

September 25, 2002

Sommer, Udall, Hardwick, Ahern & Hyatt, LLP  
P.O. Box 1984  
Santa Fe, NM 87504-1984

Attn: Mr. Joseph A. Sommer

Re: Martinez Well #1

Dear Mr. Sommer:

I am in receipt of your correspondences to Mr. Kirk Flowers dated August 16, 2002 and September 3, 2002. Your concerns expressed in these letters would lead me to believe that your ownership in this well has caused you an inordinate amount of time and aggravation. I hesitate to enter into a dialogue over the merits of each of our positions as I can tell that I would fall short in matching your scholarly arguments and thoughtful analysis. I can, however, empathize with your predicament as I have experienced many of the same issues during my previous ownership of a working interest in a well.

I would like to offer a solution to the problem and ask for your consideration of same. I am willing to recommend to Energen's management the following:

1. Energen will commit to selling your 8.333% gross working interest share of gas (7.291375% net after royalty) under the attached marketing agreement;
2. Energen will allow you to make up your underproduced gas imbalance at a rate of 40% over your gross working interest entitling you to a monthly 11.6662% share of production (10.207925% net) or Energen will agree to purchase the underproduced amount at a rate of \$1.25 per MCF;
3. I shall instruct our Accounting Department to reduce your outstanding JIB account by any COPAS overhead charges that were posted to the account during the period you did not sell your gas;
4. You may either pay the resulting JIB account in a lump sum or we can net it from your future gas revenues;
5. Should you desire to remove yourself from ownership in the Martinez #1, Energen would be willing to buy out your interest at a price determined by application of our standard economic valuation analysis for similar wells in the basin.

In the event you desire to have Energen sell your gas on your behalf, I am willing to recommend foregoing marketing charges but would require that you pay your share of monthly lease operating and COPAS overhead charges.

Please review this proposal and respond at your convenience.

Yours truly,

  
Paul Rote

Cc: Mr. Kirk Flowers

**ENERGEN**  
R E S O U R C E S

September 26, 2002

Mr. Joseph A. Sommer  
P.O. Box 1984  
Santa Fe, NM 87504

Re: Gas Marketing Arrangements for Energen Resources-Martinez #1 (#3132032A)  
SW4 of Section 2, Township 25, North Range 3 West N.M.P.M.,  
Rio Arriba County, New Mexico

Gentlemen:

The purpose of this letter is to evidence Joseph A. Sommer's ("Selling Party's") election to authorize Energen Resources to market Selling Party's share of gas produced from the Subject Well ("Selling Party's Gas") and set forth the terms and conditions under which Energen Resources shall agree to market Selling Party's Gas on Selling Party's behalf.

1. Authorization to Market. By its execution of this letter agreement, Selling Party hereby authorizes Energen Resources to market Selling Party's Gas for the same price and on the same terms and conditions as Energen Resources markets its share of gas from the Subject Well ("Energen Resources Gas"). Selling Party recognizes and agrees that Energen Resources' agreement to market Selling Party's Gas is an accommodation to Selling Party and in no way establishes any agency, fiduciary or other special relationship between Energen Resources and Selling Party. Selling Party further agrees that, so long as Energen Resources sells Selling Party's Gas on the same terms and conditions as Energen Resources sells Energen Resources' Gas, (i) Selling Party shall not assert any claims against Energen Resources arising out of any such sales of Selling Party's Gas and (ii) Selling Party shall indemnify Energen Resources and hold it harmless from and against any and all claims that may be asserted against Energen Resources by any party or parties claiming by, through or under Selling Party in connection with any such sales of Selling Party's Gas.

2. Leasehold Burdens. Energen Resources shall make settlements for production/severance taxes and all lessor's royalties, overriding royalties and other leasehold burdens associated with the sale of Selling Party's Gas, provided that Selling Party agrees to pay all additional costs and expenses that Energen Resources may incur in connection with the settlement of such leasehold burdens. Selling Party shall indemnify and hold Energen Resources harmless from and against any and all claims, damages, losses, costs, expenses and liabilities of whatsoever nature relating to Energen Resources' payment of any production/severance taxes, lessor's royalties, overriding royalties and other leasehold burdens on Selling Party's behalf.

Joseph A. Sommer  
September 25, 2002  
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3. Offset Rights. In the event Selling Party is in default in the payment of any sums due and owing to Energen Resources hereunder, Energen Resources shall have the right to (i) receive from all purchasers of production the proceeds attributable to the sale of Selling Party's Gas and (ii) deduct each month from the proceeds so received all sums due and owing to Energen Resources hereunder remitting the positive balance (if any) to Selling Party. By its execution of this letter agreement, Selling Party hereby authorizes and directs the purchasers of production to make direct payment to Energen Resources of all proceeds attributable to Selling Party's Gas.

4. Term. This letter agreement shall be effective as of 7:00 a.m. local time, on November 1, 2002 and shall continue in full force and effect until terminated by either party on sixty (60) days prior written notice to the other party; provided that if Selling Party's Gas is being sold pursuant to the terms of a Gas Contract that is not terminable without penalty or that does not otherwise expire within such sixty (60) day notice period, this letter agreement shall continue in full force and effect until the date that such Gas Contract is terminable without penalty or otherwise expires. Upon the termination of this letter agreement, Selling Party shall be responsible for making all arrangements necessary for the sale of Selling Party's Gas (and for the payment of all production/severance taxes, royalties, overriding royalties and other leasehold burdens associated therewith).

If the foregoing accurately sets forth our agreement with respect to the subject matter hereof, please execute two (2) copies of this letter in the space provided below and return one fully executed copy to the undersigned.

Sincerely,

ENERGEN RESOURCES CORPORATION

By:   
Name: Paul Rote  
Title: General Manager - Land

ACCEPTED AND AGREED TO  
this \_\_\_\_\_ day of \_\_\_\_\_, 2002:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

cc: Ann Harlan  
Mark Cox

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