

OGX Operating, LLC

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 • Fax (432) 685-1320 • Fax (432) 686-7109

September 19, 2016

Khody Land & Minerals Company
210 Park Ave, Suite 900
Oklahoma City, OK 73102

Certified Mail #7011 3500 0000 2040 9068

Attn: Land Department

Re: Red Bluff Lake Prospect
Well Proposal
Littlefield 34 Fed Com #1H
T-26-S, R-29-E, N.M.P.M.
NW/4 Section 34 and W/2 Section 27
Eddy County, New Mexico

Gentlemen:

OGX Operating, LLC ("OGX") hereby proposes to drill the above referenced horizontal well with a surface hole location of 380' FSL & 2,390' FWL of Section 34 and a bottom hole location of 330' FNL & 1900' FWL of Section 27, all located in T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled from a drilling pad approved by the BLM which will necessitate drilling approximately 390 feet Southwest which will be 50 feet FSL and 2001 feet FWL of said Section 34 to the first kick-off point, then drilling North to the first take point, being approximately 330' FSL and 1900' FWL of said Section 34, turning horizontal with an azimuth of 359.24 degrees for a total horizontal distance of approximately 6796' to test the Wolfcamp formation. The total measured depth is estimated to be 16,796'. The proration unit for this well will be the W/2 of Section 27 and the NW/4 of Section 34, T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico, containing 457.78 acres of land, more or less.

According to the records of Eddy County, New Mexico, Khody Land & Minerals Company ("Khody") owns a 100.00% leasehold interest in SE/4 SW/4 of said Section 27, containing 40 acres of land, more or less, being a portion of the lands contained in that certain USA lease NMNM-058034 dated January 18, 1984. Your interest in this well would be 40/457.78 or 8.7378%.

Enclosed for your review is an AFE (in duplicate) showing the estimated drilling and completion costs for the subject well, as well as two plats showing the proposed location and production unit.

OGX invites the participation of Khody in this well. If Khody wishes to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the

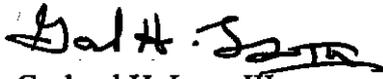
EXHIBIT 3

undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution, which will name OGX as the Operator.

In the event Khody does not wish to participate, OGX hereby offers Khody \$2,500.00 per acre for a two (2) year term assignment covering the 40 acre tract, with Khody delivering a 75% net revenue. The total consideration for the term assignment would equal \$100,000.00. If you have any questions, please contact the undersigned.

Sincerely,

OGX Operating, LLC



Garland H. Lang III
Land Manager

Enclosures

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p><i>Sandra Hahn</i></p> <p>B. Received by (Printed Name) or C. Date of Delivery 9/22/06</p>
<p>1. Article Addressed to:</p> <p>Khody Land & Minerals Company 210 Park Ave., Suite 900 Oklahoma City, OK 73102</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type</p> <p><input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
<p>2. Article (Mark)</p> 	<p><input type="checkbox"/> Yes</p>
<p>PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154</p>	

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	136
Certified Fee	330
Return Receipt Fee (Endorsement Required)	270
Restricted Delivery Fee (Endorsement Required)	736
Total Postage & Fees	\$ 1472

Sent to **Khody Land & Minerals Company**
 210 Park Ave., Suite 900
 Oklahoma City, OK 73102

