

# 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.	<u>R</u>
CASE NO.	<u>11808 + 11809</u>

**RE: Farmout Letter of Intent  
Sections 3-10, 15-18: T31N, R10W  
Sections 1,2,3,10,11,12,13,14,15,& 23, T31N, R11W  
Arch Rock Prospect  
San Juan County, New Mexico**

Gentlemen:

Burlington Resources Oil & Gas Company (hereinafter referred to as "Burlington") hereby requests that you grant an Farmout Agreement of the interest of the Moore Loyal Trust listed on Exhibit "A" (collectively referred to as "Farmor"), in Sections 3-10, 15-18: T31N, R10W and Sections 1,2,3,10,11,12,13,14,15 & 23: T31N, R11W, San Juan County, New Mexico, insofar as Farmor's interest covers undeveloped depths below the base of the Mesaverde formation (hereinafter referred to as the 'Farmout Lands'), on the following terms and conditions:

- 1) On or before January 1, 1998, Burlington will have the right to commence drilling of an Initial Test Well at a legal location in Section 8, T31N, R10W, San Juan County, New Mexico, and drill said Initial Test Well with due diligence to a depth of 14,000', or a depth sufficient to penetrate and test the Pennsylvanian formation, whichever is the lesser depth. Please see the attached Exhibit "A" identifying Farmor's leasehold acreage and ownership in the farmout lands.
- 2) If the Initial Test Well is completed in the Farmout Lands as a commercial producer of oil and/or gas, Burlington will earn an assignment of 100% of Farmor's interest, if any, within the production unit established for the Initial Test Well, reserving to Farmor an overriding royalty equal to 5% of 8/8 on any lease (but in no event delivering less than an 80% net revenue interest), of all oil, gas and other minerals allocated to production from the farmout lease, proportionately reduced.

At payout of said Initial Test Well, Farmor shall have the option to convert the reserved overriding royalty to a 25% working interest proportionately reduced. Burlington shall notify Farmor by mail when payout of the earning well occurs, and Farmor shall have 30 days from receipt of such notice to elect to convert its Overriding Royalty Interest into a Working Interest herein provided or retain its Overriding Royalty Interest.

- 3) In the event the Initial Test Well is drilled in a timely manner set out above, Burlington will earn the right to drill an Option Well at another location within the Farmout Lands, or acreage pooled therewith, within 365 days from the date of drilling rig release on the Initial Test Well, and earn an assignment of Farmor's interest in the Option Well's production unit under the same terms and conditions as for the Initial Test Well. There is a possibility of H<sub>2</sub>S gas which necessitates the building of a treatment plant and appropriate infrastructure to produce a sour Pennsylvanian well. The Option Well to be drilled to the same formation as the Initial Test Well. Burlington is contemplating 640 acre spacing with 1200' set backs from the sections or Unit Lines for Pennsylvanian production.
  
- 4) Burlington shall have the right and option to earn the remainder of Farmor's leasehold in the Farmout Lands, on a unit by unit basis, under the same terms and conditions as the Initial Test Well by allowing not more than 180 days to elapse between completion of one Option Well and commencement of another Option Well. The 180 day continuous development program shall be extended in the event the BLM and NMOCD, other regulatory agency or force majeure delay the timely issue of permits necessary to drill on the Farmout Lands. The BLM indicates an Environmental Impact Statement (EIS) may be required in the event a successful discovery well is drilled and completed. This possibility may delay the approval of the permits to drill additional wells on the Farmout lands within the original 180 day time frame.

- 5) Burlington agrees to use good field practice and industry standards in the drilling of each well. Burlington further agrees to furnish to Farmor the well data as set out in Farmor's Well Data Requirement Sheet (limited to data scheduled to be obtained in Burlington's drilling and completion program).
- 6) Farmor and Burlington agree to enter into a definitive Farmout Agreement that will 1) describe in more detail the terms and conditions under which Farmor is farming out its lands to Burlington, 2) includes as an exhibit an AAPL Model Form 610-1982 Operating Agreement with a 400% non-consent penalty and no preferential right provision.
- 7) Failure of Burlington to drill the Initial Test Well will result in a forfeiture of Burlington's right to earn an assignment of Farmor's leasehold interest under this Agreement.
- 8) In the event Burlington is unable to reach the intended formation in any Initial Test Well or any Option Well, because further drilling becomes impractical, Burlington may commence to drill a substitute well within 90 days and, if completed as a commercial producer, earn the rights that would have been earned by the well for which it is a substitute.
- 9) Burlington may assign part of any, rights and obligations hereunder to Conoco Inc., but may not assign part of any such interest to any other party without the consent of Farmor.

All operations shall be conducted at Burlington's sole expense and in a proper and workmanlike manner and in accordance with all applicable laws and regulations of the

constituted authorities, and Burlington shall defend, indemnify and hold Farmor and its officers, directors, agents, employees and invitees harmless from all liability for damage (including attorney's fees) to the person (including death) and/or property of all persons arising from Burlington's performance or non-performance of operations conducted hereunder.

If this Farmout Letter of Intent meets with your approval, please execute a copy of same and return to the undersigned within thirty (30) days from the date hereof. Please respond sooner if at all possible to allow us time to overcome the regulatory and logistical hurdles necessary to permit and drill the Initial Test Well. . If you should have any questions concerning our Farmout request, please call me at (505) 326-9756.

