

CASÉ 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.

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

OPERA BURNETT OIL CO., INC

DATE: 1/19/2011 LEASE: Partition Federal

AFE #: 2159 WELL #: 2 OPERTY #: GKJ001B

COUNTE	ddy Co., Nil LOC				40 T470 D04E	FFD 1 FA	CE NAM COOO	4454
PROSP	LOCO HILLS GLO		UNIT P. 990' FSL	., 1140 FEL, Sec : 7200'	13, 1175, R31E		SE NMLC029 DRMATION:	Yeso
RECOMMENDATION:					& FLOWLINE T			
INTANGIBLE COSTS:		son sistema			*Tain Tain is self-affini		OMPL.WC	TOTAL
	N COST (Pond of	d	amages, permit, et			25,000	5,000	30,000
	E-RIG UP, RIG DO	DIVEY, U	amayes, permit, et	<u> </u>		7,500		7,500
	CT RATE-F1	JVVIV	FEET @	*******************	PER FOOT	/.,300		
		17	DAYS @	\$9,500	PER DAY	161,500		161,500
		12	DAYS @	\$3,000	PER DAY		36,000	36,000
	STABILIZERS	12.		\$5,000		30,000		30,000
A CARLON OF THE PARTY OF THE PA	BRICANTS.		12,000 WATE 15.	OOD FUEL		27,000		27,000
		PTATIO	25,000 WTR H/ 150			40,000		40.000
ARREST CONTRACTOR OF THE PROPERTY AND ADDRESS OF THE PARTY AND ADDRESS	CHEMICALS	701011	- 23,000 18117 118 130	OU CHITIADE		7.000		7,000
	CEMENTING (Inc	cl Fould	Sife BCP E			25,000	70,000	95,000
	CEMENTING	or. Equip	.,, 0110 001 , 1			23,999	, , , , , , , , , , , , , , , , , , , ,	35,000
	AND CORE ANAL	Veie .	4 44 4				erriningerringer -	
12 MUD LOC			days @		800 per day	11,200	-	11,200
11100 400	EM TESTING		Unys (u)		out her day		TO HEAD LOSS SHOWN	
	LE LOGGING					20,000	-	20,000
	ATING AND CASE	י וכא ח	F			20,000	18,000	18,000
	CREWS, TONGS,					5,000	8,000	13,000
	NT RENTAL	CANDE	8.500 SQL SEP			13,500	5.000	18,500
	ANEOUS LA		DIOUGUE SEF			5.000	5,000	10,000
111100000	AC, SAND C 4 frac	~ @ 16	5000			www.pinsun	660,000	660,000
	ER PRODUCTION					e de la composition della comp	000,000	
THE RESIDENCE AND ADDRESS OF THE PARTY OF TH	ONAL DRILLING	A ř.E.			*** *	P. C. S.	A1948-0111-1111-1111	
	TOOLS AND SER	VICES						
23 SUPERV			days @		1.100 per day	18,700	5,000	23,700
00. 4,17	NG OVERHEAD	- 17	Uays @		1100 bel day	3,000	3,000	3,000
	CONTINGENCIES				***************************************	8,000	8,000	16,000
	IG EXPENSE					10,000	-10,000	
27 INSURAN						10,000		0
TOTAL DRILLING AND		ITANCH	DIE COSTS			417,400	810,000	1,227,400
TANGIBLE COSTS:	COMPLETION		PROPERTY OF THE ASSESSMENT OF THE PARTY OF T	armananan matamatan	enanasangangangan			1,441,700
			(FEET/SIZE ((W	EIGHT(S))	(GRADE)	M3720278330000		Kan amma
	DRIVE / CONDUC						reconstruction of the	
		750	750' 10 3/4"	32.75#	\$24.73	18,547		18,547
	INTERMEDIATE					haranamaanan		
		200	5500' 23# 7" 、	1700' 26# &" J	\$21.78		156,810	156,810
/	LINER / HANGER							
55 TUBING 56 RODS		7000	7000' 2 7/8"	6,5# J55	\$6.10	200501.0000301711 2006050030145014	42,665	42,665
		7000	7000 3/4	i", 7/8", 1"	\$4.50	()	31,500	31,500
	FACE PRODUCTI						6,500	6,500
	AS TREE, WELL					1,500	5,500	7,000
TOTAL DRILLING AND	COMPLETION T	ANGIBE	LE COSTS:		vanta esta esta esta esta esta esta esta es	20,047	242,975	263,022
TOTAL DRILLING AND	COMPLETION C	OSTS:			THE PERSON NAMED IN COLUMN TWO IS NOT THE OWNER.	437,447	1.052.975	1,490,422
LEASE EQUIPMENT	COTO.	www.co		600774000 10000 1000		1		
		INIC EA	CUSTIES					
	EATERS, TREAT	ING FA	CILITIES					
	NE AND INSTALL					10111111111111111		20.000
	PROVEMENTS (EFNOES FTO				20,000	20,000
	UNIT, GAS LIFT		FENCES, E(C.)				04.000	04.000
7 (101)			NGS. SAFETY EQ	N HOMEN'T			94.000	94,000
111100-5	ATION COSTS	P'LITI	NOS, SAFE IT EQ	OIPWEN I		***************************************		
76 SUPERV							-	
77 OTHER	IOION					. inidestitution	[<i></i>]-	
TOTAL LEASE EQUIP	MENT COSTS	******					114,000	114 000
TOTAL CENTE LEVIE			002 P-745000 C 2000 C 000000 C 7000 C 000000	00011000XXXXXXXXXXXXXXXXXXXXXXXXXXXXXX	INGS POST NEITHER TO BE	de misser mans	kasasa marang bilang p	114,000
								4 604 499
TOTAL	/ELL COST: \$1,6 OLE COST: \$43	04,422	PREPARED IMO			437,447 BUDGET	1,166,975 2011/1st	1,604,422

