



COPY

January 20, 2014

*Via Certified Mail, Return Receipt Requested*

**WORKING INTEREST OWNERS LISTED ON ATTACHED EXHIBIT "A"**

Re: *Revised Well Proposal and AFE*  
Airstrip Fee Com #1H  
Section 6 & 7, T19S-R35E  
Lea County, New Mexico

Gentlemen:

COG Operating LLC ("COG") respectfully rescinds its initial Well Proposal Letter dated April 17, 2013, regarding the Airstrip Fee Com #1H, and hereby re-proposes the drilling of the referenced well to a depth sufficient to adequately test the 3<sup>rd</sup> Bone Spring formation at a total measured depth being approximately 17,853'. The surface location for this well is proposed at a legal location in Unit P of Section 7, Township 19 South, Range 35 East, with a bottom hole location at a legal location in Unit I of Section 6, Township 19 South, Range 35 East, with the dedicated project area being the E/2 SE/4 of Section 6 and the E/2 E/2 of Section 7, Township 19 South, Range 35 East, Lea County, New Mexico (refer to attached plat for further detail). Included herewith is our *revised* Authority for Expenditure ("AFE") in the gross amount of \$9,231,500.00, being the total estimated cost to drill and complete said well.

COG is proposing to drill this well under the terms of a modified 1989 A.A.P.L. Form 610 Model Form Operating Agreement, which is enclosed herewith for your review and execution. The Operating Agreement covers the E/2 SE/4 of Section 6 and the E/2 E/2 of Section 7, Township 19 South, Range 35 East, Lea County, New Mexico. It has the following general provisions:

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

Please have the appropriate party execute, notarize and return one original of each signatory page, being the Operating Agreement and Recording Memorandum. If you do not wish to participate in the proposed operation, COG would like to acquire a Term Assignment of your leasehold for the following general terms:

- Two (2) year primary term
- Delivering an 80% NRI, proportionately reduced
- \$1,500 / net acre bonus consideration

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

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: COG OPERATING LLC

Hearing Date: March 20, 2014

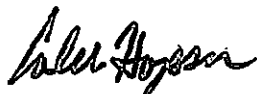
Corporate Address: One Concho Center 600 West Illinois Avenue Midland, Texas 79701 PHONE 432.683.7443 FAX 432.683.7441

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic requirements, to my attention at the letterhead address. You may also fax your response to 432.221.0856 or by email to chopson@concho.com.

Should you have any questions, please do not hesitate to contact me at 432.686.3049.

Sincerely,

COG Operating LLC



Caleb Hopson, RPL  
Landman

CH:bh  
Enc

\_\_\_\_\_ I/We hereby elect to participate in the Airstrip Fee Com #1H.

\_\_\_\_\_ I/We hereby elect not to participate in the Airstrip Fee Com #1H.

Company: \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT "A"**  
**WORKING INTEREST OWNERS**

COG Operating LLC  
600 W. Illinois Ave.  
Midland, Texas 79701

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4709*

LY Lynx Petroleum Consultants  
P.O. Box 1708  
Hobbs, New Mexico 88241

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4716*

Bright Hawk/Burkard Venture  
P.O. Box 79790  
Houston, Texas 77279

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4723*

AYCO Energy LLC  
2909 Hillcroft Ave, Suite 103  
Houston, Texas 77057

*Participating*

LY *Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4730*

James I. Riddle Estate  
c/o Jane A. Lancaster,  
901 Main St.  
Suite 6000, Dallas, Texas 75202

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4747*

James I. Riddle Estate  
8920 Chatsworth  
Houston, Texas 77024

LY *Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4754*

James I. Riddle Estate  
4246 Goodfellow  
Dallas, Texas 75229

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4761*

LY W.A. Stockard Estate  
2008 Kirby Dr., Suite 510  
Houston, Texas 77019

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4778*

LY W.A. Stockard Estate  
2001 Kirby Dr., Suite 605  
Houston, TX 77019

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4785*

LY Big "6" Drilling Company  
7500 San Felipe St., Suite 250  
Houston, Texas 77063