Yours very truly,

Burlington Resources Oil & Gas Company

  
James R.J. Strickler  
Senior Staff Landman

JRS/l  
farm\_mor.doc

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

EXHIBIT "A"

Fee Lease Summary

DESC	%INT	GR AC	NET AC
T31N, R11W	6.25%	1,278.87	79.929375
Sec 2: SW $\frac{1}{4}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$			
Sec 3: Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$			
Sec 12: NE $\frac{1}{4}$ SE $\frac{1}{4}$			
Sec 14: SE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$			
Sec 23: SE $\frac{1}{4}$ NE $\frac{1}{4}$			
T31N, R10W			
Sec 4: Pt of L4 and SW $\frac{1}{4}$ NW $\frac{1}{4}$ lying S of Animas River, less:			
(a) RR ROW			
(b) Beg at pt 431.8 feet N of 1/16th corner stone in SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec 4, thence N 1220 feet into Animas River, thence W along River 180 feet, thence S 1325 feet, thence E 180 feet to POB.			
(c) Pt of SW $\frac{1}{4}$ NW $\frac{1}{4}$ "above" Inca Canal			
5: NW $\frac{1}{4}$ SE $\frac{1}{4}$ W of RR ROW, Lot 1 and SE $\frac{1}{4}$ NE $\frac{1}{4}$ N of Animas River, less RR ROW			
6: Lot 1, 6,7, S $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$			
7: Lots 3,4, S $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , Pt SE $\frac{1}{4}$ SE $\frac{1}{4}$ E of River			
8: NE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ W of Animas River, also:			
(a) Pt of SE $\frac{1}{4}$ NW $\frac{1}{4}$ and NE $\frac{1}{4}$ SW $\frac{1}{4}$ lying E of RR ROW			
(b) Beg at NW corner of SE $\frac{1}{4}$ NW $\frac{1}{4}$ , thence E along N line of said 40, 576 $\frac{1}{2}$ feet to a pt, thence in a Southerly direction parallel with the W line of RR ROW 300 feet to a pt, thence W to W line of said 40, thence N along W line of said 40, 300 fet to POB.			
(c) Pt of SW $\frac{1}{4}$ NW $\frac{1}{4}$ lying N of Sand Arroya and E of Animas River			
(d) Pt of S $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ E of Animas River			
(e) Pt of SW $\frac{1}{4}$ NW $\frac{1}{4}$ W of Animas River			
(f) RR ROW as it crosses E $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$			
17: S $\frac{1}{2}$ SE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ less RR ROW			
18: Lot 1, NE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ S of Animas River, NE $\frac{1}{4}$ S & E of River, LESS the following:			
(a) Beg at Center of Sec 18, th N on subdiv line 345 feet to Animas River, th along River N55degE 389 feet to waste ditch of Aztec Ditch, th S80deg15'E along S line of said waste ditch 865 feet to Aztec Ditch, th SW along W line of Aztec Ditch to W line of Aztec-Durango public road, th along W line of said road to pt in S line of NE $\frac{1}{4}$ of Sec 18, th W on subdiv line 735 to POB.			
(b) Tr in NE $\frac{1}{4}$ : Beg at intersec of Aztec Ditch with Aztec-Durango hiway, th NE 513 feet along W line of said hiway th N 106 feet to E line of Aztec Ditch, th along ditch to POB.			
T31N, R10W	3.125%	95.00	2.96875
Sec 5: Lot 3 S& E of River			
T31N, R11W			
Sec 14: SW $\frac{1}{4}$ SW $\frac{1}{4}$			
Sec 23: NW $\frac{1}{4}$ NW $\frac{1}{4}$			
T31N, R10W			
Sec 8: E $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ less 1 ac	4.1663%	139.00	5.791157
Sec 9: NW $\frac{1}{4}$ NW $\frac{1}{4}$			
T31N, R11W			
Sec 1: NE $\frac{1}{4}$ SE $\frac{1}{4}$	6.25%	448.60	28.0375
12: W $\frac{1}{2}$ SW $\frac{1}{4}$			
13: W $\frac{1}{2}$ , 8.6 ac in SW $\frac{1}{4}$ SE $\frac{1}{4}$			

TOTALS

1,961.47

116.726782

**EXHIBIT "A"**  
**Federal Lease Summary**

<b>LEASE #</b>	<b>DESC</b>	<b>GR AC</b>	<b>NET AC</b>
SF-078040-A	T31N, R11W Sec. 01: SW/4, W/2 SE/4, SE/4 SE/4 Sec. 12: E/2 SW/4	360.00	22.50
SF-079269	T31N, R11W Sec. 12: NW/4	<u>160.00</u>	<u>10.00</u>
	TOTALS FOR FEDERAL LEASES	520.00	32.50
	<b>GROSS TOTALS</b>	<b>2,481.47</b>	<b>149.27</b>

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SAN JUAN DIVISION

April 22, 1997

Lee Wayne Moore and  
JoAnn Montgomery Moore  
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PLEASE RETURN TO  
LAND-FARMINGTON

**RE: Farmout Letter of Intent  
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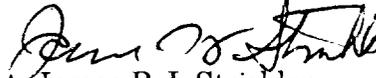
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Senior Staff Landman

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farm\_mor.doc

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