



September 11, 2007

Shari Hodges  
Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210

Re: Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Interest Owner:

Beach Exploration was granted preliminary approval for statutory unitization and for our proposed Eastland Queen Waterflood Unit by the Commissioner of Public Lands of the State of New Mexico on August 17, 2007. I have enclosed a copy of the letter for your information.

We are preparing the corrections to Exhibit "B" of the Unit Agreement (previously provided to you by Beach) set out by the Commissioner in numbers 8 through 11 of the enclosed letter.

This matter will be heard on Thursday, September 20, 2007 at the Oil Conservation Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505.

Yours very truly,

  
Julie Beach LeMond

Enclosure

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 10

Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Ms. Shari Hodges

Devon Energy Production Company LP  
20 North Broadway, Suite 1500  
Oklahoma City, OK 73102  
Attn: Ms. Meg Muhlinghouse

Joel R. Miller Energy LP  
PO Box 3003  
Midland, Texas 79702-3003

Floyd Energy Ltd  
PO Box 52107  
Midland, Texas 79710

Sharbro Oil Ltd Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

Mr. Robert R. Donnelly, Jr.  
Eastland Oil Company  
PO Box 3488  
Midland, Texas 79702

Southwest Royalties  
6 Desta Dr., Suite 1100  
Midland, Texas 79705-5510  
Attn: Mr. Randy Howard

James D. Morgan  
PO Box 151  
Georgetown, Texas 78627-0151

Laura L. Morgan  
PO Box 151  
Georgetown, Texas 78627-0151

Lobos Energy Partners, LLC  
3817 NW Expressway, Suite e950  
Oklahoma City, Oklahoma 73112  
Attn: Chip Taylor

A. N. Muncy  
PO Box 1037  
Artesia, New Mexico 88211-1037

Martin E. Muncy  
1204 NW 16th Street  
Andrews, Texas 75714-2613



September 4, 2007

MYCO Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211  
Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

Thank you for your letter dated August 31, 2007 regarding your proposal for Beach to install a pilot waterflood project.

While we appreciate your consideration, Beach and Eastland remain committed to our plan to unitize and waterflood all of the lands as proposed.

Should you have any questions or require any additional information, please feel free to contact me.

Very truly yours,

Robert N. Hinson

**Julie LeMond**

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**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Monday, September 03, 2007 3:25 PM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** MYCO/Beach: Waterflood.Pilot Compromise

Julie: We sent this out on Friday but I thought I'd e-mail it as well. We look forward to hearing back from Beach.  
Best, Shari

9/4/2007



MYCO INDUSTRIES, INC.  
OIL PRODUCERS  
POST OFFICE BOX 840  
ARTESIA, NEW MEXICO 88211-0840  
Phone (505) 748-1471

August 31, 2007

Via Certified Mail

Mr. Bob Hinson  
Beach Exploration, Inc.  
800 North Marienfeld, Suite 200  
Midland, Texas 79701-3382

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Bob:

MYCO Industries, Inc. ("MYCO") is in receipt of the August 13, 2007 Beach Exploration, Inc. ("Beach") letter regarding Beach's waterflood proposal.


Although we appreciate Beach's offer set out in its letter, MYCO is not at this time contemplating selling its interest, farming out its interest or installing cooperative lease line injectors.

MYCO is interested in participating as a working interest owner in the waterflood project if Beach is agreeable to doing a pilot project on the north end of the proposed waterflood to prove that a) the formation is conducive to waterflooding, b) the water availability is adequate for the waterflood and c) the technique that Beach proposes is effective. In the event the pilot project is successful, the balance of the proposed project could be included.

Please give this pilot project compromise proposal your consideration. If this compromise is agreeable to Beach, we would enter into a mutually agreeable contract setting out the relevant terms.

Please understand that MYCO does not desire to stand in the way of Beach's proposal. MYCO's desire is to test the idea Beach has presented before committing time and capital to a project it is unsure of. We understand that Beach has a level of comfort that MYCO does not have; thus this compromise proposal.

Best regards,  
MYCO INDUSTRIES, INC.

  
Shari Darr Hodges, CPL  
Land Manager

SDH/me

**Julie LeMond**

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**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Thursday, August 23, 2007 2:59 PM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** RE: Eastland Queen Unit

Julie: sorry I am just now getting back to you. Actually, the options set out probably won't work for MYCO. We needed time to gather our information at this end and August 23 was not a date that would work for anyone here in our office. We will be sending a letter to Beach, hopefully some time the beginning of next week.

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**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Monday, August 20, 2007 9:59 AM  
**To:** Shari Darr Hodges  
**Cc:** 'Meg Mullinghouse'  
**Subject:** Eastland Queen Unit

Shari:

We understand that you have requested and received a continuance of the August 23<sup>rd</sup> hearing date.

Does this mean that you would like to discuss any of the options that we set out in our letter dated August 13, 2007?

Please contact us at your convenience.

Robert N. Hinson  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

8/24/2007

**Julie LeMond**

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**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Monday, August 20, 2007 10:59 AM  
**To:** Shari Darr Hodges (sharihodges@mycoinc.com)  
**Cc:** 'Meg Mullinghouse'  
**Subject:** Eastland Queen Unit

Shari:

We understand that you have requested and received a continuance of the August 23<sup>rd</sup> hearing date.

Does this mean that you would like to discuss any of the options that we set out in our letter dated August 13, 2007?

Please contact us at your convenience.

Robert N. Hinson  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

8/20/2007

## Julie LeMond

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**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Monday, August 13, 2007 3:16 PM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** FW: Eastland Queen Unit

Julie: thank you, we will be looking for the letter. S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Monday, August 13, 2007 1:00 PM  
**To:** 'Shari Darr Hodges'  
**Cc:** 'Meg Mullinghouse'  
**Subject:** Eastland Queen Unit

Shari:

We mailed the attached letter today but wanted make certain you received it very promptly so I am emailing a copy of the same.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

8/20/2007



## Julie LeMond

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Monday, August 13, 2007 2:00 PM  
**To:** 'Shari Darr Hodges'  
**Cc:** 'Meg Mullinghouse (meg.muhlinghouse@dvn.com)'  
**Subject:** Eastland Queen Unit

Shari:

We mailed the attached letter today but wanted make certain you received it very promptly so I am emailing a copy of the same.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

8/20/2007



August 13, 2007

MYCO Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211  
Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

In accordance with our recent telephone conversation wherein you expressed concerns about various issues that MYCO has with our waterflood proposal, Beach would like to again mention several options that you might consider in lieu of participating as a working interest partner in the proposed unit as follows:

1. Consider selling your interest in the BBOC State #1,2,3,4 wells to Beach
2. Consider a Farmout, retaining an override convertible at payout of unit installation and operating costs to an APO working interest in the unit
3. Beach would also like to propose (as a matter of compromise) that if you cannot agree to Participate, Sell or Farmout, we would consider excluding the N/2 of Section 11, T-19-S, R-29-E from the unitized area in exchange for your agreement to install cooperative lease line injectors consisting of two injection wells operated by Beach and two injection wells operated by MYCO located in the N/2 of said Section 11.

As we also discussed, Beach has presented both MYCO and Devon with our third party engineering study as well as internal engineering and geological information supporting our analogies of successful Queen Waterfloods located in the area of our proposed waterflood. To date we have not received any reciprocal information from either Devon or MYCO regarding the concerns you have expressed about the floodability of the Queen formation.

We would appreciate the opportunity to meet with, and/or exchange information with, any of MYCO or Devon's technical people regarding their work on Queen waterflood analogies that can demonstrate your concerns.

Thank you for your cooperation in this matter.

Very truly yours,

Robert N. Hinson

cc: Meg Muhlinghaus  
Devon Energy Production Company LP  
20 North Broadway, Suite 1500  
Oklahoma City, OK 73102

Joel R. Miller Energy LP  
PO Box 3003  
Midland, TX 79702-3003

Floyd Energy Ltd  
PO Box 52107  
Midland, TX 79710

Sharbro Oil Ltd Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

Robert R. Donnelly, Jr.  
Eastland Oil Company  
PO Box 3488  
Midland, TX 79702

## Julie LeMond

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**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Monday, July 30, 2007 10:42 AM  
**To:** 'Shari Darr Hodges'  
**Subject:** FW: Proposed Eastland Queen Unit

Thanks Shari; Bob will be in the office today and tomorrow but will be out the rest of this week.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

-----Original Message-----

**From:** Shari Hodges [mailto:sharihodges@mycoinc.com]  
**Sent:** Monday, July 30, 2007 10:39 AM  
**To:** 'Julie LeMond'  
**Subject:** RE: Proposed Eastland Queen Unit

Good morning Julie. Bob is on my list of folks to call, hopefully today. There are still some really big issues that we think should be addressed before we make a decision, that's why I'll give Bob a call. Thanks! S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Monday, July 30, 2007 9:26 AM  
**To:** 'Shari Darr Hodges'  
**Subject:** Proposed Eastland Queen Unit

Shari:

Bob tried to call you last week but missed you and we wanted to be certain that you knew that Beach has now filed our application with the OCD and expect to be on the docket for the August 23<sup>rd</sup> hearing; official written notice our filing and the hearing date will be provided to you in the very near future.

We would be happy to further discuss any questions or concerns MYCO may have about the proposed waterflood as well as review any information you may have that might issues that we are unaware of.

Feel free to contact us at your convenience.

Sincerely,

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

7/30/2007

**Julie LeMond**

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**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Monday, July 30, 2007 10:39 AM  
**To:** 'Julie LeMond'  
**Subject:** RE: Proposed Eastland Queen Unit

Good morning Julie. Bob is on my list of folks to call, hopefully today. There are still some really big issues that we think should be addressed before we make a decision, that's why I'll give Bob a call. Thanks! S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Monday, July 30, 2007 9:26 AM  
**To:** 'Shari Darr Hodges'  
**Subject:** Proposed Eastland Queen Unit

Shari:

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We would be happy to further discuss any questions or concerns MYCO may have about the proposed waterflood as well as review any information you may have that might issues that we are unaware of.

Feel free to contact us at your convenience.

Sincerely,

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

7/30/2007

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Monday, July 30, 2007 10:26 AM

**To:** 'Shari Darr Hodges'

**Subject:** Proposed Eastland Queen Unit

Shari:

Bob tried to call you last week but missed you and we wanted to be certain that you knew that Beach has now filed our application with the OCD and expect to be on the docket for the August 23<sup>rd</sup> hearing; official written notice our filing and the hearing date will be provided to you in the very near future.

We would be happy to further discuss any questions or concerns MYCO may have about the proposed waterflood as well as review any information you may have that might issues that we are unaware of.