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4792*

Chester B. Bengé, Jr.  
7500 San Felipe St., Suite 250  
Houston, Texas 77063

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4808*

Marguerite B. Griffith  
5416 Sugar Hill Drive  
Houston, Texas 77056

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4815*

LY Michael Stone  
7500 San Felipe St., Suite 250  
Houston, Texas 77063

LY *Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4822*

Jack Burnett  
983 Cash Road  
Kountze, Texas 77625

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4839*

60 Jack Burnett  
7500 San Felipe St., Suite 250  
Houston, TX 77063

*Via Certified Mail, Return Receipt Requested*

60 *No. 91 7199 9991 7030 0514 4846*  
W.H. Smith Estate  
c/o Rowena Reynolds  
1311 N. Rusk  
Wharton, Texas 77488

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4853*

Felix A. Fishman and Henry Schneider under  
a Trust Indenture by Lucy G. Moses dated  
12/24/58  
c/o Deutsche Bank Tr. Co.  
P.O. Box 1297  
New York, New York 10008-1297

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4860*

60 Featherstone Development Corporation  
P.O. Box 429  
Roswell, New Mexico 88202

participating

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4877*

60 Prospector LLC  
P.O. Box 429  
Roswell, New Mexico 88202

participating

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4884*

60 Big Three Energy Group LLC  
P.O. Box 429  
Roswell, New Mexico 88202

participating

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4891*

ExxonMobil  
P.O. Box 2024  
Houston, Texas 77252-2024

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4907*

C Chevron U.S.A. Inc.  
Attn: Land Department  
P.O. Box 4538  
Houston, Texas 77210

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4914*

60 Harvard Petroleum Corporation  
200 E., 2<sup>nd</sup> Street  
Roswell, New Mexico 88201-6212

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4945*

X Compound Properties, LLC  
P.O. Box 2990  
Ruidoso, NM 88355-2990

DISTRICT I  
1623 N. WILSON DR., HOBBES, NM 88340  
Phone: (505) 333-6181 Fax: (505) 333-0720

DISTRICT II  
191 W. GRAND AVENUE, ARTESIA, NM 88210  
Phone: (505) 748-1283 Fax: (505) 748-9720

DISTRICT III  
1000 RIO BRAZOS RD., AZTEC, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV  
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505  
Phone: (505) 478-3480 Fax: (505) 478-3482

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
11885 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

|               |  |                            |
|---------------|--|----------------------------|
| API Number    | Pool Code                                  | Pool Name                  |
| Property Code | Property Name<br><b>AIRSTIP FEE COM</b>    | Well Number<br><b>1H</b>   |
| GRID No.      | Operator Name<br><b>COG OPERATING, LLC</b> | Elevation<br><b>3853.4</b> |

**Surface Location**

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P             | 7       | 19-S     | 35-E  |         | 190           | SOUTH            | 460           | EAST           | LEA    |

**Bottom Hole Location if Different From Surface**

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| I             | 6       | 19-S     | 35-E  |         | 2180          | SOUTH            | 510           | EAST           | LEA    |

| Dedicated Acres | Joint or In/Full | Consolidation Code | Order No. |
|-----------------|------------------|--------------------|-----------|
|                 |                  |                    |           |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

|  |  |                                 |  |
|--|--|---------------------------------|--|
| LOT 4<br>39.54 Ac.<br>LOT 5              | LOT 3<br>40.02 Ac.<br>NAD 27<br>PROPOSED BOTTOM<br>HOLE LOCATION<br>Y=615129.3 N<br>X=759678.9 E<br>LAT.=32.688250° N<br>LONG.=103.489292° W | LOT 2<br>40.04 Ac.<br>B.H. 510' | LOT 1<br>40.06 Ac.<br>Y=615592.0 N<br>X=758863.2 E<br>Y=615597.2 N<br>X=760182.7 E |
| LOT 6<br>39.48 Ac.<br>LOT 7<br>39.35 Ac. | SECTION 6<br>SECTION 7   | 2180'                           |  |
| LOT 1<br>39.29 Ac.                       |  | 359'03.47'                      |  |
| LOT 2<br>39.44 Ac.                       |  | 7,285.9'                        |  |
| LOT 3<br>39.51 Ac.                       | NAD 27<br>SURFACE LOCATION<br>Y=607844.4 N<br>X=759797.9 E<br>LAT.=32.688224° N<br>LONG.=103.489094° W                                       | GRID AZ. - 359'03.47'           |  |
| LOT 4<br>39.55 Ac.                       |  |                                 |  |
| LOT 4<br>39.61 Ac.                       | Y=607650.6 N<br>X=758936.0 E   | S.L. 460'                       | Y=607656.4 N<br>X=760258.7 E   |

