



March 10, 2011

Via Certified Mail

Lime Rock Resources A, LP
1111 Bagby Street, Suite 4600
Houston, TX 77002

Attn: Mr. Chuck L. Reagan

Re: **New Well Proposal**
Maple State #11
1,650' FNL, 330' FWL, Section 30
T17S, R28E, Eddy County, New Mexico

Mr. Reagan:

COG Operating LLC ("COG") proposes to drill the Maple State #11 well at the above-captioned location, or a legal location within Unit E of Section 30, T17S, R28E, to a depth of approximately 4,800 feet to test the Blinbry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,397,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC


Brandon K. Gaynor
Landman

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 14644 Exhibit No. 3
Submitted by:
COG OPERATING, LLC
Hearing Date: May 12, 2011

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: MAPLE STATE #11	PROSPECT NAME: RED LAKE
LOCATION: SEC30-T17S-R28E UL - E	COUNTY & STATE: EDDY COUNTY, NM
FOOTAGE: 1650' FNL & 330' FWL	OBJECTIVE: Blinebry Paddock (4 fracs) 4800'

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Title/Curative/Permit	201 10,000		10,000
Insurance	202 3,800	302	3,800
Damages/Right of Way	203	303	0
Survey/Stake Location	204 2,500	304	2,500
Location/Pits/Road Expense	205 30,000	305 5,000	35,000
Drilling / Completion Overhead	206 2,500	306 2,000	4,500
Turnkey Contract	207	307	0
Footage Contract	208	308	0
Daywork Contract	209 88,000	309	88,000
Directional Drilling Services	210	310	0
Fuel & Power	211 20,000	311 1,000	21,000
Water	212 22,000	312 25,000	47,000
Bits	213 25,000	313 500	25,500
Mud & Chemicals	214 10,000	314	10,000
Drill Stem Test	215	315	0
Coring & Analysis	216		0
Cement Surface	217 14,000		14,000
Cement Intermediate #1	218 12,000		12,000
Cement Intermediate #2			0
Cement Production		319 28,500	28,500
Cement Squeeze	220	320	0
Float Equipment & Centralizers	221 2,500	321 2,000	4,500
Casing Crews & Equipment	222 6,000	322 7,500	13,500
Fishing Tools & Service	223	323	0
Geologic/Engineering	224 1,000	324	1,000
Contract Labor	225 3,000	325 15,000	18,000
Company Supervision	226	326	0
Contract Supervision	227 11,000	327 5,000	16,000
Testing Casing/Tubing	228 3,000	328 2,000	5,000
Mud Logging Unit	229 3,000	329	3,000
Logging	230 15,000	330	15,000
Perforating/Wireline Services	231	331 26,500	26,500
Stimulation/Treating (4 fracs)		332 385,000	385,000
Completion Unit		333 22,000	22,000
Swabbing Unit		334	0
Rentals-Surface	235 7,000	335 36,000	43,000
Rentals-Subsurface	236 24,000	336 10,000	34,000
Trucking/Forklift/Rig Mobilization	237 30,000	337 8,000	38,000
Welding Services	238 3,000	338 1,000	4,000
Water Disposal	239	339 7,000	7,000
Plug to Abandon	240	340	0
Seismic Analysis	241	341	0
Closed Loop & Environmental	244 50,000	344	50,000
Miscellaneous	242	342	0
Contingency 5%	243 20,700	343 30,000	50,700
TOTAL INTANGIBLES	419,000	619,000	1,038,000
<u>TANGIBLE COSTS</u>			
Surface Casing	401 11,000		11,000
Intermediate Casing #1	402 14,000		14,000
Intermediate Casing #2			0
Production Casing/Liner		503 58,000	58,000
Tubing		504 31,000	31,000
Wellhead Equipment	405 6,000	505 3,000	9,000
Pumping Unit		506 97,000	97,000
Prime Mover		507	0
Rods		508 40,000	40,000
Pumps		509 4,500	4,500
Tanks		510 10,000	10,000
Flowlines		511 15,000	15,000
Heater Treater/Separator		512 12,000	12,000
Electrical System		513 20,000	20,000
Packers/Anchors/Hangers	414	514 900	900
Couplings/Fittings/Valves	415 500	515 16,500	17,000
Gas Compressors/Meters		516	0
Dehydrator		517	0
Injection Plant/CO2 Equipment		518	0
Miscellaneous	419 500	519 500	1,000
Contingency 5%	420 2,000	520 16,600	18,600
TOTAL TANGIBLES	34,000	325,000	359,000
TOTAL WELL COSTS	453,000	944,000	1,397,000

COG Operating LLC

By: C. Bird / J. Coffman

Date Prepared: 3/10/11

We approve:
_____% Before Tanks / _____% After Tanks

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.