Postmark: SEP 17 2006
 MIDLAND TX VILLAGE STATION 9704

7011 3500 0000 2040 9068

SDS PETROLEUM CONSULTANTS OIL AND GAS DRILL & COMPLETE PROJECT TEMPLATE

Project Information									
Project Number	Project Name			PRF Number	PRF Name				
1	Littelfield 34 Federal Com #1H								
Date Submitted	Est Spud Date								
	TBD								
Budget Information									
Investment Category	Reserve Category	Reserve Association	Peep GUID (optional)	Peep Case Name (optional)					
Budget Description									
Description of Work (This info will be Printed on Partner Ballots)									
DRILL AND COMPLETE -16,796' MD 10,000' TVD horizontal Wolfcamp A with 6,796' lateral. Located near Red Bluff Lake in Eddy Co., NM									
Team Comments (optional)									
Land Information									
Co Number	Company Name (Operator)			Prospect Number	Prospect Name				
	OGX Operating, LLC				Wolfcamp A 6,796' lateral				
Operated	Field	Field Group	Region (Project Area)	Sub Division (District)	Division				
	Wildcat-Wolfcamp								
Country	County	State	API#	Cost Center Number	Cost Center Name				
USA	Eddy	NM							
Working Interest Info		Pre-Spud							
OGX W%	OGX	<input checked="" type="checkbox"/>							
100.00000000%	100.00000000%								
Surface Location Data					Bottom Hole Location Data				
Legal Description					Legal Description				
380' FSL & 2390' FWL Sec 34 T26S-R29E					330' FNL & 1900' FWL Sec 27 T26S-R29E				
Surface Coordinates		Surface Footage from Unit/Lease Lines			Bottom Hole Coordinates		Btm Hole Footage from Unit/Lease Lines		
Latitude	Longitude	Direction		Direction	Latitude	Longitude	Direction		Direction
364347	652895.4	Ft Distance		Ft Distance	371090	652569.9	Distance (ft)		Distance (ft)
Well Info:									
Primary Reservoir	WOLFCAMP A			Depths:					
Completion Type	Plug and Perf			Total MD	Total TVD	PBTMD	PBTVD	KB Elev	Ground Elev
Product Type				16,765	10,000	16,580'	10,000		
Rig Names and Rates			Breakdown of Well in Days						
BCP - Rig Name			Operational Phases	BCP Days	BCP Evaluation	ACP Suspend	ACP Evaluation	Complete Days	Total Days
BCP - Rig Rates	14,000		Surface I	2					2
ACP - Rig Name			Intermediate I	3					3
ACP - Rig Rates	14,000		Intermediate II	11					11
Completion - Rig Name			Drig Liner I						0
Completion - Rig Rates			Drig Liner II						0
Rounding (Sub details)			Drig Tieback I						0
Rounding (Totals Only)			Prod Hole		5				16
Spread Rates:	Total \$	\$/Day	Prod Liner I	11					0
DH Intangible Only	z	#VALUE!	Prod Liner II						0
DH Tangible Only	285,750	10,583	Prod Tieback I						0
TOTAL	285,750	10,583	Prod Tieback II						0
			Comp Rig Days						0
			Totals	27	0	5	0	0	32
			Evaluation Allocation Percentage						
Team Members									
Name	Confirm	AFE Structure Cost Estimate Summary							
Land	<input type="checkbox"/>	AFE Number	AFE Description	Gross \$		Net \$			
Reservoir	<input type="checkbox"/>								
Geologist	<input type="checkbox"/>								
Geophysicist	<input type="checkbox"/>		Before Casing Point	\$2,292,565		\$2,292,565			
Drilling Engineer	<input checked="" type="checkbox"/>		After Casing Point	\$635,633		\$635,633			
Prod/Ops Engineer	<input type="checkbox"/>		Complete	\$2,808,782		\$2,808,782			
Drilling Superintendent	<input type="checkbox"/>	Jacky Brown	Site Equip	\$600,000		\$600,000			
Other	<input type="checkbox"/>		Well Tie In	\$0		\$0			
Other	<input type="checkbox"/>								
Other	<input type="checkbox"/>								
Other	<input type="checkbox"/>								
Date:	9/22/2016	Version	1.0	Total D&C		\$6,336,980		\$6,336,980	

