

BURLINGTON RESOURCES

SAN JUAN DIVISION

April 22, 1997

Lee Wayne Moore and
JoAnn Montgomery Moore
Trustees of the Moore Loyal Trust,
U/T/A dated August 20, 1979
403 N. Marienfield
Midland, TX 79701

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	Q
CASE NO.	11808 + 11809

**RE: Acreage Support Proposal
Deep Penn Test
T31N, R10W
T31N, R11W
Arch Rock Prospect
San Juan County, New Mexico**

Gentlemen:

Burlington Resources Oil & Gas Company (Burlington) is in need of your acreage support for a high risk 14,000' Penn test. Mr. Lee Wayne Moore, you acquired your interest in the subject lands in 1955. The Deep Penn was never contemplated in 1955, especially with the possibility of encountering H2S and other environmental liabilities. We strongly recommend that you consider a Farmout of the interest as a prudent business decision and limit the Trust's liability. If our efforts bear success then the interest will bring in new revenues to help replace the old production on the subject lands. We solicit your cooperation to allow Burlington to take the risk. Please find enclosed a Farmout Proposal covering your acreage in the subject project. Burlington would also like to offer the following alternatives to a farmout for your consideration:

- 1.) Purchase all your non-productive leasehold rights owned and set forth on the attached Exhibit "A" to the farmout letter. The terms offered are \$100.00 per net acre plus a 5% overriding Royalty (but in no event delivering less than an 80% Net Revenue Interest Lease) proportionality reduced. The depths covered by an assignment shall include all your rights below the base of the Mesaverde formation. The bonus consideration for your acreage is \$14,927.00 (149.27 Net Acres).
- 2.) Participate with your interest in the drilling and completion of a 14,000' Penn Test with an estimated cost of \$2,316,973.00 (see attached letter with AFE and JOA). The well will be covered by a mutually acceptable AAPL Model Form 610-1982 Operating Agreement with a 400% non-consent penalty and no Preferential Right to Purchase Provision. The JOA shall cover a 640 acre drill block section.