

# OGX Operating, LLC

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 • Fax (432) 685-1320 • Fax (432) 686-7109

September 19, 2016

Khody Land & Minerals Company  
210 Park Ave, Suite 900  
Oklahoma City, OK 73102

**Certified Mail #7011 3500 0000 2040 9068**

Attn: Land Department

Re: **Red Bluff Lake Prospect**  
Well Proposal  
Littlefield 34 Fed Com #1H  
**T-26-S, R-29-E, N.M.P.M.**  
NW/4 Section 34 and W/2 Section 27  
Eddy County, New Mexico

Gentlemen:

OGX Operating, LLC ("OGX") hereby proposes to drill the above referenced horizontal well with a surface hole location of 380' FSL & 2,390' FWL of Section 34 and a bottom hole location of 330' FNL & 1900' FWL of Section 27, all located in T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico. This well will be drilled from a drilling pad approved by the BLM which will necessitate drilling approximately 390 feet Southwest which will be 50 feet FSL and 2001 feet FWL of said Section 34 to the first kick-off point, then drilling North to the first take point, being approximately 330' FSL and 1900' FWL of said Section 34, turning horizontal with an azimuth of 359.24 degrees for a total horizontal distance of approximately 6796' to test the Wolfcamp formation. The total measured depth is estimated to be 16,796'. The proration unit for this well will be the W/2 of Section 27 and the NW/4 of Section 34, T-26-S, R-29-E, N.M.P.M., Eddy County, New Mexico, containing 457.78 acres of land, more or less.

According to the records of Eddy County, New Mexico, Khody Land & Minerals Company ("Khody") owns a 100.00% leasehold interest in SE/4 SW/4 of said Section 27, containing 40 acres of land, more or less, being a portion of the lands contained in that certain USA lease NMNM-058034 dated January 18, 1984. Your interest in this well would be 40/457.78 or 8.7378%.

Enclosed for your review is an AFE (in duplicate) showing the estimated drilling and completion costs for the subject well, as well as two plats showing the proposed location and production unit.

OGX invites the participation of Khody in this well. If Khody wishes to participate in the drilling of this well, please execute both copies of the AFE, after which return one copy to the

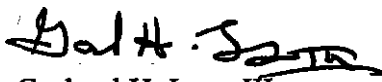
EXHIBIT 3

undersigned. Upon receipt of the AFE, OGX will mail you an Operating Agreement for your execution, which will name OGX as the Operator.

In the event Khody does not wish to participate, OGX hereby offers Khody \$2,500.00 per acre for a two (2) year term assignment covering the 40 acre tract, with Khody delivering a 75% net revenue. The total consideration for the term assignment would equal \$100,000.00. If you have any questions, please contact the undersigned.


Sincerely,

OGX Operating, LLC

A handwritten signature in black ink, appearing to read "Garland H. Lang III", written over a horizontal line.

Garland H. Lang III  
Land Manager

Enclosures

<p><b>SENDER: COMPLETE THIS SECTION</b></p> <ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul> <p>1. Article Addressed to:</p> <p><b>Khody Land &amp; Minerals Company</b>  <b>210 Park Ave., Suite 900</b>  <b>Oklahoma City, OK 73102</b></p>	<p><b>COMPLETE THIS SECTION ON DELIVERY</b></p> <p>A. Signature  <i>x Laura Hunter</i>      <input type="checkbox"/> Agent  <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) _____ C. Date of Delivery <b>9/22/16</b></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes          If YES, enter delivery address below: <input checked="" type="checkbox"/> No</p>
<p>2. Art (Th)</p> 	<p>3. Service Type</p> <p><input type="checkbox"/> Certified Mail    <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered        <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail      <input type="checkbox"/> C.O.D.</p> <p><input type="checkbox"/> Yes</p>

2017	3500	0000	2040	9068
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DISTRICT I  
1825 N. French Dr., Hobbs, NM 88240  
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II  
811 S. First St., Artesia, NM 88210  
Phone (575) 748-1283 Fax: (575) 748-0720

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410  
Phone (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV  
1226 S. St. Francis Dr., Santa Fe, NM 87505  
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to appropriate  
District Office