AUTHORIZATION FOR EXPENDITURE



Littelfield 34 Federal Com #1H

Eddy	COST CTR NUM	AFE NUMBER
		AFE DATE

SURFACE LOCATION: 380' FSL & 2390' FWL Sec 34 T26S-R29E / BOTTOM HOLE LOCATION: 330' FNL & 1900' FWL Sec 27 T26S-R29E

Drill and Complete Cost Plan Summary

Cost Element Description	BCP	ACP	Complete	Site Equip	Well Tie In	Element	Totals
Employee Salaries	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Labor						\$0	\$0
Dyed Liquid Fuels (Texas Only)	\$0	\$0	\$0	\$0			\$0
Liquid Fuels - Other	\$68,040	13125	\$0	\$0			\$81,165
Electricity & Utilities	\$0		\$15,750	\$0			\$15,750
Disposal - Saltwater & Other Fluids	\$0		\$0				\$0
Fluids - Water	\$20,000		\$0				\$20,000
Fluids - Lube & Hydraulic Oil						\$0	\$0
Permitting, Surveying & Title Services	\$26,250		\$0	\$0	\$0		\$26,250
Right Of Way						\$0	\$0
Roads & Location Recovery	\$0		\$0				\$0
Road & Site Preparation Materials & Supplies	\$0			\$0		\$0	\$0
Road & Site Preparation Services	\$91,875	\$0	\$0	\$0	\$0		\$91,875
Damages & Remediation	\$0	\$0		\$0	\$0		\$0
Measurement Equipment				\$0		\$0	\$0
Communication Services - Other	\$7,350	\$1,050	\$2,625	\$0			\$11,025
Enviro - Community Consultations						\$0	\$0
Enviro - Compliance & Fines						\$0	\$0
Enviro - Services	\$14,753	\$2,100	\$2,100				\$18,953
Logging, Perf & W/L Services (CH Only)	\$0	\$0	\$119,175				\$119,175
Materials & Supplies	\$11,375	\$5,688	\$5,688	\$0	\$0		\$22,750
Pulling & Swabbing Services			\$0				\$0
Snubbing & Coil Tubing Services			\$126,000				\$126,000
Vehicles - Usage	\$0	\$0	\$0	\$0	\$0		\$0
Trucking & Hauling	\$35,175	\$44,625	\$21,000	\$0	\$0		\$100,800
Welding services	\$0	\$0	\$12,500				\$12,500
Other Roustabout Services	\$0	\$0	\$0				\$0
Inspection Services	\$0	\$21,000	\$0	\$0	\$0		\$21,000
Consultants - Technical & Professional Fees	\$141,960	\$19,688	\$33,863	\$0	\$0		\$195,510
Stimulation Services			\$2,164,575				\$2,164,575
Casing & Tubular Services	\$26,250	\$18,375	\$10,500				\$55,125
Cementing Services	\$39,813	\$63,000	\$0				\$102,813
Daywork Costs	\$396,900	\$73,500	\$0				\$470,400
Turnkey Drilling Costs	\$0	\$0	\$0				\$0
Directional Services	\$240,923	\$0					\$240,923
Drill Bits	\$82,469	\$0	\$0				\$82,469
Drilling and Completion Fluids & Services	\$318,045	\$18,113	\$0				\$336,158
Fishing Services	\$0	\$0	\$0				\$0
Footage Costs	\$0	\$0					\$0
Mob & Demobilization	\$152,040	\$152,040	\$0				\$304,080
Open Hole Evaluation	\$77,910	\$0					\$77,910
Well Testing Services			\$115,500				\$115,500
Equipment Services - Surface Rentals	\$121,331	\$15,063	\$16,223	\$0	\$0		\$152,616
Equipment Services - Downhole Rentals	\$47,408	\$21,875	\$0				\$69,283
Construction Services						\$0	\$0
Land						\$0	\$0
Other Services	\$61,950	\$15,015	\$24,675	\$0	\$0		\$101,640
Electrical, Instrumentation & Control Services				\$0			\$0
Safety Services				\$0			\$0
Casualty & Property Insurance	\$25,000	\$0	\$26,250				\$51,250
Overhead	\$0	\$0	\$0	\$0	\$0		\$0
Leasehold Rentals							\$0
Other Leasehold Costs							\$0
TOTAL INTANGIBLE ITEMS	2,006,815	484,255	2,696,423	0	0	0	5,187,493
Dehydration Equipment				\$0	\$0		\$0
Heaters & Heat Exchange Equipment				\$0	\$0		\$0
Separator Equipment				\$0	\$0		\$0
Treater & Free Water Knockout Equipment				\$0	\$0		\$0
Storage Vessels & Tanks				\$600,000			\$600,000
Pumps - Surface				\$0			\$0
Valves					\$0		\$0
Artificial Lift Equipment			\$36,750				\$36,750
Casing - Conductor & Drive Pipe	\$4,550						\$4,550
Sucker Rods			\$17,063				\$17,063
Oil Country Tubular Goods Tubing			\$30,678				\$30,678
Wellhead Equipment	\$15,925	\$0	\$10,806				\$26,731
Surface Casing	\$14,719						\$14,719
Intermediate Casing	\$250,556						\$250,556
Intermediate Casing II	\$0		\$0				\$0
Production Casing		\$173,253	\$0				\$173,253
Production Liner							\$0
Equipment Other			\$17,063	\$0	\$0		\$17,063
Corrosion Protection Equip				\$0	\$0		\$0
Pipe, Fitting, Flanges & Couplings				\$0	\$0		\$0
Comm devices and accessories - SCADA				\$0			\$0
Electrical, Instrumentation & Control Equip				\$0			\$0
Measurement Equipment				\$0			\$0
Engines & Motors				\$0			\$0
TOTAL TANGIBLE ITEMS	285,750	173,253	112,360	600,000	0	0	1,171,362
TANGIBLE SPLIT %	12	26	4	100	0	0	18
AFE TOTAL	2,292,565	657,508	2,808,782	600,000	0	0	6,358,855

Cost Element Description

BCP

ACP

Complete

Site Equip

Well Tie In

Element

Totals

Costs on this form are estimates only. Working Interest Owners should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.

