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CASE NO: 14673
& 14674
EXHIBIT 3

Sent Via Certified Mail

February 7, 2011

DAVID S. RHODES

Concho Oil & Gas LLC
Fasken Center, Tower II
550 West Texas Avenue, Suite 100
Midland, TX 79701

Attn: Stuart A. Dirks, Senior Landman

Re: Partition Fed #2 Well
SE/4SE/4 (1140' FEL, 990' FSL, Unit P-subject to BLM approval)
Section 13-T17S-R31E, N.M.P.M.
Eddy County, NM

Dear Mr. Dirks:

Burnett Oil Company, through its operating entity Burnett Oil Co., Inc., hereby proposes to drill the captioned well to test the Fren (Glorieta Yeso) formation expected to require drilling to a total depth of 7200'. The completed well cost for such well is estimated to be approximately \$1,604,422 as detailed on the attached Authority for Expenditure ("AFE").

Enclosed, please find our AFE for this well along with Burnett's proposed form of Joint Operating Agreement ("JOA"). A completed Exhibit A and signature page to the JOA shall be sent under separate cover.

Please review the AFE and JOA, and if you wish to participate in the drilling of this well, sign and return the original AFE to the undersigned.

Sincerely,



David S. Rhodes
Land Manager

Oil Conservation Division
Case No. _____
Exhibit No. 3

BURNETT OIL CO., INC.
AUTHORITY FOR EXPENDITURE- COST ESTIMATE

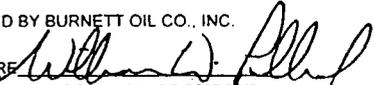
DATE: 1/19/2011 AFE #: 2159
 LEASE: Partition Federal WELL #: 2 OPERY #: GKJ001B
 OPERA BURNETT OIL CO., INC
 COUNT Eddy Co., NM LOCATION:

PER BLM: UNIT P, 990' FSL, 1140' FEL, Sec 13, T17S, R31E FED LEASE NMLC029415A
 PROSP LOCO HILLS GLORIETA YESO TD:7200' FORMATION: Yeso

