



Jon-Aaron House
Senior Landman

April 20, 2016

Working Interest Owners – Attached Listing

Re: Well Proposal – Lajitas BWQ State Com #1H
Section 26: S½SE¼
Section 25: S½S½
Township 18 South, Range 28 East, N.M.P.M.
SHL: 660' FSL & 2440' FEL, or a legal location in Unit O (Sec. 26)
BHL: 660' FSL & 50' FEL, or a legal location in Unit P (Sec. 25)
Eddy County, New Mexico

Gentlemen:

COG Operating LLC (COG), as Operator, hereby proposes to drill the Lajitas BWQ State Com #1H well as a horizontal well at the above-captioned location to a TVD of approximately 7,385' and a MD of 14,400' to test the 2ND Bone Spring Sand Formation ("Operation"). The total cost of the Operation is estimated to be \$8,339,552 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 May 31, 2016.

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 Contract Area covers the S½SE¼ of Section 26 and the S½S½ of Section 25, T18S-R28E, Eddy County, New Mexico. It contains the following general provisions:

- 100/300/300 Non-consent penalty
- \$6,300/\$630 Drilling and Producing overhead rates
- COG named as Operator for the Contract Area

If you do not wish to participate in the proposed Well, COG would like to acquire a Term Assignment of your leasehold for the following general terms:

- Two (2) year primary term
- Delivering a 80 % NRI, proportionately reduced
- \$1,000.00 / net mineral acres bonus consideration

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

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.

OCD Case No. 15500

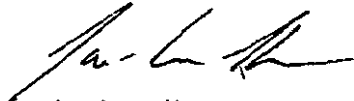
**COG OPERATING
Exhibit # 3**

Lajitas BWQ State Com #1H - Well Proposal
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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.

If you have any questions, please do not hesitate to contact the undersigned at 432.221.0349.

Sincerely,
COG Operating LLC



Jon-Aaron House
Senior Landman, NM Basin - North

JAH/lr
Encl.

_____ I/we hereby elect to participate in the drilling and completion of the Lajitas BWQ State Com #1H

_____ I/we hereby elect not to participate in the drilling and completion of the Lajitas BWQ State Com #1H

Company/Individual Name: _____

By: _____

Title: _____

Date: _____

WORKING INTEREST OWNERS

Federal Express

Patsy A. Huegler
1800 South Missouri
Roswell, NM 88203

Federal Express

Don Bell, II
2580 West Camp Wisdom Road, Suite 100
Grand Prairie, TX 75052

Federal Express

Don Bell, II, Trustee
The 2012 DCB3 Southwestern Irrevocable Trust
3713 Southwestern Boulevard
Dallas, TX 75225

Federal Express

Hervey A. Priddy, Trustee
The Amsler young Priddy Irrevocable Trust
3713 Southwestern Boulevard
Dallas, TX 75225

Federal Express

HHB Limited Partnership
6823 S. Florence Avenue
Tulsa, OK 74136

Via Certified Mail # 91 7199 9991 7035 2752 9534

Judith A. West a/k/a Judy Reynolds West
P. O. Box 1948
Cullman, AL 35056

Federal Express

Bernhardt Oil Corp
12170 Jaycie Circle
Midwest City, OK 73130

Via Certified Mail # 91 7199 9991 7035 2752 9558

Sydhan, LP
P. O. Box 92349
Austin, TX 78709

Via Certified Mail # 91 7199 9991 7035 2752 9565

Fuel Products, Inc.
P. O. Box 3098
Midland, TX 79702

Federal Express

Gregory C. White
405 Lexington Ave., 59th Floor
New York, NY 10174

Federal Express

Straight Profit, Inc.
2200 Willowick Road
Houston, TX 77027

Federal Express

Estate of Marion P. Riley
1105 San Juan Dr.
Roswell, NM 88201

Federal Express

Norman L. Stevens, Jr.
Trustee of the Stevens Revocable Trust
1000 Louisiana, Ste 3400
Houston, TX 77002

Via Certified Mail # 91 7199 9991 7035 2752 9633

Gregory L. Clark
C/O Wells Fargo Bank NM, N.A.
P. O. Box 1968
Albuquerque, NM 87103-1968

Federal Express

Vrooman Energy, L.L.C.
10510 S. Kingston
Tulsa Oklahoma 74137

Federal Express

William A. Bradshaw, III
C/O Lincoln Oil & Gas
701 Three Cross
Roswell, NM 88201