OIL CONSERVATION DIVISION  
1226 South St. Francis Dr.  
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name LITTLEFIELD 34 FEDERAL COM	Well Number 1H
OGRID No.	Operator Name OGX OPERATING, LLC	Elevation 2884'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	FEET from the	North/South Line	FEET from the	East/West LINE	County
LOT 10	34	26 S	29 E		380	SOUTH	2390	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	FEET from the	North/South Line	FEET from the	East/West LINE	County
C	27	26 S	29 E		330	NORTH	1900	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
457.78			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

N: 371558.7  
E: 650683.9  
(NAD-83)

N: 371165.8  
E: 656083.8  
(NAD-83)

N: 366346.7  
E: 650516.5  
(NAD-83)

N: 363970.4  
E: 655826.7  
(NAD-83)

N: 363964.4  
E: 650503.8  
(NAD-83)

330'

1900'

380'

2390'

330'

380'

2881.1'

2886.6'

2880.0'

2888.0'

38.5 ac.

68.1 ac.

LOT 8

LOT 7

LOT 6

LOT 5

LOT 9

LOT 10

LOT 11

LOT 12

producing area

BH LTP

FTP

ROP

**BOTTOM HOLE LOCATION**  
**LAST TAKE POINT**  
330 FNL & 1900 FWL  
Lat - N 32°01'10.92"  
Long - W 103°58'27.95"  
NMSPCE- N 371090.6  
E 652569.9  
(NAD-83)

**FIRST TAKE POINT**  
330 FSL & 1900 FWL  
Lat - N 32°00'03.69"  
Long - W 103°58'30.12"  
NMSPCE- N 364296.6  
E 652405.6  
(NAD-83)

**KICK OFF POINT**  
50 FSL & 2001 FWL  
Lat - N 32°00'00.92"  
Long - W 103°58'28.97"  
NMSPCE- N 364016.7  
E 652505.6  
(NAD-83)

**SURFACE LOCATION**  
Lat - N 32°00'04.19"  
Long - W 103°58'24.43"  
NMSPCE- N 364347.0  
E 652895.4  
(NAD-83)

**OPERATOR CERTIFICATION**  
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

Email Address \_\_\_\_\_

**SURVEYOR CERTIFICATION**  
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

DATE SURVEYED AUGUST 15, 2011

Date Surveyed \_\_\_\_\_

Signature & Seal of Professional Surveyor \_\_\_\_\_

Certificate No. 7977

Scale: 1" = 2000'

WO Num.: 32406



# SDS PETROLEUM CONSULTANTS OIL AND GAS DRILL & COMPLETE PROJECT TEMPLATE

## Project Information

Project Number	Project Name	PRF Number	PRF Name
1	Littelfield 34 Federal Com #1H		
Date Submitted	Est Spud Date		
	TBD		

## Budget Information

Investment Category	Reserve Category	Reserve Association	Peep GUID (optional)	Peep Case Name (optional)

## Budget Description

## Description of Work (This info will be Printed on Partner Ballots)

DRILL AND COMPLETE -16,796' MD 10,000' TVD horizontal Wolfcamp A with 6,796' lateral. Located near Red Bluff Lake in Eddy Co., NM

## Team Comments (optional)

## Land Information

Co Number	Company Name (Operator)			Prospect Number	Prospect Name	
	OGX Operating, LLC				Wolfcamp A 6,796' lateral	
Operated	Field	Field Group	Region (Project Area)	Sub Division (District)	Division	
	Wildcat-Wolfcamp					
Country	County	State	API#	Cost Center Number	Cost Center Name	
USA	Eddy	NM				
Working Interest Info		Pre-Spud				
OGX W%	OGX	<input checked="" type="checkbox"/>				
100.00000000%	100.00000000%					

### Surface Location Data

#### Legal Description

380' FSL & 2390' FWL Sec 34 T26S-R29E

### Bottom Hole Location Data

#### Legal Description

330' FNL & 1900' FWL Sec 27 T26S-R29E

Surface Coordinates		Surface Footage from Unit/Lease Lines		Bottom Hole Coordinates		Btm Hole Footage from Unit/Lease Lines	
Latitude	Longitude	Direction	Direction	Latitude	Longitude	Direction	Direction
364347	652895.4	Ft Distance	Ft Distance	371090	652569.9	Distance (ft)	Distance (ft)