RECOMMENDATION: DRILL & COMPLETE 7200' FREN (GLORIETA YESO) WELL & FLOWLINE TO ON LEASE NEW TANK BATTERY

INTANGIBLE COSTS:				DRILL	COMPL./WC	TOTAL
01	LOCATION COST (Road, survey, damages, permit, etc.)			25,000	5,000	30,000
02	RIG MOVE-RIG UP, RIG DOWN			7,500		7,500
03	CONTRACT RATE-F1					
04	CONTRACT RATE/D/	FEET @	PER FOOT			
05	17	DAYS @	\$9,500	161,500		161,500
06	COMPLETION, WOR/	DAYS @	\$3,000		36,000	36,000
07	BITS AND STABILIZERS			30,000		30,000
08	FUEL, LUBRICANTS, 12,000 WATE 15,000 FUEL			27,000		27,000
09	TRUCKING AND TRANSPORTATIC 25,000 WTR H/ 15000 CRI HAUL			40,000		40,000
10	MUD AND CHEMICALS			7,000		7,000
11	PRIMARY CEMENTING (Incl. Equip.), Srtc BCP, F			25,000	70,000	95,000
12	SQUEEZE CEMENTING					
13	CORING AND CORE ANALYSIS					
14	MUD LOGGING	14 days @	800 per day	11,200		11,200
15	DRILL STEM TESTING					
16	OPEN HOLE LOGGING			20,000		20,000
17	PERFORATING AND CASD HOLE				18,000	18,000
18	CASING CREWS, TONGS, HANDLING TOOLS			5,000	8,000	13,000
19	EQUIPMENT RENTAI 8,500 SOL SEP			13,500	5,000	18,500
20	MISCELLANEOUS LA			5,000	5,000	10,000
21	ACID, FRAC, SAND C 4 fracs @ 165000				660,000	660,000
22	BHP OTHER PRODUCTION TESTING					
23	DIRECTIONAL DRILLING					
24	FISHING TOOLS AND SERVICES					
25	SUPERVISION	17 days @	1,100 per day	18,700	5,000	23,700
26	OPERATING OVERHEAD			3,000	0	3,000
27	OTHER / CONTINGENCIES			8,000	8,000	16,000
28	PLUGGING EXPENSE			10,000	-10,000	0
29	INSURANCE					
TOTAL DRILLING AND COMPLETION INTANGIBLE COSTS:				417,400	810,000	1,227,400
TANGIBLE COSTS:				(FEET/SIZE (WEIGHT(S)))	(GRADE)	
30	CASING, DRIVE / CONDUCTOR					
31	CASING, SURFACE	750	750' 10 3/4" 32.75#	\$24.73	18,547	18,547
32	CASING / INTERMEDIATE					
33	CASING, PRODUC &	7200	5500' 23# 7", 1700' 26# & J	\$21.78	156,810	156,810
34	CASING, LINER / HANGER					
35	TUBING	7000	7000' 2 7/8" 6.5# J55	\$6.10	42,665	42,665
36	RODS	7000	7000 3/4", 7/8", 1"	\$4.50	31,500	31,500
37	SUBSURFACE PRODUCTION EQUIPMENT				6,500	6,500
38	CHRISTMAS TREE, WELL HEAD EQUIPMENT			1,500	5,500	7,000
TOTAL DRILLING AND COMPLETION TANGIBLE COSTS:				20,047	242,975	263,022
TOTAL DRILLING AND COMPLETION COSTS:				437,447	1,052,975	1,490,422
LEASE EQUIPMENT COSTS:						
39	TANKS, HEATERS, TREATING FACILITIES					
40	GAS PROCESSING EQUIPMENT					
41	FLOW LINE AND INSTALLATION				20,000	20,000
42	PERM. IMPROVEMENTS (GATES, FENCES, ETC.)					
43	PUMPING UNIT, GAS LIFT, ETC				94,000	94,000
44	MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT					
45	INSTALLATION COSTS					
46	SUPERVISION					
47	OTHER					
TOTAL LEASE EQUIPMENT COSTS:					114,000	114,000
TOTAL WELL COST: \$1,604,422				437,447	1,166,975	1,604,422
TOTAL DRY HOLE COST: \$437,417 PREPARED 1MCS/MAJ				BUDGET	2011/1st	

APPROVED BY BURNETT OIL CO., INC.

SIGNATURE: 
 WILLIAM D. POLLARD, PRESIDENT

DATE: 2/2/11

APPROVED- JOINT INTEREST

COMPANY: _____

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:

Concho Oil & Gas LLC
 Attn: Stuart A. Dirks, Senior Landman
 Fasken Center, Tower II
 550 West Texas Avenue, Suite 100
 Midland, Texas 79701

2. Article Number
 (transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent
 Addressee

B. Received by (Printed Name) *F. Dirks* C. Date of Delivery *2/10*

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

7008 0500 0000 7856 2024

7008 0500 0000 7856 2024

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

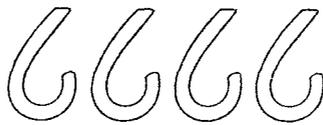
For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

7012
 Postmark
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Sent To **Concho Oil & Gas LLC**
 Attn: Stuart A. Dirks, Senior Landman
 Street, Apt. No., or PO Box No. **Fasken Center, Tower II**
 City, State, ZIP+4 **550 West Texas Avenue, Suite 100**
Midland, Texas 79701



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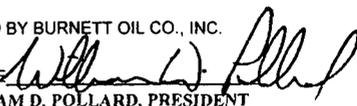
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 Midland, Texas 79701

2. Article Number

(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

Agent
 Addressee

X *[Signature]*

B. Received by (Printed Name)

F. STACY

C. Date of Delivery

2-10

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

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PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

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7008 0500 0000 7856 2109

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark Here

Sent To

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

City, State, ZIP+4

PS Form 3800, All

COG Operating LLC
 Attn: Stuart A. Dirks, Senior Landman
 Fasken Center, Tower II
 550 West Texas Avenue, Suite 100
 Midland, Texas 79701