



*Via Certified Mail  
Return Receipt Requested*

October 21, 2015

**Working Interest Owners – Attached Listing**

**Re: Well Proposal – Goose State Com #2H**  
Section 32: W½W½  
Township 20 South, Range 34 East  
Section 5: Lots 1, 8, 9 and 16  
Township 21 South, Range 33 East  
SHL: 190' FNL & 330' FWL, or a legal location in Unit D (Sec. 32)  
BHL: 2970' FSL & 660' FEL, or a legal location in Unit 16 (Sec. 5)  
Lea County, New Mexico

Gentlemen:

COG Operating LLC (COG), as Operator, proposes to drill the Goose State Com #2H well as a horizontal well at the above-captioned location to a TVD of approximately 11,255' and a MD of 21,100' to test the 3<sup>rd</sup> Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$13,462,500 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 on or before December 25, 2015.

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement, which is enclosed herewith for your review and execution. The Operating Agreement covers W½W½ of Section 32, T20S-R34E and Lots 1, 8, 9 and 16 of Section 5, T21S-R33E, Lea County, New Mexico. It contains the following general provisions:

- 100/300/300 Non-consent penalty
- \$7,000/\$700 Drilling and Producing overhead rates
- COG named as Operator for the Contract Area

If you do not wish to participate in the Operation, COG would like to acquire your leasehold via Term Assignment or some other type of mutually acceptable agreement. This 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 receipt 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.

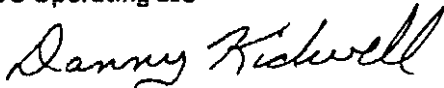
BEFORE THE OIL CONSERVATION  
DIVISION  
Santa Fe, New Mexico  
Exhibit No. 3  
Submitted by: COG OPERATING LLC  
Hearing Date: December 3, 2015

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE, a signed copy of the JOA signature pages, and a copy of your geologic well requirements to my attention at the letterhead address. You may also fax your response to (432) 221-0856 or by email to [lreyna@concho.com](mailto:lreyna@concho.com)

If you have any questions, please do not hesitate to contact the undersigned at 432-685-2535.

Sincerely,

COG Operating LLC



Danny Kidwell  
Senior Landman, NM Basin - North

DK:lr  
Encl.

\_\_\_\_\_ I/we hereby elect to participate in the drilling and completion of the Goose State Com #2H

\_\_\_\_\_ I/we hereby elect not to participate in the drilling and completion of the Goose State Com #2H

Company/Individual Name: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

WORKING INTEREST OWNERS

Hand Delivered

Rubicon Oil and Gas II, LP  
Attn: Mr. W. Brett Smith  
508 W. Wall Avenue, Suite 500  
Midland, Texas 79701

Via Certified Mail # 91 7199 9991 3278 2177

EOG Resources, Inc.  
P. O. Box 2267  
Midland, Texas 79702

Via Certified Mail # 91 7199 9991 3278 2160

Chevron Midcontinent, LP  
1400 Smith Street  
Houston, Texas 77002

Via Certified Mail # 91 7199 9991 3278 2153

LR Energy, Inc.  
807 Brazos, Suite 1002  
Austin, Texas 78701

Via Certified Mail # 91 7199 9991 3278 2146

Crump Energy Partners II, LLC  
P. O. Box 50820  
Midland, Texas 79710

Via Certified Mail # 91 7199 9991 3278 2139

Crown Oil Partners V, LP  
P. O. Box 50820  
Midland, Texas 79710

Via Certified Mail # 91 7199 9991 3278 2122

Slash Exploration, Ltd  
P. O. Box 1973  
Roswell, New Mexico 88202

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

|   |  |
|---|--|
| WELL NAME: <b>Goose State Com #2H</b>             | PROSPECT NAME: <b>Zeus 2034</b>        |
| SHL: <b>Sec. 32: 190' FNL &amp; 330' FWL (D)</b>  | STATE & COUNTY: <b>New Mexico, Lea</b> |
| BHL: <b>Sec. 5: 2970' FSL &amp; 660' FEL (16)</b> | OBJECTIVE: <b>Dril and Complete</b>    |
| FORMATION: <b>Deep BSS/3BSS</b>                   | DEPTH: <b>21,100</b>                   |
| LEGAL: <b>Sec. 32, T20S-R34E</b>                  |  |
| <b>Sec. 5, T21S-R33E</b>                          | TVD: <b>11,255</b>                     |