**OPERATOR CERTIFICATION**  
I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unless mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

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


E-mail Address \_\_\_\_\_

**SURVEYOR CERTIFICATION**  
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MARCH 11, 2013

Date of Survey \_\_\_\_\_

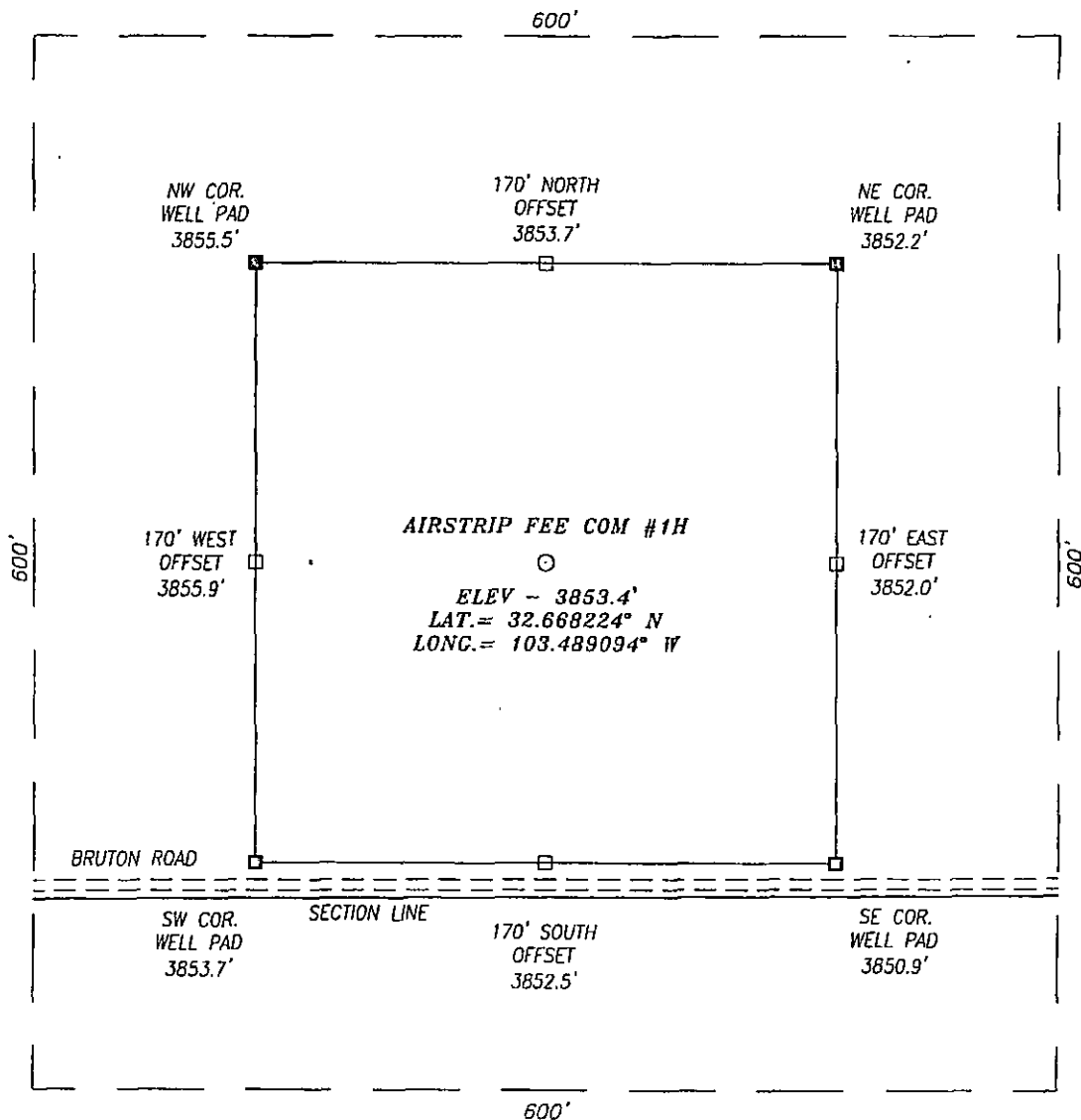
Signature & Seal of Professional Surveyor



