

**CROSSLAND OIL & GAS**

P O Box 600070

Dallas, Texas 75360

Phone 214-621-7763 Fax 214-363-5734

1ST  
LETTER

CERT MAIL

Aug 10, 2003

REC.  
8.11.03

Mr. Steve Wentworth  
EOG Resources Inc.  
PO Box 2267  
Midland, Texas 79702-2267

**RE: Term Assignment**

*Top of Morrow down to 11,730 Feet covering 40 gross and 20 net acres NE1/4 of SE1/4 of Section 27 Township 18 South, Range 29 East NM. Lease No. 14775  
Eddy County, New Mexico*

Dear Mr. Steve Wentworth

Crossland Oil & Gas ("Crossland") hereby requests a Term Assignment from, EOG Resources Inc. ("EOG") covering captioned lands (the "lands") under the following terms and conditions:

- (1) A one year term assignment in the E1/2 Section 27 as to the above described lands and depths, for bonus consideration of \$100.00 acre, and also providing for retention by EOG of an overriding royalty interest equal to the difference between 25% and existing burdens.
- (2) On or before the one year term terminates Crossland shall have the right to commence or cause to be commenced operation for the drilling of a test well ("Initial Test Well") at a legal location of its choice on the lands to an approximate depth sufficient to test the Morrow formation.
- (3) By drilling and completing the Initial Test Well as a well capable of producing oil and or gas in commercial quantities, Crossland shall earn an assignment of EOG rights, title and interest in and to governmental proration unit dedicated to the Initial Test Well. The Assignment shall be limited in depth from Top of Morrow to the stratigraphic equivalent of the total depth drilled with MHR retain an overriding royalty interest equal to the difference between 1/4 and all lease burdens.
- (4) In the event the Initial Test Well is Timely drilled to Contract Depth and is plugged and abandoned, Crossland shall have earned the option to commence similar test wells ("Subsequent Wells") at legal location of its choice on the balance of land within 120 days from drilling rig release of the previous well drilled until a well has been drilled on each governmental proration unit in the lands. The Subsequent Wells shall be drilled under the same terms and conditions as stated herein for the Initial Test Well however, the contract Depth may vary.
- (5) EOG shall be entitled to all daily reports and copies of all geological and engineering data pertaining to any well drilled pursuant to this agreement.

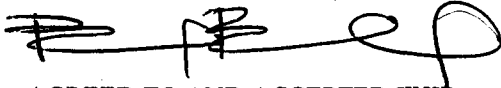
Before the Oil Conservation Division  
Santa Fe, New Mexico  
Case No. 13177 Exhibit No. 2  
Submitted by: Crossland Operating, LLC  
Hearing Date: November 7, 2003

- (6) The only penalty or failure by Crossland to timely commence operations of the initial Test Well or Subsequent Wells shall be the forfeiture of all rights granted Crossland not previously earned from EOG.

Should the foregoing proposal meet with your approval, please so indicate by executing in the space provided below and return a copy to my attention. Upon receipt, a formal agreement incorporating the terms and conditions hereof shall be furnished to you for your review and execution. Please contact me direct at (214) 621-7763 should you have any questions. Thank you for your consideration.

Sincerely,

Barry Bradford



AGREED TO AND ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2003

By: \_\_\_\_\_

Title: \_\_\_\_\_

~~SECRET~~  
2ND

September 30, 2003

LETTER  
Mr. Pat Tower  
EOG Resources, Inc.  
P.O. Box 2267  
Midland, TX 79702

REC., OCT. 3, 2003  
CERT MAIL.

CERTIFIED MAIL

RE: Offer to Participate;  
Empire A Federal Re-entry;  
Contract Area: E/2 of Section 27, T-18-S, R-29-E, Eddy County, New Mexico;  
Interest owned by EOG Resources: 6.25%

7002 2030 0001 8489 7949

Dear Mr. Tower:

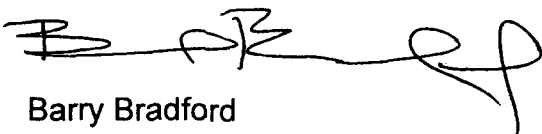
Currently 93.75% of the working interest owners in the contract area have accepted Crossland's Term Assignment Offer that provides the following terms:

Consideration:	\$100.00 per net leasehold acre
Term:	One (1) year
Royalty:	an overriding royalty interest equal to the difference between current lease burdens and 25%

Since we have not heard from you in regard to our Term Assignment Offer to EOG Resources dated August 10, 2003, we want to offer EOG Resources the opportunity to participate in our re-entry attempt as evidenced by the enclosed AFE. Please advise us in the very near future as to whether you are interested in participating or assigning your interest, as we are intending to proceed with this project as soon as possible.

Thank you for your consideration and we look forward to hearing from you at your earliest convenience.

Sincerely,



Barry Bradford  
Enclosure

## CROSSLAND OPERATING LLC

## AUTHORITY FOR EXPENDITURE (AFE)

AFE #: 1 Date: 29-Sep-03 ☒ Original  
☐ Supplemental  
 Lease: Empire A Federal Re-entry Well #: 2 Well Type: Exploratory/Oil  
 Location: 1650 FNL & 660 FEL, Sect 27 County: Eddy State: New Mexico  
18S-29E, Eddy County  
 Prospect: \_\_\_\_\_ Objective: Lower Morrow Proposed TD: 11650

Purpose of Expenditure: Re-entry of D&A well and complete in lower Morrow.

