



HARVEY E. YATES COMPANY

A MEMBER COMPANY OF HEYCO ENERGY GROUP

August 11, 2014

CERTIFIED MAIL

Quail Deep Prospect Working Interest Owners
(See attached mailing list)

Re: **Mallon 27 Federal Com #1H**
Sec.27, T-19S R-34E, N.M.P.M.
SHL: 330' FSL & 660' FEL
Sec. 22, T-19S, R-34E, N.M.P.M.
BHL: 2310' FSL & 660' FEL
Lea County, New Mexico

Ladies and Gentlemen:

Harvey E. Yates Company ("HEYCO") hereby proposes to drill the above captioned well. The Mallon 27 Federal Com #1H well has been staked and permitted at an approximate surface hole location of 330' FNL and 660' FEL in Section 27 of T-19S, R-34E, with an approximate bottom hole location of 2310' FSL and 660' FEL in Section 22 of T-19S, R-34E and will be drilled horizontally to test the Bone Spring 3rd Sand at an approximate vertical depth of 10,900 feet. The project area for this well will be 240.00 acres (Section 22 E/2SE/4, Section 27 E/2E2).

A Joint Operating Agreement is enclosed for your review and execution. If you wish to participate in the captioned well please return a signed AFE with the executed pages to the JOA to my attention. Also attached to this proposal is a spreadsheet that outlines the legal description of the contract area for the prospect, and the breakdown of the working interest for each owner in the prospect area (1520.00 acres). In the event you elect not to participate in this drilling proposal, HEYCO will consider a farm-in of your working interest on terms acceptable to HEYCO.

Should you have any questions regarding this proposal please contact me for any land concerns, Trent Green for any technical questions, and Gordon Yahney for geology concerns.

Very truly yours,

Colby Booth
Landman

CSB
Enclosures
Mallon27Fedcom#1H.doc/Land:Quail Deep

Oil Conservation Division
Case No. 3 15233
Exhibit No. 3

Mailing List
August 1, 2014
Quail Deep Prospect

Harvey E. Yates Company
P.O. Box 1933
Roswell, NM 88202-1933

The Allar Company
P.O. Box 1567
Graham, TX 76450-7567

Chevron U.S.A.
P.O. Box 2100
Houston, TX 77252

Global Nevada, Galaxy Inc.
1001 Fannin St., Suite 1700
Houston, TX 77002-6707

Grace Pearl Hollandsworth
P.O. Box 3427
Longview, TX 75606

Grande Drilling Corp.
P.O. Box 219
Ruidoso, NM 88355

Harle, Inc.
22230 SW Taylors Drive
Tualatin, Oregon 97062

James K. & Martha L. Lusk, Trustees
James K Lusk & Martha L. Lusk Trust
P.O. Box 2057
Roswell, NM 88202

James M. Stockton
2617 Coronado Drive
Roswell, NM 88202

Janet Arnold
2110 W. Runyan Ave.
Artesia, NM 88210

Keith McKamey
1400 Hall Drive
Roswell, NM 88201

Lonnie Arnold
1112 Telluride Ct.
Midland, TX 79705

Patsy Hollandsworth
P.O. Box 1632
Longview, TX 75606

Peggy Runyan
P.O. Box 869
Kapaa, Hawaii 96746

Prime Energy Asset and Income
Fund L.P. AA-3
9821 Katy Freeway, Suite 1050
Houston, TX 77024

Prime Energy Asset and Income
Fund L.P. AA-4
9821 Katy Freeway, Suite 1050
Houston, TX 77024

Pro-Kem, Inc.
P.O. Box 1506
Lovington, NM 88260

Talus, Inc.
P.O. Box 1210
Graham, TX 76450

Twin Montana
P.O. Box 1210
Graham, TX 76450

Vicky Moser
178 Night Sky
Spring Branch, TX 78070-5972

Cimarex Energy
202 S. Cheyenne Ave., Ste 1000
Tulsa, OK 74103-3001

XTO Energy, Inc.
Attn: Keith Sawyer
810 Houston Street
Fort Worth, TX 76102

Nadel & Gussman Capitan, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701

Due 9/15/2014

Mailing List
August 1, 2014
Quail Deep Prospect


Harvey E. Yates Company ✓
P.O. Box 1933
Roswell, NM 88202-1933

The Allar Company
P.O. Box 1567
Graham, TX 76450-7567
940-549-0077

Chevron U.S.A.
P.O. Box 2100
Houston, TX 77252


Rtnd JOA
a. 5.14
AFÉ
a. 12.14


Global Nevada, Galaxy Inc.
1001 Fannin St., Suite 1700
Houston, TX 77002-6707

 Grace Pearl Hollandsworth
P.O. Box 3427 Deceased
Longview, TX 75606

** Grande Drilling Corp. Mail Rtn. 8/25
P.O. Box 219 Retailed 8/25
Ruidoso, NM 88346 88355
emailed AFE 9.5.14
Sbmctdde@gmail.com

Harle, Inc. Rtnd 8/21
22230 SW Taylors Drive
Tualatin, Oregon 97062


 James K. & Martha L. Lusk, Trustees
James K Lusk & Martha L. Lusk Trust
P.O. Box 2057 - Wrong box
Roswell, NM 88202


 Deceased
James-M. Stockton Jally
P.O. Box 1517 Retailed 8/18
Roswell, NM 88202
2617 Coronado Dr
Roswell

Janet Arnold Rtnd 9/2/14
2110 W. Runyan Ave.
Artesia, NM 88210

Keith McKamey
1400 Hall Drive
Roswell, NM 88201

Lonnie Arnold Rtnd 9-15-14
1112 Telluride Ct.
Midland, TX 79705

 Patsy Hollandsworth
P.O. Box 1632 Deceased
Longview, TX 75606

 Peggy Runyan ~~808-893-6811~~
P.O. Box 869 ~~808-893-1566~~
Kapaa, Hawaii 96746 #3 disconnected


Prime Energy Asset and Income
Fund L.P. AA-3 Rtnd 9/2/14
9821 Katy Freeway, Suite 1050
Houston, TX 77024 ✓

Prime Energy Asset and Income
Fund L.P. AA-4 Rtnd 9/2/14
9821 Katy Freeway, Suite 1050
Houston, TX 77024 ✓

Pro-Kem, Inc. Rtnd 8-28-14
P.O. Box 1506
Lovington, NM 88260
505.396-7433

Talus, Inc. Rtnd 8/25/14
P.O. Box 1210
Graham, TX 76450 ✓

Twin Montana Rtnd 8/25/14
P.O. Box 1210
Graham, TX 76450
940-549-3092 ✓

 Vicky Moser Mail Rtn 9/2/14
Retailed 9/2/14
3555 Comat Springs 178 Night Sky
Canyon-Lake, TX 78133 Spring Branch, TX
817-578-9923 78070-5972

Cimarex Energy Rtnd JOA 9/5/14
202 S. Cheyenne Ave., Ste 1000
Tulsa, OK 74103-3001
Mail AFE

Linn Energy XTO Energy, Inc.
Attn: Blaire Pugliese 810 Houston St.
600 Travis, Suite 5100 Fort Worth, TX
Houston, TX 77002 76102

EOG Resources ✓
P.O. Box 2267
Midland, TX 79702
EOG's interest
to XTO

Nadel & Gussman Capitan, LLC ✓
601 N. Marienfeld, Suite 508
Midland, TX 79701

4:47pm
** 9/4/14 - Ted w/Grande called, they want to participate - will have someone bring by signed AFE to office.
I mentioned to also include well requirements. Should be here tomorrow - 9/5/14. vw