

Kevin C. Stubbs
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VIA EMAIL

REVISED

October 17, 2012

Farmers National Company
5110 S. Yale, Suite 400
Tulsa, OK 74135
Attn: Jennifer Kindred

RE: Heritage 2 15-2H Well Proposal
Township 23 South, Range 28 East
Section 15: W/2W/2
Eddy County, New Mexico

Ms. Kindred:

Chevron Midcontinent, LP ("Chevron"), as operator of that certain Joint Operating Agreement ("JOA") dated February 26, 1981 hereby proposes to drill the Heritage 2 15 #2H (the "Well") at a non-standard location in the W/2W/2 of Section 15, Township 23 South, Range 28 East, N.M.P.M., Eddy County, NM.

The intended surface hole location for the Well is 330' FSL & 330' FWL of Section 15 and the intended bottom hole location is 330' FNL & 330' FWL of Section 15. The Well is proposed to be drilled vertically to a depth of approximately 7,635' at which time the Well will be turned and drilled laterally in a Northerly direction within the second sand of the Bone Spring formation to the referenced bottom hole location. True vertical depth of the Well is proposed to be approximately 8,170' and the total measured depth is proposed to be approximately 12,481', from surface to terminus.

Enclosed is our detailed cost estimate associated with this proposal. Please review and let me know whether BNSF Railway Company ("BNSF") intends to participate with its 0.44375% working interest in the well.

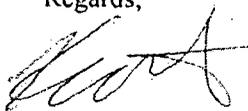
As I have mentioned in my latest correspondence with you, Chevron has reviewed BNSF's lease form and has several concerns with same. In the event BNSF does not wish to participate, I am still hopeful we can reach an agreement as to a lease form, or, in the alternative, BNSF would be willing to sell its .71 acre tract (minerals only) to Chevron.

If you have any questions concerning this proposal, please contact the undersigned at (713) 372-1048.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by:
CHEVRON U.S.A. INC.
Hearing Date: November 28, 2012

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Regards,

A handwritten signature in black ink, appearing to read 'K. Stubbs', written over a horizontal line.

Kevin C. Stubbs

Enclosure