

BIRD CREEK RESOURCES, INC.

December 18, 1989

Maddox Energy Corporation
c/o Parker & Parsley Petroleum Co.
P.O. Box 3178
Midland, TX 79702

BUTLER & STORNER
Oil Conservation Division
<u>Bird Creek</u> Exhibit No. <u>3</u>
Case No. <u>9959</u>

Re: Loving Prospect
E/2, Section 15-23S-28E
Eddy County, New Mexico

Gentlemen:

This is to request that Maddox Energy Corporation farmout its interest in the E/2 of Section 15-23S-28E, Eddy County, New Mexico on the following basis:

1. On or before June 1, 1989, Bird Creek Resources, Inc. shall commence or cause to be commenced the actual drilling of a 6,300' Delaware test at a legal location in the SE/4 SE/4 of Section 15-23S-28E, Eddy County, New Mexico.
2. Upon completion of the initial test as a well capable of producing oil and/or gas in commercial quantities, Maddox Energy Corporation shall assign to Bird Creek all of its interest in the SE/4 SE/4 of Section 15 from the surface down to 100 feet below the stratigraphic equivalent of the total depth drilled or to the base of the Delaware formation, whichever is the lesser.
3. Maddox Energy Corporation shall reserve an overriding royalty interest equal to the difference between the existing leasehold burdens and 25%. At payout of the test well, said override shall be convertible to a proportionately reduced 25% working interest.
4. Bird Creek shall have the option to conduct a continuous drilling program in the remainder of the E/2 of Section 15 with no more than 120 days between the completion of the preceding test well and the spudding of the next test to earn the same rights in remaining farmout acreage on a well-by-well basis.
5. Bird Creek shall furnish all geological and well information on any well drilled on the farmout acreage.

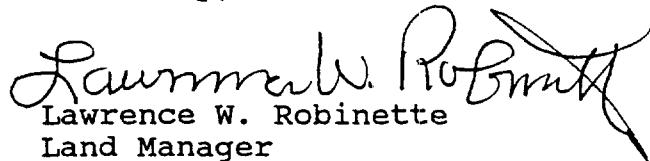
6. Each proration unit shall be covered by a Joint Operating Agreement.

If this proposal meets with your approval, please so indicate by signing in the space provided below and returning one copy of this letter to our office. Upon our receipt, we will prepare the formal Farmout Agreement and forward it to you for your review and approval.

This offer shall remain open until February 1, 1989.

If you have any questions or require further information in this regard, please do not hesitate to contact me.

Sincerely,


Lawrence W. Robinette
Land Manager

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 1990.

By: _____