

M. CRAIG CLARK

Certified Professional Landman, ESA

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September 3, 1999

Mr. James A. Davidson
P.O. Box 494
Midland, Texas 79702

Re: S/2 NW/4, NE/4 SW/4
Section 18, T-20-S, R-39-E
Lea County, New Mexico

Dear Mr. Davidson:

I represent EnerQuest Oil & Gas, LLC who has drilled and completed two wells on the subject lands. The first well, the McCasland #1 is located in NE/4 SW/4 and was a 7,600' Abo test. When the well was drilled, Pioneer Natural Resources USA, Inc, the operator at that time, tested the Abo formation, but chose to complete the well in the Tubb formation. Due to the low prices at the beginning of this year, the Tubb was temporarily abandoned and the well was completed in the Blinberry formation. At the time the Tubb was TA'd, it was still a commercially productive zone. Currently the well produces 500 MCF a day out of the Blinberry formation. EnerQuest has just recently drilled the McCasland #2 well to 7,615' in the SE/4 NW/4 and appears that it will be productive in the Abo formation.

EnerQuest has two problems dealing with the depth severance and the lack of a continuous development provisions in your lease that need to be resolved. The first question to be resolved are the rights to the Tubb & Abo formations in the McCasland #1 well. EnerQuest plans to go back and produce these formations when the Blinberry is depleted. The second issue deals with the undrilled portion of your lease in the SW/4 NW/4.

I believe that the easiest way to resolve these issues would be the execution of the enclosed amendment. This amendment replaces your pugh clause with one that allows for drilling 180 days after the expiration of the primary term and limits the rights from the surface to T.D..

If the amendment is agreeable to you please execute it and return it to me at the letterhead address. Should you require any additional information, please let me know.

Very truly yours,


M. Craig Clark

EXHIBIT "E-3"

AMENDMENT OF OIL AND GAS LEASE

STATE OF NEW MEXICO X
COUNTY OF LEA X

WHEREAS, **ENERQUEST OIL & GAS, LLC**, hereinafter referred to as Lessee is now the owner and holder of that certain Oil and Gas Lease dated October 25, 1996, as recorded in Volume 765, Page 232 of the records of Lea County, New Mexico between **James A. Davidson, etux**, as Lessor and **EnerQuest Resources, LLC**, as Lessee covering the following described lands located in Lea County, New Mexico:

S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E

reference to which and the record thereof being hereby made and herein called "the Lease", and,

WHEREAS, Lessor and Lessee desire to amend the Lease as to depths and acreage covered.

NOW THEREFORE in consideration of the premises and the sum of Ten Dollars cash (\$10.00) and other good and valuable consideration in hand paid to Lessor by Lessee, Lessor and Lessee agree that the lands covered by the Lease are hereby amended to be the following:

NE/4 SW/4 of Section 18, T-20-S, R-39-E, Lea County, New Mexico from the surface down to 6,878 feet, and,

SE/4 NW/4 of Section 18, T-20-S, R-39-E, Lea County, New Mexico from the surface down to 7,655 feet.

It is further agreed and understood that Lessee hereby releases unto to Lessor all other depths and acreage in the Lease except for the above described lands.

In addition, it is hereby agreed that Paragraph 12 of the Lease is hereby deleted in its entirety.

The Lease as herein amended shall continue in full force and effect and Lessor grants, leases and lets to the Lessee its successors and assigns the land described in and covered by the Lease upon all the terms and provisions set out in the Lease as herein amended.

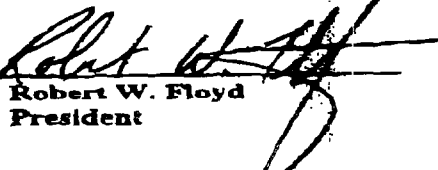
EXECUTED this 11th day of November, 1999.


James A. Davidson


Sandra Davidson

ENERQUEST OIL & GAS, LLC

By:


Robert W. Floyd
President