

<u>CERTIFIED MAIL &</u> <u>FEDERAL EXPRESS</u>

April 9, 2015

Working Interest Owners Listed on Exhibit "A"

Re: Well Proposal - Stove Pipe Federal Com No. 2H

W/2 E/2, Section 6B-7G -T25S-R35E: Unit Area

SHL: 225' FNL & 1905' FEL, or a legal location in Sec 6 Unit B BHL: 2310' FNL & 1980' FEL, or a legal location in Sec 7 Unit G

Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC (COG), as Operator, proposes to drill the Stove Pipe Federal Com No. 2H well as a horizontal well at the above-captioned location, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 12,560' and a MD of 19,700' to test the Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$11,403,600.00 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 which is enclosed for your review and approval. The Operating Agreement covers W/2E/2 of Section 6 and W/2NE/4 of Section 7 T25S-R35E. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- COG Operating LLC named as Operator

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 well requirements. A self-addressed, postage paid envelope is enclosed for your convenience.

If you have any questions, please do not hesitate to contact the undersigned at 432-212-0456.

Respectfully,

Mike Wallace Senior Landman

BEFORE THE OIL CONVERSATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: COG OPERATING LLC
Hearing Date: June 25, 2015



	I/We hereby elect to participate in the Stove Pipe Federal Com No. 2H.				
	I/We hereby elect <u>not</u> to participate in the Stove Pipe Feral Com No. 2H				
Company or Individual Name:	Yates Petroleum Corp				
Ву:	· · · · · · · · · · · · · · · · · · ·				
Name:					
Title:					
Date:					



EXHIBIT "A"

Working Interest Owners

COG Operating LLC One Concho Center 600 West Illinois Avenue Midland, TX 79701

Yates Petroleum Corp 105 S 4th St. Artesia, NM 88210 Attn: Chuck Moran

Abo Petroleum Corp 105 S 4th St. Artesia, NM 88210 Attn: Chuck Moran

Myco Industries, Inc. 105 S 4th St. Artesia, NM 88210 Attn: Chuck Moran

OXY Y-1 Company P.O. Box 27570 Houston, TX 77227 Attn: Mark E. Hodge

Energen Resources Corp. 3300 North A St., STE 100 Midland, TX 79705 Attn: Austin Puckett

COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

SHL: SEC 6: 190 FNL & 1980 FEL			New Marico Les	7109)
SHL: SEC 7: 2310 FNL & 1980 FEL		STATE & COUNTY: OBJECTIVE:	DRILL & COMPLET	_
ORMATION: TH BSS/3RD BSS		DEPTH:	20,113	<u>PH-TD: 13,</u>
EGAL: 6-25S-35E		TVD:	12,663	F161D. 13,
				· · ·
NTANGIBLE COSTS		8CP	<u>ACP</u>	<u>TOTAL</u>
tie/Curative/Permit	201	11,000		11
Surpoce	202	5,000 302		5
amages/Right of Way	203	5,000 303		5
rvey/Stake Location	_ 204	7,000 304		7
cation/Pits/Road Expense	205	90,000 305	25,000	115
filing / Completion Overhead	206	9,000 306		9
imkey Contract	207	0 307		
oolage Contract	208	0 308		
sywork Contract	209	1,238,000 309		1,238
rectional Drilling Services	210	308,000 310		306
el & Power	211	161,000 311	10,000	171
aler	212	54,000 312	330,000	384
is	213	66,000 313	4,500	90
ud & Chemicals	214	188,000 314	25,000	211
ill Stem Test	215	0 315		
oring & Analysis	216	0	·	
ement Surface	217	31,500		31
ement Intermediate	218	58,500		58
ment 2nd Intermediate/Production	218	135,000 319	135,000	270
ement Squeeze & Other (Kickoff Plug)	220	50,000 320	135,000	50
pat Equipment & Centra@ers	221	14,000 321	32,000	
using Crews & Equipment	- 221	34,000 327	34,000	46
shing Tools & Service	_		39,000	68
	- 223	0 323		
eologic/Engineering	- 224	0 324	A-2	
intract Labor	225	10,000 325	200,000	210
mpany Supervision	_ 226	0 326		
ontract Supervision	_ 227	153,000 327	70,000	223
sting Casing/Tubing	228	10,000 328		10
d Logging Unit	_ 229	56,000 329		56
&Bind	230	500,000 330		500
nforeting/Wireline Services	_ 231	7,000 331	160,000	187
muistion/Treating	_	0 332	4,000,000	4,000
mpletion Unit	_	0 333	125,000	125
rabbing Unit	_	0 334		
entals-Surface	235	178,000 335	275,000	453
entals-Subsurface	236	202,500 336	55,000	257
ucking/Forker/Rig Mobilization	237	200,000 337	25,000	225
elding Services	_ 238	5,000 338	5,000	10
ater Disposal	239	0 339	195,000	195
ug to Abandon	240	0 340		
ismic Analysis	241	0 341		
csed Loop & Environmental	244	170,000 344	5,000	175
scelleneous	242	U 342		
ontingency	243	67,000 343	50,000	117
TOTAL INTANGIBLES	_	4,039,500	5,780,500	9,820
ANGIBLE COSTS				
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	402	508,000 503		
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