Feel free to contact us at your convenience.

Sincerely,

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

7/30/2007

From The Desk of:

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Bob called Shari Hedges  
7/26/07 left message  
ie. (1) Beach has filed Applications  
for unitization & should be  
on the docket for 8/23/07  
hearing.

(2) requested call back to  
discuss specific information  
Myco has regarding Waterflood  
studies and/or any  
questions Myco might still  
have



**BEACH EXPLORATION, INC.**

800 N. MARIENFELD • SUITE 200 • MIDLAND, TX 79701-3382

OFFICE (432) 683-6226 • FAX (432) 683-1038

## Julie LeMond

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Tuesday, July 17, 2007 10:44 AM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** RE: Proposed Eastland Queen Unit

Julie: I was out of town yesterday but think I noticed 2 packages from you on the stack of mail that I will get to a little later. Thanks!! S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Monday, July 16, 2007 9:51 AM  
**To:** 'Shari Darr Hodges'  
**Subject:** Proposed Eastland Queen Unit

Shari

I mailed the attached letter to you last week but begin to get concerned about how long it would take the postal service to deliver the letter as I keep hearing horror stories about their inconsistent service. I decided it would be better to go ahead and send our letter to you via email to make certain that you received it on a timely basis.

If you don't receive the original letter via USPS let me know and I can send the attachments via fax or email.

Let me know if you have any questions.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

7/18/2007



## Julie LeMond

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Monday, July 16, 2007 10:51 AM  
**To:** 'Shari Darr Hodges'  
**Subject:** Proposed Eastland Queen Unit

**Tracking:** **Recipient**      **Read**  
'Shari Darr Hodges' Read: 7/17/2007 10:44 AM

Shari

I mailed the attached letter to you last week but begin to get concerned about how long it would take the postal service to deliver the letter as I keep hearing horror stories about their inconsistent service. I decided it would be better to go ahead and send our letter to you via email to make certain that you received it on a timely basis.

If you don't receive the original letter via USPS let me know and I can send the attachments via fax or email.

Let me know if you have any questions.

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432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

7/18/2007



July 12, 2007

MYCO Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211  
Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
T-19-S, R-29-E  
Eddy County, New Mexico

Dear Shari:

I am in receipt of your letter dated July 3, 2007 regarding MYCO's concerns about our proposed waterflood. I would like to take this opportunity to address those concerns as follows:

1. Water Source: Beach has and will continue to evaluate all possible water sources for the waterflood. Beach, as operator, has installed two other waterfloods in this area and we are aware of the cost significance of the source water to the overall economics of the project. It is, however, our understanding that while the Oil Conservation Division discourages the use of fresh water, they will still approve using fresh water, as we did in our West High Lonesome Unit, if we can justify its use compared to the other water sources.
2. Formation communication: We have included with this letter a copy of our waterflood study conducted by T. Scott Hickman and Associates, Inc., wherein they concluded that our proposed waterflood should be successful. We would like very much to receive a copy of your study (New Mexico Institute of Mining and Technology) as well as any other information that you might have regarding failed Queen waterfloods in this area. Our most recent waterflood (West High Lonesome Unit) as well as the immediately adjacent Turkey Track Unit and numerous other Queen waterflood units in this area seem to present very strong evidence that the Queen formation is very conducive to waterflooding. For our purposes, these various units are our pilot projects.
3. Cost breakdown: We have provided herewith, a cost estimate detailing the breakdown of the \$2,500,000 estimated installation cost. The unit plan, including injection well conversions and the proposed re-entry have been provided to you previously. We are still evaluating which wells located both inside and outside the unit boundaries may need to be plugged or re-plugged. We do, however, still feel that our estimated unit cost has budgeted enough money to cover required re-plugging expenses. Ultimately, however, plugging requirements will be

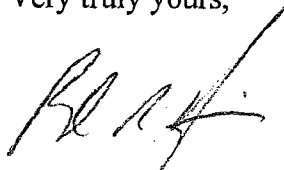
determined by the OCD and any cost revisions up or down will be made at that time.

4. Environmental concerns: Beach has conducted an inspection of the surface and associated production facilities and the individual well files of the Eastland wells. The OCD has also inspected the Eastland property over the years and we believe Eastland is in compliance with OCD requirements. If Beach encounters any environmental damage during the installation, we will clean up and remediate the damage as encountered.
5. Pilot Project: Due to the impressive success of the Queen waterfloods in this area both recently and over a long number of years, we do not believe that a pilot project would be either prudent or cost effective considering how long this technology has been widely used to waterflood the Queen formation. Our West High Lonesome Unit has been highly successful for both the working interest and royalty owners and we feel that a pilot project would only delay similar success and possibly add significantly to the installation cost of the entire unit. While we also appreciate your concern about 'watering out' your existing wells to the south, we feel that if the Queen formation is not communicated as projected by MYCO, our flood should have no effect on these wells. Other possible effects on the wells to the south might actually be beneficial with a possible increase, in present low oil production rates.

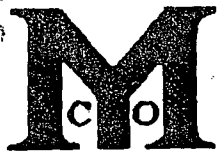
As mentioned above, please provide us with a copy of your waterflood study as well as any other specific information you might have regarding your position on this matter so that we can take an objective look at any issues that we might need to consider. The planning and installation of a waterflood unit is an evolving process during which some questions or issues may not be resolved completely to your satisfaction at this stage of said process. Beach does appreciate input from MYCO or any other working interest owner and we would be remiss not to consider any evidence you might have that would require us to change our proposal as presented.

Thank you for your assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. N. Hinson', written over a horizontal line.

Robert N. Hinson



MYCO INDUSTRIES, INC.  
OIL PRODUCERS  
POST OFFICE BOX 840  
ARTESIA, NEW MEXICO 88211-0840  
Phone (505) 748-1471

RECEIVED JUL 0 8 2007

July 3, 2007

VIA Certified Mail

Mr. Robert N. Hinson  
Beach Exploration, Inc.  
800 North Marienfeld, Suite 200  
Midland, TX 79701-3382

Re: Eastland Queen Unit  
T19S, R29E, N.M.P.M.  
Eddy County, New Mexico

Dear Bob:

MYCO Industries, Inc. and Sharbro Oil Ltd. Co ("MYCO") are in receipt of the Eastland Queen Waterflood Unit paperwork, including the Operating Agreement, the Unit Operating Agreement and the Waterflood Development Costs. It was our understanding that Beach Exploration, Inc. ("Beach") is preparing for a hearing in front of the Oil Conservation Division in August. If this is not the case, please let us know.

We appreciate the meeting we had on June 6, 2007 with your engineer, Jack Rose. Mr. Rose was quite knowledgeable and informative. During our meeting with Mr. Rose, we voiced a couple of concerns. Briefly, those concerns are:

1. Water source: It is MYCO's understanding that fresh water is no longer allowed in a waterflood unit. MYCO does participate in some waterflood units that use fresh water but those were in existence prior to the practices that the Oil Conservation Division has been following of late. We believe the success of this unit depends, in part, on the costs of the water source. MYCO must respectfully postpone making a decision on Beach's proposal until this issue is resolved.
2. Formation communication: It is MYCO's understanding that the Queen formation in this area is not conducive to waterflood. As we mentioned in the meeting, several years ago MYCO contemplated conducting a waterflood in this area but prior to doing so, engaged the New Mexico Institute of Mining and Technology to conduct a study to examine the potential for improved oil recovery by waterflooding. The conclusion of the study confirmed that a waterflood project would not be successful in the Queen in this area.

MYCO respectfully requests that Beach consider the idea of conducting a pilot project as described below in item #5.

3. Cost breakdown: We acknowledged the cost breakdown you provided our office for the estimated \$2,500,000 for the proposed unit. We have requested additional information such as a) which P&A well Beach plans to convert to injection, b) which 13 wells will be used for injection, c) which 17 producing wells will be reconditioned, and d) what 4 abandoned wells in the unit area are to be re-plugged. Also, if there are any wells outside the unit area that need to be plugged, we would appreciate knowing that as well as an estimate of costs.
4. Environmental concerns: MYCO respectfully suggests that an environmental assessment be conducted on the proposed unit so that all parties are informed as to the presence of any potential environmental liabilities that would be assumed by unitization.
5. Pilot Project: As we mentioned in the Jack Rose meeting and again in a phone conversation with Bob Hinson on this day, MYCO respectfully requests that Beach consider conducting a pilot project at the north end of the proposed unit prior to doing the entire unit. MYCO is not convinced that a waterflood would be an effective means of secondary recovery in the Queen formation in this area. On the other hand, we understand that there is the possibility that a pilot project might prove that a waterflood is exactly what the Queen formation needs. MYCO has a great concern about watering out wells it produces on the south end of your proposed unit.

Please take some time to consider the ideas mentioned in this letter. In the meantime, MYCO will look forward to receiving additional information on the water issue and more details on the cost breakdown.

Best regards,  
MYCO INDUSTRIES, INC.



Shari Darr Hodges, CPL  
Land Manager

SDH/me

cc: The Eastland Oil Company, P.O. Box 3488, Midland, TX 79702  
Devon Energy Production Company, 20 North Broadway, Oklahoma City, OK 73102  
Joel R. Miller Energy LP, P.O. Box 3003, Midland, TX 79702-3003  
Floyd Energy Ltd., P.O. Box 52107, Midland, TX 79710-2107

Beach Exploration, Inc.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
(432) 683-6226  
(432) 683-1038 fax  
Julie Beach LeMond  
jlemond@beachexp.com

## facsimile transmittal

**To:** Shari Hodges  
MYCO, Inc.

**Fax:** (505) 746-6038

**From:** Julie B. LeMond  
Beach Exploration, Inc.

**Date:** 6/27/07 11:30am

**Re:** Eastland Queen Waterflood

**Pages:** 2 (including cover)

Meg Muhlinghouse (Devon) called this morning and requested information regarding the estimated waterflood development cost for our proposed Eastland Queen Unit and suggested that you would probably need the same info.

I am therefore faxing you a copy of estimated cost prepared by our engineer, Jack Rose.

Let me know if you have any questions.

Thank you,  
Julie Beach LeMond



June 20, 2007

Chip Taylor  
Lobos Energy Partners, LLC  
3817 NW Expressway, Suite 950  
Oklahoma City, Oklahoma 73112

Re: Unit Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Overriding Royalty Owner:

Beach is proceeding with plans to unitize 1,040 total acres located in Sections 1, 2 and 11, Township 19 South, Range 29 East, Eddy County, New Mexico to implement a waterflood for secondary recovery purposes in the Queen Sand interval located at approximately 2,400' in the proposed unit area.

