

BURLINGTON RESOURCES

SAN JUAN DIVISION

June 16, 1997
Federal Express

Total Minatome Corporation
Attn: Mr. J. Kirby Barry,
VP Gen. Counsel & Land
2 Houston Center, Suite 2000
P.O. Box 4326
Houston, TX 77210-4326

RE: Acreage Support Proposal
Deep Penn Test
Marcotte #2 Well (Section 8)
Scott #24 Well (Section 9)
Sec. 8 & 9, T31N, R10W
Arch Rock Prospect
San Juan County, New Mexico

Dear Mr. Berry:

Thank you for talking with Bobby Kennedy, Land Manager, Burlington Resources Oil & Gas Company (Burlington) last week and agreeing to review Total Minatome Corporation's (Total Minatome) position regarding support for the subject test wells. In an effort to secure your support and minimize the review period, Burlington would like to offer more acceptable Farmout terms (See Option 3 below). Total Minatome, in consideration for Burlington showing its proprietary geology, 2-D and 3-D seismic for the purpose of exploring and drilling the subject Pennsylvanian wells, agrees to do one of the following options in support of the subject wells. Total Minatome and Burlington shall set a mutually agreeable time, on or before June 28, 1997, to show Total's management the Arch Rock prospect geology and seismic which will include a data and well package in Burlington's Farmington office. Total Minatome, after said prospect review, shall have a ten (10) day election period to respond in writing and make an election to do one of the following:

- 1). Participate with its interest in the drilling and completion of a 14,000' Penn Test located in the SE/4 Section 8 and NW/4 of Section 9, T31N, R10W, with an estimated Dry Hole Cost for each well of \$1,713,800.00 and \$603,173.00 completion cost for a total of \$2,316,973.00. The wells will be governed by that certain AAPL Model Form 610-1982 Operating Agreement with a 400% non-consent penalty and no Preferential Right Provision as outlined in my April 22, 1997 and April 29, 1997 formal well proposal's, respectively. This Model Form Operating Agreement will cover a 640 acre drillblock section.
- 2.) Elect a Non-Consent position to the full extent of its interest in the drilling, testing, completing and equipping of the above described wells to allow operator to recoup the 400% Non-Consent Penalty applicable to its proportionate share of all expenditures therefor.

Total Minatome
June 16, 1997
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- 3.) Farmout without warranty of title its interest covering non-productive leasehold rights as set forth on Exhibit "A". The terms and conditions of said Farmout are more fully set out on the attached June 16, 1997, Farmout Letter of Intent Agreement attached to this letter and replaces the April 22, 1997 Farmout Letter previously sent to Total. We have improved the Farmout terms by increasing the override retained by Total Minatome to the difference between the existing royalty and overriding royalty burdens and twenty-five (25%) percent proportionately reduced and the backin after payout shall be thirty (30%) percent. We have also reduced the original farmout acreage by approximately one half.

Burlington is ready to show you the prospect geology as soon as possible in order for you to make your election to item's 1, 2 or 3. Please respond to this proposal within ten (10) days of your receipt or sooner, so we can set up a showing to you next week.

If the above is agreeable to Total Minatome please sign in the space indicated below and return to the undersigned for further handling. We look forward to hearing from you soon and please don't hesitate to call me at (505) 326-9756 or Fax (505) 326-9781, if you should have any questions.

Yours very truly,


James R.J. Strickler, CPL
Senior Staff Landman

JRS/dg
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cc: Deborah Gilchrist-Total
Brad Watts

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

TOTAL MINATOME CORPORATION

By: _____

Title: _____

BURLINGTON RESOURCES

SAN JUAN DIVISION

EXHIBIT "A"

June 16, 1997

Total Minatome Corporation
Attn: Mr. Kirby Berry, VP Gen. Counsel & Land
2 Houston Center, Suite 2000
P.O. Box 4326
Houston, TX 77210-4326

**RE: Farmout Letter of Intent
Sections 4, 5, 6, 7, 8, 9, 15, 16, 17 & 18: T31N, R10W
Arch Rock Prospect
San Juan County, New Mexico**

Gentlemen:

Burlington Resources Oil & Gas Company (hereinafter referred to as "Burlington") hereby requests that you grant a Farmout Agreement of the interest of Total Minatome Corporation (hereinafter referred to as "Total") in the subject lands and leases and more particularly described on Exhibit "A" (Farmout Lands) and "B" (Farmout Leases), insofar as Total'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 August 1, 1997, 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 "B" identifying Total's leasehold acreage 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 Total's interest, if any, within the production unit established for the Initial Test Well, reserving to Total an overriding royalty being the difference between the lease burdens and twenty five (25%) percent, of all oil, gas and other minerals allocated to production from the farmout lease, proportionately reduced.