CHAD L. HARGROW  
NEW MEXICO  
17777  
LICENSED PROFESSIONAL SURVEYOR

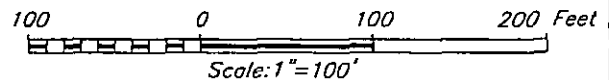
Chad L. Hargrow 3/21/13  
Certificate No. CHAD HARGROW 17777  
W.O. # 13-82 DRAWN BY: VD

SECTION 7, TOWNSHIP 19 SOUTH, RANGE 35 EAST, N.M.P.M.,  
LEA COUNTY NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF HWY 62/180 AND PEARL VALLEY ROAD GO NORTHWEST ALONG PEARL VALLEY FOR APPROX. 0.1 MILES TURN LEFT (WEST) GO 2.5 MILES AND WELL IS 200 FEET NORTH.



**HARCROW SURVEYING, LLC**  
1107 WATSON, ARTESIA, N.M. 88210  
PH: (575) 513-2570 FAX: (575) 746-2158  
chad\_harcrow77@yahoo.com



**COG OPERATING, LLC**

AIRSTRIp FEE COM #1H WELL  
LOCATED 190 FEET FROM THE SOUTH LINE  
AND 460 FEET FROM THE EAST LINE OF SECTION 7,  
TOWNSHIP 19 SOUTH, RANGE 35 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO

