

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
Office: (915)682-4429
Fax: (915)682-4325

OIL CONSERVATION DIVISION

CASE NUMBER _____

August 22, 2003

EXHIBIT 3

TO: Joint Operating Agreement Contractual Interest Owners
E/2 Section 28, T-21-S, R-27-E, Eddy County, New Mexico

FROM: Sam Jolliffe *Sam Jolliffe*
Nadel and Gussman Permian, LLC

RE: Nadel and Gussman Permian, LLC proposed Domino Federal #1
E/2 Section 28, T-21-S, R-27-E
Eddy County, New Mexico

Nadel and Gussman Permian, LLC ("NGP"), as majority working interest owner under the captioned acreage, has proposed the drilling of the Domino Federal #1 at an approximate location 660' FNL & 1,300' FEL Section 28, T-21-S, R-27-E, Eddy County. Said well will be drilled to test the Morrow and Atoka Formations at an approximate depth of 11,900 feet. The E/2 Section 28 is the designated spacing unit for the well. Your potential ownership under this acreage recently appeared through preliminary drilling title examination. Your interest is a contractual working interest derived through a 1972 Operating Agreement covering various Sections in this Township. This JOA was not filed of record. NGP is proposing this well via its leasehold ownership of the W/2SE/4 Section 28, which is not subject to the 1972 JOA. A Compulsory Pooling Order for this proposal was issued on May 6, 2003. The record title owners under the remainder of the E/2 Section 28 have either elected to participate in this proposal, or have traded their leasehold interest to NGP.

NGP hereby notifies you of your election to participate in this well proposal. If you elect to participate, a new Joint Operating Agreement will be forwarded for your execution. In the event you elect not to participate, NGP will consider a farm-in interest on terms acceptable to NGP. A Drilling Title Opinion is being finalized to confirm your actual working interest. An AFE is also enclosed for your evaluation. NGP plans to spud this well within the next few weeks, therefore your prompt attention to this matter will be appreciated. Please indicate your election preference in the appropriate space provided below, and returning a copy of this letter to our office.

_____ Elect to participate in the Domino Federal #1

_____ Elect NOT to participate in the Domino Federal #1

_____ Elect NOT to participate in the Domino Federal #1, and agree to farm-out
leasehold interest

COMPANY OR INDIVIDUAL PARTY: _____

BY: _____

DATE: _____

DOMINO FEDERAL #1
CONTRACTUAL WORKING INTEREST OWNERS

EXCO Resources, Inc.
Central Resources, Inc.
RKC, Inc.
6500 Greenville Ave., Suite 600
Dallas, Texas 75206

Texas Independent Exploration, Inc.
Rick Zimmerman
1600 Smith Street, Suite 600
Houston, Texas 77002

Robert St. John
4647 West Ponds Circle
Littleton, Colorado 80123

J. Hiram Moore
310 West Wall, Suite 404
Midland, Texas 79701

J.M. Huber Corporation
11451 Katy Freeway, Suite 400
Houston, Texas 77079-2001

Texona Petroleum Corporation

J. C. Davis, Jr.

James L. Pierce

David V. DeMarco

Lowell Todd Armstrong

DOMINO FEDERAL #1
CONTRACTUAL WORKING INTEREST OWNERS

EXCO Resources, Inc.
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6500 Greenville Ave., Suite 600
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J. Hiram Moore
310 West Wall, Suite 404
Midland, Texas 79701

J.M. Huber Corporation
11451 Katy Freeway, Suite 400
Houston, Texas 77079-2001

Texona Petroleum Corporation - ONE PARK TEN PLACE, SUITE 390, HOUSTON, 77084

J. C. Davis, Jr. - 4703 BOWLER, MIDLAND, 79707

James L. Pierce - 2607 WAAB WARD, MIDLAND 79705

David V. DeMarco - ~~3050 POST OAK BLVD, HOUSTON~~ 3050 POST OAK BLVD, SUITE 502, HOUSTON,
TEXAS 77056

Lowell Todd Armstrong

- 850 AZALEA, HOUSTON, 77018

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
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September 24, 2003

Via Facsimile

RKC, Inc.
1775 Sherman Street, Suite 2650
Denver, Colorado 80203
Attn: Jeanette Feigt

Re: Domino Fed #1
E/2 Section 28, T-21-S, R-27-E
Eddy County, New Mexico

Dear Jeanette:

As follow up to our phone conversation, please find enclosed correspondence pertaining to the captioned property. RKC, Inc. appears to own approximately 2.25% working interest in the proposed well. The Exco/RKC correspondence was sent to Exco Resources in Dallas. We were recently advised by Jim Perkins, Land Manager with Exco, that any RKC correspondence should be sent to your attention. The details of this proposal, and associated elections are further depicted on the attached letter. Exco has elected to participate in the drilling of this well.

