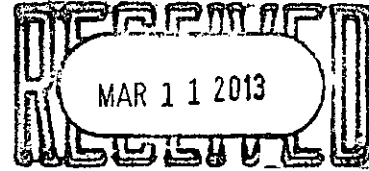


FORTUNE NATURAL RESOURCES CORPORATION

March 2, 2013

Gerald E. Harrington Trust
PO Box 3716
Roswell, New Mexico 88202



Re: Bobbi State Waterflood Unit
All Section 20, N/2 Section 29, NW/4 Section 28, 18S-36E
Lea County, New Mexico

Ladies and Gentlemen:

A recent title opinion performed on the above referenced acreage shows that you are an owner of a percentage of the operating rights/leasehold in said acreage. Fortune Natural Resources Corporation ("FNRC") hereby proposes to form a secondary waterflood unit in the above subject lands. Sundown Energy LP, an entity of FNRC will be the operator of the proposed waterflood unit, and is moving forward with unitization proceedings with the New Mexico Oil Conservation Division. Enclosed in this packet you will find the following:

1. Unit Agreement **(for your review)**
2. Unit Operating Agreement **(for your review)**
3. Ratification and Joinder of Unit Agreement and Unit Operating Agreement **(sign, have notarized and return)**
4. Plan of Operations

Please review the Plan of Operations page for a detailed review of the waterflood. This secondary recovery project will be flooding the San Andres formation. Sundown/FNRC plans to spend \$1,295,000 initially on this project. We believe we will be able to recover 268,000 bbls of secondary reserves over the life of the flood and have an estimated project payout in approximately two years.

Should you wish to participate in this project, Sundown/FNRC will operate pursuant to, and you will be subject to the terms and conditions of the Unit Operating Agreement. If you do NOT wish to participate in this project Sundown/FNRC hereby offers to purchase all of your right title and interest for \$350/Net Mineral Acre. The effective date of this sale will be as of April 1, 2013. FNRC's offer is subject to completing its own due diligence on the properties and the execution of a mutually agreeable definitive Assignment Bill of Sale ("Definitive Agreement"). Please refer the Exhibit "E" of the Unit Operating Agreement which shows the total net acres you have in the proposed unit lands, should you wish to sell, as well as your Fieldwide Unit WI % should you wish to participate.

Sundown/FNRC is scheduled to go to a hearing to unitize the subject lands in May of 2013. Your timely response to this letter is extremely important and we request that you respond as soon as possible so we can start the unitization process. Please be aware that if you do not return this letter within 30 days of receipt we will start statutory force pooling procedures concerning your interest. Please make your election below and return to the undersigned at the letterhead address.

If you have any further questions regarding this proposal please contact me at 214-368-6100 or by email at kpaxton@sundownenergy.com. Again, please return an executed Ratification and Joinder of Unit Agreement and Unit Operating Agreement and the election page attached to this letter.

Two Galleria Tower · 13455 Noel Road · Suite 2000 · Dallas, TX 75240 · 214-36

NMOCD CASE NO. 14982

NMOCD CASE NO. 14983

May 16, 2013

Exhibit No. 3

Thank you for your consideration of our proposal.

Sincerely,

FORTUNE NATURAL RESOURCES CORPORATION



Kyle A. Paxton, RPL
Landman

Bobbi State Waterflood Election
Lea County, New Mexico

 I/We elect to participate in the Bobbi State Waterflood Unit

 ✓ I/We elect to sell all our right title and interest in the lands encompassing the proposed Bobbi State Waterflood Unit as stated in the offer above.

WI Owner Signature: Gerald E. Harrington Trustee

WI Owner Name/Company Gerald E. and Emma Patricia Harrington Trust

WI Owner Address P.O. Box 3716 Roswell, NM 88202-3716

WI Owner Phone # 575-622-1550

WI Owner Email gharringtonzds@qwestoffice.net

Please return the above election and Ratification of Unit Agreement and Operating Agreement to my attention:

Fortune Natural Resources Corporation
Attn: Kyle Paxton
13455 Noel Road, Suite 2000
Dallas, TX 75240

FORTUNE NATURAL RESOURCES CORPORATION

RECEIVED

APR 01 2013

LAND DEPT.

