

Tom E. Moore
403 N. Marienfeld
Midland, Texas 79701
(915) 682-8697

July 1, 1997

Mr. James Strickler
Burlington Resources
P.O. Box 4289
Farmington, NM 87499-4289

Re: Marcotte #2 Well
Section 8, T31N - R10W
639.78 acres, more or less
San Juan County, NM

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	✓
CASE NO.	11808 ↓ 11809

Mr. Strickler:

The Moore Loyal Trust proposes to farm out their interest in Section 8 - T31N-R10W, San Juan County, NM to Burlington Resources on the following basis:

- A. Moore will deliver to Burlington a 60% NRI Lease, thus reserving to Farmor an overriding royalty equal to 27.5%, proportionately reduced.
- B. At payout of initial test well, Moore shall have the option to convert the reserved overriding royalty to a 40% working interest, proportionately reduced.
- C. In the event that the Marcotte #2 is a non-commercial well, Moore's full, not reduced, interests shall be reassigned to him within 30 days.
- D. In the event that the Marcotte #2 is non-commercial and is utilized in any revenue earning capacity, Moore shall share, at no reduction of interest, in the monies.
- E. This farmout proposal applies only to Section 8, T31 - R10 of San Juan County, New Mexico and does not commit Moore's interest in any other sections or areas.
- F. The drilling of the Marcotte #2 must commence by September 1, 1997.

James, if this proposal meets with your approval, please draw up the agreement and send it to me.

Thank you for your help with this problem.

Sincerely,

Tom E. Moore

TEM/pb