



**Cross Timbers Oil Company**

December 18, 1998

**CERTIFIED MAIL**

Richard P. Shooshan, Trustee of  
the Shooshan Family Trust  
686 E. Union St.  
Pasadena, CA 91101-1820

RE: New Drill  
Federal A #1E Well  
W/2 Unit  
NW/4 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owner:

Cross Timbers Oil Company (CTOC), as successor operator to Amoco Production Company, hereby proposes to drill the above captioned well to a depth of 6,700' to the Dakota Formation. Our proposed location is 1190' FNL and 1190' FWL of the Section. Our records indicate that the Shooshan Family Trust has a working interest of .35840%. Enclosed please find a copy of our AFE which provides for a dry hole cost of \$196,100 and a completed well cost of \$363,500.

Enclosed also please find a Joint Operating Agreement for this W/2 Unit that covers from the Dakota Formation. Please review the Agreement and should you elect to participate, forward a signed signature page along with an executed AFE to the undersigned. CTOC is prepared to drill this well as soon as possible, so your immediate response would be greatly appreciated. Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosures

cc: Jerry Stadulis                    Gary Markstead  
Larry McDonald                    Bobby Smith  
Gary Burch

<p>ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED DATE 11/10/01 BY 3A</p>
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## Cross Timbers Oil Company

December 18, 1998

### CERTIFIED MAIL

Hugoton Energy Corporation  
P.O. Box 970240  
Dallas, TX 75397-0240

RE: New Drill  
Federal A #1E Well  
W/2 Unit  
NW/4 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owner:

Cross Timbers Oil Company (CTOC), as successor operator to Amoco Production Company, hereby proposes to drill the above captioned well to a depth of 6,700' to the Dakota Formation. Our proposed location is 1190' FNL and 1190' FWL of the Section. Our records indicate that Hugoton Energy Corporation has a working interest of 2.5000%. Enclosed please find a copy of our AFE which provides for a dry hole cost of \$196,100 and a completed well cost of \$363,500.

Enclosed also please find a Joint Operating Agreement for this W/2 Unit that covers from the Dakota Formation. Please review the Agreement and should you elect to participate, forward a signed signature page along with an executed AFE to the undersigned. CTOC is prepared to drill this well as soon as possible, so your immediate response would be greatly appreciated. Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosures

cc: Jerry Stadulis            Gary Markstead  
Larry McDonald        Bobby Smith  
Gary Burch



# Cross Timbers Oil Company

December 18, 1998

## CERTIFIED MAIL

Mathias Family Trust Dated 9-9-81  
Eugene P. Mathias and Barbara J.  
Mathias, Trustees  
452 Maidstone Lane  
Thousand Oaks, CA 91320

RE: New Drill  
Federal A #1E Well  
W/2 Unit  
NW/4 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owner:

Cross Timbers Oil Company (CTOC), as successor operator to Amoco Production Company, hereby proposes to drill the above captioned well to a depth of 6,700' to the Dakota Formation. Our proposed location is 1190' FNL and 1190' FWL of the Section. Our records indicate that Mathias Family Trust dated 9-9-81 has a working interest of .6892%. Enclosed please find a copy of our AFE which provides for a dry hole cost of \$196,100 and a completed well cost of \$363,500.

Enclosed also please find a Joint Operating Agreement for this W/2 Unit that covers the Dakota Formation. Please review the Agreement and should you elect to participate, forward a signed signature page along with an executed AFE to the undersigned. CTOC is prepared to drill this well as soon as possible, so your immediate response would be greatly appreciated. Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosures

cc: Jerry Stadulis            Gary Markstead  
Larry McDonald            Bobby Smith  
Gary Burch



Cross Timbers Operating Company

AUTHORITY FOR EXPENDITURE

AFE No. \_\_\_\_\_ Lease Name Federal A Well No. 1E  
 Description 1190' FNL & 1190' FWL of Sec 32, T28N, R10W County San Juan  
 State New Mexico Area Farmington Operator CTOC  
 Project Drill & Complete Dakota Gas Well Prepared by MAG/BLS TRZJ R Smith  
 Exploration \_\_\_\_\_ Development X Recompletion \_\_\_\_\_ T.D. \_\_\_\_\_ 6,700 Date 12/9/98

