

# OGX Operating, LLC

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November 16, 2016

OXY-Y-1 Company  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046

**Certified Mail #7011 3500 0000 2040 9198**

Attn: Mr. Chris Gertson

Re: **Red Bluff Lake Prospect**  
Well Proposal  
Littlefield 34 Fed Com #3H  
**T-26-S, R-29-E, N.M.P.M.**  
NE/4 Section 34 and E/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 & 2,470' FWL of Section 34 and a bottom hole location of 330' FNL & 1900' FEL 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 be on the same drilling pad as the #1H and necessitate drilling approximately 570 feet Southeast which will be 50 feet FSL and 1900 feet FEL of said Section 34 to the first kick-off point, then drilling North to the first take point, being approximately 330' FSL and 1900' FEL of said Section 34, turning horizontal with an azimuth of 359.24 degrees for a total horizontal distance of approximately 6,680' to test the Wolfcamp formation. The total measured depth is estimated to be 16,680'. The proration unit for this well will be the E/2 of Section 27 and the NE/4 of Section 34, T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico, containing 441.71 acres of land, more or less.

According to the records of Eddy County, New Mexico, OXY-Y-1 Company ("OXY-Y-1") owns a 30.00% leasehold interest in the Lot 12 (21.77 acres) said Section 33 or 6.531 net acres of land, more or less, being the lands contained in that certain USA lease NMNM-47159 dated November 1, 1981, below a depth of 6,350'. Your interest in this well would be 6.531/441.71 or 1.478572%.

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.

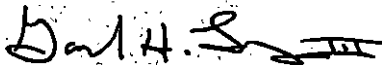
EXHIBIT **3**

OGX invites the participation of OXY-Y-1 in this well. If OXY-Y-1 wishes to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the 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 OXY-Y-1 does not wish to participate, OGX hereby offers OXY-Y-1 \$2,500.00 per acre for a two (2) year term assignment covering the 30% interest in the 21.77 acre tract (6.531 acres), with OXY-Y-1 delivering a 75% net revenue. The total consideration for the term assignment would equal \$16,327.50. If you have any questions, please contact the undersigned.

Sincerely,

OGX Operating, LLC



Garland H. Lang III  
Land Manager

Enclosures