

THRESHOLD DEVELOPMENT COMPANY

777 Taylor Street, PII-D, Fort Worth, Texas 76102

Gary Tidmore

Land Manager

Phone: (817) 870-1483

Fax: (817) 870-1504

Email: Tdcgot@Aol.Com

October 27, 1999

TO ALL OWNERS ON MAILING LIST ATTACHED

Re: Well Proposal
Johnson Ranch State 16 #1
W/2 Section 16, T24S, R33E
Lea County, New Mexico

Gentlemen:

This letter shall supercede and replace that certain letter dated September 8, 1999, concerning the referenced well proposal in its entirety.

Threshold Development Company has acquired State of New Mexico leases covering the N/2 SW/4 and the N/2 NW/4, Section 16, T24S, R33E, Lea County, New Mexico. In support of our acquisition of this acreage, we hereby propose the drilling of a well in the W/2 of Section 16, T24S, R33E, Lea County, New Mexico. According to our research, you own a leasehold interest in the S/2 NW/4 and the S/2 SW/4 of Section 16. Your respective ownership percentages in these lands are provided on the mailing list for verification purposes only. Should you disagree with the percentage listed for you, please notify us of your correct interest when you return this letter.

Our proposed location for this well; which will be drilled to test the Wolfcamp Formation (14,200'); is 990' FNL and 1980' FWL of Section 16. The actual footage location may vary within the proposed unit, in the event topographical and/or archeological conditions exist, that preclude us from drilling the well at this location. The W/2 of Section 16 will be the spacing unit of Wolfcamp production.

In connection with the proposed well, please find enclosed for your review, the following:

- AFE
- Plat of proposed well/unit
- Proposed Joint Operating Agreement
- Memorandum of Joint Operating Agreement

We invite each of you to either (a) participate in the drilling of this well, based upon your proportionate interest in the proposed unit, or (b) Farmout your interest in the

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 12583 Exhibit No. 3

Submitted by:

Threshold Development Company

Hearing Date: March 22, 2001

ANCESECTION 16CORRESPONDENCEWELL PROPOSAL LTR 10-28-99.doc

proposed unit, reserving an overriding royalty interest equal to the difference between existing leasehold burdens affecting your interest an 20%, with the option to convert the override to a 12.50% working after payout, proportionately reduced.

Please evidence your desire to either participate or farmout by checking the appropriate space provided below and return one copy of this letter to my attention at the address above, on or before December 15, 1999. In the event we have not 1) received a response from you regarding your election, and/or 2) are unable to reach an agreement with you concerning your interest, on or before December 15, 1999, we will take whatever action we deem necessary to proceed with the drilling of the proposed well.

Depending upon your election, an original JOA, Memorandum and AFE, or formal farmout agreement will be prepared and forwarded to you for execution. Should you have any questions concerning this matter, please feel free to call me at the number above.

Respectfully yours,

Gary Tidmore

Enclosures

_____ I/WE elect to **Participate** in the drilling of the proposed well in the W/2 Section 16, T24S R33E, Lea County, New Mexico.

_____ I/WE elect to **Farmout** our interest in the W/2 Section 16, T24S R33E, Lea County, New Mexico, under the general terms proposed above.