*Frm 12/9/98*

24x_xx		INTANGIBLE	TANGIBLE	TOTAL
8-01	CONDUCTOR HOLE / RATHOLE			\$0
8-01	DAYWORK DRILLING \$6000/day x 10 days	\$60,000		\$60,000
8-01	FOOTAGE DRILLING			\$0
8-01	MOVING RIG	\$12,000		\$12,000
8-01	TURNKEY DRILLING			\$0
8-03	CONTRACT LABOR	\$4,000		\$4,000
8-04	TRUCKING	\$5,000		\$5,000
8-05	LOCATION / ROADS / PITS	\$14,000		\$14,000
8-06	MUD / CHEMICALS	\$12,000		\$12,000
8-06	WATER & WATERLINES	\$9,000		\$9,000
8-07	DST / WL FORMATION TESTING			\$0
8-08	OPEN HOLE LOGS	\$11,000		\$11,000
8-09	CEMENT & CEMENTING SERVICES	\$3,500		\$3,500
8-10	DRILL BITS one - 12 1/4", three - 7-7/8"	\$20,000		\$20,000
8-10	POWER & FUEL	\$2,000		\$2,000
8-11	CASING CREWS, TOOLS & TONGS			\$0
8-12	RENTAL TOOLS & EQUIPMENT	\$4,000		\$4,000
8-15	CORING & CORE ANALYSIS			\$0
8-16	PUMP TRUCKS & SERVICES			\$0
8-17	GEOLOGY / ENGINEERING / SUPERVISION 10 days @ \$500/day	\$5,000		\$5,000
8-18	MUD LOGGING UNIT	\$5,000		\$5,000
8-18	DIRECTIONAL TOOLS & SERVICE			\$0
8-18	FISHING TOOLS & SERVICE			\$0
8-21	LAND DAMAGES / LEGAL WORK	\$10,000		\$10,000
9-01	OVERHEAD 10 days @ \$250/day	\$2,500		\$2,500
9-01	CONDUCTOR PIPE			\$0
9-01	INTERMEDIATE CASING			\$0
9-01	SURFACE CASING 8 5/8" @ 350'		\$2,500	\$2,500
9-03	BRADENHEAD		\$600	\$600
9-10	NON-CONT. TANG. EQUIP. DRLG.			\$0
<b>CONTINGENCIES 5% of INTANGIBLE / TANGIBLE COSTS</b>		\$9,000		\$9,000
<b>TOTAL COST TO CASING POINT</b>		\$188,000	\$3,100	\$191,100
<b>PLUG &amp; ABANDONMENT</b>		\$5,000		\$5,000
<b>TOTAL COST IF DRY HOLE</b>		\$193,000	\$3,100	\$196,100
8-02	COMPLETION UNIT 5 days @ \$2100/day	\$10,500		\$10,500
8-03	CONTRACT LABOR	\$5,000		\$5,000
8-03	INSTALLATION OF SERVICE EQUIPMENT			\$0
8-04	TRUCKING	\$4,000		\$4,000
8-05	FILL PITS & DRESS LOCATION	\$2,500		\$2,500
8-06	CHEMICAL PRODUCTS			\$0
8-06	WATER TRANSPORTS	\$5,000		\$5,000
8-07	CASED HOLE WIRELINE SERVICES	\$3,000		\$3,000
8-09	CEMENT & CEMENTING SERVICES	\$22,500		\$22,500
8-11	CASING CREWS, TOOLS & TONGS	\$2,800		\$2,800
8-11	RENTAL TOOLS & EQUIPMENT			\$0
8-15	FRAC PIT / LINER			\$0
8-15	FRAC TANK RENTALS	\$3,000		\$3,000
8-15	PUMP TRUCKS & SERVICES			\$0
8-15	STIMULATION SERVICES 1 Acid BD, 1 Sand Frac	\$40,000		\$40,000
8-16	ENGINEERING / SUPERVISION 5 days @ \$500/day	\$2,500		\$2,500
8-18	FISHING TOOLS & SERVICES			\$0
8-18	LEGAL WORK			\$0
8-18	PLUG & ABANDONMENT			\$0
8-21	OVERHEAD 5 days @ \$250/day	\$1,300		\$1,300
9-01	PRODUCTION CASING / LINER 4 1/2" @ 6700'		\$27,600	\$27,600
9-02	TUBING 2 3/8" @ 6600'		\$14,600	\$14,600
9-03	TUBINGHEAD / X-MAS TREE		\$8,000	\$8,000
9-04	ARTIFICIAL LIFT EQUIPMENT			\$0
9-04	SUBSURFACE EQUIPMENT / SALVABLE			\$0
9-05	SEPARATION EQUIPMENT / GAUGES		\$10,000	\$10,000
9-05	TANKS / WALKS / STAIRWAYS 1 each 20, 100, 300 Bbl		\$3,000	\$3,000
9-09	FLOWLINES & FITTINGS		\$2,000	\$2,000
9-10	NON-CONT. TANG. EQUIP. COMPL.			\$0
<b>CONTINGENCIES 5% of INTANGIBLE / TANGIBLE COSTS</b>		\$5,100		\$5,100
<b>TOTAL COST TO COMPLETE &amp; EQUIP</b>		\$107,200	\$65,200	\$172,400
<b>TOTAL WELL COST</b>		\$295,200	\$68,300	\$363,500

