

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
Office: (432) 682-4429
Fax: (432) 682-4325

File 161

January 18, 2011

The Toles-Com Ltd
Attn: Mr. Perry Toles
P.O. Box 1300
Roswell, NM 88202

Via Certified Mail, Return Receipt Requested

Re: Big Iron #1-H, SHL: 2310' FSL & 330' FWL, BHL: 2310' FSL & 330' FEL
Big Iron #2-H, SHL: 990' FSL & 330' FWL, BHL: 990' FSL & 330' FEL
Section 5, T-19-S, R-26-E
Eddy County, New Mexico

Dear Mr. Toles:

Nadel and Gussman Permian, L.L.C. ("NGP"), as an owner of interest in Section 5, T-19-S, R-26-E, Eddy County, New Mexico, hereby proposes to drill and operate the above captioned wells at the referenced locations to depths to adequately evaluate the Yeso Formation.

Regarding the above, enclosed for your signature is an AFE for each well proposed, including a copy of each for your records.

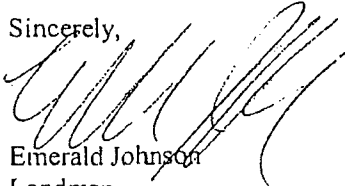
Our inspection of public records indicates that The Toles-Com Ltd ("TOLES") owns an approximate 4.17% Leasehold Interest in the S/2 of the captioned Section 5.

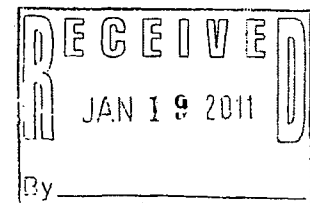
In the event that you elect to participate in the captioned proposed wells, please execute one copy of each AFE and return to the undersigned. Upon receipt of the executed AFE's, I will forward our proposed Operating Agreement naming NGP as operator for your signature.

In the event TOLES elects not to participate in the captioned wells, NGP would like to negotiate an Oil and Gas Lease of TOLES' interest.

Should you have any questions regarding the above, please call me at the above captioned telephone number.

Sincerely,


Emerald Johnson
Landman



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by:
COG OPERATING, LLC
Hearing Date: January 5, 2012

AUTHORITY FOR EXPENDITURE**NADEL AND GUSSMAN PERMIAN, LLC**

Date: 1/12/2011

Prepared By: Joel Martin

Prospect Name: Big Iron

County, State: Eddy, New Mexico

Projected Total Depth: 7120' (3000' Pilot hole TVD)

Lease / Well Number: Big Iron #1-H

Location: Sec. 5 - 19s- 26e

SHL: 2310' FSL, 330' FWL

BHL: 2310' FSL, 330' FEL

Primary Objectives: Yeso

NOTES

Daywork Pilot Hole Logged, then Kick Off Horiz Oil Well - Closed-Loop Moyno Packers Plus Type Completion
 TVD @ EOC = 2850' +/-
 TVD @ EOL = 2785' +/-

It is recognized that the amounts provided here are estimates only and approval of this authorization shall extend to actual costs incurred in conducting the operations specified, whether more or less than estimated.