March 2, 2013

Riverbend Exploration & Prod. LLC
One Allen Center
500 Dallas, Suite 2835
Houston, TX 77002

Re: Bobbi State Waterflood Unit
All Section 20, N/2 Section 29, NW/4 Section 28, 18S-36E
Lea County, New Mexico

Ladies and Gentlemen:

A recent title opinion performed on the above referenced acreage shows that you are an owner of a percentage of the operating rights/leasehold in said acreage. Fortune Natural Resources Corporation ("FNRC") hereby proposes to form a secondary waterflood unit in the above subject lands. Sundown Energy LP, an entity of FNRC will be the operator of the proposed waterflood unit, and is moving forward with unitization proceedings with the New Mexico Oil Conservation Division. Enclosed in this packet you will find the following:

1. Unit Agreement (for your review)
2. Unit Operating Agreement (for your review)
3. Ratification and Joinder of Unit Agreement and Unit Operating Agreement (sign, have notarized and return)
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Please review the Plan of Operations page for a detailed review of the waterflood. This secondary recovery project will be flooding the San Andres formation. Sundown/FNRC plans to spend \$1,295,000 initially on this project. We believe we will be able to recover 268,000 bbls of secondary reserves over the life of the flood and have an estimated project payout in approximately two years.

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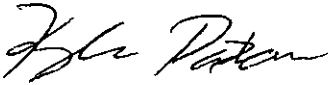
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If you have any further questions regarding this proposal please contact me at 214-368-6100 or by email at kpaxton@sundownenergy.com. Again, please return an executed Ratification and Joinder of Unit Agreement and Unit Operating Agreement and the election page attached to this letter.

Thank you for your consideration of our proposal.

Sincerely,

FORTUNE NATURAL RESOURCES CORPORATION



Kyle A. Paxton, RPL
Landman

Bobbi State Waterflood Election
Lea County, New Mexico

X

I/We elect to participate in the Bobbi State Waterflood Unit

I/We elect to sell all our right title and interest in the lands encompassing the proposed Bobbi State Waterflood Unit as stated in the offer above.

WI Owner Signature: _____

WI Owner Name/Company _____

WI Owner Address _____

WI Owner Phone # _____

WI Owner Email _____

June D. Deek, Land Mgr

Riverbend Expi + Prod LLC

500 Dallas Street, Ste 2835, Houston, TX

77002

713 - 874 - 9003

IDECK@RBOIL.COM

Please return the above election and Ratification of Unit Agreement and Operating Agreement to my attention:

Fortune Natural Resources Corporation
Attn: Kyle Paxton
13455 Noel Road, Suite 2000
Dallas, TX 75240

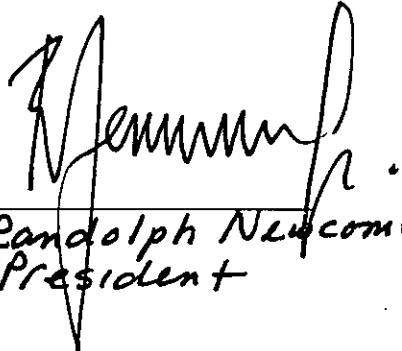
RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the development and operation of the Bobbi State Waterflood Unit Area, County of Lea, State of New Mexico dated May 2, 2013, and in consideration of the execution or ratification by other working interest owners of the Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves, and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

The Ratification and Joinder shall be effective as to the undersigned's interest in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substance, covering any lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 28 day of March, 2013.


By: Randolph Newcomer, Jr.
Its: President

(individual acknowledgment form)

STATE OF Texas

COUNTY OF Harris

BEFORE ME, the undersigned authority, on this day personally appeared Randolph Newcome Jr.
President, Riverbend Expt + Prod LLC who acknowledged to me that he/she signed, executed and delivered the
above and foregoing approval of Ratification and Joinder of Unit Agreement and Unit Operating Agreement.

Given under my hand and seal of office this 28 day of March, 2013.