Please advise if further information is needed at this time. Thank you for your prompt attention to this matter.

Sincerely,



Sam H. Jolliffe IV
Land Manager

HP Fax Series 900
Plain Paper Fax/Copier

Fax History Report for
Nadel and Gussman Permian
915 682 4325
Sep 24 2003 2:49pm

Last Fax

<u>Date</u>	<u>Time</u>	<u>Type</u>	<u>Identification</u>	<u>Duration</u>	<u>Pages</u>	<u>Result</u>
Sep 24	2:47pm	Sent	13038309297	1:51	6	OK

Result:

OK - black and white fax

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite 508

Midland, TX 79701

Office: (915)682-4429

Fax: (915)682-4325

September 25, 2003

Via Facsimile and Regular Mail

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701
Attn: Mr. Paul Haden
Senior Landman

RE: Nadel and Gussman Permian, LLC proposed Domino Federal #1
Joint Operating Agreement contractual interest
E/2 Section 28, T-21-S, R-27-E
Eddy County, New Mexico

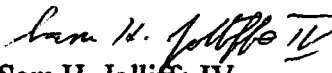
Gentlemen:

Nadel and Gussman Permian, LLC ("NGP"), as majority working interest owner under the captioned acreage, has proposed the drilling of the Domino Federal #1 at an approximate location 660' FNL & 1,300' FEL Section 28, T-21-S, R-27-E, Eddy County. Said well will be drilled to test the Morrow and Atoka Formations at an approximate depth of 11,900 feet. The E/2 Section 28 is the designated spacing unit for the well. Your ownership under this acreage recently appeared through ongoing drilling title examination by Jim Bruce, whom advises that Mewbourne will own approximately .175% working interest in the well. This interest was derived through Mewbourne's acquisition of Toreador, and via Toreador's acquisition of Texona Petroleum. Said interest is a contractual working interest derived through a 1972 Operating Agreement covering various Sections in this Township. This JOA was not filed of record. NGP has proposed this well via its leasehold ownership of the W/2SE/4 Section 28, which is not subject to the 1972 JOA. A Compulsory Pooling Order for this proposal was issued on May 6, 2003. The record title owners under the remainder of the E/2 Section 28 have either elected to participate in this proposal, or have traded their leasehold interest to NGP.

NGP hereby notifies you of your election to participate in this well proposal. If you elect to participate, a new Joint Operating Agreement will be forwarded for your execution. In the event you elect not to participate, NGP will consider a farm-in interest on terms acceptable to NGP. An AFE is enclosed for your evaluation. NGP has spud this well, therefore your prompt attention to this matter will be appreciated.

Please indicate your election preference in the appropriate space provided below, and returning a copy of this letter to our office.

Sincerely,


Sam H. Jolliffe IV
Land Manager

_____ Elect to participate in the Domino Federal #1

_____ Elect NOT to participate in the Domino Federal #1

_____ Elect NOT to participate in the Domino Federal #1, and agree to farm-out leasehold interest

Mewbourne Oil Company

By:

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:

J. Hiram Moore
310 W. Wall, Ste. 404
Midland, Texas 79701

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X Julie Larson

☐ Agent☐ Addressee

B. Received by (Printed Name)

Julie Larson

C. Date of Delivery

4-28

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

AUG 12 7 30 AM '01

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☒ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number

(Transfer from service label)

7099 3400 0016 0162 9461

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

U.S. Postal Service

CERTIFIED MAIL RECEIPT

Domestic Mail Only; No Insurance Coverage Provided

DOMINO FEDERAL

Postage

\$.37

Certified Fee

2.50

Return Receipt Fee
(Endorsement Required)

1.50

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

\$ 4.37

Postmark
Here

Recipient's Name (Please Print Clearly) (to be completed by mailer)

J. HIRAM MOORE

Street, Apt. No., or PO Box No.

310 W. Wall, Ste. 404

City, State, ZIP+4

Midland TX 79701

PS Form 3800, February 2000

See Reverse for Instructions

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:

J.C. Davis, Jr.
4703 Boulder
Midland, TX 79707

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X J.C. Davis Jr

☐ Agent☐ Addressee

B. Received by (Printed Name)

J.C. Davis Jr

C. Date of Delivery

8/27/01

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

2. Article Number

(Transfer from service label)

7002 0460 0002 0082 8485

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

U.S. Postal Service

CERTIFIED MAIL RECEIPT

Domestic Mail Only; No Insurance Coverage Provided

OFFICIAL USE

Postage

\$

Certified Fee

2.30

Return Receipt Fee
(Endorsement Required)

1.73

Restricted Delivery Fee
(Endorsement Required)

.60

Total Postage & Fees

\$ 4.63

Postmark
Here

Sent To

J.C. Davis Jr

Street, Apt. No.,
or PO Box No.

City, State, ZIP+4

PS Form 3800, January 2001

See Reverse for Instructions