

STATE OF NEW MEXICO

**ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT**

OIL CONSERVATION

CASE #: 14245

EXHIBIT 3

RSC Resources, L.P.

6824 Island Circle
Midland, Tx. 79707
(432) 553-1849
(432) 683-5266 (fax)
rsc.lp@shcglobal.net

3-10-09

Addressee : SEE EXHIBIT "A"

sent via certified mail

Re: Proposed Drilling Operation
Lucky Wolf 30 Fed Com No. 1H
Surface : 860' FSL and 100' FWL
Bottom hole : 990' FSL and 330' FEL
Unit description : T-16-S, R-28-E, Section 30 : S2S2
Eddy County, NM.

Gentlemen,

RSC Resources, L.P. ("RSC"), in association with Peregrine Production, LLC, owns a leasehold interest in the referenced lands. RSC is a registered operator in the State of New Mexico. RSC proposes the drilling and completion of a well at the cited location.

RSC plans to drill a horizontal well to a total measured depth of 11,200 feet, to test the Wolfcamp Formation. The estimated DHC will be \$ 1,796,000; CC \$ 1,249,000; CWC \$ 3,045,000.

As an alternative to joining in this proposed operation, RSC is willing to discuss a Farm Out of your interest.

Please be advised that RSC must initiate Compulsory Pooling efforts if you do not join in the proposed operation or agree to an alternative arrangement concerning your leasehold.

Please indicate your election below. Should you have any questions or comments concerning this matter, please contact the undersigned or Kirk E. Smith, Peregrine Production, LLC at (432) 683-5266.

Sincerely,
RSC Resources, L.P.

Randy S. Cate

cc: K.E. Smith

_____ elect to participate in proposed operation

_____ elect non-consent to proposed operation

SENDER - COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none">■ 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.		<p>A. Signature <i>K. Gibson</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>K. Gibson</i> C. Date of Delivery <i>3-12-09</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>	
1. Article Addressed to: Eagle Oil and Gas, Ltd. 2525 Kell Blvd. Suite 510 Wichita Falls, Tx. 76308		3. Service Type <input checked="" 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.	
2. Article Number (Transfer from service label) 707 1300 0002 4479 7136		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

Oil Conservation Division
Case No. _____
Exhibit No. 3

EXHIBIT "A"

Addressee's

Eagle Oil and Gas, Ltd.
2525 Kell Blvd., Suite 510
Wichita Falls, Tx. 76308

Occidental Oil and Gas Corp.
P.O. Box 4294
Houston, Tx. 77210-4294

COG Operating, LLC
COG Oil and Gas LP
550 West Texas Avenue, Suite 1300
Midland, Tx. 79701

RSC REROURCES, L.P.
AUTHORITY FOR EXPENDITURE
DRILLING & COMPLETION

3/10/08

Well Name: Lucky Wolf 30 Fed Com No. 1H Depth & Objective: 11,200' Wolfcamp
Surf: 860' FSL & 100' FWL, Sec. 30-T16S-R28E, Eddy County, New Mexico
BHL: 990' FSL & 330' FEL, Sec. 30-T16S-R28E, Eddy County, New Mexico