OPERATOR	BY <i>R. Packer</i>	WI %	DATE <u>11/29/98</u>
COMPANY	BY	WI %	DATE
COMPANY	BY	WI %	DATE
COMPANY	BY	WI %	DATE
COMPANY	BY	WI %	DATE
COMPANY	BY	WI %	DATE



**Cross Timbers Oil Company**

January 7, 1999

Working Interest Owners  
(See Attached List)

RE: Federal A #1E Well  
W/2 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owners:

Enclosed please find a revised Exhibit "A" to the JOA for the above captioned well updating several parties interest and addresses. Also enclosed please find a new page 2 to the JOA correcting an error in the blank on line 15. Please insert both of these into the agreement for your files. If you have not returned your executed AFE and JOA please attempt to do so as soon as possible.

Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosures

WORKING INTEREST OWNERS  
FEDERAL A #1E

Cross Timbers Operating Company  
810 Houston Street, Suite 2000  
Fort Worth, Texas 76102-6298

Cheasapeake Mid-Continent Corp.  
P.O. Box 18496  
Oklahoma City, OK 73154

Mathias Family Trust dtd 9-9-81  
452 Maidstone Lane  
Thousand Oaks, CA 91320

Richard P. Shooshan, Trustee  
of the Shooshan Family Trust  
686 E. Union St.  
Pasadena, CA 91101-1820

Virginia L. Mullin  
1 Churchill Drive  
Englewood, CO 80110

Bernard Hyde Trust,  
Bernard Hyde Trustee  
28242 Yanez  
Mission Viejo, CA 92692-1836

William L. Floyd, Jr  
16E 77th Street #5A  
New York, New York 10021-1723

Rita Treasa Floyd  
4901 Saratoga Blvd., Apt 828  
Corpus Christi, TX 78413

Leon M. DuCharme Marital Trust  
2617 South Wadsworth Circle  
Lakewood, CO 80277-3220

Rita Mae DuCharme  
2617 South Wadsworth Circle  
Lakewood, CO 80277-3220

B.B.L., Ltd.  
P.O. Box 911  
Breckenridge, TX 76424-0911

States, Inc.  
P.O. Box 911  
Breckenridge, TX 76424-0911

Chateau Energy, Inc.  
5950 Berkshire Ln #275  
Dallas, TX 75225-5846



# Cross Timbers Oil Company

January 15, 1999

Working Interest Owners  
(See Attached List)

RE: Federal A #1E Well  
W/2 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owners:

Enclosed please find a new page 4 to the Exhibit "C" COPAS, attached to the Joint Operating Agreement dated December 18, 1998. Cross Timbers has lowered the producing rate for this well from \$500.00 per month to \$350.00. Please insert this page into the agreement and delete the original page in your files. If you have not returned your executed AFE and JOA please attempt to do so as soon as possible.

Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosure

WORKING INTEREST OWNERS  
FEDERAL A #1E

Cross Timbers Operating Company  
810 Houston Street, Suite 2000  
Fort Worth, Texas 76102-6298

Mathias Family Trust dtd 9-9-81  
452 Maidstone Lane  
Thousand Oaks, CA 91320

Virginia L. Mullin  
1 Churchill Drive  
Englewood, CO 80110

William L. Floyd, Jr  
16E 77th Street #5A  
New York, New York 10021-1723

Rita Treasa Floyd  
4901 Saratoga Blvd., Apt 828  
Corpus Christi, TX 78413

Leon M. DuCharme Marital Trust  
2617 South Wadsworth Circle  
Lakewood, CO 80277-3220

Rita Mae DuCharme  
2617 South Wadsworth Circle  
Lakewood, CO 80277-3220

B.B.L., Ltd.  
P.O. Box 911  
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States, Inc.  
P.O. Box 911  
Breckenridge, TX 76424-0911

Chateau Energy, Inc.  
5950 Berkshire Ln #275  
Dallas, TX 75225-5846

Cheasapeake Mid-Continent Corp.  
P.O. Box 18496  
Oklahoma City, OK 73154

Richard P. Shooshan, Trustee  
of the Shooshan Family Trust  
686 E. Union St.  
Pasadena, CA 91101-1820

Bernard Hyde Trust,  
Bernard Hyde Trustee  
28242 Yanez  
Mission Viejo, CA 92692-1836

## III. OVERHEAD

## 1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or SEE SCHEDULE I ATTACHED HERETO AND MADE A PART HEREOF  
 ( ) Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

( ) shall be covered by the overhead rates, or  
 (X) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

( ) shall be covered by the overhead rates, or  
 (X) shall not be covered by the overhead rates.

## A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 5,000.00  
 (Prorated for less than a full month)

Producing Well Rate \$ 350.00 \*\*Escalation of producing well rate will not exceed a total of \$750.00.

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

## (a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

## (b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

## B. Overhead - Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:



## Cross Timbers Oil Company

January 21, 1999

Working Interest Owners  
(See attached list)

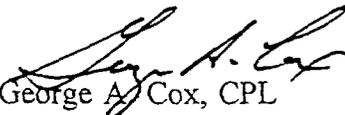
RE: Federal A #1E Well  
W/2 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owners:

On December 18, 1998, I sent you a well proposal along with an AFE and Joint Operating Agreement for the above captioned well. As of the date of this letter I have not received a reply concerning your election. Cross Timbers Oil Company is making plans to drill this well in the near future and we need to know your election pertaining to your interest in this well.

Please let me know if you have any questions concerning our proposal as soon as possible. I will need to make application with the NMOCD for a force pooling hearing and I will need to list any party who has not responded to our proposal. Please contact me as soon as possible.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

WORKING INTEREST OWNERS  
FEDERAL A #1E

Mathias Family Trust dtd 9-9-81  
452 Maidstone Lane  
Thousand Oaks, CA 91320

Virginia L. Mullin  
1 Churchill Drive  
Englewood, CO 80110

Cheasapeake Mid-Continent Corp.  
P.O. Box 18496  
Oklahoma City, OK 73154

Richard P. Shooshan, Trustee  
of the Shooshan Family Trust  
686 E. Union St.  
Pasadena, CA 91101-1820

cc: Ricic ~~1/26~~  
2-199

# Jenkins & Gilchrist

A PROFESSIONAL CORPORATION

FOUNTAIN PLACE  
1445 ROSS AVENUE, SUITE 3200  
DALLAS, TEXAS 75202-2799

(214) 855-4500  
TELECOPIER (214) 855-4300

RECEIVED  
JAN 27 1999  
LAND DEPARTMENT

AUSTIN, TEXAS  
(512) 499-3800  
HOUSTON, TEXAS  
(713) 951-3300  
LOS ANGELES, CALIFORNIA  
(310) 820-8800  
SAN ANTONIO, TEXAS  
(210) 246-5000  
WASHINGTON, D.C.  
(202) 326-1500