Company/Owner Name: _____

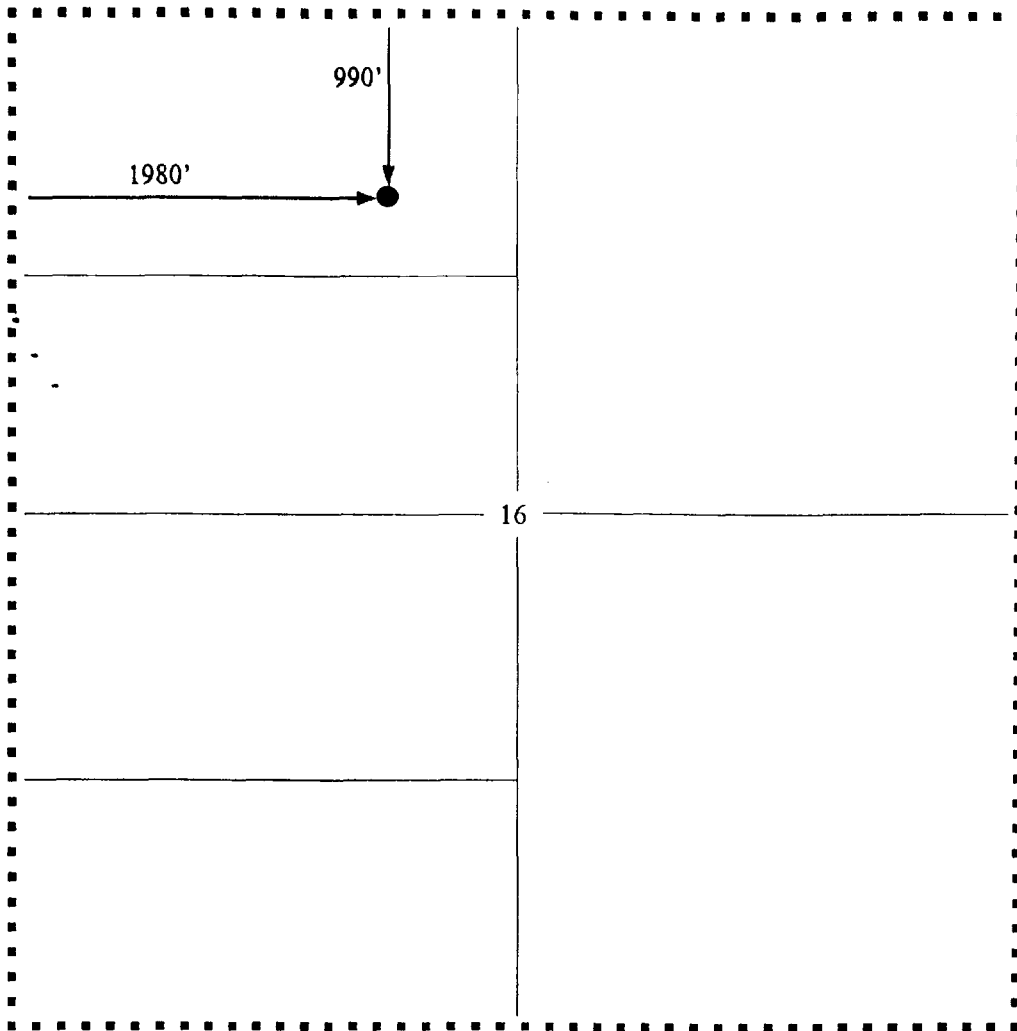
Executed by: _____

Name: _____

Date: _____

OWNER MAILING LIST**WORKING INTEREST**

Texaco Exploration and Production Inc. Attn: David L. Sleeper P. O. Box 46513 Denver, CO 80201-6513	12.50000000%
Mr. Larry Cunningham Enron Oil and Gas Company P. O. Box 2267 Midland, Texas 79702	25.00000000%
Mr. Michael Daugherty Murchison Oil and Gas, Inc. 1445 Ross Avenue, Suite 5300 Dallas, Texas 75202	45.83333333%
Samson Resources Company Two West Second Street Tulsa, OK 74103-3103	6.94755350%
Geodyne Nominee Corporation C/o Samson Resources Co. P. O. Box 94339 Tulsa, OK 74194	5.81250000%
Comet Petroleum, Inc. 5100 East Skelly Drive Suite 650 Tulsa, OK 74135-6549	.43750000%
Mr. Don Weise Heathery Resources, Inc. 6318 Cherry Hills Road Houston, TX 77069	2.08330000%
Dennis D. Corkran David John Andrews 1001 Loop 360 South Building L, Suite 100 Austin, Texas 78746	.08416660% .08416660%
Duer Wagner III 2930 City Center Tower II Fort Worth, Texas 76102	1.21751330%



WELL LOCATION
FOR
THRESHOLD DEVELOPMENT COMPANY

Johnson Ranch State 16 #1

SECTION 16, T24S-R33E

LEA COUNTY, NEW MEXICO

1" = 1000'

THE SECTION LINES, DISTANCES AND WELL LOCATIONS CONTAINED HEREIN HAVE NOT BEEN SURVEYED AND IT IS NOT THE INTENTION OF THRESHOLD DEVELOPMENT COMPANY TO REPRESENT SAME AS AN ACTUAL SURVEY.

THRESHOLD DEVELOPMENT COMPANY

777 Taylor Street, PII-D, Fort Worth, Texas 76102

Gary Tidmore

Land Manager

Phone: (817) 870-1483

Fax: (817) 870-1504

Email: Tdcgot@Aol.Com

December 8, 2000

CERTIFIED MAIL RETURN RECEIPT REQUESTED
TO ALL OWNERS ON MAILING LIST ATTACHED

Re: Well Proposal
Johnson Ranch State 16 #1
W/2 Section 16, T24S, R33E
Lea County, New Mexico

Gentlemen:

Under letters dated September 8, 1999 (replaced and superceded by that letter dated October 27, 1999), and that letter dated March 23, 2000, Threshold Development Company has solicited your support to drill a test well in the W/2 of Section 16, T24S, R33E, Lea County, NM. We have been attempting for some time to reach an agreement with all parties to avoid the compulsory pooling, however, we have not been able to do so. We are now ready to proceed with the compulsory pooling hearing and the drilling of this well.

As previously stated, our proposed location for this well; which will be drilled to test the Wolfcamp Formation (14,200'); is 990' FNL and 1980' FWL of Section 16. The actual footage location may vary within the proposed unit, in the event topographical and/or archeological conditions exist, that preclude us from drilling the well at this location. The W/2 of Section 16 will be the spacing unit of Wolfcamp production.

In connection with the proposed well, you have previously been furnished the following information:

- AFE
- Plat of proposed well/unit
- Proposed Joint Operating Agreement
- Memorandum of Joint Operating Agreement

With respect the above information, please find enclosed a revised AFE, and a revised page 5 of the Joint Operating Agreement.

