

BURLINGTON RESOURCES

SAN JUAN DIVISION

April 22, 1997

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>Q</u>
CASE NO. <u>11808 + 11809</u>

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

**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:

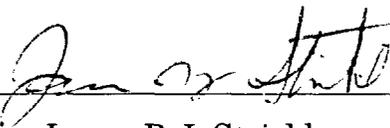
- 1.) Purchase all your non-productive leasehold rights owned and set forth on the attached Exhibit "A" to the farmout letter. The terms offered are \$100.00 per net acre plus a 5% overriding Royalty (but in no event delivering less than an 80% Net Revenue Interest Lease) proportionality reduced. The 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.

Moore Loyal Trust
April 22, 1997
Page 2

Burlington is hopeful that you will find one of the above offers including the farmout proposal to your satisfaction. As always time is of the essence on putting together this type of prospect. Please respond with your election to one of our proposals within thirty (30) days of your receipt or sooner if possible.

We look forward to hearing from you soon and please don't hesitate to call me at (505) 326-9756 if you should have any questions.

Yours very truly,

By: 

James R.J. Strickler
Senior Staff Landman

JRS/ll
farm_mor

_____ **Participate for the Moore Loyal Trust proportionate share of a deep test well located in Section 8, T31N-R10W. Please see the attached AFE and Operating Agreement.**

_____ **Sell the Moore Loyal Trust interest in the referenced leases below the base of the Mesaverde formation to Burlington Resources for \$100.00 per net acre retaining a 5% overriding royalty interest, proportionately reduced.**

_____ **Farmout the Moore Loyal Trust interest in t he prospect as outlined on the attached Farmout letter.**

AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 1997.

**LEE WAYNE MOORE AND JOANN MONTGOMERY MOORE,
TRUSTEES OF THE MOORE LOYAL TRUST, U/T/A dated
August 20, 1979**

By: _____

Name: Lee Wayne Moore, Trustee

By: _____

Name: JoAnn Montgomery Moore, Trustee

BURLINGTON RESOURCES

SAN JUAN DIVISION

April 22, 1997

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JoAnn Montgomery Moore
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PLEASE RETURN TO
LAND-FARMINGTON

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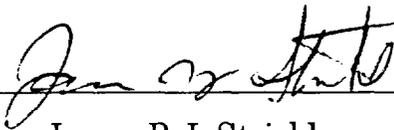
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