Our records indicate that you own an overriding royalty interest in certain producing oil wells that are located with the boundaries of our proposed Eastland Queen Waterflood Unit. The area covered by our proposed unit is shown outlined on Exhibit "A" of the subject Unit Agreement (copy attached), while your individual interest is shown in Exhibits "B" and "B-1".

Ultimate primary reserves have been used to calculate the tract participation for each tract in the Unit as shown in Exhibit "C" to the Unit Agreement. Your individual interest was determined using this tract participation factor to calculate your interest in the entire Unit. The form of Unit Agreement was prepared on the exact form of agreement required by the Commissioner of Public Lands.

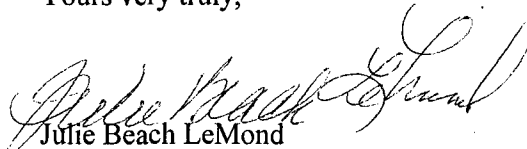
Most of the producing wells in the unit outline have either already reached their economic limit, or are very close. Any significant future value that you will receive from your overriding royalty interest will be dependent upon Beach installing a successful waterflood. Our engineering study from T. Scott Hickman & Assoc. projects that a successful flood should recover additional 733,899 barrels of oil.

As an overriding royalty owner, your interest in the unit is free and clear of all costs incurred by Beach during the Unit installation and the future operation of said Unit.

If you no longer own the interest shown in the Agreement or should you have any questions or require additional information, please contact us immediately (toll free) at 866-458-7409. Otherwise, please take the time to review the entire Agreement, as it is the basis for your inclusion in our proposed waterflood unit.

**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS of the enclosed Ratification and Joinder of Unit Agreement on or before Monday, July 9, 2007.**

Yours very truly,

  
Julie Beach LeMond

Enclosures



Beach Exploration, Inc.

Randy Howard  
Southwest Royalties  
6 Desta Dr., Suite 1100  
Midland, Texas 79705-5510

June 20, 2007

Re: Unit Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Overriding Royalty Owner:

Beach is proceeding with plans to unitize 1,040 total acres located in Sections 1, 2 and 11, Township 19 South, Range 29 East, Eddy County, New Mexico to implement a waterflood for secondary recovery purposes in the Queen Sand interval located at approximately 2,400' in the proposed unit area.

Our records indicate that you own an overriding royalty interest in certain producing oil wells that are located with the boundaries of our proposed Eastland Queen Waterflood Unit. The area covered by our proposed unit is shown outlined on Exhibit "A" of the subject Unit Agreement (copy attached), while your individual interest is shown in Exhibits "B" and "B-1".

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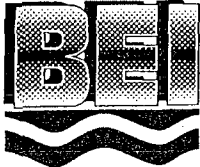
**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS of the enclosed Ratification and Joinder of Unit Agreement on or before Monday, July 9, 2007.**

Yours very truly,

Julie Beach LeMond

Enclosures





Beach Exploration, Inc.  
James D. Morgan  
PO Box 151  
Georgetown, Texas 78627-0151

June 20, 2007

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Eastland Queen Waterflood Unit  
Eddy County, New Mexico

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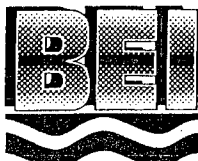
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Yours very truly,

  
Julie Beach LeMond

Enclosures



Beach Exploration, Inc.

Laura L. Morgan

PO Box 151

Georgetown, Texas 78627-0151

June 20, 2007

Re: Unit Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Overriding Royalty Owner:

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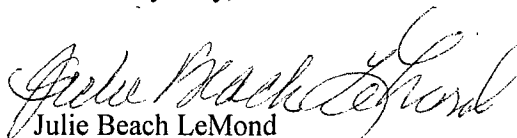
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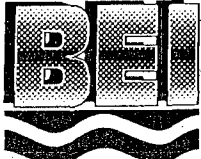
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Julie Beach LeMond

Enclosures



Beach Exploration, Inc.

A. N. Muncy  
PO Box 1037  
Artesia, New Mexico 88211-1037

June 20, 2007

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Eastland Queen Waterflood Unit  
Eddy County, New Mexico

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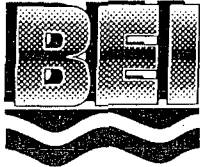
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Julie Beach LeMond

Enclosures



Beach Exploration, Inc.

Martin E. Muncy  
1204 NW 16th Street  
Andrews, Texas 75714-2613

June 20, 2007

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Eastland Queen Waterflood Unit  
Eddy County, New Mexico

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Yours very truly,

  
Julie Beach LeMond

Enclosures

7006 3450 0001 6825 9451

U.S. Postal Service<sup>TM</sup>  
**CERTIFIED MAIL<sup>TM</sup> RECEIPT**  
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Sent To A.N. Muncey  
Street, Apt. No.,  
or PO Box No. P.O. Box 11037  
City, State, ZIP+4<sup>®</sup> Artesia NM 88211-1037  
PS Form 3800, August 2006 See Reverse for Instructions

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Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Martin E. Muncey  
Street, Apt. No.,  
or PO Box No. 1204 NW 16th Street  
City, State, ZIP+4<sup>®</sup> Arrows, TX 75714-2613  
PS Form 3800, August 2006 See Reverse for Instructions

7006 3450 0001 6825 9475

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**OFFICIAL USE**

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Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To James D. Morgan  
Street, Apt. No.,  
or PO Box No. P.O. Box 151  
City, State, ZIP+4<sup>®</sup> Georgetown, TX 78627-0151  
PS Form 3800, August 2006 See Reverse for Instructions

7006 3450 0001 6825 9468

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**CERTIFIED MAIL<sup>TM</sup> RECEIPT**  
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For delivery information visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Laura L. Morgan  
Street, Apt. No.,  
or PO Box No. P.O. Box 151  
City, State, ZIP+4<sup>®</sup> Georgetown, TX 78627-0151  
PS Form 3800, August 2006 See Reverse for Instructions

7006 3450 0001 6825 9567

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**OFFICIAL USE**

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Lobos Energy Partners  
Street, Apt. No.,  
or PO Box No. 3817 NW Expressway, Ste 950  
City, State, ZIP+4<sup>®</sup> Oklahoma City, OK 73112  
PS Form 3800, August 2006 See Reverse for Instructions

7006 3450 0001 6825 9462

U.S. Postal Service<sup>TM</sup>  
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For delivery information visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Southwest Royalties  
Street, Apt. No.,  
or PO Box No. 6 Desta Dr, Suite 1100  
City, State, ZIP+4<sup>®</sup> Midland, TX 79705-5510  
PS Form 3800, August 2006 See Reverse for Instructions

## SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

A. N. Muncy  
PO Box 1037  
Artesia, New Mexico 88211-1037

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

A N MUNCY

B. Date of Delivery

C. Signature

X

☐ Agent☐ Addressee☐ Is delivery address different from item 1?☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. 7006 3450 0001 6825 9451

Domestic Return Receipt

102595-00-M-0952

## SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Laura L. Morgan  
PO Box 151  
Georgetown, Texas 78627-0151

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X

☐ Agent☐ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. 7006 3450 0001 6825 9468

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

- 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.

1. Article Addressed to:

James D. Morgan  
PO Box 151  
Georgetown, Texas 78627-0151

C. Signature

X

☐ Agent☐ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. 7006 3450 0001 6825 9475

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

**SENDER: COMPLETE THIS SECTION**

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.

Article Addressed to:

Mr. Randy Howard  
Southwest Royalties  
6 Desta Dr., Suite 1100  
Midland, Texas 79705-5510

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) *Kathy Stark* B. Date of Delivery *9/22/07*  
C. Signature *Kathy Stark* ☐ Agent ☐ Addressee  
D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.  
4. Restricted Delivery? (Extra Fee) ☐ Yes

7006 3450 0001 6825 9482

PS Form 3811, July 1999

**SENDER: COMPLETE THIS SECTION**

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.

Article Addressed to:

Johns Energy Partners, LLC  
817 NW Expressway, Suite 950  
Oklahoma City, Oklahoma 73112

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery  
C. Signature *X* ☐ Agent ☐ Addressee  
D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.  
4. Restricted Delivery? (Extra Fee) ☐ Yes

7006 3450 0001 6825 9567

PS Form 3811, July 1999

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Article Addressed to:

Martin E. Muncy  
1204 NW 16th Street  
Andrews, Texas 75714-2613

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) *M MUNCY* B. Date of Delivery *6-22-07*  
C. Signature *X M Muncy* ☐ Agent ☐ Addressee  
D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.  
4. Restricted Delivery? (Extra Fee) ☐ Yes

7006 3450 0001 6825 9444

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952



June 19, 2007

Devon Energy Production Company LP  
20 North Broadway, Suite 1500  
Oklahoma City, OK 73102  
Attn: Ms. Meg Muhlinghause

Re: Unit Agreement and Unit Operating Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Working Interest Owner:

Beach is proceeding with plans to unitize 1,040 total acres located in Sections 1, 2 and 11, Township 19 South, Range 29 East, Eddy County, New Mexico to implement a waterflood for secondary recovery purposes in the Queen Sand interval located at approximately 2,400' in the proposed unit area.

Our records indicate that you own a working interest in certain producing oil wells that are located with the boundaries of our proposed Eastland Queen Waterflood Unit. The area covered by our proposed unit is shown outlined on Exhibit "A" of the subject Unit Agreement (copy attached), and your individual working interest is shown in Exhibits "B" and "B-1".

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As a working interest owner, you will be responsible for your proportionate share (based on your Unit working interest) of all costs incurred during Unit installation and for the future operation of said Unit and will receive revenue based upon your Unit net revenue interest.

If you no longer own the interest shown in the Agreement or should you have any questions or require additional information, please contact us immediately (toll free) at 866-458-7409. Otherwise, please take the time to review the entire Agreement, as it is the basis for your inclusion in our proposed waterflood unit.

**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS of the enclosed Ratification and Joinder of Unit Agreement on or before Monday, July 9th, 2007.**

Yours very truly,

  
Julie Beach LeMond





June 19, 2007

Joel R. Miller Energy LP  
PO Box 3003  
Midland, Texas 79702-3003

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Eastland Queen Waterflood Unit  
Eddy County, New Mexico

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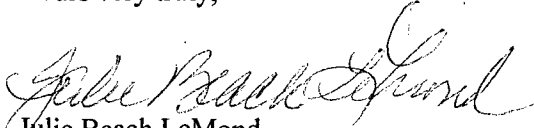
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Yours very truly,

  
Julie Beach LeMond



June 19, 2007

Floyd Energy Ltd  
PO Box 52107  
Midland, Texas 79710

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Eddy County, New Mexico

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Most of the producing wells in the unit outline have either already reached their economic limit, or are very close. Any significant future value that you will receive from your working interest will be dependent upon Beach installing a successful waterflood. Our engineering study from T. Scott Hickman & Assoc. projects that a successful flood should recover an additional 733,899 barrels of oil.