## Well Info:

Primary Reservoir	WOLFCAMP A	Depths:						
Completion Type	Plug and Perf	Total MD	Total TVD	PBTMD	PBTVD	KB Elev	Ground Elev	
Product Type		16,765	10,000	16,580'	10,000			

## Rig Names and Rates

## Breakdown of Well in Days

BCP - Rig Name		Operational Phases	BCP Days	BCP Evaluation	ACP Suspend	ACP Evaluation	Complete Days	Total Days
BCP - Rig Rates	14,000	Surface I	2					2
ACP - Rig Name		Intermediate I	3					3
ACP - Rig Rates	14,000	Intermediate II	11					11
Completion - Rig Name		Drig Liner I						0
Completion - Rig Rates		Drig Liner II						0
Rounding (Sub details)		Drig Tieback I						0
Rounding (Totals Only)		Prod Hole	11	5				16
Spread Rates: Total \$	\$/Day	Prod Liner I						0
DH Intangible Only	z	Prod Liner II						0
DH Tangible Only	285,750	Prod Tieback I						0
TOTAL	285,750	Prod Tieback II						0
		Comp Rig Days						0
		Totals	27	0	5	0	0	32
		Evaluation						
		Allocation						
		Percentage						

## Team Members

### Name

### Confirm

## AFE Structure Cost Estimate Summary

Land		AFE Number	AFE Description	Gross \$	Net \$
Reservoir					
Geologist					
Geophysicist			Before Casing Point	\$2,292,565	\$2,292,565
Drilling Engineer			After Casing Point	\$635,633	\$635,633
Prod/Ops Engineer			Complete	\$2,808,782	\$2,808,782
Drilling Superintendent	Jacky Brown		Site Equip	\$600,000	\$600,000
Other			Well Tie In	\$0	\$0
Other					
Other					
Other					
Date:	9/22/2016	Version	1.0	Total D&C	\$6,336,980
					\$6,336,980



AUTHORIZATION FOR EXPENDITURE



Littelfield 34 Federal Com #1H

Eddy	COST CTR NUM	AFE NUMBER
SURFACE LOCATION: 380' FSL & 2390' FWL Sec 34 T26S-R29E / BOTTOM HOLE LOCATION: 330' FNL & 1900' FWL Sec 27 T26S-R29E		AFE DATE