Irene M. Deck
NOTARY PUBLIC

My commission expires: 8-18-2014

(corporation acknowledgment form)

STATE OF _____

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____, who, as _____ of _____, acknowledged to me that he/she signed, executed and delivered the above and foregoing approval of Ratification and Joinder of Unit Agreement and Unit Operating Agreement for and on behalf of said corporation with full authority so to do.

Given under my hand and seal of office this _____ day of _____, 2013.

(SEAL) _____

NOTARY PUBLIC

My commission expires: _____

<u>Working Interest Owners</u>	<u>Net Acres</u>	<u>\$ Amount/NMA</u>
		\$350.00
Fortune Natural Resources Corp.	887	
EOG Resources, Inc.	60	\$21,000.00
Jack Case	2.8	\$980.00
David J. Sorenson	6.6	\$2,310.00
Gerald E. Harrington	2.2	\$770.00
Glenn Bogle	2.2	\$770.00
Carl M. Baldwin	2.2	\$770.00
Wright Petroleum Ltd.	5.6	\$1,960.00
First Interstate Bank of Roswell, Trustee for Allyson Ann Butler under Goodrum Testamentary Trust	0.7333324	\$256.67
Debbi Lynn Jeffers	0.733334	\$256.67
James H. Goodrum, Jr.	0.7333344	\$256.67
Drusilla C. Cieszinski, Trustee of the Cieszinski Trus u/t/a dtd 5/17/2007	2.2	\$770.00
New Mexico Western Minerals, Inc.	8.8	\$3,080.00
Tom P. Stephens, Trustee of the Tom P. Stephens Trust u/t/a dtd 10/30/1995	2.2	\$770.00
Riverbend Exploration & Production, LLC	7.42095	\$2,597.33
Marvin Korf and Gary M. Korf, Trustees of the Korf Family Trust dtd 9/19/2002	2.8	\$980.00
Lowell M. Irby	2.8	\$980.00
John's Oil	0.6	\$210.00
Melanie Bartczak	0.1666664	\$58.33
Frederick (Rick) Denius	0.1666664	\$58.33
William Denius	0.1666664	\$58.33
Homer R. Denius, Jr.	0.6666664	\$233.33
Marcia Denius	0.1666664	\$58.33
Sandra Keeley	0.6666664	\$233.33
William Goffe	0.6	\$210.00
Harold Goldberg	0.6	\$210.00
Naomi R. Alcorn	1.2	\$420.00
May Energy Partners, Ltd.	10	\$3,500.00
Don Poe (Net Profits Interest)	4.8	\$1,680.00
CBF Company, A Joint Venture	103.1	\$36,085.00
Totals:	1120.00000000	

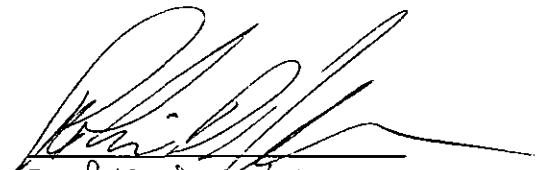
RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND UNIT OPERATING AGREEMENT

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The Ratification and Joinder shall be effective as to the undersigned's interest in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substance, covering any lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assignees or successors in interest.

EXECUTED this 1st day of March, 2013.



By: Robin D. McGuire

Its: VP Land & General Counsel

(individual acknowledgment form)

STATE OF _____

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ who acknowledged to me that he/she signed, executed and delivered the above and foregoing approval of Ratification and Joinder of Unit Agreement and Unit Operating Agreement.

Given under my hand and seal of office this _____ day of _____, 2013.

(SEAL)

NOTARY PUBLIC

My commission expires: _____

(corporation acknowledgment form)

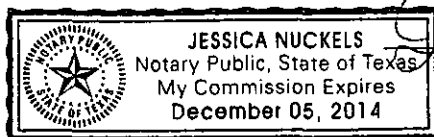
STATE OF Texas

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Robin D. McGuire, who, as VP + General Counsel of Fortune Natural Resources, acknowledged to me that he/she signed, executed and delivered the above and foregoing approval of Ratification and Joinder of Unit Agreement and Unit Operating Agreement for and on behalf of said corporation with full authority so to do.