As a working interest owner, you will be responsible for your proportionate share (based on your Unit working interest) of all costs incurred during Unit installation and for the future operation of said Unit and will receive revenue based upon your Unit net revenue interest.

If you no longer own the interest shown in the Agreement or should you have any questions or require additional information, please contact us immediately (toll free) at 866-458-7409. Otherwise, please take the time to review the entire Agreement, as it is the basis for your inclusion in our proposed waterflood unit.

**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS of the enclosed Ratification and Joinder of Unit Agreement on or before Monday, July 9th, 2007.**

Yours very truly,

  
Julie Beach LeMond



June 19, 2007

Sharbro Oil Ltd Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

Re: Unit Agreement and Unit Operating Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Working Interest Owner:

Beach is proceeding with plans to unitize 1,040 total acres located in Sections 1, 2 and 11, Township 19 South, Range 29 East, Eddy County, New Mexico to implement a waterflood for secondary recovery purposes in the Queen Sand interval located at approximately 2,400' in the proposed unit area.

Our records indicate that you own a working interest in certain producing oil wells that are located with the boundaries of our proposed Eastland Queen Waterflood Unit. The area covered by our proposed unit is shown outlined on Exhibit "A" of the subject Unit Agreement (copy attached), and your individual working interest is shown in Exhibits "B" and "B-1".

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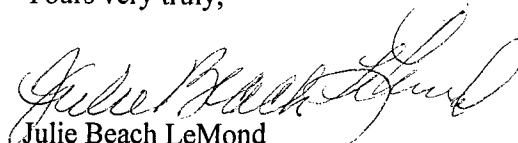
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**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS** of the enclosed Ratification and Joinder of Unit Agreement on or before **Monday, July 9th, 2007.**

Yours very truly,



Julie Beach LeMond



June 19, 2007

Mr. Robert R. Donnelly, Jr.  
Eastland Oil Company  
PO Box 3488  
Midland, Texas 79702

Re: Unit Agreement and Unit Operating Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Working Interest Owner:

Beach is proceeding with plans to unitize 1,040 total acres located in Sections 1, 2 and 11, Township 19 South, Range 29 East, Eddy County, New Mexico to implement a waterflood for secondary recovery purposes in the Queen Sand interval located at approximately 2,400' in the proposed unit area.

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**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS of the enclosed Ratification and Joinder of Unit Agreement on or before Monday, July 9th, 2007.**

Yours very truly,

  
Julie Beach LeMond



June 19, 2007

Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Ms. Shari Hodges

Re: Unit Agreement and Unit Operating Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Working Interest Owner:

Beach is proceeding with plans to unitize 1,040 total acres located in Sections 1, 2 and 11, Township 19 South, Range 29 East, Eddy County, New Mexico to implement a waterflood for secondary recovery purposes in the Queen Sand interval located at approximately 2,400' in the proposed unit area.

Our records indicate that you own a working interest in certain producing oil wells that are located with the boundaries of our proposed Eastland Queen Waterflood Unit. The area covered by our proposed unit is shown outlined on Exhibit "A" of the subject Unit Agreement (copy attached), and your individual working interest is shown in Exhibits "B" and "B-1".

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If you no longer own the interest shown in the Agreement or should you have any questions or require additional information, please contact us immediately (toll free) at 866-458-7409. Otherwise, please take the time to review the entire Agreement, as it is the basis for your inclusion in our proposed waterflood unit.

**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS of the enclosed Ratification and Joinder of Unit Agreement on or before Monday, July 9th, 2007.**

Yours very truly,

A handwritten signature in cursive script, appearing to read "Julie Beach LeMond".  
Julie Beach LeMond

**U.S. Postal Service™**  
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Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

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Sent To Joel R. Miller Energy LP  
 Street, Apt. No., or PO Box No. PO Box 3003  
 City, State, ZIP+4 Midland TX 79702-3003

PS Form 3800, August 2006

See Reverse for Instructions

**U.S. Postal Service™**  
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**OFFICIAL USE**

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Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark  
Here

Sent To Deven Energy Production Co LP  
 Street, Apt. No., or PO Box No. 20 N. Broadway Ste 1500  
 City, State, ZIP+4 Oklahoma City OK 73102

PS Form 3800, August 2006

See Reverse for Instructions

**U.S. Postal Service™**  
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Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark  
Here

Sent To Sharbo Oil Ltd Co  
 Street, Apt. No., or PO Box No. 105 South 4th Street  
 City, State, ZIP+4 Artesia, NM 88210

PS Form 3800, August 2006

See Reverse for Instructions

**U.S. Postal Service™**  
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Certified Fee	
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Total Postage & Fees	\$

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Sent To Floyd Energy Ltd  
 Street, Apt. No., or PO Box No. PO Box 52107  
 City, State, ZIP+4 Midland TX 79710

PS Form 3800, August 2006

See Reverse for Instructions

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Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark  
Here

Sent To MYCO Industries Inc.  
 Street, Apt. No., or PO Box No. 108 South 4th Street  
 City, State, ZIP+4 Artesia, NM 88210

PS Form 3800, August 2006

See Reverse for Instructions

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
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For delivery information visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark  
Here

Sent To Eastland Oil Company  
 Street, Apt. No., or PO Box No. P.O. Box 3488  
 City, State, ZIP+4 Midland TX 79702

PS Form 3800, August 2006

See Reverse for Instructions

## SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Floyd Energy Ltd  
PO Box 52107  
Midland, Texas 79710

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Sandy Mills

6/22/07

C. Signature

x Sandy Mills

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. 7006 3450 0001 6825 9512

## SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

Devon Energy Production Co. LP  
20 North Broadway, Suite 1500  
Oklahoma City, OK 73102  
Attn: Ms Meg Muhlinghouse

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Dewitt

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. A 7006 3450 0001 6825 9536

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

- 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.

1. Article Addressed to:

Joel R. Miller Energy LP  
PO Box 3003  
Midland, Texas 79702-3003

A. Received by (Please Print Clearly) B. Date of Delivery

Debra King

6-26-07

C. Signature

X Debra King

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. 7006 3450 0001 6825 9529

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

## SENDER: COMPLETE THIS SECTION

- 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.

## 1. Article Addressed to:

Mr. Robert R. Donnelly, Jr.  
Eastland Oil Company  
PO Box 3488  
Midland, Texas 79702

## COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

VIOLA CHAVEZ

B. Date of Delivery

6/25/07

C. Signature

X *Viola Chavez*☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

## 3. Service Type

☒ Certified Mail ☐ Express Mail☐ Registered ☐ Return Receipt for Merchandise☐ Insured Mail ☐ C.O.D.

## 4. Restricted Delivery? (Extra Fee)

☐ Yes

2. 7006 3450 0001 6825 9499

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

- 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.

## 1. Article Addressed to:

Ms. Shari Hodges  
Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210

C. Signature

X *Kathy Donaghe*☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

## 3. Service Type

☒ Certified Mail ☐ Express Mail☐ Registered ☐ Return Receipt for Merchandise☐ Insured Mail ☐ C.O.D.

## 4. Restricted Delivery? (Extra Fee)

☐ Yes

7006 3450 0001 6825 9543

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

- 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.

## 1. Article Addressed to:

Sharbro Oil Ltd Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X *Kathy Donaghe*☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

KATHY DONAGHE

## 3. Service Type

☒ Certified Mail ☐ Express Mail☐ Registered ☐ Return Receipt for Merchandise☐ Insured Mail ☐ C.O.D.

## 4. Restricted Delivery? (Extra Fee)

☐ Yes

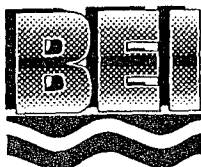
2. 7006 3450 0001 6825 9505

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952





Beach Exploration, Inc

Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Ms. Shari Hodges

June 19, 2007

Re: Unit Agreement and Unit Operating Agreement  
Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Dear Owner:

Beach is proceeding with plans to unitize 1,040 total acres located in Sections 1, 2 and 11, Township 19 South, Range 29 East, Eddy County, New Mexico to implement a waterflood for secondary recovery purposes in the Queen Sand interval located at approximately 2,400' in the proposed unit area.

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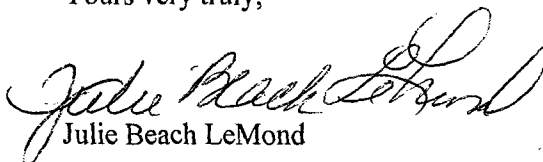
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**Please indicate your approval of our proposed Unit by signing and returning 4 ORIGINALS of the enclosed Ratification and Joinder of Unit Agreement on or before Monday, July 9th, 2007.**

Yours very truly,

  
Julie Beach LeMond

## SENDER: COMPLETE THIS SECTION

- 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.

1. Article Addressed to:

MYCO Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211-0840

## COMPLETE THIS SECTION ON DELIVERY

Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

☐ Agent☐ Addressee

D. Is delivery address different from item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2.

7006 3450 0001 6825 8935

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Wednesday, May 30, 2007 3:41 PM  
**To:** Shari Darr Hodges (sharihodges@mycoinc.com)  
**Subject:** FW: Eastland Queen Unit

Shari:

Thanks for suggesting a day that you might be available next week.

Our engineer (Jack Rose) now has a conflict next week. A pulling unit has become available to rig up Monday, June 4<sup>th</sup> at a well location of ours near Hobbs. Jack may have to be on location all week depending on how smoothly our operation proceeds.

So, the good news is that he will be relatively close to Artesia all week, while the bad news is that he won't know for sure when he might be able to break away for a few hours to travel over to Artesia.

If your people are fairly flexible, Jack could call when he knows he will have some time to leave the location to see if you are available. He also mentioned that he could come over in the evening if that were a possibility.

Otherwise we might have to make it the next week.

Let me know what you think.

Thanks,  
Bob

BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

-----Original Message-----

**From:** Shari Hodges [mailto:sharihodges@mycoinc.com]  
**Sent:** Wednesday, May 30, 2007 12:50 PM  
**To:** 'Julie LeMond'  
**Cc:** 'Shari Hodges'; 'Hannah Palomin'; 'anmuncy'; 'Frank Yates'  
**Subject:** Eastland Queen Unit

Julie: I need to firm up the date but would June 5<sup>th</sup> work for your group to come to Artesia on this? Thanks, S.

