



**CERTIFIED MAIL &
FEDERAL EXPRESS**

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 CONSERVATION
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 not to participate in the Stove Pipe Feral Com No. 2H.

Company or

Individual Name: Yates Petroleum Corp

By: _____

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**

WELL NAME: STOVE PIPE FEDERAL COM #2H	PROSPECT NAME: BULLDOG 2535 (717109)
SHL: SEC 8: 190 FNL & 1980 FEL	STATE & COUNTY: New Mexico, Lea
BHL: SEC 7: 2310 FNL & 1980 FEL	OBJECTIVE: DRILL & COMPLETE
FORMATION: TH BSS/3RD BSS	DEPTH: 20,113 PH-TD: 13,500
LEGAL: 6-25S-35E	TVD: 12,663

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	11,000		11,000
Insurance	202	5,000	302	5,000
Damages/Right of Way	203	5,000	303	5,000
Survey/Stake Location	204	7,000	304	7,000
Location/Pits/Road Expense	205	90,000	305 25,000	115,000
Drilling / Completion Overhead	206	9,000	306	9,000
Turnkey Contract	207	0	307	0
Footage Contract	208	0	308	0
Daywork Contract	209	1,238,000	309	1,238,000
Directional Drilling Services	210	306,000	310	306,000
Fuel & Power	211	181,000	311 10,000	171,000
Water	212	54,000	312 330,000	384,000
Bits	213	88,000	313 4,500	90,500
Mud & Chemicals	214	188,000	314 25,000	211,000
Drill Stem Test	215	0	315	0
Coring & Analysis	216	0		0
Cement Surface	217	31,500		31,500
Cement Intermediate	218	58,500		58,500
Cement 2nd Intermediate/Production	218	135,000	319 135,000	270,000
Cement Squeeze & Other (Kickoff Plug)	220	50,000	320 0	50,000
Float Equipment & Centralizers	221	14,000	321 32,000	46,000
Casing Crews & Equipment	222	34,000	322 34,000	68,000
Fishing Tools & Service	223	0	323	0
Geologic/Engineering	224	0	324	0
Contract Labor	225	10,000	325 200,000	210,000
Company Supervision	226	0	326	0
Contract Supervision	227	153,000	327 70,000	223,000
Testing Casing/Tubing	228	10,000	328	10,000
Mud Logging Unit	229	58,000	329	58,000
Logging	230	500,000	330	500,000
Perforating/Wireline Services	231	7,000	331 180,000	187,000
Stimulation/Treating		0	332 4,000,000	4,000,000
Completion Unit		0	333 125,000	125,000
Swabbing Unit		0	334	0
Rentals-Surface	235	178,000	335 275,000	453,000
Rentals-Subsurface	236	202,500	336 55,000	257,500
Trucking/Forklift/Rig Mobilization	237	200,000	337 25,000	225,000
Welding Services	238	5,000	338 5,000	10,000
Water Disposal	239	0	339 195,000	195,000
Plug to Abandon	240	0	340	0
Seismic Analysis	241	0	341	0
Closed Loop & Environmental	244	170,000	344 5,000	175,000
Miscellaneous	242	0	342	0
Contingency	243	87,000	343 50,000	117,000
TOTAL INTANGIBLES		4,039,500	5,780,500	9,820,000
TANGIBLE COSTS				
Surface Casing	401	17,000		17,000
Intermediate Casing	402	508,000	503	508,000
Production Casing		0	503 135,000	135,000
Tubing		0	504 85,000	85,000
Wellhead Equipment	405	24,000	605 34,000	58,000
Pumping Unit		0	606 115,000	115,000
Prime Mover		0	607	0
Rods		0	608 55,000	55,000
Pumps		0	609 35,000	35,000
Tanks		0	610 100,000	100,000
Flowlines		0	611 50,000	50,000
Heater Treater/Separator		0	612 80,000	80,000
Electrical System		0	613	0
Perkins/Anchors/Hangers	414	0	614 98,000	98,000
Couplings/Fittings/Valves	415	0	615 200,000	200,000
Gas Compressors/Meters		0	616 8,100	8,100
Dehydrator		0	617	0
Injection Plant/CO2 Equipment		0	618	0
Miscellaneous	419	0	619	0
Contingency	420	11,000	620 50,000	61,000
TOTAL TANGIBLES		560,000	1,023,100	1,583,100
TOTAL WELL COSTS		4,600,000	6,803,600	11,403,600

COG Operating LLC

Date Prepared: 4/9/15

We approve:

% Working Interest

COG Operating LLC

By: Travis Newman

Company: Yates Petroleum Corp
By: _____

Printed Name: _____

Title: _____

Date: _____

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.