Khody Land & Minerals Company

BY:

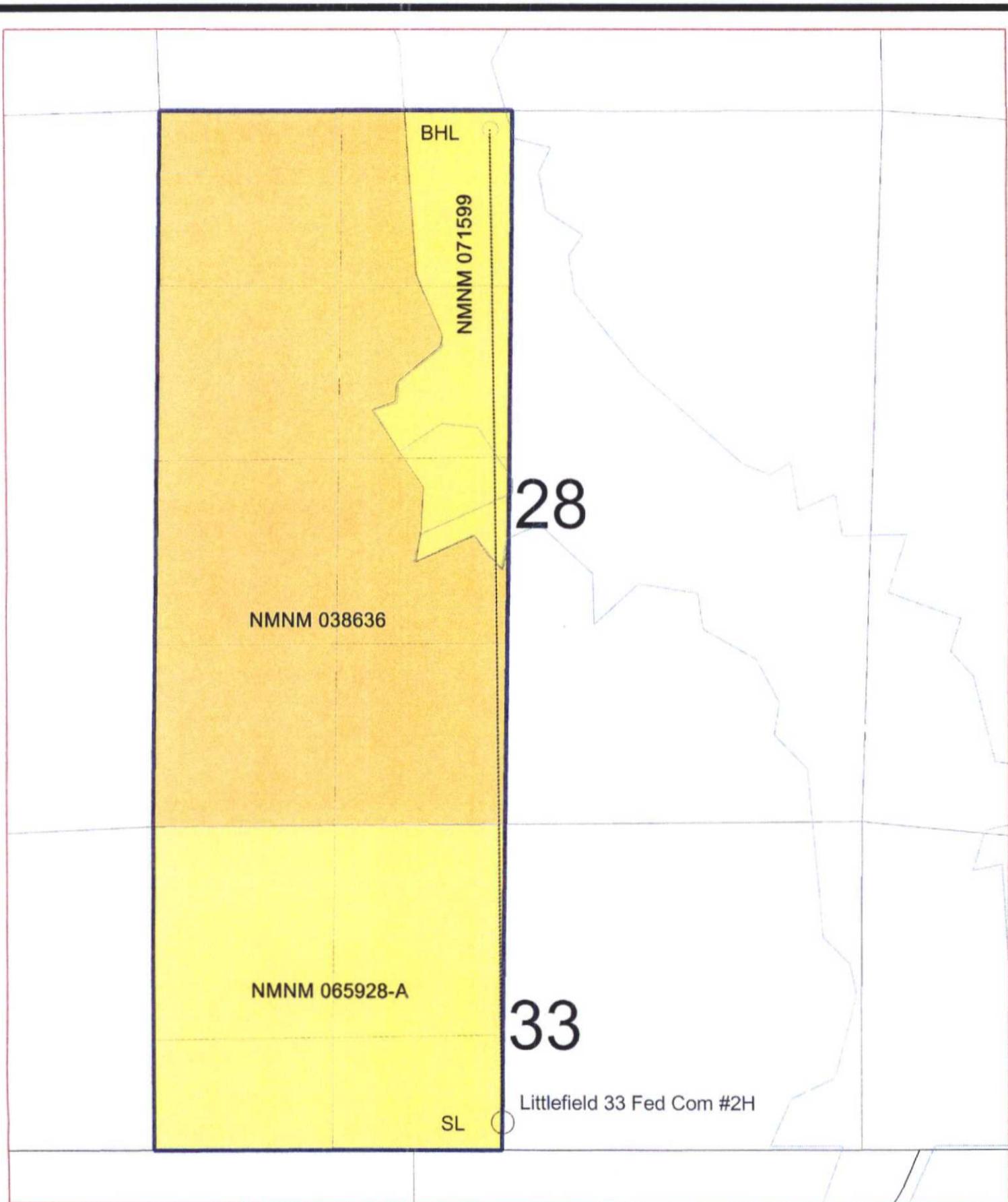
Printed Name:

Title:

Date:

WI%

8.7378%



OGX Leasehold
48.9% WI

OXY Leasehold
51.1% WI

Project Area



OGX OPERATING LLC	
Red Bluff Prospect	
State Line Area	
Eddy County, New Mexico	
Loving & Reeves Counties, Texas	
WBH	Red Bluff OGX vs OXY
2/28/15	