5/30/2007

## Julie LeMond

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Sunday, May 27, 2007 1:46 PM  
**To:** 'Julie LeMond'  
**Subject:** RE: Eastland Queen Unit

Julie: I'm not completely sure if we would be able to gather our troops (there would be at least 5 of us) to go to Midland. I'll let you know. S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Friday, May 25, 2007 2:30 PM  
**To:** Shari Darr Hodges  
**Cc:** Meg Mullinghouse  
**Subject:** Eastland Queen Unit

Please find letter attached.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/29/2007

**Julie LeMond**

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Sunday, May 27, 2007 1:41 PM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** RE: Eastland Queen Unit

Julie: We are looking forward to receiving the engineering information you mentioned in your previous e-mail. I think once we have received that and our engineer has had a chance to review it, we will be in a position to set a meeting. A meeting date on Tuesday or Wednesday probably won't work here so I'll try to next week, either Monday 6/4 or Tuesday 6/5 or Wednesday 6/6. I'll keep you posted. Thanks for all your effort on this. Shari

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Friday, May 25, 2007 2:30 PM  
**To:** Shari Darr Hodges  
**Cc:** Meg Mullinghouse  
**Subject:** Eastland Queen Unit

Please find letter attached.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/29/2007

## Julie LeMond

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Friday, May 25, 2007 3:30 PM  
**To:** Shari Darr Hodges (sharihodges@mycoinc.com)  
**Cc:** Meg Mullinghouse (meg.muhlinghouse@dvn.com)  
**Subject:** Eastland Queen Unit

Please find letter attached.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/25/2007



May 25, 2007

Myco Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211

Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

I had a telephone conversation with Meg Muhlinghouse today and we came up with some suggested dates for a meeting that would include Devon's engineer (Art O'Neal), Beach and hopefully MYCO.

It appears that our preferences would be Tuesday or Wednesday, May 29<sup>th</sup> or 30<sup>th</sup>, or Monday through Thursday, June 4<sup>th</sup> through June 7<sup>th</sup>.

Meg indicated that MYCO would consider coming to Midland to accommodate the Devon engineer.

Please let us know if you could be available for a meeting in Midland on any of the above mentioned dates.

Thank you for your cooperation in this matter.

Very truly yours,

Robert N. Hinson

**Julie LeMond**

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Thursday, May 24, 2007 10:14 AM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** RE: Eastland Queen Unit

Julie: thanks. Is this the information we discussed earlier that your engineer was going to send? Our guys have been anxious to see that. Thanks Julie. I have a message to call Bob Hinson and I will try to do that today. Also, you have been so patient about our naming a date. Our guys have said after then see some engineering they would be glad to set a date so thanks for sending what you are sending. S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Thursday, May 24, 2007 8:56 AM  
**To:** sharihodges@mycoinc.com  
**Subject:** Eastland Queen Unit

I forwarded this letter with enclosures via USPS but with the holiday I thought it might take a few days so I am sending the letter (without attachments) with this email.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007



**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Thursday, May 24, 2007 9:56 AM

**To:** 'sharihodges@mycoinc.com'

**Subject:** Eastland Queen Unit

I forwarded this letter with enclosures via USPS but with the holiday I thought it might take a few days so I am sending the letter (without attachments) with this email.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007



May 23, 2007

MYCO Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211-0840  
Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

Beach has now discussed our proposed unit with all working interest owners except MYCO.

We would like to schedule our unit hearing for July 12, 2007 in Santa Fe. In order to accomplish this, we must file our application by June 12, 2007.

I have enclosed for your review, all of the engineering information and handouts that we gave to Devon during our recent Midland meeting. Jack Rose (Beach engineer) will be happy to answer any questions that you might have either in person or by telephone.

We are still available to come to Artesia to meet with you regarding this matter. We must, however, schedule this meeting prior to June 8, 2007 to make the July docket.

Please let me know at your earliest convenience if MYCO wants to meet in person to exchange ideas on our proposed unit. While we value your input, we feel that we must proceed with the schedule described above with or without your comments.

Thank you for your assistance with this matter.

Yours very truly,

A handwritten signature in black ink, appearing to read "R. Hinson", written over a horizontal line.

Robert N. Hinson

Enclosures



May 23, 2007

MYCO Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211-0840  
Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

Beach has now discussed our proposed unit with all working interest owners except MYCO.

We would like to schedule our unit hearing for July 12, 2007 in Santa Fe. In order to accomplish this, we must file our application by June 12, 2007.

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We are still available to come to Artesia to meet with you regarding this matter. We must, however, schedule this meeting prior to June 8, 2007 to make the July docket.

Please let me know at your earliest convenience if MYCO wants to meet in person to it. While we value your input, we feel that we must above with or without your comments.

his matter.

Yours very truly,

  
Robert N. Hinson

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City, State, ZIP+4

PS Form 3800, August 2006 See Reverse for Instructions

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Thursday, May 17, 2007 4:05 PM  
**To:** 'sharihodges@mycoinc.com'  
**Subject:** FW: Eastland Queen Unit

Shari:

We would be happy to travel to Artesia any day next week, except for Friday the 25<sup>th</sup> (our engineer will be unavailable) for a meeting with your group and the engineer from Devon – just let us know when and where.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

-----Original Message-----

**From:** Shari Hodges [mailto:sharihodges@mycoinc.com]  
**Sent:** Thursday, May 17, 2007 3:53 PM  
**To:** 'Julie LeMond'  
**Subject:** RE: Eastland Queen Unit

Julie: I was just looking up your e-mail address to check on the same issue – a date. Would you please suggest several days over the next 2 weeks that will work for your group, then we'll see what will work for here and I believe the reservoir engineer from Devon wants to participate. It would be best to have it here but if we need to come to Midland, I might be able to gather up the group. Just let me know. Thanks!! S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Thursday, May 17, 2007 2:41 PM  
**To:** sharihodges@mycoinc.com  
**Subject:** Eastland Queen Unit

Just wanted to check in to see if you have been able to find a time that it would be convenient for us to have a meeting with you to discuss our proposed waterflood?

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

## Julie LeMond

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Thursday, May 17, 2007 3:53 PM  
**To:** 'Julie LeMond'  
**Subject:** RE: Eastland Queen Unit

Julie: I was just looking up your e-mail address to check on the same issue – a date. Would you please suggest several days over the next 2 weeks that will work for your group, then we'll see what will work for here and I believe the reservoir engineer from Devon wants to participate. It would be best to have it here but if we need to come to Midland, I might be able to gather up the group. Just let me know. Thanks!! S.

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**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Thursday, May 17, 2007 2:41 PM  
**To:** sharihodges@mycoinc.com  
**Subject:** Eastland Queen Unit

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Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Thursday, May 17, 2007 3:41 PM

**To:** 'sharihodges@mycoinc.com'

**Subject:** Eastland Queen Unit

Just wanted to check in to see if you have been able to find a time that it would be convenient for us to have a meeting with you to discuss our proposed waterflood?

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

**Julie LeMond**

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Wednesday, May 09, 2007 2:48 PM  
**To:** 'Julie LeMond'  
**Subject:** RE: Eastland Queen Unit

Thanks Julie...all is well. As soon as I hear back from the guys for a date, I'll let you all know. Best, S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Wednesday, May 09, 2007 1:35 PM  
**To:** sharihodges@mycoinc.com  
**Subject:** Eastland Queen Unit

Shari --  
Please see attached a short note that I am forwarding for Bob.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

## Julie LeMond

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Wednesday, May 09, 2007 2:35 PM

**To:** 'sharihodges@mycoinc.com'

**Subject:** Eastland Queen Unit

**Tracking:** Recipient

**Read**

'sharihodges@mycoinc.com' Read: 5/9/2007 2:48 PM

Shari –

Please see attached a short note that I am forwarding for Bob.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007





May 9, 0007

Myco Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211

Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

Devon and Beach are going to meet at 10:30 (time is approximate pending Devon's arrival) Thursday, in Beach's office to discuss our proposed unit. Devon is bringing one landman (Meg Muhlinghouse) and one geologist.

My engineer has been in the field the last couple of days, but I will get him to email you a list of wells (your well breakout per section was correct) and a map showing the wells to be converted to injectors. The cost estimate for the entire waterflood project is \$2,500,000 to the 100% working interest.

Our conference room set up for this type of meeting makes a telephone conference fairly impractical, so I would suggest that if you cannot attend in person, let me know if you have picked a day in the near future that we can use to meet in Artesia for the same presentation.

Thank you for your assistance in this matter.

Very truly yours,

Robert N. Hinson

**Julie LeMond**

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Monday, May 07, 2007 12:32 PM  
**To:** 'Julie LeMond'  
**Subject:** RE: Eastland Queen Unit - Proposed Meeting

Julie: I spoke with Bob this morning and told him we would not be able to attend this Thursday, I'm sorry. I will be checking inhouse for some alternate dates in hopes of getting a date that works for us as well as you. Bob said your group would be willing to come here which would probably be best.

In the meantime, a couple of questions -- a) how many wells will be involved (16 in Section 1, 6 in Section 2 and 8 in Section 11? B) is there a list of the wells (or did I miss that in the paperwork? C) how many of the wells do you plan on converting -- and which ones?, d) is there a cost estimate?

I mentioned to Bob that if at all possible, we'd like to be conferenced in on your meeting with Devon. I don't think it would be necessary for us to have the displays, we would just listen. The only conflict I have on Thursday is from 2:00-4:00. Thanks! S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Thursday, May 03, 2007 2:46 PM  
**To:** sharihodges@mycoinc.com  
**Subject:** Eastland Queen Unit - Proposed Meeting

Shari:

Meg Muhlinghouse of Devon Energy contacted us this afternoon to let us know that her team would be in Midland next week and would like to arrange for a meeting to discuss the Eastland Queen Unit on Thursday, May 10<sup>th</sup>.

We have not determined a time or place for the meeting yet but wondered if MYCO would be available to attend a meeting on the 10<sup>th</sup>?

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Thursday, May 03, 2007 3:46 PM

**To:** 'sharihodges@mycoinc.com'

**Subject:** Eastland Queen Unit - Proposed Meeting

**Tracking:** Recipient

**Read**

'sharihodges@mycoinc.com' Read: 5/3/2007 3:55 PM

Shari:

Meg Muhlinghouse of Devon Energy contacted us this afternoon to let us know that her team would be in Midland next week and would like to arrange for a meeting to discuss the Eastland Queen Unit on Thursday, May 10<sup>th</sup>.

We have not determined a time or place for the meeting yet but wondered if MYCO would be available to attend a meeting on the 10<sup>th</sup>?

