

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 \_\_\_\_\_

EXHIBIT 3

August 22, 2003

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**

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Central Resources, Inc.  
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Dallas, Texas 75206

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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 BOWSER, MIDLAND, 79707

James L. Pierce - 2607 WAAB WARD, MIDLAND 79705

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

Lowell Todd Armstrong

- 850 AZALEA, HOUSTON, 77018

**NADEL AND GUSSMAN PERMIAN, L.L.C.**  
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**Office: (915)682-4429**  
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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

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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

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**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

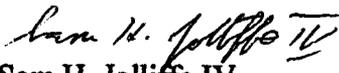
Gentlemen:

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  Agent  Addressee  
*Julie Larson*

B. Received by (Printed Name) *Julie Larson* C. Date of Delivery *8-28*

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No  
*AUG 27 7 00 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*

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

7099 3400 0016 0162 9461

**DOMINO FEDERAL**

Postage	\$ .37
Certified Fee	2.50
Return Receipt Fee (Endorsement Required)	1.50
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 4.37</b>

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*

**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  Agent  Addressee  
*J.C. Davis Jr*

B. Received by (Printed Name) *J.C. Davis Jr* C. Date of Delivery *8/27/01*

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

2. Article Number (Transfer from service label) *7002 0460 0002 0082 8485*

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

7002 0460 0002 0082 8485

**OFFICIAL USE**

Postage	\$
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.73
Restricted Delivery Fee (Endorsement Required)	.60
<b>Total Postage &amp; Fees</b>	<b>\$ 4.63</b>

Postmark Here

Sent To *J.C. Davis Jr*  
 Street, Apt. No., or PO Box No.  
 City, State, ZIP+4