Drill and Complete Cost Plan Summary						
Cost Element Description	BCP	ACP	Complete	Site Equip	Well Tie In	Totals
Employee Salaries	\$0	\$0	\$0	\$0	\$0	\$0
Contract Labor					\$0	\$0
Dyed Liquid Fuels (Texas Only)	\$0	\$0	\$0	\$0		\$0
Liquid Fuels - Other	\$68,040	13125	\$0	\$0		\$81,165
Electricity & Utilities	\$0		\$15,750	\$0		\$15,750
Disposal - Saltwater & Other Fluids	\$0		\$0			\$0
Fluids - Water	\$20,000		\$0			\$20,000
Fluids - Lube & Hydraulic Oil					\$0	\$0
Permitting, Surveying & Title Services	\$26,250		\$0	\$0	\$0	\$26,250
Right Of Way					\$0	\$0
Roads & Location Recovery	\$0		\$0			\$0
Road & Site Preparation Materials & Supplies	\$0			\$0	\$0	\$0
Road & Site Preparation Services	\$91,875	\$0	\$0	\$0	\$0	\$91,875
Damages & Remediation	\$0	\$0		\$0	\$0	\$0
Measurement Equipment				\$0	\$0	\$0
Communication Services - Other	\$7,350	\$1,050	\$2,625	\$0		\$11,025
Enviro - Community Consultations						\$0
Enviro - Compliance & Fines					\$0	\$0
Enviro - Services	\$14,753	\$2,100	\$2,100			\$18,953
Logging, Perf & W/L Services (CH Only)	\$0	\$0	\$119,175			\$119,175
Materials & Supplies	\$11,375	\$5,688	\$5,688	\$0	\$0	\$22,750
Pulling & Swabbing Services			\$0			\$0
Snubbing & Coil Tubing Services			\$126,000			\$126,000
Vehicles - Usage	\$0	\$0	\$0	\$0	\$0	\$0
Trucking & Hauling	\$35,175	\$44,625	\$21,000	\$0	\$0	\$100,800
Welding services	\$0	\$0	\$12,500			\$12,500
Other Roustabout Services	\$0	\$0	\$0			\$0
Inspection Services	\$0	\$21,000	\$0	\$0	\$0	\$21,000
Consultants - Technical & Professional Fees	\$141,960	\$19,688	\$33,863	\$0	\$0	\$195,510
Stimulation Services			\$2,164,575			\$2,164,575
Casing & Tubular Services	\$26,250	\$18,375	\$10,500			\$55,125
Cementing Services	\$39,813	\$63,000	\$0			\$102,813
Daywork Costs	\$396,900	\$73,500	\$0			\$470,400
Turnkey Drilling Costs	\$0	\$0	\$0			\$0
Directional Services	\$240,923	\$0				\$240,923
Drill Bits	\$82,469	\$0	\$0			\$82,469
Drilling and Completion Fluids & Services	\$318,045	\$18,113	\$0			\$336,158
Fishing Services	\$0	\$0	\$0			\$0
Footage Costs	\$0	\$0				\$0
Mob & Demobilization	\$152,040	\$152,040	\$0			\$304,080
Open Hole Evaluation	\$77,910	\$0				\$77,910
Well Testing Services			\$115,500			\$115,500
Equipment Services - Surface Rentals	\$121,331	\$15,063	\$16,223	\$0	\$0	\$152,616
Equipment Services - Downhole Rentals	\$47,408	\$21,875	\$0			\$69,283
Construction Services					\$0	\$0
Land					\$0	\$0
Other Services	\$61,950	\$15,015	\$24,675	\$0	\$0	\$101,640
Electrical, Instrumentation & Control Services				\$0		\$0
Safety Services				\$0		\$0
Casualty & Property Insurance	\$25,000	\$0	\$26,250			\$51,250
Overhead	\$0	\$0	\$0	\$0	\$0	\$0
Leasehold Rentals						\$0
Other Leasehold Costs						\$0
TOTAL INTANGIBLE ITEMS	2,006,815	484,255	2,696,423	0	0	5,187,493
Dehydration Equipment				\$0	\$0	\$0
Heaters & Heat Exchange Equipment				\$0		\$0
Separator Equipment				\$0	\$0	\$0
Treater & Free Water Knockout Equipment				\$0		\$0
Storage Vessels & Tanks				\$600,000		\$600,000
Pumps - Surface				\$0		\$0
Valves					\$0	\$0
Artificial Lift Equipment			\$36,750			\$36,750
Casing - Conductor & Drive Pipe	\$4,550					\$4,550
Sucker Rods			\$17,063			\$17,063
Oil Country Tubular Goods Tubing			\$30,678			\$30,678
Wellhead Equipment	\$15,925	\$0	\$10,806			\$26,731
Surface Casing	\$14,719					\$14,719
Intermediate Casing	\$250,556					\$250,556
Intermediate Casing II	\$0		\$0			\$0
Production Casing		\$173,253	\$0			\$173,253
Production Liner						\$0
Equipment Other			\$17,063	\$0	\$0	\$17,063
Corrosion Protection Equip				\$0	\$0	\$0
Pipe, Fitting, Flanges & Couplings				\$0	\$0	\$0
Comm devices and accessories - SCADA				\$0		\$0
Electrical, Instrumentation & Control Equip				\$0		\$0
Measurement Equipment				\$0		\$0
Engines & Motors				\$0		\$0
TOTAL TANGIBLE ITEMS	285,750	173,253	112,360	600,000	0	1,171,362
TANGIBLE SPLIT %	12	26	4	100	0	18
AFE TOTAL	2,292,565	657,508	2,808,782	600,000	0	6,358,855

Cost Element Description	BCP	ACP	Complete	Site Equip	Well Tie In	Element	Totals
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Costs on this form are estimates only. Working Interest Owners should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.

