

July 25, 1985

David M. Poage
Senior Staff Landman
El Paso Exploration Company
P. O. Box 4280
Farmington, New Mexico 87499-4289

Dear Mr. Poage:

Your letter of July 19 indicates that you are not clear as to Lear Petroleum Exploration, Inc.'s ("LPX") intention regarding the captioned well. I am sorry you do not understand LPX's position.

To restate our position:

On the captioned well and this well only, LPX is willing to pay its proportionate share of the reasonable drilling and completion costs without prejudice to the rights and obligations of the parties and their successors under the November 27, 1951 Farmout Agreement, as it may have been amended ("Farmout"). I would expect that a mutually satisfactory Joint Operating Agreement will have to be worked out between LPX, El Paso Exploration Company ("El Paso") and the other parties.

In other words, we desire to participate in the well and will pay our reasonable costs therefor. If, however, it reasonably appears that this well is or should have been an obligation well under the Farmout, LPX would expect to be reimbursed for its costs of drilling and completion.

Specifically regarding the mutual rights and obligations of LPX and El Paso under the Farmout, it appears that the resolution of the status of this agreement is a matter of priority between the Land Departments of our companies.

Please call me if you would like to discuss this further or if further clarification would be helpful.

Very truly yours,

Don W. Moore
Vice President
Drilling and Production

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