



CERTIFIED MAIL, RETURN RECEIPT REQUESTED

May 1, 2013

Mr. Ricky D. Raindl  
P.O. Box 142454  
Irving, TX 75014-2454

**EOG Resources, Inc.**  
4000 N. Big Spring, Suite 500  
Midland, TX 79705

Midland Division  
P.O. Box 2267  
Midland, TX 79702  
(432) 686-3600

RE: Oil & Gas Lease: Lea County, NM  
Township 26 South, Range 33 East, N.M.P.M.  
Section 21: E2SE4  
Section 22: S2  
Section 23: S2SW4  
Section 26: W2NW4  
Section 27: N2  
Section 28: E2NE4  
(960.0 acres, more or less)

Dear Mr. Raindl:

A check of the Lea County, NM records indicates that you, dealing in your sole and separate property own an undivided .00462499 mineral interest (4.44 net mineral acres) in the captioned land. EOG Resources, Inc. is interested in acquiring an oil and gas lease covering all of your interest in said land on the following terms:

- a) Primary term: one (1) year;
- b) Bonus: \$350.00 per net acre
- c) Royalty: twenty five percent (25.0%);
- d) Other terms: as shown on the enclosed lease.

In the alternative, I have enclosed EOG's cost estimate for the proposed EOG Resources, Inc. - Ophelia 27 #1H well for your use in determining whether you wish to participate in the drilling of this well or not. This well is being permitted as a horizontal Leonard Shale test at a SHL 2,490' FNL & 380' FEL of Section 27, T26S, R33E, Lea

*energy opportunity growth*

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. 3  
Submitted by: **EOG RESOURCES, INC.**  
Hearing Date: July 11, 2013

Mr. Ricky D. Raindl  
May 1, 2013  
page 2 of 2

Co., NM and a BHL 2,410' FSL & 380' FEL of Section 22, T26S, R33E, Lea Co., NM. Estimated TVD is 9,600' and estimated MD is 14,500'. The Project Area for this well will be the E2NE4 of Section 27 and the E2SE4 of Section 22, all in T26S, R33E (160.0 acres). Estimated completed well cost is \$7,427,350.00.

Please review these materials at your earliest convenience and make your election at the earliest possible date. In the event you determine to lease, please properly execute the lease and forward same to the attention of the undersigned at the letterhead address. Upon receipt of the property executed original lease, a check for the bonus will be forwarded to you. In the event you elect to participate in this well, please forward a signed copy of the cost estimate. If you elect to participate, a 1989 Model Form Operating Agreement naming EOG Resources, Inc. as Operator and providing for 100%/300%/300% non-consent penalties as well as \$7,000/\$700 drilling/producing rates, respectively, and other terms as they appear will be forwarded for your review and execution.

Thank you in advance for your prompt attention to this matter. If you have any questions, please contact the undersigned at 432-686-3741 or by e-mail at [dan\\_mccright@eogresources.com](mailto:dan_mccright@eogresources.com).

Sincerely,

EOG Resources, Inc.



D.H. McCright  
Land Specialist

DHM:jr  
Encl.



MIDLAND Printed: 03/27/2013

AFE No.	105564	Original
Property No.	071914-000	
EOG W.I.(BCP)	96.25%	(ACP) 96.25%
EOG AFE Amt:	(Drig)	\$2,922,198
	(Completion)	\$3,865,689
	(Facility)	\$360,938
	(Flowback)	\$0
	Total Cost	\$7,148,824