Khody Land & Minerals Company

BY:

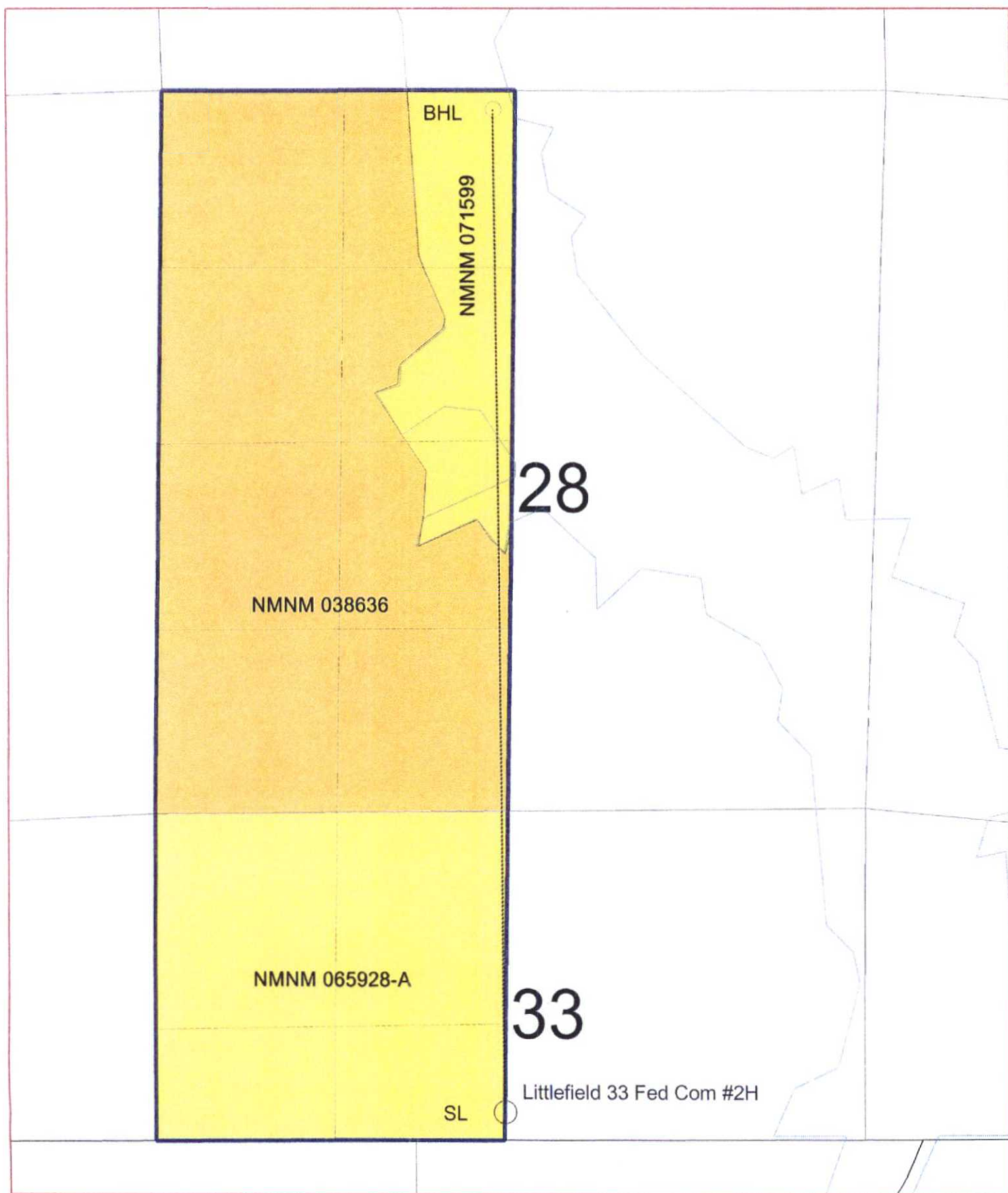
Printed Name:

Title:

Date:

WI%8.7378%





OGX Leasehold  
48.9% WI

OXY Leasehold  
51.1% WI

Project Area



**OGX**OPERATING LLC

**Red Bluff Prospect**

State Line Area

Eddy County, New Mexico

Loving & Reeves Counties, Texas

WBH

Red Bluff OGX vs OXY

2/20/15