

**WEST LOVINGTON STRAWN UNIT
WORKING INTEREST OWNERS MEETING
APRIL 13, 1999**

M-2

- I: Introduction
- II Operational Review
- III Unit Expansion and related issues
- IV Proposals
 - 1. Expand Unit to include wells Snyder "EC" & "C" #4
 - 2. Expanded Unit acreage to include tracts as shown in exhibit
 - 3. AFE for 200% reimbursement of well costs.
 - 4. Unit participation formula 80/20; effective date 4/1/99
 - 5. Tract 14 participation
 - 6. Discuss an amendment to gas balancing agreement.
 - 7. Any other matter that may come before the meeting.

BALLOT				
WEST LOVINGTON STRAWN UNIT				
Proposal No. 1:				
Any Unit expansion should include the Snyder "EC" Com Well No.1 and the Snyder "C" Well No. 4				
WORKING INTEREST OWNER	WLSU OWNERSHIP%	APPROVE	DISAPPROVE	ABSTAIN/ABSENT
Abo Petroleum Corporation	0.0876125			
Myco Industries, Inc.	0.0876125			
Yates Drilling Company	0.0876125			
Yates Petroleum Corporation	<u>0.2326263</u>			
Total of Yates	0.4954638			
Adia Enterprises, Inc.	0.7610103			
Cannon Exploration Company	0.0845914			
Charles B. Gillespie, Jr	44.9621486			
J & B Trust	<u>0.7705050</u>			
Total of Charles B. Gillespie, Jr	45.7326536			
Enserch Exploration, Inc.	46.2800373			
Geraldine Anderson Hill	0.1268350			
Hanley Petroleum, Inc.	0.2892716			
Hollyhock Corporation	0.0422957			
Roger & Holly L. Elliott	<u>0.0422957</u>			
Total of Hollyhock	0.0845914			
Lario Oil & Gas	0.2114784			
Leonardo S. Anderson	0.1268350			
Pathfinder Exploration Co.	0.0845914			
Phillips Petroleum Company	4.7300197			
Rio Pecos Corporation	0.0845914			
Tara-Jon Corporation	0.0845914			
Viersen & Cochran	0.2453716			
Visa Industries of Arizona	0.0306833			
William R. Crow	0.5473837			
TOTALS	100.0000003	0.0000000	0.0000000	0.0000000
Signature:				
Printed Name:				
Name of Company:				
Date:				

BALLOT				
WEST LOVINGTON STRAWN UNIT				
Proposal No. 2:				
<u>Any areal expansion of the Unit should be based upon the Technical Committee HPV map and the additional acreage as depicted as tracts 15 through 27 as indicated on said map.</u>				
<u>WORKING INTEREST OWNER</u>	<u>WLSU OWNERSHIP%</u>	<u>APPROVE</u>	<u>DISAPPROVE</u>	<u>ABSTAIN/ABSENT</u>
Abo Petroleum Corporation	0.0876125			
Myco Industries, Inc.	0.0876125			
Yates Drilling Company	0.0876125			
Yates Petroleum Corporation	0.2326263			
Total of Yates	0.4954638			
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BALLOT				
WEST LOVINGTON STRAWN UNIT				
<u>Proposal No. 3: An AFE for the current West Lovington Strawn Unit working interest owners to purchase the Snyder "EC" Com No.1 and Snyder "C" No.4 wells operated by Charles B. Gillespie, Jr. for approximately \$158,497 and \$737,273 respectively. Based on oil and plant liquids production from the two wells and savings from reinjected residue gas, payout to the Unit working interest owners should occur in 9.5 months for the Snyder "EC" Com No.1 and in 7.5 months for the Snyder "C" No.4. Gillespie will pay the royalty owner(s) out of these dollar amounts, leaving Gillespie with 116.5 percent payout on the Snyder "EC" Com No.1 and with a 200 percent payout on the Snyder "C" No.4 including all revenue and costs through April 1, 1999. Gillespie, as working interest owner in the West Lovington Strawn Unit, will pay his proportionate share of these acquisition costs.</u>				
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Abo Petroleum Corporation	0.0876125			
Myco Industries, Inc.	0.0876125			
Yates Drilling Company	0.0876125			
Yates Petroleum Corporation	0.2326263			
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PAYOUT CALCULATIONS BASED ON THE UNIT ACQUIRING WELLS BASED ON 200% PAYOUT STATUS UTILIZING THE WELL FACTOR FORMULA
(100% OF ACTUAL COSTS + WELL FACTOR % TIMES 100% OF ACTUAL COSTS)