SURVEY DATE: 03/11/2013

PAGE: 1 OF 1

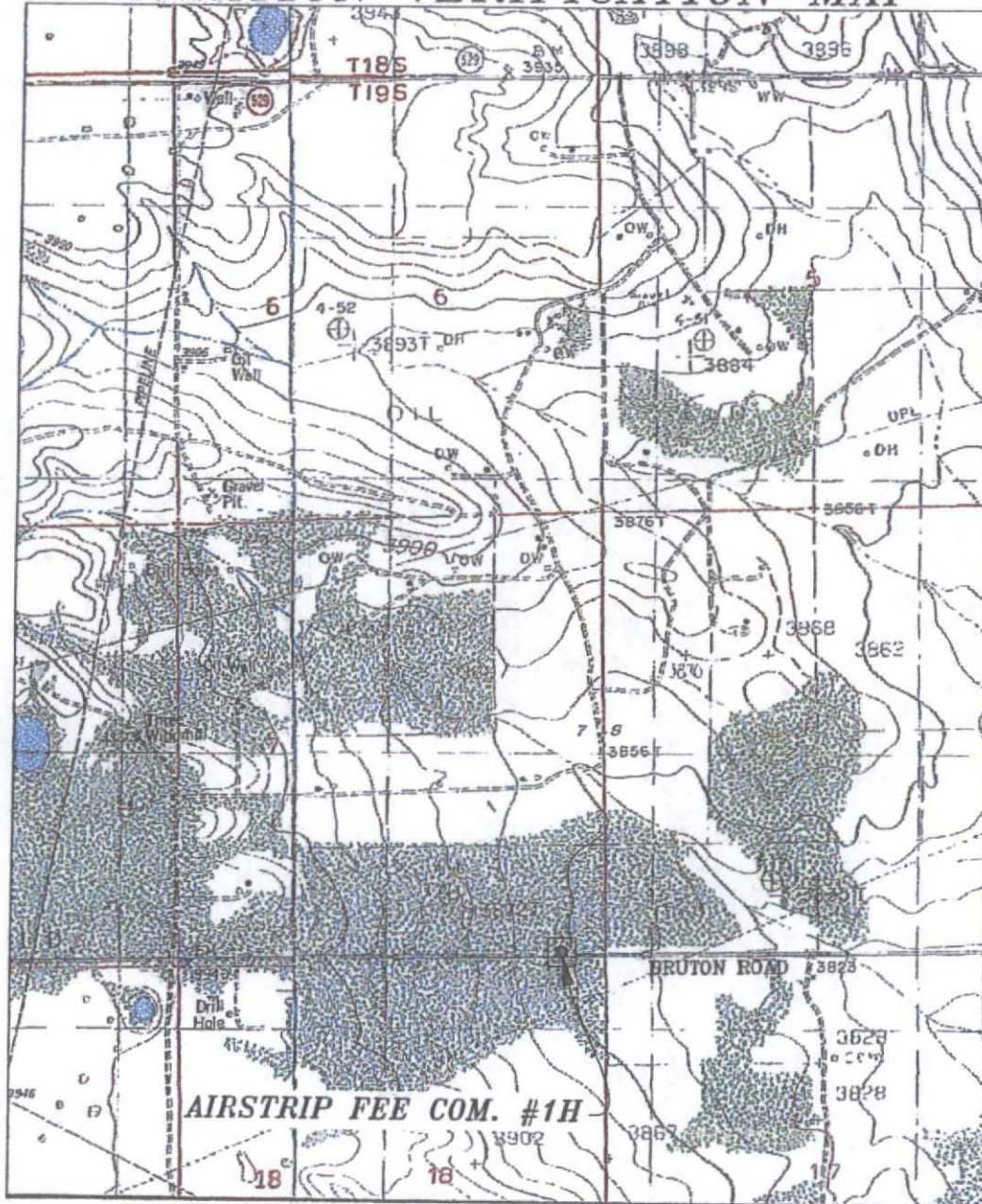
DRAFTING DATE: 03/13/2013

APPROVED BY: CH

DRAWN BY: VD

FILE: 13-82

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

SEC. 7 TWP. 19-S RGE. 35-E  
 SURVEY N.M.P.M.  
 COUNTY LEA STATE NEW MEXICO  
 DESCRIPTION 190' FSL & 460' FEL  
 ELEVATION 3853.4'  
 OPERATOR COG OPERATING, LLC  
 LEASE AIRSTRIp FEE COM.  
 U.S.G.S. TOPOGRAPHIC MAP  
IRONHOUSE DRAW, N.M.

HARCROW SURVEYING, LLC  
 1107 WATSON, ARTESIA N.M. 88210  
 PH: (575) 513-2570 FAX: (575) 746-2158  
 chad\_harcrow77@yahoo.com