WRITER'S DIRECT DIAL NUMBER  
(214) 855-4392

January 25, 1999

Mr. George A. Cox, CPL  
Landman  
Cross Timbers Oil Company  
810 Houston Street, Suite 2000  
Fort Worth, Texas 76102

VIA TELECOPY and  
CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Re: Kutz Federal #12E Well, W/2 Unit; NW/4, Sec. 21-28N-10W, San Juan County,  
New Mexico

*# Federal A/E.*

Dear Mr. Cox:

In accordance with our December 28, 1998 telephone conversation, enclosed please find an Assignment conveying all oil and gas interests located in San Juan County, New Mexico from the Estate of William L. Floyd to William L. Floyd, Jr. and Rita Treasa Floyd, which Assignment was recorded at Book 1245, Page 610, San Juan County, New Mexico. Please revise your records to reflect the foregoing Assignment. Current addresses for the grantees of said Assignment are as follows:

William L. Floyd, Jr.  
16 East 77th Street, #5A  
New York, New York 10021  
Telephone: 212/988-0082

Rita Treasa Floyd  
4901 Saratoga Blvd., #828  
Corpus Christi, Texas 78413  
*512-542-5428*

In addition, please revise the AFE and JOA which you forwarded to Mr. Floyd under cover of December 9, 1998 and relating to the referenced new drill. It is my understanding that Mr. Floyd is prepared to execute said AFE and JOA, provided you first revise Article III.B to read "1/8th of 8/8ths". Mr. Floyd will contact you directly in that regard.

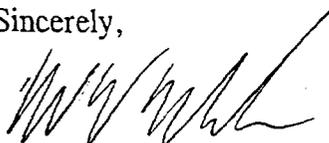
Jenkins & Gilchrist  
A PROFESSIONAL CORPORATION

January 25, 1999

Page 2

Thank you for your kind assistance in this matter. Please contact me, at the number shown above, if you have any questions whatsoever in this regard.

Sincerely,



Wm. Vincent Murchison

WVM/cg

cc: William L. Floyd, Jr.  
Rita Treasa Floyd



# Cross Timbers Oil Company

February 3, 1998

## CERTIFIED MAIL

Rita Treasa Floyd  
4901 Saratoga Blvd., #828  
Corpus Christi, Texas 78413

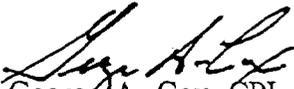
RE: New Drill  
Federal A #1E Well  
W/2 Unit  
NW/4 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owner:

Cross Timbers Oil Company (CTOC), as successor operator to Amoco Production Company, hereby proposes to drill the above captioned well to a depth of 6,700' to the Dakota Formation. Our proposed location is 1190' FNL and 1190' FWL of the Section. Our records indicate that B.B.L., Ltd. has a working interest of 16.5625%. Enclosed please find a copy of our AFE which provides for a dry hole cost of \$196,100 and a completed well cost of \$363,500.

Enclosed also please find a Joint Operating Agreement for this W/2 Unit that covers from the Dakota Formation. Please review the Agreement and should you elect to participate, forward a signed signature page along with an executed AFE to the undersigned. CTOC is prepared to drill this well as soon as possible, so your immediate response would be greatly appreciated. Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosures

cc: Jerry Stadulis            Gary Markstead  
Larry McDonald            Bobby Smith  
Gary Burch



## Cross Timbers Oil Company

February 9, 1999

Working Interest Owners  
(See attached list)

RE: Kutz Federal A #12E Well                      Federal A #1E Well  
      W/2 Section 21-28N-10W                      W/2 Section 32-28N-10W  
      San Juan County, New Mexico                San Juan County, New Mexico

Dear Working Interest Owners:

I have previously sent you a well proposal along with an AFE and Joint Operating Agreement for the drilling of the above captioned wells. As of the date of this letter I have not received a reply concerning your election. Cross Timbers Oil Company will be filing an application with the New Mexico Oil Conservation Division (NMOCD) for a force pooling on these wells in the near future. If I have not received an election from you concerning your interest then you will be listed as a respondent with the NMOCD.