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
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[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

## Julie LeMond

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Thursday, May 03, 2007 10:36 AM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** RE: Eastland Queen Unit

Bob and Julie: Yes, we have received your proposal, thank you. I have been in and out a lot lately, that is why I haven't returned Bob's calls and I apologize about that. I will touch base as soon as I get an answer back. Thanks for your patience. Feel free to call anytime. S.

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Thursday, May 03, 2007 8:02 AM  
**To:** sharihodges@mycoinc.com  
**Subject:** Eastland Queen Unit

Please find letter attached.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Thursday, May 03, 2007 9:02 AM

**To:** 'sharihodges@mycoinc.com'

**Subject:** Eastland Queen Unit

**Tracking:** Recipient

**Read**

'sharihodges@mycoinc.com' Read: 5/3/2007 9:32 AM

Please find letter attached.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007



May 2, 2007

Myco Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211

Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy, County, New Mexico

Dear Shari:

My files indicate that I have been discussing with you, the possibility of arranging a meeting between Myco and Beach to review our proposed waterflood unit since September 2006.

By letter dated April 3, 2007, we distributed proposed Unit Operating Agreements and Unit Agreements to all current working interest owners in our unit outline.

As I have mentioned during our previous conversations, we would like to find a convenient time to meet (either in Artesia or Midland) to discuss the technical aspects of our proposed waterflood. Please let me know if MYCO's technical representatives might be available sometime within the next two weeks to discuss the proposed unit. If we can agree on a time and place, Beach will contact the other working interest owners to solicit their possible involvement in the meeting.

While we understand that everyone in the oil business is very busy these days, we would appreciate your consideration of our proposal to meet at your earliest convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Hinson", is written over a horizontal line.

Robert N. Hinson



April 3, 2007

Sharbro Oil Ltd Co.  
105 South Fourth Street  
Artesia, New Mexico 88210  
Certified 917108 2133343202124449

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Working Interest Owner:

Please find enclosed for your review, one copy each of our Unit Agreement and Unit Operating Agreement covering our proposed Queen waterflood unit, which will be operated by Beach Exploration, Inc.

Beach is planning to unitize 1,040 total acres and waterflood the Queen Sand interval located at approximately 2,400' in the proposed unit area. Installation costs for the waterflood are estimated to be \$2,500,000.00 to the 100% working interest.

Our records indicate that you own a working interest in certain producing oil wells that are within the boundaries of our proposed waterflood unit as shown in Exhibit "A" to the enclosed Agreements. The other Exhibits to the Agreements detail the wells involved and your individual working and net revenue interest in each well, as well as tract participation factors and your resulting unit working interest.

Please review the enclosed Agreements and let us know at your earliest convenience if you would like to schedule a meeting to discuss the technical aspects of our waterflood proposal and your possible participation as a working interest owner. We would also like to discuss the possible sale or farmout of your interest in the unit if you do not want to participate.

Please feel free to give me a call to discuss any questions or comments that you might have about this proposal.

Thank you for your consideration.

Yours very truly,

Robert N. Hinson



April 3, 2007

Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Ms. Shari Hodges  
*Certified 9171002133343202124418*

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Working Interest Owner:

Please find enclosed for your review, one copy each of our Unit Agreement and Unit Operating Agreement covering our proposed Queen waterflood unit, which will be operated by Beach Exploration, Inc.

Beach is planning to unitize 1,040 total acres and waterflood the Queen Sand interval located at approximately 2,400' in the proposed unit area. Installation costs for the waterflood are estimated to be \$2,500,000.00 to the 100% working interest.

Our records indicate that you own a working interest in certain producing oil wells that are within the boundaries of our proposed waterflood unit as shown in Exhibit "A" to the enclosed Agreements. The other Exhibits to the Agreements detail the wells involved and your individual working and net revenue interest in each well, as well as tract participation factors and your resulting unit working interest.

Please review the enclosed Agreements and let us know at your earliest convenience if you would like to schedule a meeting to discuss the technical aspects of our waterflood proposal and your possible participation as a working interest owner. We would also like to discuss the possible sale or farmout of your interest in the unit if you do not want to participate.

Please feel free to give me a call to discuss any questions or comments that you might have about this proposal.

Thank you for your consideration.

Yours very truly,

Robert N. Hinson





April 3, 2007

Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Ms. Shari Hodges

Certified 9171082133393202124418

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Working Interest Owner:

Please find enclosed for your review, one copy each of our Unit Agreement and Unit Operating Agreement covering our proposed Queen waterflood unit, which will be operated by Beach Exploration, Inc.

Beach is planning to unitize 1,040 total acres and waterflood the Queen Sand interval located at approximately 2,400' in the proposed unit area. Installation costs for the waterflood are estimated to be \$2,500,000.00 to the 100% working interest.

Our records indicate that you own a working interest in certain producing oil wells that are within the boundaries of our proposed waterflood unit as shown in Exhibit "A" to the well as tract participation

SENDER: COMPLETE THIS SECTION

- 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.

Article Addressed to:

Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Ms. Shari Hodges

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature *Melissa Stewart* Agent ☒ Addressee ☐

D. Is delivery address different from item C? ☒ Yes ☐ No  
If YES, enter delivery address below:

riest convenience if you  
jects of our waterflood  
ner. We would also like  
it if you do not want to

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Article # 91 7108 2133 3932 0212 4418

ly,

Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

Robert N. Hinson



January 3, 2007

Myco Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211

Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy, County, New Mexico

Dear Shari:

As discussed during our recent conversations, Beach is proceeding with plans to form a Queen waterflood unit as outlined on the attached plat.

Beach Exploration, Inc. will be the Operator of the proposed unit, which will include two tracts (Section 11: W/2 NW/4 and W/2 NE/4, T-19-S, R-29-E) operated by Myco.

We are in the process of preparing the Unit Agreement and Unit Operating Agreement and will forward both Agreements for your consideration as soon as possible. To complete said Agreements, it would be very helpful if you could provide us with the 100% division of interest for the four wells located on the two Myco tracts.

Should you have any questions regarding our waterflood plans, please feel free to contact me.

Very truly yours,

Robert N. Hinson

Enclosure

cc: Eastland Oil Company

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Friday, October 06, 2006 2:25 PM

**To:** 'sharihodges@mycoinc.com'

**Subject:** Turkey Tract Proposal

Thanks for your recent email. I have tried contacting you recently by telephone to determine what type of information (we have lots) you would like to see at this point. I am sure that Jack Rose (our engineer) would be happy to discuss any technical questions your people might have if they would like to call him personally.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

**Julie LeMond**

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Sunday, October 01, 2006 5:24 PM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** MYCO/Turkey Tract: Beach Proposal

Hello Julie -- just wondering if you will be sending anything as a follow up to go with the map? Thanks! Shari

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Monday, September 25, 2006 8:48 AM  
**To:** sharihodges@mycoinc.com  
**Subject:**

In accordance with your recent telephone conversation with Bob Hinson, I have attached a map that shows Beach's proposed Turkey Track Area (Eddy County) unit outline for your review.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007

**Julie LeMond**

---

**From:** Shari Hodges [sharihodges@mycoinc.com]  
**Sent:** Monday, September 25, 2006 9:49 AM  
**To:** 'Julie LeMond'  
**Cc:** 'Hannah Palomin'  
**Subject:** MYCO/Beach: Turkey Track

Thanks Julie. S.

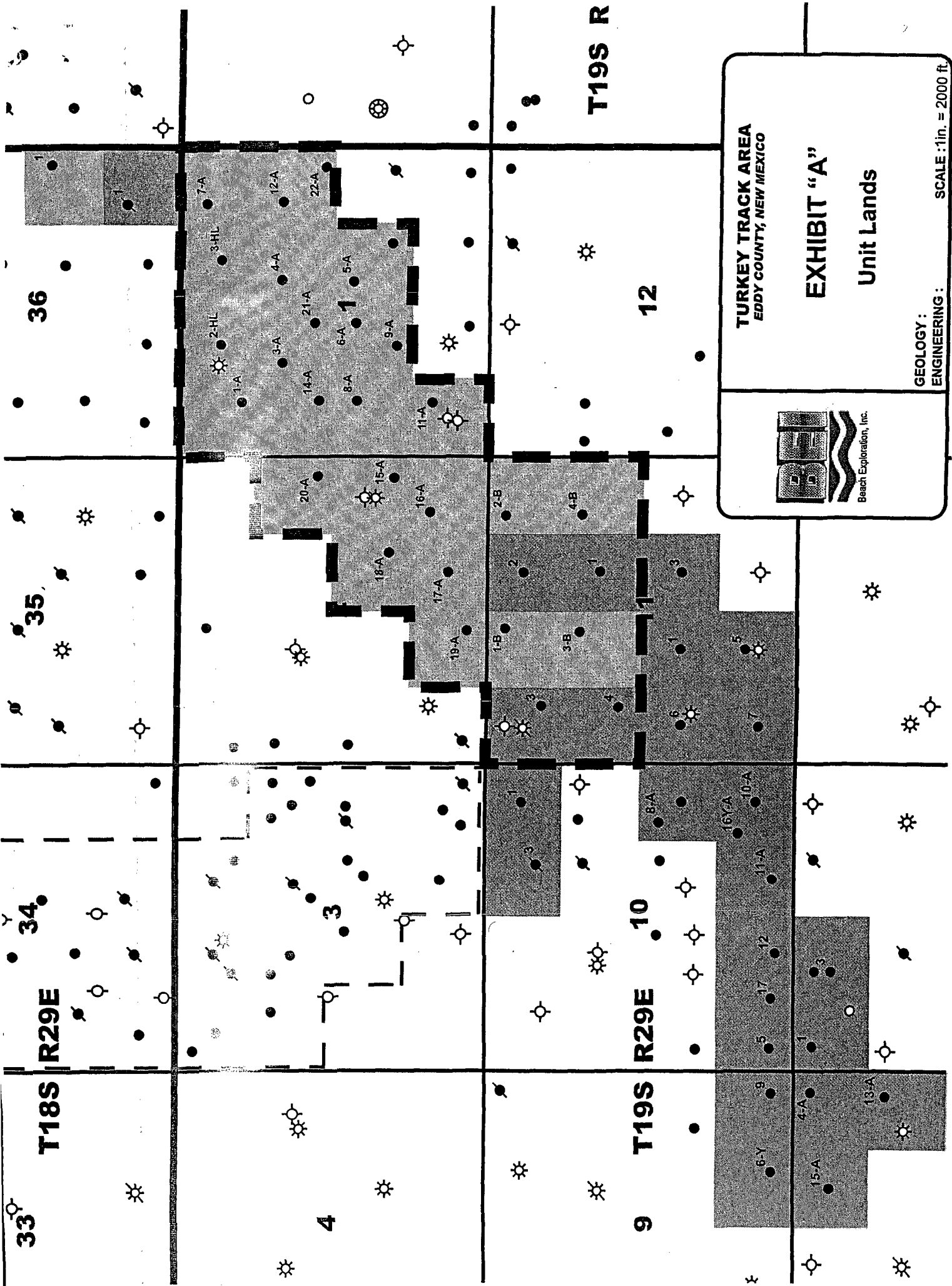
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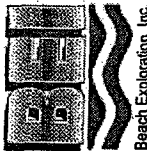
**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Monday, September 25, 2006 8:48 AM  
**To:** sharihodges@mycoinc.com  
**Subject:**

