

6666

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

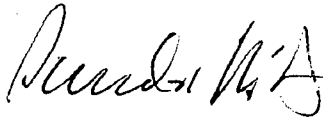
Dear Mr. Dirks:

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. 7
Exhibit No. 7

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

DATE: 1/19/2011
 LEASE: Partition Federal

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

OPERA BURNETT OIL CO., INC.
 COUNT Eddy Co., NA 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	FEET @		PER FOOT			
04	CONTRACT RATE/D1 17	DAYS @	\$9,500	PER DAY	161,500		161,500
05	COMPLETION, WORK 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 TRANSPORTATION 25,000 WTR H/ 15,000 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						
11	CORING AND CORE ANALYSIS						
12	MUD LOGGING 14 days @		800	per day	11,200		11,200
13	DRILL STEM TESTING						
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	5,000	18,500
18	MISCELLANEOUS LA				5,000	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	5,000	23,700
24	OPERATING OVERHEAD				3,000	0	3,000
25	OTHER / CONTINGENCIES				8,000	8,000	16,000
26	PLUGGING EXPENSE				10,000	-10,000	0
27	INSURANCE						
TOTAL DRILLING AND COMPLETION INTANGIBLE COSTS:					417,400	810,000	1,227,400
TANGIBLE COSTS:					(FEET/SIZE ((WEIGHT(S))	(GRADE)	
50	CASING, DRIVE / CONDUCTOR						
51	CASING, SURFACE 750	750' 10 3/4"	32 75#	\$24.73	18,547		18,547
52	CASING / INTERMEDIATE						
53	CASING, PRODUC & 7200	5500' 23# 7",	1700' 26# 8" J	\$21.78		156,810	156,810
54	CASING, LINER / HANGER						
55	TUBING 7000	7000' 2 7/8"	6.5# J55	\$6.10		42,665	42,665
56	RODS 7000	7000 3/4", 7/8", 1"		\$4.50		31,500	31,500
60	SUBSURFACE PRODUCTION EQUIPMENT					6,500	6,500
65	CHRISTMAS TREE, WELL HEAD EQUIPMENT				1,900	5,600	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:							
69	TANKS, HEATERS, TREATING FACILITIES						
70	GAS PROCESSING EQUIPMENT						
71	FLOW LINE AND INSTALLATION					20,000	20,000
72	PERM. IMPROVEMENTS (GATES, FENCES, ETC.)						
73	PUMPING UNIT, GAS LIFT, ETC					94,000	94,000
74	MISCELLANEOUS VALVES, FITTINGS, SAFETY EQUIPMENT						
75	INSTALLATION COSTS						
76	SUPERVISION						
77	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)

7008 0500 0000 7856 2024

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

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

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 \$

Postmark
Here

Sent To

Concho Oil & Gas LLC

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

Attn: Stuart A. Dirks, Senior Landman
Fasken Center, Tower II

City, State, ZIP+

550 West Texas Avenue, Suite 100

PS Form 3800, 7

Midland, Texas 79701

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 550 West Texas Avenue, Suite 100
 Midland, Texas 79701

2. Article Number

(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

F. STACY

C. Date of Delivery

2-10

D. Is delivery address different from item 1? ☐ YesIf 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 2109

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154

U.S. Postal ServiceTMCERTIFIED MAILTM 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 \$

Sent To

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

City, State, ZIP+4

PS Form 3800, At

COG Operating LLC

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

Postmark
Here

7008 0500 0000 7856 2109