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
<u>Survey, Staking, ROW, Permits</u>	<u>15,000</u>	<u>2,000</u>	<u>17,000</u>
<u>Roads & Location, Pits, Remediate</u>	<u>60,000</u>	<u>40,000</u>	<u>100,000</u>
<u>Rig - \$12000/day, 40 :4</u>	<u>480,000</u>	<u>48,000</u>	<u>528,000</u>
<u>Completion Unit-\$4000/d</u>	<u>0,000</u>	<u>48,000</u>	<u>48,000</u>
<u>Fuel & Power</u>	<u>100,000</u>	<u>15,000</u>	<u>115,000</u>
<u>Mud, Water, Chemicals</u>	<u>70,000</u>	<u>25,000</u>	<u>95,000</u>
<u>Bits, Tools</u>	<u>70,000</u>	<u>10,000</u>	<u>80,000</u>
<u>Cement, Casing Crews, Testing</u>	<u>45,000</u>	<u>45,000</u>	<u>90,000</u>
<u>Float Equipment, Centralizers</u>	<u>5,000</u>	<u>3,000</u>	<u>8,000</u>
<u>Logging, Perforating, Wireline</u>	<u>30,000</u>	<u>30,000</u>	<u>60,000</u>
<u>Closed Loop Mud System</u>	<u>100,000</u>	<u>0,000</u>	<u>100,000</u>
<u>Mud Logging Unit</u>	<u>24,000</u>	<u>0,000</u>	<u>24,000</u>
<u>Directional Drilling</u>	<u>120,000</u>	<u>0,000</u>	<u>120,000</u>
<u>Stimulation, Treating</u>	<u>0,000</u>	<u>400,000</u>	<u>400,000</u>
<u>Rentals</u>	<u>90,000</u>	<u>20,000</u>	<u>110,000</u>
<u>Trucking, Rig Mobilization</u>	<u>80,000</u>	<u>5,000</u>	<u>85,000</u>
<u>Welding, Roustabout Crews</u>	<u>30,000</u>	<u>8,000</u>	<u>38,000</u>
<u>Water Disposal, Clean-up</u>	<u>22,000</u>	<u>20,000</u>	<u>42,000</u>
<u>Contract Labor, Supervision</u>	<u>40,000</u>	<u>16,000</u>	<u>56,000</u>
<u>Company Supervision</u>	<u>15,000</u>	<u>5,000</u>	<u>20,000</u>
<u>Miscellaneous, Other</u>	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
<u>Contingency</u>	<u>100,000</u>	<u>70,000</u>	<u>170,000</u>
<u>TOTAL INTANGIBLES</u>	<u>1,521,000</u>	<u>835,000</u>	<u>2,356,000</u>

<u>TANGIBLE COSTS</u>			
<u>Surface Casing, 500' 13.375"</u>	<u>20,000</u>	<u> </u>	<u>20,000</u>
<u>Intermediate Casing, 2000' 9.625"</u>	<u>60,000</u>	<u> </u>	<u>60,000</u>
<u>Production Casing, 11,400' 7" & 4.5"</u>	<u>168,000</u>	<u>120,000</u>	<u>288,000</u>
<u>Tubing, 6,200' 2.875"</u>	<u> </u>	<u>30,000</u>	<u>30,000</u>
<u>Wellhead Equipment</u>	<u>12,000</u>	<u>6,000</u>	<u>18,000</u>
<u>Pumping Unit, Engine</u>	<u> </u>	<u>85,000</u>	<u>85,000</u>
<u>Rods, Pump</u>	<u> </u>	<u>40,000</u>	<u>40,000</u>
<u>Gas Compressor</u>	<u> </u>	<u>0,000</u>	<u>0,000</u>
<u>Tanks</u>	<u> </u>	<u>25,000</u>	<u>25,000</u>
<u>Heater Treater, Separator, Dehy</u>	<u> </u>	<u>25,000</u>	<u>25,000</u>
<u>Packers, Anchors, Hangers</u>	<u> </u>	<u>25,000</u>	<u>25,000</u>
<u>Flow lines, Fittings, Valves</u>	<u> </u>	<u>20,000</u>	<u>20,000</u>
<u>Meters, Electrical</u>	<u> </u>	<u>8,000</u>	<u>8,000</u>
<u>Miscellaneous, Other</u>	<u>5,000</u>	<u>10,000</u>	<u>15,000</u>
<u>Contingency</u>	<u>10,000</u>	<u>20,000</u>	<u>30,000</u>
<u>TOTAL TANGIBLES</u>	<u>275,000</u>	<u>414,000</u>	<u>689,000</u>

<u>TOTAL WELL COSTS</u>	<u>1,796,000</u>	<u>1,249,000</u>	<u>3,045,000</u>
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Prepared By: Randall Cate

This AFE is an estimate. Actual costs will vary and may be significantly higher. By signing you agree to pay your share of the actual costs.

Company : _____
BY: _____
Printed Name: _____
Title: _____
Date _____

RSC Resources, L.P.

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*Original Signed
by K.S. Cate*

Randy S. Cate

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