judith A. West a/k/a Judy Reynolds West  
P. O. Box 1948  
Cullman, AL 35056

**Federal Express**

Bernhardt Oil Corp  
12170 Jaycie Circle  
Midwest City, OK 73130

**Via Certified Mail # 91 7199 9991 7035 2752 9558**

Sydhon, LP  
P. O. Box 92349  
Austin, TX 78709

Lajitas BWQ State Com #1H - Well Proposal  
April 20, 2016  
Page 4

**Via Certified Mail # 91 7199 9991 7035 2752 9565**

Fuel Products, Inc.  
P. O. Box 3098  
Midland, TX 79702

**Federal Express**

Gregory C. White  
405 Lexington Ave., 59<sup>th</sup> Floor  
New York, NY 10174

**Federal Express**

Straight Profit, Inc.  
2200 Willowick Road  
Houston, TX 77027

**Federal Express**

Estate of Marion P. Riley  
1105 San Juan Dr.  
Roswell, NM 88201

**Federal Express**

Norman L. Stevens, Jr.  
Trustee of the Stevens Revocable Trust  
1000 Louisiana, Ste 3400  
Houston, TX 77002

**Via Certified Mail # 91 7199 9991 7035 2752 9633**

Gregory L. Clark  
C/O Wells Fargo Bank NM, N.A.  
P. O. Box 1968  
Albuquerque, NM 87103-1968

**Federal Express**

Vrooman Energy, L.L.C.  
10510 S. Kingston  
Tulsa Oklahoma 74137

**Federal Express**

William A. Bradshaw, III  
C/O Lincoln Oil & Gas  
701 Three Cross  
Roswell, NM 88201