

BURLINGTON RESOURCES

SAN JUAN DIVISION

December 4, 1998

VIA FACSIMILE (713) ⁶21-0059

Lively Exploration Company
c/o Allied Bank Tower at Four Oaks Place
Attn: Judy Watson, Vice President
1300 Post Oak Blvd., Suite 1900
Houston, TX 77056

RE: Lively #16 Well (AIN# 4397701)
1820' FSL, 880' FWL
Sec. 20, T29N, R9W (W/2)
San Juan County, New Mexico

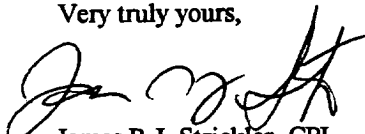
Dear Ms. Watson:

This is in reference to the Farmout Agreement dated August 28, 1972 and your letter dated October 5, 1998 offering Burlington the option to take over the subject well for salvage value. This is a follow up of my November 18, 1998 letter where Burlington Resources Oil & Gas Company elects to take over the Lively #16 well for salvage value. This well was drilled and completed on December 16, 1973. Our field people have reviewed the location and found the wellhead, an old separator and earthen pit to service the well. Fair salvage value for the equipment and tubulars is approximately \$2,500.00. Burlington will assume any plugging liabilities for this well. Lively's P&A costs for this type well is estimated to be approximately \$15,000.00.

Burlington is hereby offering Lively \$2,500.00 as a fair salvage value plus assuming all plugging liabilities for the subject well. If this salvage value is in agreement with Lively Exploration Company please indicate in the space provided below and sign and return within fifteen (15) days of your receipt. If this meets with your approval we will prepare the appropriate conveyance documents to assign your interest over to Burlington and order you a check.

Thank you for your cooperation and if you should have any questions please call me at (505) 326-9756.

Very truly yours,


James R.J. Strickler, CPL
Senior Staff Landman

JRS/dg
Lively_letter

Agreed to and accepted this ____ day of _____, 1998.

Lively Exploration Company

By: _____
Title: _____