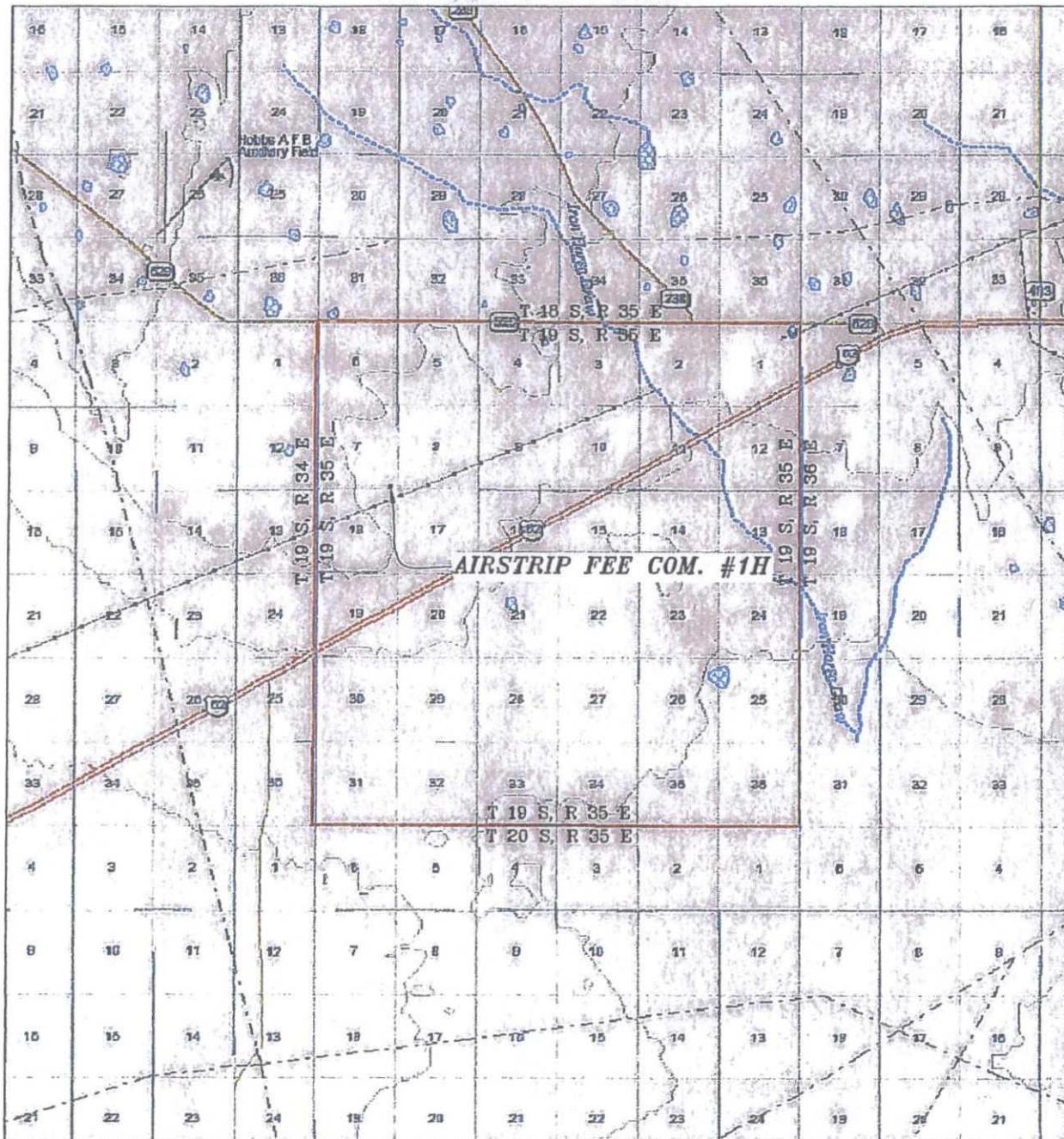


## COG OPERATING, LLC

|                              |                             |
|------------------------------|-----------------------------|
| SURVEY DATE: MAR. 11, 2013   | PAGE: 1 OF 1                |
| DRAFTING DATE: MAR. 13, 2013 |                             |
| APPROVED BY: CH              | DRAWN BY: DDSI FILE: 13-082 |



# VICINITY MAP



SCALE: 1" = 2 MILE

SEC. 7 TWP. 19-S RGE. 35-E  
 SURVEY N.M.P.M.  
 COUNTY LEA STATE NEW MEXICO  
 DESCRIPTION 460' FEL & 190' FSL  
 ELEVATION 3853.4'  
 OPERATOR COG OPERATING, LLC  
 LEASE AIRSTRIP FEE COM.