Given under my hand and seal of office this 1st day of March, 2013.

(SEAL)



Jessica Nuckels
NOTARY PUBLIC

My commission expires: _____

Plan of Operations

West Arkansas Junction (San Andres) Field Bobbi-State Waterflood unit T-18-S, R-36-E Sections 20, 28, and 29 Lea County, New Mexico

The West Arkansas Junction field is located in central Lea County New Mexico approximately 14 miles west of city of Hobbs. There were fifty wells completed in the West Arkansas Junction field. Numerous completion attempts were made in the Devonian, Pennsylvania, San Andres, and Queen. However, Sundown has identified a single field structure in the San Andres that involves sections 20, 28, and 29 in T-18-S, R-36-E. Sundown Energy has extensively mapped the area, and Sundown has identified this separate structure for the West Arkansas Junction (San Andres) field. There are ten well penetrations through this San Andres reservoir. To date, there are 9 wells that were completed in Sundown Energy's mapped West Arkansas Junction (San Andres) field. Since there are other separate San Andres structures in the West Arkansas Junction Field, Sundown proposes to unitize this separate structure and name the unit the "Bobbi-State" unit in reference to Bobbi and State leases it incorporates. To date, this field has produced 275,000 Bbls and 908,000 Mcf. The field has exhibited a typical solution gas drive with no water drive mechanism. Sundown Energy believes this field is an excellent candidate for a small periphery waterflood.

Sundown Energy plans to convert the following wells to injection: Bobbi No. 4 (API# 30-025-27586) and the State of New Mexico No. 2 (API# 30-025-26605). These two wells are down structure in the saddle part of the reservoir. Sundown plans to re-enter Texas Pacific Oil Company (TXPO) State W-1 and complete this well in the Delaware. Sundown has tested Delaware produced water in the area, and this water has been found to be compatible with the San Andres. TXPO State W-1 will become the water supply well for the unit. The majority of the equipment on all of the leases is in poor to fair shape. Sundown plans on building a new tank battery and injection station on the Bobbi #2 location. This wellbore is centrally located in the field, and it will result in the least amount of flow lines and injection lines for the unit. This will reduce physical footprint for surface facilities on the lease. Sundown plans to inject 500 to 1,000 bwpd per injector till fill up is reached.

Waterflood response will ultimately determine the final injectors and producers in the field. Sundown Energy is concerned that additional injection support will be required once fill-up has been reached and some of producers have seen a response. Sundown has included funds for converting the State KNN #1 to injection later in life of the field. Sundown is concerned this well exhibits low primary recovery due to poor porosity and permeability in the San Andres. If this well sees no response in early part of the waterflood, Sundown will probably make this the third periphery injector for the unit. Sundown Energy has made the assumption that secondary to primary recovery ratio will be close to 1.0. Project economics were run with a ratio of 0.97.

Sundown estimates the Bobbi-State waterflood unit to cost a total of \$1,295,000 with the following cost breakdown:

Bobbi #3	Perforate Lower San Andres and swab test for comm.	\$75,000
Bobbi #4	Re-enter, Test lower San Andres (Convert to injection?)	\$550,000
State W-2	Convert well to injection	\$75,000
TXPO #1	Convert to a water supply well	\$220,000
State KNN #1	Convert well to injection (After fill-up and response)	\$75,000
Bobbi-State (San Andres) unit Facility and injection line		\$300,000
Total for Bobbi-State waterflood unit		\$1,295,000

Sundown Energy has modeled a waterflood response curve based on primary production and typical response for a small San Andres waterflood (see attached production curve and Annual Cash Flow Report). Sundown estimates economic flood response in one year. Peak production is anticipated in 2016. Economic payout is estimated at two years with an internal rate of return in excess of 100%. Secondary reserves for the project are estimated at 268,000 Bbls. The Bobbi-State(San Andres) waterflood unit will unitize several State of New Mexico leases. These secondary reserves recovered in this project will also be beneficial to the State of New Mexico from royalties paid on the unitized state leases. It is imperative that Sundown move quickly on this project due to the extremely depleted pressure in the San Andres reservoir.