Please let me know if you have any questions concerning our proposals as soon as possible. Feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

WORKING INTEREST OWNERS  
KUTZ FEDERAL A #12E and FEDERAL A #1E WELLS

Mathias Family Trust dtd 9-9-81  
452 Maidstone Lane  
Thousand Oaks, CA 91320

Virginia L. Mullin  
1 Churchill Drive  
Englewood, CO 80110

Chesapeake Mid-Continent Corp.  
P.O. Box 18496  
Oklahoma City, OK 73154

Rita Treasa Floyd  
4901 Saratoga Blvd., Apt 828  
Corpus Christi, TX 78413



## Cross Timbers Oil Company

March 4, 1999

Working Interest Owners  
(See Attached List)

RE: Federal A #1E Well  
W/2 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owners:

Due to surface problems that were encountered in staking the above captioned well, the original location in my proposal letter has changed. The new location for this well will be 1535' FNL and 1055' FWL of the Section. It also appears that we will not be able to drill this well until the 3rd or 4th quarter of this year. I have enclosed a revised page 4 to the JOA for the above captioned well. Please insert this amended page 4 into your agreement. Please contact me prior to March 29, 1999 if you do not agree with this revision.

Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosures

WORKING INTEREST OWNERS  
FEDERAL A #1E

Virginia L. Mullin  
1 Churchill Drive  
Englewood, CO 80110

William L. Floyd, Jr  
16 East 77th Street #5A  
New York, New York 10021-1723

Leon M. DuCharme Marital Trust  
2617 South Wadsworth Circle  
Lakewood, CO 80277-3220

Rita Mae DuCharme  
2617 South Wadsworth Circle  
Lakewood, CO 80277-3220

B.B.L., Ltd.  
P.O. Box 911  
Breckenridge, TX 76424-0911

States, Inc.  
P.O. Box 911  
Breckenridge, TX 76424-0911

Chateau Energy, Inc.  
5950 Berkshire Ln #275  
Dallas, TX 75225-5846

Bernard Hyde Trust,  
Bernard Hyde Trustee  
28242 Yanez  
Mission Viejo, CA 92692-1836



# Cross Timbers Oil Company

March 4, 1999

Working Interest Owners  
(See Attached List)

RE: Federal A #1E Well  
W/2 Section 32-28N-10W  
San Juan County, New Mexico

Dear Working Interest Owners:

Due to surface problems that were encountered in staking the above captioned well, the original location in my proposal letter has changed. The new location for this well will be 1535' FNL and 1055' FWL of the Section. It also appears that we will not be able to drill this well until the 3rd or 4th quarter of this year. I have enclosed a revised page 4 to the JOA for the above captioned well. Please insert this amended page 4 into your agreement.

Should you have any questions, please feel free to contact me at (817) 870-8454.

Sincerely,  
CROSS TIMBERS OIL COMPANY

  
George A. Cox, CPL  
Landman

Enclosures

WORKING INTEREST OWNERS  
FEDERAL A #1E

Mathias Family Trust dtd 9-9-81  
452 Maidstone Lane  
Thousand Oaks, CA 91320

Rita Treasa Floyd  
4901 Saratoga Blvd., Apt 828  
Corpus Christi, TX 78413

Cheasapeake Mid-Continent Corp.  
P.O. Box 18496  
Oklahoma City, OK 73154

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Bernard Hyde Trustee  
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Mission Viejo, CA 92692-1836

ARTICLE V.  
OPERATOR

A. Designation and Responsibilities of Operator:

CROSS TIMBERS OPERATING COMPANY shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees<sup>or contractors</sup> used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees<sup>or contractors</sup> shall be the employees<sup>or contractors</sup> of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.  
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 15 day of December, 19 99, Operator shall commence the drilling of a well for oil and gas at the following location:

NW/4 Section 32-28N-10W, San Juan County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to a depth of 6,700', or to a depth sufficient to test the Dakota Formation.

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

