



Federal Express

May 26, 2016

**Energen Resources Corporation
605 Richard Arrington, Jr. Blvd., N.
Birmingham, AL 35203**

Attention: Travis Adams

Re: Well Proposal – Skull Cap Federal Com #22H
W/2 SE/4, Sec. 32 – T24S-R35E &
W/2 E/2, Sec. 5 – T25S-R35E
SHL: 2,590' FSL & 1,980' FEL, or a legal location in Sec. 32 (Unit J)
BHL: 330' FSL & 1,980' FEL, or a legal location in Sec. 5 (Unit O)
Lea County, New Mexico

Dear Mr. Adams:

COG Operating LLC ("COG"), as Operator, proposes to drill the Skull Cap Federal Com #22H well as a horizontal well at the above-captioned location to a TVD of approximately 12,580' and a MD of 19,950' to test the Wolfbone Pool ("Operation"). The total cost of the Operation is estimated to be \$10,804,347.00 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

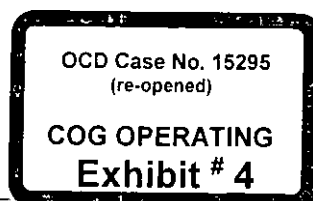
COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers the W/2 SE/4 of Section 32, T24S-R35E and W/2 E/2 of Section 5, T25S-R35E, Lea Co., New Mexico. It has the following general provisions:

- 100/300 Non-consenting penalty
- \$7,000/\$700 Drilling and Producing rate
- COG named as Operator

If you do not wish to participate in the Operation, COG would like to acquire your leasehold via farmout under the following general terms:

- Delivery of a 75% NRI, proportionately reduced
- Option to convert ORRI after 100% payout to a 25% WI, proportionately reduced

This farmout offer is subject to the approval of COG's management and verification of title.



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Please indicate your participation election in the space provided below and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements, to my attention at the letterhead address. You may also email your response to mwallace@concho.com.

Should you have any questions, please do not hesitate to contact the undersigned at (432) 221-0465.

Sincerely,



Mike Wallace
Senior Landman

_____ I/We hereby elect to participate in the Skull Cap Federal Com #22H.

_____ I/We hereby elect not to participate in the Skull Cap Federal Com #22H.

Company: ENERGEN RESOURCES CORPORATION

By: _____

Name: _____

Title: _____

Date: _____