CODE	INTANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Surveying	750	0	750
	Staking & Permitting	2,500	0	2,500
	Location, Roads & Damages	15,000	0	15,000
	Lease Restoration	0	0	0
	Mobilization/Demobilization	45,000	0	45,000
	Drilling - Footage @ /Ft	0	0	0
	Drilling - Daywork 6 @ \$8,000 /Day	48,000	0	48,000
	Drilling - Directional @	0	0	0
	Completion Rig 10 @ \$2,000 /Day		20,000	20,000
	Fuel, Power & Lubricants 6 950	5,700	0	5,700
	Bits, Reamers & Stabilizers	15,000	0	15,000
	Drilling & Completion Fluids	12,000	1,000	13,000
	Water	2,500	2,000	4,500
	Mud Logging 0 @ \$650 /Day	0	0	0
	Drill Stem Tests (1 tests)		0	0
	Coring Services	0	0	0
	Logging - Open Hole & Sidewall Cores		0	0
	Cement & Services - Surface	0	0	0
	Cement & Services - Squeeze Work		0	0
	Cement & Services - Production		23,000	23,000
	Perforating & Cased Hole Logs	0	15,000	15,000
	Casing Crews/Laydown Machine	0	2,000	2,000
	Acidizing, Fracturing & Stimulation	0	110,000	110,000
	Rental Equipment	10,000	8,000	18,000
	Installation - Production Facilities	0		0
	Inspection & Testing	0	0	0
	Transportation	2,000	1,000	3,000
	Miscellaneous Labor	3,000	1,000	4,000
	Engineering & Geological Services	5,000	4,500	9,500
	Overhead	2,000	1,400	3,400
	Supervision	4,500	6,500	11,000
	Sand Blast & Coat Casing	0	0	0
	Contingencies	8,500	10,000	18,500
	Gross Receipts Tax	9,500	8,800	18,300
	<b>TOTAL INTANGIBLE EXPENSE</b>	<b>190,950</b>	<b>214,200</b>	<b>405,150</b>

CODE	TANGIBLE EXPENSE	DRILLING	COMPLETION	TOTAL
	Casing - Conductor of @ /Ft		0	0
	Casing - Surface 0 of 0 @ \$0.00 /Ft	0	0	0
	Casing - Intermediate 0 of 0 @ \$0.00 /Ft	0	0	0
	Casing - Intermediate 0 of 0 @ \$0.00 /Ft	0	0	0
	Casing - Production 8,000 of 5 1/2" @ \$6.80 /Ft	0	54,400	54,400
	Casing - Production 3,500 of 5 1/2" @ \$6.55 /Ft	0	22,925	22,925
	Tubing 11,300 of 2 3/8" @ \$2.30 /Ft	0	25,990	25,990
	Float & Other Equipment/Liner Hanger	0	2,500	2,500
	Wellhead Equipment, Tree	6,500	15,000	21,500
	Sucker Rods	0	0	0
	Down Hole Pump	0	0	0
	Packer/TAC	0	14,000	14,000
	Pumping Unit & Prime Mover	0	0	0
	Tank Battery & Storage Facilities	0	17,000	17,000
	Separator/Heater Treater/Dehydrator	0	10,000	10,000
	Meters & Flowlines	0	3,500	3,500
	Miscellaneous Valves & Fittings	0	1,000	1,000
	Contingencies	3,518	3,300	6,818
	<b>TOTAL TANGIBLE EXPENSE</b>	<b>10,018</b>	<b>188,615</b>	<b>178,634</b>
	<b>TOTAL WELL COST</b>	<b>200,969</b>	<b>383,815</b>	<b>584,784</b>
	<b>WORKING INTEREST 6.25% EOG SHARE</b>	<b>12,341</b>	<b>23,888</b>	<b>36,330</b>

NOTE: THIS AFE IS ONLY AN ESTIMATE. BY RETURNING ONE APPROVED COPY, YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

Partner Approval:

Prepared

By:

A.J. Beilman, Petroleum Engineer

Company:

EOG RESOURCES, INC.

Approved

By:

Barry Bradford

Approved

By:

Title:

Title:

Date:

Date:

DISTRICT I  
P.O. Box 1266, Hobbs, NM 88241-1266

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer 80, Artesia, NM 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
P.O. Box 2088, Santa Fe, N.M. 87504-2088

# OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name EMPIRE "A" FEDERAL COM	Well Number 2
OGRIID No.	Operator Name INTERCOAST OIL AND GAS COMPANY	Elevation 3434

### Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	27	18 S	29 E		1650	NORTH	660	EAST	EDDY

### Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320 E/2			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<b>OPERATOR CERTIFICATION</b>  I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  <u>R. C. Francis</u> Signature  <u>R. C. Francis</u> Printed Name  <u>Director of Drilling</u> Title  <u>5/5/97</u> Date
	<b>SURVEYOR CERTIFICATION</b>  I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.  APRIL 14, 1997 Date Surveyed DMCC Signature <u>Ronald S. Edson</u> Professional Surveyor   Certificate No. <u>JOHN W. SEAT</u> 676 <u>RONALD S. EDSON</u> 3239 <u>CARY ARTHUR</u> 12641

## 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:

EOG RESOURCES  
P.O. BOX 2267  
MIDLAND TX  
79702

2. Article Number

(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

8-11-03

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

## 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:

EOG RESOURCES  
P.O. BOX 2267  
MIDLAND, TX  
79702

2. Article Number

(Transf)

7002 2030 0001 8489 7849

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

## COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

10-3-03

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