At payout of said Initial Test Well, Total shall have the option to convert the reserved overriding royalty to a 30% working interest proportionately reduced. Burlington shall notify Total by mail when payout of the earning well occurs, and Total 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. Upon the completion of the Initial Test Well as a commercial producer of oil and/or gas, Total shall also assign an undivided seventy (70%) percent of Total's right, title and interest in the balance of Total's leasehold acreage in the Farmout Lands not covered by the initial earning well above, subject to a continuous drilling program set out in Paragraph 3 and 4 below. The depths assigned shall be limited to those intervals below the Mesaverde Formation to 100' below the stratigraphic equivalent of the deepest depth drilled in the initial well.

- 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 (Development Well) at another location within the Farmout Area, or acreage pooled therewith, within 180 days from the date of drilling rig release on the Initial Test Well, and earn a permanent assignment of Total's interest in the Option Well's production unit. The 180 day continuous development program shall be extended by an additional 180 days 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 reason for this extension is the BLM indicates an Environmental Impact Statement (EIS) may be required in the event a successful discovery well is drilled and completed. This possibility would delay the approval of the permits to drill additional wells on the Farmout lands within the original 180 day time frame. In a like manner, Burlington shall have the continuing right to drill additional Option Wells and earn a permanent assignment of Total's interest in each Option Wells production unit so drilled, provided no more than 180 days are allowed to elapse between the drilling rig release of one Option Well and the commencement of drilling operations on the next Option well, subject to regulatory and other force majeure delays.

- 4) In the event Burlington proposes to drill an Option Well(s) (Development Well), Total shall have a well by well election within (30) days after receipt of Burlington's written proposal to drill said Option Well to either (1) participate with Total's retained thirty (30%) percent working interest proportionately reduced, or (2) elect to go non-consent (400% Penalty) under the Operating Agreement described in item six (6) below. Upon the termination of the continuous drilling program, the interest in the Farmout Area that is not included in a production unit, shall automatically revert to Total, and upon request by Total, Burlington will evidence such reversion by Assignment in recordable form of the applicable portion of the Farmout Lands not contained in a production unit.
- 5) Burlington agrees to use good field practice and industry standards in the drilling of each well. Burlington further agrees to furnish to Total the well data as set out in Total's Well Data Requirement Sheet (limited to data scheduled to be obtained in Burlington's drilling and completion program).
- 6) Total and Burlington agree to enter into a definitive Farmout Agreement that will 1) describe in more detail the terms and conditions under which Total is farming out its lands to Burlington, 2) include as an exhibit an AAPL Model Form 610-1982 Operating Agreement with a 400% non-consent penalty and no preferential right provision, being the same Model Form Operating Agreement agreed to by and between Total and Burlington in that certain Letter Agreement dated April 1, 1997 and 3) supersede and replace this Option Farmout Letter of Intent in its entirety.
- 7) Burlington's only penalty for failure to timely drill the Initial Test Well will be a forfeiture of Burlington's right to earn an assignment of Total's leasehold interest under this Agreement.
- 8) In the event Burlington is unable to reach the intended depth 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.

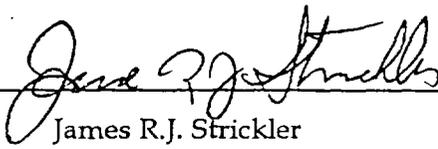
- 9) Burlington may assign part of any interest earned hereunder to Conoco Inc., but may not assign part of any such interest to any other party without the consent of Total.

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 Total 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 Option Farmout Letter of Intent meets with your approval, please execute a copy of same and return to the undersigned within fifteen (15) 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

By: 
James R.J. Strickler
Senior Staff Landman

JRS/dg
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AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 1997.

TOTAL MINATOME CORPORATION

By: _____

Title: _____

EXHIBIT "A"

