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Via FedEx

August 31, 2016

Ard Oil, Ltd. and Ard Energy Group, Ltd.  
222 West 4<sup>th</sup> Street, Suite P115  
Fort Worth, Texas 76102

Attention: Mr. Julian Ard

RE: Nosler 12 Fed LJ No. 7H Well and Nosler 12 Fed MO No. 8H Well  
Section 12, T-17-S, R-31-E, Eddy County, New Mexico  
Maljamar Prospect

Dear Mr. Ard:

Under separate cover letter of even date herewith, Burnett Oil Co., Inc. proposed the drilling and completion of the captioned wells. The interest of Ard Oil, Ltd. and Ard Energy Group, Ltd. (collectively, "Ard") therein is not subject to the joint operating agreement governing operations for these wells. By this letter, Burnett is proposing alternate arrangements for the Ard interest.

*Join Existing Operating Agreement*

Included herewith is a copy of the January 20, 2012, operating agreement between Burnett Oil Co., Inc., as Operator and Burnett Oil Company, *et al.*, as Non-Operators, governing operations for the captioned wells along with a set of signature pages for Ard Oil, Ltd. and Ard Energy Group, Ltd. If Ard Oil, Ltd., and / or Ard Energy Group, Ltd. would like to join this operating agreement, please so indicate by signing the same and returning the executed signature pages to me; whereupon we will appropriately revise the Exhibit "A" thereto.

*Term Assignment Offer*

Burnett offers to take a term assignment of the Ard interest (10.83438% working interest) in the Maljamar Prospect (being the lands set forth in the Schedule One attached hereto) for a term of six months, expiring February 28, 2017. Burnett will pay Ard seven hundred and fifty dollars (\$750) per net acre as bonus consideration. Ard will deliver an eighty percent (80%) net revenue interest to Burnett, and the assignment will have a one hundred and eighty (180) day continuous development obligation timed from spud to rig release. Burnett will earn Ard's interest in the spacing and proration unit for each well producing or capable of producing in paying quantities from the base of the San Andres formation to the top of the Abo formation.

BURNETT PLAZA - SUITE 1500  
801 CHERRY STREET - UNIT #9

BURNETT OIL CO., INC.

FORT WORTH, TX 76102-6881  
(817) 332-5108

EXHIBIT 3

*Joint Operating Agreement with ORRI in Lieu of Non-consent Penalty*

Burnett offers to enter into a joint operating agreement, substantially on the AAPL Model 610-1989 Horizontal form covering all of the Ard interest in the Maljamar Prospect. In lieu of the usual non-consent penalty for an election not to participate in a proposed well, Ard will be entitled to a three percent (3%) overriding royalty interest, proportionately reduced to its working interest. If Ard elected not to participate in any well, Ard will assign to Burnett all of its interest in the spacing and proration unit for the proposed well from the base of the San Andres formation to the top of the Abo formation reserving the overriding royalty interest. Such assignment will be due ten days from receipt of Ard's election, and a failure to timely tender the assignment will cause Ard to be deemed non-consent under a three hundred percent (300%) non-consent penalty. A recordable form of assignment will be agreed to as part of the operating agreement. Further, the operating agreement will grant Burnett a preferential right to purchase the Ard interest if Ard ever decides to sell its interest in the Maljamar Prospect.

Please let us know if any of the proposed offers set forth above is acceptable to Ard. Your prompt attention and response to this offer is greatly appreciated. Should you have questions or if you would like to discuss this matter further, please do not hesitate to call.

Sincerely,



Coley Means  
Land Manager

Enclosures

Schedule One - Maljamar Prospect\*

Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico

- Section 12: N/2SW, SESW, NWSE, and SWSE (less and except the well bore for the Hudson Oil Company of Texas-Knockabout Federal #1 located in the NESW - 1830' FSL & 1980' FWL of said Section 12, API No. 30015336780000)
- Section 13: SESW, NW4, N/2 SW
- Section 24: N/2, N2S2, SESW, SWSE, SESE  
containing 1080 acres, more or less.

Limited to those depths from the base of the San Andres Formation (being also the top of the Glorieta formation) to the top of the Abo formation.

Ard Interests:

Ard Oil, Ltd.	10.5010416%
Ard Energy Group, Ltd.	0.3333334%

\*This offer covers those lands and depths that were reassigned to Ard Oil Ltd., and Ard Energy Group, Ltd., pursuant to that certain Partial Reassignment of Term Assignment dated effective October 13, 2013, and that certain Partial Reassignment of Term Assignment dated effective October 1, 2014, both from COG Operating LLC, as Assignor, reassigning to Ard Oil and Ard Energy, unearned interests under a Term Assignment(s).

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

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Ard Oil, Ltd.

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Date \_\_\_\_\_

Tax ID or S.S. No. \_\_\_\_\_

Ard Energy Group, Ltd.

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