In accordance with your recent telephone conversation with Bob Hinson, I have attached a map that shows Beach's proposed Turkey Track Area (Eddy County) unit outline for your review.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

5/24/2007





**BEE**  
Beach Exploration, Inc.

**TURKEY TRACK AREA**  
EDDY COUNTY, NEW MEXICO

**EXHIBIT "A"**

**Unit Lands**

**GEOLOGY:**

**ENGINEERING:**

**SCALE: 1 in. = 2000 ft.**



September 15, 2005

Myco Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211

Re: Production Purchase  
BBOC St. 1, 2, 3, 4  
Sand Dune St. 1, 2  
Section 11, T-19-S, R-29-E  
Turkey Track East Field  
Eddy County, New Mexico

Gentlemen:

Beach Exploration, Inc. would like to make you an offer to purchase all of your right, title and interest in the subject wells and associated leasehold.

If you would consider entertaining an offer on this property, please contact me at your earliest convenience to confirm that you are still the operator of these wells and to discuss general details about the property.

Thank you for your consideration.

Yours very truly

Robert N. Hinson

RNH/jbl

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]

**Sent:** Wednesday, September 19, 2007 11:08 AM

**To:** Shari Darr Hodges (sharihodges@mycoinc.com)

We are sending the attached letter via overnight mail but wanted to get a copy of it to you as quickly as possible.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

9/21/2007



Beach Exploration, Inc.

800 N. Marienfeld, Suite 200

Midland, TX 79701

(432) 683-6226

(432) 683-1038 fax

Julie Beach LeMond

jlemond@beachexp.com

## facsimile transmittal

**To:** Shari Hodges  
MYCO Industries, Inc.

**Fax:** (505) 746-6038

**From:** Julie Beach LeMond  
Beach Exploration, Inc.

**Date:** 9/19/2007 <sup>2:00</sup>~~1:12~~ PM

**Re:** Eastland Queen Unit  
Eddy County, New Mexico

**Pages:** ~~3~~ (including cover)

2



September 18, 2007

Shari Hodges  
MYCO Industries Inc.  
423 West Main Street  
Artesia, New Mexico 88210

Re: Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Ladies and Gentlemen:

Beach Exploration, Inc. ("Beach") has been attempting to form the above unit for a significant period of time, and has proposed a unit agreement which it believes is fair and equitable to all interest owners in the unit. Beach has received preliminary approval of the unit from the State Land Office, and intends to move forward to obtain final approvals from the Oil Conservation Division and interest owners in the unit area.

Beach is interested in instituting the most efficient, technically sound, and economically beneficial waterflood plan feasible. However, due to issues recently raised by some working interest owners regarding unit boundaries, tract participation factors, and waterflood procedures, we propose a working interest owners meeting to be held at 10:00 a.m. on Wednesday, September 26, 2007, at our offices located at 800 N. Marienfeld, Suite 200, Midland, Texas. Any interest owner who would like to attend and present or discuss technical information is welcome.

This proposal is made for purposes of discussing the objections of certain interest owners, and possibly settling any of our differences. Thus, it is subject to the provisions of the New Mexico Rules of Civil Procedure limiting use and disclosure of any matters discussed at the meeting.

Yours very truly,

Robert N. Hinson

Working Interest Owners:

Shari Hodges  
MYCO Industries Inc.  
PO Box 840  
Artesia, New Mexico 88211

Meg Muhlinghouse  
Devon Energy Production Company LP  
20 North Broadway, Suite 1500  
Oklahoma City, Oklahoma 73102

Joel R. Miller R. Energy LP  
PO Box 3003  
Midland, Texas 79702-3003

Floyd Energy Ltd.  
PO Box 52107  
Midland, Texas 79710

Sharbro Oil Ltd. Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

Robert R. Donnelly, Jr.  
Eastland Oil Company  
PO Box 3488  
Midland, Texas 79702

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## Your Shipment Details:

<b>Ship to:</b>	Shari Hodges MYCO Industries Inc. 423 West Main Street Artesia, NM 88210 US (505) 748-4290	<b>Package type:</b>	FedEx Envelope
		<b>Pickup/Drop Off:</b>	give to scheduled courier at my location
		<b>Weight:</b>	1 LBS
		<b>Dimensions:</b>	0 x 0 x 0 in
		<b>Declared value:</b>	0 USD
		<b>Shipper account number:</b>	117585662
<b>From:</b>	Julie LeMond BEACH EXPLORATION, INC 800 N. MARIENFELD, SUITE 200 MIDLAND, TX 79701 US 9156836226	<b>Bill transportation to:</b>	117585662
		<b>Courtesy rate quote:*</b>	18.21
		<b>Discounted variable %</b>	
		<b>Cod amount</b>	
		<b>Special services:</b>	
		<b>Shipment Purpose:</b>	
		<b>Shipment type:</b>	Express
		<b>Commercial/Residential Status:</b>	Commercial
<b>Tracking no:</b>	792564906052		
<b>Ship date:</b>	Sep 19 2007		
<b>Service type:</b>	Standard Overnight		

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## Please note

\*The courtesy rate shown here may be different than the actual charges for your shipment. Differences may occur based on actual weight, dimensions, and other factors. Consult the applicable [FedEx Service Guide](#) or the FedEx Rate Sheets for details on how shipping charges are calculated.

FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$500, e.g., jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits; Consult the applicable FedEx Service Guide for details.

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Wednesday, September 19, 2007 11:10 AM  
**To:** 'Meg Mullinghouse'  
**Subject:** Eastland Queen Unit

We are sending the attached letter via overnight mail but wanted to get a copy of it to you as quickly as possible.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

9/21/2007



September 18, 2007

Meg Muhlinghause  
Devon Energy Production Company LP  
20 North Broadway, Suite 1500  
Oklahoma City, OK 73102

Re: Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Ladies and Gentlemen:

Beach Exploration, Inc. ("Beach") has been attempting to form the above unit for a significant period of time, and has proposed a unit agreement which it believes is fair and equitable to all interest owners in the unit. Beach has received preliminary approval of the unit from the State Land Office, and intends to move forward to obtain final approvals from the Oil Conservation Division and interest owners in the unit area.

Beach is interested in instituting the most efficient, technically sound, and economically beneficial waterflood plan feasible. However, due to issues recently raised by some working interest owners regarding unit boundaries, tract participation factors, and waterflood procedures, we propose a working interest owners meeting to be held at 10:00 a.m. on Wednesday, September 26, 2007, at our offices located at 800 N. Marienfeld, Suite 200, Midland, Texas. Any interest owner who would like to attend and present or discuss technical information is welcome.

This proposal is made for purposes of discussing the objections of certain interest owners, and possibly settling any of our differences. Thus, it is subject to the provisions of the New Mexico Rules of Civil Procedure limiting use and disclosure of any matters discussed at the meeting.

Yours very truly,

Robert N. Hinson

Working Interest Owners:

Shari Hodges  
MYCO Industries Inc.  
PO Box 840  
Artesia, New Mexico 88211

Meg Muhlinghaus  
Devon Energy Production Company LP  
20 North Broadway, Suite 1500  
Oklahoma City, Oklahoma 73102

Joel R. Miller R. Energy LP  
PO Box 3003  
Midland, Texas 79702-3003

Floyd Energy Ltd.  
PO Box 52107  
Midland, Texas 79710

Sharbro Oil Ltd. Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

Robert R. Donnelly, Jr.  
Eastland Oil Company  
PO Box 3488  
Midland, Texas 79702

# Lone Star Overnight

## Customer Shipping Record

Tracking Number: Z3572889

[Click Here to schedule a Pickup](#)

**From:** JULIE LEMOND  
BEACH EXPLORATION,  
INC.  
800 N, MARIENFELD  
SUITE 200  
MIDLAND, TX 79701  
(432) 682 - 6226

**Delivery Options**  
**Service Type:** By 10:30am  
**Declared Value:** 100

**To:** MEG MUHLINGHAUSE  
DEVON ENERGY  
PRODUCTION CO  
20 NORTH BROADWAY  
SUITE 1500  
OKLAHOMA CITY,  
OK 73102  
(405) 235 - 3611

Date Printed: 9/19/2007

**LIMIT OF LIABILITY:** We are not responsible for claims in excess of \$100 for any reason unless you: 1) declare a greater value (not to exceed \$25,000); 2) pay an additional fee; 3) and document your actual loss in a timely manner. We will not pay any claim in excess of the actual loss. We are not liable for any special or consequential damages. Additional limitations of liability are contained in our current Service Guide. If you ask us to deliver a package without obtaining a delivery signature, you release us of all liability for claims resulting from such service. NO DELIVERY SIGNATURE WILL BE OBTAINED FOR 8:30 AM DELIVERIES OR RESIDENTIAL DELIVERIES.

**WARNING:** Use only the printed original label for shipping. Using a photocopy of this label or any other label for shipping purposes is fraudulent and could result in additional billing charges, along with the cancellation of your Lone Star Overnight account number.

**NOTE:** This is not an airbill for use in the delivery of a package.

Questions? Call 800.800.8984

Ship Another

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Reports

Schedule Pickup





September 18, 2007

Sharbro Oil Ltd Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

Re: Eastland Queen Waterflood Unit  
Eddy County, New Mexico

Ladies and Gentlemen:

Beach Exploration, Inc. ("Beach") has been attempting to form the above unit for a significant period of time, and has proposed a unit agreement which it believes is fair and equitable to all interest owners in the unit. Beach has received preliminary approval of the unit from the State Land Office, and intends to move forward to obtain final approvals from the Oil Conservation Division and interest owners in the unit area.