APPROVED BY BURNETT OIL CO., INC.	,
SIGNATURE ()	
WILLIAM D. POLLARD, PRESIDENT	
DATE: 7/7/11	

APPROVED- JOINT INTEREST
COMPANY:
NAME:
TITLE:
DATE:

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY		
■ 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.	A. Signature Agent Addressee B. Received by (Printed Name) C. Date of Delivery D. Is delivery address different from item 17. Yes		
1. Article Addressed to:	If YES, enter delivery address below:		
Concho Oil & Gas LLC			
Attn: Stuart A. Dirks, Senior Landman			
Fasken Center, Tower II			
550 West Texas Avenue, Suite 100 Midland, Texas 79701	3. Service Type ☐ Certified Mail ☐ Express Mail ☐ Registered ☐ Return Receipt for Merchandise ☐ Insured Mail ☐ C.O.D.		
and the second s	4. Restricted Delivery? (Extra Fee) ☐ Yes		
2. Article Number 7 🗆 🔾	8 0500 0000 7856 2024		
PS Form 3811, February 2004 Domestic Ref	urn Receipt 102595-02-M-1540		

and the state of the secretariate of the second and the second to the second to the second of the second of the

4205	U.S. Postal Service TLM CERTIFIED MAILTAN RECEIPT (Domestic Mail Only; No Insurance Coverage Provided) For delivery information visit our website at www.usps.come						
		* ##	Finish.	#	A A	E	E COM POR
22	Amend ()	- 6	V _{ban} g.	E	Fred C.	Hou.	in the transport
7855	Postage	\$					× 3.9.2
	Certified Fee						Yain C
0000	Return Receipt Fee (Endorsement Required)						Postmark Here
0500	Restricted Delivery Fee (Endorsement Required)						
05	Total Postage & Fees	\$					
Ф	Sent To Concl	10 (8 lic	G	as Ll	LC	4
Street, Apt. No.; Attn: Stuart A. Dirks, Senior L. or PO Box No. Fasken Center, Tower II						Senior Landman	
						II .	
	Cliy, Sialo, ZIP+ 550 V	Ves	t Te	ха	s Ανε	≥nı	ue, Suite 100
-	PS Form 3800. / Midla						



