

Cimarex Energy Co.  
600 N. Maricopa St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800



April 8, 2011

Mineral Owner Address List on Page 3

Re: New Well Proposal-Alaska 29 Fee No.5  
Township, 18 South, Range 26 East, N.M.P.M.  
Section 29: SE/4SW/4  
Eddy County, New Mexico

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Alaska 29 Fee No.5 Well at legal location in the SE/4SW/4 of Section 29, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 2310' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Alaska wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

In the event you do not wish to participate in drilling the Alaska wells, Cimarex will consider acquiring an Oil and Gas Lease on your mineral interest. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 3

New Well Proposal-Alaska 29 Fee No.5  
Township, 18 South, Range 26 East, N.M.P.M.  
Section 29: SE/4SW/4  
Eddy County, New Mexico

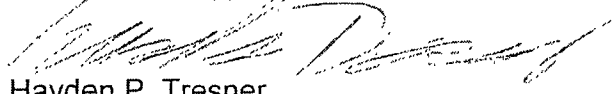


- i.) \$1000.00 per net mineral acre bonus consideration;
- ii.) 25% royalty interest reserved;
- iii.) One (1) year primary term with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

  
Hayden P. Tresner  
Landman

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**ELECTION TO PARTICIPATE**  
**Alaska 29 Fee No.5 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed Alaska 29 Fee No.5 Well

\_\_\_\_\_ Elects **NOT** to participate in the proposed Alaska 29 Fee No.5 Well

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

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

Signature: \_\_\_\_\_

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

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

New Well Proposal-Alaska 29 Fee No.5  
Township, 18 South, Range 26 East, N.M.P.M.  
Section 29: SE/4SW/4  
Eddy County, New Mexico



If your election above is TO participate in the proposed Alaska 29 Fee No.5 Well, then:

\_\_\_\_\_ Elects **TO** be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex.

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**Mineral Owner Address List**

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5534

Sharbro Oil Limited Company  
Attn: Hannah Palomin, Land Manager  
P.O. Box 840  
Artesia, New Mexico 88210

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5541

Pitch Energy Corporation  
Attn: Dean Chumbley  
P.O. Box 304  
Artesia, New Mexico 88211-0304

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5558

COG Operating LLC  
Attn: Dean Chumbley  
2208 W Main Street  
Artesia, New Mexico 88210-3720