AFE Type : DEVELOPMENT DRILLING	AFE Name : OPHELIA 27 #1H D&C	AFE Date : 03/26/2013	Budget Year : 2013
Reg. Lease No. :	Prospect Name : RED HILLS	TVD / MD : 0 / 0	Begin Date :
Location : Section 27-T26S-R33E, 2490 FNL & 380 FEL, X=742034 Y=369932			
BH(ORIGINAL WELL): Section 22-T26S-R33E, 2410 FSL & 380 FEL, X=742034 Y=374843			
Formation :			DD&A Field : LEONARD SHALE
Operator : EOG RESOURCES, INC	County & State : LEA / NEW MEXICO	Field : UNASSIGNED	Water Depth :
AFE Description : OPHELIA 27 #1H D&C TO 9,600' TVD, 14,500' MD TO BE COMPLETED IN THE LEONARD A FORMATION. THE WELL IS LOCATED IN SEC. 27, T26S, R33E, LOT H, LEA CO., NM.			Product : OIL Days : 0 / 0

DESCRIPTION	SUB ACT	DRILLING	COMPLETION	FACILITY	FLOWBACK	TOTAL
ACCESS LOCATION,ROADS & SURVEY	401	85,000	0	0	0	85,000
RIG MOVE	402	150,000	0	0	0	150,000
24 DAYS @ \$22.3K + 3 DAYS MIRU	404	624,400	0	0	0	624,400
RIG CREW SAFETY BONUS	404	50,000	0	0	0	50,000
BITS & PHA	405	87,500	4,000	0	0	91,500
FUEL	406	132,500	165,000	0	0	297,500
WATER	407	48,750	250,000	0	0	298,750
MUD & CHEMICALS	408	131,700	90,000	0	0	221,700
CEMENTING & SERVICE	409	200,000	0	0	0	200,000
OPEN HOLE LOGGING & TESTING	411	165,000	50,000	0	0	215,000
MUD LOGGING	412	30,000	0	0	0	30,000
COMP. PERFORATING	413	0	240,000	0	0	240,000
COMP. STIMULATION 25 @ \$ 95,000	414	0	2,375,000	0	0	2,375,000
TRANSPORTATION	415	18,750	10,000	0	0	28,750
DRILLING OVERHEAD	416	6,250	0	0	0	6,250
COMP-EQUIPMENT RENTAL	417	0	300,000	0	0	300,000
EQUIPMENT RENTAL	417	75,000	0	0	0	75,000
COMP-COMPLETION RIG	418	0	100,000	0	0	100,000
OTHER DRILLING EXPENSE	419	75,000	0	0	0	75,000
ENVIRONMENTAL & SAFETY CHARGES	421	16,250	2,500	0	0	18,750
DIRECTIONAL DRILLING	422	265,000	0	0	0	265,000
SUPERVISION	424	75,000	50,000	2,500	0	127,500
COMMUNICATIONS	431	6,250	5,000	0	0	11,250
TUBULAR INSPECTION/HANDLING	436	85,500	0	0	0	85,500
SPECIALTY SERVICES	441	7,000	0	0	0	7,000
COMP-WIRELINE SERVICES	442	0	10,000	0	0	10,000
DISPOSAL COSTS	447	112,500	225,000	0	0	337,500
TITLE OPINION-DRILL SITE	453	10,000	0	0	0	10,000
TOTAL INTANGIBLES		\$2,457,350	\$3,876,500	\$2,500	\$0	\$6,336,350