We invite each of you to either (a) participate in the drilling of this well, based upon your proportionate interest in the proposed unit, or (b) Farmout your interest in the proposed unit, reserving an overriding royalty interest equal to the difference between existing leasehold burdens affecting your interest an 20%, with the option to convert the override to a 12.50% working after payout, proportionately reduced.

Please evidence your desire to either participate or farmout by checking the appropriate space provided below and return one copy of this letter to my attention at the address above, on or before December 31,2000. In the event we have not 1) received a response from you regarding your election, and/or 2) are unable to reach an agreement with you concerning your interest, on or before December 31, 2000, we will take whatever action we deem necessary to proceed with the drilling of the proposed well.

Depending upon your election, an original JOA, Memorandum and AFE, or formal farmout agreement will be prepared and forwarded to you for execution. Should you have any questions concerning this matter, please feel free to call me at the number above.

Respectfully yours,

Gary Tidmore

Enclosures

_____ I/WE elect to **Participate** in the drilling of the proposed well in the W/2 Section 16, T24S R33E, Lea County, New Mexico.

_____ I/WE elect to **Farmout** our interest in the W/2 Section 16, T24S R33E, Lea County, New Mexico, under the general terms proposed above.

Company/Owner Name: _____

Executed by: _____

Name: _____

Date: _____

OWNER MAILING LIST***WORKING INTEREST**

Texaco Exploration and Production Inc. .06250000
Attn: David L. Sleeper
P. O. Box 46513
Denver, CO 80201-6513

Mr. Larry Cunningham .12500000
Enron Oil and Gas Company
P. O. Box 2267
Midland, Texas 79702

Mr. Michael Daugherty ✓ .22916666
Murchison Oil and Gas, Inc.
1445 Ross Avenue, Suite 5300
Dallas, Texas 75202

Samson Resources Company .03473743
Two West Second Street
Tulsa, OK 74103-3103

Geodyne Nominee Corporation .02906250
C/o Samson Resources Co.
P. O. Box 94339
Tulsa, OK 74194

Comet Petroleum, Inc. .01041666
5100 East Skelly Drive
Suite 650
Tulsa, OK 74135-6549

Mr. Don Weise ✓ .00218750
Heathery Resources, Inc.
6318 Cherry Hills Road
Houston, TX 77069

Dennis D. Corkran ✓ .00042084
David John Andrews ✓ .00042084
1001 Loop 360 South
Building L, Suite 100
Austin, Texas 78746

Duer Wagner III ✓ .00608757
2930 City Center Tower II
Fort Worth, Texas 76102

.50000000

*** Your respective decimal interests set forth above are based upon a title opinion rendered by Mr. Greg Nibert, and represent your decimal working interest ownership in the proposed unit. Should you disagree with the decimal interest listed for you, please notify us of same when you return this letter.**

THRESHOLD DEVELOPMENT COMPANY

Fort Worth Club Tower, Penthouse II, Suite D

777 Taylor Street

Fort Worth, Texas 76102

Gary Tidmore, Land Manger

Telephone: (817) 870-1483

Facsimile: (817) 870-1504

E-Mail: tdcgot@aol.com

January 4, 2001

Samson Resources Company
Two West Second Street
Tulsa, OK 74103-3103

Attention: Mr. Steve Stacy

Re: Johnson Ranch St. 16 #1

Dear Steve:

In accord with your request, I am providing you with a copy of the following:

- Title Opinion covering the W/2 Section 16, T24S-R33E, Lea County, New Mexico
- Structure map on the Lower Wolfcamp
- Structure map on the Upper Wolfcamp
- Structure map on the top of the Pennsylvanian

Should you have any questions concerning title matters, please feel free to call me at the number above. Any questions concerning the geology should be directed to Mr. David White, (915) 682-9718.

Respectfully yours,

Gary Tidmore

THRESHOLD DEVELOPMENT COMPANY

Fort Worth Club Tower, Penthouse II, Suite D

777 Taylor Street

Fort Worth, Texas 76102

Lauryl Ellis

Land Specialist

Telephone: (817) 870-1483

Facsimile: (817) 870-1504

January 29, 2001

Mr. Steve Stacey
Samson Resources Company
Two West Second Street
Tulsa, OK 74103-3103

Re: **Johnson Ranch State 16 #1**
Lea County, New Mexico

Dear Mr. Stacey

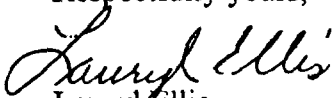
In reference to the letter sent to you December 8, 2000 by Gary Tidmore, you have indicated your desire to participate in the drilling of the referenced well.

Enclosed please find the following:

1. Signature Page of JOA
2. Signature Page of Memorandum (with Notary page)
3. Copy of Memorandum of Operating Agreement
4. Copy of Joint Operating Agreement
5. 2 copies of AFE

Please execute all copies, notarize Memorandum page and return the signature page of JOA, signature page of Memorandum and one copy of AFE back to my attention at the above address.

Respectfully yours,


Lauryl Ellis
Land Specialist