Sent Via Certified Mail

February 7, 2011

DAVID S. RHODES

COG Operating 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

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

DATE: 1/19/2011 LEASE: Partition Federal

AFE #: 2159
WELL #: 2 OPERTY #: GKJ001B

DATE: 1/19/2011 AFE #: 2159
OPERA BURNETT OIL CO., INC LEASE: Partition Federal WELL #: 2 OPERTY #: GKJ001B
COUNT Eddy Co., NN 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./Wd	TOTAL
01 LOCATION COST (Road, survey, damages, permit, etc.)	25,000		30,000
02 RIG MOVE-RIG UP, RIG DOWN	7,500		7,500
03 CONTRACT RATE-F1 FEET @ PER FOOT			and a second control of Tables
04 CONTRACT RATE/D/ 17 DAYS @ \$9,500 PER DAY	161,500		161,500
05 COMPLETION, WORI 12 DAYS @ \$3,000 PER DAY		36,000	36,000
06 BITS AND STABILIZERS	30,000		30,000
07 FUEL, LUBRICANTS, 12,000 WATE 15,000 FUEL	27,000	 	27,000
08 TRUCKING AND TRANSPORTATIC 25,000 WTR H/ 15000 CRI HAUL	40,000		40.000
09 MUD AND CHEMICALS	7,000		7,000
10 PRIMARY CEMENTING (Incl. Equip.), Srfc BCP, F	25,000	70,000	95,000
SQUEEZE CEMENTING (III.I. EQUID.), STIC BCF, P	20,000	70,000	95,000
00/11/07/17/0 00/10/0	44 300		44 300
	11,200		11,200
			20.00
14 OPEN HOLE LOGGING	20,000		20,000
15 PERFORATING AND CASED HOLE		18,000	18,000
16 CASING CREWS, TONGS, HANDLING TOOLS	5,000	8,000	13,000
17 EQUIPMENT RENTAL 8,500 SOL SEP	13,500		18,500
18 MISCELLANEOUS LA	5,000		10,000
19 ACID, FRAC, SAND C 4 fracs @ 165000		660,000	660,000
20 BHP,OTHER PRODUCTION TESTING			
21 DIRECTIONAL DRILLING			
22 FISHING TOOLS AND SERVICES		 	
23 SUPERVISION 17 days @ 1,100 per day	18,700		23,70
24 OPERATING OVERHEAD	3,000		3,00
25 OTHER / CONTINGENCIES	8,000		16,00
26 PLUGGING EXPENSE	10,000	-10,000	
27 INSURANCE		1	
OTAL DRILLING AND COMPLETION INTANGIBLE COSTS:	417,400	810,000	1,227,400
FANGIBLE COSTS: (FEET/SIZE ((WEIGHT(S)) (GRADE)		1	
50 CASING, DRIVE / CONDUCTOR	1		
51 CASING, SURFACE 750 750' 10 3/4" 32,75# \$24.73	18,547		18,54
52 CASING / INTERMEDIATE	-		
53 CASING, PRODUC & 7200 5500' 23# 7" , 1700' 26# &" J \$21.78	1	156,810	156,810
54 CASING, LINER / HANGER	-		
55 TUBING 7000 7000' 2 7/8" 6,5# J55 \$6.10		42,665	42,66
56 RODS 7000 7000 3/4", 7/8", 1" \$4.50		31,500	31,50
60 SUBSURFACE PRODUCTION EQUIPMENT	 	6,500	6,50
65 CHRISTMAS TREE, WELL HEAD EQUIPMENT	1,500		7.00
TOTAL DRILLING AND COMPLETION TANGIBLE COSTS:	20,047		263,02
		en e	
TOTAL DRILLING AND COMPLETION COSTS:	437,447	1,052,975	1,490,42
LEASE EQUIPMENT COSTS:			
69 TANKS, HEATERS, TREATING FACILITIES			220000000000000000000000000000000000000
70 GAS PROCESSING EQUIPMENT			
71 FLOW LINE AND INSTALLATION	·	20,000	20,00
72 PERM. IMPROVEMENTS (GATES, FENCES, ETC.)	1		
73 PUMPING UNIT, GAS LIFT, ETC.	1	94.000	94.00
74 MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT	1		57,00
75 INSTALLATION COSTS	1	}	
76 SUPERVISION	1	l	
77 OTHER	-	4	
TOTAL LEASE EQUIPMENT COSTS:		114,000	114,00
TO THE COURT DESCRIPTION OF THE PROPERTY OF TH	. Isaan waxaa	1,166,975	1,604,42
TOTAL WELL COST: \$1,604,422			

APPROVED BY BURNETT OIL CO., INC.	,
SIGNATURE (4)	V
WILLIAM D. POLLARD, PRESIDENT	,
DATE: 7/7/1)	

APPROVED- JOINT INTEREST				
COMPANY:				
NAME:				
TITLE:				
DATE:				

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
■ 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.	A. Signature Agent Agent Addressee B. Received by (Printed Name) C. Date of Delivery
1. Article Addressed to:	D. Is delivery address different from item 1? ☐ Yes If:YES, enter delivery address below: ☐ No
COG Operating LLC Attn: Stuart A. Dirks; Senior Landman Fasken Center/Tower II:	
550 West Texas Avenue, Suite 100 Midland Texas 79701	3. Service Type Moderatified Mall □ Express Mall □ Registered Peturn Receipt for Merchandise
	☐ Insured Mail ☐ C.O.D. 4. Restricted Delivery? (Extra Fee) ☐ Yes
2. Article Number 700 (Transfer from service label)	8 0500 0000 7856 2109
PS Form 3811; February 2004	tum Receipt

5709	U.S. Postal Service M CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided) For delivery information visit our website at www.usps.com					
	AFE	TALAL	III C E ···			
56	<u> </u>	IVIAL	المهوالي			
78	Postage	\$	Sell			
	Certified Fee		, T			
0000	Return Receipt Fee (Endorsement Required)		Postmark Here			
	Restricted Delivery Fee (Endorsement Required)	·				
050	Total Postage & Fees	<mark>k</mark> OG Operating LL				
0.8	Sent To	og Operating EL Attn: Stuart A. Di	rks, Senior Landman			
7008	Street, Apt. No.; Fasken: Center, Tower: II					
	1 19/50 5 6/50	550 West Texas <i>I</i> Midland, Texas 7	venue: Suite 100 9701			
	PS Form 3800. Au	Aller and the year				

1 14