

EXHIBIT 3

RSC Resources, L.P.

6824 Island Circle
Midland, Tx. 79707
(432) 553-1849
(432) 683-5266 fax
rsc.l.p@shcglobal.net

1-3-08

Mr. Avinish Ahujah
R & R Royalty, Ltd.
500 N. Shoreline, #322
Corpus Christi, Tx. 78471

via certified mail

Re: Proposed Drilling Operation
Red Bull 3 Fed Com #1H
Surface location; 330' FNL and 330 FEL Section 3, T-26-S, R-33-E
BH location ; 1980 FSL and 330 FWL, Section 3, T-26-S, R-33-E
Lea County, NM.

Gentlemen,

RSC Resources, L.P. ("RSC") has an acquired interest in the referenced lands and is a registered operator in the State of New Mexico. RSC proposes the drilling and completion of a well at the cited location.

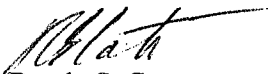
RSC plans a horizontal well to a total depth of 17,800 feet TMD and 12,200 feet TVD, to test the Third Bone Spring Formation. The estimated DHC will be \$ 2,418,000; CC \$ 1,847,000; CWC \$ 4,265,000.

As an alternative to joining in this proposed operation, RSC is willing to discuss a Farm Out of your interest.

Please be advised that RSC must initiate Forced Pooling efforts if R & R does not join in the proposed operation or agree to an alternative arraignment concerning R & R's leasehold. It appears that R & R may be a +/- 80% working interest owner in the proposed well.

Please indicate your election below. Should you have any questions or comments concerning this matter, please contact the undersigned or Kirk E. Smith, Peregrine Production, LLC at (432) 683-5266.

Yours very Truly,



Randy S. Cate
RSC Resources, L.P.

_____ elect to participate in proposed operation

_____ elect non-consent to proposed operation

RSC REROURCES, L.P.
AUTHORITY FOR EXPENDITURE
DRILLING & COMPLETION

1-3-07

Well Name: Red Bull 3 Fed Com No.1H Depth & Objective: 12,200' Bone Spring
Surf: 330' FNL & 330' FEL, Sec. 3-T26S-R33E, Lea County, New Mexico
BHL: 1,980' FSL & 330' FWL, Sec. 3-T26S-R33E, Lea County, New Mexico

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
Survey, Staking, ROW, Permits	5,000	2,000	7,000
Roads & Location, Pits	60,000	2,000	62,000
Rig - \$17000/day, 60 :3	1,020,000	51,000	1, 071,000
Completion Unit-\$4500/d	0,000	60,000	60,000
Fuel & Power	120,000	7,000	127,000
Mud, Water, Chemicals	120,000	25,000	145,000
Bits, Tools	90,000	10,000	100,000
Cement, Casing Crews, Testing	40,000	45,000	85,000
Float Equipment, Centralizers	0,000	3,000	3,000
Logging, Perforating, Wireline	40,000	40,000	80,000
DSTs, Testing, Coring	0,000	3,000	3,000
Mud Logging Unit	44,000	0,000	44,000
Directional Drilling	260,000	0,000	260,000
Stimulation, Treating	0,000	800,000	800,000
Rentals	70,000	20,000	90,000
Trucking, Rig Mobilization	70,000	5,000	75,000
Welding, Roustabout Crews	20,000	8,000	28,000
Water Disposal, Clean-up	12,000	20,000	32,000
Contract Labor, Supervision	60,000	10,000	70,000
Company Supervision	10,000	5,000	15,000
Miscellaneous, Other	50,000	25,000	75,000
Contingency	100,000	50,000	150,000
TOTAL INTANGIBLES	2,191,000	1,183,000	3,374,000

<u>TANGIBLE COSTS</u>			
Surface Casing, 1000' 13.375"	35,000		35,000
Intermediate Casing, 5000' 9.625"	170,000		170,000
Production Casing, 17,800' 5.5"		280,000	280,000
Tubing, 12,000' 2.875"		80,000	80,000
Wellhead Equipment	15,000	6,000	21,000
Pumping Unit, Engine		120,000	120,000
Rods, Pump		60,000	60,000
Gas Compressor		0,000	0,000
Tanks		35,000	35,000
Heater Treater, Separator, Dehy		25,000	25,000
Packers, Anchors, Hangers		35,000	35,000
Flow lines, Fittings, Valves		20,000	20,000
Meters, Electrical		8,500	8,500
Miscellaneous, Other	5,000	10,500	15,500
Contingency	2,000	20,000	22,000
TOTAL TANGIBLES	227,000	664,000	686,000

TOTAL WELL COSTS	2,418,000	1,847,000	4,265,000
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Prepared By: Randall Cate

This AFE is an estimate. Actual costs will vary
and may be significantly higher. By signing you
agree to pay your share of the actual costs.