Intan. Drilling Costs BCP		COSTS
4-02 Abandonment & Cleanup		\$ 30,000
1-10 Abstracts & Title Opinions		\$ -
4-67 Well Control Insurance	7120' \$/Ft: 0.684	\$ 4,870
4-01 Legal, Permits & Fees		\$ 2,500
4-67 Staking Location & Surveys		\$ 1,000
4-36 Location, Road & ROW		\$ 50,000
4-15 IDC Daywork	Days: 20 \$/Day: 12000	\$ 240,000
4-14 Mobilization / Demobilization		\$ 55,000
4-66 Rig Fuel	Days: 20 \$/Day: 2783	\$ 55,650
4-24 IDC Footage	\$/Ft:	\$ -
4-72 Supervision	Days: 20 \$/Day: 1000	\$ 20,000
4-18 Drilling Overhead (Administrative Services)		\$ 4,667
4-03 Bits & Reamers		\$ 21,000
4-61 Rentals Surface		\$ 65,030
4-62 Rentals Sub-Surface		\$ 11,000
4-62 Drill Pipe / Motors	Days: 15 \$/Day: 4000	\$ 60,000
4-16 Directional Drilling Expense	15 \$/day 8500	\$ 127,500
4-31 Inspection - Drill String		\$ -
4-04 Well Control & Testing		\$ 5,000
4-45 Miscellaneous IDC		\$ 5,000
4-52 Mud Logging	Days: 15 \$/Day: \$ 933	\$ 14,000
4-08 Contract Labor		\$ 8,000
4-78 Transportation		\$ 10,500
4-05 Surface Casing Crews		\$ -
4-06 Kick Off Plug		\$ 25,000
4-23 Surface Float Equipment & Centralizers		\$ -
4-05 Intermediate Surface Casing Crews		\$ 6,000
4-06 Intermediate Cement and Cement Services		\$ 12,000
4-23 Intermediate Float Equipment & Centralizers		\$ 1,700
4-51 Mud & Additives		\$ 20,000
4-12 Corrosion Control & Chem.		\$ 5,000
4-84 Water		\$ 15,767
4-85 Water / Mud Disposal		\$ 39,429
Contingency (10%)		\$ 91,561
TOTAL DRILLING COSTS		\$ 1,061,954

Intan. Formation Testing BCP		COSTS
4-39 Logging & Wireline		\$ 10,000
4-21 Drill Stem - Formation Tests		\$ -
4-12 Coring & Analysis (Sidewall Cores)		\$ -
Contingency (10%)		\$ 1,000
TOTAL FORMATION TESTING COSTS		\$ 11,000

Tangible Lease & Well Equipment BCP		COSTS
6-72 Surface Casing	13-3/8" \$/Ft: 0 Feet: 1400	\$ -
6-32 Intermediate Csg	9 5/8" \$/Ft: 25 Feet: 1400	\$ 34,300
	" \$/Ft: Feet:	\$ -
	" \$/Ft: Feet:	\$ -
6-84 Wellhead		\$ 4,000
6-76 Cattle Guards		\$ 1,500
Contingency (10%)		\$ 3,980
TOTAL EQUIPMENT COSTS		\$ 43,780

TOTAL DRILLING	\$ 1,061,954
TOTAL INTANGIBLE	\$ 1,636,042

Intan. Comp. Costs ACP		COSTS
5-02 Abandonment & Cleanup		\$ (30,000)
5-12 IDC Daywork	Days: 2 \$/Day: 12000	\$ 24,000
4-66 Rig Fuel	Days: 2 \$/Day: 2783	\$ 5,565
5-84 Drilling Rig Supervision	Days: 2 \$/Day: 1000	\$ 2,000
5-05 Production Casing Crews		\$ 8,000
5-08 Production Casing Cement & Services		\$ 12,000
5-08 Prod. Float Equipment & Centralizers		\$ 9,000
5-09 Completion / Swab Unit	Days: 2 \$/Day: 28000	\$ 56,000
5-84 Compl. Rig Supervision	Days: 8 \$/Day: 650	\$ 5,200
5-18 Administrative Services		\$ 2,333
5-48 Mud & Chemicals		\$ 2,400
5-66 Water Hauling		\$ 8,000
5-32 Logging, Perforations & Wireline		\$ -
5-62 Rentals Subsurface		\$ 7,500
5-81 Rentals Surface		\$ 5,400
5-53 Nitrogen Service & Coiled Tubing		\$ -
5-22 Fishing		\$ -
5-80 Stimulation		\$ 400,000
5-92 Transportation		\$ 8,000
5-77 Contract Labor & Roustabout		\$ 9,000
5-04 Bits & Reamers		\$ -
5-11 Couplings & Fittings		\$ 9,500
5-28 Location & Road Expense		\$ 5,000
5-40 Miscellaneous IDC		\$ 5,000
5-31 Pipe Inspection & Recondition		\$ -
5-68 Pumping Services (Kill Truck)		\$ -
5-21 Testing		\$ 5,000
5-40 Well Control Insurance	Days: 8 \$/Day: 350	\$ 2,800
Contingency (10%)		\$ 56,170
TOTAL COMPLETION COSTS		\$ 1,065,216