CONDUCTOR	UOM	QTY	SIZE	GRADE	RATE					
13-3/8" 54.5# J55 STC	FEET	950	13-3/8"	54.5# J55	37.00	101	55,000	0	55,000	
						102	35,200	0	35,200	
9-5/8" 40# HCK55 LTC	FEET	1,100	9-5/8"	40# HCK55	35.00	103	38,500	0	38,500	
9-5/8" 40# J55 LTC	FEET	4,000	9-5/8"	40# J55	29.00	103	116,000	0	116,000	
5-1/2" 17# HCP110 LTC	FEET	14,500	5-1/2"	17# HCP110	20.00	104	290,000	0	290,000	
COMP-6.5 PPF L80 BRD EUE	FEET	9,250	2.875	A -	7.00	106	0	64,800	64,800	
WELLHEAD EQUIPMENT						107	44,000	35,000	79,000	
COMP-FAC-TANKS						108	0	0	77,000	
COMP-FLOW LINES						109	0	5,000	5,000	
COMP-VALVES & FITTINGS						110	0	10,000	60,000	
COMP-PUMP EQUIP/SUBSURFACE						113	0	25,000	25,000	
COMP-FAC-HEATERS.TREATRS.SEPRS						115	0	0	42,500	
COMP-FAC-OTHER EQUIPMENT						116	0	0	18,000	
COMP-FAC-METERING EQUIPMENT						118	0	0	11,000	
COMP-FAC-CONSTRUCTION COST						122	0	0	48,000	
COMP-FAC-AUTOMATION EQUIPMENT						123	0	0	15,000	
COMP-FAC-LABR/ELEC MEAS/AUTOMA						124	0	0	18,000	
COMP-FAC-ENVIRONMENTAL & SAFETY						421	0	0	93,000	
TOTAL TANGIBLES							\$578,700	\$139,800	\$372,500	\$1,091,000
TOTAL COST							\$3,036,050	\$4,016,300	\$375,000	\$7,427,350

By <i>[Signature]</i>	Date 3/28/13	By	Date
By	Date	By	Date

JOINT OPERATOR APPROVAL

## OIL & GAS LEASE

THIS AGREEMENT made this 26<sup>th</sup> day of April, 2013 between Ricky D. Rainold, dealing in his sole and separate property, as Lessor (whether one or more), whose address is P.O. Box 122454, Irving, Texas 75014 and EQG Resources, Inc., whose address is P.O. Box 2267, Midland, Texas 79702, as Lessee;

### WITNESSETH:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico, to-wit:

Township 26 South, Range 33 East, N.M.P.M.

Section 21: E2SE4;

Section 22: S2;

Section 23: S2SW4;

Section 26: W2NW4

Section 27: N2

Section 28: E2NE4

Said land is estimated to comprise 260.0 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of one (1) year from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, twenty five percent (25.0%) of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of twenty five percent (25.0%) of the gas used, provided that on gas sold on or off the premises, the royalties shall be twenty five percent (25.0%) of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$10.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. ~~In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.~~

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other (lawful) authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through the death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, or governmental inactivity, then while so prevented, Lessee's duty shall be suspended, and Lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil and gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

12. Notwithstanding anything contained herein to the contrary, at the expiration of the primary term hereof, this lease shall terminate as to all lands which are not included within a proration unit established by the New Mexico Oil Conservation Commission for wells producing in paying quantities in order to obtain a maximum production allowable per well, unless Lessee is engaged in drilling operations or Lessee has completed a well within one hundred eighty (180) days of the expiration of the primary term either as a dry hole or a producer. If Lessee is, at the expiration of the primary term, engaged in actual drilling operations or Lessee has completed a well within one hundred eighty (180) days of the expiration of the primary term either as a dry hole or a producer, this lease shall remain in full force and effect as to all lands covered hereby for so long as operations continue to completion or abandonment and for so long thereafter as operations for drilling are conducted with no more than one hundred eighty (180) days elapsing between the completion or abandonment of one well and the commencement of actual drilling operations of another well. After the expiration of the primary term or the continuous drilling program, whichever occurs last, Lessee shall release all acreage not dedicated to a producing proration unit for wells producing in paying quantities in order to obtain a maximum production allowable per well as prescribed by the New Mexico Oil Conservation Commission, as well as all depths and horizons which are at least one hundred feet (100') below the "stratigraphic equivalent of the deepest depth drilled by Lessee and capable of producing in paying quantities" in each well which is included within the boundaries of a producing proration unit. A well shall be determined to be completed on the day Lessee releases the drilling rig used to drill such well, or the date such rig is moved off the location, whichever date occurs first, and a well shall be determined to be commenced when such well is spudded.

Executed the day and year first above written.

Ricky D. Raindl, dealing in his sole and separate property

#### ACKNOWLEDGMENT

STATE OF §

COUNTY OF §

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public, State of \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