| INTANGIBLE COSTS                      |     | BCP              | ACP               | TOTAL             |
|---------------------------------------|-----|------------------|-------------------|-------------------|
| Tide/Corative/Permit                  | 201 | 11,000           |                   | 11,000            |
| Insurance                             | 202 | 4,000            | 302               | 4,000             |
| Damages/Right of Way                  | 203 | 5,000            | 303               | 5,000             |
| Survey/State Location                 | 204 | 6,000            | 304               | 6,000             |
| Location/Pits/Road Expense            | 205 | 120,000          | 305               | 152,000           |
| Drilling / Completion Overhead        | 206 | 8,000            | 306               | 8,000             |
| Turnkey Contract                      | 207 | 0                | 307               | 0                 |
| Footage Contract                      | 208 | 0                | 308               | 0                 |
| Daywork Contract                      | 209 | 1,058,000        | 309               | 1,058,000         |
| Directional Drilling Services         | 210 | 206,000          | 310               | 206,000           |
| Fuel & Power                          | 211 | 103,000          | 311               | 111,500           |
| Water                                 | 212 | 85,000           | 312               | 799,000           |
| Bbs                                   | 213 | 94,000           | 313               | 103,000           |
| Mud & Chemicals                       | 214 | 100,000          | 314               | 146,000           |
| Drill Stem Test                       | 215 | 0                | 315               | 0                 |
| Coring & Analysis                     | 216 | 30,000           |                   | 30,000            |
| Cement Surface                        | 217 | 31,350           |                   | 31,350            |
| Cement Intermediate                   | 218 | 52,250           |                   | 52,250            |
| Cement 2nd Intermediate/Production    | 218 | 0                | 319               | 171,000           |
| Cement Squeeze & Other (Kickoff Plug) | 220 | 43,000           | 320               | 43,000            |
| Float Equipment & Centralizers        | 221 | 22,000           | 321               | 47,000            |
| Casing Crews & Equipment              | 222 | 18,000           | 322               | 53,000            |
| Fishing Tools & Service               | 223 | 0                | 323               | 0                 |
| Geologic/Engineering                  | 224 | 0                | 324               | 0                 |
| Contract Labor                        | 225 | 6,500            | 325               | 160,500           |
| Company Supervision                   | 226 | 0                | 326               | 0                 |
| Contract Supervision                  | 227 | 133,000          | 327               | 203,000           |
| Testing Casing/Tubing                 | 228 | 10,000           | 328               | 20,000            |
| Mud Logging Unit                      | 229 | 38,000           | 329               | 38,000            |
| Logging                               | 230 | 250,000          | 330               | 250,000           |
| Perforating/Wireline Services         | 231 | 4,000            | 331               | 400,000           |
| Stimulation/Treating                  |     | 0                | 332               | 6,100,000         |
| Completion Unit                       |     | 0                | 333               | 145,000           |
| Swabbing Unit                         |     | 0                | 334               | 0                 |
| Rentals-Surface                       | 235 | 165,000          | 335               | 330,000           |
| Rentals-Subsurface                    | 236 | 182,000          | 336               | 262,000           |
| Trucking/Forklift/Rlg Mobilization    | 237 | 140,000          | 337               | 185,000           |
| Welding Services                      | 238 | 4,000            | 338               | 9,000             |
| Water Disposal                        | 239 | 0                | 339               | 883,000           |
| Plug to Abandon                       | 240 | 0                | 340               | 0                 |
| Seismic Analysis                      | 241 | 0                | 341               | 0                 |
| Closed Loop & Environmental           | 244 | 180,000          | 344               | 185,000           |
| Miscellaneous                         | 242 | 0                | 342               | 0                 |
| Contingency                           | 243 | 63,000           | 343               | 50,000            |
| <b>TOTAL INTANGIBLES</b>              |     | <b>3,172,100</b> | <b>9,152,500</b>  | <b>12,324,600</b> |
|                                       |     |                  |                   |                   |
| TANGIBLE COSTS                        |     |                  |                   |                   |
| Surface Casing                        | 401 | 46,000           |                   | 46,000            |
| Intermediate Casing                   | 402 | 126,000          | 503               | 126,000           |
| Production Casing                     |     | 0                | 503               | 324,000           |
| Tubing                                |     | 0                | 504               | 45,000            |
| Wellhead Equipment                    | 405 | 25,000           | 505               | 45,000            |
| Pumping Unit                          |     | 0                | 506               | 102,000           |
| Prime Mover                           |     | 0                | 507               | 0                 |
| Rods                                  |     | 0                | 508               | 45,000            |
| Pumps                                 |     | 0                | 509               | 55,000            |
| Tanks                                 |     | 0                | 510               | 0                 |
| Flowlines                             |     | 0                | 511               | 51,000            |
| Heater Treater/Separator              |     | 0                | 512               | 32,000            |
| Electrical System                     |     | 0                | 513               | 15,000            |
| Packer/Anchors/Hangers                | 414 | 0                | 514               | 8,000             |
| Couplings/Fittings/Valves             | 415 | 0                | 515               | 115,000           |
| Gas Compressors/Meters                |     | 0                | 516               | 35,000            |
| Dehydrator                            |     | 0                | 517               | 0                 |
| Injection Plant/CO2 Equipment         |     | 0                | 518               | 0                 |
| Miscellaneous                         | 419 | 0                | 519               | 43,000            |
| Contingency                           | 420 | 0                | 520               | 50,000            |
| <b>TOTAL TANGIBLES</b>                |     | <b>197,000</b>   | <b>940,000</b>    | <b>1,137,000</b>  |
| <b>TOTAL WELL COSTS</b>               |     | <b>3,370,000</b> | <b>10,092,500</b> | <b>13,462,500</b> |

COG Operating LLC

Date Prepared: 10-20-2015

COG Operating LLC

We approve:  
\_\_\_\_\_  
% Working Interest

By: Alex Korzenewski / Kenneth LaFortune LR

Company:

By:

Printed Name:

Title:

Date:

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