Tangible Well Equipment ACP		COSTS
6-60 Prod. Csg / Liners	5-1/2" \$/Ft: 14 Feet: 7120	\$ 99,680
	" \$/Ft: Feet:	\$ -
6-80 Tubing	2-7/8" \$/Ft: 6 Feet: 2000	\$ 12,000
6-84 Wellhead		\$ 5,000
6-68 Rods and Pump, Moyno		\$ 40,000
931-000 Subsurface Equipment		\$ 180,000
Contingency (10%)		\$ 33,668
TOTAL WELL EQUIPMENT COSTS		\$ 370,348

Tangible Lease & Battery Equipment ACP		COSTS
6-64 Pumping Units & Engines		\$ -
6-16 Gas Processing & Dehy		\$ -
6-24 Heaters, Treators & Separators		\$ 15,000
6-76 Tanks & Accessory Equipment		\$ 25,000
6-40 Pipeline		\$ 10,000
6-42 Flowline		\$ 5,000
6-12 Controllable Valves		\$ 9,000
6-44 Misc. Controllable Equipment		\$ 6,000
Contingency (10%)		\$ 7,000
TOTAL EQUIPMENT COSTS		\$ 77,000

TOTAL COMPLETION	\$ 1,065,216
TOTAL TANGIBLE	\$ 491,128

Joint Interest Approval

Company:

Company: Nadel and Gussman Permian, LLC

By: _____ Date: _____

By: *Joel Martin* Date: 1/12/2011

TOTAL DRY HOLE COST \$ 1,096,675
TOTAL WELL COST \$ 2,127,170

AUTHORITY FOR EXPENDITURE**NADEL AND GUSSMAN PERMIAN, LLC**

Date: 1/12/2011

Prepared By: Joel Martin

Prospect Name: Big Iron

County, State: Eddy, New Mexico

Projected Total Depth: 7120' (3000' Pilot hole TVD)

Lease / Well Number: Big Iron #2-H

Location: Sec. 5 - 19s- 26e

SHL: 990' FSL, 330' FWL

BHL: 990' FSL, 330' FEL

Primary Objectives: Yeso

NOTES

Daywork Pilot Hole Logged, then Kick Off Horiz Oil Well - Closed-Loop Moyno

Packers Plus Type Completion

TVD @ EOC = 2850' +/-

TVD @ EOL = 2785' +/-

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4-52 Mud Logging Days: 15 \$/Day: \$ 933	\$ 14,000
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4-51 Mud & Additives	\$ 20,000
4-12 Corrosion Control & Chem.	\$ 5,000
4-84 Water	\$ 15,767
4-85 Water / Mud Disposal	\$ 39,429
Contingency (10%)	\$ 91,561
TOTAL DRILLING COSTS	\$ 1,007,174

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5-32 Logging, Perforations & Wireline	\$ -
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5-53 Nitrogen Service & Coiled Tubing	\$ -
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5-92 Transportation	\$ 8,000
5-77 Contract Labor & Roustabout	\$ 9,000
5-04 Bits & Reamers	\$ -
5-11 Couplings & Fittings	\$ 9,500
5-28 Location & Road Expense	\$ 5,000
5-40 Miscellaneous IDC	\$ 5,000
5-31 Pipe Inspection & Recondition	\$ -
5-68 Pumping Services (Kill Truck)	\$ -
5-21 Testing	\$ 5,000
5-40 Well Control Insurance Days: 8 \$/Day: 350	\$ 2,800
Contingency (10%)	\$ 56,170
TOTAL COMPLETION COSTS	\$ 617,868

Tangible Well Equipment ACP	COSTS
6-60 Prod. Csg / Liners 5-1/2" \$/Ft: 14 Feet: 7120	\$ 99,680
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Company:

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By: *Joel Martin* Date: 1/12/2011**TOTAL DRY HOLE COST \$ 1,096,675****TOTAL WELL COST \$ 2,127,170**