

November 2, 2001

Frank King  
4580 Belfort Place  
Dallas, TX 75205

RE: Kaempf #1E Well, your MV Interest  
T30N, R11W, Section 19: S/2, San Juan County, NM

Dear Mr. King:

Thank you for taking my call on October 31. We are anticipating a Mesa Verde completion in the above referenced well. Since you would prefer to not participate in the zones in which you own the minerals, San Juan Basin Properties LLC (SJB) offers you the following: A two-year lease, 1/8 royalty interest, no bonus, restricted from the base of the Pictured Cliffs Formation to the top of the Dakota. Said lease shall be a paid up lease form. We attach a copy here for your review.

If this is appropriate, then we will forward you a lease for your signature and acknowledgement. Let us know how you would like to proceed.

Regarding your interest in the SG Fruitland well in which you own the minerals, I would suggest that you sign an affidavit of non payment of royalty, stipulating that the royalty due under the terms of the OGL from you to Rodney Calvin, dated August 27, 1972, (714/40) has not been paid since 1990 or late 1980's. That is when we show last production on the lease. Therefore, the lease should have been void since the early 1990's. Then, I propose that SJB lease your minerals under the following terms: 25% royalty interest to you, effective date of first production, no bonus, and restricted from the surface of the earth to the Base of the Pictured Cliffs Formation. SJB will be responsible for drawing up the documents, demand letters to SG, and legal or other assorted costs associated with the perfecting of title on this matter. SJB retains the option to cease such efforts for perfection of title and payment of revenues to SJB and you at such time that SJB determines necessary, without prior written notice to you.

Please contact me if you have any questions or comments about this proposal and the materials you requested.

Very Truly Yours,  
SAN JUAN BASIN PROPERTIES LLC

Jerry McHugh, Jr.

Enclosures as indicated

**BEFORE THE  
OIL CONSERVATION DIVISION**  
Case No. 12796 Exhibit No. 8  
Submitted By:  
San Juan Resources  
Hearing Date: February 21, 2002

CC