

MARKS AND GARNER PRODUCTION, LTD. CO.

OIL & GAS PRODUCTION

Phone (505) 396-5326
Fax (505) 396-3204
P.O. Box 70 - 1421 S. Love St.
Lovington, New Mexico 88260

6-5-2002

RE: State T #2 S.W.D.

Proposal:

Gandy Corporation pays-

\$12,500.00 to Pronghorn Management Corporation
\$12,500.00 to Marks and Garner Production, Ltd. Co.

Results in the following WI ownership-

Gandy Corporation-----50%
Pronghorn Management Corp-- 25%
Marks and Garner----- 25%

Workover set forth in enclosed AFE begins ASAP.

On completion thru # 8 on AFE;

Gandy Corporation assumes 100% WI in exchange for
80% NRI in revenues from oil sold at the facility
and fees charged for disposal.

Pronghorn receives 10% NRI
Marks and Garner 10% NRI

(OR)

Gandy corporation owns 100%WI and 100% NRI in
exchange for \$ _____ paid each to
Pronghorn Management and Marks and Garner Prod.

AGREED TO BY:

DATE 6-6-2002

Gandy Corporation *[Signature]*

Pronghorn Management Corporation *[Signature]*

Marks and Garner Production, Ltd. Co. *[Signature]*

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. D
Case No. 13293

Submitted by: DKD, L.L.C.