March 10, 2011

Via Certified Mail

Lime Rock Resources A, LP
1111 Bagby Street, Suite 4600
Houston, TX 77002

Attn: Mr. Chuck L. Reagan

Re: **New Well Proposal**
Maple State #12
2,150' FNL, 990' FWL, Section 30
T17S, R28E, Eddy County, New Mexico

Mr. Reagan:

COG Operating LLC ("COG") proposes to drill the Maple State #12 well at the above-captioned location, or a legal location within Unit E of Section 30, T17S, R28E, to a depth of approximately 4,750 feet to test the Blinebry/Paddock Formation ("Operation"). The total cost of the Operation is estimated to be \$1,397,000 and a detailed description of such cost is set out in the enclosed Authority for Expenditure ("AFE").

Also enclosed is COG's proposed form of Operating Agreement ("OA"). A completed version of the Exhibit "A" to be incorporated into the OA will follow under separate cover, accompanied by a fully executed set of signature pages.

If you elect to participate in the subject well, please sign and return a copy of the AFE to the below letterhead address.

If you have any questions, please do not hesitate to contact the undersigned at 432-221-0308.

Yours Truly,

COG Operating LLC

A handwritten signature in black ink, appearing to read "Brandon K. Gaynor".

Brandon K. Gaynor
Landman

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

WELL NAME: MAPLE STATE #12	PROSPECT NAME: RED LAKE
LOCATION: SEC30-T17S-R28E UL - E	COUNTY & STATE: EDDY COUNTY, NM
FOOTAGE: 2150' FNL & 990' FWL	OBJECTIVE: Blinebry Paddock (4 fracs) 4750'

INTANGIBLE COSTS	BCP	ACP	TOTAL
Title/Curative/Permit	201 10,000		10,000
Insurance	202 3,800	302	3,800
Damages/Right of Way	203	303	0
Survey/Stake Location	204 2,500	304	2,500
Location/Pits/Road Expense	205 30,000	305 5,000	35,000
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COG Operating LLC

By: C. Bird / J. Coffman

Date Prepared:

3/11/11

We approve:

_____% Before Tanks / _____% After Tanks

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.

Exhibit "A"

**Attached to and made a part of that certain Operating Agreement dated
3/15/2011 between COG Operating LLC, as Operator, and
Lime Rock Resources A, LP, as Non-Operator(s)**

1. DESCRIPTION OF LANDS SUBJECT TO THIS AGREEMENT:

Lot 2, Section 30, Township 17 South, Range 28 East, NMPM, Eddy County, NM

**2. RESTRICTIONS, IF ANY, AS TO DEPTHS, FORMATIONS OR
SUBSTANCES:**

Limited to those depths from 650' below the surface of the earth to 5,000' below the surface of the earth.

**3. PARTIES TO THIS AGREEMENT WITH ADDRESSES AND TELEPHONE
NUMBERS FOR NOTICE PURPOSES, AND**

**4. PERCENTAGES OR FRACTIONAL INTERESTS OF THE PARTIES TO THIS
AGREEMENT:**

COG Operating LLC 50%
Attn: Brandon K. Gaynor
550 W. Texas Avenue, Suite 100
Midland, Texas 79701
Phone: 432-221-0308
Fax: 432-686-3000
Email: BGaynor@conchoresources.com

Lime Rock Resources A, LP 50%
Attn: Chuck L. Reagan
1111 Bagby Street, Suite 4600
Houston, TX 77002
Phone: 713-292-9510
Fax: 713-292-9560
Email: CReagan@limerockresources.com

5. OIL AND GAS LEASES SUBJECT TO THIS OPERATING AGREEMENT:

Date: November 10, 1944
Serial Number: ST NM B1-1593-3
Lessor: State of New Mexico
Lessee: Barnsdale Oil Company
Current Lessee: J.E. Bedingfield
Description: Lot 2, Section 30, T17S, R28E, Eddy County, New Mexico

6. BURDENS ON PRODUCTION:

12.5% Royalty Interest: State of New Mexico

END OF EXHIBIT "A"