HARCROW SURVEYING, LLC  
 1107 WATSON, ARTESIA N.M. 88210  
 PH: (575) 513-2570 FAX: (575) 746-2158  
 chad\_harcrow77@yahoo.com



## COG OPERATING, LLC

|                              |                             |
|------------------------------|-----------------------------|
| SURVEY DATE: MAR. 11, 2013   | PAGE: 1 OF 1                |
| DRAFTING DATE: MAR. 13, 2013 |                             |
| APPROVED BY: CH              | DRAWN BY: DDSI FILE: 13-082 |



**EXHIBIT "A"**  
**WORKING INTEREST OWNERS**

COG Operating LLC  
600 W. Illinois Avenue  
Midland, Texas 79701  
Attention: Caleb Hopson

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4709*  
Lynx Petroleum Consultants  
P.O. Box 1708  
Hobbs, New Mexico 88241

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4716*  
Bright Hawk/Burkard Venture  
P.O. Box 1708  
Hobbs, New Mexico 88241

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4723*  
AYCO Energy, LLC  
2909 Hillcroft Ave, Suite 103  
Houston, Texas 77057

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4730*  
James I. Riddle Estate  
c/o Jane A. Lancaster  
901 Main Street, Suite 6000  
Dallas, Texas 75202

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4747*  
James I. Riddle Estate  
8920 Chatsworth  
Houston, Texas 77024

*Via Certified Mail, Return Receipt Requested*  
*No. 91 7199 9991 7030 0514 4754*  
James I. Riddle Estate  
4246 Goodfellow  
Dallas, Texas 75229

*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4761  
W.A. Stockard Estate  
2008 Kirby Drive, Suite 510  
Houston, Texas 77019

*Via Certified Mail, Return Receipt Requested*  
No. 91 7199 9991 7030 0514 4778  
W.A. Stockard Estate  
2001 Kirby Drive, Suite 605  
Houston, Texas 77019

*Via Certified Mail, Return Receipt Requested*  
No. 91 7199 9991 7030 0514 4785  
Big "6" Drilling Company  
7500 San Felipe, Suite 250  
Houston, Texas 77063

*Via Certified Mail, Return Receipt Requested*  
No. 91 7199 9991 7030 0514 4792  
Chester B. Bengé, Jr.  
7500 San Felipe, Suite 250  
Houston, Texas 77063

*Via Certified Mail, Return Receipt Requested*  
No. 91 7199 9991 7030 0514 4808  
Marguerite B. Griffith  
5416 Sugar Hill Drive  
Houston, Texas 77063

*Via Certified Mail, Return Receipt Requested*  
No. 91 7199 9991 7030 0514 4815  
Michael Stone  
7500 San Felipe, Suite 250  
Houston, Texas 77063

*Via Certified Mail, Return Receipt Requested*  
No. 91 7199 9991 7030 0514 4822  
Jack Burnett  
983 Cash Road  
Kountze, Texas 77625

*Via Certified Mail, Return Receipt Requested*  
No. 91 7199 9991 7030 0514 4839  
Jack Burnett  
7500 San Felipe, Suite 250  
Houston, Texas 77063  
*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4846

W.H. Smith Estate  
c/o Rowena Reynolds  
1311 N. Rusk  
Wharton, Texas 77488

*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4853

Felix A. Fishman and Henry Schneider,  
Under a Trust Indenture by Lucy G. Moses,  
Dated 12/24/1958  
c/o Deutsche Bank Tr Co  
P. O. Box 1297  
New York, New York 10008-1297

*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4860

Featherstone Development Corporation  
P.O. Box 429  
Roswell, NM 88202

*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4877

Prospector LLC  
P.O. Box 429  
Roswell, NM 88202

*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4884

Big Three Energy Group LLC  
P.O. Box 429  
Roswell, NM 88202

*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4891

ExxonMobil  
P.O. Box 2024  
Houston, TX 77252

*Via Certified Mail, Return Receipt Requested*

No. 91 7199 9991 7030 0514 4907

Chevron USA Inc.  
Attn: Land Department  
P.O. Box 4538  
Houston, TX 77210

*Via Certified Mail, Return Receipt Requested*

Revised Well Proposal and AFE

January 24, 2014

Page 2

*No. 91 7199 9991 7030 0514 4914*

Harvard Petroleum Corporation

200 E., 2<sup>nd</sup> Street

Roswell, NM 88201

*Via Certified Mail, Return Receipt Requested*

*No. 91 7199 9991 7030 0514 4945*

Compound Properties, LLC

P.O. Box 2990

Ruidoso, NM 88355