FARMOUT LANDS

SECTIONS 4,5,6,7,8,9,15,16,17 & 18, T31N, R10W
SAN JUAN CO., NEW MEXICO

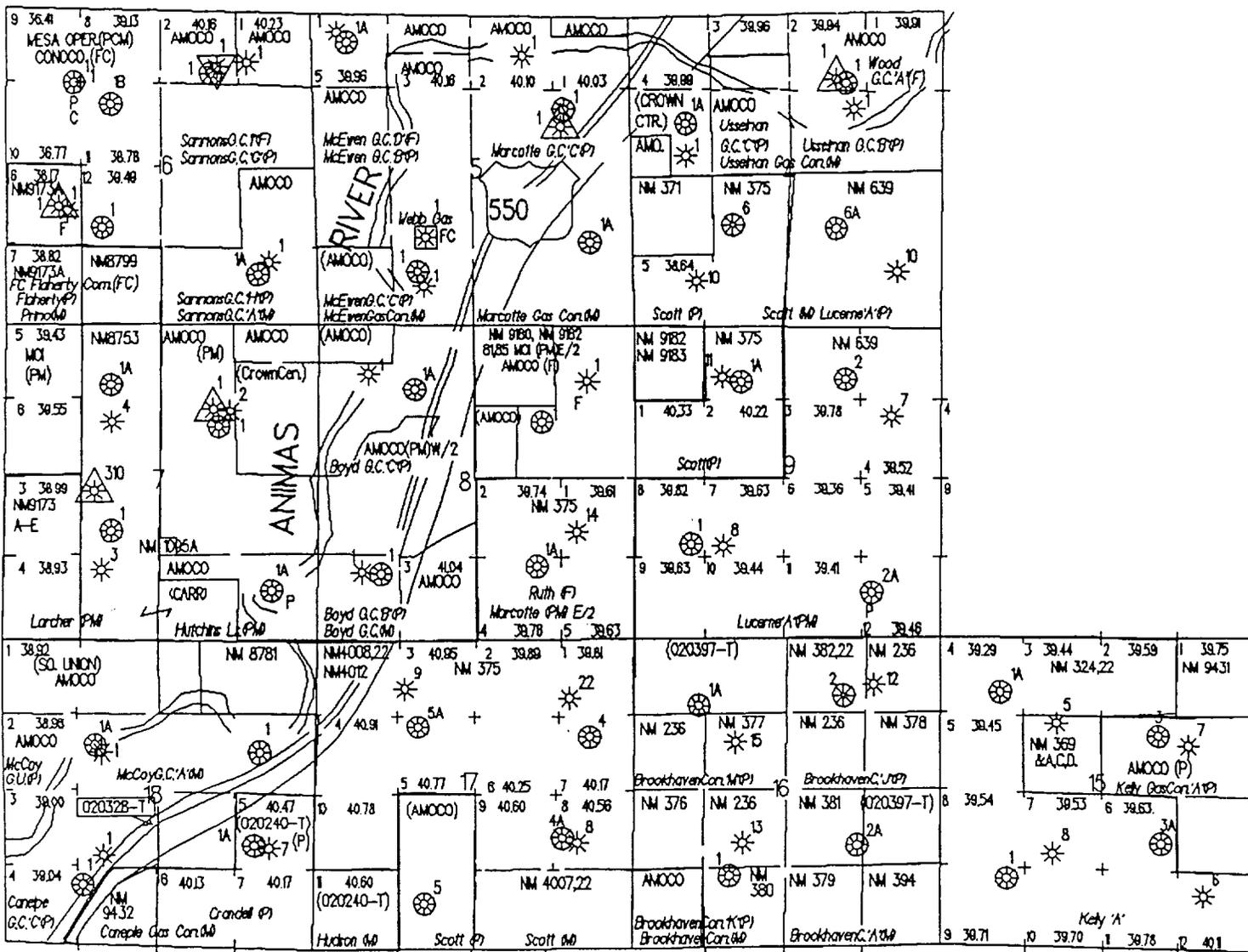


EXHIBIT "B"

**TOTAL MINATOME CORPORATION
ARCH ROCK PROSPECT**

	GROSS ACRES	NET ACRES
<u>Township 31 North, Range 10 West, N.M.P.M.</u>		
Section 4: Lot 5, E/2 SW/4, NW/4 SW/4 and Part SW/4 NW/4	118.64 50.00	22.245 8.856
Section 8: Lots 1,2,4 and 5	158.74	29.764
Section 9: Lots 1,2, NE/4 NW/4	120.55	22.603
Section 15: SE/4 NW/4	40.00	7.500
Section 16: NW/4 NE/4, SE/4 NE/4, SE/4 NW/4 NW/4 SW/4, SE/4 SW/4, NW/4 SE/4, SE/4 SE/4, SW/4 SE/4, SW/4 SE/4	280.00	47.836
Section 17: Lots 1 thru 10	404.63	75.868
Total Gross Acres	1212.56	
	Gross Acres, More or Less	
Total Net Acres	221.50	
	Net Acres, More or Less	

***Insofar and only insofar as said lands and leases covers depths below the base of the Mesaverde Formation.**

***It is the intent of Total Minatome Corporation (Total) to Farmout all their Leasehold, Right, Title and interest of Total's in the described Lands and Leases in this Exhibit "A", whether such Exhibit "A" fails to include or inaccurately sets forth the description of Lands or interest under the subject Lands and Leases.**