Company : _____
BY: _____
Printed Name: _____
Title: _____
Date _____

SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

R+R Royalty, LTD
500 N. Shoreline, STE. 322
Corpus Christi, TX
78471

2. Article Number

(Transfer from service label)

7007 0220 0002 4965 5973

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Sumil K. Ali

☐ Agent

☐ Addressee

B. Received by (Printed Name)

SUMIL ALI

C. Date of Delivery

1-7-08

D. Is delivery address different from item 1? ☐ Yes

If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

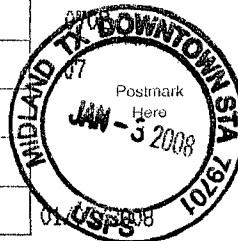
☐ Yes

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

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

CORPUS CHRISTI TX 78471

Postage	\$	\$0.41
Certified Fee		\$2.65
Return Receipt Fee (Endorsement Required)		\$2.15
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$5.21



Sent To *R+R Royalty, LTD*
Street, Apt. No.,
or PO Box No. *500 N. Shoreline, STE 322*
City, State, ZIP+4
Corpus Christi, TX 78471

PS Form 3800, August 2005 See Reverse for Instructions

RSC Resources, L.P.

6824 Island Circle
Midland, Tx. 79707
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2-4-08

Mr. Avinish Ahujah
R & R Royalty, Ltd.
500 N. Shoreline, #322
Corpus Christi, Tx. 78471

via fax only : 361-884-9355

Re: Proposed Drilling Operation
Red Bull 3 Fed Com #1H
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BH location ; 990 FNL and 330 FWL, Section 3, T-26-S, R-33-E
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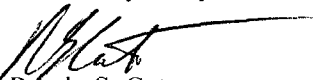
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Yours very Truly,



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<u>Mud, Water, Chemicals</u>	<u>120,000</u>	<u>25,000</u>	<u>145,000</u>
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<u>Float Equipment, Centralizers</u>	<u>0,000</u>	<u>3,000</u>	<u>3,000</u>
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<u>Contingency</u>	<u>100,000</u>	<u>50,000</u>	<u>150,000</u>
<u>TOTAL INTANGIBLES</u>	<u>2,191,000</u>	<u>1,183,000</u>	<u>3,374,000</u>

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<u>Pumping Unit, Engine</u>		<u>120,000</u>	<u>120,000</u>
<u>Rods, Pump</u>		<u>60,000</u>	<u>60,000</u>
<u>Gas Compressor</u>		<u>0,000</u>	<u>0,000</u>
<u>Tanks</u>		<u>35,000</u>	<u>35,000</u>
<u>Heater Treater, Separator, Dehy</u>		<u>25,000</u>	<u>25,000</u>
<u>Packers, Anchors, Hangers</u>		<u>35,000</u>	<u>35,000</u>
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<u>Meters, Electrical</u>		<u>8,500</u>	<u>8,500</u>
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<u>TOTAL TANGIBLES</u>	<u>227,000</u>	<u>664,000</u>	<u>686,000</u>

<u>TOTAL WELL COSTS</u>	<u>2,418,000</u>	<u>1,847,000</u>	<u>4,265,000</u>
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Prepared By: Randall Cate

This AFE is an estimate. Actual costs will vary and may be significantly higher. By signing you agree to pay your share of the actual costs.

Company : _____
BY: _____
Printed Name: _____
Title: _____
Date _____

RSC RESOURCES, INC.
203 WEST WALL STREET, SUITE 1001
MIDLAND, TEXAS 79701
(432) 553-1849

FACSIMILE TRANSMITTAL SHEET

TO:	FROM:
Mr. R. David Ahujah	RS Cate
COMPANY:	DATE:
	2-4-08
FAX NUMBER:	TOTAL NO. OF PAGES INCLUDING COVER:
361-884-9355	4
PHONE NUMBER:	SENDER'S REFERENCE NUMBER:
RE:	YOUR REFERENCE NUMBER:
Amended Wellbore Proposal	

URGENT FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

Rajan,

As per my conversation with your secretary, please find attached an amended well proposal letter

Please note we are submitting an application to include R & R on the March 6, 2008 New Mexico OCD hearing Docket.

Randy