



Halcon Resources Operating Company, Inc.  
Meridian Towers, Ste. 650  
Tulsa, OK 74135

September 17, 2014

Re: **Well Proposal – Pan Head Fee #2H**  
T17S, R32E, W2W2 of Section 11 & 14  
SHL: 330' FNL & 990' FWL, Section 11 (Unit D)  
BHL: 986' FNL & 986' FWL, Section 14 (Unit D)  
Lea County, New Mexico

Dear Sir or Madam,

COG Operating LLC (COG), as Operator, proposes to drill the Pan Head Fee #2H well as a horizontal well at the above-captioned location to a TVD of approximately 5,825' to test the Yeso Formation ("Operation"). The total cost of the Operation is estimated to be \$3,826,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement modified for horizontal development, enclosed herein. The Operating Agreement covers, T17S-R32E, W/2W/2 of Section 11 and NW/4NW/4 of Section 14, Lea County, New Mexico. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,500/\$750 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 80% NRI, proportionately reduced
- \$700 per net acre bonus consideration

If you have not leased the above described lands, COG would offer to lease said lands under the following general terms:

- 3 year primary term
- Retain a 3/16<sup>th</sup> royalty
- \$700 per acre bonus consideration

BEFORE THE OIL CONVERSION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 3  
Submitted by: COG OPERATING LLC  
Hearing Date: February 5, 2015

Term Assignment and Lease offers are subject to the approval of COG's management and verification of title.

September 17, 2014

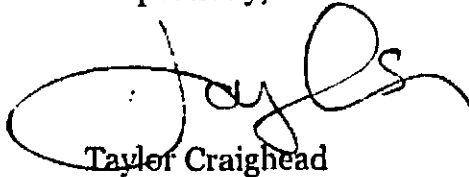
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If an agreement can't be negotiated within 30 days of the date of this letter, COG will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well.

If you are an Heir(s) under the property and have leased or term assigned to a party then please disregard this proposal as compulsory pooling will not affect your interest.

If you have any questions, please do not hesitate to contact Joseph Scott at 432-688-6601 or by email at [jscott@concho.com](mailto:jscott@concho.com).

Respectfully,

A handwritten signature in black ink, appearing to read "Taylor Craighead", written over a large, loopy initial "T".

Taylor Craighead  
Land Technician

Enclosure(s)