Rate/Time Graph

Project: t:\program files\ihs energy\projects\bobbi-state.mdb

Date: 1/16/2013

Time: 1:23 PM

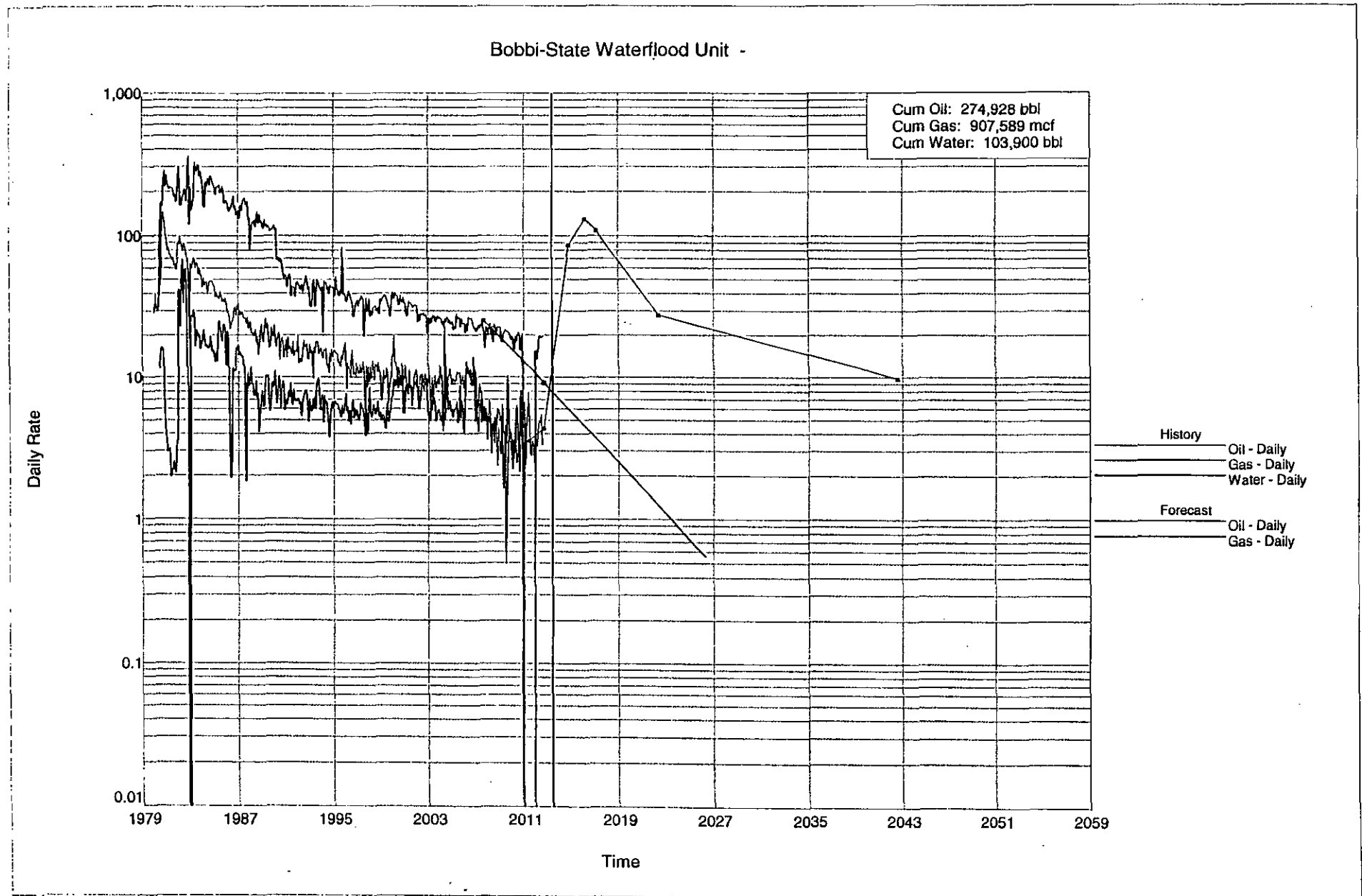
Lease Name: Bobbi-State Waterflood Unit ()