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Yours very truly,

Robert N. Hinson

Working Interest Owners:

Shari Hodges  
MYCO Industries Inc.  
PO Box 840  
Artesia, New Mexico 88211

Meg Muhlinghouse  
Devon Energy Production Company LP  
20 North Broadway, Suite 1500  
Oklahoma City, Oklahoma 73102

Joel R. Miller R. Energy LP  
PO Box 3003  
Midland, Texas 79702-3003

Floyd Energy Ltd.  
PO Box 52107  
Midland, Texas 79710

Sharbro Oil Ltd. Co.  
105 South Fourth Street  
Artesia, New Mexico 88210

Robert R. Donnelly, Jr.  
Eastland Oil Company  
PO Box 3488  
Midland, Texas 79702

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## Your Shipment Details:

<b>Ship to:</b>	Sharbro Oil Ltd. Co. 105 South Fourth Street Artesia, NM 88210 US (505) 457-2581	<b>Package type:</b>	FedEx Envelope
		<b>Pickup/Drop Off:</b>	give to scheduled courier at my location
		<b>Weight:</b>	1 LBS
		<b>Dimensions:</b>	0 x 0 x 0 in
		<b>Declared value:</b>	100 USD
		<b>Shipper account number:</b>	117585662
		<b>Bill transportation to:</b>	117585662
		<b>Courtesy rate quote:*</b>	18.21
		<b>Discounted variable %</b>	
		<b>Cod amount</b>	
		<b>Special services:</b>	
		<b>Shipment Purpose:</b>	
		<b>Shipment type:</b>	Express
		<b>Commercial/Residential Status:</b>	Commercial
<b>From:</b>	Julie LeMond BEACH EXPLORATION, INC 800 N. MARIENFELD, SUITE 200 MIDLAND, TX 79701 US 9156836226		
<b>Tracking no:</b>	790831632294		
<b>Ship date:</b>	Sep 19 2007		
<b>Service type:</b>	Standard Overnight		

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# PROPOSED EASTLAND QUEEN UNIT

EDDY COUNTY, NEW MEXICO

WIO MEETING 9/26/2007

Please sign in.

- 1 Rebecca Lewis , Devon
- 2 Meg Muhlinglehouse Devon
- 3 SHARI DARR HODGES, myco
- 4 NELSON MUNCH - MYCO
- 5 Robn Donnelly - Eastland Oil
- 6 Travis Reed - Eastland oil
- 7 Joel Miller Miller Energy, LP
- 8 Sandy Beach Beach Exp.
- 9 Jack Rose Beach Exp.
- 10 ART OWEAL DEVON
- 11 Robert Hinson Beach Expl.
- 12 Julie Lemond Beach Expl.
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

**Julie LeMond**

---

**From:** Muhlinghouse, Meg [Meg.Muhlinghouse@dv.com]  
**Sent:** Thursday, September 20, 2007 6:28 PM  
**To:** Julie LeMond  
**Subject:** RE: Eastland Queen Unit

Julie and Bob,

Devon will be at the meeting on Wednesday. Devon employees attending will be myself, Becky Lewis (geologist), and Art Oneal (engineer). I really look forward to a productive meeting and really hope that we can resolve any issues of concern. I will call you Monday or Tuesday when we firm up our travel plans. I look forward to seeing you guys Wednesday.

Thanks,  
Meg

---

**From:** Julie LeMond [mailto:jlemond@beachexp.com]  
**Sent:** Wednesday, September 19, 2007 11:10 AM  
**To:** Muhlinghouse, Meg  
**Subject:** Eastland Queen Unit

We are sending the attached letter via overnight mail but wanted to get a copy of it to you as quickly as possible.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

---

**Confidentiality Warning:** This message and any attachments are intended only for the use of the intended recipient(s), are confidential, and may be privileged. If you are not the intended recipient, you are hereby notified that any review, retransmission, conversion to hard copy, copying, circulation or other use of all or any portion of this message and any attachments is strictly prohibited. If you are not the intended recipient, please notify the sender immediately by return e-mail, and delete this message and any attachments from your system.

9/21/2007



October 9, 2007

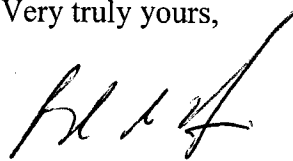
MYCO Industries, Inc.  
PO Box 840  
Artesia, New Mexico 88211  
Attn: Ms. Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

Please find enclosed Beach Exploration's offer to purchase all of Devon's right title and interest in and to the BBOC State No. 1, 2, 3, 4, Section 11, T19S, R29E, Eddy County, New Mexico. Our offer is based on the full value for the remaining primary reserves using \$65 WTI adjusted to Navajo's NM sour truck price with Devon's operating expenses that you provided.

Very truly yours,



Robert N. Hinson



October 9, 2007

Shari Hodges  
Myco Industries Inc.  
108 South Fourth Street  
Artesia, New Mexico 88210

Re: Purchase Offer  
BBOC State No. 1, 2, 3, 4  
Section 11: W/2 NW/4, W/2 NE/4  
T-19-S, R-29-E  
Eddy County, New Mexico

Dear Shari:

In accordance with our recent meeting, Beach would like to propose that you consider selling all of your right title and interest in the subject acreage and wells (limited in depth from the surface to the base of the Queen Formation or 2800' whichever is lesser) for a total consideration of \$205,000.00

Our offer is subject to the receipt by Beach of the final approval of the Eastland Queen Unit from the Oil Conservation Division and the State Land Office as well as the various ratifications and filings required in "Section 22. Effective Date and Term" of the Unit Agreement dated June 15, 2007. The effective date of sale will be the date of completion of said requirements, with payment to the seller by wire transfer within 30 days of said effective date.

Please consider our offer at your earliest convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. N. Hinson", is written over a horizontal line.

Robert N. Hinson

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Tuesday, October 09, 2007 11:03 AM  
**To:** Shari Darr Hodges (sharihodges@mycoinc.com)  
**Subject:** BBOC purchase offer

Please find purchase offer attached.

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

10/9/2007



Beach Exploration, Inc.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
(432) 683-6226  
(432) 683-1038 fax  
Julie Beach LeMond  
jlemond@beachexp.com

## facsimile transmittal

**To:** Shari Hodges  
MYCO Industries

**Fax:** 505-746-6038

**From:** Julie Beach LeMond  
Beach Exploration, Inc.  
Eastland Queen Unit

**Date:** 10/9/2007 2:20 PM

**Re:** Eddy County, New Mexico

**Pages:** 3 (including cover)

Shari —

The offer Beach made to Devon was  
slightly higher than MYCO's based on  
the NRI of each.



October 9, 2007

Devon Energy Corporation  
P.O. Box 108838  
Oklahoma City, Oklahoma 73101  
Attn: Ms. Meg Muhlinghouse

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Meg:

Please find enclosed Beach Exploration's offer to purchase all of Devon's right title and interest in and to the BBOC State No. 1, 2, 3, 4, Section 11, T19S, R29E, Eddy County, New Mexico. Our offer is based on the full value for the remaining primary reserves using \$65 WTI adjusted to Navajo's NM sour truck price with Devon's operating expenses that you provided.

Very truly yours,

Robert N. Hinson

cc: Mr. Art O'Neal



October 9, 2007

Devon Energy Corporation  
P.O. Box 108838  
Oklahoma City, Oklahoma 73101  
Attn: Ms. Meg Muhlinghause

Re: Purchase Offer  
BBOC State No. 1, 2, 3, 4  
Section 11: W/2 NW/4, W/2 NE/4  
T-19-S, R-29-E  
Eddy County, New Mexico

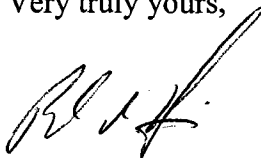
Dear Meg:

In accordance with our recent meeting, Beach would like to propose that you consider selling all of your right title and interest in the subject acreage and wells (limited in depth from the surface to the base of the Queen Formation or 2800' whichever is lesser) for a total consideration of \$250,000.00.

Our offer is subject to the receipt by Beach of the final approval of the Eastland Queen Unit from the Oil Conservation Division and the State Land Office as well as the various ratifications and filings required in "Section 22. Effective Date and Term" of the Unit Agreement dated June 15, 2007. The effective date of sale will be the date of completion of said requirements, with payment to the seller by wire transfer within 30 days of said effective date.

Please consider our offer at your earliest convenience.

Very truly yours,



Robert N. Hinson

cc: Mr. Art O'Neal

**Julie LeMond**

---

**From:** Julie LeMond [jlemond@beachexp.com]  
**Sent:** Tuesday, October 09, 2007 10:55 AM  
**To:** 'Meg Mullinghouse'  
**Cc:** 'art.oneal@dvn.com'  
**Subject:** BBOC State Wells

Please find our purchase offer attached

Julie B. LeMond  
BEACH EXPLORATION, INC.  
800 N. Marienfeld, Suite 200  
Midland, TX 79701  
432-683-6226  
432-683-1038 Fax  
[jlemond@beachexp.com](mailto:jlemond@beachexp.com)

10/9/2007



October 9, 2007

Sharbro Oil Ltd. Co.  
PO Box 840  
Artesia, New Mexico 88211  
Attn: Shari Hodges

Re: Eastland Queen Unit  
Eddy County, New Mexico

Dear Shari:

Please find enclosed Beach Exploration's offer to purchase all of Sharbro's 2.00% right title and interest in and to the BBOC State No. 1, 2, 3, 4, Section 11, T19S, R29E, Eddy County, New Mexico. Our offer is based on the full value for the remaining primary reserves using \$65 WTI adjusted to Navajo's NM sour truck price with the operating expenses for the BBOC State wells that Devon provided to Beach.

Please note that our offer letter to MYCO included only their 48% working interest and did not include Sharbro's 2.00%.

Very truly yours,

Robert N. Hinson



October 9, 2007

Sharbro Oil Ltd. Co.  
PO Box 840  
Artesia, New Mexico 88211  
Attn: Shari Hodges

Re: Purchase Offer  
BBOC State No. 1, 2, 3, 4  
Section 11: W/2 NW/4, W/2 NE/4  
T-19-S, R-29-E  
Eddy County, New Mexico

Dear Shari:

In accordance with our recent meeting, Beach would like to propose that you consider selling all of your right title and interest in the subject acreage and wells (limited in depth from the surface to the base of the Queen Formation or 2800' whichever is lesser) for a total consideration of \$8,500.00.

Our offer is subject to the receipt by Beach of the final approval of the Eastland Queen Unit from the Oil Conservation Division and the State Land Office as well as the various ratifications and filings required in "Section 22. Effective Date and Term" of the Unit Agreement dated June 15, 2007. The effective date of sale will be the date of completion of said requirements, with payment to the seller by wire transfer within 30 days of said effective date.

Please consider our offer at your earliest convenience.

Very truly yours,

Robert N. Hinson