



Sneed 9 Federal Com #3H Well Proposal

Sent Certified Mail
Receipt #

[Date]

[Name]
[Address]
[City, State, Zip]

Re: Well Proposal – Sneed Fed Com #3H
T17S, R32E, Section 9
SHL: 1650' FNL & 150' FNL, or a legal location in Unit E
BHL: 1650' FNL & 330' FEL, or a legal location in Unit H
Lea County, New Mexico

Dear [Name],

COG Operating LLC (COG), as Operator, proposes to drill the Sneed Fed Com #3H well as a horizontal well at the above-captioned location to a TVD of approximately 6,700' and a MD of 11,330' to test the Yesso Formation ("Operation"). The total cost of the Operation is estimated to be \$4,679,000 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 soon after an approved order is received from the NMOCD for the Sneed Fed Com #3H non-standard spacing unit and force pooling request.

COG is proposing to drill this well under the terms of the modified 1982 AAPL form of Operating Agreement modified for horizontal development. Enclosed is a 1982 AAPL for Operating Agreement, modifications for horizontal development will be added and sent for formal review at a later date. The Operating Agreement covers, T17S-R32E Section 9 S2N2, Lea County, NM. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$8,000/\$800 Drilling and Producing rate
- COG named as Operator

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

- 3 year primary term
- Delivering a 60% NRI, proportionately reduced
- \$750 per net acre bonus consideration

The Term Assignment 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 the date 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 432-818-2230.

Respectfully,

Sean Johnson
Landman

Enclosure(s)
cp

NMOCD CASE NO. 15028
July 25, 2013
Exhibit No. 3