County, ST: ,

Location: 0-0-0

Operator:

Field Name:



Annual CashFlow Report

Project: t:\program files\lhrs energy\projects\bobbi-state.mdb

Lease Name: Bobbi-State Waterflood Unit ()

Operator:

County, ST: ,

Field Name:

Location: 0-0-0

Reserve Type/Class: /

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total (\$)
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/Mcf)	
12/2013	4	4,022	1,576	3,217	1,260	90.00	2.50	292,721
12/2014	4	21,160	2,299	16,928	1,839	90.00	2.50	1,528,090
12/2015	4	38,877	1,872	31,102	1,498	90.00	2.50	2,802,893
12/2016	4	44,321	1,525	35,457	1,220	90.00	2.50	3,194,142
12/2017	4	36,517	1,242	29,213	993	90.00	2.50	2,631,696
12/2018	4	28,235	1,011	22,588	809	90.00	2.50	2,034,908
12/2019	4	21,801	824	17,441	659	90.00	2.50	1,571,349
12/2020	4	16,834	671	13,467	537	90.00	2.50	1,213,394
12/2021	4	12,999	546	10,399	437	90.00	2.50	936,985
12/2022	4	10,375	445	8,300	356	90.00	2.50	747,908
12/2023	4	9,667	362	7,734	290	90.00	2.50	696,744
12/2024	4	9,176	295	7,341	236	90.00	2.50	661,283
12/2025	4	8,711	240	6,968	192	90.00	2.50	627,640
04/2026	4	2,804	70	2,243	56	90.00	2.50	202,037
Grand Total:		265,498	12,977	212,398	10,381	90.00	2.50	19,141,791

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2013	350,000	0	-57,279	1,295,000	-1,352,279	-1,352,279	-1,351,508
12/2014	600,000	0	928,090	0	928,090	-424,188	820,656
12/2015	600,000	0	2,202,893	0	2,202,893	1,778,705	1,794,357
12/2016	600,000	0	2,594,142	0	2,594,142	4,372,847	1,929,208
12/2017	600,000	0	2,031,696	0	2,031,696	6,404,543	1,375,281
12/2018	600,000	0	1,434,908	0	1,434,908	7,839,451	883,289
12/2019	600,000	0	971,349	0	971,349	8,810,800	543,798
12/2020	600,000	0	613,394	0	613,394	9,424,194	312,411
12/2021	600,000	0	336,985	0	336,985	9,761,179	156,283
12/2022	600,000	0	147,908	0	147,908	9,909,088	62,334
12/2023	600,000	0	96,744	0	96,744	10,005,831	36,981
12/2024	600,000	0	61,283	0	61,283	10,067,114	21,327
12/2025	600,000	0	27,640	0	27,640	10,094,754	8,787
04/2026	200,000	0	2,037	0	2,037	10,096,791	605
Grand Total:	7,750,000	0	11,391,791	1,295,000	10,096,791	10,096,791	6,593,809

Discount Present Worth:

0.00 %	10,096,791
10.00 %	6,593,809
20.00 %	4,498,312
30.00 %	3,149,182
40.00 %	2,230,307
50.00 %	1,576,166
60.00 %	1,093,624
70.00 %	727,130
80.00 %	441,928
90.00 %	215,380
100.00 %	32,234

Economic Dates:

Effective Date	06/2013
Calculated Limit	04/2026
Economic Life	155 Months
	12 Years 11 Months

Economics Information:

Net Payout Date:	03/2015
Rate of Return:	>100 %
Return on Investment:	8.80
Disc Return on Invest:	6.09
Initial Division of Interest:	

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	542,519	922,890
Historic Gross	274,928	907,589
Gross at Eff Date	277,021	909,913
Remaining Gross	265,498	12,977
Remaining Net	212,398	10,381

BTU Content: 1.000 mmbtu/mcf
Gravity: Oil: 28.00 Gas: 0.800

NRI

ORI

Oil: 80.000000 0.000000

Gas: 80.000000 0.000000

Injection: 0.000000 0.000000

Reversion Date: None

WI: 100.000000