SNYDER 'EC' COM WELL NO. 1	ACTUAL COSTS (\$) =				657068
PRODUCTION ESTIMATES	AVER/MONTH	NET FACTOR	NET /MONTH	PRICE	\$/MONTH
	OIL (BBLS)	1094	0.75	821	14.00 11487
	GAS (MCF)	1800	0.00	0	0.00 0
	RES GAS (MCF)	1053	1.00/82	1284	1.90 2440
	LIQ REV (\$)	3166	(.75/82)*.75	2172	1 2172
					16099 TOTAL

PAYOUT STATUS AS OF 3/1/99 (\$) =	-32505
EST. REVENUE FOR MAR-99 (\$) =	12085
EST. PAYOUT STAUS @ 4/1/99 (\$)	-20420 AMOUNT BELOW 100%
200% PAYOUT- DERATED FOR WF (\$) =	128779 WELL FACTOR = 16.491304%
EST. REVENUE - (\$/MO) =	16099
EST. PAYOUT PERIOD - (MONTHS)	8.0

ROYALTY OWNER CONSIDERATION

MINERAL INTEREST =	0.1875	TIMES	128779
MINERAL INTEREST (\$) =	24146		
TOTAL AFE AMOUNT (\$) =	152925		
PAYOUT (MONTHS) =	9.50		

SNY C#4 PAYOUT

PAYOUT CALCULATIONS BASED ON THE UNIT ACQUIRING WELLS BASED ON 200% PAYOUT STATUS UTILIZING THE WELL FACTOR FORMULA
(100% OF ACTUAL COSTS + WELL FACTOR % TIMES 100% OF ACTUAL COSTS)

SNYDER 'C' WELL NO. 4		ACTUAL COSTS (\$) =				786099
PRODUCTION HISTORY		AVER/MONTH		NET FACTOR	NET /MONTH	PRICE \$/MONTH
4/98 - 2/99	OIL (BBLs)	77466	7042	0.75	5282	14.00 73945
4/98 - 2/99	GAS (MCF)	116705	10610	0.00	0	0
4/98 - 2/99	RES GAS (MCF)	74427	6766	1.00	6766	1.90 12856
4/98 - 2/99	LIQ REV (\$)	154717	14065	(.75/.85)*.75	9308	1 9308
						96108 TOTAL

PAYOUT STATUS AS OF 3/1/99 (\$) = 68025
EST. REVENUE FOR MAR-99 (\$) = 96000
EST. PAYOUT STATUS @ 4/1/99 (\$) 164025 AMOUNT ABOVE 100%

REMAINING AMOUNT TO REACH 200% (\$) 622074
EST. REVENUE - (\$/MO) 96108

EST. PAYOUT PERIOD - (MONTHS) 6.5

ROYALTY OWNER CONSIDERATION

MINERAL INTEREST = 0.15625 TIMES 622074
MINERAL INTEREST (\$) = 97199

TOTAL AFE AMOUNT (\$) = 719273

PAYOUT (MONTHS) = 7.48

BALLOT				
WEST LOVINGTON STRAWN UNIT				
Proposal No. 4:				
<u>The participation formula as detailed in the amended Section 13 (A) of the Unit Agreement which bring in tracts based upon an 80% HPV plus a 20% WF (well factor) formula with an effective date as of April 1, 1999.</u>				
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BALLOT				
WEST LOVINGTON STRAWN UNIT				
Proposal No. 5:				
In order to compensate Hanely Petroleum for ownership lost in Tract 15, all owners will contribute a portion of their participating interest as per Section 13 (c) of the amended Operating Agreement.				
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